Elenia Finance Oyj

Financial Statements

1 January 2014 - 31 December 2014

Business ID 2584057-5

Unofficial translation from Finnish to English

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1 Elenia Finance Group, Report of the Board of Directors 2014

Elenia Finance Group's business operations

Elenia Finance Group's purpose is facilitating financing and providing cash management and financial services for Elenia Group entities and parent companies.

Financing

In July 2014 Elenia Finance Oyj issued EUR 120 million bond and EUR 20 million bond, which are due in 2026, and EUR 120 million note, which is due in 2034. In August Elenia Finance Oyj issued EUR 25 million bond, which is due in 2029. In September Elenia Finance Oyj issued EUR 13 million bond and EUR 35 million note, which are due in 2034.The bonds and notes are issued under a multicurrency bond program. The bonds are listed on the London Stock Exchange. The obligations of Elenia Finance under the program are irrevocably and unconditionally guaranteed by Security Group (as defined in the Prospectus), including Elenia Oy, Elenia Lämpö Oy and Elenia Palvelut Oy.

Number of employees

The Group employed two persons during 2014. Close cooperation with other Elenia Group companies is an integral part of the Elenia Finance Group's operations.

Financial result

Elenia Finance Group's total revenue in 2014 was EUR 447.4 thousand (37.7 thousand in 2013). EBITDA in 2014 was EUR -15.7 thousand (EUR -87.1 thousand). Operating loss was EUR 333.0 million (EUR -647.4 million) and the loss for the year was EUR 360.7 million (EUR -649.2 million).

Acquisitions and divestments

There were no material acquisitions or divestments during the period.

Corporate governance

Elenia Finance Oyj's Board of Directors convened nine times in 2014. Members of the Board of Directors during the period were Tapani Liuhala (Chairman), Aapo Nikunen and Timo Talvitie.

Shares

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

Registration of negative equity

The company has registered negative equity on 9 January 2014.

Corporate responsibility

Elenia Finance as a member of Elenia Group is subject to its health and safety policy. The policy stipulates that its employees and business partners must be provided the opportunity to work in a safe, healthy and motivating work environment. In addition to complying with applicable laws, regulations, codes of practice and industry standards, the Elenia Group promotes a culture of occupational health, wellbeing and safety in all of its activities by setting goals, targets and action programmes in accordance with the spirit of continuous improvement.

Environmental matters

In line with its strategy, the Elenia Finance Group takes safety and the environment into consideration in all decision-making, including through the development and use of Elenia Group's Environmental Policy for sustainable development.

Risks and risk management

Within the Elenia Group, the Procurement Coordination and Risk Management team is responsible for coordinating risk management. This includes the identification, prioritisation and mitigation of risks in cooperation with business units and other group functions. The Procurement Coordination and Risk Management team of Elenia Group is also responsible for the insurance policies of the Elenia Finance Group and for handling claims made under such insurance policies through the services of an insurance broker.

Elenia Group's Treasury policy, approved by the Board of Directors, defines financial risk management governance, responsibilities and processes for reporting risks and risk management. Treasury Policy defines principles covering 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's financial risk management.

Events after the balance sheet date

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

Outlook

The development of operations at Elenia Group has an effect on company's business and financial status. The company expects that obligations relating to outstanding bonds will be met by group contributions, subscription of additional equity and/or loans from the other group companies. The principal business of Elenia Group is electricity distribution, which is based on a license awarded by Energy Authority. In accordance with the terms of the license, the holder of license is awarded exclusive right in its geographical area to carry out electricity distribution business. In addition to electricity distribution, there are district heating operations at Elenia Group, which is also stable business.

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 2014	21 Nov - 31 Dec 2013
Revenue		447	38
Materials and services		-	-104
Employee benefit expenses	2	-227	-8
Depreciation and amortisation	3	-333 000	-647 330
Other operating expenses	1	-236	-13
Operating profit		**-333 016**	**-647 417**
Finance income		0	-
Finance costs		-27 386	-820
Finance income and costs	4	**-27 385**	**-820**
Loss before tax		**-360 401**	**-648 237**
Income tax	5	-264	-948
Loss for the period		**-360 665**	**-649 184**

Consolidated statement of other comprehensive income

EUR 1,000	1 Jan - 31 Dec 2014	21 Nov - 31 Dec 2013
Loss for the period	**-360 665**	**-649 184**
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	-	-
Income tax effect	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net movement of cash flow hedges	-	-
Net (loss)/gain on available-for-sale financial assets	-	-
Income tax effect	-	-
Other comprehensive income for the period after tax	-	-
Total comprehensive income for the period	**-360 665**	**-649 184**

