2013

Annual Report by the Board of Directors and Financial Statements

POHJOLAN VOIMA

Contents

Financial statements 1

Annual report by the Board of Directors 2

Consolidated statement of comprehensive income 8

Consolidated balance sheet 9

Consolidated statement of cash flows 10

Consolidated statement of changes in equity 11

Notes to the consolidated financial statements 13

- Note 1 14
- Note 2 23
- Note 3 24
- Notes 4-15 28
- Note 16 33
- Note 17 34
- Notes 18-22 36
- Note 23 40
- Notes 24-28 42
- Note 29 45
- Notes 30-32 48
- Notes 33-35 50

Parent company financial statements (FAS) 53

- Income Statement and Balance Sheet 54
  - 1 Basis of preparation 57
  - Notes to Income Statement 58
  - Notes to Balance Sheet 61

Board of Directors' dividend proposal 67

Auditor’s Report 68

Financial statements 2013

Key figures (IFRS) of Pohjolan Voima Group 2013

IFRS	2013	2012	2011	2010	2009
Turnover, € million	722	838	1 130	1 041	833
Operating result, € million	23	10	216	37	-48
Net interest-bearing liabilities € million	1 017	1 083	851	1 110	1 113
As percentage of turnover, %	141	129	75	107	134
Equity ratio, %	42	35	41	35	34
Total assets, € million	2577	2 398	2 555	2 587	2 548
Investments, € million	24	36	34	52	113
Average number of personnel*	270	454	487	512	547

*Does not include the personnel of Teollisuuden Voima where Pohjolan Voima has a majority shareholding

The Annual Report of the Board of Directors and the Financial Statements

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- **Annual report by the Board of Directors**

Financial Statements 2013

  - **Consolidated statement of comprehensive income**
  - **Consolidated balance sheet**
  - **Consolidated statement of cash flows**
  - **Consolidated statement of changes in equity**
  - **Notes to the consolidated financial statements**
  - **Parent company financial statements (FAS)**
- **Board of Directors' dividend proposal**
- **Auditor’s Report**

Annual Report by the Board of Directors 2013

Operating environment

In 2013, electricity consumption in Finland was 83.9 TWh (85.2 TWh in 2012). Of this volume, 68.2 (67.7) TWh was produced in Finland, while net imports into Finland amounted to 15.7 (17.4) TWh. Net imports remained high and covered 18.7% (20.5%) of Finnish power consumption. The good water situation in the Nordic countries in 2012 continued to be reasonably good in early 2013, which increased the amount of imports. Process industry production showed signs of recovery, although the challenges in the export industry and the exceptionally warm year caused total energy consumption to decrease by 1% from the previous year. Industrial power consumption increased by 1%, whereas the power consumption of other sectors was 3.5% lower than in the previous year, due to the warm weather.

Nord Pool Spot trade amounted to 493 TWh (432 TWh). The annual average system price was €38.10 (€31.20) per MWh, while the annual average of the Finnish area price was €41.16 (€36.64) per MWh. Finland's higher area price was affected by the good water situation in Norway and Sweden and by capacity fees which limited Russian imports.

EUA emissions rights price remained low throughout 2013 and varied between €2.75 and €6.66.

Pohjolan Voima's electricity and heat production

In 2013, Pohjolan Voima's total electricity supply was 16.2 (20.2) TWh. The Group's own electricity production accounted for 15.6 (14.6) TWh, of which the parent company's supplies to its shareholders were 15.0 (14.0) TWh. The subsidiaries supplied 0.6 (0.5) TWh to their other shareholders. Purchases from the Nordic electricity markets were 0.7 (5.6) TWh, and sales amounted to 0.6 (0.5) TWh. Heat supplies were 7.7 (7.9) TWh.

Nuclear power made up 53.3% (41.0%) of the electricity supply. Teollisuuden Voima's Olkiluoto nuclear power plant generated 14.6 (14.4) TWh of electricity, of which Pohjolan Voima obtained 8.3 (8.2) TWh, in accordance with its shareholding. Nuclear power reached the highest production result in the history of Olkiluoto. The joint capacity factor of the Olkiluoto plant units was 95.1% (93.7%).

Hydropower accounted for 1.6 (2.1) TWh, or 10.1% (10.9%), of the electricity supply. In hydropower production, 2013 was more challenging than 2012, due to the dry summer and early autumn.

Pohjolan Voima produced 2.2 (1.0) TWh of condensing power, which represented 14.1% (5.0%) of the electricity supply. Condensing power production increased substantially from the previous year as the Nordic hydrological situation weakened. A total of 3.5 (3.3) TWh of electricity was generated in the combined heat and power (CHP) plants.

Electricity supply (GWh)	**2009**	**2010**	**2011**	**2012**	**2013**
Nuclear power	8,170	7,988	8,025	8,165	8,296
Hydropower	1,551	1,670	1,709	2,143	1,566
CHP	3,090	4,032	3,587	3,266	3,502
Condensing power	2,419	3,810	1,548	995	2,193
Wind power	108	103	92	0	0
Purchases	6,355	5,883	9,360	5,613	673
Total	21,693	23,485	24,321	20,182	16,229
Turnover	838	1,041	1,130	838	722

PVO-Lämpövoima's Kristiina 1 and PVO-Huippuvoima's Vaskiluoto 3 oil-fired power plants will be leased as part of the peaking power plant system from 1 July 2013 to 30 June 2015.

Investments

Total investments of the Pohjolan Voima Group, excluding financial investments and the purchase of emission allowances, were €23.7 (36.1) million.

PVO-Vesivoima received a decision from the Supreme Administrative Court on a dispute concerning the four Iijoki power plants, for the permanent usage right of hydropower. As specified in the decision, remuneration of €10.6 million was entered as an investment in intangible rights. PVO-Vesivoima Oy continued the Iijoki hydropower plant renovation programme by investing €3.0 (4.8) million in the renewal work at Pahkakoski. The entire efficiency programme will be completed in early 2014.

Investments in bioenergy plants were €3.3 (27.3) million. Rauman Biovoima Oy launched an investment related to the use of recycled fuels. During the financial period, €1.6 million was invested in equipment related to the receipt, processing, storage and feeding of recycled fuel.

The remaining investments were made in repairs and renovations.

Pohjolan Voima has invested a total of €600.0 (540.0) million between 2004 and 2013 in the new OL3 nuclear power plant currently under construction. The investments are based on the OL3 financing plan, according to which the equity required for the investment is accumulated along with the progress of the project.

Pohjolan Voima participates in the planning and tendering phase of Teollisuuden Voima's new nuclear plant – the OL4 project. Teollisuuden Voima continued to prepare the OL4 project. The costs of the planning and tendering phase should not exceed €300 million, of which Pohjolan Voima's share amounts to about €176 million. For funding the OL4 project, Pohjolan Voima has taken out €35.1 (29.3) million of shareholder loan. Remaining shareholder loan commitments amount to €128.9 (134.7) million. Shareholder loans rank below all of Pohjolan Voima's other debt commitments. Pohjolan Voima has, in turn, invested €35.1 (29.3) million as shareholder loan in Teollisuuden Voima's OL4 project

Research and development

Research and development expenditure was €0.7 million (2012: €0.6m and 2011: €0.3m).

Research and development efforts concentrated, among other issues, on the suitability of torrefied wood-based biomass for fuel for coal-fired plants, the recycling potential of ash from power plants and its conversion into raw materials, and various technology alternatives for meeting the increasingly stringent emission restrictions of the Industrial Emissions (IE) Directive.

Personnel

The average number of employees working for the Group, with permanent or fixed-term contracts, was 270 (454 in 2012 and 487 in 2011). The Group's salaries and fees for the financial period totalled €17.0 million (€25.0m in 2012 and €25.7m in 2011).

The average number of employees working for the parent company, with permanent or fixed-term contracts, was 87 (70 in 2012 and 72 in 2011). The Group's salaries and fees for the financial period totalled €7.0 million (€5.8m in 2012 and €6.0m in 2011).

The average age of the personnel in permanent employment was 46.6 (49.3) years.

Proma-Palvelut Oy ended its business and 73 employees were transferred within the Group to PVO-Lämpövoima Oy. A total of 92 employees transferred outside the Group to the service of Vaskiluodon Voima Oy, a Pohjolan Voima shareholder, or a service provider.

The parent company's number of employees increased at the beginning of the financial period as the entire staff of Powest Oy transferred to the parent company. PVO-Pool Oy merged and the staff transferred as existing employees to the parent company on 31 December 2013, due to which the parent company's number of employees will further increase in 2014.

PVO-Vesivoima's operating partnership with Caverion Industria Oy commenced on 1 September 2013 and 27 employees transferred from PVO-Vesivoima to Caverion Industria Oy as existing employees

Environmental issues

All of Pohjolan Voima's power plants have valid environmental permits. The Group's environmental management is based on certified environmental management systems in accordance with the ISO 14001 standard. Teollisuuden Voima, a joint venture partially owned by Pohjolan Voima, has an EMAS-registered environmental management system which also covers the activities in the construction phase of OL3. There were no major environmental exceptions in the production of Pohjolan Voima in 2013.

Regulation of waterways and the operation of hydropower plants took place under the permit conditions. In order to sustain the fish stocks in the Kemijoki and Iijoki waterways and the sea area, 2.5 (2.9) million fry were stocked. Together with Kemijoki Oy, 4.8 (4.9) million fry were stocked in the Kemijoki sea and river area; of these, PVO-Vesivoima Oy's share was 17%, or 0.8 (0.8) million fry. The stocking was carried out according to plans.

Together with the municipalities of the Iijoki river region and other key stakeholders, PVO-Vesivoima Oy is participating in a project focusing on the Iijoki river fishways, co-ordinated by the Centre for Economic Development, Transport and the Environment for Northern Ostrobothnia. The target of the project is to create detailed plans for fishways at the power plants in the lower reaches of the Iijoki river and to apply for construction permits for the fishways. Applying for permits requires the establishment of a joint municipal administration body.

All the thermal power plants operated by the Group fall within the sphere of the Emissions Trading Act. Carbon dioxide emissions from production increased compared to the previous year due to an increase in the consumption of fossil fuels. The carbon dioxide emissions from electricity and heat produced internally were 3.4 (2.4) million tonnes. The Notes to the Financial Statements only report the carbon dioxide emissions of the subsidiaries, which amounted to 2.2 (1.4) million tonnes.

Other emissions into the air also increased. Sulphur dioxide emissions were 2.6 (2.1) thousand tonnes, nitrogen oxide emissions 5.3 (4.4) thousand tonnes and particle emissions 0.3 (0.2) thousand tonnes.

PVO-Lämpövoima's Kristiina power plant was awarded an environmental permit in 2011 to allow gasification of biofuel and peat and the use of the gas as fuel for a coal-fired boiler, and also for a new multi-fuel boiler that could replace the old oil-fired condensing power plant altogether. In March 2013, the Administrative Court of Vaasa issued resolutions to appeals submitted in regard to the environment permit decisions. The appeal process will continue in the Supreme Administrative Court, which means that the permit is not legally valid.

The Industrial Emissions (IE) Directive entered into force in 2011. National enforcement will be carried out through the upgrade of the Environmental Protection Act and some related decrees. The new, stricter emission limits stated in the IE Directive would therefore not apply to existing power plants until in 2016 at the earliest. The IE Directive also contains considerable tightening of requirements on monitoring emissions. For the majority of the Group's power plants, the most difficult thing is the reduction of nitrogen oxide (NOx) and particle emissions, and studies are being conducted on different technical solutions.

Pohjolan Voima and its subsidiaries, associated companies and joint ventures are unaware of any environmental liabilities that have not been covered. Pohjolan Voima's more detailed environmental information is published on the company's website at www.pohjolanvoima.fi. Teollisuuden Voima provides information on the environmental issues related to nuclear power generation on its website at www.tvo.fi and in a separate corporate social responsibility report.

Risk management

The aim of risk management is to ensure the materialisation of the strategy and the attainment of the business objectives, as well as to safeguard continuity and disturbance-free operations. Risk management takes place in line with the Group's risk management policy. Risk management follows a distributed operating model.

Risks that may jeopardise the attainment of objectives are estimated and measures for managing them are defined. The significance of risks is estimated as a sum of the likelihood of occurrence and impact, not an estimate of the impact in euros. Risks are classified as operating environment risks, strategic risks, operating process risks, project risks, HR risks, safety risks and funding risks.

All Pohjolan Voima companies are covered for risks of damage through measures related to maintenance, safety at work, adequate training provided to the personnel and other necessary measures, as well as through insurance in line with the Group's insurance policy.

Most significant risks and uncertainties

The Group's most significant risks are connected with the completion of the OL3 project of Pohjolan Voima's joint venture Teollisuuden Voima. In February 2013, TVO announced that commercial production of electricity at OL3 may not begin until 2016. After the period of review in February 2014, Teollisuuden Voima announced that that it had not received the requested overall schedule update for the OL3 project from the supplier. Therefore TVO does not provide an estimate of the start-up time of the plant unit at the moment. Information about the start-up date of electricity production of the OL3 plant unit is pending the finalization of the supplier's schedule clarification.The original plan was to begin commercial electricity production at the plant unit in late April 2009. The delay causes additional costs and losses, for which TVO has demanded compensation from the turnkey plant supplier in an arbitration procedure compliant with the rules of the International Chamber of Commerce (ICC).

Changes in Group structure

Proma-Palvelut Oy, which provided thermal power operating and maintenance services to the Group, was placed in liquidation on 5 June 2013 and was dissolved on 30 December 2013. The actual business of Proma-Palvelut ended at the end of 2012.

PVO-Pool Oy, which provided energy management related HR and data administration services to the Group, merged with the parent company on 31 December 2013. At the same time, the staff of PVO-Pool transferred to the parent company. Service business operations will continue in the parent company.

Finances

Pohjolan Voima operates on an "at-cost" basis. Shareholders pay the fixed costs in accordance with their ownership share, irrespective of whether they have used their capacity or energy share, as well as variable costs according to the energy supplied. As a result of this operating principle, it is irrelevant to present any financial key indicators to understand the companies' business, financial status or result.

The aims and risks of Pohjolan Voima's financing operations have been defined in the financing policy approved by the parent company's Board of Directors. The financing risks of Pohjolan Voima's business operations relate to liquidity, market and credit risks. The management of financing risks has been discussed in Note 3 to the consolidated financial statements (Management of financing risks).

The parent company has secured its liquidity with a €300 (300) million standby credit agreement, valid until December 2016. For short-term funding, the Group was able to rely on domestic commercial paper programmes of €300 (300) million, of which €210 (300) million was unused. At the end of the year, available long-term credit facilities amounted to €300 (332) million. The Group's liquidity is good. Net interest-bearing liabilities at the end of the year stood at €1,016.5 (1,112.0) million. There were no liabilities involving an exchange risk.

At the end of the year, the Group had an equity ratio of 42.2% (34.7%). The equity ratio was increased by the share issue in June.

The consolidated result for the financial period was €12.9 million (-€19.2 million). The result for the financial period was improved by the result registered from associated companies, which was higher than in the previous year, due to the result impact of updating TVO's nuclear waste management liability estimate. The loss for financial year 2012 was mainly due to the valuation of derivatives and the negative results of the parent company and associated companies.

Shareholders' equity and share issues

The following issues were subscribed to during the financial year:

Increase of share capital tied to B2 share series (1 July 2013), 4,107,143 shares at a subscription price of €230,000,008 directed to B2 series shareholders. In compliance with the decision made by the General Meeting, the first item of the share subscription price has been paid during the financial period. The rest of the marked shares are on the share issue account.

Table: Pohjolan Voima Oy shareholders (general shareholding)

Shareholder	Shareholding in %, 31 December 2012	Shareholding in %, 31 December 2013
EPV Energia Oy	7.158	7.106
Etelä-Suomen Voima Oy	2.774	2.778
Helsingin kaupunki	0.787	0.801
Ilmarinen Mutual Pension Insurance Company	4.117	3.999
Kemira Oyj (incl. Neliapila pension foundation)	3.956	4.037
City of Kokkola	2.438	2.401
Kymppivoima Oy	8.611	8.647
Metsä Group (Metsäliitto, Metsä Fibre, Metsä Board Oyj)	3.362	3.364
Myllykoski Oyj*	0.815	0.828
City of Oulu	1.772	1.721
Outokumpu Oyj	0.086	0.083
Oy Perhonjoki Ab	2.477	2.438
City of Pori	1.828	1.796
Rautaruukki Oyj	0.021	0.036
Stora Enso Oyj	14.769	14.770
UPM-Kymmene Oyj	43.077	43.288
Vantaan Energia Oy	0.291	0.296
Yara Suomi Oy (incl. pension foundation)	1.661	1.613

**) The company is a part of the UPM-Kymmene Group.*

Corporate management

The Annual General Meeting of 21 March 2013 elected the following members to the Board of Directors: Tapio Korpeinen, Executive Vice President (UPM-Kymmene Corporation); Juha Vanhainen, Executive Vice President (Stora Enso Oyj); Hannu Anttila, Executive Vice President, Strategy (Metsä Group); Jukka Hakkila, Group General Counsel (Kemira Oyj); Kari Rämö, Managing Director (Kymenlaakson Sähkö Oy); Tapani Sointu, Vice President (UPM-Kymmene Corporation); Rami Vuola, President & CEO (EPV Energia Oy) and Kari Hannus, Deputy Mayor (City of Pori).

At the Board meeting on 21 March 2013, Tapio Korpeinen was elected Chairman of the Board and Juha Vanhainen was elected Deputy Chairman. The Board of Directors convened 16 (15) times in 2013. Lauri Virkkunen, M.Sc. (Eng.), M.Sc. (Econ.) acted as the company's President and CEO.

