FINANCIAL STATEMENTS 2014

ELENIA

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ELENIA GROUP'S BUSINESS OPERATIONS

Elenia Group is the owner and operator of an electricity distribution network (Elenia Networks) and a district heating business (Elenia Heat). Elenia Group also has customer service function (Elenia Services).

ELECTRICITY DISTRIBUTION

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

Elenia Networks supplies approximately 415,000 end-users, across residential, industrial, services, building and public sector customers. The business has operations in more than 100 cities and municipalities with approximately 66,700 km of distribution network, spanning a geographical area of almost 600 km in length. During 2014, Elenia Networks distributed 6,112 GWh of electricity (6,228 GWh in 2013).

Since 2009, Elenia Networks has built weatherproof underground distribution lines. As at the end of 2014, 30.9% of the network was underground. In 2014, Elenia Networks invested more than EUR 100 million in developing its electricity network, which is approximately EUR 20 million more than in 2013.

HEATING BUSINESS

District heating is a system for distributing heat generated in centralised locations for residential and commercial heating. In Finland, district heating is the leading heating solution with an approximate 46% market share. Compared to alternatives, it is reliable, cost efficient and expensive to replace. Elenia Heat is Finland's second largest private seller of district heating and the ninth largest district heating seller overall. In 2014, Elenia Heat's sales volume of heat, gas and electricity totalled 1.1 terawatt hours (TWh). Elenia Heat primarily produces its own heat generated by wood, peat, natural gas and oil. Elenia Heat purchases approximately 30% of its total heat sales requirement from third party companies, including energy companies and local industry. The business is well established and an integral part of the Finnish utility market in the regions it serves. Elenia Heat owns and maintains 16 district heating networks across Finland, primarily in the Häme and Keski-Suomi regions.

BUSINESS REVIEW

The year 2014 was successful for Elenia Networks in many ways. In 2014, Elenia Networks increased its electricity network replacement investments in accordance with its electricity network development plan. Elenia Networks' investment plan has been designed to improve the security of supply by underground cabling. IT development investments were also carried out in support of the implementation and monitoring of the investment plan. The year 2014 was also favourable in terms of weather. There were no exceptionally strong storms in our operating region.

Excellent customer service is a key strategic goal for Elenia Networks. In an industry-wide customer satisfaction survey commissioned by Finnish Energy Industries, Elenia's customer service results improved for the fourth consecutive year. Elenia's scores were above the industry average in the comparison of electricity network operators. Customer satisfaction with communication and the speed of repairing faults also improved from the previous year. In 2014, Elenia launched a two-year project aimed at improving customer service. The project will include an upgrade to customer information systems and the online services provided to customers.

During the 2014 financial year, Elenia Networks also had several other IT development projects underway in areas such as budgeting and monitoring of operations. The implementation of our new intranet was an important project with regard to internal communication. We also made progress in the use of mobile solutions related to reviews and reporting on site monitoring.

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. These two certificates represent 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 repairs of Elenia's electricity network. This ensures that Elenia Networks will operate, maintain and upgrade its electricity network in order to respond to its customers' needs even better than before. The certificates also require that the suppliers and service providers commit to responsible high quality operations.

Elenia Heat's revenue and EBITDA in 2014 were higher than in 2013 despite warm weather which affected heat volumes and low prices of electricity. The general price level of fuels was more stable than in previous years. The good availability of peat balanced the price level of domestic fuels. The world market price of oil began to fall in the autumn and the decline accelerated late in the year, but as Elenia Heat uses very little oil as fuel, this development did not have a significant impact on fuel costs.

Elenia Heat was fairly successful in growing its customer base, and the target set for the year with regard to the number of new customers was achieved. The single most significant increase in heating sales related to the Goodman shopping centre in Hämeenlinna.

FINANCING

In 2014, Elenia Finance Oyj issued bonds and notes in an aggregate amount of EUR 333 million. The proceeds were used to repay bank debt at Elenia Oy.

NUMBER OF EMPLOYEES

Throughout the year 2014, on average the Group employed 389 people (380 in 2013). Close cooperation with local partner companies is an integral part of the Group's operations. Including the personnel of partner companies, Elenia's business operations utilise approximately 1,000 people.

FINANCIAL RESULT

Elenia Group's total revenue in 2014 was EUR 299.7 million (EUR 293.7 million in 2013). EBITDA in 2014 was EUR 153.9 million (EUR 140.8 million in 2013) and EBITDA excluding non-recurring costs and exceptional items was EUR 156.2 million (EUR 152.4 million in 2013). Operating profit was EUR 77.8 million (EUR 69.8 million in 2013) and the loss for the year was EUR 31.1 million (EUR 8.4 million loss in 2013).

ACQUISITIONS AND DIVESTMENTS

There were no material acquisitions or divestments during the period.

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

Elenia Networks' total revenue (including internal income) was EUR 222.5 million (EUR 216.1 million in 2013) and EBITDA was EUR 134.1 million (EUR 121.6 million in 2013). Elenia Heat's total revenue was EUR 76.6 million (EUR 75.1 million in 2013) and EBITDA was EUR 20.4 million (EUR 18.8 million in 2013). In 2014 new electricity network connections drove higher sales, helping to increase Elenia Networks' revenue by 2.5%. This was partially offset by the impact of relatively warm weather. Elenia Networks' EBITDA also increased mainly as there were no significant weather-related events in 2014. Main reasons for Elenia Heat's increased revenue were acquisition of new customers and increase of heat price. Elenia Heat's EBITDA increased by EUR 1.8 million due to internal development in production efficiency.

CORPORATE GOVERNANCE

Elenia Oy's Board of Directors convened 22 times in 2014. Members of the Board of Directors during the period were Timo Rajala (Chairman), Heidi Koskinen, Kunal Koya, Tapani Liuhala, Peter Lyneham, Aapo Nikunen, Timothy Short and Philip White.

SHARES

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

CORPORATE RESPONSIBILITY

Elenia Group aims to ensure that its employees and partners work in a safe, healthy 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 competence. Supervisors and employees working on sites are required to successfully complete Occupational Safety Card training and ensure that their statutory qualifications are up to date. Compliance with regulations is monitored annually. 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. In addition, ensuring safety is an integral part of Elenia Group's partnerships.

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 to the ISO 14001 Environmental Management System, with the exception of its associate, Oriveden Aluelämpö Oy. In addition, partners are required to have environmental management systems that support their environmental work and are in line with the ISO 14001 standard.

The most significant environmental aspects of Elenia Group's operations are land-use, the protection of soil and water areas, waste handling, protection of bio-diversity, the control of greenhouse emissions and material and energy efficiency. In line with its strategy, the Elenia Group takes safety and the environment into consideration in all decision-making, including through the development and use of its Environmental Policy for sustainable development. 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.

At Elenia Heat, the use of fossil fuels was reduced further in 2014 and the use of domestic fuels has been gradually increased, both of which remain key objectives for the future. Elenia Heat has completely discontinued the use of coal and the percentage of biofuels in production exceeded 60% in 2014. The share of domestic fuels exceeded 80% in 2014.

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 corporate functions of both Elenia Networks and Elenia Heat. The Procurement Coordination and Risk Management team is also responsible for the insurance policies of the Elenia Group and for handling claims made under such insurance policies through the services of an insurance broker.

EVENTS AFTER THE BALANCE SHEET DATE

The customer service operations of Elenia Group were incorporated to Elenia Palvelut Oy (Elenia Services), which started its operations at the beginning of 2015. In addition to providing services to Elenia Networks, Elenia Palvelut Oy also serves Elenia Heat and provides transitional customer services to Vattenfall Oy until the end of 2015.

The Energy Authority has prepared draft regulatory guidelines for the next two regulatory periods; 2016–2019 and 2020–2023. These guidelines are important for the future development of the electricity distribution industry in Finland. After relevant parties, including DSO's, have provided their comments on the draft guidelines, the Energy Authority is expected to make a final decision on the guidelines in the autumn of 2015.

OUTLOOK

The uninterrupted availability of electricity is expected to be an absolute requirement of customers in the future. Elenia's investment plan, which extends to 2028, emphasises the importance of building underground electricity networks that meet this requirement. The target is to increase the underground cabling rate of the electricity distribution network to 70% by 2028. In addition to the construction of a weather-tolerant electricity network, future investments will also be focused on business growth in line with the company's strategic objectives. The number of customers is expected to increase during 2015 at the same rate as in 2014, provided construction activity in Finland stays at the same level as in 2014.