Consolidated statement of financial position

	Note	31 Dec 2014	31 Dec 2013
EUR 1,000			
Assets			
Non-current assets			
Investments	7	0	0
Total non-current assets		**0**	**0**
Current assets			
Trade receivables	6	-	38
Other current receivables	6	7 728	5 609
Cash and cash equivalents		1 524	84
Total current assets		**9 252**	**5 730**
Total assets		**9 252**	**5 730**
Equity and liabilities			
Equity			
Share capital		80	80
Retained earnings		-975 561	-643 584
Total equity		**-975 481**	**-643 504**
Non-current liabilities			
Bonds	7	976 282	644 468
Deferred tax liabilities	5	1 205	944
Total non-current liabilities		**977 487**	**645 412**
Current liabilities			
Trade payables	8	128	73
Accrued expenses	8	7 077	3 649
Other current liabilities	8	41	101
Total current liabilities		**7 246**	**3 822**
Total equity and liabilities		**9 252**	**5 730**

Consolidated statement of Cash Flows

EUR 1,000	1 Jan - 31 Dec 2014	21 Nov - 31 Dec 2013
Operating activities		
Loss for the period	-360 665	-649 184
Adjustments to reconcile loss to net cash flows		
Depreciation, amortisation and impairment	333 000	647 330
Finance income	0	-
Finance costs	27 386	820
Taxes	264	948
Other adjustments	-	80
Working capital adjustments		
Increase (+) / decrease (-) in trade and other current liabilities	-137	-
Increase (-) / decrease (+) in trade and other current receivables	123	-
Interests received	0	-
Interests and financial expenses paid	-20 530	-
Net cash flows from operating activities	**-20 559**	**-7**
Investing activities		
Changes in investments	-333 000	-647 330
Net cash flows from investing activities	**-333 000**	**-647 330**
Financing activities		
Capital increase	-	93
Proceeds from long-term borrowings	333 000	650 000
Payment of debt arrangement costs	-4 600	-2 672
Group contributions received and paid	26 600	-
Net cash flows from financing activities	**355 000**	**647 421**
Net increase in cash and cash equivalents	**1 441**	**84**
Cash and cash equivalents 1.1.	84	0
Change in cash and cash equivalents	1 441	84
Cash and cash equivalents 31.12.	**1 524**	**84**

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 non-restricted equity	Available for sale reserve (Fair value fund)	Cash-Flow hedge fund (Fair value reserve)	Retained earnings	Total equity
Equity at 1 January 2013	-	-	-	-	-	-
Comprehensive income						
Profit for the year	-	-	-	-	-649 184	-649 184
Other components of comprehensive income (adjusted by tax effect)						
Cash flow hedging	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-
Change in defined benefit plans	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-649 184	-649 184
Transactions with shareholders						
Increase	80	-	-	-	5 600	5 680
Total transactions with shareholders	80	-	-	-	5 600	5 680
Equity at 31 December 2013	**80**	**-**	**-**	**-**	**-643 584**	**-643 504**
Equity at 1 January 2014	80	-	-	-	-643 584	-643 504
Comprehensive income						
Profit for the year					-360 665	-360 665
Other components of comprehensive income (adjusted by tax effect)						
Cash flow hedging						-
Available-for-sale financial assets						-
Change in defined benefit plans						-
Total comprehensive income for the period	-	-	-	-	-360 665	-360 665
Transactions with shareholders						
Increase	-	-	-	-	28 688	28 688
Total transactions with shareholders	-	-	-	-	28 688	28 688
Equity at 31 December 2014	**80**	**-**	**-**	**-**	**-975 561**	**-975 481**

Increase of EUR 28,688 thousand (2013: EUR 5,600 thousand) in retained earnings comprises of group contribution received from Elenia Oy and Elenia Heat Oy.

ACCOUNTING POLICIES APPLIED TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Description of business operations

Elenia Finance Oyj is a Finnish limited liability company domiciled in Helsinki (address: televisiokatu 4 A). Elenia Finance Oyj's parent company is Elenia Oy, a company duly incorporated under the laws of Finland and having its registered office at Patamäenkatu 7, 33900 Tampere.

The consolidated financial statements are consolidated in the financial statements of Elenia Oy, available at the following address: Patamäenkatu 7, 33900 Tampere..

Elenia Finance Group's purpose is to carry on financing activities and provide cash management and financing services to Elenia Group and parent companies.

The Board of Directors approved the financial statements on the 20 March 2015. The shareholders have the right either to approve, reject or change the financial statements in the Annual General Meeting.