Major legal actions pending

In 2012, Teollisuuden Voima filed a claim and a rejoinder in the arbitration procedure compliant with the rules of the International Chamber of Commerce (ICC) on the delay of the construction of the OL3 plant unit and the related costs. The estimated costs and losses amounted to approximately €1.8 billion, including the actual claim and an estimated sum.

The arbitration procedure began in December 2008 at the initiative of the OL3 plant supplier. The monetary demand, updated by the plant supplier in 2013 and spanning until the end of June 2011, is about €2.7 billion in total. Among other things, the sum includes about €70 million in postponed payment items pursuant to the plant delivery contract, about €700 million in interest in arrears, and about €120 million in lost profit.

Teollisuuden Voima has declared the plant supplier's previous claim to be unjustified. Teollisuuden Voima will investigate the updated claim and will address it accordingly. The arbitration may take several years and the figures in the parties' demands may still change.

No receivables or provisions have been recognised as a result of the demands presented during the arbitration proceedings.

The agreement between the Finnish State and PVO-Vesivoima on the use of Iijoki hydropower, owned by the State, at four power plants expired at the end of 2005. The Permit Authority granted PVO-Vesivoima the permanent right in 2008 and set the consideration at €2.25 million. Metsähallitus appealed against the decision to the Vaasa Administrative Court, which, in its decision in 2010, declared the decision of the Northern Finland Environmental Permit Authority valid. Metsähallitus appealed to the Supreme Administrative Court, which issued a decision in August 2013. According to the statement, PVO-Vesivoima had to pay €11.5 million to Metsähallitus for the permanent right to use hydropower owned by the State. The remuneration for the permanent right to use the hydropower has been entered in intangible assets for the 2013 financial period. In addition, Metsähallitus demands an interest for the remuneration for 2006–2013. In that case, the remuneration increases to about €15.9 million. Pohjolan Voima considers the interest claim to be excessive. No reservation has been entered for the interest claim and any interest to be paid will be activated in intangible assets which will not be depreciated.

Future outlook

The construction and pre-production preparation of the OL3 nuclear power plant unit continues. In February 2014, Teollisuuden Voima announced that the supplier has not provided the requested update of the OL3 project's overall schedule. The launch time for electricity production at the OL3 plant unit will be specified once the plant supplier's schedule report is ready.

The preparations of the OL4 nuclear power plant project progress. Investigation into the licensability and suitability of plant alternatives continue together with the procurement process aiming at making a selection between the alternatives.

In late 2012, Posiva submitted to the Government an application for a construction permit for a spent nuclear fuel disposal facility. Posiva is continuing the construction work, furnishing and surveys in ONKALO, the underground research facility on the disposal of spent fuel in Olkiluoto, and preparing for the launch of the encapsulation plant and final disposal facility projects. Full-scale testing of final disposal technology has started in ONKALO.

The Kollaja plan was updated and the environmental impact assessment was supplemented as required by the authority. The authority issued a statement on 3 January 2014 and stated that the project does not substantially weaken Natura values in the Pudasjärvi river delta and Venkaa spring areas in the impact zone of the project. There is an assertion in the Government Programme stating that the Rapids Protection Act will not be reformed, which is why the Kollaja project is not likely to progress while this Government remains in power.

Due to a notification, the gasifier premium included in the Act on Production Subsidy for Electricity Produced from Renewable Energy Sources is still being processed by the European Commission.

The Finnish Parliament ratified the Power Plant Tax Act as a budgetary act in December. The sum to be collected with the power plant tax decreased from the previous €170 million to €50 million. The Act will take effect through a separate regulation once approved by the commission. The commission will give its response to Finland in the next few months. It is unclear how the Act will apply to 2014 if approved by the commission in the middle of the year. If the Act takes effect in the form presented, it will substantially increase hydropower costs and also nuclear power costs.

In December, the Parliament approved the Government's updated energy and climate strategy. The work of the parliamentary committee, preparing a national roadmap to 2050, has progressed slower than expected. The roadmap is likely to be completed in 2014. As defined in the Government's policy, the goal is to decrease peat use so that peat is not replaced by coal. The peat tax will increase at the beginning of 2015.

The Parliament will start processing the reform of the Environmental Protection Act and the estimate is that the reformed Act will take effect in May–June 2014 at the earliest. According to the transition regulations in the proposed Environmental Protection Act, the deadline for submitting large combustion plants' environment permit inspection applications is 30 June 2014. There may be changes to the deadline in regard to other plants than the ones in transition plans due to the fact that the estimated approval time of the Act is near. The authority processing of permit applications is an urgent tasks because the new regulations stipulate that the environment permits should be valid until the start of 2015 so that emissions limit value flexibility can be used, for example.

The updating of the best usable technology comparison document (LCP-BREF) is currently going on in the EU. As a result of the industrial emissions regulation, BAT conclusions made on the basis of new BREF documents are binding. On the basis of the BAT conclusion drafts for large combustion plants, it is estimated that the emissions limit values become tighter. BAT conclusions are likely to be approved in 2015 at the earliest, after which time the need to update the environment permits will be assessed.

The national transition plan in compliance with the industrial emissions regulation gives power plants more time to adjust to the tighter emissions requirements until the end of June 2020. Finland's national transition plan is still waiting for commission approval. The commission's estimate is that the decision on Finland's plan will be made in early 2014. The benefit related to the transition plan, in regard to phasing emissions reduction investments at different power plants will be lost if the commission's decision making takes longer than estimated. The planned investments should be made earlier to ensure that power plants can be used. Of Pohjolan Voima plants, the following are committed to the transition plan: PVO-Lämpövoima's Kristiina 2 and Tahkoluoto, Vaskiluodon Voima's Vaskiluoto 2 and Seinäjoki, Kymin Voima, Rauman Biovoima's oil boiler, Porin Prosessivoima's old boilers and Hämeenkyrön Voima's gas boiler.

A decision has been made to change the emissions trade system so that 900 million emissions rights are temporarily put aside at the start of the ongoing trading period and returned at the end of it. The commission has proposed that some of the emissions rights put aside will only be returned in 2021.

The EU commission has issued its proposal for an energy and climate policy until 2030. As a binding emissions reduction goal, the commission proposes an emissions reduction of 40% by 2030. The share of renewable energy should increase to at least 27% within the EU. No new goal is specified for energy efficiency at this point. For emissions trading, the commission proposes an automatic stabilisation system to even out the surplus and deficit in emissions rights.

During 2013, the commission prepared sustainability criteria for biomass. In the autumn, the commission announced that the current commission will not give a proposal; the matter is being transferred to the new commission that will be appointed after the 2014 parliamentary election.

Proposal of the Board of Directors regarding the distribution of profits

The parent company's distributable assets on 31 December 2013 were -€8,136,847.72, with the profit for the financial year being -€8,136,847.72. The Board of Directors proposes to the Annual General Meeting that the loss for the financial year be transferred to the retained earnings account and that no dividends be distributed.

FINANCIAL STATEMENTS 2013 (IFRS)

Consolidated statement of comprehensive income

1 000 €	Note	1.1. - 31.12.2013	1.1. - 31.12.2012
Sales	6	**722 354**	**837 879**
Other operating income	7	21 974	21 974
Materials and services	8	-590 354	-691 739
Personnel expenses	9	-20 850	-30 464
Depreciation, amortisation and impairment	10	-53 107	-50 909
Other operating expenses	11,12	-71 430	-72 036
Share of (loss)/profit of associates and joint ventures	13	14 771	-4 528
Operating profit or loss		**23 358**	**10 177**
Finance income	14	10 226	6 467
Finance costs	14	-20 610	-35 581
Finance costs - net		**-10 384**	**-29 114**
Profit before income tax		**12 974**	**-18 937**
Income tax expense	15	-53	-245
Profit for the year		**12 921**	**-19 182**

Other comprehensive income

Items, that may be reclassified later to profit or loss			
Share of other comprehensive income of associates			
Cash flow hedging of the sold joint venture			
Changes in the fair value of available-for-sale financial assets	18	4 071	1 847
Cash flow hedging	18	4 295	-368
Other comprehensive income for the year		8 366	1 479
Total comprehensive income for the year		**21 287**	**-17 703**
Profit attributable to:			
Owners of the parent		11 214	-20 855
Non-controlling interest		1 707	1 673
		12 921	-19 182
Total comprehensive income attributable to:			
Owners of the parent		19 580	-19 376
Non-controlling interest		1 707	1 673
		21 287	-17 703

Consolidated balance sheet

1 000 €	Note	31.12.2013	31.12.2012
ASSETS			
Non-current assets			
Intangible assets	16	292 117	274 637
Property, plant and equipment	17	750 827	790 904
Investments in associated companies and joint ventures	18	771 716	748 579
Available-for-sale financial assets	19	650	3 178
Loans and other receivables	20	397 434	343 941
Non-current assets total		**2 212 744**	**2 161 239**
Current assets			
Inventories	22	50 503	86 075
Trade and other receivables	20	291 981	143 681
Cash and cash equivalents	21	22 073	6 995
Current assets total		**364 557**	**236 751**
Total assets		**2 577 301**	**2 397 990**
EQUITY			
Equity attributable to owners of the parent	23		
Share capital		63 091	61 282
Share issue		169 769	0
Share premium		336 778	336 778
Reserve for invested non-restricted equity		210 297	159 485
Revaluation reserve		-1 125	-9 491
Equity loans		35 109	29 257
Retained earnings		222 558	203 734
Total		**1 036 477**	**781 045**
Non-controlling interests		**51 607**	**51 062**
Total equity		**1 088 084**	**832 106**
LIABILITIES			
Non-current liabilities			
Provisions	24	4 597	3 459
Deferred tax liabilities	25	842	1 004
Borrowings	26	1 260 056	1 307 844
Other non-current liabilities	26,28	3 718	11 017
Non-current liabilities total		**1 269 213**	**1 323 324**
Current liabilities			
Borrowings	26	144 879	131 773
Trade and other payables	27	75 125	110 786
Current liabilities total		**220 004**	**242 560**
Total liabilities		**1 489 217**	**1 565 884**
Total equity and liabilities		**2 577 301**	**2 397 990**

Consolidated statement of cash flows

1 000 €	Note	2013	2012
Cash flows from operating activities			
Profit for the year		12 921	-19 182
Adjustments to the profit for the year	5	45 018	85 042
Change in net working capital	5	20 240	-26 608
Interest paid and other financial expenses		-24 362	-27 394
Interest received		3 995	7 713
Income tax paid		-164	378
Net cash generated from operating activities		**57 648**	**19 949**
Cash flows from investing activities			
Purchases of intangible assets and property, plant and equipment (PPE)	16,17	-23 322	-41 161
Proceeds from sales of intangible assets and PPE	16,17	2 827	143
Proceeds from sales of available-for-sale financial assets	16,17	3 408	0
Loan repayments	20	15 557	24 764
Loans granted	20	-71 290	-30 921
Dividends received		3	3
Net cash used in investing activities		**-72 817**	**-47 172**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	23	60 232	7 241
Non-controlling interest of a liquidated group company		-482	0
Proceeds (+) or repayments (-) Equity loans	23	5 852	29 257
Proceeds from borrowings	26	28 408	93 129
Repayments of borrowings	26	-54 667	-21 238
Repayment of finance leases	26	-21 527	-20 984
Proceeds (-) or repayments (+) of current receivables	20,21	0	75 000
Proceeds (+) or repayments (-) of current liabilities	26	13 111	38 662
Dividends paid		-680	-248 050
Net cash used in financing activities		**30 247**	**-46 983**
Net (decrease)/increase in cash and cash equivalents		**15 078**	**-74 206**
Cash and cash equivalents at beginning of year		**6 995**	**81 201**
Change in cash and cash equivalents		15 078	-74 206
Cash and cash equivalents at end of year	21	**22 073**	**6 995**

Consolidated statement of changes in equity

1 000 €	Note	Share capital	Share issue	Share premium	Fair value reserve	Reserve for invested non - restricted equity	Equity loans	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non - controlling interest	Total equity
Balance at 1.1.2012		**61 096**	**0**	**385 625**	**-10 970**	**104 614**	**0**	**471 958**	**1 012 323**	**49 039**	**1 061 361**
Comprehensive income											
Profit or loss								-20 855	-20 855	1 673	-19 182
Other comprehensive income:											
Cash flow hedges					-368				-368		-368
Changes in the fair value of available-for-sale financial assets					1 847				1 847		1 847
Total comprehensive income for the year		**0**	**0**	**0**	**1 479**	**0**	**0**	**-20 855**	**-19 376**	**1 673**	**-17 703**
Transactions with owners											
Dividends paid	23							-247 370	-247 370		-247 370
Proceeds from shares issued	23	187				6 024			6 210	1 030	7 241
Reduction of share premium	23			-48 847		48 847			0		0
Proceeds from equity loans	23						29 257		29 257		29 257
Transactions with owners total		**187**	**0**	**-48 847**	**0**	**54 871**	**29 257**	**-247 370**	**-211 902**	**1 030**	**-210 872**
Dividends to non-controlling interest									0	-680	-680
Balance at 31.12.2012		**61 282**	**0**	**336 778**	**-9 491**	**159 485**	**29 257**	**203 734**	**781 045**	**51 062**	**832 106**

1 000 €	Note	Share capital	Share issue	Share premium	Fair value reserve	Reserve for invested non - restricted equity	Equity loans	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non - controlling interest	Total equity
Balance at 1.1.2013		**61 282**	**0**	**336 778**	**-9 491**	**159 485**	**29 257**	**203 734**	**781 045**	**51 062**	**832 106**
Comprehensive income											
Profit or loss								11 214	11 214	1 707	12 921
Other comprehensive income:											
Cash flow hedges					4 295				4 295		4 295
Changes in the fair value of available-for-sale financial assets					4 071				4 071		4 071
Total comprehensive income for the year		**0**	**0**	**0**	**8 366**	**0**	**0**	**11 214**	**19 580**	**1 707**	**21 287**
Transactions with owners											
Proceeds from shares issued	23	1 809	169 769			58 422			230 000		230 000
Transfer to retained earnings						-7 610		7 610	0		0
Non-controlling interest of a liquidated Group company										-481	-481
Proceeds from equity loans	23						5 852		5 852		5 852
Transactions with owners total		**1 809**	**169 769**	**0**	**0**	**50 812**	**5 852**	**7 610**	**235 852**	**-481**	**235 371**
Dividends to non-controlling interest									0	-680	-680
Balance at 31.12.2013		**63 091**	**169 769**	**336 778**	**-1 125**	**210 297**	**35 109**	**222 558**	**1 036 477**	**51 608**	**1 088 084**

Equity loans are recognized initially at fair value including transaction costs. The equity loans do not have a maturity date, and the debtor can repay the loan at will in one or several tranches. The debtor's Board of Directors can decide that relating interest will not be paid for a certain period. Unpaid interest does not accumulate to the next period.

Notes to the consolidated financial statements

1 Summary of significant accounting policies

2 Critical judgements in applying the entity's accounting policies and critical estimations and assumptions

3 Financial risk management

4 Acquisitions and disposals
5 Notes to the consolidated statement of cash flows
6 Revenue
7 Other operating income
8 Materials and services
9 Personnel expenses
10 Depreciation, amortisation and impairment
11 Other operating expenses
12 Research and development
13 Share of (loss)/profit of associates and joint ventures
14 Financial income and expenses
15 Income tax

16 Intangible assets

17 Property, plant and equipment

18 Investments in associated companies and joint ventures
19 Available-for-sale investments
20 Loans and other receivables
21 Cash and cash equivalents
22 Inventories

23 Equity

24 Provisions
25 Deferred tax liabilities
26 Borrowings
27 Trade payables and other current liabilities
28 Derivative financial instruments

29 Financial assets and liabilities - by category

30 Contingent liabilities and purchase commitments
31 Other leases
32 Emission allowances

33 Related-party transactions
34 Shareholders
35 Events after the reporting period

Notes to the consolidated financial statements

1 Summary of significant accounting policies

General information

Pohjolan Voima Oy (PVO) is a Finnish private limited liability company with domicile in Helsinki, Finland. Pohjolan Voima Oy and its subsidiaries form together the Pohjolan Voima Group.

Pohjolan Voima Group is a privately owned energy group. The production capacity of the Group consists of 31 power plants in over 20 different locations. Energy is generated by hydropower, nuclear power and thermal power. According to the Articles of Association of PVO, the Group supplies electricity and heat at cost price to the shareholders. The PVO shareholders hold various series of shares which entitles them to the energy generated or procured by PVO in proportion to their ownership interests at cost. The operating model of PVO is also called the "Mankala principle". The name is derived from a ruling issued by the Supreme Administrative Court in the 1960s, constituting a precedent. In this ruling, the shareholders of a company called Oy Mankala Ab were found not to have received taxable income when Mankala generated and supplied them with electricity at a price lower than the market price and the shareholders covered the company's costs on the basis of its Articles of Association. Parent company administrative costs are covered by a fixed yearly fee as defined by the company documents.

Copies of the consolidated financial statements can be obtained from www.pohjolanvoima.fi or from PVO’s head offices, Töölönkatu 4, 00100 Helsinki, Finland.

These consolidated financial statements were approved for issue by PVO’s Board of Directors on 27February 2014, however, according to Finnish Limited Liability Companies Act the shareholders can edit or reject these financial statements at the annual general meeting.

Basis of preparation

The consolidated financial statements of Pohjola Voima Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The IAS and IFRS standards as well as and IFRIC and SIC Interpretations valid as at 31 December 2012 have been used in preparation of the financial statements. The consolidated financial statements also comply with the Finnish Accounting Act and Limited Liability Companies Act.

All amounts in the consolidated financial statements are presented in thousands of Euros.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting principles. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in section

"critical judgements in applying the entity’s accounting policies and critical estimations and assumptions".

