2014

Financial Statements

POHJOLAN VOIMA

Contents

Financial statements 2014

Key figures (IFRS) of Pohjolan Voima Group 2014

IFRS	2014	2013	2012	2011	2010
Turnover, € million	643	722	838	1 130	1 041
Operating result, € million	3	23	10	216	37
Net interest-bearing liabilities € million	920	1 017	1 083	851	1 110
As percentage of turnover, %	143	141	129	75	107
Equity ratio, %	41	42	35	41	35
Total assets, € million	2595	2577	2 398	2 555	2 587
Investments, € million	19	24	36	34	52
Average number of personnel*	217	270	454	487	512

*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 2014

  - **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 2014

Operating environment

In 2014, electricity consumption in Finland was 83.3 TWh (83.9 TWh in 2013). Finnish electricity production totalled 65.4 (68.2) TWh, while net imports into Finland amounted to a record volume of 18.0 (15.7) TWh. Net imports covered 21.6% (18.7%) of Finnish electricity consumption. Most of the imported electricity came from Sweden, which increased its electricity export to 1.5 times the previous year's level. In 2014, power consumption in Finland decreased by 0.8% from the previous year. Industrial power consumption decreased by 1.2%, and the power consumption of other sectors was 0.5% lower than in the previous year due to the exceptionally warm weather and the economic recession.

Nord Pool Spot trade amounted to 501 TWh (493 TWh). The annual average system price was €29.61 (€38.10) per MWh, while the annual average of the Finnish area price was €36.02 (€41.16) per MWh. The decreasing fuel prices, reasonably good water levels in the Nordic countries, and increasing subsidised wind power production volumes lowered the price in Finland despite increased export to Estonia and decreased import from Russia.

EUA emission allowance price remained low throughout 2014 and varied between €4.54 and €7.20.

Pohjolan Voima’s electricity and heat production

In 2014, Pohjolan Voima’s total electricity supply was 15.3 (16.2) TWh. The Group’s own electricity production accounted for 14.6 (15.6) TWh, of which the parent company’s supplies to its shareholders were 14.0 (15.0) TWh. The subsidiaries supplied 0.5 (0.6) TWh to their other shareholders. Purchases from the Nordic electricity markets were 0.8 (0.7) TWh, and sales amounted to 0.6 (0.6) TWh. Heat deliveries were 7.8 (7.7) TWh.

Nuclear power made up 54.6% (51.1%) of the electricity supply. Teollisuuden Voima Oyj’s Olkiluoto nuclear power plant generated 14.8 (14.6) TWh of electricity, of which Pohjolan Voima obtained 8.4 (8.3) 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 96.0% (95.1%).

Hydropower accounted for 1.7 (1.6) TWh, or 11.4% (9.6%), of the electricity supply. Despite the dry summer, the annual production volume reached the normal level.

Pohjolan Voima produced 1.2 (2.2) TWh of condensing power, which represented 7.8% (13.5%) of the electricity supply. The decrease mainly resulted from the low market price of electricity. A total of 3.3 (3.5) TWh of electricity was generated in the combined heat and power (CHP) plants.

Electricity supply (GWh)	**2010**	**2011**	**2012**	**2013**	**2014**
Nuclear power	7,988	8,025	8,165	8,296	8,372
Hydropower	1,670	1,709	2,143	1,566	1,745
CHP	4,032	3,587	3,266	3,502	3,253
Condensing power	3,810	1,548	995	2,193	1,200
Wind power	103	92	0	0	0
Purchases	5,883	9,360	5,613	673	753
Total	23,485	24,321	20,182	16,229	15,323

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 €18.7 (23.7) million.

During the financial period, Rauman Biovoima invested €10.8 million (€1.6 million in 2013) in equipment to receive, process, storage and feed recycled fuel. The equipment was commissioned at the end of the financial period.

PVO-Vesivoima started the overhaul of the Melo hydropower plant and invested €3.8 million into the project.

The remaining investments were made in replacements and renovations.

Between 2004 and 2014, Pohjolan Voima has invested a total of €660.4 (600.0) million 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.

On 20 May 2014, Teollisuuden Voima submitted to the Finnish Government an application requesting that a new deadline be set for the submittal of the OL4 construction license application and that a decision be issued stating that the construction of OL4 will benefit society as a whole in spite of the changes in the project schedule. On 25 September, the Government issued a negative decision on the matter, and declined from setting a new deadline. The decision-in-principle for OL4 remains valid, and the deadline for submitting the construction license application is 30 June 2015. For funding the OL4 project, Pohjolan Voima has taken out €35.1 (35.1) million of shareholder loan. Remaining shareholder loan commitments amount to €128.9 (128.9) million. Pohjolan Voima has, in turn, invested €35.1 (35.1) million as shareholder loans in Teollisuuden Voima’s OL4 project.

Research and development

Research and development expenditure was €0.4 million (2013: €0.7m and 2012: €0.6m).

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 was 217 (2013: 270 and 2012: 454). The Group's salaries and fees for the financial period totalled €15.4 million (2013: €17.0m and 2012: €25.0m).

The average number of employees working for the parent company was 95 (2013: 87 and 2012: 70). The Group's salaries and fees for the financial period totalled €7.9 million (2013: €7.0m and 2012: €5.8m).

The average age of the personnel in permanent employment was 46.7 (46.6) years.

PVO-Pool Oy merged with the parent company on 31 December 2013, and 22 employees transferred to the parent company with continuing employment contracts. On 15 April 2014, the parent company sold its financial accounting operations to Enfo Zender Oy, and 12 people transferred to Enfo Zender with continuing employment contracts.

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.

The limits set for carbon monoxide emissions were exceeded during burning of waste at Laanilan Voima's power plant. The fuels that caused the excess emissions will not be used until carbon monoxide emissions can be limited by process improvements. No significant environmental deviations occurred in the other production operations of Pohjolan Voima.

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, 2.6 (2.5) million fry were stocked. Together with Kemijoki Oy, 4.9 million fry were stocked in the Kemijoki sea and river area; of these, PVO-Vesivoima Oy's share was 17%, or 0.7 (0.8) million fry. Nearly all stocking plans were fulfilled, with the exception of the transport of river lampreys. In Kemijoki, 63% of the planned number of river lampreys were transported; in Iijoki, the figure was 76%.

In cooperation with the Iijoki region's municipalities and other key operators, PVO-Vesivoima participated in the Iijoki fishway project. The goal was to draw up detailed fishway plans for the power plants in the lower part of Iijoki river, and to apply for fishway construction permits. Plans required for the permit applications were completed in 2014, but no applications were submitted yet.

Northern Finland Regional State Administrative Agency issued a decision on the continuing validity of the current permit conditions of the Maalismaa hydropower plant, and the removal of the monitoring obligation in November 2014.

All the thermal power plants operated by the Group fall within the sphere of the Emissions Trading Act. Carbon dioxide emissions from production decreased compared to the previous year due to the reduced consumption of fossil fuels. The carbon dioxide emissions from internally produced electricity and heat were 2.5 (3.4) million tonnes. The Notes to the Financial Statements only report the CO2 emissions of the subsidiaries, which amounted to 1.5 (2.2) million tonnes. Other emissions into the air also decreased. Sulphur dioxide emissions were 2.1 (2.8) thousand tonnes, nitrogen oxide emissions 4.7 (5.3) thousand tonnes and particle emissions 0.3 (0.3) thousand tonnes.

In June 2014, the Supreme Administrative Court issued a decision to remove the noise condition that the Vaasa Administrative Court added to the Kristiina power plant's environmental permit.

The new increasingly rigorous limits for emissions into air, set out in the Industrial Emissions Directive (IE Directive), apply to existing power plants from 2016 at the earliest. For the majority of the Group's power plants, the most difficult thing is the reduction of nitrogen oxide (NOx) and particle emissions, and various technical solutions are currently being investigated. Some facilities of Pohjolan Voima are included in the national IE Directive transition plan approved by the European Commission on 10 March 2014. The transition plan provides some flexibility to the adoption of the new emission limits. The transition period is from 1 January 2016 to 30 June 2020. During this period, the total sulphur dioxide, nitrogen oxide and particle emissions in tonnes as well as percentages are monitored.

Pohjolan Voima's thermal power plants submitted timely applications for a review of their environmental permit in 2014. The new Environmental Protection Act took effect on 1 September 2014, and required that large combustion plants submit applications for a review of their environmental permits no later than on 31 October 2014. The review applications of the Pohjolan Voima power plants included in the transition plan were submitted to the authorities in June.

In October 2014, Hämeenkyrön Voima Oy applied for a revised environmental permit to allow the addition of recycled fuels to its bioenergy plant's fuel range. According to the preliminary schedule, use of the new supplementary fuels could start in the autumn of 2015.

In April 2014, Teollisuuden Voima submitted an application to the regional state administrative agency for the review of the terms of Olkiluoto nuclear power plant's environmental permit. The application concerns the operations and related environmental impact of the existing OL1 and OL2 plant units and the OL3 plant unit currently under construction. At the same time, an application was submitted for the review of the power plant's cooling water permit.

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 their management 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.

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. The original plan was to begin commercial electricity production at the plant unit in late April 2009, but the completion of the plant has been delayed. In September 2014, Teollisuuden Voima received new information from the plant supplier, including the estimate that regular electricity production at the new plant unit would begin in late 2018. Detailed review of the estimated schedule is in progress.