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

In 2014, Elenia Heat was able to improve efficiency in both production and in the network. Elenia Heat will continue efforts to improve operational efficiency and maintain a high rate of efficiency at production plants in 2015. Effective implementation of new equipment and systems and the efficient utilisation of existing equipment and systems will be prioritised.

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	1 Jan - 31 Dec 2013
Revenue		**299,749**	**293,693**
Other operating income	1	4,662	3,119
Materials and services		-106,657	-110,975
Employee benefit expenses	2	-21,644	-20,253
Depreciation, amortisation and impairment	3	-76,044	-71,055
Other operating expenses	1	-22,382	-24,814
Share of profit of an associate	4	151	45
Operating profit		**77,835**	**69,759**
Finance income		365	349
Finance costs		-116,552	-129,267
Finance income and costs	5	**-116,187**	**-128,918**
Loss before tax		**-38,351**	**-59,158**
Income tax	6	7,246	50,759
Loss for the period		**-31,105**	**-8,399**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Loss for the period	**-31,105**	**-8,399**
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	-485	-143
Income tax effect	97	-4
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net movement of cash flow hedges	7,938	25,400
Net (loss)/gain on available-for-sale financial assets	-85	-65
Income tax effect	-1,571	-6,587
Other comprehensive income for the period after tax	**5,894**	**18,601**
Total comprehensive income for the period	**-25,211**	**10,202**

Swap breakage costs of EUR 8.2 million (2013: EUR 13.6 million) have been reclassified from other comprehensive income to profit and loss.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1,000	Note	31 Dec 2014	31 Dec 2013
Assets			
Non-current assets			
Property, plant and equipment	7	1,208,991	1,166,060
Intangible assets	8	94,075	95,356
Goodwill	8	515,606	515,606
Investments in associates	4	513	407
Other non-current financial assets		258	249
Other non-current receivables		-	694
Deferred tax assets	6	1,641	1,081
Total non-current assets		**1,821,085**	**1,779,453**
Current assets			
Inventories	9	11,934	16,518
Trade receivables	10	20,290	23,086
Other current receivables	10	43,556	51,081
Cash and cash equivalents		17,468	63,077
Total current assets		**93,248**	**153,761**
Total assets		**1,914,333**	**1,933,213**
Equity and liabilities			
Equity			
Share capital		3	3
Unrestricted equity		2,000	2,000
Hedge fund		-1,288	-7,639
Fair value fund		820	888
Retained earnings		-86,936	-55,443
Total equity		**-85,401**	**-60,190**
Non-current liabilities			
Loans from financial institutions	11, 21	100,223	389,098
Bonds	11, 21	976,282	645,278
Other long-term loans	11, 21	650,630	638,728
Finance lease liabilities	17	23,428	26,919
Employee benefit liability	15	1,335	818
Derivatives	11, 21	2,802	10,152
Provisions	12	12,383	12,354
Deferred tax liabilities	6	155,909	161,233
Total non-current liabilities		**1,922,992**	**1,884,581**
Current liabilities			
Finance lease liabilities	17	3,868	4,208
Trade payables	13	15,457	14,727
Other current liabilities	13	57,417	89,889
Total current liabilities		**76,742**	**108,823**
Total equity and liabilities		**1,914,333**	**1,933,213**

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	**3**	**2,000**	**887**	**-26,386**	**-46,896**	**-70,393**
Comprehensive income						
Profit for the year	-	-	-	-	-8,399	-8,399
Other components of comprehensive income (adjusted by tax effect)						
Cash flow hedging	-	-	-	18,748	-	18,748
Available-for-sale financial assets	-	-	1	-	-	1
Change in defined benefit plans					-147	-147
Total comprehensive income for the period	**-**	**-**	**1**	**18,748**	**-8,546**	**10,202**
Equity at 31 December 2013	**3**	**2,000**	**888**	**-7,639**	**-55,443**	**-60,190**
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**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Operating activities		
Loss for the period	-31,105	-8,399
Adjustments to reconcile loss to net cash flows		
Depreciation, amortisation and impairment	76,044	71,055
Finance income	-365	-349
Finance costs	116,552	129,267
Share of profit of an associate	-151	-45
Taxes	-7,246	-50,759
Other adjustments	949	-52
Working capital adjustments		
Increase (-) / decrease (+) in inventories	3,181	-1,573
Increase (+) / decrease (-) in trade and other current liabilities	-20,343	8,152
Increase (-) / decrease (+) in trade and other current receivables	10,443	6,761
Increase (+) / decrease (-) in provisions	29	673
Dividends received	45	45
Interests received	357	349
Interest and financial expenses paid	-30,062	-36,738
Interest paid on other long-term loans	-34,854	-69,668
Swap breakage costs paid	-8,158	-13,560
Taxes paid	-235	-2,775
Net cash flows from operating activities	**75,079**	**32,384**
Investing activities		
Capital expenditure	-117,518	-88,209
Changes in investments	14	-2
Net cash flows from investing activities	**-117,504**	**-88,210**
Financing activities		
Proceeds from long-term borrowings	372,000	1,045,000
Payment of debt arrangement costs	-12,847	-5,301
Repayment of long-term borrowings	-358,505	-959,747
Repayment of finance lease liabilities	-3,831	-3,911
Change in long-term receivables	-	16,298
Net cash flows from financing activities	**-3,183**	**92,339**
Net increase in cash and cash equivalents	**-45,608**	**36,513**
Cash and cash equivalents 1.1.	63,077	26,564
Change in cash and cash equivalents	-45,608	36,513
Cash and cash equivalents 31.12.	**17,468**	**63,077**

Cash and cash equivalents comprises of cash balance at bank accounts

ACCOUNTING POLICIES APPLIED TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 DESCRIPTION OF BUSINESS OPERATIONS

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

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

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

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

The Board of Directors approved the financial statements on the 24 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 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 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 the euro as their operating currency and all figures are reported in euros. The consolidated financial statements are presented in thousands of euros. There may be rounding discrepancies in the sum totals due to the presentation method used.

2.2 COMPARABILITY WITH PREVIOUS YEAR FIGURES

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

2.3 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 16 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 17 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 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 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.

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 incurred obligations on behalf of the associated company.

After consolidation, the Group assesses whether there is a need to record impairment for an associated company. If there are indications that the value of the investment has declined, the Group calculates the loss on impairment and records the difference between the working value and book value on the income statement as a loss.

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

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

2.5 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 income statement under personnel costs and other business expenses. As research expenses, these costs do not meet the criteria for capitalisation.

2.5.3 GOVERNMENT GRANTS
Government grants relating to the purchase of property, plant and equipment are recognised by reducing the book value of the asset they relate to when the decision on the grant has been received. The grants are thus capitalised in the form of lower depreciation over the useful life of the asset.

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

2.5.4 REVENUE RECOGNITION
Revenue from the sale of electricity and heat is recognised at the time of delivery. Sales revenue from customer service operations is recognised for the period in which the service is produced.

Connection fees paid by customers for joining an electricity or heating network are recognised as revenue in the income statement. Electricity network connection fees, which have been paid by the customers before 2008, must be refunded net of demolition costs, if the customer wants to terminate the electricity connection. Similar refunding obligation applies to all district heating connection fees. A provision has been recorded for future refunds.

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

2.5.6 EMISSION ALLOWANCES
Purchased emission allowances are accounted for as intangible assets at acquisition cost plus transaction costs. Unused emission allowances received free of charge are not recognised on the balance sheet. In the event that the amount of emission allowances returned exceeds the amount of emission allowances received, a provision is recognised at the market value of the emission allowances at the date of closing the accounts. The cost of the provision is recognised in the income statement within materials and services. Gains from the sales of emission rights are reported in other income.

2.5.7 PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment comprise mainly electricity and heat distribution networks, machinery, equipment and buildings.

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

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

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

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

Land and water areas are not depreciated since they have indefinite useful lives. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

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

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

2.5.7.1 Borrowing costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Currently, Elenia has not capitalized any borrowing costs since there has not been any qualifying assets.

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

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

2.5.8.2 Compensation paid to landowners
One-time compensation payments paid to landowners for inconvenience and damage caused by the network company's overhead lines, cables and equipment are capitalised. Recurring annual compensation payments are recognised as an expense on the income statement under other operating expenses.