Consolidation

Subsidiaries

The consolidated financial statements include Pohjolan Voima Oy and all its subsidiaries. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding directly or indirectly of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group’s share of the identifiable net assets acquired, is recorded as goodwill. If this is less than the fair value of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances, distributions of profit and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless they relate to an impairment.

Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. A joint venture is a contractual arrangement whereby the Group together with one or more parties has undertaken an economic activity that is subject to joint control.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group’s share of its associates’ and joint ventures’ post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The Group’s investment in associates and joint ventures includes goodwill identified at acquisition, net of any accumulated impairment losses. When the Group’s share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture. Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group’s interest in the associates or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests

The profit or loss for the period attributable to owners of the parent and non-controlling interest is disclosed in the statement of comprehensive income. Non-controlling interests are identified separately from the equity of the owners of the parent company in the statement of changes in equity.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that any amounts previously recognised in other comprehensive income are recognized as part of the gain or loss on sale.

Foreign currency translation

The functional and presentation currency of the parent company and all of the subsidiaries, associates and joint ventures is the euro. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated at the closing rate at the date of that balance sheet.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses relating to operations are included on the relevant line items above operating income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within ‘finance income or cost’. Translation differences on non-monetary financial assets and liabilities held at cost are translated using the exchange rates prevailing at the dates of the transactions. There are no non-monetary financial assets or liabilities held at fair value denominated in foreign currencies.

Revenue recognition

The Group’s energy operations are based on cost price. Sales of expert services relating to energy operations are not based on cost price. Revenues are based on the consideration received for delivered energy or provided services. All revenues are presented net of value-added taxes. Revenues are recognised, as follows:

Energy revenues and other revenues

Revenue for energy is recognised at the time of delivery. Revenue is recognised based on the delivered quantities. Service revenue mainly consists of administration, operating, maintenance and network service revenues. Revenue for services is recognised in the financial period when services have been rendered.

Other income

Revenue from activities outside the normal operations is reported in Other income. This includes recurring items such as rental income and non-recurring items such as gains on sale of property, plant and equipment. Rental income is recognised on a straight-line basis over the period of the lease agreement. The gain on sale of property, plant and equipment is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Research and development costs

Research and development costs are expensed as incurred and included in other operating expenses, except when the development costs are expected to generate probable future economic benefits. In this case the costs are recorded as intangible assets and amortised over their useful lives. There are no development costs currently in the consolidated financial statements that fulfil the criteria for recognition as an intangible asset.

Interest income and dividends

Interest income is recognised using the effective interest method. Dividends are recorded when the right to receive payment is established.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, unless they are directly attributable to construction of a power plant, in which case they are capitalized as a part of the cost of the asset.

Income taxes

PVO delivers electricity and heating to its shareholders at cost price. The shareholders are delivered a proportionate share of the energy generated or procured by PVO according to their proportionate ownership in the various series of shares. Based on the cost based pricing the Group does not pay any taxes on its energy related operations, therefore the Group does recognise any deferred tax assets or liabilities on these operations.

Income taxes and deferred taxes are recognised, on the other hand, on the services provided by the Group.

The tax expense for the period comprises current tax, relating to the current period and any adjustments made to taxes for the previous financial period, and deferred taxes. The current income tax charge is calculated on the basis of the tax laws enacted. The taxes for the current period are adjusted if necessary by the taxes related to the previous period.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from 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. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill or from the undistributed profits of the subsidiaries if it is not probable that the temporary difference will reverse in the foreseeable future. The most significant temporary differences for the Group arise from the depreciation of property, plant and equipment, losses carried forward and the fair valuation of assets at acquisition.

Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Intangible assets

Intangible assets are carried at historical cost, less government grants received, accumulated amortisation and impairment. Historical cost includes all costs directly attributable to the acquisition of the intangible asset. Intangible assets with a finite useful life are amortised using the straight-line method over the following estimated useful lives:

Computer software	3-10 years
Other intangible assets	5-10 years

No amortisation is recorded for goodwill and other intangible assets with infinite useful lives, instead these assets are tested annually for impairment. Intangible assets having infinite useful lives are water rights that have an infinite useful life based on the Water Act and certain utilisation rights for transmission roads and land based on the Act on the Redemption of Immoveable Property and Special Rights.

Emission allowances

Carbon dioxide (CO2) emission allowances are included in the intangible assets. Emission allowances are recognised at cost, whether received free of charge or acquired from a third party. Emission allowances received free of charge are, in other words, recorded at zero. A short term liability is recognised to cover the obligation to return emission allowances. To the extent that Group already holds allowances to meet the obligation the liability is measured at the carrying amount of those allowances. Any shortfall of allowances held over the obligation is valued at the current market value of allowances. Emission right and the related liability are derecognised when they are returned to cover the obligation or when they are sold. Emission allowances are not amortised. The cost of the provision is recognised in the statement of comprehensive income within materials and services. Gains from sales of emission rights are presented in Other income.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less government grants received, less accumulated depreciation and any accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Borrowing costs directly attributable to the acquisition or construction of assets that necessarily take a substantial amount of time to get ready for their intended use are capitalised as part of the cost of the related asset. Additionally, the cost of an item of property, plant and equipment includes the discounted estimated cost of its dismantlement, removal or restoration.

Land and water areas are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. The costs for dismantling a power plant are depreciated over the estimated useful life of the specific power plant.

Depreciation is calculated using the straight-line method based on the estimated useful lives, as follows:	
Hydropower plant buildings, structures and machinery	40-80 years
Condensing power plant buildings, structures and machinery	5-25 years
Co-generation (electricity and heating) power plant buildings, structures and machinery	4-35 years
Transmission network	10-45 years
Other buildings and structures	10-25 years
Other machinery and equipment	3-20 years
Other tangible assets	3-40 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate to reflect the changes in estimated future economic benefits associated with the assets'.

If the asset consists of different components, which have different estimated useful lives, each component is recognised as a separate asset. Replaced components are capitalized and any possible remaining carrying value of the replaced component is derecognised. In other cases 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 asset will flow to the Group and the cost of the item can be measured reliably.

Annual repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Power plant modernization and improvements are recognised in the asset's carrying amount or recognised as a separate asset, as appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income or other operating expenses in the statement of comprehensive income.

Depreciation on assets classified as held for sale, according to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", is ceased.

Government Grants

Grants from the government, are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are deducted from the acquisition cost of the asset and are recognised as income by reducing the depreciation charge of the asset they relate to. Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. These grants are presented in other operating income.

Inventories

Inventories are stated at cost. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventory comprises raw materials and other direct costs. Inventories are always stated at cost as the energy generation operations are conducted based on cost price and therefore the cost of inventory is always equal to its' net realizable value.

Leases

Leases, Group as lessee

Finance leasing

Property, plant and equipment leases in which a significant portion of the risks and rewards of ownership are transferred by the lessor to the Group are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. The corresponding rental obligations, net of finance charges, are included in other current and non-current liabilities. Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognised as income by a seller-lessee. Instead, it shall be deferred and amortised over the lease term. If the leaseback is an operating lease, and the lease payments and the sale price are at fair value, there has in effect been a normal sale transaction and any profit or loss is recognised immediately. IAS 39 is applied for the collateralized financial liabilities that are resulted from sale and leaseback transactions that do not contain a lease in substance. The liability is amortised at cost, each lease payment is allocated between the liability and finance charges according to the effective interest method.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Rental income from operating lease contracts, where the Group acts as the lessor, are recorded in other operating income on a straight line basis over the period of the lease.

Leases, the Group as lessor

Leases of property, plant and equipment where the Group has transferred substantially all the risks and rewards of ownership to the lessee are classified as finance leases. The lease income is recorded as a receivable at its present value. The interest element of the lease income is recorded to the comprehensive statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the asset for each period.

Operating leases of property, plant and equipment, where the Group acts as the lessor, are included in the property, plant and equipment in the balance sheet. These assets are, in the same way as assets in Group’s own use, depreciated over their useful life. Rental income is recorded on a straight line basis over the period of the lease.

Arrangements’ containing a lease agreement

The Group has entered into arrangements that do not take the legal form of a lease but conveys a right to use an asset in return for a payment of series of payments and therefore contains a lease. In order to determine if the arrangement includes a finance lease component or other lease agreement the criteria in IFRIC 4 ‘Determining whether an Arrangement contains a Lease’ is used. Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether:(a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and

(b) the arrangement conveys a right to use the asset.

If the arrangement includes a lease IAS 17 is applied to determine whether it is an operating or financial lease as described above. Other elements of the arrangement are recognised according to the relevant standards.

Impairment of non-financial assets

The individual assets’ carrying values are reviewed at each closing date to determine whether there is any indication of impairment. If there is an indication of impairment the asset is tested for impairment. Goodwill, assets that have an indefinite useful life and intangible assets in progress are not subject to amortisation and are tested annually for impairment regardless of there is indication of impairment or not. Impairment for assets excluding goodwill is assessed at the cash-generating unit (CGU) level, which is the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or Groups of assets. Goodwill is tested for impairment at the level at which it is monitored by management which may be an individual CGU or Groups of CGUs but is not tested at a level higher than an operating segment.

An asset’s recoverable amount is the higher of a cash-generating unit’s fair value less costs to sell and its value in use. Value in use is the estimated discounted future cash flows expected to be provided by the asset or Group of assets. The discount rates used are pre-tax and reflect current market assessments of the time value of money and specific risks relating to the relevant asset or Group of assets.

Where the carrying value of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment is recognised immediately in the statement of comprehensive income. Impairment arising from a goodwill impairment test is allocated first to goodwill and any excess thereafter rateably over the other assets in the CGU. Assets other than goodwill that suffered an impairment charge are reviewed for possible reversal of the impairment if the estimates used in the calculation of the recoverable amount have changed. A reversal of an impairment loss shall not exceed the carrying amount (net of amortisation or depreciation) that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment losses on goodwill are never reversed.

Financial assets and financial liabilities

Purchases and sales of financial assets and liabilities are recognised on the trade-date at fair value. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available for sale financial assets. The classification is determined at initial recognition and depends on the purpose for which the financial assets were acquired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or initially designated in this category. Derivatives are categorised as held for trading unless they are designated as hedges. All derivatives held by the Group are classified as financial assets at fair value trough profit or loss, as hedge accounting is not applied by the Group. Derivatives in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. When the derivatives have a negative value they are classified as financial liabilities held for trading. Liabilities in this category are classified as current liabilities if expected to be settled within 12 months; otherwise, they are classified as non-current. Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the statement of comprehensive income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and not held for sale. The Group’s loans and receivables comprise ‘trade and loan receivables’ Loans and receivables are subsequently carried at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Trade receivables are recorded at cost which corresponds to their fair value. Loans granted, which have a maturity date, are measured at amortised cost using the effective interest method. Loans lacking a maturity date are valued at cost.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are subsequently valued at fair value. Unquoted securities for which fair value cannot be measured reliably are measured at cost. Changes in the unrealized fair value of available-for-sale financial assets are recognised in other comprehensive income within the fair value reserve. Changes in fair value are recognised in the statement of comprehensive income when the asset is sold or when it has been impaired. The available-for-sale financial assets held by the Group comprise unquoted securities valued at cost. There is no active market for the securities and PVO has no intention to dispose of these securities.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred in the statement of comprehensive income only if there is objective evidence of impairment. If, in a subsequent period, the fair value of an available-for-sale financial asset increases, the impairment loss of an equity instrument is not reversed through the consolidated statement of comprehensive income. The Group recognises an impairment of trade receivables if there is objective evidence that the receivable will not be paid in full.

Financial liabilities

Financial liabilities are recognised initially at fair value, net of transaction costs incurred. Financial liabilities are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Derivative instruments are recognised as financial liabilities at fair value through profit or loss. These are recognised similarly as financial assets at fair value through profit or loss. They are included in non-current liabilities unless the liability is settled within 12 months of the end of the reporting period.

Derivative instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is hedge accounted.

Teollisuuden Voima Oyj (TVO), a joint venture of the Group, is consolidated using the equity method, see

Associates and joint ventures under the Notes to the Financial statements. TVO uses derivative instruments to hedge the foreign currency exchange rate risk in fuel purchases as well as the foreign currency risk and interest rate risk in borrowings denominated in foreign currencies. Hedge accounting according to IAS 39 is applied to foreign currency forward contracts and cross currency swap contracts hedging foreign currency risk in procurement contracts of uranium. In addition hedge accounting is applied to some of the interest rate swap contracts entered into, hedging the fluctuations in cash flows of interest payments on borrowings. TVO documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in the hedging transactions are highly effective in offsetting the cash flows of the hedged item.TVO applies both cash flow and fair value hedge accounting. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and presented in the revaluation reserve. The gain or loss on the fair value of the hedge instruments relating to the ineffective portion is recognised immediately in the statement of comprehensive income within finance income and costs, unless they are capitalized as a part of an investment in a power plant. Changes in fair values accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income and are recognised in profit or loss only when the forecasted transaction is also recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in the statement of comprehensive income. Any changes in the fair value of the interest rate options and some interest rate swaps and foreign currency forwards for which hedge accounting is not applied are presented in the finance income and costs, unless they relate to the building of a power plant and are capitalised as a part of the asset.

TVO applies fair value hedge accounting for hedging fixed interest risk on borrowings that are quoted. The gain or loss relating to the effective portion of interest derivatives hedging fixed rate borrowings is recognised in the profit or loss within finance costs. The carrying amount of hedged borrowings and fair values of derivatives hedging them are considered part of interest bearing liabilities and assets. If the hedge no longer meets the criteria for hedge accounting, the adjustments to the carrying amount of a hedged borrowing is amortised to profit or loss over the period to maturity.

TVO presents fair value changes relating to non-hedge accounted interest rate options and certain interest rate swaps within finance costs as regards those are not capitalised in the cost of the power plant under construction.

Other companies in the Group have derivative instruments that do not fulfil the hedge accounting criteria according to IAS 39. Examples of these instruments are some interest rate swap agreements which have been used to exchange floating rate borrowings into fixed rate borrowings and foreign currency forward contracts hedging the foreign currency risk in fuel purchases. Derivatives are recorded at fair value in the assets or liabilities. Changes in the fair values of foreign currency forwards and interest rate derivative instruments are recorded through profit and loss within finance income and costs. Derivatives are classified as current or non-current assets or liabilities depending on their maturity date.

Employee benefits

Pensions for the personnel in the Group have been arranged through an external pension insurance company. The Finnish (TyEl) pension system, as well as, the voluntary pension insurances are recognised as defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments made to the defined contribution plans are recognised as expenses in the period in which they were incurred. Defined benefit plans are plans that are not defined contribution plans. The Group does not have any defined contribution plans.

Provisions and contingent liabilities

Provisions for environmental restoration, asset retirement obligations and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received. Provisions are not recognised for operating costs.

A contingent liability is disclosed when there is a possible obligation that arises from external events and whose existence is only confirmed by one or more doubtful future events or when there is an obligation that is not recognised as a liability or provision because it is not probable that on outflow of resources will be required or the amount of the obligation cannot be reliably estimated. Contingent liabilities are disclosed in the notes to the financial statements.

Environmental provisions

Environmental provisions are recognised, based on current interpretation of environmental laws and regulations, when it is probable that a present obligation has arisen and the amount of such liability can be reliably estimated. Environmental expenditures resulting from the remediation of an existing condition caused by past operations, and which do contribute to current or future revenues, are expensed as incurred.

Accrued expenses related to the handling of ashes

Group companies may have, in temporary storage, ashes generated from the power plant operations, which are subject to waste tax. These ashes may have an alternative utilisation, an alternative utilisation is being sought or there is no alternative utilisation which will result in the ashes being transported to a waste disposal site. Financial statements include an accrued expense, representing the best estimate for the costs of the handling of the ashes held in temporary storage at the end of the reporting period.

Asset retirement obligations

An asset retirement obligation is recognised either when there is a contractual or a legal obligation and the obligation amount and timing can be reliably estimated. The asset retirement obligation is recognised as part of the cost of an item of property and plant when the asset is put in service or when contamination occurs. The costs are depreciated over the remainder of the asset's useful life.

Assets and liabilities relating to nuclear waste management

The treatment of the nuclear waste management liability has a material effect on the profit and loss of Teollisuuden Voima Oyj (TVO). The nuclear waste management liability based on the Nuclear Energy Act is covered by a contribution to the National Waste Management Fund. The liability covers all future costs for the handling of the existing nuclear waste, including the decommissioning of the nuclear power plants and final disposal of the spent nuclear fuel.

In the consolidated financial statements of TVO the share of the funds in the National Waste Management Fund, is presented as part of non-current assets according to IFRIC 5. The nuclear waste management liability is presented in provisions, within non-current liabilities. Present value of the nuclear waste management liability is calculated by discounting the cash flows based on the planned estimated future operations and their costs taking into account the already realized operations.

The initial present value of the provision for decommissioning of the nuclear power plant is included in the capitalized investment cost of the power plant. The initial present value is adjusted according to subsequent planned future changes. The cost for decommissioning of the plant is depreciated over the estimated useful life of the power plant.

The provisions made for the disposal of spent nuclear fuel at the end of the reporting period, covers all the future cost for final disposal. The cost of the final disposal of the spent nuclear fuel is recognised over the time the nuclear fuel is being used. Any planned changes are recognised immediately in the statement of comprehensive income, based on the spent nuclear fuel at the end of the reporting period.

The time value of money when discounting the nuclear waste management liability is recognised by recording the interest expense in the statement of comprehensive income.

Share Capital

PVO has 19 different series of shares. Each series of shares entitle their owner to the energy generated by a specific subsidiary, associate or joint venture. Each shareholder is entitled to the proportionate share of the energy according to their proportionate ownership of a specific series of shares.

Proceeds received at the inception of the Company and subsequent issue of share capital have been recorded in the share capital, share premium account and after 1 September 2006 also in the reserve for invested non-restricted equity.

Earnings per share

Earnings per share are not presented as the Group operates at cost price. The ordinary shares of Pohjolan Voima Oy are not traded in a public market.

Equity loans to shareholders

Equity loans to shareholders are classified as equity instruments and recognized initially at fair value including transaction costs. The equity loans do not have a maturity date, and the debtor can repay the loan at will in one or several tranches. The debtor's Board of Directors has discretion over the coupon interest payments for the loan. Unpaid interest does not accumulate to the subsequent periods. The equity loan is unsecured and is subordinate to all other forms of debt instruments but senior to the company's other equity instruments.

The interest for the equity loans is recognized as a liability only after entity has decided to pay the interest. The relating interest expense is recognized on a cash basis directly in retained earnings and not through the consolidated income statement.

Segment reporting

Segment reporting according to IFRS 8 applies only to individual financial statements of an entity whose debt or equity instruments are traded in a public market or an entity that is in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market. Pohjolan Voima Oy's shares are not publicly traded and it has not issued any debt or equity instruments.

Implementation of interpretations and amendments to New and revised IFRS standards

In preparing these financial statements, the group has followed the same accounting policies as in the annual financial statements for 2012. The adoption of the following amendments to existing standards on 1 January 2013 has no impact on the consolidated financial statement:

- IAS 1 (amendment) Presentation of financial statements – regarding other comprehensive income
- IAS 12 (amendment) Income taxes – amendment to deferred taxes
- IAS 19 (amendment) Employee benefits – eliminating the corridor approach and calculating finance costs on a net funding basis
- IFRS 7 (amendment) Financial instruments: Disclosures – new disclosure requirements

- IFRS 13 Fair value presentation – new standard aims to improve consistency in fair value measurements
- Annual improvements 2011– improvements 2009-2011 reporting cycle include changes to:
  - IAS 1 Presentation of financial statements
  - IAS 16 Property, plant and equipment
  - IAS 32 Financial instruments: Presentation
  - IAS 34 Interim financial reporting

The Group will adopt the following standards, interpretations and amendments to existing standards and interpretations published 2013 in its 2014 financial statements or later. Based on initial assessment, Group estimates that these have no impact on the consolidated financial statements:

- IFRS 10 Consolidated financial statements – sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee.
- IFRS 11 Joint arrangements – two types of arrangements: Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest.
- IFRS 12 Disclosures of interests in other entities
- IFRS 10, 11 and 12 (amendment) Transition guidance – Amendments provide additional transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period.
- IAS 27 (revised) Separate financial statements
- IAS 28 (revised) Associates and joint ventures – equity method of accounting.
- IAS 32 (amendment) Financial instruments: Presentation – Offsetting financial assets and financial liabilities on the balance sheet.
- IFRS 10, 12 and IAS 27 (amendment) for investment entities. According to initial study the Group assesses that the standard has no effect on consolidated financial statements.
- IAS 36 (amendment) Impairment of assets – recoverable amount disclosures
- IAS 39 (amendment) Financial instruments: Recognition and measurement – a relief for hedge accounting criteria
- IFRIC 21 * Levies – Interpretation of IAS 37
- IFRS 9 * Financial instruments
- IAS 19 * (amendment) Employee benefits
- Annual improvements 2010-2012 * and 2011-2013 *

* Standard, interpretation or amendment is not yet endorsed by EU

2 Critical judgements in applying the entity's accounting policies and critical estimations and assumptions

The Group management makes judgements in the preparation of the financial statements relating to the selection and application of the accounting principles. These decisions relate specifically to those areas where the effective IFRS-standards allow alternative methods of recording, valuation or presentation.

The estimates and assumptions made by management in the preparation of the consolidated financial statements are based on the best knowledge at hand at year end. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results and the detailed background information are followed by management together with the business units using both internal and external sources of information. Changes to the estimates and assumptions are recognised in the financial period in which changes occur and all the future financial periods.

Impairment testing

Impairment testing is carried out annually for goodwill and for intangible assets with indefinite useful lives. Impairment testing for other assets is performed when there is an indication that the asset might be impaired. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations are based on estimated future cash flows received from the use of the asset or the sale of the asset.

Pohjola Voima operations are based on the cost price method (‘Mankala principle’). According to the Articles of Association the shareholders of the Company are invoiced a price for the energy received which covers all the expenses of the operations including depreciation and amortisation. When testing if the assets are impaired based on the value-in-use, the discounted cash flows, correspond, except for a few exceptions, to the recoverable amount and therefore usually there is no impairment recorded.

Environmental provision

Operations of the Group are regulated by a number of laws and regulations. The Group is in compliance with all existing environmental regulations. The Group has recorded, for the industry customary, provisions for environment protection expenses to cover its legal obligations.

Legal obligations

Management judgement is required to estimate timing and valuation of the legal obligations. A provision is recorded when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

3 Financial risk management

The financial risk management in Pohjolan Voima Group is carried out centrally by the parent company treasury department under policies approved by the Board of Directors. The Group's activities expose it to a variety of financial risks: liquidity risk, market risk and credit risk.

The objective of the financing function is to ensure the existence of sufficient funds for operative decision making and to promote the low cost of electricity through its decisions.

Derivatives are entered into only for hedging purposes. Pohjolan Voima does not apply hedge accounting under IFRS.

Liquidity and refinancing risks

Liquidity and refinancing risks relate to the impact on the company's profit and loss and cash flows, if the company is unable to secure sufficient funding for its operations. In addition to sufficient liquid funds and committed credit facilities Pohjolan Voima Group seeks to reduce refinancing risk by diversifying the maturity of its loans as well as sources for its funding.

In accordance with Pohjolan Voima Group's financing policy, the maturity of long-term debt and refinancing is agreed so that a maximum of 25% of the outstanding debt will fall due within the next 12 months. This principle is not applied on the loans granted by the State Nuclear Waste Management Fund.

Liquidity risk is significantly reduced by the fact that Pohjolan Voima Group invoices shareholders in accordance with the Articles of Association, the monthly fixed and variable costs.

Pohjolan Voima Group mainly uses the domestic commercial paper programs in order to ensure short-term financing.

Free liquidity is invested prudently and productively in instruments with a duration of up to 12 months. The objective is to diversify investments and these are chosen so that a secondary market liquidity is also ensured in adverse conditions and so that most of the investments can be realized at a low cost.

Pohjolan Voima Group’s liquidity is secured by the 14 December 2011 entered EUR 300 million revolving credit facility which matures in 14 December 2016 The loan facility was fully undrawn as per 31 December 2013 (as well as per 31 December 2012).

The following table presents a maturity analysis on loan agreements. The figures are cash based and interest flows are based on the interest rates prevailing at the closing date. Differences between the balance sheet items and the debt amounts below arise from the transaction costs that have been accrued according to the effective interest method in the balance sheet. Transaction costs for loan arrangements are not included in the cash flows as these have been paid at the time of the signing of the agreements.

Undiscounted cash flows of financial liabilities

2013

1 000 €	2014	2015	2016	2017	2018-	Total	Balance sheet
Loans from financial institutions *	-17 238	-109 932	-48 940	-140 690	-65 125	-381 925	-381 724
Finance costs **	-5 837	-5 420	-4 357	-1 295	-3 962	-20 871	
Loan from the State Nuclear Waste Management Fund (TVO) ***	0	0	0	0	-528 398	-528 398	-528 398
Finance costs	-3 998	0	0	0	0	-3 998	
Finance lease liabilities	-22 036	-111 235	-48 628	-29 643	-166 869	-378 411	-378 362
Finance costs	-1 656	-1 263	-800	-605	-910	-5 234	
Commercial papers	-102 893	0	0	0	0	-102 893	-102 893
Finance costs	-107	0	0	0	0	-107	
Pension liabilities	-2 712	-2 712	-2 712	-2 712	-2 712	-13 560	-13 560
Finance costs	-193	-153	-112	-71	-31	-560	
Interest rate derivatives	-5 346	-3 274	-2 367	-1 229	-273	-12 489	-4 849
Currency derivatives (net)	-222	0	0	0	0	-222	-222
Total	-162 238	-233 989	-107 916	-176 245	-768 280	-1 448 668	

* Repayments to be made in 2014 are included in current liabilities.

** In addition to interest expenses, finance costs also include a commitment fee.

*** The loan from the State Nuclear Waste Management Fund does not have an actual date of maturity, and therefore it is presented as a loan with a loan term of over 5 years. Teollisuuden Voima Oyj has borrowed this amount from the Fund and has granted a loan with the corresponding amount to Pohjolan Voima.

Undiscounted cash flows of financial liabilities

2012

1 000 €	2013	2014	2015	2016	2017-	Total	Balance sheet
Loans from financial institutions *	-17 673	-17 673	-115 367	-53 875	-229 295	-433 881	-433 607
Finance costs **	-6 317	-6 103	-5 728	-4 631	-5 943	-28 721	
Loan from the State Nuclear Waste Management Fund (TVO) ***					-500 000	-500 000	-500 000
Finance costs	-7 834					-7 834	
Finance lease liabilities	-21 527	-22 036	-111 235	-48 628	-196 513	-399 938	-399 899
Finance costs	-2 193	-2 077	-1 647	-1 114	-2 425	-9 456	
Commercial papers	-89 841					-89 841	-89 841
Finance costs	-159					-159	
Pension liabilities	-2 712	-2 712	-2 712	-2 712	-5 424	-16 271	-16 271
Finance costs	-444	-367	-290	-214	-193	-1 508	
Interest rate derivatives	-5 338	-4 392	-2 467	-1 873	-875	-14 944	-11 194
Currency derivatives (net)	-59					-59	-60
Total	-154 097	-55 359	-239 445	-113 045	-940 667	-1 502 612	

* Repayments to be made in 2013 are included in current liabilities.

** In addition to interest expenses, finance costs also include a commitment fee.

*** The loan from the State Nuclear Waste Management Fund does not have an actual date of maturity, and therefore it is presented as a loan with a loan term of over 5 years. Teollisuuden Voima Oyj has borrowed this amount from the Fund and has granted a loan with the corresponding amount to Pohjolan Voima.

Market risk

Interest Rate Risk

Changes in interest rates on the interest-bearing receivables and liabilities create an interest rate risk. The interest rate risk in the loan portfolio of the parent company and subsidiaries is managed by changing the interest rate period and the duration. The objective of the interest rate risk management in Pohjolan Voima, is to obtain the lowest possible interest expense and to reduce the volatility of interest expenses. In accordance with the financing policy of the Group, the duration of the loan portfolio of Pohjolan Voima is monitored separately for each series of shares. The duration of the loan portfolios of the parent company and subsidiaries are set at the level where the electricity price sensitivity to changes in interest rates is on an acceptable level considering the individual risk-bearing capacity of each series of shares.

The interest rate period of loan portfolios in the parent company and subsidiaries may be changed with fixed rate loans, interest-rate swaps, forward rate agreements and interest rate cap and floor agreements. Subsidiaries' interest rate hedges are made so that the counterparty is always the parent company. The parent company will then enter into a corresponding contract with a bank.

Currency Risk

Pohjolan Voima Group is exposed to foreign currency risk mainly due to fuel purchases. Both short-term and long-term loans are mainly denominated in euros. Other than the euro-denominated borrowings are hedged latest at the time when the loan is drawn.

Coal purchases are made almost entirely in US dollars. Because purchase agreements for coal are entered into up to 10 months in advance before delivery and payment, the euro versus dollar exchange rate changes will affect coal prices and thus also impact the price of electricity produced. The weakening of the euro leads to exchange losses and the strengthening of the euro leads to exchange gains.

The changes in foreign exchange rates are hedged for the undelivered contracts. PVO hedges only purchases that are based on signed contracts or that are secured by derivative financial agreements. Consequently, hedging is made on the date of the derivative contract or on the order date, and it covers the period to the expected payment date of the coal delivery. Hedging is reversed in line with the payment of delivery batches. Cost of hedging is allocated to the cost of each batch of coal, and therefore included in the production costs of each production facility. If the terms of delivery of the coal batches are changed, the hedging will be changed in line with the change of the terms of delivery.

Currency swaps, forward contracts and options can be used for the currency risk hedging.

Sensitivity to market risk

Market risk sensitivity arising from financial instruments:

	2013	2012
1 000 €	Comprehensive income statements	Comprehensive income statements
+ 10 % change in the EUR/USD exchange rate	-1 714	-372
- 10 % change in the EUR/USD exchange rate	2 095	455
Increase of 100 basis points in market interest rates	4 904	4 267
Decrease of 100 basis points in market interest rates	-5 411	-4 923

Expectations:

- Euro-dollar exchange rate change is expected to be +/- 10 %.
- Dollar position comprises foreign currency derivatives.
- The interest rate change is expected to be 100 basis points
- Interest rate exposure includes variable interest rate loans, finance lease liabilities and interest rate derivatives.

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Fuel price risk

The energy production of the Group requires fuel purchases from the global market. The most important fuel purchased by the subsidiaries and associates of Pohjolan Voima from the global market is coal.

Pohjolan Voima manages centrally the risks related to the coal purchases according to the coal purchase policy approved by the Board of Directors.

The coal purchase contracts include quantity, price, freight and foreign currency risk. The freight risk can include both a quantity and a price risk. The foreign currency risk is included both in the pricing of the coal as well as the freight.

The availability risk is significant in coal purchases. Sufficiency of coal can only be secured by acquiring sufficient quantities in advance. Due to the limitations of the shipping season, purchases of coal for the production requirements of the year can be initiated already during the previous year. The aim is to time the shipping to the ice free season.

Price risk can be hedged with inventories, long-term purchase agreements and derivative financial agreements. It is also possible to hedge for the price risk by buying a quantity exceeding the annual requirement for coal within the limits of the storage space available. Long-term purchase agreements are used not only in order to secure availability of coal but also to hedge the price risk.

Pohjolan Voima has not used any financial instruments to hedge for the coal price risk in 2013 or 2012.

Credit risk

Credit or counterparty risk is arise from the possibility that a customer or a financial counterparty does not fulfil its commitments. Commercial trade receivables, investments and receivables based on derivative financial instruments expose the company to credit risk. When counterparty banks are selected, only banks with high credit ratings qualify. Derivative financial agreements are entered into only with leading banks and financial institutions. All counterparties are monitored for their payment behaviour and credit worthiness. Pohjolan Voima has not recognised any impairment on trade receivables during the reporting period. Pohjolan Voima sells electricity and heat to its shareholders. Pohjolan Voima operates based on cost price according to its Articles of Association (Mankala principle), which decreases the credit risk related to the trade receivables significantly. There are no significant trade receivables past due in the Group.

Capital risk management

Capital is defined as the equity attributable to the owners of the parent company consisting of share capital, share premium, reserve for invested non-restricted equity, revaluation reserve and retained earnings, as well as the equity attributable to the non-controlling interest. There are no external capital requirements it needs to adhere to.

Sufficient equity based financing in the Group enables use of diversified financing types from different sources.

There is a moderate variation of the equity to assets ratio of the Group depending on the investment cycles. Shareholders of each series of shares according to their proportionate ownership are responsible for the equity share of the investments.

Pohjolan Voima follows the equity on assets ratio, which is presented below.

	2013	2012
Equity on assets ratio (%) (IFRS, Group) *	42	35

* Equity on assets ratio% $= 100 \times \dfrac{\text{Shareholders' equity}}{\text{Balance sheet total}}$

4 Sold non-current assets and business combinations

Sold non-current assets

In December, Finestlink Oy, part of the Pohjolan Voima Group, sold its shares in AS Nordic Energy Link (NEL). NEL owns and operates Estlink cabel between Finland and Estonia. The selling price was EUR 3.0 million. Pohjolan Voima recognised a gain of EUR 0.8 million on sale of the shares in the consolidated reporting and the gain is in its entirety recognised in Other operating income within the income statement. The sale transaction did not materially impact on Group´s other assets and liabilities.

Business combinations

There were no business combinations in 2013 or in 2012.

5 Notes to the statment of cash flows

Adjustments to profit or loss for the year (1 000 €)	**2013**	**2012**
Depreciation and amortisation	53 107	50 909
Increase/decrease in fair value of derivatives	-5 966	9 183
Income taxes	53	245
Gains (+) or losses (-) from disposal of non-current assets	-3 755	246
Finance costs - net	16 350	19 931
Share of (loss)/profit of associates and joint ventures	-14 772	4 528
Total	45 018	85 042

Change in net working capital	**2013**	**2012**
Increase (-) or decrease (+) in non-interest-bearing receivables	23 943	-22 119
Increase (-) or decrease (+) in inventories	35 572	9 265
Increase (+) or decrease (-) in current non-interest-bearing liabilities	-38 696	-13 946
Change in provisions	-580	192
Total	20 240	-26 608

6 Sales

1 000 €	**2013**	**2012**
Sales of electricity produced	475 757	389 623
Sales of heat produced	213 784	215 012
Sales of purchased electricity	22 824	207 937
Other sales	9 990	25 307
Total	722 354	837 879

Electricity delivered to shareholders (GWh)		
Electricity produced	15 500	14 600
Heat produced	7 700	8 000
Purchased electricity	700	5 600

PVO's electricity purchases are determined by the electricity required by the shareholders. In 2013, Pohjolan Voima Group's total electricity purchases were 16.2 (20.2) TWh. The Group's electricity generation accounted for 15.6 (14.6) TWh, of which the parent company delivered to its shareholders 15.0 (14.0) TWh. Subsidiaries supplied 0.6 (0.5) TWh to other owners. Purchases from the Nordic electricity market, were 0.7 (5.6) TWh and sales 0.6 (0.5) TWh. Heat deliveries were 7.7 (8.0) TWh.