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

PVO-Pool, which produced energy management specialist and information system services, merged to the parent company on 31 December 2013, with PVO-Pool personnel transferring to the parent company. The service business operations continued within 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 €165 (197) million was unused. At the end of the year, available long-term credit facilities amounted to €300 (300) million. The Group's liquidity is good. Net interest-bearing liabilities at the end of the year stood at €920.2 (1,016.5) million. There were no liabilities involving an exchange risk.

At the end of the year, the Group had an equity ratio of 41.0% (42.2%).

The consolidated result for the financial period was €–16.3 (€12.9) million. The loss for the financial period was a result of the losses from associated companies and the valuation of derivatives. The positive result for 2013 was mainly due to the positive result of associated companies.

Shareholders' equity and share issues

The following issue was subscribed to during the financial year:

- Increase of share capital tied to G5 share series, 8 May 2014, 7,150 shares at a subscription price of €400,400 directed to G5 series shareholders.

In addition, a second instalment of the increase of share capital tied to B2 share series, subscribed in June 2013, 4,107,143 shares at a subscription price of €230,000,008 directed to B2 series shareholders, was paid during the financial year. The rest of the marked shares are on the share issue account.

Table: Pohjolan Voima Oy shareholders (general shareholding)

Shareholder	Shareholding in % 31 December 2013	Shareholding in % 31 December 2014
EPV Energia Oy	7,106	7,056
Etelä-Suomen Voima Oy	2,778	2,781
Helen Oy (1 January 2015)	0,801	0,814
Ilmarinen Mutual Pension Insurance Company	3,999	3,887
Kemira Oyj (incl. Neliapila pension foundation)	4,037	4,122
Kokkolan Energia Oy (1 January 2015)	2,401	2,365
Kymppivoima Oy	8,647	9,119
Metsä Group (Metsäliitto, Metsä Fibre, Metsä Board Oyj)	3,364	2,923
Myllykoski Oyj*	0,828	0,839
Oulun Energia Oy (1 January 2015)	1,721	1,682
Outokumpu Oyj	0,083	0,081
Oy Perhonjoki Ab	2,438	2,401
City of Pori	1,796	1,765
Rautaruukki Oyj	0,036	0,049
Stora Enso Oyj	14,77	14,768
UPM-Kymmene Corporation	43,288	43,478
Vantaan Energia Oy	0,296	0,301
Yara Suomi Oy (incl. pension foundation)	1,613	1,567

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

Corporate management

The Annual General Meeting of 26 March 2014 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); Anders Renvall, Managing Director (Kymppivoima Oy); Tapani Sointu, Vice President (UPM-Kymmene Corporation); Rami Vuola, President & CEO (EPV Energia Oy); and Juhani Järvelä, Managing Director (Oulun Energia).

At the Board meeting on 26 March 2014, Tapio Korpeinen was elected Chairman of the Board and Juha Vanhainen was elected Deputy Chairman. The Board of Directors convened 18 (16) times in 2014. 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. In October 2014, Teollisuuden Voima updated its estimated costs and losses that now amount to approximately €2.3 billion until the end of 2018, at which time regular electricity production should begin at OL3 according to the schedule provided by the plant supplier in September 2014.

The arbitration procedure began in December 2008 at the initiative of the plant supplier. The compensation demanded by the plant supplier in October 2014 and updated in November 2014 is approximately €3.4 billion in total. The demand covers events of the construction period until the end of June 2011. Among other things, the sum includes interest in arrears (until October 2014), more than €1.2 billion in payment items postponed by Teollisuuden Voima pursuant to the plant delivery contract, and about €150 million in lost profit as claimed by the plant supplier. Teollisuuden Voima has declared the plant supplier's previous claim to be unjustified and will investigate the updated claim and address it accordingly.

The companies in the plant supplier consortium (AREVA GmbH, AREVA NP SAS and Siemens AG) share the responsibility for meeting the contract obligations pursuant to the plant delivery contract.

The arbitration may take several years and the figures in the parties' demands may still change. No receivables or provisions have been recognised by Teollisuuden Voima as a result of the demands presented during the arbitration proceeding.

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 to the effect that PVO-Vesivoima shall pay €11.5 million to Metsähallitus for the permanent right to use state-owned hydropower. The remuneration for the permanent right to use the hydropower was entered in intangible assets for the 2013 financial period. In addition to the sum established by the Supreme Administrative Court, Metsähallitus has demanded an additional compensation for the lease period 2006–2013. In that case, the remuneration would increase to about €15.9 million. PVO-Vesivoima has refuted the claim of Metsähallitus, and submitted the dispute to arbitration in 2014. Decision from the arbitration procedure is expected in 2015. No reservation has been entered for the claim made by Metsähallitus, and any compensation to be paid will be activated in intangible assets that will not be depreciated.

Events after the end of the financial period

On 16 December 2014, Pohjolan Voima and Keravan Energia Oy signed a deed of sale on selling the entire share capital of Pohjolan Voima's subsidiary Keravan Lämpövoima Oy to Keravan Energia Oy. The transaction was completed and ownership transferred on 1 January 2015.

Pohjolan Voima ja UPM-Kymmene Wood Oy, a subsidiary fully owned by UPM-Kymmene Corporation, signed on 28 November 2014 a preliminary contract on selling the share capital of Järvi-Suomen Voima Oy, a subsidiary of Pohjolan Voima, to UPM-Kymmene Wood. The actual deed of sale was signed on 31 January 2015, and ownership was transferred on 31 January 2015.

On 25 February 2015, Pohjolan Voima's Board of Directors approved an arrangement to sell Wisapower Oy's shares, currently in the ownership of Pohjolan Voima, to UPM-Kymmene Corporation. The arrangement will be finalised during the first half of 2015.

Future outlook

The construction and pre-production preparation of the OL3 nuclear power plant unit continues. Teollisuuden Voima continues to support the plant supplier in the completion of the project.

Posiva Oy is preparing to begin the construction of the encapsulation plant and disposal facility after obtaining a construction permit.

In its statement submitted to the Ministry of Employment and the Economy on February 11, 2015, the Radiation and Nuclear Safety Authority in Finland (STUK) noted that the encapsulation plant and final disposal facility for spent nuclear fuel designed by Posiva can be built to be safe. STUK's safety assessment is required for the decision on construction license that Ministry of Employment and the Economy will prepare and the Government will make.

In January 2014, the North Ostrobothnia ELY Centre issued a statement to the effect that the Kollaja project will not pose any significant risks to the natural values associated with the Natura areas in the region. Preparations and promotion of the Kollaja project continued. Pöyry Finland Oy and Ramboll CM Oy updated the rough preliminary plan and construction cost estimate for the project. The cost estimate for the investment currently stands at €155 million. The Government Programme's contains the assertion that the Rapids Protection Act will not be reformed. However, the attitudes of political decision-makers towards the Kollaja project have changed into a positive direction, and the project may be able to proceed under the next Government.

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 in December 2013. A sum of €50 million was to be collected as power plant tax. The power plant tax would have significantly increased the costs of hydropower as well as nuclear power. In the additional government negotiations following the replacement of the prime minister, it was decided that the power plant tax would be abandoned, and the act was repealed in November 2014.

Taxation of peat was lowered at the beginning of 2015 from €4.9/MWh to €3.4/MWh. At the same time, the production subsidy for electricity produced using wood chips increased from €13.13/MWh to €15.9/MWh. A legislative proposal to further lower the taxation of peat at the beginning of 2016 by returning the tax to the level of 2012, that is, to €1.9/MWh, was issued in January 2015. At the same time, a legislative proposal was made to halve the production subsidy for electricity produced using wood chips when the chips come from large-dimensioned wood harvesting sites and from saw logs or pulpwood suited for the wood processing industry.

The waste tax increased to €55 per tonne at the beginning of 2015. There is the risk that the tax may later be extended to the burning of waste.

There is increased concern for the adequacy of capacity. The current power reserve period will end at the end of June 2015, and decisions for any new period will be made in the first half of 2015. Pohjolan Voima emphasises the role of condensing power plants, as well as the need for new hydropower capacity through the implementation of the Kollaja project, to secure the adequacy of production capacity and regulating power.

The national energy and climate roadmap 2050 was published in October 2014. All political parties currently represented in the Finnish Parliament participated in the preparation of the roadmap. The policies included in the roadmap are mostly in line with Pohjolan Voima's objectives, with the exception that the adequacy of production capacity and regulating power is not addressed to a sufficient extent.

The EU is currently updating the reference document on best available techniques for large combustion plants (LCP-BREF). As a result of the Industrial Emissions Directive, BAT (Best Available Techniques) 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 will become tighter. The European IPPC Bureau currently preparing the BAT document is still processing the numerous comments it received in autumn 2013 with regard to the document. The working group will have its final meeting in spring 2015, and the BAT conclusions are expected to arrive shortly afterwards. The document applies to 13 power plants of Pohjolan Voima, a total of 23 boilers. The primary objective is to establish requirements that can be met at existing power plants in a financially and technically feasible manner while taking environmental benefits into account.

In its framework for 2030, the European Commission has proposed a market stability reserve for the emissions trading system to account for additional emission allowances. The market stability reserve would enable the adjustment of auctioned emission allowance volumes up or down based on predefined rules. According to the Commission's proposal, the market stability reserve would be adopted in 2012, from the beginning of the fourth emissions trading period. The reserve could be adopted sooner, and the emission allowances previously removed from the market by backloading could be transferred to the reserve instead of being re-injected to the market.