2.5.8.3 Contractual customer relationships
Contractual customer relationships acquired in a business combination are recognised at fair value on the acquisition date. The contractual customer relations have a finite useful life and are carried at acquisition cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

2.5.8.4 Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net assets of the acquired subsidiary/associate

at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at acquisition cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

2.5.8.5 Amortisation periods for intangible assets

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

2.5.8.6 Impairment of non-financial assets

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

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

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. In assessing value in use, the estimated future cash flows expected to be derived from a cash-generating unit are discounted to their present value. The financial projections used in the calculations are based on business plans approved by management.

2.5.9 TRADE RECEIVABLES

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

2.5.10 CASH AND CASH EQUIVALENTS

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

2.5.11 LEASES

2.5.11.1 The Group as the lessee

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

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

2.5.11.2 The Group as the lessor

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

2.5.12 INVENTORIES

Inventories mainly consist of fuels and spare parts used in the production process Inventories are stated at the lower of acquisition cost and net realisable value. Acquisition cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price under standard operations, less variable selling expenses and other production costs.

2.5.13 PROVISIONS

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

2.5.13.1 Refundable connection fees

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

2.5.14 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 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.

2.5.14.2 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 income statement under personnel expenses for the period in which they are due.

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

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

2.5.16 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

CLASSIFICATION OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

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

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

2.5.16.1 Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

2.5.16.1.1 Financial assets at fair value through profit or loss

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

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

2.5.16.1.2 Loans and receivables

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

2.5.16.1.3 Available-for-sale financial investments

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

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

2.5.16.1.4 Derecognition of financial assets

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

2.5.16.2 Impairment of financial assets

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

2.5.16.2.1 Financial assets carried at amortised cost

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

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

2.5.16.2.2 Available for sale financial investments

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

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

2.5.16.3 Financial liabilities

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement

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

2.5.16.3.1 Financial liabilities at fair value through profit or loss

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

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

2.5.16.3.2 Loans and borrowings

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

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

2.5.16.3.3 Derecognition

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

2.5.16.4 Fair value 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 income statement as financial income or costs.

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

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

2.5.17 SEGMENT REPORTING

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

2.5.18 NEW 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:

New standard: 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 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 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 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	2014	2013
Gains from the sales of emission allowances	562	-
Rental income	510	535
Insurance indemnities	163	-
Subsidy for bio-based electricity production	415	487
Capital gains on tangible and intangible assets	63	115
Income from the wood fuel trading	788	803
Income from the trade receivables collection	714	965
Other operating income	1,447	215
Total	**4,662**	**3,119**

OTHER OPERATING EXPENSES

EUR 1,000	2014	2013
Lease expenses	-2,810	-3,113
External services	-4,671	-3,553
IT and communication expenses	-4,948	-5,542
Research and development costs	-1,446	-1,210
Other non-recurring costs	-1,332	-372
Other expenses	-7,176	-11,025
Total	**-22,382**	**-24,814**

Other operating expenses include other non-recurring costs in the amount of EUR 1,332 thousand (2013: 372 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	2014	2013
Auditing fees	217	403
Fees for tax services	249	26
Fees for other services	287	882
Total	**753**	**1310**

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 tax services include fees charged for tax advice. Fees for other services consist of assignments concerning the Group refinancing and other assignments.

NOTE 2

EMPLOYEE BENEFITS EXPENSE

EUR 1,000	2014	2013
Salaries and remuneration	-17,778	-16,451
Pensions		
Defined contribution plans	-2,995	-3,134
Defined benefit plans	-52	32
Social security costs	-819	-699
Total	**-21,644**	**-20,253**

The total remuneration paid by Elenia Group to its employees consists of salaries, fringe benefits and short-term performance bonus schemes. All employees of Elenia Group are included within the scope of the performance bonus scheme.

EUR 1,000	2014	2013
Salaries and remuneration paid to CEOs	403	419
Pension expenses related to salaries	95	99

NOTE 3

DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR 1,000	2014	2013
Depreciation, amortisation and impairment on property, plant and equipment	-70,362	-66,015
Depreciation and amortisation on intangible assets	-5,682	-5,040
Total	**-76,044**	**-71,055**

NOTE 4

INVESTMENT IN AN ASSOCIATE

EUR 1,000	2014	2013
Acquisition cost at 1 January	407	407
Share of profit for the year	151	45
Dividends received	-45	-45
Acquisition cost at 31 December	**513**	**407**

Elenia's share of the profit of associates for 2014 was EUR 151 thousand.

INFORMATION CONCERNING THE ASSOCIATES

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

31 December 2013

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

NOTE 5

FINANCE INCOME AND COSTS

EUR 1,000	2014	2013
Interest expenses		
Loans from financial institutions	-11,501	-31,902
Bonds	-25,103	-798
Other long-term loans	-65,991	-62,523
Other interest expenses	-1,157	-1,359
Total interest	**-103,752**	**-96,583**
Other finance costs	-12,211	-32,067
Ineffective portion of cash flow hedging	-587	-604
Exchange rate differences		
Loans and receivables	-2	-13
Total finance costs	**-116,552**	**-129,267**
Interest income		
Other interest income	357	349
Other finance income	8	-
Total finance income	**365**	**349**
Finance costs (net)	**-116,187**	**-128,918**

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 1.1 million (2013: 1.3 million). Other finance costs include EUR 8.2 million (2013: 13.6 million) of swap breakage costs.

NOTE 6

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	-66	-165
Adjustments in respect of current income tax of previous periods	-46	0
Deferred taxes	7,358	50,925
Income tax expense reported in the statement of profit or loss	**7,246**	**50,759**

CONSOLIDATED STATEMENT OF OCI

EUR 1,000	2014	2013
Deferred tax related to items recognised in OCI during the year:		
Remeasurement gains (losses) on defined benefit plans	97	-4
Net movement of cash flow hedges	-1,588	-6,653
Net (loss) gain on available-for-sale financial assets	17	66
Deferred tax charged to OCI	**-1,474**	**-6,591**

INCOME TAX RATE

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

EUR 1,000	2014	2013
Profit before tax	**-38,351**	**-59,158**
Tax calculated using the nominal tax rate of 20.0% (2013: 24.5%)	7,670	14,494
– tax-free income items	69	0
– expenses that are non-deductible in taxation	-464	290
– share of the profits of associates	21	11
– adjustment of taxes based on previous periods	-46	0
– unrecognized deferred tax assets from taxation losses	-4	-3
– change in deferred tax rate	0	35,968
Income tax in the income statement	**7,246**	**50,759**

The tax rate according to the income statement was 19% (2013: 86%)

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 loss for the period	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	**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	**161,233**			**155,909**

CHANGE IN DEFERRED TAX RECEIVABLES AND LIABILITIES IN 2013

DEFERRED TAX RECEIVABLES EUR 1,000	Balance sheet 31 Dec 2012	Recognised in the income statement	Recognised in other comprehensive income	**Balance sheet 31 Dec 2013**
Hedging reserve	8,562	-	-6,653	1,910
Deferred tax receivable for the loss for the period	30,377	6,106	-	36,482
Defined benefit plans	180	-12	-4	164
Finance leases	1,054	-137	-	917
Total	**40,173**	**5,957**	**-6,657**	**39,473**
Offset by deferred tax liabilities	-34,381			-38,392
Deferred tax receivables total	**5,792**			**1,081**

DEFERRED TAX LIABILITIES EUR 1,000	Balance sheet 31 Dec 2012	Recognised in the income statement	Recognised in other comprehensive income	**Balance sheet 31 Dec 2013**
Interest-bearing liabilities	4,004	-1,006	-	2,998
Depreciation differences	96,086	-12,728	-	83,357
Measurement of assets at fair value in acquisition	144,280	-31,233	-	113,047
Available-for-sale financial assets	288	-	-66	222
Total	**244,658**	**-44,968**	**-66**	**199,624**
Offset by deferred tax receivables	-34,381			-38,392
Deferred tax liabilities total	**210,277**			**161,233**

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 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
Transfers between balance sheet items	-	-	-	-	-	-	-
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 2013	**2,256**	**8,279**	**1,023,390**	**103,544**	**681**	**27,910**	**1,166,060**
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 2013	2,189	18,707	1,504,923	271,344	715	19,095	1,816,973
Additions	67	102	71,603	3,778	43	14,244	89,837
Disposals	-	-	-	-341	-	-	-341
Transfers between balance sheet items	-	-418	51,252	-51,193	192	-5,430	-5,596
Acquisition cost at 31 December 2013	**2,256**	**18,391**	**1,627,777**	**223,588**	**951**	**27,910**	**1,900,873**
Accumulated depreciation, amortisation and impairment at 1 January 2013	-	-9,354	-514,525	-144,815	-524	-	-669,219
Depreciation and amortisation for the period	-	-571	-54,701	-10,704	-39	-	-66,015
Transfers between balance sheet items	-	-186	-35,162	35,145	294	-	91
Accumulated depreciation and amortisation on disposals	-	-	-	330	-	-	330
Accumulated depreciation, amortisation and impairment at 31 December 2013	**-**	**-10,112**	**-604,388**	**-120,044**	**-270**	**-**	**-734,813**
Book value at 31 December 2012	**2,189**	**9,352**	**990,398**	**126,529**	**191**	**19,095**	**1,147,754**
Book value at 31 December 2013	**2,256**	**8,279**	**1,023,390**	**103,544**	**681**	**27,910**	**1,166,060**

The property, plant and equipment item machinery and equipment includes EUR 26,231 thousand (2013: 30,093 thousand) of assets acquired through finance leases. In 2014 Elenia Lämpö Oy received an investments grant of EUR 126 thousand. The grant was recorded as deduction of costs in buildings and machinery and equipments. In 2013 Group companies did not receive any investment grants.