2.1 Significant accounting policies

The Elenia Finance Group's consolidated financial statements for the year ended 31 December 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (IFRIC) approved for application within the EU. The financial statements are compliant with the provisions of the Finnish Accounting Act and other regulations governing the preparation of financial statements in Finland.

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

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

2.2 Comparability with previous year figures

As the Group was established on 21 November 2013 figures for 2013 are not fully comparable.

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 2014. The nature and the impact of each new standard and amendment are described below:

Amendments to IFRS 7 Financial Instruments: Disclosures and IAS 32 Financial Instruments: Presentation

The amendments to IFRS 7 concerning the disclosure of financial assets and financial liabilities which have been set off are effective for annual periods beginning on or after 1 January 2013. The amendments to IAS 32 clarify the requirements for offsetting financial assets and financial liabilities and are effective for annual periods beginning on or after 1 January 2014. These amendments have been endorsed by the EU.

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

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements (revised)

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

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

Amendments: IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amended standards are effective for annual periods beginning on or after 1 January 2014. The EU has endorsed the standard amendments.

The investment entities amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity.

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

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures (revised)

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

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

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

IFRS 12 Disclosures of Interests in Other Entities

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

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

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

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

Amendment: IAS 36 Impairment of Assets

The amended standard is effective for annual periods beginning on or after 1 January 2014. The EU has endorsed the standard amendment in December 2014.

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

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

Amendment: IAS 39 Financial Instruments: Recognition and Measurement

The amended standard is effective for annual periods beginning on or after 1 January 2014. The EU has endorsed the standard amendment in December 2014.

The amendment allows the continuation of hedge accounting when there is a change in counterparty to a hedging instrument arising as a consequence of laws and regulations and there are no other changes to the terms of the original derivative.

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

IFRIC 21 Levies

The interpretation is effective for annual periods beginning on or after 1 January 2014. The EU has endorsed the interpretation in 2014.

The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers the payments, as identified by the relevant legislation, occurs.

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

2.4 Basis of consolidation

The consolidated financial statements comprise the parent company Elenia Finance Oyj and its subsidiaries which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee.

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

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

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

The subsidiaries do not have non-controlling interests.

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 Revenue recognition

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

2.5.3 Other operating income

Other operating income includes ordinary income from non-operating activities.

2.5.4 Borrowing costs

Currently Elenia Finance has not recognised the borrowing costs in balance sheet, as there are no qualifying assets.

2.5.5 Trade receivables

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

2.5.6 Cash and cash equivalents

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

2.5.7 Taxes

2.5.7.1 Current income tax

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

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

2.5.7.2 Deferred tax

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

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

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

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

2.5.8 Financial instruments – initial recognition and subsequent measurement

Classification of current and non-current assets and liabilities

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

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

2.5.8.1 Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

2.5.8.1.1 Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement.

2.5.8.1.2 Loans and receivables

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

2.5.8.1.3 Available-for-sale financial investments

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

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

2.5.8.1.4 Derecognition of financial assets

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

2.5.8.2 Impairment of financial assets

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

2.5.8.2.1 Financial assets carried at amortised cost

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. (Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

2.5.8.2.2 Available for sale financial investments

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

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

2.5.8.3 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:

2.5.8.3.1 Financial liabilities at fair value through profit or loss

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

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

2.5.8.3.2 Loans and borrowings

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

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

2.5.8.3.3 Derecognition

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

2.5.8.4 Fair value measurement of financial instruments

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

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

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

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

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

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

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

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

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

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

2.5.8.5 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

2.5.8.5.1 Cash flow hedges

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

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

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

2.5.9 Segment reporting

The Group consists only one segment.

2.5.10 New and amended standards and interpretations issued but not yet effective

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

IFRS 9 Financial Instruments

The new standard IFRS 9 will be effective for annual periods beginning on or after 1 January 2018, early application is permitted. Since the new standard is still subject to endorsement by the EU, early application is not permitted in the EU. IFRS 9 will completely replace the existing IAS 39 Financial Instruments: Recognition and Measurement.

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

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

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

The 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

The new standard is effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. The standard is still subject to endorsement by the EU.

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.

Amendment: IAS 1 Presentation of Financial Statements - Disclosure Initiative

The amended standard is effective for annual periods beginning on or after 1 January 2016. The standard amendment is still subject to endorsement by the EU.

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.

Amendment: IAS 19 Employee Benefits - 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 amendment in December 2014.

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

Annual improvements to IFRSs (2010 – 2012, 2011 – 2013 Cycles)

The following annual improvements to IFRSs are effective mainly for annual 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 1 First-time Adoption of IFRSs
The amendment clarifies the meaning of effective IFRS.

IFRS 2 Share-based Payment
The amendment clarifies the definition of vesting conditions.