EU settled its energy and climate policy until 2030 in October 2014. The reduction of carbon dioxide emissions with the minimum of 40% until 2030 from the 1990 level is a binding objective. Operators involved in emissions trading shall reduce their emissions by 43% from the 2005 level. The EU adopts the binding objective to increase the share of renewable energy to 27%. The 27% energy efficiency increase objective, however, is only an indicative target at the EU level. The linear reduction factor applied to emission allowances will be increased from 1.74% to 2.2%. Free emission allowances will continue to be allocated to sectors facing carbon leakage, and impacts can be compensated. Each country must have cross-border transmission capacity to cover 10% of the electricity production.

Proposal of the Board of Directors regarding the distribution of profits

Parent company's distributable funds on 31 December 2014 totalled €236,850,808.65, of which net profit for the financial period accounted for €–6,496,611.51. 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.

Consolidated statement of comprehensive income

1 000 €	Note	1.1. - 31.12.2014	1.1. - 31.12.2013
Sales	6	**643 196**	**722 354**
Other operating income	7	15 579	21 974
Materials and services	8	-505 398	-590 354
Personnel expenses	9	-18 983	-20 850
Depreciation, amortisation and impairment	10	-52 192	-53 107
Other operating expenses	11,12	-73 456	-71 430
Share of (loss)/profit of associates and joint ventures	13	-5 973	14 771
Operating profit or loss		**2 773**	**23 358**
Finance income	14	4 829	10 226
Finance costs	14	-23 723	-20 610
Finance costs - net		**-18 894**	**-10 384**
Profit before income tax		**-16 121**	**12 974**
Income tax expense	15	-158	-53
Profit for the year		**-16 279**	**12 921**
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	1 116	4 071
Cash flow hedging	18	9 562	4 295
Other comprehensive income for the year		10 678	8 366
Total comprehensive income for the year		**-5 601**	**21 287**
Profit attributable to:			
Owners of the parent		-16 678	11 214
Non-controlling interest		399	1 707
		-16 279	12 921
Total comprehensive income attributable to:			
Owners of the parent		-6 000	19 580
Non-controlling interest		399	1 707
		-5 601	21 287

Consolidated balance sheet

1 000 €	Note	31.12.2014	31.12.2013
ASSETS			
Non-current assets			
Intangible assets	16	289 071	292 117
Property, plant and equipment	17	689 221	750 827
Investments in associated companies and joint ventures	18	776 421	771 716
Available-for-sale financial assets	19	647	650
Loans and other receivables	20	312 113	397 434
Non-current assets total		**2 067 473**	**2 212 744**
Current assets			
Inventories	22	58 520	50 503
Trade and other receivables	20	195 970	291 981
Cash and cash equivalents	21	85 643	22 073
Current assets total		**340 133**	**364 557**
Assets held for sale	23	186 932	0
Total assets		**2 594 538**	**2 577 301**
EQUITY			
Equity attributable to owners of the parent	23		
Share capital		64 912	63 091
Share issue		109 537	169 769
Share premium		336 778	336 778
Reserve for invested non-restricted equity		243 347	210 297
Revaluation reserve		9 553	-1 125
Equity loans		35 109	35 109
Retained earnings		214 017	222 558
Total		**1 013 253**	**1 036 477**
Non-controlling interests		**51 373**	**51 607**
Total equity		**1 064 626**	**1 088 084**
LIABILITIES			
Non-current liabilities			
Provisions	24	5 725	4 597
Deferred tax liabilities	25	852	842
Borrowings	26	1 006 288	1 260 056
Other non-current liabilities	26,28	6 567	3 718
Non-current liabilities total		**1 019 432**	**1 269 213**
Current liabilities			
Borrowings	26	288 529	144 879
Trade and other payables	27	84 772	75 125
Current liabilities total		**373 301**	**220 004**
Liabilities related to assets held for sale	23	137 179	0
Total liabilities		**1 529 912**	**1 489 217**
Total equity and liabilities		**2 594 538**	**2 577 301**

CONSOLIDATED STATEMENT OF CASH FLOWS

1 000 €	Note	2014	2013
Cash flows from operating activities			
Profit for the year		-16 279	12 921
Adjustments to the profit for the year	5	76 243	45 018
Change in net working capital	5	20 715	20 240
Interest paid and other financial expenses		-20 321	-24 362
Interest received		4 051	3 995
Income tax paid		-167	-164
Net cash generated from operating activities		**64 242**	**57 648**
Cash flows from investing activities			
Purchases of intangible assets and property, plant and equipment (PPE)	16,17	-17 897	-23 322
Proceeds from sales of intangible assets and PPE	16,17	1 165	2 827
Proceeds from sales of available-for-sale financial assets	16,17	5	3 408
Loan repayments	20	14 371	15 557
Loans granted	20	-61 963	-71 290
Proceeds (+) or repayments (-) of short term investments		4 066	0
Dividends received		5	3
Net cash used in investing activities		**-60 248**	**-72 817**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	24	60 632	60 232
Non-controlling interest of a liquidated group company			-482
Proceeds (+) or repayments (-) Equity loans	24		5 852
Proceeds from borrowings	27	29 815	28 408
Repayments of borrowings	27	-22 190	-54 667
Repayment of finance leases	27	-22 036	-21 527
Proceeds (+) or repayments (-) of current liabilities	27	31 611	13 111
Refund of reserve for invested non-restricted equity		-17 624	0
Dividends paid		-632	-680
Net cash used in financing activities		**59 576**	**30 247**
Net (decrease)/increase in cash and cash equivalents		**63 570**	**15 078**
Cash and cash equivalents at beginning of year		**22 073**	**6 995**
Change in cash and cash equivalents		63 570	15 078
Cash and cash equivalents at end of year	21	**85 643**	**22 073**

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 1.1.2013		**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	24	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	24						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**
Balance at 1.1.2014		**63 091**	**169 769**	**336 778**	**-1 125**	**210 297**	**35 109**	**222 558**	**1 036 477**	**51 608**	**1 088 084**
Comprehensive income											
Profit or loss								-16 678	-16 678	399	-16 279
Other comprehensive income:											
Cash flow hedges					9 562				9 562		9 562
Changes in the fair value of available-for-sale financial assets					1 116				1 116		1 116
Total comprehensive income for the year		**0**	**0**	**0**	**10 678**	**0**	**0**	**-16 678**	**-6 000**	**399**	**-5 601**
Transactions with owners											
Proceeds from shares issued	24	1 821	-60 232			58 811			400		400
Transfer to retained earnings	24					-8 137		8 137	0		0
Refund of reserve for invested non-restricted equity	24					-17 624			-17 624		-17 624
Transactions with owners total		**1 821**	**-60 232**	**0**	**0**	**33 050**	**0**	**8 137**	**-17 224**	**0**	**-17 224**
Dividends to non-controlling interest									0	-633	-633
Balance at 31.12.2014		**64 912**	**109 537**	**336 778**	**9 553**	**243 347**	**35 109**	**214 017**	**1 013 253**	**51 373**	**1 064 626**

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

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 25 February 2015, 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 2014 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.

Assets held for sale

Assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less cots to sell, if their carrying amount is recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Assets are not depreciated.

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 2013. The adoption of the following amendments to existing standards on 1 January 2014 has no impact on the consolidated financial statement:

- IFRS 10 Consolidated financial statements –The standard defines the principle of control and establishes control as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation for consolidated financial statements.
  When applying the new IFRS 10 standard Pohjolan Voima has assessed the principle of control and considers that it does not cause changes in the basis for the financial statements preparation.
- IFRS 11 Joint arrangements – standard focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of arrangements: joint operations and joint ventures. 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. Proportional consolidation of joint ventures is no longer allowed. When applying the new IFRS 11 standard Pohjolan Voima has assessed the judgement made when determining the control in its joint ventures and handles Teollisuuden Voima as joint venture. Joint ventures are consolidated by using equity method like earlier and the new standard does not affect consolidated assets, liabilities nor the statement of comprehensive income.
- 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 - revised standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 (revised) Associates and joint ventures – revised standard includes the requirements for joint ventures as well as associates.
- IAS 32 (amendment) Financial instruments: Presentation – Offsetting financial assets and financial liabilities on the balance sheet.
- IAS 36 (amendment) Impairment of assets - recoverable amount disclosures
- IAS 39 (amendment) Financial instruments: Recognition and measurement – a relief for hedge accounting criteria

The Group will adopt the following standards, interpretations and amendments to existing standards and interpretations published 2014 in its 2015 financial statements or later. Based on initial assessment, Group estimates that these have no impact on the consolidated financial statements:

- IFRIC 21Levies – Interpretation of IAS 37
- IAS 19 * (amendment) Employee benefit - amendment regarding employee or third party contributions to defined benefit plans
- Annual improvements 2010-2012 * and 2011-2013 *
- IFRS 11* (amendment) Joint arrangements - this amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business.
- IAS 16* (amendment) Property, plant and equipment and IAS 38* (amendment) Intangible assets - amendment clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate
- Annual improvements 2014*
- IFRS 15* Revenue from contracts with customers - new converged standard on revenue recognition. It replaces IAS 11 Construction contracts and IAS 18 Revenue and the related interpretations.
- IFRS 9* Financial instruments - replaces most of the guidance in IAS 39.