NOTE 8

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
Disposals	-	-	-	-	-
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 and amortisation on decrease	-	-	-	-	-
Accumulated depreciation and amortisation on transfers	-	-	-	-	-
Accumulated depreciation, amortisation and impairment at 31 December 2014	**-**	**-43,952**	**-16,660**	**-10,584**	**-71,196**
Book value at 31 December 2013	**515,606**	**9,363**	**4,848**	**81,144**	**610,961**
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 2013	515,606	52,105	15,287	88,200	671,197
Additions	-	873	4,526	-	5,399
Disposals	-	-	-	-	-
Transfer between balance sheet items	-	-181	60	-	-121
Acquisition cost at 31 December 2013	**515,606**	**52,797**	**19,873**	**88,200**	**676,476**
Accumulated depreciation, amortisation and impairment at 1 January 2013	-	-42,928	-13,927	-3,528	-60,384
Depreciation and amortisation for the period	-	-489	-1,023	-3,528	-5,040
Accumulated depreciation and amortisation on decrease	-	-	-	-	-
Accumulated depreciation and amortisation on transfers	-	-16	-74	-	-91
Accumulated depreciation, amortisation and impairment at 31 December 2013	**-**	**-43,434**	**-15,025**	**-7,056**	**-65,514**
Book value at 31 December 2012	**515,606**	**9,177**	**1,360**	**84,672**	**610,814**
Book value at 31 December 2013	**515,606**	**9,363**	**4,848**	**81,144**	**610,961**

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

As a result of acquisitions in 2012 a goodwill of EUR 515.6 million was created. Goodwill is based on the assesment of organisational competence and knowhow which is expected to benefit business operations in coming years.

IMPAIRMENT TESTING OF GOODWILL

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

NETWORK SEGMENT

Due to the regulated and stable nature of the electricity distribution business, the basis for cash flow projections has been long-term business plan for the period 2015-2027. Long term capital expenditure plans have been prepared in order to meet the security of supply reguirements by 2028 as published by the Ministry of Employment and Economy. A growth rate of 1% has been incorporated in the cash flow projections for the whole period and beyond. The discount rate applied for Network segment is 4.0% which is derived from the regulatory WACC calculation.

HEAT SEGMENT

Cash flow projections for 25 years are based on the 5 year business plan which has been approved by the the Board of Directors. Due to the stable nature of the District heating business, long term projections are appropriate. Applied discount rate is 4.3% which is based on the prevailing return and risk assumptions in the business. Growth rate for district heating is expected to modestly increase until 2019, and thereafter the volumes are gradually expected to decrease.

Revenue of the business is expected to grow 1 to 2% annually for the next 25 years and thereafter growth of 0.5% p.a. has been applied.

The fluctuation of fuel prices is estimated to be modest as the business has several optional fuels available. Capital expenditure plans are based on maintaining the existing power plants and district heating network.

SENSITIVITY ANALYSIS

With regard to the assessment of the value in use in both segments, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount. The sensitivity analysis was performed for discount rate and the results are presented in the chart below.

CHANGE IN KEY ASSUMPTIONS

	2014	2013
Network segment		
Change in discount rate, % -points	0.8	0.8
Heat segment		
Change in discount rate, % -points	0.3	0.8

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	2014	2013
Oil	2,870	3,856
Bio fuels	8,510	12,089
Other inventories	554	573
Total	**11,934**	**16,518**

During 2014, EUR 18.3 million (2013: 16.2 million) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

In 2014 there was a write-off of EUR 117 thousand (2013: 60 thousand) in fuel inventory value. After stock-taking 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	2014	2013
Trade receivables	20,290	23,086
Accrued income and prepaid expenses	37,003	43,538
Other current receivables	6,554	7,543
Total trade and other receivables	**63,846**	**74,167**

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	15,216	15,462
Due for 1-90 days	4,387	5,372
Due for 91-180 days	260	726
Due for more than 180 days	1,533	2,900
Total	**21,396**	**24,461**
Uncertain receivables	-1,106	-1,375
	20,290	**23,086**

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
Sales accruals	29,700	36,770
Accrued financial expenses	3,188	4,969
Other accrued income	4,115	1,798
	37,003	**43,538**

NOTE 11

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	10	20,290	-	-	-	20,290	-
Available-for-sale financial assets	14	-	1,403	-	-	1,403	1,403
Cash and cash equivalents		17,468	-	-	-	17,468	-
Total Current assets		**37,758**	**1,403**	**-**	**-**	**39,161**	**1,403**
Carrying amount by category		**37,758**	**1,403**	**-**	**-**	**39,161**	**1,403**
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	-	-	-27,296	-	-27,296	-
Total interest-bearing non-current liabilities		**-**	**-**	**-1,754,431**	**-2,802**	**-1,757,233**	**-1,932,603**
Current financial liabilities							
Other current interest-bearing liabilities	13	-	-	-3,868	-	-3,868	-
Trade payables	13	-	-	-15,457	-	-15,457	-
Total current financial liabilities		**-**	**-**	**-19,325**	**-**	**-19,325**	**-**
Carrying amount by category		**-**	**-**	**-1,773,756**	**-2,802**	**-1,776,558**	**-1,932,603**

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	10	23,086	-	-	-	23,086	-
Available-for-sale financial assets	14	-	1,502	-	-	1,502	1,502
Cash and cash equivalents		63,077	-	-	-	63,077	-
Total current financial assets		**86,163**	**1,502**	**-**	**-**	**87,664**	**1,502**
Carrying amount by category		**86,163**	**1,502**	**-**	**-**	**87,664**	**1,502**
Non-current financial liabilities							
Bonds	21	-	-	-645,278	-	-645,278	-645,278
Loans from financial institutions	21	-	-	-389,098	-	-389,098	-389,098
Other long-term loans	21	-	-	-638,728	-	-638,728	-638,728
Interest-bearing non-current liabilities							
- Derivatives		-	-	-	-10,152	-10,152	-10,152
- Finance leases	17	-	-	-26,919	-	-26,919	-
Total interest-bearing non-current liabilities		**-**	**-**	**-1,700,024**	**-10,152**	**-1,710,176**	**-1,683,257**
Current financial liabilities							
Other current interest-bearing liabilities	13	-	-	-4,208	-	-4,208	-
Trade payables	13	-	-	-14,727	-	-14,727	-
Total current financial liabilities		**-**	**-**	**-18,934**	**-**	**-18,934**	**0**
Carrying amount by category		**-**	**-**	**-1,718,958**	**-10,152**	**-1,729,110**	**-1,683,257**

FINANCIAL ASSETS

Financial assets Available-for-sale financial assets are investments in the shares of joint ventures in limited partnerships. The companies own unlisted funds at EUR 1.4 million (2013: 1.5 million). These investments are measured at fair value based on assessment reports received from external fund managers on 31 December 2014.

CASH AT BANKS AND ON HAND

Cash at banks and on hand Elenia had short-term bank deposits amounting to EUR 17.5 million (2013: 63.1 million). All bank deposits were denominated in Euro.

BONDS

Bonds 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

Financial liabilities Interest-bearing liabilities grew by EUR 54.4 million (2013: 130.7 million) during the year, and interest-bearing liabilities at the balance sheet date totalled EUR 1,754.4 million (2013: 1,700.0 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 current interest-bearing liabilities, finance leases and cash and cash equivalents is not presented as the carrying amount is a reasonable approximation of fair value.