Other sales consist primarily of sale of operation and maintenance services, sales of emission allowances as well as network and management services.

7 Other operating income

1 000 €	2013	2012
Rental income	2 218	2 287
Gain on sale of property, plant and equipment as well as subsidiaries and joint ventures	3 755	107
National reserve capacity remuneration	9 398	11 022
Government grants	81	64
Electricity production subsidies	4 803	5 982
Other income	1 719	2 512
Total	21 974	21 974

The contracts for the use of reserve capacity in the heavy fuel oil-fired power plants, in Kristiinankaupunki owned by PVO-Lämpövoima Oy and in Vaasa Vaskiluoto owned by PVO-Huippuvoima Oy, were renewed with Fingrid Oyj. The contracts are valid during the reserve capacity period 1.7.2013 - 30.6.2015.

8 Materials and services

1 000 €	2013	2012
Fuels	199 280	182 488
Change in inventories	36 671	10 686
Materials and services	4 142	3 424
Emissions allowances - carbon dioxide	7 587	952
Energy purchased; Nordic electricity market	34 797	211 324
Energy purchased; Associates and Joint ventures	285 559	265 729
Energy purchased; other	8 987	9 932
External services	13 331	7 204
Total	590 354	691 739

Purchases of fuel consist of coal, peat and bio fuel purchases, which are used for electricity and heat production.

Energy purchases from associates and joint ventures include purchases according to the ownership share in Teollisuuden Voima Oyj, Oy Alholmens Kraft Ab and Vaskiluodon Voima Oy.

9 Personnel expenses

Personnel-related expenses

1 000 €	2013	2012
Wages and salaries		
Board members and CEO	1 674	1 581
Other wages and salaries	15 264	23 458
Pension expenses - defined contribution	3 154	4 290
Other personnel expenses	758	1 135
Total	20 850	30 464

Average number of personnel

	2013	2012
Salaried employees	188	280
Wage-earners	82	174
Total	270	454

10 Depreciation, amortisation and impairment

1 000 €	**2013**	**2012**
Amortisation of intangible assets		
Intangible rights	-	33
Other intangible assets	1 853	1 708
Total	1 853	1 742
Depreciation of property, plant and equipment		
Buildings and constructions	5 870	5 452
Machinery and equipment	41 407	40 714
Other assets	3 176	3 002
Total	50 453	49 168
Impairments		
Machinery and equipment	800	-
Depreciation, amortisation and impairment total	53 107	50 909

11 Other operating expenses

1 000 €	**2013**	**2012**
Repair, servicing and maintenance services	18 644	22 262
Real estate taxes	6 290	6 227
Rents	3 291	4 114
Operation services	23 672	18 915
Loss on sale of intangible assets and property, plant and equipment	-	352
Other expenses	19 534	20 165
Total	71 430	72 036

Auditor’s fees

1 000 €	**2013**	**2012**
Audit fees	185	183
Auditor's mandatory opinions	2	1
Tax advisory	1	8
Other services	8	26
Total	196	218

12 Reserch & development

Research and development recognised as an expense during the period totalled 0.7 million euros in 2013 (0.6 million euros in 2012).

13 Share of (loss)/profit of associates and joint ventures

1 000 €	2013	2012
Länsi-Suomen Voima Oy	1	0
Oy Alholmens Kraft Ab	601	392
Tahkoluodon Polttoöljy Oy	0	0
Teollisuuden Voima Oyj	14 091	-4 660
Torniolaakson Voima Oy	187	118
Vaskiluodon Voima Oy	-110	-379
Voimalohi Oy	1	1
Total	14 771	-4 528

Investments in associates and joint ventures are disclosed in note 18.

14 Finance income and costs

1 000 €	2013	2012
Dividend income on available-for-sale investments	3	3
Interest income on loans and receivables	4 057	6 450
Derivative financial instruments (hedge accounting is not applied)		
Fair value gains	6 127	0
Foreign exchange gains	36	14
Other finance income	3	0
Finance income total	10 226	6 467
Interest expense capitalised on qualifying assets	17 175	23 969
Derivative financial instruments (hedge accounting is not applied)		
Fair value losses	161	9 183
Foreign exchange losses	27	23
Other finance cost	3 247	2 406
Finance costs total	20 610	35 581
Total finance income and costs	-10 384	-29 114

15 Income tax

1 000 €	2013	2012
Taxes for the financial year	215	181
Taxes for the previous financial years	-1	10
Change in deferred tax liability	-162	54
Total	53	245

PVO delivers electricity and heating to its shareholders at cost price. According to the cost based pricing the Group does not pay any taxes on its energy related operations, therefore the Group does not recognise any deferred tax assets or liabilities on these operations. Income taxes and deferred taxes are recognised, on the other hand, on the services provided by the Group.

Change in deferred tax:

1 000 €	**2013**	**2012**
Accumulated depreciation difference 1.1.	1004	950
Charged/(credited) to the statement of comprehensive income	-162	54
Accumulated depreciation difference 31.12.	842	1004

The Finnish Parliament passed legislation 17 December 2013 on a change of the corporate income tax rate in Finland from 24.5% to 20%. The new tax rate was applied from 1 January 2014. All deferred taxes have been remeasured based on the enacted tax rate of 20% for the financial period ending 31 December 2013. The effect of the change in the tax rate had an effect of 184 thousand Euros for the reporting period.

Differences between income taxes recognised in the consolidated income statement and the tax rate in Finland as presented in the following table:

1 000 €	**2013**	**2012**
Profit before income tax	12 974	-18 937
Tax based on Finnish tax rate 24,5%	-3 179	4 640
Unrecognised tax losses	-2 044	-1 922
Tax-free income	310	0
Share of profits and losses of associates and joint ventures	3 727	-1 021
Non-deductible expenses	-129	0
Unrecognised deferred taxes due to cost price principle	822	-2 541
Tax losses excluding the deferred tax asset for previous periods	256	600
Change in corporate tax rate	184	0
Income taxes recognised in consolidated income statement	-53	-245

16 Intangible assets

1 000 €	Emission allowances - carbon dioxide	Intangible rights	Other intangible assets	Total
Cost or valuation at 1.1.2013	2 327	266 465	17 603	286 395
Additions	7 075	10 549	879	18 504
Disposals	-1 353		-3 826	-5 180
Reclassifications			2 522	2 522
At 31.12.2013	8 049	277 014	17 178	302 241
Accumulated amortisation and impairment 1.1.2013	0	1 234	10 524	11 758
Disposals			-3 487	-3 487
Amortisation for the period			1 853	1 853
Accumulated amortisation and impairment 31.12.2013	0	1 234	8 890	10 124
Closing net book amount 31.12.2013	8 049	275 780	8 288	292 117
Closing net book amount 31.12.2012	2 327	265 231	7 079	274 638

1 000 €	Emission allowances - carbon dioxide	Intangible rights	Other intangible assets	Total
Cost or valuation at 1.1.2012	9 228	266 465	15 862	291 555
Additions	2 252		1 020	3 273
Disposals	-9 153		-90	-9 243
Reclassifications			811	811
At 31.12.2012	2 327	266 465	17 603	286 395
Accumulated amortisation and impairment 1.1.2012	0	1 201	8 816	10 017
Disposals				0
Amortisation for the period		33	1 708	1 741
Accumulated amortisation and impairment 31.12.2012	0	1 234	10 524	11 758
Closing net book amount 31.12.2012	2 327	265 231	7 079	274 637
Closing net book amount 31.12.2011	9 228	265 264	7 046	281 538

The intangible assets include the right to produce hydro power totalling 265 million Euros and the right of use of transmission line areas and land based on the Act on the Redemption of Immoveable Property and Special Rights totalling 0.7 million Euros as well as the compensation amounting to 10.5 million Euros paid in 2013 for the water area usage permanent right. The right to produce hydro power, the water area usage permanent right and the right of use of transmission line areas and land are intangible assets, with indefinite useful lives. Impairment testing for these assets is performed annually. Impairment test have not resulted in any need for impairment, because the future generated cash flows exceed the carrying value of the asset. The estimate for right to produce hydro power and the water area usage permanent right which are based on the future amount of electricity produced multiplied by the price for electricity (excluding fixed costs) exceeds the carrying value of the intangible assets. The value of the right of use of the transmission line areas is based on estimates, approved by management, that PVO-Alueverkot Oy's future network income exceed the carrying value of the asset.

There is no goodwill included within intangible rights and other intangible assets.

17 Property, plant and equipment

1 000 €	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Prepayments	Total
Cost or valuation at 1.1.2013	35 948	164 263	1 108 299	82 275	5 840	1 396 624
Additions		187	3 829		8 250	12 267
Disposals	-222	-250	-2 533	-130		-3 136
Change in accounting estimates				1 717		1 717
Reclassifications		3 012	4 547	64	-10 146	-2 522
Cost or valuation 31.12.2013	35 726	167 212	1 114 142	83 926	3 944	1 404 950
Accumulated depreciation 1.1.2013	0	56 435	518 493	30 792	0	605 720
Additions		-228	-2 513	-130		-2 872
Depreciation for the period		5 870	42 208	3 196		51 274
Accumulated depreciation 31.12.2013	0	62 077	558 188	33 858	0	654 123
Net book amount 31.12.2013	35 726	105 135	555 954	50 068	3 944	750 827
Net book amount 31.12.2012	35 948	107 827	589 806	51 483	5 840	790 904

1 000 €	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Prepayments	Total
Cost or valuation at 1.1.2012	35 944	155 184	1 060 717	81 612	29 611	1 363 068
Additions	4	3 326	18 019		13 690	35 039
Disposals		-398	-274			-672
Reclassifications		6 151	29 837	663	-37 461	-811
Cost or valuation 31.12.2012	35 948	164 263	1 108 299	82 275	5 840	1 396 624
Accumulated depreciation 1.1.2012	0	51 029	478 013	27 790	0	556 832
Additions		-46	-234			-280
Depreciation for the period		5 452	40 714	3 002		49 168
Accumulated depreciation 31.12.2012	0	56 435	518 493	30 792	0	605 720
Net book amount 31.12.2012	35 948	107 827	589 806	51 483	5 840	790 904
Net book amount 31.12.2011	35 944	104 155	582 704	53 822	29 611	806 236

The changes in accounting estimates relate to the asset retirement obligations of landfills. The usage right of two landfills has been prolonged and estimates on the retirement obligation adjusted accordingly.

Management has assessed that no other indications of impairment exists.

FINANCE LEASE AGREEMENTS

Amounts of finance leased assets included in property, plant and equipment:

1 000 €	Machinery and equipment
31.12.2013	
Cost	362 920
Accumulated depreciation	-95 112
Net book amount	267 809
31.12.2012	
Cost	362 920
Accumulated depreciation	-78 432
Net book amount	284 488

Borrowing costs included in the cost of property, plant and equipment:

1 000 €	Buildings and constructions	Machinery and equipment	Other tangible assets	Total
Cost or valuation at 1.1.2013	831	20 722	111	21 664
Additions				0
Cost or valuation at 31.12.2013	831	20 722	111	21 664
Accumulated depreciation 1.1.2013	537	6 437	45	7 019
Depreciation for the period	31	791	5	827
Accumulated depreciation 31.12.2013	568	7 228	50	7 846
Net book amount 31.12.2013	**263**	**13 493**	**61**	**13 817**
Net book amount 31.12.2012	294	14 284	66	14 644

1 000 €	Buildings and constructions	Machinery and equipment	Other tangible assets	Total
Cost or valuation at 1.1.2012	831	20 005	111	20 947
Additions		717		717
Cost or valuation at 31.12.2012	831	20 722	111	21 664
Accumulated depreciation 1.1.2012	500	5 557	41	6 098
Depreciation for the period	37	880	4	921
Accumulated depreciation 31.12.2012	537	6 437	45	7 019
Net book amount 31.12.2012	**294**	**14 284**	**66**	**14 645**
Net book amount 31.12.2011	331	14 448	70	14 849

The borrowing costs related to the construction of power plants are capitalized as part of the acquisition cost of the asset and depreciated over the useful life of the asset.

18 Investments in associates and joint ventures

1 000 €	2013	2012
At 1 January	748 579	751 628
Issue of shares	0	0
Sold joint ventures	0	0
Share of profit	14 771	-4 528
Other comprehensive income	8 366	1 479
At 31 December	771 716	748 579

Associates and Joint Ventures

	Interest held %	Interest held %	Book value	Book value
Company, domicile	**2013**	**2012**	**2013**	**2012**
Associates				
Oy Alholmens Kraft Ab, Pietarsaari	49,90%	49,90%	16 646	16 044
Länsi-Suomen Voima Oy, Harjavalta	19,90%	19,90%	33 650	33 649
Tahkoluodon Polttoöljy Oy, Pori	32,00%	32,00%	110	110
Torniolaakson Voima Oy, Ylitornio	50,00%	50,00%	1 829	1 642
			52 236	51 446
Joint Ventures				
Teollisuuden Voima Oyj, Helsinki	58,47%	58,47%	704 626	682 169
Vaskiluodon Voima Oy, Vaasa	50,00%	50,00%	14 675	14 786
Voimalohi Oy, Kemi	50,00%	50,00%	180	178
			719 481	697 133
Associates and joint ventures total			771 716	748 579

Pohjolan Voima accounts for Teollisuuden Voima Oyj as a joint venture in the IFRS consolidated financial statements. Pohjolan Voima Oy owns 58.47% of the share capital of Teollisuuden Voima Oyj at 31 December 2013 (31 December 2012 58.47%). Based on the Articles of Association and other company records which dictate the basis for the decision making and governance of the company, as well as, Pohjolan Voima Oy's right to appoint board members, the Group has assessed that Teollisuuden Voima Oyj should be accounted for as a joint venture.

Teollisuuden Voima Oyj has investment commitments totalling 851 (798) million Euros.

Goodwill on acquisition of Länsi-Suomen Voima Oy is included in the investments in the associates totalling 28 million euros at 31 December 2013 (28 million euros at 31 December 2012). Impairment testing of the goodwill is performed annually. Länsi-Suomen Voima Oy owns the hydropower plant located in Harjavalta at Kokemäenjoki. Pohjolan Voima has assessed that the fair value of the investment in the associate exceeds its book value at 31.12.2012.

Information on the associated companies and joint ventures of the Group, and their aggregate assets and liabilities, revenues and profit or loss for the year is presented below. All associates and joint ventures are unlisted companies.

1 000 €	Assets	Liabilities	Revenue	Profit/ loss (-)
2013				
Oy Alholmens Kraft Ab	243 496	205 044	70 658	1 204
Länsi-Suomen Voima Oy	28 888	1 561	999	6
Tahkoluodon Polttoöljy Oy	16	1	0	-3
Teollisuuden Voima Oyj	6 700 493	5 238 871	365 865	30 526
Torniolaakson Voima Oy	9 097	5 439	1 620	0
Vaskiluodon Voima Oy	153 736	119 092	108 481	-1 242
Voimalohi Oy	1 177	812	3 572	0
Total	7 136 903	5 570 820	551 194	30 492

1 000 €	Assets	Liabilities	Revenue	Profit/ loss (-)
2012				
Oy Alholmens Kraft Ab	156 210	119 946	63 902	691
Länsi-Suomen Voima Oy	28 342	951	765	1
Tahkoluodon Polttoöljy Oy	20	2	0	-3
Teollisuuden Voima Oyj	6 396 925	5 086 999	352 171	-1 750
Torniolaakson Voima Oy	9 261	5 976	1 514	0
Vaskiluodon Voima Oy	161 297	124 958	97 106	-566
Voimalohi Oy	1 193	830	3 488	0
Total	6 753 248	5 339 662	518 946	-1 627

Related-party transactions - transactions with associates and joint ventures

1 000 €	2013	2012
Sales to associates and joint ventures	6 778	9 351
Purchases from associates and joint ventures	288 998	266 955
Receivables from associates and joint ventures	237 810	166 821
Liabilities to associates and joint ventures	546 777	524 412

	2013	2012
Personnel employed by associates and joint ventures in average	1 053	951

19 Available-for-sale financial assets

1 000 €	2013	2012
Investments in non-listed securities	650	3 178
Total	650	3 178

Available-for-sale financial assets consist mainly of vacation cottages used by personnel totalling 0.6 million Euros (2012: 0.7). In 2012 available-for-sale financial assets included also the shares of AS Nordic Energy Link, an Estonian company established for main object to construct and commission a cabel link between Finland and Estonia, amounting to 2.2 million Euros. Finestlink Oy, a subsidiary of Pohjolan Voima Oy, owned 10.1% of the shares in AS Nordic Energy Link until December 2013, when the shares were sold.

20 Loans and other receivables

Non-current loans and other receivables

1 000 €	2012	2012
Loans to associates and joint ventures	203 800	138 692
Finance lease receivables	177 158	190 652
Other non-current receivables	16 475	14 597
Total	397 434	343 941

Loans to associates and joint ventures include a loan receivable from Teollisuuden Voima Oyj of 203.2 (2012: 137.3) million Euros and a loan receivable from Tornionlaakson Voima Oy of 0.5 (1.4) million Euros. There is no material credit risk related to the non-current loans and other receivables. The fair value of the receivables has been presented in Note 29 Fair values of financial assets.

Trade and other receivables

1 000 €	2013	2012
Trade receivables	78 304	91 837
Pledged cash deposits	1 642	5 727
Interest-bearing receivables	4 268	154
Finance lease receivables	14 582	14 657
Derivatives	0	0
Share issue receivables	22 132	0
Prepayments and accrued income	169 768	27 878
Other current receivables	1 285	3 429
Total	291 981	143 681

Carrying values of trade receivables and other receivables approximates their fair value.