* 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.

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

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 2014 (as well as per 31 December 2013).

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

2014

1 000 €	2015	2016	2017	2018	2019-	Total	Balance sheet
Loans from financial institutions *	-109 932	-48 940	-140 690	-12 005	-50 120	-361 687	-361 558
Finance costs **	-4 723	-3 828	-1 049	-682	-2 288	-12 571	
Loan from the State Nuclear Waste Management Fund (TVO) ***					-558 201	-558 201	-558 201
Finance costs	-5 355					-5 355	
Finance lease liabilities	-111 235	-48 628	-29 643	-17 299	-149 570	-356 375	-356 337
Finance costs	-919	-633	-523	-392	-420	-2 888	
Commercial papers	-135 265					-135 265	-135 265
Finance costs	-235					-235	
Pension liabilities	-2 712	-2 712	-2 712	-2 712		-10 847	-10 847
Finance costs	-153	-112	-71	-31		-366	
Interest rate derivatives	-3 749	-2 736	-1 401	-364	-2 666	-10 916	-7 083
Currency derivatives (net)	246					246	246
Total	-374 032	-107 590	-176 090	-33 484	-763 265	-1 454 461	

* Repayments to be made in 2015 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.

****Balance sheet value includes liabilities related to assets held for sale which are presented in the separate row in the balance sheet.

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.

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. Pohjolan Voima 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:

	2014	**2013**
1 000 €	Comprehensive income statemets	Comprehensive income statemets
+ 10 % change in the EUR/USD exchange rate	-629	-1 714
- 10 % change in the EUR/USD exchange rate	769	2 095
Increase of 100 basis points in market interest rates	2 520	4 904
Decrease of 100 basis points in market interest rates	-3 136	-5 411

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.

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 utility 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 2014 or 2013.

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 recognised impairment of 5 (2013: 5) thousand euros 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, retained earnings and equity loans, 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.

	2014	2013
Equity on assets ratio (%) (IFRS, Group) *	41	42

* 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

There were no sold non-current assets in 2014.

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 2014 or in 2013.

5 NOTES TO THE STATEMENT OF CASH FLOWS

Adjustments to profit or loss for the year (1 000 €)	**2014**	**2013**
Depreciation and amortisation	52 192	53 107
Increase/decrease in fair value of derivatives	1 311	-5 966
Income taxes	158	53
Gains (+) or losses (-) from disposal of non-current assets	-975	-3 755
Finance costs - net	17 584	16 350
Share of (loss)/profit of associates and joint ventures	5 973	-14 772
Total	76 243	45 018

Change in net working capital	**2014**	**2013**
Increase (-) or decrease (+) in non-interest-bearing receivables	10 251	23 943
Increase (-) or decrease (+) in inventories	-10 715	35 572
Increase (+) or decrease (-) in current non-interest-bearing liabilities	20 551	-38 696
Change in provisions	629	-580
Total	20 715	20 240

6 SALES

1 000 €	**2014**	**2013**
Sales of electricity produced	397 787	475 757
Sales of heat produced	205 208	213 784
Sales of purchased electricity	29 014	22 824
Other sales	11 188	9 990
Total	643 196	722 354

Electricity delivered to shareholders (GWh)		
Electricity produced	14 571	15 500
Heat produced	7 772	7 700
Purchased electricity	753	700

Pohjolan Voima's electricity purchases are determined by the electricity required by the shareholders. In 2014, Pohjolan Voima Group's total electricity purchases were 15,3 (16,2) TWh. The Group's electricity generation accounted for 14,6 (15,6) TWh, of which the parent company delivered to its shareholders 14,0 (15,0) TWh. Subsidiaries supplied 0,6 (0,6) TWh to other owners. Purchases from the Nordic electricity market, were 0,8 (0,7) TWh. Heat deliveries were 7,8 (7,7) 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 €	2014	2013
Rental income	2 130	2 218
Gain on sale of property, plant and equipment as well as subsidiaries and joint ventures	975	3 755
National reserve capacity remuneration	7 767	9 398
Government grants	29	81
Electricity production subsidies	3 951	4 803
Other income	727	1 719
Total	15 579	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 €	2014	2013
Fuels	208 001	199 280
Change in inventories	-10 626	36 671
Materials and services	3 600	4 142
Emissions allowances - carbon dioxide	6 001	7 587
Energy purchased; Nordic electricity market	32 886	34 797
Energy purchased; Associates and Joint ventures	248 985	285 559
Energy purchased; other	8 133	8 987
External services	8 417	13 331
Total	505 398	590 354

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 €	2014	2013
Wages and salaries		
Board members and CEO	1 196	1 674
Other wages and salaries	14 212	15 264
Pension expenses - defined contribution	2 879	3 154
Other personnel expenses	695	758
Total	18 983	20 850

Average number of personnel

	2014	2013
Salaried employees	153	188
Wage-earners	64	82
Total	217	270

10 Depreciation, amortisation and impairment

1 000 €	2014	2013
Amortisation of intangible assets		
Intangible rights	-	-
Other intangible assets	2 071	1 853
Total	2 071	1 853
Depreciation of property, plant and equipment		
Buildings and constructions	5 860	5 870
Machinery and equipment	41 101	41 407
Other assets	3 160	3 176
Total	50 121	50 453
Impairments		
Machinery and equipment	0	800
Depreciation, amortisation and impairment total	52 192	53 107

11 OTHER OPERATING EXPENSES

1 000 €	2014	2013
Repair, servicing and maintenance services	20 407	18 644
Real estate taxes	6 631	6 290
Rents	3 281	3 291
Operation services	24 873	23 672
Other expenses	18 264	19 534
Total	73 456	71 430

Auditor's fees

1 000 €	2014	2013
Audit fees	203	185
Auditor's mandatory opinions	3	2
Tax advisory	0	1
Other services	74	8
Total	280	196

12 RESEARCH & DEVELOPMENT

Research and development recognised as an expense during the period totalled 0,4 million euros in 2014 (0,7 million euros in 2013).

13 SHARE OF (LOSS)/PROFIT OF ASSOCIATES AND JOINT VENTURES

1 000 €	**2014**	**2013**
Länsi-Suomen Voima Oy	1	1
Oy Alholmens Kraft Ab	-417	601
Tahkoluodon Polttoöljy Oy	-5	0
Teollisuuden Voima Oyj	-4 710	14 091
Torniolaakson Voima Oy	70	187
Vaskiluodon Voima Oy	-912	-110
Voimalohi Oy	0	1
Total	-5 973	14 771

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

14 FINANCE INCOME AND COSTS

1 000 €	**2014**	**2013**
Dividend income on available-for-sale investments	5	3
Interest income on loans and receivables	4 191	4 057
Derivative financial instruments (hedge accounting is not applied)		
Fair value gains	467	6 127
Foreign exchange gains	165	36
Other finance income	1	3
Finance income total	4 829	10 226
Interest expense capitalised on qualifying assets	18 215	17 175
Derivative financial instruments (hedge accounting is not applied)		
Fair value losses	1 778	161
Foreign exchange losses	11	27
Other finance cost	3 719	3 247
Finance costs total	23 723	20 610
Total finance income and costs	-18 894	-10 384

15 INCOME TAX

1 000 €	**2014**	**2013**
Taxes for the financial year	145	215
Taxes for the previous financial years	3	-1
Change in deferred tax liability	10	-162
Total	158	53

Pohjolan Voima 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 €	2014	2013
Accumulated depreciation difference 1.1.	842	1004
Charged/(credited) to the statement of comprehensive income	10	-162
Accumulated depreciation difference 31.12.	852	842

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 has been applied from 1 January 2014. All deferred taxes have been remeasured based on the enacted tax rate of 20% for the financial period ended 31 December 2013.

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

1 000 €	2014	2013
Result before income tax	-16 121	12 974
Tax based on Finnish tax rate 24,5%	3 224	-3 179
Unrecognised tax losses	-1 304	-2 044
Tax-free income	0	310
Share of profits and losses of associates and joint ventures	-1 068	3 727
Non-deductible expenses	-237	-129
Unrecognised deferred taxes due to cost price principle	-889	822
Tax losses excluding the deferred tax asset for previous periods	115	256
Change in corporate tax rate	0	184
Income taxes recognised in consolidated income statement	-158	-53

16 INTANGIBLE ASSETS

1 000 €	Emission allowances - carbon dioxide	Intangible rights	Other intangible assets	Total
Cost or valuation at 1.1.2014	8 049	277 014	17 178	302 241
Additions	6 516	197	84	6 797
Disposals	-8 153		1 707	-6 445
Reclassifications		32	454	486
Transferred to assets held for sale	-2		-486	-488
At 31.12.2014	6 410	277 244	18 937	302 591
Accumulated amortisation and impairment 1.1.2014	0	1 234	8 890	10 124
Disposals			1 707	1 707
Amortisation for the period		10	2 060	2 071
Transferred to assets held for sale			-382	-382
Accumulated amortisation and impairment 31.12.2014	0	1 244	12 276	13 520
Closing net book amount 31.12.2014	6 410	275 999	6 662	289 071
Closing net book amount 31.12.2013	8 049	275 780	8 288	292 117

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			-3 467	-3 467
Amortisation for the period			1 833	1 833
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