NOTE 12

PROVISIONS

PROVISIONS
2014

EUR 1,000	Provisions due to disputes	Provision for refunds of connection fees	Total
Provisions at 1 January 2014	0	12,354	12,354
Increase	-	404	404
Cancellations of provisions	-	-	-
Use of provisions	-	-375	-375
Provisions at 31 December 2014	**0**	**12,383**	**12,383**

PROVISIONS
2013

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

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	2014	2013
Short-term financial lease liabilities	3,868	4,208
Trade payables	15,457	14,727
Accrued expenses		
Employee benefits expenses	5,725	5,287
Interest expenses	9,072	7,532
Other accrued expenses	14,166	42,993
Other liabilities		
VAT liability	8,502	9,645
Energy taxes	6,468	5,119
Tax liability for the period	13	112
Prepayments received	9	-
Other liabilities	13,463	19,201
Total	**76,742**	**108,823**

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 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	-	-	-	-	1,403	1,502	1,403	1,502
Total	**-**	**-**	**-**	**-**	**1,403**	**1,502**	**1,403**	**1,502**

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								
Bonds and notes	-1,077,793	-645,278	-	-	-	-	-1,077,793	-645,278
Loans from financial institutions	-	-	-100,223	-389,098	-	-	-100,223	-389,098
Other long-term loans	-	-	-751,785	-638,728	-	-	-751,785	-638,728
Derivative instruments								
Interest rate swaps								
Hedge accounting is applied	-	-	-2,802	-10,152	-	-	-2,802	-10,152
Total	**-1,077,793**	**-645,278**	**-854,810**	**-1,037,979**	**-**	**-**	**-1,932,603**	**-1,683,257**

During the reporting period ended 31 December 2014 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 2014	1,301	201	1,502
Investment	-	-	-
Sales / Return of equity	-14	-	-14
Total gains and losses recognised in OCI	-46	-39	-85
Acquisition cost at 31 December 2014	**1,241**	**161**	**1,403**

EUR 1,000	Midinvest	Jokilaaksojen rahasto	**Total**
Acquisition cost at 1 January 2013	1,379	187	1566
Investment	-	-	-
Sales / Return of equity	-	-	-
Total gains and losses recognised in OCI	-78	14	-65
Acquisition cost at 31 December 2013	**1,301**	**201**	**1,502**

FINANCIAL ASSETS

Financial assets Available-for-sale financial assets are investments in the shares of joint ventures in limited partnerships. The companies own unlisted funds at EUR 1.4 million (2013: 1.5 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	**2014**	**2013**
Current value of funded obligations	5,966	4,950
Fair value of assets	-4,632	-4,132
Deficit	1,335	818
Value of the obligation on the balance sheet	**1,335**	**818**

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

EUR 1,000	**2014**	**2013**
Obligation at the beginning of the period	4,950	4,606
Current service costs	52	48
Interest expenses	146	136
Actuarial losses	1,017	319
Benefits paid	-199	-160
Obligation at the end of the period	**5,966**	**4,950**

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

EUR 1,000	**2014**	**2013**
Fair value of plan assets at the beginning of the period	4,132	3,873
Expected income from assets	124	116
Actuarial gains	532	176
Payments by the employer	42	127
Benefits paid	-199	-160
Fair value of plan assets at the end of the period	**4,632**	**4,132**

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

EUR 1,000	**2014**	**2013**
Obligation at the beginning of the period	818	733
Net cost recognised in the income statement	74	68
Payments by the employer	-42	-127
Profits and losses recognised in comprehensive income	485	144
Value of the obligation on the balance sheet at period end	**1,335**	**818**

Items recognised in the income statement

EUR 1,000	2014	2013
Expenses based on service in the reporting period	52	48
Interest income	-124	-116
Interest expenses	146	136
Total	**74**	**68**

Items recognised in the statement of comprehensive income for the period

EUR 1,000	2014	2013
Actuarial gains on assets	-532	-176
Actuarial losses on obligations	1,017	319
Total	**485**	**144**

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.

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

2013

Assumption EUR 1,000	Change in assumption	Defined benefit obligations	Fair value of Plan assets	Net Liability	Service costs for the next reporting year	Net interest
Discount rate 3%		4,950	4,132	818	52	22
Discount rate 3.5%	+0.50%	4,620	3,888	731	47	22
Discount rate 2.5%	-0.50%	5,285	4,384	901	57	20

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 2015 are estimated to be EUR 80 thousand.

The weighted average duration of defined benefit obligation is 15-19 years.

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

EUR 1,000	2014	2013
Under 1 year	171	177
1-10 years	2,036	2,208
10-20 years	2,503	2,365
20-30 years	1,893	1,791
Over 30 years	1,168	1,217
Total	**7,772**	**7,757**

ACTUARIAL ASSUMPTIONS USED IN CALCULATIONS

%	2014	2013
Discount rate	1.75%	3%
Estimate of salary increases	3%	3%
Inflation	2%	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 500 thousand (2013: 517 thousand) during the period.

Lease agreements comprise agreements which are valid until further notice and fixed-term. Length of fixed-term agreements varies from 1 to 5 years.

NOTE 17

COMMITMENTS AND CONTINGENCIES

MATURITIES OF FINANCIAL LEASE LIABILITIES

EUR 1,000	2014	2013
Minimum lease payments		
Within one year	3,927	4,144
After one year but not more than five years	16,507	16,003
More than five years	10,176	14,517
Total	**30,611**	**34,663**
Future financial expenses	3,315	3,536
Present value of minimum lease payments	**27,296**	**31,127**
Present value of minimum lease payments matures		
Within one year	3,868	4,208
After one year but not more than five years	14,908	14,957
More than five years	8,520	11,962
Total	**27,296**	**31,127**

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

OTHER COMMITMENTS

EUR 1,000	2014	2013
Registered floating charges		
Provided on behalf of own and Group liabilities	18,000,000	13,500,000
Mortgages	245,155	245,155
Rental liabilities		
Operating leases		
Within one year	237	207
After one year but not more than five years	446	468
	683	**675**

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

Other rental liabilities		
Within one year	1,035	919
After one year but not more than five years	1,184	2,280
More than five years	-	-
	2,219	**3,198**
Refundable connection fees	**308,908**	**314,765**

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

NOTE 18

EQUITY

SHARE CAPITAL

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

RESERVE FOR INVESTED NON-RESTRICTED EQUITY

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

AVAILABLE FOR SALE RESERVE

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

CASH FLOW HEDGE FUND

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

EARNINGS PER SHARE

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

	2014	2013
Profit attributable to equity holders of the parent, EUR	-31,105,162	-8,399,054
Average number of shares, pcs	100	100
Earnings/share, EUR - basic= diluted	**-311,052**	**-83,991**

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.

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 2014, other long-term loans with an aggregate carrying value of EUR 650.6 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

Elenia Palvelut Oy started its operations as of 1 January 2015.

Elenia Palvelut Oy is a Finnish limited liability company domiciled in Tampere (address: Patamäenkatu 7).

Elenia Palvelut Oy is a customer service center operating in energy sector. It provides to Elenia Group companies customer services related to electricity distribution network, district heating and natural gas business. Furthermore Elenia Palvelut Oy provides customer services and other related supplementary services (invoicing and electricity market information exchange) related to electricity sales business to Vattenfall Oy.

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's Treasury unit is responsible for 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 13.4 thousand exchange rate differences and finance costs include EUR 2.4 thousand exchange rate differences. At the end of 2014 the currency risk comprises of trade payables which amounted to SEK 3.4 million and whose counter value was EUR 0.4 million.

LIQUIDITY RISK

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

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

CASH AND CASH EQUIVALENTS AND COMMITTED UNUTILIZED CREDIT FACILITIES

31 Dec 2014

EUR 1,000	Facility amount	In use	Available amount	Maturity
Capex facility	250,000	39,000	211,000	1-5 years
Working Capital facility	55,000	-	55,000	1-5 years
Liquidity facility	50,000	-	50,000	1-5 years
Cash and cash equivalents			17,468	
Total	**355,000**	**39,000**	**333,468**	

REFINANCING RISK

In July, August and September 2014 the Group repaid total amount of EUR 333 million of its EUR 395 million loan, which the Group borrowed from international banks in December 2013. At the balance sheet date the remaining amount of the loan was EUR 62 million. In 2014 the Group has also borrowed from the same international banks EUR 39 million using the Capex Facility. The Group also has other long-term loans totaling EUR 650.6 million, which are subordinated to the aforementioned bank loan, bonds and notes. In July 2014 Elenia Oy's subsidiary Elenia Finance Oyj issued a EUR 120 million bond and a EUR 20 million bond, which mature in 2026, and a EUR 120 million note, which matures in 2034. In August Elenia Finance Oyj issued a EUR 25 million bond, which matures in 2029. In September Elenia Finance Oyj issued a EUR 13 million bond and a 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.à.r.l., its wholly owned subsidiary. Elenia Finance (SPPS) then lent the amount of the proceeds to Elenia Holding S.à.r.l. through a subordinated profit-participating security (the SPPS). Elenia Holdings 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 and Elenia Heat 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 such arrangements. There were no covenant breaches in 2014. The Group's Treasury unit monitors the financial markets in order to carry out loan refinancing at an appropriate time, ahead of the due date of the current loans. .