IFRS 3 Business Combinations
The amendment clarifies the accounting for contingent consideration in a business combination. It also specifies that joint arrangements are outside the scope of IFRS.

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.

IFRS 13 Fair Value Measurement

The amendment clarifies the valuation of short-term receivables and payables and defines that paragraph 52 is applied not only to financial assets and liabilities but also to other contracts within the scope of IFRS 9.

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.

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.

Annual improvements to IFRSs (2012 – 2014 Cycle)

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

IFRS 5 Non-current Assets Held for Sale

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

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 Reports

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

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

IFRS 14 Regulatory Deferral Accounts

Amendment: IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

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

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

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

Amendments: IAS 16 and IAS 41 concerning the accounting treatment of biological assets

Amendment: IAS 27 Equity Method in 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 critical accounting estimates and assumptions are described below.

3.1 Deferred taxes

The Group has deferred tax assets and liabilities which are expected to be realised through the income statement over certain periods of time in the future. The calculation of deferred tax assets and liabilities involves making certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis. (Note 5)

3.2 Accounting judgements

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

Note 1

Other operating income and expenses

Other operating expenses EUR 1,000	2014	2013
External services	-171	-4
IT and communication expenses	-3	-
Other expenses	-62	-9
Total	**-236**	**-13**

Audit fees EUR 1,000	2014	2013
Auditing fees	22	-
Fees for other services	-	108
Total	**22**	**108**

Ernst & Young was appointed as the auditor until the Annual General Meeting held in the 2015 reporting period.

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

Note 2

Employee benefits expense

EUR 1,000	**2014**	**2013**
Salaries and remuneration	-197	-8
Pensions		
Defined contribution plans	-28	-
Social security costs	-3	-
Total	**-227**	**-8**

In 2013 the total remuneration paid by Elenia Finance Group to its employees consists of accrued short-term performance bonus schemes.
All employees of Elenia Finance Group are included within the scope of the performance bonus scheme.

Note 3

Depreciation, amortisation and impairment

EUR 1,000	**2014**	**2013**
Impairment of investments in Elenia Holdings S.à.r.l.	-333 000	-647 330
Total	**-333 000**	**-647 330**

Note 4

Finance income and costs

EUR 1,000	2014	2013
Interest expenses		
Loans	-25 103	-798
Other interest expenses	0	-
Total interest	**-25 103**	**-798**
Other finance costs	-2 280	-22
Exchange rate differences	-2	-
Total finance costs	**-27 386**	**-820**
Interest income		
Other interest income	0	-
Other finance income	0	-
Total finance income	**0**	**-**
Finance costs (net)	**-27 385**	**-820**

Finance income and costs

Interest expenses include interest expenses on interest-bearing loans.

Note 5

Income tax

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

Consolidated statement of profit or loss

EUR 1,000	**2014**	**2013**
Current income tax charge	-3	-3
Deferred taxes	-260	-944
Income tax expense reported in the statement of profit or loss	**-264**	**-948**

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

	2014	**2013**
Profit before tax	**-360 401**	**-648 237**
Tax calculated using the nominal tax rate of 20.0% (2013: 24.5%)	72 080	158 818
- expenses that are non-deductible in taxation	-66 602	-158 602
- taxable income recognized directly in equity	-5 738	-1 372
- unrecognized deferred tax assets from taxation losses	-4	-3
- change in deferred tax rate	-	212
Income tax in the income statement	**-264**	**-948**

The tax rate according to the income statement was 0.1% (2013: 0.1%)

Change in deferred tax liabilities in 2014

Deferred tax liabilities **EUR 1,000**	Balance sheet 31 Dec 2013	Recognised in the income statement	Recognised in other components of comprehensive income	Balance sheet 31 Dec 2014
Interest-bearing liabilities	944	260	-	1 205
Depreciation differences	-	-	-	-
Measurement of assets at fair value in acquisition	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Total	**944**	**260**	**-**	**1 205**
Offset by deferred tax receivables				-
Deferred tax liabilities total				**1 205**

Change in deferred tax liabilities in 2013

Deferred tax liabilities **EUR 1,000**	Balance sheet 31 Dec 2012	Recognised in the income statement	Recognised in other components of comprehensive income	Balance sheet 31 Dec 2013
Interest-bearing liabilities	-	944	-	944
Depreciation differences	-	-	-	-
Measurement of assets at fair value in acquisition	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Total	**-**	**944**	**-**	**944**
Offset by deferred tax receivables				-
Deferred tax liabilities total				**944**

Note 6

Trade and other current receivables

EUR 1,000	2014	2013
Trade receivables	-	38
Accrued income and prepaid expenses	7 728	5 609
Total trade and other receivables	**7 728**	**5 647**

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	2014	2013
Not fallen due	-	38
Due for 1–90 days	-	-
Due for 91-180 days	-	-
Due for more than 181 days	-	-
Total	**-**	**38**
Uncertain receivables	-	-
	-	**38**

All trade receivables are denominated in euro.