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 10,7 million Euros paid in 2013 and 2014 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-Alueverkko 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 1.1.2014	35 726	167 212	1 114 142	83 926	3 944	1 404 950
Additions		31	708	6	17 660	18 405
Disposals	-9	-4 116	-77 544	-2 498		-84 167
Change in accounting estimates				500		500
Reclassifications		268	4 079	195	-5 028	-486
Transferred to assets held for sale		-11 221	-49 099			-60 320
Cost or valuation 31.12.2014	35 716	152 174	992 285	82 129	16 576	1 278 881
Accumulated depreciation 1.1.2014	0	62 077	558 188	33 858	0	654 123
Additions		-4 016	-77 515	-2 486		-84 017
Depreciation for the period		5 860	41 101	3 160		50 121
Transferred to assets held for sale		-5 689	-24 878			-30 567
Accumulated depreciation 31.12.2014	0	58 232	496 897	34 531	0	589 660
Net book amount 31.12.2014	35 716	93 942	495 389	47 597	16 576	689 221
Net book amount 31.12.2013	35 726	105 135	555 954	50 068	3 944	750 827

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	107 828	589 806	51 483	5 840	790 904

The changes in accounting estimates relate to the asset retirement obligations of landfills. In 2014 the retirement obligation of one landfill was adjusted. In 2013 the usage right of two landfills were 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
31.12.2014	
Cost	362 920
Transferred to assets held for sale	-7 302
Accumulated depreciation	-111 791
Net book amount	243 827
31.12.2013	
Cost	362 920
Transferred to assets held for sale	0
Accumulated depreciation	-95 112
Net book amount	267 809

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 1.1.2014	831	20 722	111	21 664
Additions				0
Transferred to assets held for sale	-237	-2 282		-2 519
Cost or valuation at 31.12.2014	594	18 440	111	19 145
Accumulated depreciation 1.1.2014	568	7 228	50	7 846
Depreciation for the period	18	774	4	797
Transferred to assets held for sale	-237	-1 226		-1 464
Accumulated depreciation 31.12.2014	348	6 776	54	7 179
Net book amount 31.12.2014	**245**	**11 664**	**57**	**11 966**
Net book amount 31.12.2013	263	13 493	61	13 817

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

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 €	2014	2013
At 1 January	771 715	748 578
Issue of shares	0	0
Sold joint ventures	0	0
Share of profit	-5 972	14 771
Other comprehensive income	10 678	8 366
At 31 December	776 421	771 715

Associates and Joint Ventures

Company, domicile	Interest held % 2014	Interest held % 2013	Book value 2014	Book value 2013
Associates				
Oy Alholmens Kraft Ab, Pietarsaari	49,90%	49,90%	16 228	16 646
Länsi-Suomen Voima Oy, Harjavalta	19,90%	19,90%	33 652	33 650
Tahkoluodon Polttoöljy Oy, Pori	32,00%	32,00%	105	110
Torniolaakson Voima Oy, Ylitornio	50,00%	50,00%	1 899	1 829
			51 884	52 236
Joint Ventures				
Teollisuuden Voima Oyj, Helsinki	58,47%	58,47%	710 594	704 626
Vaskiluodon Voima Oy, Vaasa	50,00%	50,00%	13 764	14 675
Voimalohi Oy, Kemi	50,00%	50,00%	179	180
			724 537	719 481
Associates and joint ventures total			776 421	771 716

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 2014 (31 December 2013 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 914 (851) 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 2014 (28 million euros at 31 December 2013). 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 (-)
2014				
Oy Alholmens Kraft Ab	134 704	98 070	61 791	-836
Länsi-Suomen Voima Oy	32 642	5 320	1 613	5
Tahkoluodon Polttoöljy Oy	12	2	0	-4
Teollisuuden Voima Oyj	7 054 146	5 479 028	327 209	-692
Torniolaakson Voima Oy	9 002	5 203	1 678	28
Vaskiluodon Voima Oy	159 291	126 780	96 164	-250
Voimalohi Oy	1 383	1 019	3 576	-1
Total	7 391 179	5 715 421	492 030	-1 750

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

Related-party transactions - transactions with associates and joint ventures

1 000 €	2014	2013
Sales to associates and joint ventures	3 961	6 778
Purchases from associates and joint ventures	252 336	288 998
Receivables from associates and joint ventures	300 048	237 810
Liabilities to associates and joint ventures	576 638	546 777

	2014	2013
Personnel employed by associates and joint ventures in average	1 023	1 053

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

1 000 €	2014	2013
Investments in non-listed securities	647	650
Total	647	650

Available-for-sale financial assets consist mainly of vacation cottages used by personnel totalling 0,6 million Euros (2013: 0.6).

20 LOANS AND OTHER RECEIVABLES

Non-current loans and other receivables

1 000 €	2014	2013
Loans to associates and joint ventures	263 702	203 800
Finance lease receivables	25 379	177 158
Other non-current receivables	23 032	16 475
Total	312 113	397 434

Loans to associates and joint ventures include a loan receivable from Teollisuuden Voima Oyj of 263.6 (2013: 203.2) million Euros and a loan receivable from Tornionlaakson Voima Oy of 0.1 (0.5) 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 30 Fair values of financial assets.

Trade and other receivables

1 000 €	2014	2013
Trade receivables	55 391	78 304
Pledged cash deposits	1 453	1 642
Interest-bearing receivables	532	4 268
Finance lease receivables	1 767	14 582
Derivatives	246	0
Share issue receivables	22 471	169 768
Prepayments and accrued income	109 537	22 132
Other current receivables	4 574	1 285
Total	195 970	291 981

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

Prepayments and accrued income:

1 000 €	2014	2013
Prepayments, energy purchases	12 624	12 120
Deferred revenue, energy	0	0
Indirect taxes	4 928	5 845
Other	4 919	4 167
Total	22 471	22 132

The Group recorded credit losses of 5 thousand Euros in 2014 (2013: 5) on trade receivables or other receivables during the reporting period or the previous financial year. The Group had no material outstanding receivables as per 31.12.2014. 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 2.5 million euros of receivables related to other leases, according to the classification based on IAS 17 (2013: 2.7 million Euros).

Gross receivables from finance leases:

1 000 €	2014	2013
No later than 1 year	15 774	16 623
Later than 1 year and no later than 5 years	79 379	82 341
Later than 5 years	95 865	111 876
Total	**191 018**	**210 840**
Unearned finance income	-11 918	-19 101
Net investment in finance leases	**179 100**	**191 739**

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

1 000 €	2014	2013
No later than 1 year	14 371	14 581
Later than 1 year and no later than 5 years	74 004	74 197
Later than 5 years	90 724	102 960
Net investment in finance leases	**179 100**	**191 738**

21 SHORT-TERM DEPOSITS, CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS

1 000 €	2014	2013
Cash at bank and on hand	51 205	22 073
Commercial papers	34 438	
Short-term bank deposits		
Total	85 643	22 073

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 €	2014	2013
Fuels		
Coal	46 887	31 738
Other fuels	9 006	15 430
Prepayments	2 627	3 335
Total	58 520	50 503

There was no impairment in inventory in 2014 (2013: 80 thousand euros).

23 ASSETS HELD FOR SALE

Assets held for sale

1 000 €	2014	2013
Intangible assets	106	
Tangible assets	29 754	
Loans and other receivables	139 350	
Inventory	2 698	
Trade and other receivables	15 024	
Total	186 932	0

Liabilities related to assets held for sale

1 000 €	2014	2013
Borrowings	127 391	
Trade and other payables	9 788	
Total	137 179	0

Pohjolan Voima and Keravan Energia Oy signed 16 December 2014 sales and purchase agreeement to sell Pohjolan Voima's subsidiary's, Keravan Lämpövoima Oy, all shares to Keravan Energia. The agreement came to force and the title to the shares was passed 1 January 2015.

Pohjolan Voima and UPM-Kymmene Wood Oy, subsidiary to UPM-Kymmene Oyj, signed 28 November 2014 letter of internt to sell and by Järvi-Suomen Voima Oy's, a subsidiary of Pohjolan Voima, shares to UPM-Kymmene Wood Oy. The sales and purchase agreement was signed 30 January 2015 and the title to the shares was passed 31 January 2015.

UPM-Kymmene Oyj has informed the Board of Directors of Pohjolan Voima in September 2014 that it will acquire the shares of Wisapower Oy, owned by Pohjolan Voima. Preparations for the sale have been initiated, and it will be completed during the first half of 2015. At the moment, Wisapower is a subsidiary of Pohjolan Voima Oy.

Assets and liabilities relating to the above listed companies has been presented as assets held for sale and liabilities related to them in the financial statements 2014.

The above listed items do not include group's internal balances like internal financing.

24 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
1.1.2013	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
Proceeds from share issue	1 082 715	1 821	-60 232			58 811			400
Transfer to retained earnings						-8 137		8 137	0
Refund of reserve for invested non-restricted equity						-17 624			-17 624
Other comprehensive income					10 678			-16 678	-6 000
31.12.2014	**38 594 951**	**64 912**	**109 537**	**336 778**	**9 553**	**243 347**	**35 109**	**214 017**	**1 013 253**

Shares

The number of shares at 31.12.2014 was 38.594.951. 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:	3 647 138	6 134
- 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:	107 022	180
- 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 100,0% 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		
	38 594 951	**64 912**

The following shares were issued during the financial year:

An increase of 7.150 in the share capital of G5 series 8 May 2014 directed to the shareholders of G5 series at a subscription price 400.400 Euros.