Prepayments and accrued income:

1 000 €	2013	2012
Prepayments, energy purchases	12 120	13 264
Deferred revenue, energy	0	0
Indirect taxes	5 845	5 879
Other	4 167	8 735
Total	22 132	27 878

The Group recorded credit losses of 5 thousand Euros in 2013 (2012: -) on trade receivables or other receivables during the reporting period or the previous financial year. The Group had no material outstanding receivables as per 31.12.2013. Therefore, aging of trade receivables are not presented.

FINANCE LEASE RECEIVABLES

Pohjolan Voima has entered into lease arrangements with shareholders, which are accounted for in accordance with IAS 17 based on the interpretation of IFRIC 4 ‘Determining whether an Arrangement contains a Lease’. These lease arrangements relate to Keravan Lämpövoima Oy, Kokkolan Voima Oy and Wisapower Oy power plants, which produce energy for the sole use of one owner. These arrangements are classified as finance leases in accordance with IAS 17. The Group has transferred substantially all the risks and rewards of ownership to the lessee as investment is made as a capital investment in the companies. It is not economically feasible for the owners of these series of shares to buy energy from any other source and the owners are the only significant users of the produced energy. The arrangements are treated as finance lease also on the basis that the leases cover the entire estimated economical useful life of the leased asset and the present value of minimum lease payments correspond to most of the fair value of the leased asset.

Other receivables include 2.7 million euros of receivables related to other leases, according to the classification based on IAS 17 (2012: 2.9 million Euros).

Gross receivables from finance leases:

1 000 €	2013	2012
No later than 1 year	16 623	17 097
Later than 1 year and no later than 5 years	82 341	84 144
Later than 5 years	111 876	126 511
Total	**210 840**	**227 752**
Unearned finance income	-19 101	-22 443
Net investment in finance leases	**191 739**	**205 309**

The net investment in finance leases may be analysed as follows:

1 000 €	2013	2012
No later than 1 year	14 581	14 657
Later than 1 year and no later than 5 years	74 197	74 391
Later than 5 years	102 960	116 261
Net investment in finance leases	**191 738**	**205 309**

21 Short-term deposits, cash and cash equivalents

CASH AND CASH EQUIVALENTS

1 000 €	2013	2012
Cash at bank and on hand	22 073	4 995
Commercial papers	0	2 000
Short-term bank deposits	0	0
Total	22 073	6 995

Cash and cash equivalents comprise of cash on hand, bank deposits and other short-term (up to three months), liquid investments.

22 Inventories

1 000 €	2013	2012
Fuels		
Coal	31 738	69 796
Other fuels	15 430	14 092
Prepayments	3 335	2 188
Total	50 503	86 075

Impairment in inventory totalled 80 thousand Euros in 2013 (2012: -).

23 Equity

According to the articles of association, PVO supplies energy to its shareholders at cost, i.e.. delivers energy it has produced or acquired to each shareholder according to their proportionate ownership in each series of shares. Shareholders are according to their proportionate ownership in each series of shares responsible for the fixed costs for the underlying shares, regardless of whether the power or energy share is used or not. Variable costs, on the other hand, are invoiced to the shareholders based on the share of the energy delivered.

Reconciliation of the number of shares:

1 000 €	Number of shares	Share capital	Share issue	Share premium	Revaluation reserve	Reserve for invested non-restricted equity	Equity loans	Retained earnings	Total
1.1.2012	36 325 771	61 096		385 625	-10 970	104 614		471 959	1 012 324
Dividends paid								-247 370	-247 370
Proceeds from share issue	110 900	186				6 024			6 210
Decline in share premium				-48 847		48 847			
Change in equity loans							29 257		29 257
Other comprehensive income					1 479			-20 855	-19 376
31.12.2012	36 436 671	61 282		336 778	-9 491	159 485	29 257	203 734	781 045
Proceeds from share issue	1 075 565	1 809	169 769			58 422			230 000
Transfer to retained earnings						-7 610		7 610	0
Change in equity loans							5 852		5 852
Other comprehensive income					8 366			11 214	19 580
31.12.2013	**37 512 236**	**63 091**	**169 769**	**336 778**	**-1 125**	**210 297**	**35 109**	**222 558**	**1 036 477**

Shares

The number of shares at 31.12.2013 was 37.512.236. The shares have no nominal value. All issued shares are fully paid.

The company has 19 registered series of shares

Share capital by share category	Number	1 000 €
Series A:	13 350 077	22 453
- entitling the holder to obtain energy produced or purchased by PVO-Vesivoima Oy		
Series B:	7 124 507	11 983
- entitling the holder to obtain 56.8% of the energy produced or purchased by		
Teollisuuden Voima Oyj's - Olkiluoto plant 1 and 2		
Series B2:	2 571 573	4 325
- entitling the holder to obtain 60.2% of the energy produced by Teollisuuden Voima Oyj's		
Olkiluoto plant 3 once it construction is completed.		
Series C:	7 107 592	11 954
- entitling the holder to obtain energy produced or purchased by PVO-Lämpövoima Oy		
Series C2:	359 198	604
- entitling the holder to obtain 56.8% of the energy produced or purchased by		
Teollisuuden Voima Oyj's Meri-Pori coal power plant		
Series G:	354 290	596
- entitling the holder to obtain 49.9% of the energy produced by Oy Alholmens Kraft Ab		
Series G2:	238 216	401
- entitling the holder to obtain 76.0% of the energy produced by Kymin Voima Oy		
Series G3:	115 850	195
- entitling the holder to obtain 50.0% of the energy produced by Järvi-Suomen Voima Oy		
Series G4:	296 486	499
- entitling the holder to obtain 72.0% of the energy produced by Rauman Voima Oy		
Series G5:	99 872	168
- entitling the holder to obtain energy produced by Laanilan Voima Oy		
Series G6:	646 217	1 087
- entitling the holder to obtain energy produced by Porin Prosessivoima Oy		

Series G7:	661 300	1 112
- entitling the holder to obtain 90.0% of the energy produced by Wisapower Oy		
Series G9:	589 071	991
- entitling the holder to obtain 54.0% of the energy produced by Kaukaan Voima Oy		
G10-sarja	213 600	359
- entitling the holder to obtain 84,0 % of the energy produced by Hämeenkyrön Voima Oy		
Series H:	500 000	841
- entitling the holder to obtain energy produced by PVO-Huippuvoima Oy		
Series K1:	176 428	297
- entitling the holder to obtain energy produced or purchased by Kokkolan Voima Oy		
Series K3:	324 457	545
- entitling the holder to obtain energy produced or purchased by Keravan Lämpövoima Oy		
Series M:	1 736 679	2 921
- entitling the holder to obtain 80.1% of the energy produced by Mussalon Voima Oy		
Series V:	1 046 823	1 761
- entitling the holder to obtain 50.0% of the energy produced by Vaskiluodon Voima Oy		
	37 512 236	**63 091**

The following shares were issued during the financial year:
An increase of 4,107.143 in the share capital of B2 series of shares (on 1 July 2013) directed to the shareholders of B2 series at a subscription price 230.000.008 Euros. During the financial period, the first tranche of the subscription price has been paid acdording to General Annual Meeting decision. The rest of subscribed shares is the share issue account.

Other changes in shareholders' equity:
Annual General Meeting of Pohjolan Voima Oy decided on 21 March 2013 to cover negative retained earnings of 7.8 million Euros by lowering the reserve of invested unrestricted equity fund by the same amount.

The Extraordinary General Meeting of Pohjolan Voima decided in December 2011 to participate in the bidding and engineering phase of the construction of a new nuclear power plant Olkiluoto 4 (OL4) and the Extraordinary General Meeting of Teollisuuden Voima decided to commence the bidding and engineering phase. The total cost of the bidding an engineering phase is a maximum of 300 million Euros, of which Pohjolan Voima share of the costs is approximately 176 million Euros. Pohjolan Voima drew down shareholder loan of 35.1 million Euros (2012: 29.3 million Euros), for the financing of the OL4 project bidding and engineering phase, leaving the undrawn shareholder loan commitments from shareholders a total of 128.8 million Euros (2012: 134.7 million Euros).

Share premium
Share premium is recorded under the old Limited Liability Companies Act (29.9.1978/734), and was calculated as the difference between the nominal value of the shares and the subscription price. Share premium is restricted equity under the Limited Liability Companies Act. Share premium may be reduced to cover losses or it can be returned to owners under certain conditions.

Revaluation reserve
Derivative instruments used in cash flow hedging and fair value gains or losses on investments available-for-sale are recorded in the revaluation reserve. Fair value changes are transferred to the profit for the year when hedged cash flows realize. Fair value changes in investments available-for-sale are transferred to the profit for the year when the investment is disposed of or when its value has been impaired.

Invested non-restricted equity
Subscription prices for shares are recorded in invested non-restricted equity to the extent that they are not, based on an explicit decision, to be recorded as share capital.

Equity loans
Equity loans are recognized initially at fair value including transaction costs. The equity loan do not have a maturity date, and the debtor can repay the loan at will in one or several tranches. The debtor's Board of Directors can decide that relating interest will not be paid for a certain period. Unpaid interest does not accumulated to the next period. The equity loan is unsecured and subordinate to all other debt instruments. The equity loan holders do not have shareholder rights, nor does the loan dilute the shareholders’ holdings.

24 Provisions

1 000 €	Environmental provisions
At 1 January 2013	**3 459**
Unused amounts reversed	0
Change in accounting estimates	281
Effect of discounting	857
At 1 December 2013	**4 597**

1 000 €	2013	2012
Non-current	4 597	3 459
Total	4 597	3 459

Environmental provisions

The environmental provisions include provision for the landscaping of power plant landfills. The present value of the landscaping is capitalized as part of the other tangible assets and recorded as a provision. The environmental provision totalled 4.6 million Euros at 31 December 2013 and it is estimated that it will be fully utilised by 2030.

The changes in accounting estimates relate to the asset retirement obligations of landfills. The usage right of two landfills has been prolonged and estimates on the retirement obligation adjusted accordingly.

The discount rate used to determine present value was 2.1%.

25 Deferred tax liabilities

1 000 €	2013	2012
Accumulated depreciation difference 1.1.	1004	950
Charged to the statement of comprehensive income	-162	54
Accumulated depreciation difference 31.12.	**842**	**1004**

26 Borrowings

1 000 €	2013	2012
Non-current:		
Borrowings from associates and joint ventures	528 398	500 000
Borrowings from financial institutions	364 485	415 934
Pension loans	10 847	13 559
Secured financial liabilities	356 326	378 351
Total	**1 260 056**	**1 307 844**
Current:		
Borrowings from financial institutions	17 238	17 673
Pension loans	2 712	2 712
Other interest-bearing current liabilities	102 893	89 841
Secured financial liabilities	22 036	21 548
Total	**144 879**	**131 773**
Total borrowings	**1 404 935**	**1 439 617**

Fair values of non-current and current borrowings are presented in note 29.

Teollisuuden Voima Oyj is obliged to nuclear waste management. The obligation entitles Teollisuuden Voima Oyj to borrow 75% of its holdings in the National Nuclear Waste Management Fund. Teollisuuden Voima Oyj has granted corresponding loans to its shareholders. Pohjolan Voima's share is 528.4 (500.0) million Euros.

The secured financial liabilities consist of finance lease contracts relating to investments in power plants. Pohjolan Voima Group has 12 finance lease contracts for power plant machinery with an average lease term of 10 years (31 December 2012 12 contracts). Contracts expire 2015 to 2020. Sale and lease agreements included in sale and leaseback arrangements are evaluated as a whole: Sale does not transfer the risks and rewards of ownership to the buyer, which means that criteria for derecognition are not fulfilled for the seller i.e. the lessee. The arrangement does not transfer the right of use of the assets to the finance company.

OTHER NON-CURRENT LIABILITIES

1 000 €	2012	2012
Other non-current liabilities		
Other non-current liabilities	4	75
Derivative financial liabilities		
Interest rate swaps	3 714	10 942
Total	**3 718**	**11 017**

Fair values of derivatives are disclosed in note 29.

INTEREST-BEARING NET LIABILITIES

1 000 €	2012	2012
Interest-bearing liabilities total	**1 404 935**	**1 439 617**
Interest-bearing financial assets		
Non-current		
Loan receivables	168 692	109 435
Finance lease receivables	177 158	190 652
	345 850	300 087
Current		
Pledged cash deposits	1 642	5 727
Interest-bearing receivables	4 268	154
Finance lease receivables	14 582	14 657
Short-term deposits	0	0
Cash and cash equivalents	22 073	6 995
Total	42 565	27 532
Interest-bearing financial assets total	**388 414**	**327 619**
Interest-bearing liabilities net	**1 016 521**	**1 111 998**

27 Trade payables and other current liabilities

1 000 €	2013	2012
Trade payables	13 922	19 227
Liabilities to associates and joint ventures	18 380	24 412
Accrued expenses	28 110	32 073
Other current liabilities	5 307	32 435
Held emission allowances, Energy Market Authority	8 049	2 327
Derivative financial instruments	1 357	313
Total	75 125	110 786

Emission allowances are recorded at cost and are presented separately on the balance sheet. The obligation relating to emission allowances are recorded at book value of the held allowances to short-term debt. Allowances and the related obligations are derecognised when they are reported or sold.

Accrued expenses:

1 000 €	2013	2012
Accrued personnel expenses	3 797	6 292
Accrued expenses for fuel purchases	12 460	12 028
Accrued expenses for energy purchases	1 943	2 044
Other	9 909	11 709
Total	28 110	32 073

28 Derivative financial instruments

Fair value of derivative financial instruments

	2013	2013	Total
1 000 €	Positive fair values	Negative fair values	
Interest rate swaps	634	-5 484	-4 850
Forward foreign exchange contracts and swaps	2	-224	-222
Total	636	-5 708	-5 071

	2012	2012	Total
1 000 €	Positive fair values	Negative fair values	
Interest rate swaps	216	-11 410	-11 194
Forward foreign exchange contracts and swaps	1	-61	-60
Total	217	-11 471	-11 254

Nominal value of derivative financial instruments

1 000 €	2013	2012
Interest rate swaps	539 750	550 350
Forward foreign exchange contracts and swaps	18 853	4 093

29 Financial assets and liabilities by category

1 000 € **2013**	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities carried at amortised cost	Book value total	Fair value total	Note
Non-current financial assets							
Available-for-sale investments			650		650	650	19
Loan receivables		203 800			203 800	203 800	20
Finance lease receivables					177 158	177 158	20
Other receivables		16 475			16 475	16 475	20
	0	220 276	650	0	398 084	398 084	
Current financial assets							
Cash and cash equivalents		22 073			22 073	22 073	21
Loan receivables		5 910			5 910	4 268	20
Share issue receivables		169 768			169 768	169 768	
Trade and other receivables		79 588			79 588	79 588	20
Prepayments and accrued income		22 132			22 132	22 132	20
Finance lease receivables					14 582	14 582	20
Derivative financial instruments	0				0	0	20
	0	299 472	0	0	314 054	312 411	
Total	**0**	**519 748**	**650**	**0**	**712 137**	**710 495**	
Non-current financial liabilities							
Borrowings from associates and joint ventures				528 398	528 398	528 398	26
Borrowings				375 332	375 332	375 332	26
Secured financial liabilities				356 326	356 326	356 326	26
Other non-current liabilities				4	4	4	26
Derivative financial instruments	3 714				3 714	3 714	26
	3 714	0	0	1 260 060	1 263 774	1 263 774	
Current financial liabilities							
Loans and commercial papers				122 843	122 843	122 843	26
Trade payables				13 922	13 922	13 922	27
Other current liabilities				31 736	31 736	31 736	27
Accrued expenses				28 110	28 110	28 110	27
Secured financial liabilities				22 036	22 036	22 036	26
Derivative financial instruments	1 357				1 357	1 357	27
	1 357	0	0	218 647	220 004	220 004	
Total	**5 071**	**0**	**0**	**1 478 707**	**1 483 778**	**1 483 778**	

As at 31 December 2013 the amount of offsetting financial assets and financial liabilities in the Group was -4.8 (2012: -11.2) million Euros.

	Gross amounts recognised in the balance sheet	Related amounts not set off in the balance sheet	Net amount
Derivative contracts 2013	5 071	-222	4 850
Derivative contracts 2012	21 623	-10 429	11 194

1 000 € **2012**	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities carried at amortised cost	Book value total	Fair value total	Note
Non-current financial assets							
Available-for-sale investments			3 178		3 178	3 178	19
Loan receivables		138 692			138 692	138 692	20
Finance lease receivables					190 652	190 652	20
Other receivables		14 597			14 597	14 597	20
	0	153 289	3 178	0	347 119	347 119	
Current financial assets							
Cash and cash equivalents		6 995			6 995	6 995	21
Loan receivables		5 880			5 880	154	20
Trade and other receivables		95 266			95 266	95 266	20
Prepayments and accrued income		27 878			27 878	27 878	20
Finance lease receivables					14 657	14 657	20
Derivative financial instruments					0	0	20
	0	136 019	0	0	150 676	144 949	
Total	**0**	**289 308**	**3 178**	**0**	**497 795**	**492 069**	
Non-current financial liabilities							
Borrowings from associates and joint ventures				500 000	500 000	500 000	26
Borrowings				429 493	429 493	429 493	26
Secured financial liabilities				378 351	378 351	378 351	26
Other non-current liabilities				75	75	75	26
Derivative financial instruments	10 942				10 942	10 942	26
	10 942	0	0	1 307 919	1 318 861	1 318 861	
Current financial liabilities							
Loans and commercial papers				110 225	110 225	110 225	26
Trade payables				19 227	19 227	19 227	27
Other current liabilities				59 173	59 173	59 173	27
Accrued expenses				32 073	32 073	32 073	27
Secured financial liabilities				21 548	21 548	21 548	26
Derivative financial instruments	313				313	313	27
	313	0	0	242 247	242 560	242 560	
Total	**11 255**	**0**	**0**	**1 550 166**	**1 561 421**	**1 561 421**	

Fair value estimation

Carrying value of receivables and other receivables with variable interest rates are calculated using the effective interest method. This is also a reasonable estimate of their fair value. Short-term trade and other receivables approximate their fair value, as the effect of discounting is not significant for these receivables due to their short maturities.

Available-for-sale investments include investments in unlisted securities, which are carried at acquisition cost because their fair values are not readily available. The Group has no intention to dispose of these securities.

Carrying value of long-term loans and short-term interest-bearing liabilities is calculated using the effective interest method. Carrying value of loans with variable interest rates is a reasonable estimate of their fair value. Carrying value of short-term interest-bearing liabilities approximate their fair value, as the effect of discounting is not significant due to their short maturity. Fair value of loans with fixed interest rate is determined using a discounted cash flow method. Discount rates used are the market interest rates at the closing date, which were in between 0.2 - 2.2% (0.1 - 1.6%).

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value at the closing date. The fair values reflect the prices, which PVO would have to pay or would receive, if it called a derivatives contract. Fair value of interest rate swaps is determined using a discounted cash flow method using market rates prevailing at the closing date as the discount rate, which were 0.2 - 2.2% (0.1 - 1.6%). Fair values of forward foreign exchange contracts and swaps are determined using quoted forward rates from contracts with similar duration. PVO does not apply hedge accounting according to IAS 39, so the changes in fair values for derivative instruments are recorded in profit or loss.

According to IFRS 7, items measured at fair value are classified into three different levels for the notes, depending on how much the fair values are based on market information. Fair values of instruments categorized as Level 1 are based on quoted prices (unadjusted) in active markets for identical instruments; fair values of Level 2 instruments are derived, either directly or indirectly from quoted prices and Level 3 of the fair values are determined using input data that is not based on observable market data. Only derivative financial inatruments are recorded at fair value in the balance sheet and they are all in Level 2 in the fair value hierarchy.

30 Contingent liabilities and assets and purchase commitments

1 000 €	2013	2012
On behalf of own loans		
Pledged deposits	490	5 814
Other contingent liabilities	388 766	332 203
On behalf of associated companies and joint ventures		
Guarantees	41 416	44 703
Guarantee according to Nuclear Energy Act	86 990	83 838
On behalf of others		
Guarantees	0	4 609
Total	**517 662**	**471 167**

The pledged deposits relate mainly to margin accounts for the electricity trading and emission allowance trading.

Other liabilities consist mainly of the parent company's loan guarantees. In 2013 a bank guarantee of 370 million Euros (2012: 300 million Euros) was given to the State Nuclear Waste Management Fund. A bank guarantee relating to the pension (TyEl) loan amounts to 13.6 million Euros (2012: 21.7 million Euros). Fingrid Oyj has been given a guarantee of 3.8 million Euros (2012: 8.3 millions Euros) related to the reserve capacity agreement.

Guarantee under the Nuclear Energy Act

According to the Finnish Nuclear Energy Act, Teollisuuden Voima, a joint venture of which Pohjolan Voima owns 58.47%, is obliged to fund the decommissioning of nuclear power plants and final disposal of spent nuclear fuel through the Finnish State Nuclear Waste Management Fund.

The amount of the contingent liability is determined by the administrative authority (Ministry of Employment and Economy) based on the Nuclear Energy Act. The directly enforceable guarantees relating to Nuclear waste management given by the shareholders of Teollisuuden Voima Oyj cover the uncovered portion of nuclear waste management liability as well as a liability for any unforeseen expenses of nuclear waste management in accordance with the Nuclear Energy Act. The directly enforceable guarantee given by Pohjolan Voima is 87 million Euros (2012: 83.8 million Euros).

INVESTMENT COMMITMENTS

Joint ventures

Pohjolan Voima Oy has committed to an investment into the nuclear power plant Olkiluoto 3 built by Teollisuuden Voiman Oyj during 2004 to 2013. The commitment consists of a 432 million Euros investment, a shareholder loan of 108 million and an additional shareholder loan of a maximum of 361.4 million Euros. As at 31 December 2013 Pohjolan Voima Oy has fulfilled 600 (2012: 540,0 million Euros) of its commitments. Investments are based on the financial plan of Olkiluoto 3, according to which capital is raised in accordance with the progress of the project.

The Extraordinary General Meeting of Pohjolan Voima decided in December 2011 to participate in the bidding and engineering phase of the construction of a new nuclear power plant Olkiluoto 4 (OL4) and the Extraordinary General Meeting of Teollisuuden Voima decided to commence the bidding and engineering phase. The total cost of the bidding an engineering phase is a maximum of 300 million Euros, of which Pohjolan Voima share of the costs is approximately 176 million Euros. Pohjolan Voima has drawn down shareholder loan of 35.1 million Euros (2012: 29.3 million Euros), for the financing of the OL4 project bidding and engineering phase, leaving the undrawn shareholder loan commitments from shareholders a total of 128.9 million Euros (2012: 134.7 million Euros).The shareholder loans of Pohjolan Voima Oy are subordinate to all other debt instruments. Pohjolan Voima has respectively invested 35.1 million Euros (2012: 29.3 million Euros) in shareholder loan of Teollisuuden Voima's OL4-project.

LEGAL PROCEEDINGS

Subsidiaries

An agreement between the State of Finland and PVO-Vesivoima that provided the State of Finland right to usage four hydro power plants along Iijoki ended in the end of 2005. In 2008 the Environment Agency granted the PVO-Vesivoima a permanent right to usage and appointed a compensation of 2.25 million Euros. Metsähallitus appealed against the decision to the Administrative Court of Vaasa, which decided in 2010 to retain in forche the decision of Environmental Permit Authority of Northern Finland. Metsähallitus appealed to the Supreme Administrative Court which gave its judgment in August 2013. According to the court judgment, PVO-Vesivoima had to pay to Metsähallitus 11.5 million Euros for the permanent right to usage of the State owned hydropower. Indemnification for permanent right to usage is recognised in intangible assets in the financial year 2013.

In addition, Metsähallitus requires an interest to the determinated compensation over the lease term from 2006 to 2013. Therefore, the compensation would increase to approximately 15.9 million Euros. Pohjolan Voima considers the interest over the lease term that Metsähallitus requires, too high. No provision has been recorded for the interest request and any potential interest to be paid will be capitalised in intangible assets and are not amortised.

Kaukaan Voima Oy and the CEO of the company have been summoned to court to respond to the claim of work safety offence. The prosecution is due to a dust explosion that occurred at the power plant on 25 March 2012 . The incident did not cause danger to workers or outsiders. The case hearing will take place in Lappeenranta District Court in early 2014.

Joint ventures

Teollisuuden Voima submitted a claim and defense in the International Chamber of Commerce (ICC) arbitration
proceedings concerning the delay and the ensuing costs incurred at the OL3 project. The quantification estimate of TVO's costs and losses was approximately 1.8 billion Euros which included TVO's actual claim and estimated part.

The arbitration began in December 2008 initiated by the OL3 plant supplier. The monetary claim the plant supplier updated in 2013 is in total approximately 2.7 billion Euros. The updated quantification is until the end of June 2011 and includes among others 70 million Euros of payments delayed under the plant contract as well as 700 million Euros of penalty interests and approximately 120 million Euros of alleged costs of profit. Teollisuuden Voima has considered and found the earlier claim to be without merit, scrutinizes the updated claim and will respond to it in the due course. The arbitration can last for several years and in money claims are still subject to change.

No provisions or receivables have been recorded based on the arbitration proceedings.

31 Operating leases

The Group has leased the Helsinki and Oulu office spaces. The leases expire in 2014 for the Oulu office and in 2015 for the Helsinki office. The contracts include the possibility to continue the lease period after the expiration date of the initial contract period.

1 000 €	**2013**	**2012**
No later than 1 year	1 894	1 954
Later than 1 year and no later than 5 years	953	3 010
Total	**2 847**	**4 965**

32 Emission allowances

Carbon Dioxide Emission

Generally the Group holds emission allowances covering the annual CO_2 emissions. If the actual emissions exceed allowances held, the company has recognised an expenses for emission rights at market price for each ton of emission exceeding its allowances.

	2013	
	t CO2	**1 000 €**
Allowances received free of charge*	0	
Combined annual emissions of the plants'	2 163 979	
Emission allowances held	3 409 193	
External sales of emission allowances **	61 880	275
External purchases of emission allowances ***	1 628 201	7 587

	2012	
	t CO2	**1 000 €**
Allowances received free of charge	2 679 072	
Combined annual emissions of the plants'	1 410 769	
Emission allowances held	3 198 496	
External sales of emission allowances *	1 027 588	7 698
External purchases of emission allowances **	477 816	952

* The authority has not recorded the free emission rights for the year 2013 in group's emission right accounts but they will be recieved in 2014.

** Emission sales are included in revenue.

*** The cost of purchased emission rights are included in materials and services and remaining emission allowances held at the closing date are included the balance sheet as intangible assets.

33 Related-party transactions

The Group's related parties include the parent company, subsidiaries, associates and joint ventures as well as the largest shareholder, UPM-Kymmene Oyj. Related parties also include the Board of Directors and the Corporate Executive Team members including the CEO and Deputy CEO.

Parent company and subsidiaries:

Company	Production	Country	Ownership (%)	Voting right (%)
Finestlink Oy		Finland	51,311	51,311
Järvi-Suomen Voima Oy	Thermal Power	Finland	50,000	50,000
Hämeenkyrön Voima Oy	Thermal Power	Finland	84,000	84,000
Kaukaan Voima Oy	Thermal Power	Finland	54,000	54,000
Keravan Lämpövoima Oy	Thermal Power	Finland	100,000	100,000
Kokkolan Voima Oy	Thermal Power	Finland	100,000	100,000
Kymin Voima Oy	Thermal Power	Finland	76,000	76,000
Laanilan Voima Oy	Thermal Power	Finland	100,000	100,000
Mussalon Voima Oy	Thermal Power	Finland	100,000	100,000
Porin Prosessivoima Oy	Thermal Power	Finland	100,000	100,000
Powest Oy	Services company	Finland	80,519	98,805
PVO-Alueverkot Oy	Network company	Finland	80,519	80,519
PVO-Huippuvoima Oy	Thermal Power	Finland	100,000	100,000
PVO-Lämpövoima Oy	Thermal Power	Finland	100,000	100,000
PVO Power Management Oy	Services company	Finland	100,000	100,000
PVO Power Services Oy	Services company	Finland	100,000	100,000
PVO-Vesivoima Oy	Hydropower	Finland	100,000	100,000
Rauman Biovoima Oy	Thermal Power	Finland	71,949	71,949
Rouhialan Voimansiirto Oy	Services company	Finland	100,000	100,000
Wisapower Oy	Thermal Power	Finland	89,976	89,976

List of associated companies and joint ventures

Company	Registered Office
Associated companies	
Oy Alhomens Kraft Ab	Pietarsaari
Länsi-Suomen Voima Oy	Harjavalta
Tahkoluodon Polttoöljy Oy	Pori
Torniolaakson Voima Oy	Ylitornio
Joint ventures	
Teollisuuden Voima Oyj	Helsinki
Vaskiluodon Voima Oy	Vaasa
Voimalohi Oy	Kemi

Transactions with related parties, 1000 €

Related party transactions relate to normal business operations of Pohjola Voima.

2013	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	6 778	288 998	237 810	546 777
UPM-Kymmene Oyj	264 033	86 114	23 679	11 299

2012	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	9 351	266 955	166 821	524 412
UPM-Kymmene Oyj	264 189	116 567	30 496	11 820

UPM-Kymmene Oyj owns 43.89% (2012: 43.89%) of Pohjolan Voima Oy's share capital.

The Board of Directors and Executive team

Senior management of Pohjolan Voima consists of the board members and the executive management team members, including the President and CEO and the deputy President & CEO. The Group has not granted any loans to senior management, and has no business transactions with management.

1 000 €	2013	2012
Salaries and other short-term employee benefits	1 956	1 836
Total	1 956	1 836

34 Breakdown of share ownership and shareholder information

Shareholder	2013, % of shares	2012, % of shares
EPV Energia Oy	7.11%	7.16%
Etelä-Suomen Voima Oy	2.78%	2.77%
City of Helsinki	0.80%	0.79%
Kemira Oyj (incl. Pension fund)	4.04%	3.96%
Ilmarinen Mutual Pension Insurance Company	4.00%	4.12%
City of Kokkola	2.40%	2.44%
Kymppivoima Oy	8.65%	8.61%
Metsä Group (Metsäliitto, Metsä Fibre, Metsä Board Oyj)	3.36%	3.36%
Myllykoski Oyj*)	0.83%	0.82%
City of Oulu	1.72%	1.77%
Outokumpu Oyj	0.08%	0.09%
Oy Perhonjoki Ab	2.44%	2.48%
City of Pori	1.80%	1.83%
Rautaruukki Oyj	0.04%	0.02%
Stora Enso Oyj	14.77%	14.77%
UPM-Kymmene Oyj	43.29%	43.08%
Vantaan Energia Oy	0.30%	0.29%
Yara Suomi Oy (incl. Pension fund)	1.61%	1.67%
Total	**100.00%**	**100.00%**

*) Myllykoski Oyj is a part UPM-Kymmene Group.

Shareholders by sector	2013, % of shares	2012, % of shares
Forest industry	62.25%	62.25%
Energy companies	21.27%	21.31%
Cities	6.72%	6.83%
Chemical industry	5.65%	5.62%
Metal industry	0.12%	0.11%
Other	4.00%	4.12%
Total	**100.00%**	**100.00%**

35 Events after the reporting period

In February 2014, TVO announced that it has not received the requested overall schedule update from the supplier. Therefore TVO does not provide an estimate of the start-up time of the plant unit at the moment. TVO has required from the supplier who is in charge of the project schedule, to update the overall schedule and to provide a clarification of the measures needed to ensure proper progress to complete the plant unit. Information acount the start-up date of electricity production in OL3 plant is pending the finalization of the supplier's schedule clarification.

Parent company financial statements (FAS)

Content

Income Statement

Balance Sheet

Cash Flow Statement

Notes to financial statements

Basis of preparation

1 Basis of preparation

Notes to Income Statement

2. Sales
3. Other operating income
4. Materials and Services
5. Personnel expenses and average number of personnel
6. Depreciation, amoritisation and impairment
7. Other operating expenses
8. Finance income and costs
9. Income taxes

Notes to Balance Sheet

10. Intangible assets
11. Property, plant and equipment
12. Investments
13. Non-current receivables
14. Current receivables
15. Investments
16. Equity
17. Non-current liabilities
18. Current liabilities
19. Guarantees and contingent liabilities
20. Derivative financial instruments

PARENT COMPANY FINANCIAL STATEMENTS (FAS)

Income Statement

1 000 €	Note	1.1. - 31.12.2013	1.1. - 31.12.2012
Revenue	2	**653 103**	**571 145**
Other operating income	3	1 859	2 186
Materials and services	4	-336 664	-255 456
Personnel expenses	5	-8 591	-7 090
Depreciation, amortisation and impairment	6	-1 065	-934
Other operating expenses	7	-307 679	-308 115
Operating profit or loss		**963**	**1 736**
Finance income and costs	8	-9 246	-9 590
Profit or loss before appropriations and taxes		**-8 283**	**-7 854**
Appropriations			
Increase (+) or decrease (-) in depreciation difference		151	126
Income tax expense	9	-5	-6
Profit or loss for the year		**-8 137**	**-7 734**

Balance Sheet

1 000 €	Note	31.12.2013	31.12.2012
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	2 091	713
Property, plant and equipment	11	1 238	1 467
Investments	12		
Holdings in Group undertakings		568 062	568 562
Other investments		950 975	889 177
TOTAL NON-CURRENT ASSETS		**1 522 366**	**1 459 919**
CURRENT ASSETS			
Non-current receivables	13	15 597	14 364
Current receivables	14	256 679	98 452
Investments	15	-	2 000
Cash and cash equivalents		22 728	4 326
TOTAL CURRENT ASSETS		**295 004**	**119 142**
Total assets		**1 817 370**	**1 579 061**
EQUITY AND LIABILITIES			
EQUITY	16		
Share capital		63 091	61 282
Share issue		169 769	-
Share premium		333 308	333 308
Revaluation reserve		218 644	218 644
Reserve for invested non-restricted equity		210 298	159 486
Retained earnings		-	123
Profit or loss for the year		-8 137	-7 734
TOTAL EQUITY		**986 973**	**765 109**
ACCUMULATED APPROPRIATIONS			
Depreciation difference		**68**	**219**
LIABILITIES			
Non-current liabilities	17	624 357	603 892
Current liabilities	18	205 972	209 841
TOTAL LIABILITIES		**830 329**	**813 733**
Total equity and liabilities		**1 817 370**	**1 579 061**

Cash Flow Statement

1 000 €		1.1. - 31.12.2013	1.1. - 31.12.2012
Operating activities			
Operating profit or loss		963	1 737
Adjustments to operating profit or loss	1)	1 102	886
Change in net working capital	2)	-3 647	-30 398
Interest paid		-14 724	-13 366
Interest received		4 662	7 384
Dividends received		1	1
Other financial items		-3 120	-2 327
Income tax paid		-7	1
Cash flow from operating activities		**-14 770**	**-36 082**
Investments			
Acquisition of subsidiaries		-	-6 360
Proceeds from other investments		98	-
Purchases of property,plant and equipment and intangible assets		-1 050	-517
Proceeds from the sale of shares in subsidiaries		-	-
Proceeds from the sale of shares in joint ventures		-	-
Proceeds from sales of property, plant and equipment and intangible assets		32	87
Increase (-) or decrease (+) of loan receivables		-65 309	-14 757
Cash flow from investing activities		**-66 229**	**-21 547**
Financing			
Proceeds from borrowings		34 249	53 386
Repayments of borrowings		-2 712	-2 712
Proceeds (+) or repayments (-) of current interest-bearing liabilities		5 632	62 599
Proceeds from issuance of ordinary shares		60 232	6 210
Dividends paid		-	-247 370
Cash flow from financing activities		**97 401**	**-127 887**
Net (decrease)/increase in cash and cash equivalents		**16 402**	**-185 516**
Cash and cash equivalents at 1.1.		6 326	191 842
Cash and cash equivalents at 31.12.		**22 728**	**6 326**

1) Adjustments to operating profit or loss		
Merger loss	96	-
Depreciation, amortisation and impairment	1 065	934
Losses(+) or gains (-) of sales of non-current assets	-59	-48
	1 102	**886**
2) Change in net working capital		
Increase (-) or decrease (+) of non-interest-bearing receivables	13 653	-23 624
Increase (+) or decrease (-) of current non-interest-bearing liabilities	-17 299	-6 774
	-3 647	**-30 398**

Notes to financial statements

1 Basis of preparation

Pohjolan Voima Oy's financial statements have been prepared in accordance with Finnish Accounting Standards (FAS) and other laws and regulations governing the preparation of the financial statements in Finland.