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

Break-down of accrued income and prepaid expenses

EUR 1,000	2014	2013
Group contribution receivable from Elenia Oy	7 688	-
Group contribution receivable from Elenia Heat Oy	-	5 600
Other accrued income	40	9
	7 728	**5 609**

Carrying amounts of financial assets and liabilities by category

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	6	-	-	-	-	-	-
Available-for-sale financial assets	9	-	0	-	-	0	-
Cash and cash equivalents		1 524	-	-	-	1 524	-
Total Current assets		**1 524**	**0**	**-**	**-**	**1 524**	**-**
Carrying amount by category		**1 524**	**0**	**-**	**-**	**1 524**	**-**
Non-current financial liabilities							
Bonds and notes	9	-	-	-976 282	-	-976 282	-1 077 793
Total interest-bearing non-current liabilities		**-**	**-**	**-976 282**	**-**	**-976 282**	**-1 077 793**
Current financial liabilities							
Trade payables	8	-128	-	-	-	-128	-
Total current financial liabilities		**-128**	**-**	**-**	**-**	**-128**	**-**
Carrying amount by category		**-128**	**-**	**-976 282**	**-**	**-976 410**	**-1 077 793**

Values at 31 December 2013							
Balance sheet item, EUR 1,000	Note	Loans and other receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives qualified for hedge accounting	Carrying amounts by balance sheet items	Fair value
Current financial assets							
Trade receivables and other non-interest-bearing receivables	6	38	-	-	-	38	-
Available-for-sale financial assets	9	-	0	-	-	0	-
Cash and cash equivalents		84	-	-	-	84	-
Total Current assets		**121**	**0**	**-**	**-**	**121**	**-**
Carrying amount by category		**121**	**0**	**-**	**-**	**121**	**-**
Non-current financial liabilities							
Bonds	9	-	-	-644 468	-	-644 468	-644 468
Total interest-bearing non-current liabilities		**-**	**-**	**-644 468**	**-**	**-644 468**	**-644 468**
Current financial liabilities							
Trade payables	8	-73	-	-	-	-73	-
Total current financial liabilities		**-73**	**-**	**-**	**-**	**-73**	**-**
Carrying amount by category		**-73**	**-**	**-644 468**	**-**	**-644 541**	**-644 468**

Cash at banks and on hand Elenia had short-term bank deposits amounting to EUR 1.5 million. All bank deposits were denominated in Euro.

Financial liabilities Interest-bearing liabilities grew by EUR 331.8 million during the year, and interest-bearing liabilities at the balance sheet date totalled EUR 976.3 million.

Bonds The fair value of the bonds have been calculated using the market values at the balance sheet date. While calculating the fair value of the bonds without market value the market values of the corresponding bonds have been used.

The fair value of short-term trade receivables and payables and cash and cash equivalents is not presented as the carrying amount is a reasonable approximation of fair value.

Note 8

Trade and other current payables

EUR 1,000	**2014**	**2013**
Trade payables	128	73
Accrued expenses		
Interest expenses	5 373	798
Other accrued expenses	1 704	2 851
Other liabilities		
VAT liability	27	97
Other liabilities	14	4
Total	**7 246**	**3 822**

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 service purchases as well as deferred financing items.

Note 9

Fair value of financial assets and liabilities

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.
Due to the nature of terms of the bond programme of Elenia Finance Oyj, the investment in Elenia Holdings S.à.r.l. is not expected to generate return.

As at 31 December 2014, 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	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Financial instruments, current assets								
Available-for-sale financial investments	-	-	-	-	0	0	0	0
Total	**-**	**-**	**-**	**-**	**0**	**0**	**0**	**0**

Financial liabilities	**Level 1**		**Level 2**		**Level 3**		**Total**	
EUR 1,000	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Financial instruments, non-current liabilities								
Interest-bearing liabilities	-1 077 793	-644 468	-	-	-	-	-1 077 793	-644 468
Total	**-1 077 793**	**-644 468**	**-**	**-**	**-**	**-**	**-1 077 793**	**-644 468**

Note 10

Commitments and contingencies

Other commitments **EUR 1,000**	**2014**	**2013**
Registered floating charges:		
Provided on behalf of own and Group liabilities	**4 500 000**	**4 500 000**

Note 11

Equity

Share capital Note 4 in Parent company financial statements
The shares are issued and fully paid

Earnings per share

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

	2014	**2013**
Profit attributable to equity holders of the parent, EUR	-360 664 680	-649 184 209
Average number of shares, pcs	100	100
Earnings/share, EUR - basic= diluted	**-3 606 647**	**-6 491 842**

Note 12

RELATED PARTY DISCLOSURES

Shareholders

All shares in Elenia Finance Oyj are owned by Elenia Oy.