Other changes in shareholders' equity:

Annual General Meeting of Pohjolan Voima Oy decided on 26 March 2014 to cover negative retained earnings of 8.1 million Euros by lowering the reserve of invested unrestricted equity fund by the same amount.

The second tranche of the B2 series share capital increase subscribed in 2013 (4.107.143 shares directed to the shareholders of B2 series at a subscription price 230.000.008 Euros) was paid during the financial period according to the decision of Extraordinary General Meeting. The rest of subscribed shares is in the share issue account.

A refund of 17.6 million Euros was made from the reserve for invested nonrestricted equity to shareholders of K3 series in December 2014 according to the decision of the Extraordinary General Meeting.

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.

25 PROVISIONS

1 000 €	Environmental provisions
At 1 January 2014	**4 597**
Unused amounts reversed	0
Change in accounting estimates	500
Effect of discounting	628
At 1 December 2014	**5 725**

1 000 €	2014	2013
Non-current	5 725	4 597
Total	5 725	4 597

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 5.7 million Euros at 31 December 2014 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 estimate on the retirement obligation of one landfill has been adjusted.

The discount rate used to determine present value was 1,0%.

26 DEFERRED TAX LIABILITIES

1 000 €	2014	2013
Accumulated depreciation difference 1.1.	842	1004
Charged to the statement of comprehensive income	10	-162
Accumulated depreciation difference 31.12.	**852**	**842**

27 BORROWINGS

1 000 €	2014	2013
Non-current:		
Borrowings from associates and joint ventures	558 201	528 398
Borrowings from financial institutions	212 970	364 485
Pension loans	8 135	10 847
Secured financial liabilities	226 981	356 326
Total	**1 006 288**	**1 260 056**
Current:		
Borrowings from financial institutions	103 745	17 238
Pension loans	2 712	2 712
Other interest-bearing current liabilities	135 265	102 893
Secured financial liabilities	46 808	22 036
Total	**288 529**	**144 879**
Total borrowings	**1 294 816**	**1 404 935**

Fair values of non-current and current borrowings are presented in note 30.

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 558.2 (528.4) 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 2013 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 €	**2014**	**2013**
Other non-current liabilities		
Other non-current liabilities	2	4
Derivative financial liabilities		
Interest rate swaps	6 565	3 714
Total	**6 567**	**3 718**

Fair values of derivatives are disclosed in note 29.

INTEREST-BEARING NET LIABILITIES

1 000 €	**2014**	**2013**
Interest-bearing liabilities total	**1 294 816**	**1 404 935**
Interest-bearing financial assets		
Non-current		
Loan receivables	263 702	168 692
Finance lease receivables	25 379	177 158
	289 081	345 850
Current		
Pledged cash deposits	1 453	1 642
Interest-bearing receivables	532	4 268
Finance lease receivables	1 767	14 582
Short-term deposits	0	0
Cash and cash equivalents	85 643	22 073
Total	89 395	42 565
Interest-bearing financial assets total	**378 476**	**388 414**
Interest-bearing liabilities net	**916 341**	**1 016 521**

28 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

1 000 €	**2014**	**2013**
Trade payables	14 268	13 922
Liabilities to associates and joint ventures	18 437	18 380
Accrued expenses	23 167	28 110
Other current liabilities	21 972	5 307
Held emission allowances, Energy Market Authority	6 410	8 049
Derivative financial instruments	518	1 357
Total	84 772	75 125

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 €	2014	2013
Accrued personnel expenses	4 106	3 797
Accrued expenses for fuel purchases	10 331	12 460
Accrued expenses for energy purchases	968	1 943
Other	7 763	9 909
Total	23 167	28 110

29 DERIVATIVE FINANCIAL INSTRUMENTS

Fair value of derivative financial instruments

	2014	2014	Total
1 000 €	Positive fair values	Negative fair values	
Interest rate swaps	0	-7 083	-7 083
Forward foreign exchange contracts and swaps	260	-14	246
Total	260	-7 097	-6 837

	2014	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

Nominal value of derivative financial instruments

1 000 €	2014	2013
Interest rate swaps	468 200	539 750
Forward foreign exchange contracts and swaps	6 919	18 853

30 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

1 000 € **2014**	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			647		647	647	19
Loan receivables		263 702			263 702	263 702	20
Finance lease receivables					25 379	25 379	20
Other receivables		23 032			23 032	23 032	20
	0	286 734	647	0	312 760	312 760	
Current financial assets							
Cash and cash equivalents		85 643			85 643	85 643	21
Loan receivables		1 985			1 985	532	20
Share issue receivables		109 537			109 537	109 537	20
Trade and other receivables		59 965			59 965	59 965	20
Prepayments and accrued income		22 471			22 471	22 471	20
Finance lease receivables					1 767	1 767	20
Derivative financial instruments	246				246	246	20
	246	279 601	0	0	281 613	280 160	
Total	**246**	**566 335**	**647**	**0**	**594 373**	**592 920**	
Non-current financial liabilities							
Borrowings from associates and joint ventures				558 201	558 201	558 201	27
Borrowings				221 106	221 106	221 106	27
Secured financial liabilities				226 981	226 981	226 981	27
Other non-current liabilities				2	2	2	27
Derivative financial instruments	6 565				6 565	6 565	27
	6 565	0	0	1 006 290	1 012 854	1 012 854	
Current financial liabilities							
Loans and commercial papers				241 721	241 721	241 721	27
Trade payables				14 268	14 268	14 268	28
Other current liabilities				46 819	46 819	46 819	28
Accrued expenses				23 167	23 167	23 167	28
Secured financial liabilities				46 808	46 808	46 808	27
Derivative financial instruments	518				518	518	28
	518	0	0	372 783	373 301	373 301	
Total	**7 083**	**0**	**0**	**1 379 072**	**1 386 155**	**1 386 155**	

As at 31 December 2014 the amount of offsetting derivative instruments included in the financial assets and financial liabilities in the Group was -7.1 (2013: -4.8) million Euros.

	Gross amounts recognised in the balance sheet	Related amounts not set off in the balance sheet	Net amount
Derivative contracts 2014	7 328	-246	7 082
Derivative contracts 2013	5 071	-222	4 850

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	20
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	20
	0	299 472	0	0	314 053	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	27
Borrowings				375 332	375 332	375 332	27
Secured financial liabilities				356 326	356 326	356 326	27
Other non-current liabilities				4	4	4	27
Derivative financial instruments	3 714				3 714	3 714	27
	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	27
Trade payables				13 922	13 922	13 922	28
Other current liabilities				31 736	31 736	31 736	28
Accrued expenses				28 110	28 110	28 110	28
Secured financial liabilities				22 036	22 036	22 036	27
Derivative financial instruments	1 357				1 357	1 357	28
	1 357	0	0	218 647	220 004	220 004	
Total	**5 071**	**0**	**0**	**1 478 707**	**1 483 778**	**1 483 778**	

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 -0,0 - 0,8 % (0,2 - 2,2 %).

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 -0,0 - 0,8 % (0,2 - 2,2 %). 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 the statment of comprehensive income.

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.

31 CONTINGENT LIABILITIES AND ASSETS AND PURCHASE COMMITMENTS

1 000 €	2014	2013
On behalf of own loans		
Pledged deposits	424	490
Other contingent liabilities	574 760	388 766
On behalf of associated companies and joint ventures		
Guarantees	43	41 416
Guarantee according to Nuclear Energy Act	86 735	86 990
On behalf of others		
Guarantees	0	0
Total	**661 962**	**517 662**

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 2014 a bank guarantee of 558.3 million Euros (2013: 370 million Euros) was given to the State Nuclear Waste Management Fund. A bank guarantee relating to the pension (TyEl) loan amounts to 10.8 million Euros (2013: 13.6 million Euros). Fingrid Oyj has been given a guarantee of 3.8 million Euros (2013: 3.8 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 86.7 million Euros (2013: 87 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 2014 Pohjolan Voima Oy has fulfilled 660.4 (2013: 600 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 (2013: 35.1 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 (2013: 128.9 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 (2013: 35.1 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 force 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 has required 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 considered the interest over the lease term that Metsähallitus requires, too high. Therefore the dispute was given in 2014 to arbitration tribunal for ruling. The ruling is expected to be recieved in 2015. 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 were summoned to court to respond to the claim of work safety offence. The prosecution was 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 was handled both in Lappeenranta District Court as well as in East Finland Court of Appeal in 2014. East Finland Court of Appeal overruled the charges and considred in the ruling 9 December 2014 that the company or the persons in charge were not guilty of carelessness nor neglect when guiding and handling the explosive fuel.

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 updated in October 2014 is approximately 2.3 billion Euros and covers the period until the end of 2018 which is according to OL3 plant suppler the starting point of OL3's regular electricity production.

The arbitration began in December 2008 initiated by the OL3 plant supplier. The monetary claim the plant supplier updated in October 2014 and adjusted in November 2014 is in total approximately 3.4 billion Euros. The quantification is until the end of June 2011 and includes among others penalty interests (calculated until the end of October 2014) and payments delayed under the plant contract 1.2 billion Euros as well as 150 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. The companies belonging to the plant supplier consortion (AREVA GmbH, AREVA NP SAS and Siemens AG) are according to the plant supply agreement jointly and severall liable on the contractual obligations.