LOANS BY MATURITY

31 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
Bonds and notes	2.88%	-	-	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		-	16,507	10,176	26,684
Total long-term interest-bearing liabilities					**1,764,115**
Finance lease liabilities		3,868	-	-	3,868
Total short-term interest-bearing liabilities					**3,868**
Total		**3,868**	**120,309**	**1,643,806**	**1,767,983**

LOANS BY MATURITY

31 Dec 2013

EUR 1,000	Effective interest rate %	Maturity Within 1 year	1-5 years	Over 5 years	Total
Loans from financial institutions	2.31%	-	395,000	-	395,000
Bonds	3.42%	-	-	650,000	650,000
Other long-term loans	10.50%	-	-	638,728	638,728
Fair value of swaps		-	10,152	-	10,152
Finance lease liabilities		-	14,957	11,962	26,919
Total long-term interest-bearing liabilities					**1,720,799**
Finance lease liabilities		4,208	-	-	4,208
Total short-term interest-bearing liabilities					**4,208**
Total		**4,208**	**420,109**	**1,300,691**	**1,725,008**

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. Under its financing agreement, the minimum of 85% of the debt must be fixed rate or converted into fixed rate loans by using interest rate swaps until the end of current regulatory period. At the balance sheet date 96% (2013: 100%) of the loans were either fixed rate loans or converted into fixed rate loans by using interest rate swaps.

At the balance sheet date the Group had interest rate swaps with notional amount of EUR 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. All derivative instruments mature on 10 January 2017. The effective portion of the changes in the fair value of the derivative financial instruments that are designated as and qualify for cash flow hedges are recognized in equity/other comprehensive income. Gains or losses relating to the ineffective portion are recognized under finance income or costs in income statement. A parallel shift of +/- 0.5 percentage points in the interest rate curve at the balance sheet date would have EUR +/- 1,0 million (2013: +/-5.8) effect on equity and EUR +/- 0.4 million (2013: +/-0.3) 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 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 2014 were EUR 20.3 million. EUR 0.2 million collateral securities were received for trade receivables.

BREAKDOWN OF TRADE RECEIVABLES BY AGE

EUR 1,000	2014
Not fallen due	15,216
Due for 1 – 90 days	4,387
Due for 91 – 180 days	260
Due for more than 180 days	1,533
Total	**21,396**
Uncertain receivables	- 1,106
Total	**20,290**

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 2014	1 Jan - 31 Dec 2013
Revenue		299,749	293,693
Exceptional items included in revenue		-	-6,180
Other operating income	1	4,662	3,119
Materials and services		-106,657	-110,975
Employee benefit expenses	2	-21,644	-20,253
Other operating expenses	1	-22,382	-24,814
Operating expenses Total		-150,683	-156,043
Exceptional items included in operating expenses		-1,003	-5,040
Non-recurring items included in other operating expenses	1	-1,332	-372
Share of profit of an associate	4	151	45
EBITDA		**153,879**	**140,815**
EBITDA before exceptional and non-recurring items		**156,214**	**152,407**
Depreciation and amortisation	3	-76,044	-71,055
Operating profit		**77,835**	**69,759**
Operating profit before exceptional and non-recurring items		**80,170**	**81,351**

Exceptional items in 2014 consist of write-off in bio fuel inventory value. In 2013 EUR 11,220 thousand in total has been classified as an exceptional item as it relates to exceptionally strong storms. This total comprises EUR 6,180 thousand of outage compensation paid to customers which was accounted for as a reduction of revenue, and EUR 5,040 thousand of exceptional operating expenses. Non-recurring items in 2014 and 2013 are other non-recurring costs.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

EUR	Note	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Revenue	1.1	**227,249,668.71**	**221,856,207.26**
Other operating income	1.2	2,623,088.66	2,020,628.12
Materials and services	1.3	-62,460,025.79	-67,678,515.56
Personnel expenses	1.4	-15,230,541.61	-14,094,465.51
Depreciation, amortisation and impairment	1.5	-95,514,791.66	-91,017,987.67
Other operating expenses	1.6	-23,368,993.07	-24,369,019.46
Operating profit		**33,298,405.24**	**26,716,847.18**
Finance income and expenses	1.7	-79,805,514.58	-120,255,476.40
Loss before extraordinary items		**-46,507,109.34**	**-93,538,629.22**
Extraordinary items +/-	1.8	-352,578,000.00	-647,000,000.00
Loss before appropriations and taxes		**-399,085,109.34**	**-740,538,629.22**
Change in accelerated depreciations	1.9	33,760,026.99	-24,237,594.78
Income taxes	1.10	-5,311,153.19	6,105,335.16
Loss for the year		**-370,636,235.54**	**-758,670,888.84**

PARENT COMPANY BALANCE SHEET

EUR	31 Dec 2014	31 Dec 2013
ASSETS		
Non-current assets		
2.1 Intangible assets		
Intangible rights	9,883,174.60	9,323,464.67
Other capitalized long term expenditure	624,823,626.22	657,331,531.51
	634,706,800.82	666,654,996.18
2.2 Tangible assets		
Land and water areas	1,970,873.49	1,931,736.21
Buildings and constructions	1,686,687.93	1,771,513.05
Electricity network	1,077,587,451.95	1,020,536,755.78
Machinery and equipments	13,861,733.45	14,429,706.84
Other tangible assets	7,175.89	8,289.37
Advance payments and construction in progress	11,454,796.92	26,525,685.55
	1,106,568,719.63	1,065,203,686.80
2.3 Investments		
Holdings in group companies	239,741,383.92	239,738,883.92
Other financial assets	377,445.81	391,323.96
Other shares and holdings	247,877.02	247,877.02
	240,366,706.75	240,378,084.90
Total non current assets	**1,981,642,227.20**	**1,972,236,767.88**
Current assets		
Long-term receivables		
2.4 Loan receivables	8,409.40	8,409.40
Loan receivables from group companies	13,000,000.00	15,000,000.00
	13,008,409.40	15,008,409.40
Short-term receivables		
2.4 Trade receivables	19,140,543.89	22,218,210.06
Receivables from group companies	15,516,307.11	8,462,158.30
Other receivables	332,608.97	378,727.48
Deferred tax assets	31,256,653.91	36,482,160.00
Prepayments and accrued income	22,777,421.21	29,509,981.66
	89,023,535.09	97,051,237.50
Cash and cash equivalents	10,727,652.21	58,727,524.13
Total current assets	**112,759,596.70**	**170,787,171.03**
TOTAL ASSETS	**2,094,401,823.90**	**2,143,023,938.91**

PARENT COMPANY BALANCE SHEET

EUR	31 Dec 2014	31 Dec 2013
EQUITY AND LIABILITIES		
3.1 Capital and reserves		
Subscribed capital	2,500.00	2,500.00
Non restricted equity	982,328,000.00	649,328,000.00
Retained earnings	-854,666,835.89	-95,995,947.05
Loss for the financial year	-370,636,235.54	-758,670,888.84
	-242,972,571.43	-205,336,335.89
3.2 Cumulative accelerated depreciations	**336,127,352.76**	**369,887,379.75**
3.3 Other provisions	**983,000,000.00**	**650,000,000.00**
3.4 Liabilities		
Non-current liabilitites		
Connection fees	204,818,878.33	205,152,553.93
Loans from financial institutions	101,000,000.00	395,000,000.00
Other long-term loans	650,629,627.06	638,728,109.91
	956,448,505.39	1,238,880,663.84
Current liabilities		
Trade payables	10,935,616.28	11,465,228.16
Liabilities to group companies	15,161,142.03	19,058,721.50
Other short-term liabilities	22,820,794.08	16,552,543.46
Accruals and deferred income	12,880,984.79	42,515,738.09
	61,798,537.18	89,592,231.21
Total liabilities	**1,018,247,042.57**	**1,328,472,895.05**
TOTAL EQUITY AND LIABILITIES	**2,094,401,823.90**	**2,143,023,938.91**