Subsidiaries and associates

Elenia Finance Oyj owns all shares in Elenia Finance (SPPS) S.à.r.l. in Luxembourg.

Senior Management

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

Business transactions

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

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

Note 13

Events after the reporting period

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

Note 14

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's Treasury unit is responsible for financial risk management.

Currency risk

Elenia Finance operates in Finland and uses the euro as its primary operating currency. Elenia Finance's currency risk is based on purchases services denominated in currencies other than the euro. The purchases of services denominated in currencies other than the euro have a negative effect on Elenia Finance's result and cash flow in the event that the currencies in question appreciate against the euro. As the Group's purchasing operations are currently primarily denominated in euro, the currency risk related to purchasing is low.

Elenia Group has guidelines for the management of currency risk as part of the purchasing policy. According to the guidelines, currency risks that have an impact on profit or loss are hedged either operationally through contractual currency rate clauses or, if that is not possible, through forward contracts concluded by the Treasury unit.

Operating profit do not include exchange rate differences. Finance income and costs include EUR 2.4 thousand exchange rate losses (2013: EUR 0.0 thousand).

Liquidity risk

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

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

At the balance sheet date the Group had no unused credit facilities. Elenia Finance has a possibility to issue further bonds under its EUR 3,000 million Multicurrency Programme for the Issuance of Bonds. The Cash and cash equivalents amounted to EUR 1.5 million euros.

Refinancing risk

In July 2014 Elenia Finance Oyj issued EUR 120 million bond and EUR 20 million bond, which mature in 2026, and EUR 120 million note, which matures in 2034. In August Elenia Finance Oyj issued EUR 25 million bond, which matures in 2029. In September Elenia Finance Oyj issued EUR 13 million bond and EUR 35 million note, which mature in 2034. Elenia Finance Oyj used the proceeds of the bonds and notes to make an equity investment in Elenia Finance (SPPS) S.a.r.l., its wholly owned subsidiary. Elenia Finance (SPPS) then lent the amount of the proceeds to Elenia Holdings through a subordinated profit-participating security (the SPPS). Elenia Holdings used the amounts under the SPPS to subscribe for additional equity in Elenia Oy. The bonds are listed on London Stock Exchange. Elenia Oy, Elenia Heat Oy and Elenia Palvelut Oy have given EUR 983 million joint guarantees relating to the loans from financial institutions, bonds and notes. The Group's financial structure has financial covenants relating to interest cover and leverage. The covenants are typical in corresponding arrangements. There were no covenant breaches in 2014.

LOANS BY MATURITY

31 Dec 2014		**Maturity**			
EUR 1,000	**Effective interest rate %**	**Within 1 year**	**1-5 years**	**Over 5 years**	**Total**
Bonds and notes	2.88%	-	-	983 000	983 000
Total long-term interest-bearing liabilities					**983 000**
Total		**-**	**-**	**983 000**	**983 000**

LOANS BY MATURITY

31 Dec 2013		**Maturity**			
EUR 1,000	**Effective interest rate %**	**Within 1 year**	**1-5 years**	**Over 5 years**	**Total**
Bonds	3.42%	-	-	650 000	650 000
Total long-term interest-bearing liabilities					**650 000**
Total		**-**	**-**	**650 000**	**650 000**

Interest rate risk

Elenia Finance is exposed to interest rate risk mainly through its interest-bearing net debt. The objective of the Group's interest rate risk management is to limit volatility of interest expenses in the income statement. The interest rate risk is managed by drawdown of loans with fixed interest. At the balance sheet date 97% (2013: 100%) of the loans were fixed rate loans.

A parallel shift of +/-0.5% in the interest rate curve would have EUR +/-0.1 million effect to finance costs in the income statement.

Credit and counterparty risk

Accepted financial counterparties are counterparties approved in existing loan agreements and other counterparties separately approved by the Board of Directors.

Trade receivables

The Group's did not have trade receivables at the end of 2014 (2013: EUR 38 thousand). No collateral security was received for trade receivables.

Capital management

Business planning includes assessing the adequacy of available capital in relation to the risks arising from business operations and the operating environment.