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

32 OPERATING LEASES

The Group has leased the Helsinki, Harjavalta, Nokia and Oulu office spaces as well as some individual offices. The lease expire in 2015 for the Helsinki office. Other leases are valid for the time being. The contracts include the possibility to continue the lease period after the expiration date of the initial contract period.

1 000 €	2014	2013
No later than 1 year	1 247	1 894
Later than 1 year and no later than 5 years	0	953
Total	**1 247**	**2 847**

33 EMISSION ALLOWANCES

Carbon Dioxide Emission

Generally the Group holds emission allowances covering the annual CO 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.

	2014	
	t CO2	1 000 €
Allowances received free of charge*	1 388 174	
Combined annual emissions of the plants'	1 525 868	
Emission allowances held	3 519 979	
External sales of emission allowances **	141 633	871
External purchases of emission allowances ***	1 209 997	6 001

	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

* The authority did not record the free emission rights for the year 2013 in group's emission right accounts but they were received 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.

34 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.

2014	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	3 961	252 336	300 048	576 638
UPM-Kymmene Oyj	246 401	85 806	16 974	14 172

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

UPM-Kymmene Oyj owns 43,48% (2013: 43,28%) 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 €	2014	2013
Salaries and other short-term employee benefits	2 097	1 956
Total	2 097	1 956

35 BREAKDOWN OF SHARE OWNERSHIP AND SHAREHOLDER INFORMATION

	2014	2013
	%	%
Shareholder	**of shares**	**of shares**
EPV Energia Oy	7,06%	7,11%
Etelä-Suomen Voima Oy	2,78%	2,78%
Helsingin kaupunki	0,81%	0,80%
Kemira Oyj (ml. Eläkesäätiö)	4,12%	4,04%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	3,89%	4,00%
Kokkolan kaupunki	2,37%	2,40%
Kymppivoima Oy	9,12%	8,65%
Metsä Group (Metsäliitto, Metsä Fibre, Metsä Board Oyj)	2,92%	3,36%
Myllykoski Oyj*)	0,84%	0,83%
Oulun kaupunki	1,68%	1,72%
Outokumpu Oyj	0,08%	0,08%
Oy Perhonjoki Ab	2,40%	2,44%
Porin kaupunki	1,77%	1,80%
Rautaruukki Oyj	0,05%	0,04%
Stora Enso Oyj	14,77%	14,77%
UPM-Kymmene Oyj	43,48%	43,29%
Vantaan Energia Oy	0,30%	0,30%
Yara Suomi Oy (ml. Eläkesäätiö)	1,57%	1,61%
Yhteensä	**100,00%**	**100,00%**

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

	%	%
Shareholders by sector	**of shares**	**of shares**
Forest industry	62,01%	62,25%
Energy companies	21,66%	21,27%
Cities	6,63%	6,72%
Chemical industry	5,69%	5,65%
Metal industry	0,13%	0,12%
Other	3,89%	4,00%
Yhteensä	**100,00%**	**100,00%**

36 EVENTS AFTER THE REPORTING PERIOD

Pohjolan Voima and Keravan Energia Oy signed 16 December 2014 sales and purchase agreeement to sell Pohjolan Voima's subsidiary's, Keravan Lämpövoima Oy, all shares to Keravan Energia. The agreement came to force and the title to the shares was passed 1 January 2015.

Pohjolan Voima and UPM-Kymmene Wood Oy, subsidiary to UPM-Kymmene Oyj, signed 28 November 2014 letter of internt to sell and by Järvi-Suomen Voima Oy's, a subsidiary of Pohjolan Voima, shares to UPM-Kymmene Wood Oy. The sales and purchase agreement was signed 30 January 2015 and the title to the shares was passed 31 January 2015.

On 25 February 2015, Pohjolan Voima's Board of Directors approved an arrangement to sell Wisapower Oy's shares, currently in the ownership of Pohjolan Voima, to UPM-Kymmene Corporation. The arrangement will be finalised during the first half of 2015.

Parent company financial statements (FAS)

Content

Notes to financial statements

Income Statement

1 000 €	Note	1.1. - 31.12.2014	1.1. - 31.12.2013
Revenue	2	**583 762**	**653 103**
Other operating income	3	1 527	1 859
Materials and services	4	-287 096	-336 664
Personnel expenses	5	-9 753	-8 591
Depreciation, amortisation and impairment	6	-1 337	-1 065
Other operating expenses	7	-284 279	-307 679
Operating profit or loss		**2 824**	**963**
Finance income and costs	8	-9 385	-9 246
Profit or loss before appropriations and taxes		**-6 561**	**-8 283**
Appropriations			
Increase (+) or decrease (-) in depreciation difference		68	151
Income tax expense	9	-4	-5
Profit or loss for the year		**-6 497**	**-8 137**

Balance Sheet

1 000 €	Note	31.12.2014	31.12.2013
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	1 901	2 091
Property, plant and equipment	11	899	1 238
Investments	12		
Holdings in Group undertakings		568 463	568 062
Other investments		1 010 757	950 975
TOTAL NON-CURRENT ASSETS		**1 582 020**	**1 522 366**
CURRENT ASSETS			
Non-current receivables	13	22 053	15 597
Current receivables	14	171 214	256 679
Investments	15	34 438	-
Cash and cash equivalents		64 656	22 728
TOTAL CURRENT ASSETS		**292 361**	**295 004**
Total assets		**1 874 381**	**1 817 370**
EQUITY AND LIABILITIES			
EQUITY	16		
Share capital		64 912	63 091
Share issue		109 537	169 769
Share premium		333 308	333 308
Revaluation reserve		218 644	218 644
Reserve for invested non-restricted equity		243 347	210 298
Retained earnings		-	-
Profit or loss for the year		-6 497	-8 137
TOTAL EQUITY		**963 251**	**986 973**
ACCUMULATED APPROPRIATIONS			
Depreciation difference		**0**	**68**
LIABILITIES			
Non-current liabilities	17	601 449	624 357
Current liabilities	18	309 681	205 972
TOTAL LIABILITIES		**911 130**	**830 329**
Total equity and liabilities		**1 874 381**	**1 817 370**

Cash Flow Statement

1 000 €		1.1. - 31.12.2014	1.1. - 31.12.2013
Operating activities			
Operating profit or loss		2 824	963
Adjustments to operating profit or loss	1)	1 250	1 102
Change in net working capital	2)	25 772	-3 647
Interest paid		-10 197	-14 724
Interest received		5 295	4 662
Dividends received		3	1
Other financial items		-3 459	-3 120
Income tax paid		-3	-7
Cash flow from operating activities		**21 485**	**-14 770**
Investments			
Acquisition of subsidiaries		-400	-
Proceeds from other investments		5	98
Purchases of property,plant and equipment and intangible assets		-505	-1 050
Proceeds from sales of property, plant and equipment and intangible assets		208	32
Increase (-) or decrease (+) of loan receivables		-56 231	-65 309
Cash flow from investing activities		**-56 923**	**-66 229**
Financing			
Proceeds from borrowings		29 803	34 249
Repayments of borrowings		-2 712	-2 712
Proceeds (+) or repayments (-) of current interest-bearing liabilities		41 706	5 632
Refund of reserve for invested non-restricted equity		-17 624	-
Proceeds from issuance of ordinary shares		60 632	60 232
Cash flow from financing activities		**111 805**	**97 401**
Net (decrease)/increase in cash and cash equivalents		**76 367**	**16 402**
Cash and cash equivalents at 1.1.		22 728	6 326
Cash and cash equivalents at 31.12.		**99 095**	**22 728**

1) Adjustments to operating profit or loss		
Merger loss	-	96
Depreciation, amortisation and impairment	1 337	1 065
Losses(+) or gains (-) of sales of non-current assets	-86	-59
	1 250	**1 102**
2) Change in net working capital		
Increase (-) or decrease (+) of non-interest-bearing receivables	14 705	13 653
Increase (+) or decrease (-) of current non-interest-bearing liabilities	11 066	-17 299
	25 772	**-3 647**

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 €	2014	2013
Sales of electricity produced	398 114	460 902
Sales of heat produced	177 604	185 862
Other sales	8 044	6 339
Total	583 762	653 103

3 OTHER OPERATING INCOME

1 000 €	2014	2013
Gains on sale of property, plant and equipment and other investments	86	59
Rental income	1 432	1 499
Other income	9	301
Total	1 527	1 859

4 MATERIALS AND SERVICES

1 000 €	2014	2013
Energy purchases	287 096	336 664
Total purchases	287 096	336 664

5 PERSONNEL EXPENSES AND AVERAGE NUMBER OF PERSONNEL

1 000 €	2014	2013
Wages and salaries		
Board members and CEO	978	937
Other wages and salaries	6 954	6 040
Total	7 932	6 977
Pension expenses	1 437	1 272
Other personnel expenses	384	342
Total	1 821	1 614
Total personnel expenses	9 753	8 591
Average number of personnel		
Salaried employees	95	87
Wage-earners	-	-
Total	95	87

6 DEPRECIATION, AMORTISATION AND IMPAIRMENT

1 000 €	2014	2013
Depreciation according to plan		
Intangible rights	10	-
Other capitalised long-term expenditure	604	323
Buildings and constructions	42	43
Machinery and equipment	234	252
Investments	447	447
Total	1 337	1 065

7 OTHER OPERATING EXPENSES

1 000 €	2014	2013
Energy purchases	274 351	298 276
Repair, servicing and maintenance services	219	262
Rents	2 172	2 098
Real estate taxes	82	77
Fees to experts	3 277	2 926
Other expenses	4 178	4 040
Total	284 279	307 679