PARENT COMPANY CASH FLOW STATEMENT

EUR	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Cash flow fron operating activities		
Loss before extraordinary items	-46,507,109.34	-93,538,629.22
Adjustments		
Depreciation, amortisation and impairment	95,514,791.66	91,017,987.67
Finance income and expenses	79,805,514.58	120,255,476.40
Other adjustments	-35,435.48	-102,753.66
Cash flow before change in working capital	**128,777,761.42**	**117,632,081.19**
Change in working capital		
Increase (-) / decrease (+) in non-interest bearing receivables	10,501,940.24	22,199,143.26
Increase (+) / decrease (-) in non-interest bearing liabilities	-20,574,341.38	7,244,149.77
Operating cash flow before financial items and taxes	**118,705,360.28**	**147,075,374.22**
Interest payments and payments for other finance costs	-59,752,130.28	-121,540,079.37
Interests received	736,126.41	1,105,666.41
Taxes paid	-79,533.51	-1,456,617.28
Cash flow from operating activities	**59,609,822.90**	**5,184,343.98**
Cash flow from investing activities		
Capital expenditures	-104,771,020.68	-81,389,201.32
Cash flow from investing activities	**-104,771,020.68**	**-81,389,201.32**
Cash flow from financing activities		
Proceeds from long-term borrowings	-	53,000,000.00
Re-payment of long-term borrowings	-319,504,975.17	-617,746,711.00
Change in loans receivable	2,000,000.00	10,005,627.75
Connection fee refunds	-333,675.60	-399,817.91
Group contributions received and paid	-18,000,000.00	-
Increase in non restricted equity	333,000,000.00	647,328,000.00
Cash flow from financing activities	**-2,838,650.77**	**92,187,098.84**
Change in cash and cash equivalents	**-47,999,848.55**	**35,982,241.50**
Cash and cash equivalents 1.1	58,727,500.76	25,643,886.49
Cash and cash equivalents 1.1 + change	10,727,652.21	61,626,127.99
Merger 1.1.2013 liquid funds	-	-2,898,627.23
Cash and cash equivalents 31.12	**10,727,652.21**	**58,727,500.76**

Cash and cash equivalents comprise of bank deposits.

NOTES TO THE FINANCIAL STATEMENTS 1 JAN - 31 DEC 2014

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.

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	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Distribution income	200,193	206,495
Contracting income	2,652	3,128
Connection fee income	15,503	10,387
Other sales income	8,426	8,672
Outage compensation	476	-6,826
Total	**227,250**	**221,856**

1.2 OTHER OPERATING INCOME

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Lease income	450	460
Capital gains	35	112
Other operating income	2,138	1,449
Total	**2,623**	**2,021**

1.3 MATERIALS AND SERVICES

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Grid costs	-27,748	-28,065
Network losses	-11,245	-11,857
External services	-22,222	-26,346
Materials	-1,246	-1,410
Total	**-62,460**	**-67,679**

1.4 PERSONNEL EXPENSES

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Average number of personnel during the financial year	294	287
Salaries	-10,735	-9,630
Pension expenses	-2,096	-2,235
Other employee expenses	-2,399	-2,230
Total	**-15,231**	**-14,094**

1.5 DEPRECIATIONS ACCORDING TO THE PLAN

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Impairment	-2,729	-
Intangible fixed assets	-1,596	-1,256
Other capitalized long term expenditure	-34,536	-34,443
Buildings and constructions	-86	-89
Electricity network	-54,027	-52,719
Machinery and equipments	-2,541	-2,512
Total	**-95,515**	**-91,018**

1.6 OTHER OPERATING EXPENSES

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Lease expenses	-7,050	-7,608
Other external services	-9,327	-8,745
Other operating expenses	-6,991	-8,016
Total	**-23,369**	**-24,369**
Audit charges EUR 1,000	**149**	**338**

1.7 FINANCIAL INCOME AND EXPENSES

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Interest and other financial income		
From group companies	383	486
Other financial income	1,942	314
Total	**2,326**	**800**
Interest and other financial expenses		
Other financial expenses	-82,131	-121,055
Total	**-82,131**	**-121,055**
Total financial income and expenses	**-79,806**	**-120,255**

1.8 EXTRAORDINARY ITEMS

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Extraordinary income		
Group contribution received	9,110	3,000
Total	**9,110**	**3,000**
Extraordinary expenses		
Mandatory provision for the guarantee obligation of Elenia Finance Oyj's bonds	-333,000	-650,000
Group contribution paid	-28,688	-
Total	**-361,688**	**-650,000**
Total extraordinary items	**-352,578**	**-647,000**

1.9 APPROPRIATIONS

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Change in accelerated depreciations	33,760	-24,238
Total	**33,760**	**-24,238**

1.10 INCOME TAXES

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Deferred tax asset	-5,311	6,106
Total	**-5,311**	**6,106**

2.1 INTANGIBLE FIXED ASSETS

INTANGIBLE RIGHTS

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Acquisition cost 1.1.	19,332	-
Merger	-	18,459
Investments	1,076	873
Acquisiton cost 31.12.	20,408	19,332
Accumulated depreciation 1.1.	-10,009	-
Merger	-	-9,522
Depreciation according to the plan	-516	-487
Book value 31.12.	**9,883**	**9,323**

OTHER CAPITALIZED LONG-TERM EXPENDITURE

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Acquistion cost 1.1.	738,602	-
Merger	-	734,788
Investments	3,108	3,814
Acquisition cost 31.12.	741,710	738,602
Accumulated depreciation 1.1.	-81,270	-
Merger	-	-46,058
Depreciation according to the plan	-35,616	-35,212
Book value 31.12.	**624,824**	**657,332**

2.2 TANGIBLE FIXED ASSETS

LAND AND WATER AREAS

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Acquistion cost 1.1.	1,932	-
Merger	-	1,865
Acquistion cost 31.12.	1,932	1,865
Investments	39	67
Book value 31.12.	**1,971**	**1,932**

BUILDINGS AND CONSTRUCTIONS

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Acquistion cost 1.1.	5,443	3,211
Merger	-	2,232
Acquistion cost 31.12.	5,443	5,443
Accumulated depreciation 1.1.	-3,672	-1,377
Merger	-	-2,207
Depreciation according to the plan	-85	-88
Book value 31.12.	**1,687**	**1,772**

ELECTRICITY NETWORK

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Acquistion cost 1.1.	1,588,533	-
Merger	-	1,519,515
Investments	113,826	69,018
Disposals	-7,445	-
Acquistion cost 31.12.	1,694,914	1,588,533
Accumulated depreciation 1.1.	-567,996	-
Merger	-	-515,277
Disposals	4,697	-
Depreciation according to the plan	-54,027	-52,719
Book value 31.12.	**1,077,587**	**1,020,537**

MACHINERY AND EQUIPMENTS

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Acquistion cost 1.1.	49,507	3,577
Merger	-	44,068
Investments	1,973	2,191
Divestments	-174	-329
Acquistion cost 31.12.	51,305	49,507
Accumulated depreciation 1.1.	-35,077	-2,732
Merger	-	-30,151
Divestments	174	318
Depreciation according to the plan	-2,541	-2,512
Book value 31.12.	**13,862**	**14,430**

OTHER TANGIBLE ASSETS

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Acquistion cost 1.1.	56	-
Merger	-	56
Acquistion cost 31.12.	56	56
Accumulated depreciation 1.1.	-48	-
Merger	-	-47
Depreciation according to the plan	-1	-1
Book value 31.12.	**7**	**8**

ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Acquistion cost 1.1.	26,526	-
Merger	-	18,686
Increase	697	7,840
Decrease	-15,768	-
Book value 31.12.	**11,455**	**26,526**

2.3 INVESTMENTS

HOLDINGS IN GROUP COMPANIES

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Acquistion cost 1.1.	239,739	1,518,021
Merger	-	-1,278,362
Investments	3	80
Acquistion cost 31.12.	239,741	239,739
Book value 31.12.	**239,741**	**239,739**

OTHER SHARES AND HOLDINGS

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Acquistion cost 1.1.	639	391
Merger	-	246
Investments	-	2
Disposals	-14	-
Acquistion cost 31.12.	625	639
Book value 31.12.	**625**	**639**