Elenia Finance Oyj

PARENT COMPANY FINANCIAL STATEMENTS

31 December 2014

Elenia Finance Oyj
Televisiokatu 4 A
00240 Helsinki
Business ID: 2584057-5

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Elenia Finance Oyj
Business ID: 2584057-5

Financial statements
31 December 2014

Income statement (EUR)	**Note**	**1 Jan - 31 Dec 2014**	**21 Nov - 31 Dec 2013**
Revenue		**447 368,59**	**37 739,30**
Materials and services		-	-103 716,64
Personnel expenses		-227 192,63	-7 947,65
Depreciations and impairments		-333 035 000,00	-647 340 500,00
Other operating expenses		-221 175,96	-1 694,05
Operating profit		**-333 036 000,00**	**-647 416 119,04**
Finance income and expenses	1	-28 687 479,93	-5 541 777,33
Loss before extraordinary items		**-361 723 479,93**	**-652 957 896,37**
Group contribution received		28 688 000,00	5 600 000,00
Loss before appropriations and taxes		**-333 035 479,93**	**-647 357 896,37**
Income tax		-	-
Loss for the year		**-333 035 479,93**	**-647 357 896,37**

Elenia Finance Oyj
Business ID: 2584057-5

Financial statements
31 December 2014

Balance sheet (EUR)	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Shares in group companies		0,00	0,00
Investments total	2	0,00	0,00
Other non-interest bearing receivables		577 677,14	694 105,68
Total non current assets		**577 677,14**	**694 105,68**
Current assets			
Receivables			
Short-term receivables	3		
Trade receivables		-	46 796,74
Other receivables		116 428,57	116 428,57
Prepayments and accrued income		7 724 800,79	5 600 000,00
Short-term receivables total		7 841 229,36	5 763 225,31
Cash and cash equivalents		1 503 502,80	79 995,95
Total current assets		**9 344 732,16**	**5 843 221,26**
TOTAL ASSETS		**9 922 409,30**	**6 537 326,94**

Elenia Finance Oyj | **Financial statements**
Business ID: 2584057-5 | **31 December 2014**

Balance sheet (EUR)	Note	31 Dec 2014	31 Dec 2013
EQUITY AND LIABILITIES			
Capital and reserves			
Subscribed capital	4	80 000,00	80 000,00
Retained earnings (profit /loss)		-647 357 896,37	-
Profit (loss) for the year	4	-333 035 479,93	-647 357 896,37
Total capital and reserves		**-980 313 376,30**	**-647 277 896,37**
Liabilities			
Long-term liabilities			
Bonds	5	983 000 000,00	650 000 000,00
Total long-term liabilities		983 000 000,00	650 000 000,00
Short term liabilities			
Trade liabilities to group companies		127 700,85	71 115,41
Other short-term liabilities		31 004,05	-
Interest liabilities		5 373 329,89	798 311,11
Accruals and deferred income		1 703 750,81	2 945 796,79
Total short term liabilities		7 235 785,60	3 815 223,31
Total liabilities		**990 235 785,60**	**653 815 223,31**
TOTAL EQUITY AND LIABILITIES		**9 922 409,30**	**6 537 326,94**

Elenia Finance Oyj

Business ID: 2584057-5

Financial statements
31 December 2014

Cash flow statement (EUR)	**1 Jan - 31 Dec 2014**	**21 Nov - 31 Dec 2013**
Cash flow from operating activities		
Loss before extraordinary items	-361 723 479,93	-652 957 896,37
Adjustments		
Depreciation	-	-
Finance income and expense	28 687 479,93	5 541 777,33
Other adjustments	333 035 000,00	647 416 114,99
Cash flow before change in net working capital	**-1 000,00**	**-4,05**
Change in net working capital		
Change in non-interest bearing receivables (increase(-) / decrease (+))	126 424,49	-
Change in non-interest bearing liabilities (increase(+) / decrease (-))	-136 786,67	-
Cash flow from operating activities before financial items and taxes	**-11 362,18**	**-4,05**
Interest payments and payments for other finance costs	-20 530 478,38	-
Interests received	436,02	-
Taxes paid	-	-
Cash flow from operating activities	**-20 541 404,54**	**-4,05**
Cash flow from investing activities		
Investments in group companies' shares and other investments	-333 035 000,00	-647 328 000,00
Cash flow from investing activities	**-333 035 000,00**	**-647 328 000,00**
Cash flow from financing activities		
Capital increase	-	80 000,00
Increase in long-term loans	333 000 000,00	650 000 000,00
Group contributions received and paid	26 600 000,00	-
Payment of debt arrangement costs	-4 600 088,61	-2 672 000,00
Cash flow from financing activities	**354 999 911,39**	**647 408 000,00**
Change in cash and cash equivalents	**1 423 506,85**	**79 995,95**
Cash and cash equivalents in the start of the accounting periond	79 995,95	0,00
Cash and cash equivalents in the start of the accounting periond + change	1 503 502,80	79 995,95
Cash and cash equivalents at the end of the accounting periond	**1 503 502,80**	**79 995,95**