Pohjolan Voima Oy (0210161-4, Helsinki) is the parent company of Pohjolan Voima – Group.

Revenue

Revenue is recognised net of value-added taxes and discounts. Revenue is recognised at the time of delivery.

Other operating income

Revenue from activities outside the normal operations is reported in other operating income. This includes items such as rental income and gains on sale of assets.

Research and development costs

Research and development costs are expensed as incurred.

Pension costs

Statutory pension liabilities are covered through pension insurance arrangements.

Foreign currencies and derivative contracts

Transactions denominated in foreign currencies have been valued using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the balance sheet date have been valued using the exchange rate quoted on the balance sheet date. Exchange rate differences are presented within finance income and cost in the income statement.

Pohjolan Voima Oy enters into derivative contracts mainly for hedging interest rate exposure. Derivative contracts are not recognised in the balance sheet. Derivatives used to manage interest rate risk are accrued for the contract period and they are recognised against the interest expenses of the hedged loans. Pohjolan Voima Oy enters into foreign exchange rate derivative contracts relating to the fuel purchases of its subsidiaries. The nominal values and market values of foreign exchange rate and interest rate derivatives are disclosed in the notes.

Income taxes and deferred taxes

The tax expense for the period comprises current tax, relating to the current period and any adjustments made to taxes for the previous financial period. Pohjolan Voima operations are based on cost price and the company does not pay any taxes on its energy related operations. No deferred tax assets on the operating losses from previous periods have been recognized.

Non-current assets

The intangible assets and property, plant and equipment is stated at historical cost less accumulated amortisation and depreciation according to plan. Historical cost includes the variable costs of the investment. Received government grants have been deducted from acquisition cost. Depreciation is calculated using the straight-line method based on the estimated useful lives. Depreciation and amortization is started when the asset is taken into use.

The estimated useful lives have been defined as follows:

Other capitalised long-term expenditure	3-10 years
Machinery and equipment	3-20 years
Buildings and constructions	8-30 years

Investments

Investments include holdings in investment funds with short-term interest and certificates of deposit of financial institutions. Investments are recognised in the balance sheet at cost. They are included in cash and cash equivalents in the cash flow statement.

Notes to Income Statement

2 Sales

1 000 €	2013	2012
Sales of electricity produced	460 902	376 835
Sales of heat produced	185 862	189 653
Other sales	6 339	4 657
Total	**653 103**	**571 145**

3 Other operating income

1 000 €	2013	2012
Gains on sale of property, plant and equipment and other investments	59	48
Rental income	1 499	1 583
Other income	301	555
Total	1 859	2 186

4 Materials and Services

1 000 €	2013	2012
Energy purchases	336 664	255 456
Total purchases	336 664	255 456

5 Personnel expenses and average number of personnel

1 000 €	2013	2012
Wages and salaries		
Board members and CEO	937	891
Other wages and salaries	6 040	4 895
Total	6 977	5 786
Pension expenses	1 272	1 036
Other personnel expenses	342	268
Total	1 614	1 304
Total personnel expenses	8 591	7 090
Average number of personnel		
Salaried employees	87	69
Wage-earners	-	1
Total	87	70

6 Depreciation, amoritisation and impairment

1 000 €	2013	2012
Depreciation according to plan		
Other capitalised long-term expenditure	323	177
Buildings and constructions	43	43
Machinery and equipment	252	267
Impairment of non-current assets	-	-
Investments	447	447
Total	1 065	934

7 Other operating expenses

1 000 €	2013	2012
Energy purchases	298 276	297 853
Repair, servicing and maintenance services	262	157
Rents	2 098	2 062
Real estate taxes	77	77
Fees to experts	2 926	4 452
Other expenses	4 040	3 514
Total	307 679	308 115

Auditor's fees

1 000 €	2013	2012
PricewaterhouseCoopers Oy:		
Audit fees	84	66
Tax advisory	1	8
Auditor's mandatory opinions	2	-
Other services	6	15
Total	93	89

8 Finance income and costs

1 000 €	2013	2012
Dividend income		
from others	1	1
Interest income from investments		
in Group undertakings	27	100
in participating interests	1 901	2 461
Other interest and finance income		
from Group undertakings	2 912	2 442
in participating interests	4	21
from others	74	1 200
Total finance income	4 919	6 225
Interest costs and other financial costs		
Group undertakings	-108	-309
participating interests	-3 998	-7 834
Others	-10 059	-7 672
Total finance costs	-14 165	-15 815
Total finance income and costs	-9 246	-9 590
Other interest and financial income includes exchange rate differences (net).	9	-8

9 Income taxes

1 000 €	2013	2012
Income taxes for the period	5	6
Total	5	6

Notes to Balance Sheet

10 Intangible assets

1000 €	Intangible rights	Other capitalised long-term expenditure	Total
Cost or valuation at 1.1.	34	2 813	2 847
Addtions due to merger	-	783	783
Additions	-	323	323
Disposals	-	-71	-71
Reclassifications	-	666	666
Cost or valuation at 31.12.	34	4 514	4 548
Accumulated amortisation 1.1.	-	-2 134	-2 134
Amortisation for the period	-	-323	-323
Accumulated amortisation 31.12.	-	-2 457	-2 457
Net book amount 31.12.2013	34	2 057	2 091
Net book amount 31.12.2012	34	679	713

11 Property, plant and equipment

1000 €	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Prepayments	Total
Cost or valuation at 1.1.	208	1 255	3 563	46	37	5 109
Additions due to merger	-	-	34	-	-	34
Additions	-	-	40	-	668	708
Disposals	-	-	-77	-	-	-77
Reclassifications	-	-	-	-	-666	-666
Cost or valuation at 31.12.	208	1 255	3 560	46	39	5 108
Accumulated depreciation 1.1.	-	-860	-2 782	-	-	-3 642
Accumulated depreciation of disposals and reclassifications	-	-	67	-	-	67
Depreciation for the period	-	-43	-252	-	-	-295
Accumulated depreciation 31.12.	-	-903	-2 967	-	-	-3 870
Net book amount 31.12.2013	208	352	593	46	39	1 238
Net book amount 31.12.2012	208	395	781	46	37	1 467
Production machinery and equipment at 31.12.			280			

12 Investments

1000 €	Holdings in Group undertakings	Receivables from Group undertakings	Holdings in participating interests	Receivables from participating interests	Other shares and holdings	Total
Cost or valuation at 1.1.	568 562	3 800	747 444	137 251	682	1 457 739
Additions due to merger	-	-	-	-	22	22
Additions	-	-	-	66 083	-	66 083
Merger	-500	-	-	-	-	-500
Disposals	-	-3 800	-447	-	-60	-4 307
Cost or valuation at 31.12.	568 062	0	746 997	203 334	644	1 519 037
Net book amount 31.12.2013	568 062	0	746 997	203 334	644	1 519 037
Net book amount 31.12.2012	568 562	3 800	747 444	137 251	682	1 457 739
Revaluations included in the cost at 31.12.	265 145					

13 Non-current receivables

1 000 €	2013	2012
Loan receivables	465	1 440
Capital loan receivables	1	1
Other non-current receivables	15 131	12 923
Total	15 597	14 364

Receivables from Group undertakings		
Loan receivables	-	-
Capital loan receivables	1	1
Total receivables from Group undertakings	1	1
Receivables from participating interests		
Loan receivables	465	1 440
Other non-current receivables	15 131	12 923
Total receivables from participating interests	15 596	14 363

14 Current receivables

1 000 €	2013	2012
Trade receivables	64 027	76 825
Loan receivables	4 000	-
Other receivables	159	299
Share issue receivables	169 768	-
Prepayments and accrued income	18 725	21 328
Total	256 679	98 452

Receivables from Group undertakings		
Trade receivables	751	1 046
Prepayments and accrued income	1 616	492
Total receivables from Group undertakings	2 367	1 538
Receivables from participating interests		
Trade receivables	289	265
Loan receivables	4 000	-
Other receivables	-	2
Prepayments and accrued income	12 875	13 394
Total receivables from participating interests	17 164	13 661
Prepayments and accrued income:		
Accrued personnel expenses	117	14
Accrued interest income	716	469
Accrued income taxes	2	-
Accrued emission allowances (incl.SWAP-contracts)	1 037	2 852
Accrued arrangement fee for credit facility	937	1 263
Accrued VAT on prepayments	3 054	3 125
Accrued energy purchases	12 120	13 264
Others	742	341
Total	18 725	21 328
Interest-bearing receivables		
Non-current assets	168 227	111 795
Current assets	27 193	7 766
Total	195 420	119 561

15 Investments

1 000 €	2013	2012
Holdings in investment funds with short-term interest, certificates of deposit and commercial papers		
Reacquisition price	-	2 000
Book value	-	2 000
Difference	-	0

16 Equity

1 000 €	2013	2012
Share capital 1.1.	61 282	61 096
Transfer from share issue	1 809	186
Share capital 31.12.	63 091	61 282
Share issue 1.1.	0	0
Transfer to share capital	-1 809	-186
Transfer to reserve for invested non-restricted equity	-58 422	-6 025
Share issues during the year	230 000	6 211
Share issue 31.12.	169 769	0
Share premium 1.1.	333 308	381 608
Transfer to reserve for invested non-restricted equity	-	-48 300
Share premium 31.12.	333 308	333 308
Contingency reserve 1.1.	0	547
Transfer to reserve for invested non-restricted equity	0	-547
Contingency reserve 31.12.	0	0
Revaluation reserve 1.1.	218 644	218 644
Revaluation reserve 31.12.	218 644	218 644
Reserve for invested non-restricted equity 1.1	159 486	104 614
Share issues	58 422	6 025
Transfer from share premium	-	48 300
Transfer from contingency reserve	-	547
Transfer to retained earnings	-7 610	-
Reserve for invested non-restricted equity 31.12	210 298	159 486
Retained earnings 1.1.	-7 610	247 493
Purchase of own shares, transfer tax	-	-
Dividends paid	-	-247 370
Transfer from reserve for invested non-restricted equity	7 610	-
Retained earnings 31.12.	0	123
Profit or loss for the year	-8 137	-7 734
Total	986 973	765 109
Distributable earnings 31.12.		
Retained earnings	0	123
Profit or loss for the year	-8 137	-7 734
Reserve for invested non-restricted equity	210 298	159 486
Total	202 161	151 875

Share capital by share category, see note 23 in the consolidated financial statements.

17 Non-current liabilities

1 000 €	2013	2012
Loans from financial institutions	50 000	50 000
Pension loans	10 847	13 559
Other non-current liabilities	563 510	540 333
Total	624 357	603 892
Liabilities to Group undertakings		
Other non-current liabilities	-	11 000
Liabilities to participating interests		
Other non-current liabilities	528 398	500 000
Liabilities with more than five years to maturity		
Other non-current liabilities	563 506	531 969
Total	563 506	531 969
Non-interest-bearing and interest-bearing non-current liabilities		
Non-interest-bearing	35 112	29 333
Interest-bearing	589 245	574 559
Total	624 357	603 892

18 Current liabilities

1 000 €	2013	2012
Other interest-bearing liabilities	145 058	128 488
Advances received	20	1
Trade payables	48 966	53 144
Other current liabilities	548	13 032
Accrued expenses	11 380	15 176
Total	205 972	209 841
To Group undertakings		
Other interest-bearing liabilities	11 000	-
Trade payables	35 966	38 785
Accrued expenses	144	1 330
To Group undertakings, total	47 110	40 115
To participating interests		
Advance payments received	18	-
Trade payables	12 668	13 759
Accrued expenses	5 669	10 534
To participating interests, total	18 355	24 293
Accrued expenses		
Accrued personnel expenses	2 401	1 403
Accrued interest costs	5 475	9 163
Accrued emission allowance (incl. SWAP-contracts)	1 027	266
Others	2 477	4 344
Total accrued expenses	11 380	15 176
Non-interest-bearing and interest-bearing current liabilities		
Non-interest-bearing	60 914	81 353
Interest-bearing	145 058	128 488
Total	205 972	209 841

19 Guarantees and contingent liabilities

1 000 €	2013	2012
Pledged deposits		
As security for own liabilities	-	29
Guarantees		
Guarantees for loans		
On behalf of participating interests	41 395	44 681
Other guarantees		
As security for own liabilities	383 559	321 694
On behalf of Group undertakings	3 800	8 300
Total guarantees	428 754	374 675
Leasing liabilities		
Payments during the following year	50	39
Payments in subsequent years	50	60
Total leasing liabilities	100	99
Rental liabilities		
Payments during the following year	1 871	1 847
Payments in subsequent years	953	2 855
Total leasing liabilities	2 824	4 702
Other contingent liabilities		
Guarantee according to Nuclear Energy Act	86 990	83 838
As security for own liabilities	427	-
Total other contingent liabilities	87 417	83 838

According to the Finnish Nuclear Energy Act, Teollisuuden Voima, a joint venture of which Pohjolan Voima owns 58.47%, is obliged to fund the decommissioning of nuclear power plants and final disposal of spent nuclear fuel through the Finnish National Nuclear Waste Management Fund.

The amount of the contingent liability is determined by the administrative authority (Ministry of Employment and Economy) based on the Nuclear Energy Act. The directly enforceable guarantees given by the shareholders of Teollisuuden Voima Oyj cover the uncovered portion of the Nuclear Waste Management obligation as well as a liability for any unforeseen expenses of nuclear waste management in accordance with the Nuclear Energy Act. The directly enforceable guarantee given by Pohjolan Voima is 87 million Euros (2012: 83.8 million Euros).

20 Derivative financial instruments

1 000 €	2013	2012
Nominal values and market values of derivative contracts providing a hedge against exchange rate and		
interest rate risks were as follows		
Interest rate swap contracts (nominal value)	794 500	795 700
Market value	-2 894	-6 596
Currency derivatives		
Forward contracts (nominal value)	18 853	4 093
Market value	-222	-60

Financing risks

Board of Directors approve a financing policy for the company, which determines the purpose and risk levels for the financing operations. The refinancing risk is managed through diversified sources of financing, sufficiently long maturity of loans and a balanced schedule of maturity. The primary loan currency is the euro. If loans are taken out in other currencies, the currency risk is eliminated by means of derivative contracts. The interest rate risk is monitored by means of duration, which indicates the sensitivity of the loan portfolio to changes in the interest rates. The duration of the loan portfolio is managed within the limits set by the financing policy, using derivative contracts if necessary.

The Group maintains a certain amount of liquid assets, credit limit arrangements and commercial paper programmes to reduce the liquidity risk. The Group's liquidity is secured by the 300 million Euros revolving credit facility, which matures in 2016. The loan facility was fully undrawn as per 31.12.2013. For its short-term financing, the company uses mainly its domestic 300 million Euros commercial paper program.

The excess liquidity is invested in secure and profitable instruments with a duration of up to 12 months. Investments are diversified to various instruments and the investment instruments which are chosen based on guaranteed liquidity in the secondary market even under unfavorable.

The foreign exchange risk inherent in Pohjolan Voima Oy subsidiaries' fuel purchases in foreign currency, is managed by foreign exchange derivatives according to coal procurement policy approved by the Pohjola Voima Oy Board of Directors. These transactions are managed centrally by the parent company.

Signing of the Board of directors’ report and financial statements

Board of Directors' dividend proposal

The parent company Pohjolan Voima’s profit and loss account indicates a loss of € 8 136 847,72.

The Board of Directors proposes to the Annual General Meeting that the loss be transferred to the retained earnings account, and that no dividends be distributed.

Helsinki, February 27, 2014

Tapio Korpeinen
Chairman

Juha Vanhainen
Deputy Chairman

Kari Hannus

Kari Rämö

Jukka Hakkila

Tapani Sointu

Hannu Anttila

Rami Vuola

Lauri Virkkunen
President and CEO

The Auditor's note

Our auditor's report has been issued today.

Helsinki, March 19, 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen
Authorised Public Accountant

Auditor’s Report (Translation from the Finnish Original)

To the Annual General Meeting of Pohjolan Voima Oy

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

Responsibility of the Board of Directors and the Managing Director

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

Auditor’s Responsibility

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

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, 19 March, 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen
Authorised Public Accountant