2.4 RECEIVABLES

LONG TERM RECEIVABLES

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
External loan receivables	8	8
Loan receivables from group companies	13,000	15,000
Long term receivables total	**13,008**	**15,008**

SHORT TERM RECEIVABLES

Receivables from group companies

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Trade receivables	18	49
Accrued income	4,567	5,226
Other short-term receivables	1,822	3,188
Group contribution receivables	9,110	-
Receivables from group companies total	15,516	8,462

External receivables

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Trade receivables	19,141	22,218
Other short-term receivables	333	379
Accrued income	22,777	29,510
Deferred tax assets	31,257	36,482
External receivables total	73,507	88,589
Short term receivables total	**89,024**	**97,051**
Total receivables	**102,032**	**112,060**

3.1 CAPITAL AND RESERVES

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Subscribed capital	3	3
Non restricted equity 1.1.	649,328	2,000
Change (+/-)	333,000	647,328
Non restricted equity 31.12.	982,328	649,328
Retained earnings (loss) 1.1.	-854,667	-95,996
Loss for the the financial year	-370,636	-758,671
Total capital and reserves	**-242,973**	**-205,336**

Company's equity is negative and the company does not have any distributable funds. However the equity is positive (EUR 25,929 thousand) when taking into account the increase in equity due to compound difference between the actual and planned depreciations.

3.2 CUMULATIVE ACCELERATED DEPRECIATIONS

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Cumulative accelerated depreciations	336,127	369,887

Accelerated depreciations include deferred tax liability 67,225,471 euros.

3.3 MANDATORY PROVISION

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Mandatory provision for the guarantee obligation of Elenia Finance Oyj's bonds	983,000	650,000

3.4 LIABILITIES

NON-CURRENT LIABILITIES

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Connection fee liability 1.1.	205,153	205,552
Connection fee refunds	-334	-400
Connection fee liability 31.12.	204,819	205,153
Loans from financial institutions	62,000	395,000
Capex facility	39,000	-
Other long-term loans	650,630	638,728
Total non-current liabilities	**956,449**	**1,238,881**

CURRENT LIABILITIES

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Trade payables	10,936	11,465
Other short term liabilities	22,821	16,553
Accrued expenses		
Salaries and social expenses	4,155	3,304
Other accrued expenses	8,726	39,212
Total	12,881	42,516
Liabilities to group companies		
Trade payables	64	46
Other short term liabilities	7,409	19,013
Group contribution payables	7,688	-
Total	15,161	19,059
Total current liabilities	**61,799**	**89,592**
Total liabilities	**1,018,247**	**1,328,473**

3.5 LIABILITIES AND QUARANTEES FOR DEBTS

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Floating charges		
Provided on behalf of own and group liabilities	4,500,000	4,500,000
Mortgages	218,155	218,155
Leasing agreements		
Within one year	4,051	4,254
After one year but not more than five years	16,750	16,334
More than five years	10,176	14,517
Total	**30,977**	**35,105**
Other lease liabilitites		
Within one year	1,035	919
After one year but not more than five years	1,184	2,280
Total	**2,219**	**3,198**
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%	3	3
Other shares and holdings				248	248

DIFFERENTIATED PROFIT AND LOSS ACCOUNT

EUR 1,000	1 Jan - 31 Dec 2014	1 Jan - 31 Dec 2013
Revenue	**220,434**	**214,517**
Other operating income	**2,423**	**2,021**
Materials and services		
Materials and goods		
Purchace during the financial period		
Network losses	-11,218	-11,825
Other materials	-1,244	-1,410
Services		
Grid costs	-27,714	-28,032
Other external services	-22,164	-26,279
Personnel expenses	**-9,033**	**-8,691**
Depreciation, amortisation and impairment		
Depreciation according to plan		
Items related to mergers	-56,939	-56,939
Network assets	-36,724	-32,514
Other assets	-1,347	-1,125
Other operating expenses		
Lease expenses	-959	-1,095
Network rents and network leasing expenses	-5,310	-5,474
Other operating expenses	-15,606	-16,398
Operating profit	**34,598**	**26,754**
Financial income and expenses		
Income from other fixed investment		
Other interest and financial income		
From group companies	1,973	486
From other companies	353	314
Financial expenses		
From other companies	-82,131	-105,935
Profit / loss before extraordinary items	**-45,207**	**-78,381**
Entraordinary items		
Extraordinary income		
Group contribution received	9,110	3,000
Extraordinary expenses		
Group contribution paid	-28,688	-
Profit / loss before appropriations and taxes	**-64,785**	**-75,381**
Appropriations		
Change in accelerated depreciations		
Network assets	33,963	-24,536
Other assets	-260	-222
Income taxes	**-5,560**	**3,178**
Loss for the year	**-36,642**	**-96,960**

DIFFERENTIATED PROFIT AND LOSS ACCOUNT

EUR 1,000	31 Dec 2014	31 Dec 2013
ASSETS		
Non-current assets		
Intangible assets		
Intangilble rights	9,890	9,323
Other capitalized long term expenditure	624,380	657,332
	634,270	666,655
Tangible assets		
Land and water areas	190	190
Buildings and constructions	1,682	1,765
Electricity network	629,570	550,664
Items related to mergers	461,755	484,280
Machinery and equipments	1,260	690
Other tangible assets	7	8
Advance payments and construction in progress	10,212	26,521
	1,104,677	1,064,117
Investments		
Holdings in group companies	239,741	239,739
Other financial assets	377	391
Other shares and holdings	248	248
	240,367	240,378
Total non current assets	**1,979,313**	**1,971,150**
Current assets		
Long-term receivables		
Loan receivables	8	8
Loan receivables from group companies	13,000	15,000
	13,008	15,008
Short-term receivables		
Trade receivables	18,958	22,218
Receivables from group companies	15,312	8,462
Other receivables	333	379
Deferred tax assets	31,008	33,554
Prepayments and accrued income	22,258	28,681
	87,869	93,294
Cash and cash equivalents	**18,969**	**43,242**
Total current assets	**119,846**	**151,544**
TOTAL ASSETS	**2,099,159**	**2,122,695**

DIFFERENTIATED BALANCE SHEET

EUR 1,000	31 Dec 2014	31 Dec 2013
EQUITY AND LIABILITIES		
Capital and reserves		
Subscribed capital	3	3
Non restricted equity	981,241	648,241
Retained earnings	-192,956	-95,996
Loss for the financial year	-36,642	-96,960
	751,646	455,288
Cumulative accelerated depreciations	**334,436**	**368,565**
Liabilities		
Non-current liabilitites		
Connection fees	204,819	205,153
Other long-term loans	650,630	638,728
Liabilities to group companies	101,000	395,000
	956,449	1,238,881
Current liabilities		
Trade payables	10,420	11,274
Liabilities to group companies	15,097	19,059
Other short term liabilities	19,610	2,234
Accruals and deferred income	11,502	27,395
	56,629	59,962
Total liabilities	**1,013,077**	**1,298,842**
TOTAL EQUITY AND LIABILITIES	**2,099,159**	**2,122,695**

NOTES FOR DIFFERENTIATED FINANCIAL STATEMENTS

DIFFERENTIATION PRINCIPLES

Income 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.

2013 differentiated balance sheet has been reconciled in accordance with the differentiation principles.

NETWORK BUSINESS' KEY FIGURES

INVESTMENTS

EUR 1,000	31 Dec 2014	31 Dec 2013
Intangble assets		
Intangble rights	1,083	873
Other capitalized long term expenditures	2,001	-
Connection fees	1,100	860
Tangible assets		
Land and water areas	-	67
Electricity network	111,107	69,018
Meters	1,278	1,716
Other tangible assets	695	3,429
Advance payments and construction in progress	10,212	7,835
Shares and holdings	3	82
Return on investment	1.81%	1.34%
Average number of personnel in the network business	177	190
R&D expenses in the profit and loss account 1.1-31.12. (EUR)	988,718	713,674
Expenses incurred from hourly metering 1.1-31.12. (EUR)	2,840,587	2,697,568
Operative expenses included in security of supply incentive 1.1-31.12. (EUR)	64,419	-

SIGNATURES TO THE FINANCIAL STATEMENTS

Helsinki, 24 March 2015

Timo Rajala
Chairman of the Board of Directors

Heidi Koskinen

Kunal Koya

Tapani Liuhala

Peter Lyneham

Aapo Nikunen

Timothy Short

Philip White

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

Helsinki, 24 March 2015

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, 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