AUDITOR'S FEES

1 000 €	2014	2013
PricewaterhouseCoopers Oy:		
Audit fees	98	84
Tax advisory	0	1
Auditor's mandatory opinions	0	2
Other services	74	6
Total	172	93

8 FINANCE INCOME AND COSTS

1 000 €	**2014**	**2013**
Dividend income		
from others	2	1
Interest income from investments		
in Group undertakings	0	27
in participating interests	2 461	1 901
Other interest and finance income		
from Group undertakings	2 563	2 912
in participating interests	3	4
from others	350	74
Total finance income	5 379	4 919
Interest costs and other financial costs		
Group undertakings	-58	-108
participating interests	-5 343	-3 998
Others	-9 363	-10 059
Total finance costs	-14 764	-14 165
Total finance income and costs	-9 385	-9 246
Other interest and financial income includes exchange rate differences (net).	154	9

9 INCOME TAXES

1 000 €	**2014**	**2013**
Income taxes for the period	4	5
Total	4	5

Notes to Balance Sheet

10 INTANGIBLE ASSETS

1000 €	Intangible rights	Other capitalised long-term expenditure	Total
Cost or valuation at 1.1.	34	4 514	4 548
Additions	29	76	105
Disposals	0	-36	-36
Reclassifications	32	287	319
Cost or valuation at 31.12.	95	4 841	4 936
Accumulated amortisation 1.1.	-	-2 457	-2 457
Accumulated amortisation of disposals and reclassifications	-	36	36
Amortisation for the period	-10	-604	-614
Accumulated amortisation 31.12.	-10	-3 025	-3 035
Net book amount 31.12.2014	85	1 816	1 901
Net book amount 31.12.2013	34	2 057	2 091

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	3 560	46	39	5 108
Additions	-	-	37	-	343	380
Disposals	-9	-201	-72	-	-	-282
Reclassifications	-	-	2	-	-320	-318
Cost or valuation at 31.12.	199	1 054	3 527	46	62	4 888
Accumulated depreciation 1.1.	-	-903	-2 967	-	-	-3 870
Accumulated depreciation of disposals and reclassifications	-	102	55	-	-	157
Depreciation for the period	-	-42	-234	-	-	-276
Accumulated depreciation 31.12.	-	-843	-3 146	-	-	-3 989
Net book amount 31.12.2014	199	211	381	46	62	899
Net book amount 31.12.2013	208	352	593	46	39	1 238

Production machinery and equipment at 31.12.		178

12 INVESTMENTS

1000 €	Holdings in Group undertakings	Receivables from Group undertakings	Holdings in participating interests	Receivables from participating interests	Total
Cost or valuation at 1.1.	568 062	746 997	203 334	644	1 519 037
Additions	401	-	60 232	-	60 633
Disposals	-	-447	-	-3	-450
Cost or valuation at 31.12.	568 463	746 550	263 566	641	1 579 220
Net book amount 31.12.2014	568 463	746 550	263 566	641	1 579 220
Net book amount 31.12.2013	568 062	746 997	203 334	644	1 519 037

Revaluations included in the cost at 31.12.	265 145

13 NON-CURRENT RECEIVABLES

1 000 €	**2014**	**2013**
Loan receivables	135	465
Capital loan receivables	1	1
Other non-current receivables	21 917	15 131
Total	22 053	15 597
Receivables from Group undertakings		
Capital loan receivables	1	1
Total receivables from Group undertakings	1	1
Receivables from participating interests		
Loan receivables	135	465
Other non-current receivables	21 917	15 131
Total receivables from participating interests	22 052	15 596

14 CURRENT RECEIVABLES

1 000 €	**2014**	**2013**
Trade receivables	41 794	64 027
Loan receivables	330	4 000
Other receivables	732	159
Share issue receivables	109 537	169 768
Prepayments and accrued income	18 821	18 725
Total	171 214	256 679
Receivables from Group undertakings		
Trade receivables	59	751
Prepayments and accrued income	791	1 616
Total receivables from Group undertakings	850	2 367
Receivables from participating interests		
Trade receivables	10	289
Loan receivables	330	4 000
Prepayments and accrued income	13 226	12 875
Total receivables from participating interests	13 566	17 164
Prepayments and accrued income:		
Accrued financial expenses	543	-
Accrued rent	579	-
Accrued personnel expenses	20	117
Accrued interest income	643	716
Accrued sales of emission rights	1 296	1 037
Accrued arrangement fee for credit facility	620	937
Accrued VAT on prepayments	2 848	3 054
Accrued energy purchases	11 949	12 120
Others	323	744
Total	18 821	18 725
Interest-bearing receivables		
Non-current assets	228 459	168 227
Current assets	99 560	27 193
Total	328 019	195 420

15 INVESTMENTS

1 000 €	**2014**	**2013**
Holdings in investment funds with short-term interest, certificates of deposit and commercial papers		
Reacquisition price	34 456	-
Book value	34 438	-
Difference	18	-

16 EQUITY

1 000 €	**2014**	**2013**
Share capital 1.1.	63 091	61 282
Transfer from share issue	1 821	1 809
Share capital 31.12.	64 912	63 091
Share issue 1.1.	169 769	-
Transfer to share capital	-1 821	-1 809
Transfer to reserve for invested non-restricted equity	-58 811	-58 422
Share issues during the year	400	230 000
Share issue 31.12.	109 537	169 769
Share premium 1.1.	333 308	333 308
Share premium 31.12.	333 308	333 308
Revaluation reserve 1.1.	218 644	218 644
Revaluation reserve 31.12.	218 644	218 644
Reserve for invested non-restricted equity 1.1	210 298	159 486
Share issues	58 811	58 422
Refund of reserve for invested non-restricted equity	-17 625	-
Transfer to retained earnings	-8 137	-7 610
Reserve for invested non-restricted equity 31.12	243 347	210 298
Retained earnings 1.1.	-8 137	-7 610
Transfer from reserve for invested non-restricted equity	8 137	7 610
Retained earnings 31.12.	0	0
Profit or loss for the year	-6 497	-8 137
Total	963 251	986 973
Distributable earnings 31.12.		
Retained earnings	0	0
Profit or loss for the year	-6 497	-8 137
Reserve for invested non-restricted equity	243 347	210 298
Total	236 850	202 161

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

17 NON-CURRENT LIABILITIES

1 000 €	2014	2013
Loans from financial institutions	0	50 000
Pension loans	8 135	10 847
Other non-current liabilities	593 314	563 510
Total	601 449	624 357
Liabilities to participating interests		
Other non-current liabilities	558 201	528 398
Liabilities with more than five years to maturity		
Other non-current liabilities	593 309	563 506
Total	593 309	563 506
Non-interest-bearing and interest-bearing non-current liabilities		
Non-interest-bearing	35 112	35 112
Interest-bearing	566 337	589 245
Total	601 449	624 357

18 CURRENT LIABILITIES

1 000 €	2014	2013
Other interest-bearing liabilities	236 764	145 058
Advances received	18 170	20
Trade payables	41 193	48 966
Other current liabilities	306	548
Accrued expenses	13 248	11 380
Total	309 681	205 972
To Group undertakings		
Other interest-bearing liabilities	0	11 000
Trade payables	29 405	35 966
Accrued expenses	812	144
To Group undertakings, total	30 217	47 110
To participating interests		
Advance payments received	0	18
Trade payables	11 001	12 668
Accrued expenses	7 088	5 669
To participating interests, total	18 089	18 355
Accrued expenses		
Accrued personnel expenses	2 338	2 401
Accrued interest costs	6 429	5 475
Accrued energy purchases	2 540	1 771
Accrued emission right purchases	1 294	1 027
Others	647	706
Total accrued expenses	13 248	11 380
Non-interest-bearing and interest-bearing current liabilities		
Non-interest-bearing	72 917	60 914
Interest-bearing	236 764	145 058
Total	309 681	205 972

19 GUARANTEES AND CONTINGENT LIABILITIES

1 000 €	**2014**	**2013**
Guarantees		
Guarantees for loans		
On behalf of participating interests	23	41 395
Other guarantees		
As security for own liabilities	569 147	383 559
On behalf of Group undertakings	3 800	3 800
Total guarantees	572 970	428 754
Leasing liabilities		
Payments during the following year	64	50
Payments in subsequent years	40	50
Total leasing liabilities	104	100
Rental liabilities		
Payments during the following year	1 247	1 905
Payments in subsequent years	-	953
Total leasing liabilities	1 247	2 858
Other contingent liabilities		
Guarantee according to Nuclear Energy Act	86 735	86 990
As security for own liabilities	329	427
Total other contingent liabilities	87 064	87 417

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 86,7 million Euros (2013: 87,0 million Euros).

20 DERIVATIVE FINANCIAL INSTRUMENTS

1 000 €	**2014**	**2013**
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)	646 400	794 500
Market value	-3 975	-2 894
Currency derivatives		
Forward contracts (nominal value)	6 919	18 853
Market value	246	-222

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 31.12.2014. 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 € 6 496 611,51.

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 25, 2015

Tapio Korpeinen
Chairman

Juha Vanhainen
Deputy Chairman

Juhani Järvelä

Anders Renvall

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, February 27, 2015

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, 2014. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or 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, 27 February, 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen
Authorised Public Accountant