Cash and cash equivalents comprise of cash balance at bank accounts

Elenia Finance Oyj
Business ID: 2584057-5

Financial statements
31 December 2014

Notes to the financial statements

Accounting principles

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

Valuation principles and techniques and accrual principles and methods applied when preparing the financial statements

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

Comparability with previous reporting period
Since Elenia Finance Oyj was established on 21 November 2013 figures for 2013 are not fully comparable.

1 Finance income and costs

EUR 1,000	2014	2013
Interest and other finance income, group companies	-	-
Interest and other finance income	0	-
Exchange rate differences	-2	-
Interest and other finance expenses, group companies	-	-
Other interest expense	-25 103	-798
Other finance costs	-3 582	-4 743
Total	**-28 687**	**-5 542**

2 Investments

EUR 1,000	2014	2013
Shares in group companies		
Acquisition cost 1.1.	0	-
Additions	333 035	647 341
Impairment	-333 035	-647 341
Acquisition cost 31.12.	**0**	**0**

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3 Receivables

EUR 1,000	2014	2013
Short-term receivables		
Trade receivables from Elenia Group companies	-	47
Other receivables	153	116
Group contribution receivables from Elenia Oy	7 688	-
Group contribution receivables from Elenia Heat Oy	-	5 600
Total	**7 841**	**5 763**

4 Notes concerning equity on the balance sheet

EUR 1,000

Itemisation of equity	2014	2013
Share capital at the beginning and end of the period	80	-
Change during the period	-	80
Share capital at the end of the period	80	80
Profit/loss for previous periods at the beginning of the period	-647 358	-
Profit/loss for previous periods at the end of the period	-647 358	-
Profit/loss for the year	-333 035	-647 358
Total equity	**-980 313**	**-647 278**

The company has no distributable funds.
The negative equity has been registered at the Trade Register on January 9th, 2014.

5 Bonds

LOANS BY MATURITY
31 December 2014

EUR 1,000	Effective interest rate %	Maturity: Within 1 year	Maturity: 1-5 years	Maturity: Over 5 years	Total
Bonds	2,88 %			983 000	983 000
Total long-term interest-bearing liabilities					983 000
Interest-bearing liabilities total					**983 000**

LOANS BY MATURITY
31 December 2013

EUR 1,000	Effective interest rate %	Maturity: Within 1 year	Maturity: 1-5 years	Maturity: Over 5 years	Total
Bonds	3,42 %			650 000	650 000
Total long-term interest-bearing liabilities					650 000
Interest-bearing liabilities total					**650 000**

Notes to the financial statements

6 Notes concerning personnel and members of corporate bodies
The company employed two people during the reporting period.

7 Salaries and remuneration of the Board of Directors
No salaries or remuneration were paid to the Board of Directors.

8 Board of Directors' proposal for the handling of profit
The loss for the period is EUR 333.0 million.
The Board of Directors proposes that no dividend be distributed and the loss be transferred to the retained loss account.

9 Shares in the company
The company has one hundred shares, the nominal value of which is EUR 80 000,00.
Each share entitles to one vote at a General Meeting, and they confer equal rights to dividends and the company's assets.

10 Collateral provided and liabilities
Floating charges provided on behalf of own and Group liabilities amount to EUR 4 500 million.

11 Subsidiaries and associates
Elenia Finance Oyj has fully owned subsidiary Elenia Finance (SPPS) S.à.r.l. regeistered in Luxembourg.

List of existing accounting material

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

Signatures to the financial statements

Dates and signatures

Helsinki, ____ /____ 2015

Tapani Liuhala
Chairman of the Board of Directors

Aapo Nikunen

Timo Talvitie

AUDITOR'S NOTE

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

Helsinki, ____ / ____ 2015

Ernst & Young Oy
Authorised Public Accountants

Mikko Rytilahti
Authorised Public Accountant

EY
Building a better working world

Ernst & Young Oy
Alvar Aallon katu 5 C
FI-00100 Helsinki
FINLAND

Tel. +358 207 280 190
www.ey.com/fi
Business ID 2204039-6,
domicile Helsinki

Auditor's report

Translation

To the Annual General Meeting of Elenia Finance Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Elenia Finance Oyj for the year ended 31 December, 2014. 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 24, 2015

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant