2015

Financial Statements

POHJOLAN VOIMA

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Financial statements 2015

Key figures (IFRS) of Pohjolan Voima Group 2015

IFRS	2015	2014	2013	2012	2011
Turnover, € million	573	643	722	838	1 130
Operating result, € million	-3	3	23	10	216
Net interest-bearing liabilities € million	845	920	1 017	1 083	851
As percentage of turnover, %	147	143	141	129	75
Equity ratio, %	42	41	42	35	41
Total assets, € million	2296	2595	2577	2 398	2 555
Investments, € million	18	19	24	36	34
Average number of personnel*	199	217	270	454	487

*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

Read more on the Annual Report of the Board of Directors and the Financial Statements at our online-annual report. They are also availabe in pdf-format. You can download the entire annual report or include selected pages into a pdf-document at the Download center.

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

Financial Statements 2015

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Annual Report by the Board of Directors 2015

Operating environment

In 2015, electricity consumption in Finland was 82.5 TWh (83.3 TWh in 2014). Of this volume, 66.2 (65.4) TWh was produced in Finland, while net imports into Finland amounted to 16.3 (18.0) TWh. Imported electricity covered 19.8% (21.6%) of Finnish electricity consumption. Most of the imported electricity came from Sweden. In 2015, power consumption in Finland decreased by 1.1% from the previous year. Industrial power consumption decreased by 0.9% and the power consumption of other sectors decreased by 1.0% lower from the previous year due to the exceptionally warm weather and the economic recession.

Nord Pool Spot trade amounted to 489 TWh (501 TWh). The annual average system price was €20.98 (€29.61) per MWh, while the annual average of the Finnish area price was €29.66 (€36.02) per MWh. Good water levels in the Nordic countries, decreasing fuel prices and increasing wind power production lowered the electricity price in the Nordic countries.

EUA emission allowance price remained despite the increasing trend throughout the year, and varied between €6.42 and €8.65.

Pohjolan Voima's heat and power production

In 2015, Pohjolan Voima's total electricity supply was 14.1 (15.3) TWh. The Group's own electricity production accounted for 13.3 (14.6) TWh, of which the parent company's supplies to its shareholders were 12.9 (14.0) TWh. The subsidiaries supplied 0.4 (0.5) TWh to their other shareholders. Purchases from the Nordic electricity markets were 0.8 (0.8) TWh, and sales amounted to 0.4 (0.6) TWh. Heat deliveries were 6.3 (7.8) TWh.

Nuclear power made up 57.4% (54.6%) of the electricity supply. Teollisuuden Voima's Olkiluoto nuclear power plant generated 14.3 (14.8) TWh of electricity, of which Pohjolan Voima obtained 8.1 (8.4) TWh in accordance with its shareholding. The joint capacity factor of the Olkiluoto plant units was 93.0% (96.0%).

Hydropower accounted for 2.3 (1.7) TWh, or 16.3% (11.4%), of the electricity supply. The hydropower production volume was the highest ever recorded due to the excellent water year and the long spring floods.

Pohjolan Voima produced 0.4 (1.2) TWh of condensing power, which represented 2.8% (7.8%) of the electricity supply. Condensing power production clearly decreased from the previous year because of the closing down of PVO-Lämpövoima Oy's production operations and the low market prices. The business of PVO-Lämpövoima is reported as a closed down function in the consolidated annual accounts.

A total of 2.5 (3.3) TWh of electricity was generated by combined heat and power (CHP) plants. In addition to the low electricity prices, the heat and power generation volume of the CHP plants was affected by the fact that three plants left Pohjolan Voima when Pohjolan Voima sold its subsidiaries Keravan Lämpövoima Oy, Järvi-Suomen Voima Oy and Wisapower Oy.

Electricity supply (GWh)	**2011**	**2012**	**2013**	**2014**	**2015**
Nuclear power	8,025	8,165	8,296	8,372	8,086
Hydropower	1,709	2,143	1,566	1,745	2,297
CHP	3,587	3,266	3,502	3,254	2,533
Condensing power	1,548	995	2,193	1,200	388
Wind power	92	0	0	0	0
Purchases	9,360	5,613	673	753	790
Total	24,321	20,182	16,229	15,324	14,094

PVO-Lämpövoima's Kristiina 1 and PVO-Huippuvoima's Vaskiluoto 3 oil-fired power plants were leased as part of the power reserve system until 30 June 2015.

Investments

Total investments of the Pohjolan Voima Group, excluding financial investments and the purchase of emission allowances, amounted to €18.1 (18.7) million.

PVO-Vesivoima Oy completed the overhaul of the Melo hydropower plant that started in 2014. €2.6 million was invested in the overhaul in 2015. The investments of PVO-Vesivoima were further increased by the final decision of a court of arbitration on €3.5 million of additional rent for the right to use hydropower.

Laanilan Voima Oy invested in the expansion of an electrostatic precipitator of a Pyroflow boiler and operational reliability of the boiler, a 110 kV main unit transformer and a backup boiler. These investments were €7.1 million in total.

Most important investments made by the parent company Pohjolan Voima, amounting to €0.7 million, were the renovation of its facilities and the modernisation of its accounting system in cooperation with a service provider.

The remaining investments were made in replacements and renovations.

Between 2004 and 2015, Pohjolan Voima has invested a total of €720.6 (660.4) million in the new OL3 nuclear power plant unit that is 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 24 June 2015, an Extraordinary General Meeting of Teollisuuden Voima decided, based on a proposal by the Board of Directors, not to apply for a construction licence for the OL4 power plant unit during the validity period of the decision-in-principle and not to carry out the project referred to in the contractual undertaking signed by the shareholders and Teollisuuden Voima for the OL4 competitive bidding and engineering phase. For funding the OL4 project, Pohjolan Voima had taken out a shareholder loan of €35.1 million (€35.1) and invested the same €35.1 million (€35.1) in the OL4 project of Teollisuuden Voima as a shareholder loan. Teollisuuden Voima charged the costs arising from closing of the project from Pohjolan Voima, and Pohjolan Voima charged these costs from its shareholders who participated in the project. The loans that had been taken out and invested were paid off. Termination of the project did not influence Pohjolan Voima’s net result. The remaining shareholder loan commitments of €128.9 million (€128.9) that had not been taken out when the project was terminated became null and void.

Research and development

R&D expenses amounted to €0.3 million (€0.4 million in 2014 and €0.7 million in 2013).

R&D efforts focused, among other issues, on the recycling potential of ash and soot from power plants and their conversion into raw materials, and various technology alternatives for meeting the increasingly stringent emission restrictions of the Industrial Emissions Directive.

Personnel

The average number of employees working for the Group was 199 (2014: 217 and 2013: 270), including the closed down functions. The Group’s salaries and fees for the financial period, including the closed down functions, totalled €16.3 million (2014: €15.4 million and 2013: €17.0 million).

The average number of employees working for the parent company was 83 (in 2014: 95 and 2013: 87). The parent company's salaries and fees for the financial period totalled €6.8 million (2014: €7.9 million and 2013: €7.0 million).

The average age of the personnel in permanent employment was 46 (46.7) years.

Environment

Environmental management systems certified in accordance with ISO 14001 are in use in the majority of Pohjolan Voima’s production companies, which helps ensure achievement of environmental objectives and continuous improvement of operations. Most of the production companies adopted an energy efficiency system in 2015 as a result of the Energy Efficiency Act that entered into force at the beginning of 2016. Furthermore, the environmental management system of TVO (a joint venture of Pohjolan Voima) is EMAS registered.

No significant environmental deviations took place in the production of Pohjolan Voima.

Regulation of waterways and operation of the hydropower plants was in compliance with the permit conditions. In order to sustain the fish stocks in the Kemijoki and Iijoki rivers and the sea area, 2.8 (2.6) million fry were stocked. Together with Kemijoki Oy, 5.0 million (4.0 million) fry were stocked in the Kemijoki sea and river area; of these, PVO-Vesivoima Oy’s share was 17%, or 0.8 (0.7) million fry. The stocking was carried out almost according to plan. There is a deficit in the number of river lampreys transported past dams and power stations in both the Kemijoki and the Iijoki river. The river lamprey catching plans were not completely realised, but more river lampreys than the obligatory amount were still transported.

In cooperation with the Iijoki region municipalities, PVO-Vesivoima participated in a three-year waterway vision project. The project was launched by the Oulu Regional Council in late 2015. The main goals of the project are a shared vision on waterways, promotion of the restoration of migrating fish, protection of the Baltic Sea salmon population and promotion of smaller development measures that will increase the river’s value.

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 1.5 (2.5) million tonnes. The Notes to the Financial Statements only report the CO2 emissions of the subsidiaries, which amounted to 0.7 (1.5) million tonnes. These figures do not include the emissions of 0.2 million tonnes from PVO-Lämpövoima, which are reported as a closed down function. Other emissions into the air also decreased. Sulphur dioxide emissions were 1.5 (2.1) thousand tonnes, nitrogen oxide emissions 3.3 (4.7) thousand tonnes and particle emissions 0.2 (0.3) thousand tonnes.

The new stricter limits for emissions into the air, set out in the Industrial Emissions Directive (IE Directive), entered into force in Finland at the beginning of 2016. For the majority of the Group’s power plants, the most difficult issue is the reduction of nitrogen oxide (NOx) emissions, and studies are being conducted on the available technical solutions. 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 for 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 will be monitored.

The Pohjolan Voima thermal power plants submitted applications for the review of their environmental permits in 2014, because the new Environmental Protection Act required them from large combustion plants. Furthermore, Laanilan Voima Oy submitted a change application on an environmental permit for a soot fuel drier. All of the Pohjolan Voima thermal power plants received new environmental permits in 2015. Kaukaan Voima Oy, Kymin Voima Oy and Laanilan Voima Oy appealed the permit decisions to Vaasa Administrative Court.

In 2015, Hämeenkyrön Voima Oy received an environmental permit that allows the adding 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 2016.

Pohjolan Voima and its subsidiaries, associated companies and joint ventures do not have any known 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 realisation of the strategy and achievement of the business goals, as well as to safeguard continuity and disturbance-free operations. Risk management takes place in line with the Group's risk management policy. The risk management complies with 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, occupational safety, 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 unit has been delayed. In September 2014, Teollisuuden Voima received an updated schedule from the plant supplier. It stated that regular electricity production will start at the end of 2018. The delay gives rise to additional costs and losses, for which TVO has demanded compensation from the turnkey plant supplier in an arbitration procedure in compliance with the rules of the International Chamber of Commerce (ICC).

Changes in Group structure

On 16 December 2014, Pohjolan Voima Oy 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.

On 28 November 2014, Pohjolan Voima Oy and UPM-Kymmene Wood Oy, a subsidiary fully owned by UPM-Kymmene Corporation, signed 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 30 January 2015, and ownership was transferred on 31 January 2015.

On 30 September 2015, Pohjolan Voima Oy and UPM-Kymmene Corporation signed a deed of sale on selling the entire share capital of Wisapower Oy, a subsidiary of Pohjolan Voima, to UPM-Kymmene. Ownership of the shares was transferred on 30 September 2015.

On 22 December 2015, Pohjolan Voima Oy and Vaskiluodon Voima Oy signed a deed of sale on selling the entire share capital of Pohjolan Voima's subsidiary PVO-Huippuvoima Oy to Vaskiluodon Voima. Ownership of the shares was transferred on 22 December 2015.

Finestlink Oy, a company that owned and managed the shares of Estonian company Nordic Energy Link that was established for the construction, ownership and operation of a DC cable connection between Finland and Estonia, was placed into liquidation on 1 July 2015 and dissolved on 21 December 2015.

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 that was renewed in June 2015 and is valid until June 2020. The standby credit agreement includes two extension options of one year. For short-term funding, the Group was able to rely on domestic commercial paper programmes of €300 (€300) million, of which €185 (€165) million were 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 €844.9 (€920.2) million. There were no liabilities involving an exchange risk.

At the end of the year, the Group had an equity ratio of 41.7% (41.0%).

PVO-Lämpövoima offered the coal-fired power plants in Pori (Tahkoluoto) and Kristiinankaupunki for the power reserve system, but neither of them were selected. On 27 October 2015, the Board of Directors of PVO-Lämpövoima Oy decided to propose the ceasing of production operations at the coal-fired power plants in Kristiinankaupunki and Pori (Tahkoluoto). PVO's Extraordinary General Meeting approved the proposal on 13 November 2015. The business of PVO-Lämpövoima is reported as a closed down function in the consolidated annual accounts.

The consolidated result of the continuing functions was €499.7 (€578.5) million. The turnover was reduced by the divestment realised during the financial period:

- Shares of Keravan Lämpövoima Oy were sold to Keravan Energia Oy
- Shares of Järvi-Suomen Voima Oy were sold to UPM-Kymmene Wood Oy
- Shares of Wisapower Oy were sold to UPM-Kymmene Corporation

Furthermore, Pohjolan Voima sold the shares of PVO-Huippuvoima Oy to Vaskiluodon Voima Oy on 22 December 2015. This transaction did not influence the consolidated turnover, because PVO-Huippuvoima was not in production operation during the financial period; instead, its profit up until 30 June 2015 came from the power reserve system. The company's environmental permit expired on 31 December 2015.

The consolidated result for the financial period was -13.3 (-16.3) million euros. The financial period was unprofitable because of the costs arising from the closing down of PVO-Lämpövoima's operations. The 2014 financial period, in turn, was unprofitable because of the results of the shareholder companies and losses due to the valuation of derivatives.

Share capital and share issues

The following issue was subscribed to during the financial period:

- Increase of share capital tied to G5 share series, 4 May 2015, 48,250 shares at a subscription price of €2,702,000 directed to G5 series shareholders.

In addition, the third instalment of the increase of share capital tied to the 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 period. The rest of the marked shares are on the share issue account.

The company acquired and cancelled its G3 and K3 series shares. This caused a share capital decrease of €0.7 million and a decrease of €6.3 million in the share capital fund.

The company acquired and cancelled its G7 series shares. After the conclusion of a hearing of the creditors, €1.1 million of the share capital of this series and €35.7 million from the share capital fund were temporarily transferred to the reserve for invested non-restricted equity to wait for the acquisition of shares. When the shares of the series were acquired, €36.8 million from the reserve for invested non-restricted equity was paid as the acquisition price to the shareholders.

The company acquired its H series shares. After the conclusion of a hearing of the creditors, €0.8 million of the share capital of the series and €6.2 million from the share capital fund were transferred to the reserve for invested non-restricted equity to wait for the acquisition of shares. When the shares were acquired on 22 December 2015, €7.0 million from the reserve for invested non-restricted equity was paid as the acquisition price to the shareholders, and the company initiated cancellation process of the shares. Cancellation of the H series shares was registered in the Trade Register on 5 January 2016.

Table: Pohjolan Voima Oy shareholders (general shareholding)

Shareholder	Shareholding in % 31 December 2014	Shareholding in % 31 December 2015
EPV Energia Oy	7.056	6.419
Etelä-Suomen Voima Oy	2.781	1.858
Helen Oy (1 January 2015)	0.814	0.849
Ilmarinen Mutual Pension Insurance Company	3.887	3.884
Kemira Oyj (incl. Neliapila pension foundation)	4.122	4.346
Kokkolan Energia Oy (1 January 2015)	2.365	2.328
Kymppivoima Oy	9.119	9.333
Metsä Group (Metsäliitto, Metsä Fibre, Metsä Board Oyj)	2.923	3.013
Myllykoski Oyj*	0.839	0.874
Oulun Energia Oy (1 January 2015)	1.682	1.744
Outokumpu Oyj	0.081	0.081
Oy Perhonjoki Ab	2.401	2.298
City of Pori	1.765	1.755
Rautaruukki Oyj	0.049	0.064
Stora Enso Oyj	14.768	15.170
UPM-Kymmene Corporation	43.478	42.825
Vantaan Energia Oy	0.301	0.314
Yara Suomi Oy (incl. pension foundation)	1.567	1.550
Pohjolan Voima Oy**	0	1.295

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

**) The H series shares were purchased from the shareholders on 22 December 2015 and cancellation of the shares was pending on 31 December 2015. The shares were cancelled on 5 January 2016.

Management

The Annual General Meeting of 18 March 2015 elected the following members to the Board of Directors: Tapio Korpeinen, Executive Vice President (UPM-Kymmene Corporation); Seppo Parvi, Chief Financial Officer (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); Patrick Wackström, CEO (as the representative of Etelä-Suomen Voima Oy); and Peter Boström, CEO (as the representative of Oy Perhonjoki Ab).

At the Board meeting on 18 March 2015, Tapio Korpeinen was elected Chairman of the Board and Seppo Parvi was elected Deputy Chairman. The Board of Directors convened 15 (18) times in 2015. 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 defence 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 July 2015, Teollisuuden Voima updated its estimated costs and losses that now amount to approximately €2.6 billion until December 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 monetary claim updated by the plant supplier in July 2015 amounted to approximately €3.4 billion. The claim covered events of the construction period until the end of June 2011. Among other things, the sum included penalty interest (until July 2015), approximately €1.4 billion in payment delayed by Teollisuuden Voima under the plant delivery contract, and about €140 million in lost profit as claimed by the plant supplier. Teollisuuden Voima has considered and found the plant supplier's previous claims to be without merit, and scrutinized the updated claim and addressed it accordingly.

In February 2016, the plant supplier updated its claim in the arbitration proceedings concerning the delay of the completion of OL3. The current monetary claim by the plant supplier amounts to around €3.52 billion. For more information on changes in the arbitration proceedings after the financial period, please see Events after the end of the financial period.

By virtue of the plant delivery contract, the companies included in the plant supplier consortium (AREVA GmbH, AREVA NP SAS and Siemens AG) are jointly and severally liable for the plant contract obligations.

The arbitration proceedings may take several years. No receivables or provisions have been recognised by Teollisuuden Voima as a result of the demands presented during the arbitration proceedings.

In May 2015, the court of arbitration issued a decision in a dispute regarding interests connected to the right to use hydropower and obligated PVO-Vesivoima to pay around €2.6 of additional rent. The court of arbitration confirmed a claim by Metsähallitus, stating that PVO-Vesivoima does not have the right to deduct the rent of €0.9 million plus interest it has already paid from the sum stated in a decision of the Supreme Administrative Court. The paid compensation was activated in intangible assets that will not be depreciated.

Pohjolan Voima Oy is an interested party in pending legal proceedings in the Market Court regarding the definition of the main grid. The case involves, among others, a 400 kV power line between Ulvila and Meri-Pori, owned by Pohjolan Voima Oy. Pohjolan Voima Oy is of the opinion that the power line should be determined as part of the main grid. The Market Court is expected to reach a decision in the case during the spring of 2016. The decision will not have any immediate financial effect on Pohjolan Voima Oy.

Events after the end of the financial period

Pohjolan Voima Oy started cooperation negotiations on 20 January 2016. The negotiations focus on adaptation of the business, and the goals are streamlining and cost savings. The preliminary assessment is that a maximum of 15 employees will have to be made redundant.

Cancellation of Pohjolan Voima Oy's H series shares was registered in the Trade Register on 5 January 2016.

In February 2016, the plant supplier updated its claim due to the delay of the completion of Teollisuuden Voima's OL3 project in arbitration proceedings held in compliance with the rules of the International Chamber of Commerce (ICC). The current monetary claim by the plant supplier amounts to around €3.52 billion. This sum is based on an updated analysis of the plant supplier regarding the events up until September 2014 or, in the case of some claims, up until the end of December 2014. The sum includes penalty interest (until the end of June 2016), and payments allegedly delayed by Teollisuuden Voima under the plant contract amounting to a combined total of around €1.45 billion, and about €135 million in lost profit as claimed by the plant supplier. Teollisuuden Voima has considered and found the plant supplier's previous claims to be without merit and will scrutinize the updated claim.

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.

The Government granted Posiva Oy a construction permit for an encapsulation and final disposal facility in November 2015. Posiva is about to switch from the research, development and design phase of the project to the construction phase of the spent nuclear fuel disposal facility.

Preparations of the Kollaja project continued. Attempts to include a revision of the Rapids Protection Act in the strategic Government Programme or the supplementary action plan were unsuccessful. Political decision-makers have indicated that the issue will be commented in early 2016. The goal is for the Government to make a sufficient policy at that time so that a revision of the act would ensue quickly.

The goal of improving the living conditions of migratory fish, salmon in particular, increases the pressure of more extensive maintenance of river basins. In addition to the construction of fishways, doubts about sufficiency of the original obligatory stocking amounts have been voiced. Arranging migration of fish down rivers will probably require specific power plant dam and water draining solutions. If implemented, such solutions may clearly increase the costs of the obligations and increase energy production losses.

The real estate tax rate of power plants increased from 2.85% to 3.1% at the beginning of 2016. The tax increase will cause additional expenses of €1.3 million to Teollisuuden Voima, €450,000 to PVO-Vesivoima and approximately €20,000 to the thermal power plants. The tax rate may be further increased in 2017 and 2018.

The European Commission approved the gasifier premium in the Act on Production Subsidy for Electricity Produced from Renewable Energy Sources that entered into force at the beginning of 2013.

A government bill 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 bill was made to halve the production subsidy for electricity produced using wood chips. The act on the reduction of the tax rate for peat has not entered into force yet; instead, it is waiting for a decision of the EU on a revision of the timber chip subsidy.

Waste tax increased to €70 per tonne at the beginning of 2016. The Ministry of Finance is planning to extend the waste tax to waste fractions that were not taxed before. The tax may be extended to the combustion and co-combustion of waste.

The EU is currently updating the reference document on best available techniques for large combustion plants (LCP-BAT-BREF). The BAT conclusions are binding and must be met within four years of their entry into force. A draft of the final document will probably be completed in the first half of 2016. The conclusions will probably be approved in early 2017. The document applies to 12 power plants of Pohjolan Voima, a total of 22 boilers. The objective of Pohjolan Voima 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.

The Government Programme and the supplementary action plan include two projects that are especially important for Pohjolan Voima. The Government has started the updating of the national energy and climate strategy in the project "Towards coal-free, clean and renewable energy in a cost-efficient way" (Hiilettömään, puhtaaseen ja uusiutuvaan energiaan kustannustehokkaasti). It will submit the project to the Parliament for information at the end of 2016. The Ministry of Employment and the Economy has launched a reform of production subsidy for renewable electricity. A Government bill regarding the reform will probably be given in early 2017. One of the actions included in the project "Nature policy based on trust and fairness" (Luontopolitiikkaa luottamuksella ja reiluin keinoin) is revitalisation of migratory and endangered fish stocks by implementing the fishway strategy at selected pilot sites. Pohjolan Voima has proposed the Iijoki river as one of the pilot sites.

In July 2015, the European Commission published an extensive energy package. The Commission will probably publish supplementary objectives by the end of 2016. As part of the EU climate policy, the European Parliament and the Council decided to launch the Market Stability Reserve (MSR) in 2019. They also decided to transfer backloading rights and rights that have not been allocated for various reasons directly to the reserve.

In the 2015 United Nations Climate Change Conference, the UN member states made a new global agreement. One of its key goals is to limit global warming to less than 2 degrees Celsius compared to pre-industrial levels. EU will reassess its own objectives by the end of 2016.

Proposal of the Board of Directors regarding the distribution of profits

The parent company's distributable funds on 31 December 2015 totalled €288,711,810.19, of which net profit for the financial period accounted for €-9,182,517.32. 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. - 31.12.2015	1.1. - 31.12.2014
Continuing operations			
Sales	6	**499 746**	**578 545**
Other operating income	7	50 523	10 441
Materials and services	8	-383 262	-455 746
Personnel expenses	9	-12 228	-13 897
Depreciation, amortisation and impairment	10	-39 884	-41 434
Other operating expenses	11,12	-93 082	-64 549
Share of (loss)/profit of associates and joint ventures	13	-740	-5 973
Operating profit or loss		**21 073**	**7 387**
Finance income	14	8 213	4 826
Finance costs	14	-17 317	-23 150
Finance costs - net		**-9 104**	**-18 324**
Profit before income tax		**11 969**	**-10 937**
Income tax expense	15	-59	-158
Profit for the year from continuing operations		**11 910**	**-11 095**
Discontinued operations			
Profit/loss from discontinued operations		**-25 187**	-5 184
Profit for the year		**-13 277**	**-16 279**
Other comprehensive income:			
Items, that may be reclassified later to profit or loss			
Share of other comprehensive income of associates			
Changes in the fair value of available-for-sale financial assets	18	-13 689	1 116
Cash flow hedging	18	11 643	9 562
Other comprehensive income for the year		-2 046	10 678
Total comprehensive income for the year		**-15 323**	**-5 601**
Profit attributable to:			
Owners of the parent		-14 167	-16 678
Non-controlling interest		890	399
		-13 277	-16 279
Total comprehensive income attributable to:			
Owners of the parent		-16 213	-6 000
Non-controlling interest		890	399
		-15 323	-5 601

Consolidated balance sheet

1 000 €	Note	31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Intangible assets	16	288 270	289 071
Property, plant and equipment	17	601 767	689 221
Investments in associated companies and joint ventures	18	775 572	776 421
Available-for-sale financial assets	19	586	647
Loans and other receivables	20	342 621	312 113
Non-current assets total		**2 008 816**	**2 067 473**
Current assets			
Inventories	22	14 949	58 520
Trade and other receivables	20	164 028	195 970
Cash and cash equivalents	21	79 550	85 643
Current assets total		**258 527**	**340 133**
Assets held for sale	23	28 651	186 932
Total assets		**2 295 994**	**2 594 538**
Equity			
Equity attributable to owners of the parent	24		
Share capital		64 108	64 912
Share issue		49 305	109 537
Share premium		288 683	336 778
Reserve for invested non-restricted equity		297 894	243 347
Revaluation reserve		7 507	9 553
Equity loans		0	35 109
Retained earnings		206 347	214 017
Total		**913 844**	**1 013 253**
Non-controlling interests		**43 175**	**51 373**
Total equity		**957 019**	**1 064 626**
LIABILITIES			
Non-current liabilities			
Provisions	25	4 826	5 725
Deferred tax liabilities	26	853	852
Borrowings	27	1 053 437	1 006 288
Other non-current liabilities	27,29	3 359	6 567
Non-current liabilities total		**1 062 475**	**1 019 432**
Current liabilities			
Borrowings	27	213 636	288 529
Trade and other payables	28	62 864	84 772
Current liabilities total		**276 500**	**373 301**
Liabilities related to assets held for sale	23	0	137 179
Total liabilities		**1 338 975**	**1 529 912**
Total equity and liabilities		**2 295 994**	**2 594 538**

CONSOLIDATED STATEMENT OF CASH FLOWS

1 000 €	Note	2015	2014
Cash flows from operating activities			
Profit for the year		11 910	-11 095
Adjustments to the profit for the year	5	41 593	64 915
Change in net working capital	5	-15 093	27 231
Interest paid and other financial expenses		-17 463	-19 750
Interest received		3 372	4 051
Income tax paid		-236	-166
Net cash generated from operating activities		**24 083**	**65 186**
Cash flows from investing activities			
Purchases of intangible assets and property, plant and equipment (PPE)	16,17	-19 346	-16 944
Proceeds from sales of intangible assets and PPE	16,17	637	1 165
Proceeds from sales of available-for-sale financial assets	16,17	85	5
Proceeds from sale of shares in subsidiaries	4	51 677	0
Equity refund received		3 900	0
Loan repayments	20	45 091	14 371
Loans granted	20	-60 425	-61 963
Proceeds (+) or repayments (-) of short term investments		-56	4 066
Dividends received		1	3
Net cash used in investing activities		**21 564**	**-59 297**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	24	62 934	60 632
Acquisition of own shares	23	-50 789	0
Proceeds from borrowings	27,23	217 699	29 803
Repayments of borrowings	27,23	-69 735	-22 190
Repayment of finance leases	27,23	-12 046	-20 159
Proceeds (+) or repayments (-) of current liabilities	27,23	-183 408	31 611
Refund of reserve for invested non-restricted equity		0	-17 624
Dividends paid		-632	-632
Net cash used in financing activities		**-35 977**	**61 441**
Net (decrease)/increase in cash and cash equivalents		**9 670**	**67 330**
Cash and cash equivalents at beginning of year		**77 340**	**10 010**
Change in cash and cash equivalents		9 670	67 330
Cash and cash equivalents of subsidiaries sold		-9 855	0
Cash and cash equivalents at end of year, continuing operations		**77 155**	**77 340**
Cash and cash equivalents, discontinued operations		**2 395**	**8 303**
Cash and cash equivalents at end of year	21	**79 550**	**85 643**

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 1.1.2014		**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						-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**
Balance at 1.1.2015		**64 912**	**109 537**	**336 778**	**9 553**	**243 347**	**35 109**	**214 017**	**1 013 253**	**51 373**	**1 064 626**
Comprehensive income											
Profit or loss								-14 167	-14 167	890	-13 277
Other comprehensive income:											
Cash flow hedges					11 643				11 643		11 643
Changes in the fair value of available-for-sale financial assets					-13 689				-13 689		-13 689
Total comprehensive income for the year		**0**	**0**	**0**	**-2 046**	**0**	**0**	**-14 167**	**-16 213**	**890**	**-15 323**
Transactions with owners											
Proceeds from shares issued	24	1 890	-60 232			61 044			2 702		2 702
Transfer to retained earnings	24					-6 497		6 497	0		0
Non-controlling interest of a liquidated and sold group companies									0	-8 456	-8 456
Acquisition and annulment of own shares		-741		-6 251		-43 797			-50 789		-50 789
Transfer to reserve for invested non-restricted equity		-1 953		-41 844		43 797			0		0
Repayment of equity loans	24						-35 109		-35 109		-35 109
Transactions with owners total		**-804**	**-60 232**	**-48 095**	**0**	**54 547**	**-35 109**	**6 497**	**-83 196**	**-8 456**	**-91 652**
Dividends to non-controlling interest									0	-632	-632
Balance at 31.12.2015		**64 108**	**49 305**	**288 683**	**7 507**	**297 894**	**0**	**206 347**	**913 844**	**43 175**	**957 019**

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.

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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 29 power plants in 17 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 3 March 2016, 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 2015 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 those entities over which the Group has control. The Group has control overran entity if it has power over the entity; it is exposed or has rights to variable returns from its involvement with the entity and has the ability to use its power to affect the amount of its returns from the 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.

Associated companies and joint arrangements

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. Joint arrangements are either joint operations or joint ventures. A joint venture is a contractual joint arrangement whereby the Group together with one or more parties has undertaken an economic activity that is subject to joint control and whereby The Group with other parties has rights to the net assets of the joint arrangement.

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 companies and joint arrangements 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.

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 16 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 and discontinued operations

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.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and:

1. Represents either a separate major line of business or a geographical area of operations
2. Is a part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
3. Is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

Profit of discontinued operations is presented as a single amount on the face of the statement of comprehensive income. Assets held for sale, disposal groups, any cumulative income or expense recognized in the other comprehensive income relating to a non-current asset classified as held for sale as well liabilities relating to disposal groups are presented separately in the face of the consolidated balance sheet.

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 2014. The adoption of the following amendments to existing standards on 1 January 2015 has no impact on the consolidated financial statement:

- Annual improvements 2010-2012 and 2011-2013
- IFRIC 21 Levies - Interpretation of IAS 37
- IAS 19 (amendment) Employee benefit - amendment regarding employee or third party contributions to defined benefit plans

The Group will adopt the following standards, interpretations and amendments to existing standards and interpretations published 2015 in its 2016 financial statements or later. Based on initial assessment, Group estimates that these have no impact on the consolidated financial statements:

- IFRS 9* Financial instruments - replaces the multiple classification and measurement models in IAS 39 with a single model that has three classification categories: amortized cost, fair value and fair value in the other comprehensive income.
  Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.
  All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognize the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.
  The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.
  In December 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. The model is based on expected credit losses (ECL) and it involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. All new rules have to be applied for simultaneously.
  The Group is assessing the impact of the new standard on the consolidated financial statements.
- 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. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.
- 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.
- IAS 27* (amendment) Separate Financial Statements - entities will be allowed to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.
- IFRS 10 (amendment) Consolidated financial statements and IAS 28 (amendment) Investment in associates - the amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures.
- Annual improvements 2012-2014*
- IAS 1 (amendment) Presentation of Financial Statements - changes are made in the context of IASB's Disclosure Initiative.

* 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 23 June 2015 entered EUR 300 million revolving credit facility which matures 23 June 2020. The credit facility has two options to prolong the facility and it does not include covenants. The loan facility was fully undrawn as per 31 December 2015 (as well as per 31 December 2014).

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

2015

1 000 €	2016	2017	2018	2019	2020-	Total	Balance sheet
Loans from financial institutions *	-47 703	-9 204	-160 369	-5 284	-116 284	-338 843	-338 843
Finance costs **	-2 876	-2 684	-1 735	-1 508	-1 356	-10 159	
Loan from the State Nuclear Waste Management Fund (TVO) ***					-573 110	-573 110	-573 110
Finance costs	-4 577	-6 293	-6 293	-6 293	-6 293	-29 749	
Finance lease liabilities	-46 378	-21 407	-17 104	-52 393	-92 879	-230 161	-230 142
Finance costs	-340	-317	-221	-141	-404	-1 423	
Commercial papers	-116 843					-116 843	-116 843
Finance costs	-157					-157	
Pension liabilities	-2 712	-2 712	-2 712			-8 135	-8 135
Finance costs	-112	-71	-31			-214	
Interest rate derivatives	-3 240	-1 772	-618	-907	-5 638	-12 174	-2 837
Currency derivatives (net)	0					0	0
Total	-224 938	-44 458	-189 082	-66 526	-795 963	-1 320 968	

* Repayments to be made in 2016 are included in current liabilities.

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

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

Undiscounted cash flows of financial liabilities

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.

Market risk

Interest Rate Risk

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

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

Currency Risk

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

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

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

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

Sensitivity to market risk

Market risk sensitivity arising from financial instruments:

1 000 €	2015	2014
	Comprehensive income statements	
+ 10 % change in the EUR/USD exchange rate	0	-629
- 10 % change in the EUR/USD exchange rate	0	769
Increase of 100 basis points in market interest rates	4 490	2 520
Decrease of 100 basis points in market interest rates	-5 502	-3 136

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 2015 or 2014.

Credit risk

Credit or counterparty risk is arise from the possibility that a customer or a financial counterparty does not fulfil its commitments. Commercial trade receivables, investments and receivables based on derivative financial instruments expose the company to credit risk. When counterparty banks are selected, only banks with high credit ratings qualify. Derivative financial agreements are entered into only with leading banks and financial institutions. All counterparties are monitored for their payment behaviour and credit worthiness. Pohjolan Voima has not recognised any impairment (2014: 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.

	2015	2014
Equity on assets ratio (%) (IFRS, Group) *	42	41

* 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

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.

Pohjolan Voima and UPM-Kymmene Oyj signed 30 September 2015 sales and purchase agreeement to sell Pohjolan Voima's subsidiary's, Wisapower Oy, all shares to UPM-Kymmene. The title to the shares was passed 30 September 2015.

Pohjolan Voima and Vaskiluodon Voima Oy signed 22 December 2015 sales and purchase agreeement to sell Pohjolan Voima's subsidiary's, PVO-Huippuvoima Oy, all shares to Vaskiluodon Voima. The title to the shares was passed 22 December 2015.

Assets and liabilities of sold companies	**2015**
Property, plant and equipment	29 544
Intangible assets	103
Non-current receivables	131 714
Inventories	3 063
Trade and other receivables	20 808
Cash and cash equivalents	9 855
Total assets	195 086
Non-controlling interests	9 304
Provisions	1 000
Borrowings	120 823
Trade and other payables	10 504
Total liabilities	141 631
Net assets sold	53 455
Gain on disposal	8 077
Total consideration	61 532
Cash consideration received	61 532
Cash and equivalents disposed of	-9 855
Cash inflow arising from disposal	51 677

There were no sold non-current assets in 2014.

Business combinations

There were no business combinations in 2015 or in 2014.

5 NOTES TO THE STATEMENT OF CASH FLOWS

Adjustments to profit or loss for the year (1 000 €)	2015	2014
Depreciation and amortisation	39 884	41 434
Increase/decrease in fair value of derivatives	-4 279	1 311
Income taxes	59	158
Gains (+) or losses (-) from disposal of non-current assets	-8 194	-975
Finance costs - net	13 383	17 014
Share of (loss)/profit of associates and joint ventures	740	5 973
Total	41 593	64 915

Change in net working capital	2015	2014
Increase (-) or decrease (+) in non-interest-bearing receivables	-448	5 230
Increase (-) or decrease (+) in inventories	-2 717	2 046
Increase (+) or decrease (-) in current non-interest-bearing liabilities	-11 780	19 593
Change in provisions	-148	362
Total	-15 093	27 231

6 SALES

1 000 €	2015	2014
Sales of electricity produced	298 141	338 133
Sales of heat produced	174 167	205 162
Sales of purchased electricity	18 546	29 014
Other sales	8 893	6 237
Total	499 746	578 545

Electricity delivered to shareholders (GWh)		
Electricity produced	13 039	13 667
Heat produced	5 825	7 772
Purchased electricity	621	447

PVO's electricity purchases are determined by the electricity required by the shareholders. In 2015, Pohjolan Voima Group's total electricity purchases from continuing operations were 13.7 (14.1) TWh. The Group's electricity generation accounted for 13.0 (13.7) TWh, of which the parent company delivered to its shareholders 12.9 (14.0) TWh. Subsidiaries supplied 0.4 (0.5) TWh to other owners. Purchases from continuing operations from the Nordic electricity market, were 0.6 (0.4) TWh. Heat deliveries were 6.3 (7.8) 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 €	**2015**	**2014**
Rental income	1 399	2 081
Gain on sale of property, plant and equipment as well as subsidiaries and joint ventures	8 329	975
National reserve capacity remuneration	1 509	3 017
Government grants	24	8
Electricity production subsidies	2 980	3 951
Other income	36 282	409
Total	50 523	10 441

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 €	**2015**	**2014**
Fuels	133 226	166 627
Change in inventories	-873	2 135
Materials and services	2 470	3 085
Emissions allowances - carbon dioxide	3 327	1 308
Energy purchased; Nordic electricity market	31 855	32 886
Energy purchased; Associates and Joint ventures	207 831	248 985
External services	5 426	719
Total	383 262	455 746

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 €	**2015**	**2014**
Wages and salaries		
Board members and CEO	1 323	1 196
Other wages and salaries	8 542	10 039
Pension expenses - defined contribution	1 903	2 175
Other personnel expenses	460	487
Total	12 228	13 897

Average number of personnel

	2015	**2014**
Salaried employees	135	153
Wage-earners	64	64
Total	199	217

The average number of personnel includes personnel of discontinued operations in total 64 in 2015 (2014: 69).
Out of this, salaried employees amount to 32 (2014: 35) and wage-earners 32 (2014: 34).

10 Depreciation, amortisation and impairment

1 000 €	2015	2014
Amortisation of intangible assets		
Intangible rights	-	-
Other intangible assets	1 424	1 914
Total	1 424	1 914
Depreciation of property, plant and equipment		
Buildings and constructions	4 994	5 278
Machinery and equipment	31 045	32 106
Other assets	2 160	2 137
Total	38 199	39 520
Impairments		
Buildings and constructions	132	0
Machinery and equipment	130	0
	261	0
Depreciation, amortisation and impairment total	39 884	41 434

11 OTHER OPERATING EXPENSES

1 000 €	2015	2014
Repair, servicing and maintenance services	17 410	17 078
Real estate taxes	6 061	6 311
Rents	2 240	3 011
Operation services	20 031	23 189
Other expenses	47 340	14 961
Total	93 082	64 549

Auditor's fees

1 000 €	2015	2014
Audit fees	190	203
Auditor's mandatory opinions	2	3
Other services	0	74
Total	193	280

12 RESEARCH & DEVELOPMENT

Research and development recognised as an expense during the period totalled 0.3 million euros in 2015 (0.4 million euros in 2014).

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

1 000 €	2015	2014
Länsi-Suomen Voima Oy	0	1
Oy Alholmens Kraft Ab	-39	-417
Tahkoluodon Polttoöljy Oy	-1	-5
Teollisuuden Voima Oyj	-1 700	-4 710
Torniolaakson Voima Oy	85	70
Vaskiluodon Voima Oy	913	-912
Voimalohi Oy	1	0
Total	-740	-5 973

Investments in associates and joint ventures are disclosed in note 18

14 FINANCE INCOME AND COSTS

1 000 €	2015	2014
Dividend income on available-for-sale investments	3	3
Interest income on loans and receivables	3 366	4 190
Derivative financial instruments (hedge accounting is not applied)		
Fair value gains	4 523	467
Foreign exchange gains	320	165
Other finance income	1	1
Finance income total	8 213	4 826
Interest expense capitalised on qualifying assets	12 701	17 657
Derivative financial instruments (hedge accounting is not applied)		
Fair value losses	246	1 778
Foreign exchange losses	155	11
Other finance cost	4 214	3 704
Finance costs total	17 317	23 150
Total finance income and costs	-9 104	-18 324

15 INCOME TAX

1 000 €	2015	2014
Taxes for the financial year	58	145
Taxes for the previous financial years	0	3
Change in deferred tax liability	1	10
Total	59	158

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

Change in deferred tax:

1 000 €	2015	2014
Accumulated depreciation difference 1.1.	852	842
Charged/(credited) to the statement of comprehensive income	1	10
Accumulated depreciation difference 31.12.	853	852

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

1 000 €	2015	2014
Result before income tax	11 969	-10 937
Tax based on Finnish tax rate 20%	-2 394	2 187
Unrecognised tax losses	-677	-1 304
Tax-free income	89	0
Share of profits and losses of associates and joint ventures	-203	-1 068
Non-deductible expenses	-1 578	-237
Unrecognised deferred taxes due to cost price principle	4 627	149
Tax losses excluding the deferred tax asset for previous periods	77	115
Income taxes recognised in consolidated income statement	-59	-158

16 INTANGIBLE ASSETS

1 000 €	Emission allowances - carbon dioxide	Intangible rights	Other intangible assets	Total
Cost or valuation at 1.1.2015	6 410	277 244	18 937	302 591
Additions	3 445	3 740	62	7 247
Disposals	-6 410		-338	-6 748
Reclassifications			583	583
At 31.12.2015	3 445	280 984	19 244	303 673
Accumulated amortisation and impairment 1.1.2015	0	1 244	12 276	13 520
Disposals			-338	-338
Amortisation for the period		21	1 403	1 424
Amortisation and impairment, discontinued operations			798	798
Accumulated amortisation and impairment 31.12.2015	0	1 265	14 139	15 403
Closing net book amount 31.12.2015	3 445	279 719	5 106	288 270
Closing net book amount 31.12.2014	6 410	275 999	6 662	289 071

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	1 903	1 914
Amortisation and impairment, discontinued operations			157	157
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

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 as well as the compensation amounting to 14,4 million Euros paid in 2013, 2014 and 2015 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 1.1.2015	35 716	152 174	992 285	82 129	16 576	1 278 881
Additions			370	76	13 861	14 307
Disposals		-217	-1 393			-1 610
Change in accounting estimates				27		27
Reclassifications		2 842	21 116	350	-24 891	-583
Transferred to assets held for sale	-753	-24 273				-25 026
Cost or valuation 31.12.2015	34 963	130 526	1 012 378	82 582	5 546	1 265 996
Accumulated depreciation 1.1.2015	0	58 232	496 897	34 531	0	589 660
Disposals		-253	-1 467			-1 720
Depreciation for the period		5 126	31 174	2 160		38 460
Amortisation and impairment, discontinued operations	165	466	54 778	4 518		59 927
Transferred to assets held for sale	-165	-21 933				-22 098
Accumulated depreciation 31.12.2015	0	41 638	581 382	41 209	0	664 229
Net book amount 31.12.2015	34 963	88 888	430 997	41 372	5 546	601 767
Net book amount 31.12.2014	35 716	93 942	495 389	47 597	16 576	689 221

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
Disposals		-4 016	-77 515	-2 486		-84 017
Depreciation for the period		5 278	32 106	2 137		39 520
Amortisation and impairment, discontinued operations		582	8 996	1 023		10 601
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

The changes in accounting estimates relate to the asset retirement obligations of landfills. In 2015 the retirement obligation of three landfills as well as the length of the usage right of one landfill was adjusted.

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
31.12.2015	
Cost	350 920
Disposals and reclassifications	-25 300
Accumulated depreciation	-120 756
Depreciation charge, discontinued operations	-1 809
Net book amount	203 055
31.12.2014	
Cost	362 920
Transferred to assets held for sale	-7 302
Accumulated depreciation	-109 982
Depreciation charge, discontinued operations	-1 809
Net book amount	243 827

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 1.1.2015	594	18 440	111	19 145
Additions				0
Disposals		-2 265		-2 265
Cost or valuation at 31.12.2015	594	16 175	111	16 880
Accumulated depreciation 1.1.2015	348	6 776	54	7 179
Disposals		-1 274		-1 274
Depreciation for the period	17	695	5	717
Accumulated depreciation 31.12.2015	365	6 197	59	6 622
Net book amount 31.12.2015	228	9 978	52	10 258
Net book amount 31.12.2014	245	11 664	57	11 966

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

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 €	2015	2014
At 1 January	776 421	771 715
Disposals	1 937	0
Share of profit	-740	-5 972
Other comprehensive income	-2 046	10 678
At 31 December	775 572	776 421

Associates and Joint Ventures

	Interest held %		Book value	
Company, domicile	**2015**	**2014**	**2015**	**2014**
Associates				
Oy Alholmens Kraft Ab, Pietarsaari	49,90%	49,90%	18 235	16 228
Länsi-Suomen Voima Oy, Harjavalta	19,90%	19,90%	33 651	33 652
Tahkoluodon Polttoöljy Oy, Pori	32,00%	32,00%	0	105
Torniolaakson Voima Oy, Ylitornio	50,00%	50,00%	1 984	1 899
			53 870	51 884
Joint Ventures				
Teollisuuden Voima Oyj, Helsinki	58,47%	58,47%	706 847	710 594
Vaskiluodon Voima Oy, Vaasa	50,00%	50,00%	14 676	13 764
Voimalohi Oy, Kemi	50,00%	50,00%	179	179
			721 702	724 537
Associates and joint ventures total			775 572	776 421

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 2015 (31 December 2014 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 832 (914) 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 2015 (28 million euros at 31 December 2014). 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 31.12.2015.

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 (-)
2015				
Oy Alholmens Kraft Ab	123 737	87 137	44 860	-77
Länsi-Suomen Voima Oy	38 549	11 235	1 792	1
Tahkoluodon Polttoöljy Oy	8	0	0	-2
Teollisuuden Voima Oyj	7 463 991	5 851 992	275 746	4 625
Torniolaakson Voima Oy	8 428	4 460	1 588	17
Vaskiluodon Voima Oy	140 650	105 963	93 636	416
Voimalohi Oy	1 264	898	3 639	2
Total	7 776 628	6 061 685	421 261	4 980

1 000 €	Assets	Liabilities	Revenue	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

Related-party transactions - transactions with associates and joint ventures

1 000 €	2015	2014
Sales to associates and joint ventures	5 940	3 961
Purchases from associates and joint ventures	237 908	252 336
Receivables from associates and joint ventures	335 887	300 048
Liabilities to associates and joint ventures	588 723	576 638

	2015	2014
Personnel employed by associates and joint ventures in average	952	1 023

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

1 000 €	2015	2014
Investments in non-listed securities	586	647
Total	586	647

Available-for-sale financial assets consist mainly of vacation cottages used by personnel totalling 0.6 million Euros (2014: 0.6).

20 LOANS AND OTHER RECEIVABLES

Non-current loans and other receivables

1 000 €	2015	2014
Loans to associates and joint ventures	288 825	263 702
Finance lease receivables	23 776	25 379
Other non-current receivables	30 020	23 032
Total	342 621	312 113

Loans to associates and joint ventures include a loan receivable from Teollisuuden Voima Oyj of 288.7 (2014: 263.6) million Euros and a loan receivable from Tornionlaakson Voima Oy of 0.1 (0.1) 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 €	2015	2014
Trade receivables	86 811	55 391
Pledged cash deposits	446	1 453
Interest-bearing receivables	56	532
Finance lease receivables	1 748	1 767
Derivatives	0	246
Share issue receivables	22 864	22 471
Prepayments and accrued income	49 305	109 537
Other current receivables	2 798	4 574
Total	164 028	195 970

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

Prepayments and accrued income:

1 000 €	2015	2014
Prepayments, energy purchases	12 621	12 624
Indirect taxes	4 804	4 928
Other	5 440	4 919
Total	22 864	22 471

The Group did not record credit losses in 2015 (2014: 5) on trade receivables or other receivables. The Group had no material outstanding receivables as per 31.12.2015. Therefore, the 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 2.3 million euros of receivables related to other leases, according to the classification based on IAS 17 (2014: 2.5 million Euros).

Gross receivables from finance leases:

1 000 €	**2015**	**2014**
No later than 1 year	1 982	15 774
Later than 1 year and no later than 5 years	11 000	79 379
Later than 5 years	15 262	95 865
Total	**28 244**	**191 018**
Unearned finance income	-2 720	-11 918
Net investment in finance leases	**25 524**	**179 100**

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

1 000 €	**2015**	**2014**
No later than 1 year	1 748	14 371
Later than 1 year and no later than 5 years	10 094	74 004
Later than 5 years	13 682	90 724
Net investment in finance leases	**25 524**	**179 100**

21 SHORT-TERM DEPOSITS, CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS

1 000 €	**2015**	**2014**
Cash at bank and on hand	53 428	51 205
Commercial papers	26 122	34 438
Total	79 550	85 643

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 €	**2015**	**2014**
Fuels		
Coal	5 143	46 887
Other fuels	7 867	9 006
Prepayments	1 939	2 627
Total	14 949	58 520

Inventory impairment of 60 thousand Euros from continued operations and impairment of 8.2 million Euros from discontinued operations was recorded in 2015 (2014: no impairment).

23 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Discontinued operations

1 000 €	2015	2014
Income	79 547	69 790
Costs	-104 734	-74 974
Profit before income tax	-25 187	-5 184
Profit from discontinued operations	-25 187	-5 184

Cash flow from discontinued operations

1 000 €	2015	2014
Cash flows from operating activities	16 139	-942
Cash flows from investing activities	-15	-954
Cash flows from financing activities	-22 033	-1 864
Cash flows total	-5 909	-3 760

Board of Directors of PVO-Lämpövoima Oy decided 27 October 2015 to propose, that the electricity production of condensing power plants in Kristiinankaupunki and Pori Tahkoluoto will be terminated. PVO's extraordinary shareholders' meeting approved the decision 13 November 2015. PVO-Lämpövoima's operations are presented in the financial statements 2015 as discontinued operations. Financial information of 2014 is adjusted accordingly. PVO-Lämpövoima's tangible assets and inventory are presented as assets held for sale.

Assets held for sale

1 000 €	2015	2014
Intangible assets	0	106
Tangible assets	2 928	29 754
Loans and other receivables	0	139 350
Inventory	25 723	2 698
Trade and other receivables	0	15 024
Total	28 651	186 932

Liabilities related to assets held for sale

1 000 €	2015	2014
Borrowings	0	127 391
Trade and other payables	0	9 788
Total	0	137 179

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 announced in September 2014 to Pohjolan Voima's Board of Directors its intention to acquire the shares of Wisapower Oy, a subsidiary of Pohjolan Voima. The sales and purchase agreeement was signed and the title to the shares was passed 30 September 2015.

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.

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
1.1.2014	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
Proceeds from share issue	1 123 815	1 890	-60 232			61 044			2 702
Transfer to retained earnings and reserve for invested non-restricted equity		-1 953		-41 844		37 300		6 497	0
Acquisition and annulment of own shares	-1 101 607	-741		-6 251		-43 797			-50 789
Repayment of equity loans							-35 109		-35 109
Other comprehensive income					-2 046			-14 167	-16 213
31.12.2015	**38 617 159**	**64 108**	**49 305**	**288 683**	**7 507**	**297 894**	**0**	**206 347**	**913 844**

Shares

The number of shares at 31.12.2015 was 38.617.159. The shares have no nominal value. All issued shares are fully paid.

The company has 16 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:	4 722 703	7 943
- 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 G4:	296 486	499
- entitling the holder to obtain 72.0% of the energy produced by Rauman Biovoima Oy		
Series G5:	155 272	261
- 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 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	0
- shares acquired from H-series' shareholders 22 December 2015. The annulment process of shares started thereafter and the annulment of shares registered 5 January 2016.		

Series K1:	176 428	297
- entitling the holder to obtain energy produced or purchased by Kokkolan Voima 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		
	38 617 159	**64 108**

The following shares were issued during the financial year:

An increase of 48.250 in the share capital of G5 series 4 May 2015 directed to the shareholders of G5 series at a subscription price 2.702.000 Euros.

Other changes in shareholders' equity:

Annual General Meeting of Pohjolan Voima Oy decided on 18 March 2015 to cover negative retained earnings of 6.5 million Euros by lowering the reserve of invested unrestricted equity fund by the same amount.

The third 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.

The company acquired and annulled its shares in G3- and K3-series. Share capital was decreased by 741 thousand Euros and share premium by 6.251 million Euros.

The company acquired and annulled its shares in G7 series. After the termination of hearing of creditors 1.112 million Euros from share capital and 35.688 million Euros from share premiuwm were temporarily transferred to the reserve of invested non-restricted equity to await the acquisition of the shares. In conncetion with the acquisiton of G7 series' shares 36.8 million euros was paid as cash consideration from the reserve of invested non-restricted equity to shareholders.

The company acquired and annulled its shares in H series. After the termination of hearing of creditors 841 thousand Euros from share capital and 6.156 million Euros from share premium were temporarily transferred to the reserve of invested non-restricted equity to await the acquisition of the shares. In conncetion with the acquisition of H series' shares 22 December 2015 6.997 million euros was paid as cash consideration from the reserve of invested non-restricted equity to shareholders. After this the company initiated the annulment process. The annulment of H series shares was registered 5 January 2016.

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. Pohjolan Voima drew down shareholder loan of 35.1 million Euros (2014: 35.1 million Euros) during the years 2011-2013, for the financing of the OL4 project bidding and engineering phase. Extraordinary General Meeting of Teollisuuden Voima decided 24 June 2015 not to apply for a construction license for OL4 plant unit during the validity of the decision-in-principle. OL4-project was terminated and the equity loan was repaid to the shareholders participated in the project.

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 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. 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 2015	**5 725**
Additions	370
Disposals	-1 233
Change in accounting estimates	27
Effect of discounting	-63
At 1 December 2015	**4 826**

1 000 €	2015	2014
Non-current	4 826	5 725
Total	4 826	5 725

Environmental provisions

The environmental provisions include provision for the landscaping of power plant landfills. The present value of the landscaping is capitalized as part of the other tangible assets and recorded as a provision. The environmental provision totalled 4.8 million Euros at 31 December 2015 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. In 2015 the retirement obligation of three landfills as well as the length of the usage right of one landfill was adjusted.

The discount rate used to determine present value was 0.65%.

26 DEFERRED TAX LIABILITIES

1 000 €	2015	2014
Accumulated depreciation difference 1.1.	852	842
Charged to the statement of comprehensive income	1	10
Accumulated depreciation difference 31.12.	**853**	**852**

27 BORROWINGS

1 000 €	2015	2014
Non-current:		
Borrowings from associates and joint ventures	573 110	558 201
Borrowings from financial institutions	291 140	212 970
Pension loans	5 424	8 135
Secured financial liabilities	183 764	226 981
Total	**1 053 437**	**1 006 288**
Current:		
Borrowings from financial institutions	47 703	103 745
Pension loans	2 712	2 712
Other interest-bearing current liabilities	116 843	135 265
Secured financial liabilities	46 378	46 808
Total	**213 636**	**288 529**
Total borrowings	**1 267 073**	**1 294 816**

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 573.1 (558.2) million Euros.

The secured financial liabilities consist of finance lease contracts relating to investments in power plants. Pohjolan Voima Group has 7 finance lease contracts for power plant machinery with an average lease term of 10 years (31 December 2014 12 contracts). Contracts expire in 2016 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 €	2015	2014
Other non-current liabilities		
Other non-current liabilities	905	2
Derivative financial liabilities		
Interest rate swaps	2 454	6 565
Total	**3 359**	**6 567**

Fair values of derivatives are disclosed in note 29.

INTEREST-BEARING NET LIABILITIES

1 000 €	2015	2014
Interest-bearing liabilities total	**1 267 073**	**1 294 816**
Interest-bearing financial assets		
Non-current		
Loan receivables	288 825	263 702
Finance lease receivables	23 776	25 379
	312 601	289 081
Current		
Pledged cash deposits	446	1 453
Interest-bearing receivables	56	532
Finance lease receivables	1 748	1 767
Cash and cash equivalents	79 550	85 643
Total	81 800	89 395
Interest-bearing financial assets total	**394 401**	**378 476**
Interest-bearing liabilities net	**872 672**	**916 341**

28 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

1 000 €	2015	2014
Trade payables	13 474	14 268
Liabilities to associates and joint ventures	15 613	18 437
Accrued expenses	17 409	23 167
Other current liabilities	12 490	21 972
Held emission allowances, Energy Market Authority	3 496	6 410
Derivative financial instruments	383	518
Total	62 864	84 772

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 €	2015	2014
Accrued personnel expenses	3 403	4 106
Accrued expenses for fuel purchases	7 045	10 331
Accrued expenses for energy purchases	901	968
Other	6 059	7 763
Total	17 409	23 167

29 DERIVATIVE FINANCIAL INSTRUMENTS

Fair value of derivative financial instruments

	2015	2015	Total
1 000 €	**Positive fair values**	**Negative fair values**	
Interest rate swaps	1 355	-4 192	-2 837
Forward foreign exchange contracts and swaps	0	0	0
Total	1 355	-4 192	-2 837

	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

Nominal value of derivative financial instruments

1 000 €	2015	2014
Interest rate swaps	372 000	468 200
Forward foreign exchange contracts and swaps	0	6 919

30 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

1 000 € **2015**	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			586		586	586	19
Loan receivables		288 825			288 825	288 825	20
Finance lease receivables					23 776	23 776	20
Other receivables		30 020			30 020	30 020	20
	0	318 845	586	0	343 207	343 207	
Current financial assets							
Cash and cash equivalents		79 550			79 550	79 550	21
Loan receivables		502			502	56	20
Share issue receivables		49 305			49 305	49 305	20
Trade and other receivables		89 608			89 608	89 608	20
Prepayments and accrued income		22 864			22 864	22 864	20
Finance lease receivables					1 748	1 748	20
Derivative financial instruments	0				0	0	20
	0	241 829	0	0	243 577	243 131	
Total	**0**	**560 674**	**586**	**0**	**586 784**	**586 338**	
Non-current financial liabilities							
Borrowings from associates and joint ventures				573 110	573 110	573 110	27
Borrowings				296 563	296 563	296 563	27
Secured financial liabilities				183 764	183 764	183 764	27
Other non-current liabilities				905	905	905	27
Derivative financial instruments	2 454				2 454	2 454	27
	2 454	0	0	1 054 342	1 056 796	1 056 796	
Current financial liabilities							
Loans and commercial papers				167 258	167 258	167 258	27
Trade payables				13 474	13 474	13 474	28
Other current liabilities				31 598	31 598	31 598	28
Accrued expenses				17 409	17 409	17 409	28
Secured financial liabilities				46 378	46 378	46 378	27
Derivative financial instruments	383				383	383	28
	383	0	0	276 117	276 500	276 500	
Total	**2 837**	**0**	**0**	**1 330 460**	**1 333 297**	**1 333 297**	

As at 31 December 2015 the amount of offsetting derivative instruments included in the financial assets and financial liabilities in the Group was -2.8 (2014: -7.1) million Euros.

	Gross amounts recognised in the balance sheet	Related amounts not set off in the balance sheet	Net amount
Derivative contracts 2015	2 837	0	2 837
Derivative contracts 2014	7 328	-246	7 082

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**	

Fair value estimation

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

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

Carrying value of long-term loans and short-term interest-bearing liabilities is calculated using the effective interest method. Carrying value of loans with variable interest rates is a reasonable estimate of their fair value. Carrying value of short-term interest-bearing liabilities approximate their fair value, as the effect of discounting is not significant due to their short maturity. Fair value of loans with fixed interest rate is determined using a discounted cash flow method. Discount rates used are the market interest rates at the closing date, which were in between -0,2 - 1,0% (-0,0 - 0,8 %).

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value at the closing date. The fair values reflect the prices, which PVO would have to pay or would receive, if it called a derivatives contract. Fair value of interest rate swaps is determined using a discounted cash flow method using market rates prevailing at the closing date as the discount rate, which were -0,2 - 1,0 % (-0,0 - 0,8 %). 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 €	**2015**	**2014**
On behalf of own loans		
Pledged deposits	397	424
Other contingent liabilities	586 538	574 760
On behalf of associated companies and joint ventures		
Guarantees	40	43
Guarantee according to Nuclear Energy Act	78 164	86 735
On behalf of others		
Guarantees	0	0
Total	**665 139**	**661 962**

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 2015 a bank guarantee of 573.1 million Euros (2014: 558.3 million Euros) was given to the State Nuclear Waste Management Fund. A bank guarantee relating to the pension (TyEl) loan amounts to 8.1 million Euros (2014: 10.8 million Euros). Fingrid Oyj has been given a guarantee of 3.8 million Euros (2014: 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 78.2 million Euros (2014: 86.7 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 2015. 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 2015 Pohjolan Voima Oy has fulfilled 720.6 (2014: 660.4 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 was a maximum of 300 million Euros, of which Pohjolan Voima share of the costs was approximately 176 million Euros. Pohjolan Voima draw down shareholder loan of 35.1 million Euros (2014: 35.1 million Euros), for the financing of the OL4 project bidding and engineering phase. Extraordinary General Meeting of Teollisuuden Voima decided 24 June 2015 not to apply for a construction license for OL4 plant unit during the validity of the decision-in-principle and not to carry out the project. OL4-project was terminated and the equity loan was repaid to the shareholders participated in the project. The undrawn shareholder loan commitments from shareholders (2014: 128.9 million Euros) lapsed in connection with the termination of the project. The shareholder loans of Pohjolan Voima Oy were subordinate to all other debt instruments.

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 required an interest to the determinated compensation over the lease term from 2006 to 2013. PVO-Vesivoima disputed the requirement and the dispute was given in 2014 to arbitration tribunal for ruling. The arbitration tribunal gave the ruling 5 May 2015 and PVO-Vesivoima was decreed to pay additional rent amounting to 2.6 million Euros. Further, PVO-Vesivoima was judged to pay to Metsähallitus the rents of 0.9 million Euros PVO-Vesivoima had deducted from the Supreme Administrative Court's judgement. The compensation paid was capitalized to intangible assets which is not depreciated for.

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 July 2015 is approximately 2.6 billion Euros and covers the period until December 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 July 2015 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 July 2015) and payments delayed under the plant contract 1.4 billion Euros as well as 140 million Euros of alleged costs of profit. Teollisuuden Voima has considered and found the earlier claim to be without merit, scrutinized the updated claim and responded to it in the due course.

The plant supplier updated in February 2016 its claimed amount in the course of the ongoing ICC arbitration proceedings concerning the delay to OL3-project. The plant supplier's monetary claim is approximaterly 3.52 billion Euros in total. The subsequent changes in the arbitration proceedings are discussed the Events after the reporting period.

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 2022 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 €	**2015**	**2014**
No later than 1 year	655	1 247
Later than 1 year and no later than 5 years	3 206	0
Total	**3 861**	**1 247**

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. PVO-Lämpövoima's, which is classified as discontinued operations, emission information is not included the below listed information.

	2015	
	t CO2	**1 000 €**
Allowances received free of charge	279 284	
Combined annual emissions of the plants'	698 602	
Emission allowances held	2 331 257	
External sales of emission allowances **	0	0
External purchases of emission allowances ***	194 704	1 574

	2014	
	t CO2	**1 000 €**
Allowances received free of charge*	1 388 174	
Combined annual emissions of the plants'	742 345	
Emission allowances held	2 777 089	
External sales of emission allowances **	141 633	871
External purchases of emission allowances ***	424 351	1 308

* The authority did not record the free emission rights for the year 2013 in group's emission right accounts but they were recieved in 2014.

** Emission sales are included in revenue.

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

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 (%)
Hämeenkyrön Voima Oy	Thermal Power	Finland	84,000	84,000
Kaukaan Voima Oy	Thermal Power	Finland	54,000	54,000
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-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

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.

2015	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	5 940	237 908	335 887	588 723
UPM-Kymmene Oyj	226 171	66 529	7 777	7 445

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

UPM-Kymmene Oyj owns 42.83% (2014: 43.48%) 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 €	**2015**	**2014**
Salaries and other short-term employee benefits	2 073	2 097
Total	2 073	2 097

35 BREAKDOWN OF SHARE OWNERSHIP AND SHAREHOLDER INFORMATION

	2015	**2014**
	%	**%**
Shareholder	**of shares**	**of shares**
EPV Energia Oy	6,42%	7,06%
Etelä-Suomen Voima Oy	1,86%	2,78%
Helen Oy/Helsingin kaupunki	0,85%	0,81%
Kemira Oyj (incl. Eläkesäätiö)	4,35%	4,12%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	3,88%	3,89%
Kokkolan Energia Oy/Kokkolan kaupunki	2,33%	2,37%
Kymppivoima Oy	9,33%	9,12%
Metsä Group (Metsäliitto, Metsä Fibre, Metsä Board Oyj)	3,01%	2,92%
Myllykoski Oyj *)	0,87%	0,84%
Oulun Energia Oy/Oulun kaupunki	1,74%	1,68%
Outokumpu Oyj	0,08%	0,08%
Oy Perhonjoki Ab	2,30%	2,40%
Porin kaupunki	1,76%	1,77%
Rautaruukki Oyj	0,06%	0,05%
Stora Enso Oyj	15,17%	14,77%
UPM-Kymmene Oyj	42,83%	43,48%
Vantaan Energia Oy	0,31%	0,30%
Yara Suomi Oy (incl. Eläkesäätiö)	1,55%	1,57%
Pohjolan Voima Oy**	1,30%	0,00%
Yhteensä	**100,00%**	**100,00%**

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

**) H series' shares acquired from the shareholders 22 December 2015 and the annulment of the shares acquired was in process as at 31 December 2015. The annulment was registered 5 January 2016.

	%	**%**
Shareholders by sector	**of shares**	**of shares**
Forest industry	61,88%	62,01%
Energy companies	20,22%	21,66%
Cities	6,68%	6,63%
Chemical industry	5,90%	5,69%
Metal industry	0,14%	0,13%
Other	5,18%	3,89%
Yhteensä	**100,00%**	**100,00%**

36 EVENTS AFTER THE REPORTING PERIOD

Co-operation negotiations were initiated in Pohjolan Voima Oy 20 January 2016. In the negotiations the adjustment of operations will be planned aiming to improvement in effectiveness and cost savings. According to the preliminary estimate there is need to decrease the personnel by maximum 15 persons.

The annulment of H series' shares was registered in the trade register 5 January 2016.

The plant supplier updated in February 2016 its claimed amount in the course of the ongoing ICC arbitration proceedings concerning the delay to Teollisuuden Voima's OL3-project. The plant supplier's monetary claim is approximaterly 3.52 billion Euros in total. The sum is based on the supplier's updated analysis of the events that occured through September 2014, with certain claims quantified to 31 December 2014. The sum includes penalty interests (calculated to 30 June 2016) and payments allegedly delayed by Teollisuuden Voima under the plant contract amounting to a combined total of approximately 1.45 billion Euro, as well as approximately 135 million Euros in alleged loss of profit. Teollisuuden Voima has considered and found the earlier claims by the supplier to be without merit and will scrutinize the updated claim.

Parent company financial statements (FAS)

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INCOME STATEMENT

1 000 €	Note	1.1. - 31.12.2015	1.1. - 31.12.2014
Revenue	2	**512 849**	**583 762**
Other operating income	3	35 635	1 527
Materials and services	4	-214 806	-287 096
Personnel expenses	5	-8 494	-9 753
Depreciation, amortisation and impairment	6	-1 386	-1 337
Other operating expenses	7	-318 325	-284 279
Operating profit or loss		**5 473**	**2 824**
Finance income and costs	8	-14 648	-9 385
Profit or loss before appropriations and taxes		**-9 175**	**-6 561**
Appropriations			
Increase (+) or decrease (-) in depreciation difference		0	68
Income tax expense	9	-8	-4
Profit or loss for the year		**-9 183**	**-6 497**

BALANCE SHEET

1 000 €	Note	31.12.2015	31.12.2014
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	1 822	1 901
Property, plant and equipment	11	1 140	899
Investments	12		
Holdings in Group undertakings		480 736	568 463
Other investments		1 035 372	1 010 757
TOTAL NON-CURRENT ASSETS		**1 519 070**	**1 582 020**
CURRENT ASSETS			
Non-current receivables	13	30 113	22 053
Current receivables	14	143 555	171 214
Investments	15	26 122	34 438
Cash and cash equivalents		45 136	64 656
TOTAL CURRENT ASSETS		**244 926**	**292 361**
Total assets		**1 763 996**	**1 874 381**
EQUITY AND LIABILITIES			
EQUITY	16		
Share capital		64 108	64 912
Share issue		49 305	109 537
Share premium		285 214	333 308
Revaluation reserve		218 644	218 644
Reserve for invested non-restricted equity		297 894	243 347
Retained earnings		0	0
Profit or loss for the year		-9 183	-6 497
TOTAL EQUITY		**905 982**	**963 251**
ACCUMULATED APPROPRIATIONS			
Depreciation difference		**0**	**0**
OBLIGATORY PROVISIONS	17		
Other obligatory provisions		100	0
LIABILITIES			
Non-current liabilities	18	628 535	601 449
Current liabilities	19	229 379	309 681
TOTAL LIABILITIES		**857 914**	**911 130**
Total equity and liabilities		**1 763 996**	**1 874 381**

CASH FLOW STATEMENT

1 000 €		1.1. - 31.12.2015	1.1. - 31.12.2014
Operating activities			
Operating profit or loss		5 473	2 824
Adjustments to operating profit or loss	1)	1 284	1 250
Change in net working capital	2)	-26 794	25 772
Interest paid		-10 537	-10 197
Interest received		4 871	5 295
Dividends received		1	3
Change in provisions		100	-
Other financial items		-3 827	-3 459
Income tax paid		-4	-3
Cash flow from operating activities		**-29 433**	**21 485**
Investments			
Acquisition of subsidiaries		-2 702	-400
Proceeds from other investments		85	5
Purchases of property,plant and equipment and intangible assets		-1 147	-505
Proceeds from the sale of shares in subsidiaries		61 531	-
Equity refunds received		22 675	-
Proceeds from sales of property, plant and equipment and intangible assets		121	208
Increase (-) or decrease (+) of loan receivables		-24 793	-56 231
Cash flow from investing activities		**55 770**	**-56 923**
Financing			
Proceeds from borrowings		64 909	29 803
Repayments of borrowings		-37 821	-2 712
Proceeds (+) or repayments (-) of current interest-bearing liabilities		-93 408	41 706
Refund of reserve for invested non-restricted equity		-	-17 624
Purchase of own shares		-50 788	-
Proceeds from issuance of ordinary shares		62 934	60 632
Cash flow from financing activities		**-54 174**	**111 805**
Net (decrease)/increase in cash and cash equivalents		**-27 837**	**76 367**
Cash and cash equivalents at 1.1.		99 095	22 728
Cash and cash equivalents at 31.12.		**71 258**	**99 095**

1) Adjustments to operating profit or loss		
Depreciation, amortisation and impairment	1 386	1 337
Losses(+) or gains (-) of sales of non-current assets	-103	-86
	1 284	**1 250**
2) Change in net working capital		
Increase (-) or decrease (+) of non-interest-bearing receivables	-40 934	14 705
Increase (+) or decrease (-) of current non-interest-bearing liabilities	14 140	11 066
	-26 794	**25 772**

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 €	**2015**	**2014**
Sales of electricity produced	358 618	398 114
Sales of heat produced	147 574	177 604
Other sales	6 657	8 044
Total	512 849	583 762

3 OTHER OPERATING INCOME

1 000 €	**2015**	**2014**
Gains on sale of property, plant and equipment and other investments	106	86
Rental income	809	1 432
Other income	34 720	9
Total	35 635	1 527

4 MATERIALS AND SERVICES

1 000 €	**2015**	**2014**
Energy purchases	214 806	287 096
Total purchases	214 806	287 096

5 PERSONNEL EXPENSES AND AVERAGE NUMBER OF PERSONNEL

1 000 €	**2015**	**2014**
Wages and salaries		
Board members and CEO	947	978
Other wages and salaries	5 902	6 954
Total	6 849	7 932
Pension expenses	1 255	1 437
Other personnel expenses	390	384
Total	1 645	1 821
Total personnel expenses	8 494	9 753
Average number of personnel		
Salaried employees	82	95
Wage-earners	1	-
Total	83	95

6 DEPRECIATION, AMORTISATION AND IMPAIRMENT

1 000 €	**2015**	**2014**
Depreciation according to plan		
Intangible rights	21	10
Other capitalised long-term expenditure	659	604
Buildings and constructions	34	42
Machinery and equipment	225	234
Investments	447	447
Total	1 386	1 337

7 OTHER OPERATING EXPENSES

1 000 €	**2015**	**2014**
Energy purchases	275 718	274 351
Repair, servicing and maintenance services	494	219
Rents	1 428	2 172
Real estate taxes	46	82
Fees to experts	3 493	3 277
Other expenses	37 146	4 178
Total	318 325	284 279

AUDITOR'S FEES

1 000 €	**2015**	**2014**
PricewaterhouseCoopers Oy:		
Audit fees	109	98
Other services	3	74
Total	112	172

8 FINANCE INCOME AND COSTS

1 000 €	**2015**	**2014**
Dividend income		
from others	1	2
Interest income from investments		
in participating interests	2 572	2 461
Other interest and finance income		
from Group undertakings	2 115	2 563
in participating interests	0	3
from others	379	350
Total finance income	5 067	5 379
Interest costs and other financial costs		
Group undertakings	0	-58
participating interests	-4 577	-5 343
Others	-8 916	-9 363
Impairment on investments	-6 222	0
Total finance costs	-19 715	-14 764
Total finance income and costs	-14 648	-9 385
Other interest and financial income includes exchange rate differences (net).	165	154

9 INCOME TAXES

1 000 €	**2015**	**2014**
Income taxes for the period	8	4
Total	8	4

NOTES TO BALANCE SHEET

10 INTANGIBLE ASSETS

1000 €	Intangible rights	Other capitalised long-term expenditure	Total
Cost or valuation at 1.1.	95	4 841	4 936
Additions	-	22	22
Disposals	-	-311	-311
Reclassifications	-	582	582
Cost or valuation at 31.12.	95	5 134	5 229
Accumulated amortisation 1.1.	-10	-3 025	-3 035
Accumulated amortisation of disposals and reclassifications	-	308	308
Amortisation for the period	-21	-659	-680
Accumulated amortisation 31.12.	-31	-3 376	-3 407
Net book amount 31.12.2015	64	1 758	1 822
Net book amount 31.12.2014	85	1 816	1 901

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.	199	1 054	3 527	46	62	4 888
Additions	-	-	73	-	1 048	1 121
Disposals	-	-	-1 089	-	-	-1 089
Reclassifications	-	-	373	-	-955	-582
Cost or valuation at 31.12.	199	1 054	2 884	46	155	4 338
Accumulated depreciation 1.1.	-	-843	-3 146	-	-	-3 989
Accumulated depreciation of disposals and reclassifications	-	-	1 050	-	-	1 050
Depreciation for the period	-	-34	-225	-	-	-259
Accumulated depreciation 31.12.	-	-877	-2 321	-	-	-3 198
Net book amount 31.12.2015	199	177	563	46	155	1 140
Net book amount 31.12.2014	199	211	381	46	62	899

Production machinery and equipment at 31.12.	0

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.	568 463	746 550	263 566	641	1 579 220
Additions	2 702	-	60 232	-	62 934
Disposals	-84 207	-447	-35 109	-61	-119 824
Cost or valuation at 31.12.	486 958	746 103	288 689	580	1 522 330
Accumulated impairment 1.1.	-	-	-	-	-
Impairment	-6 222	-	-	-	-6 222
Accumulated impairment 31.12.	-6 222	-	-	-	-6 222
Net book amount 31.12.2015	480 736	746 103	288 689	580	1 516 108
Net book amount 31.12.2014	568 463	746 550	263 566	641	1 579 220

Revaluations included in the cost at 31.12.	0

13 NON-CURRENT RECEIVABLES

1 000 €	**2015**	**2014**
Loan receivables	135	135
Capital loan receivables	1	1
Other non-current receivables	29 977	21 917
Total	30 113	22 053
Receivables from Group undertakings		
Capital loan receivables	1	1
Total receivables from Group undertakings	1	1
Receivables from participating interests		
Loan receivables	135	135
Other non-current receivables	29 977	21 917
Total receivables from participating interests	30 112	22 052

14 CURRENT RECEIVABLES

1 000 €	**2015**	**2014**
Trade receivables	73 951	41 794
Loan receivables	0	330
Other receivables	899	732
Share issue receivables	49 305	109 537
Prepayments and accrued income	19 400	18 821
Total	143 555	171 214
Receivables from Group undertakings		
Trade receivables	68	59
Prepayments and accrued income	421	791
Total receivables from Group undertakings	489	850
Receivables from participating interests		
Trade receivables	119	10
Loan receivables	0	330
Prepayments and accrued income	13 785	13 226
Total receivables from participating interests	13 904	13 566
Prepayments and accrued income:		
Accrued financial expenses	706	543
Accrued rent	0	579
Accrued personnel expenses	19	20
Accrued interest income	673	643
Accrued sales of emission rights	889	1 296
Accrued arrangement fee for credit facility	1 171	620
Accrued VAT on prepayments	3 135	2 848
Accrued energy purchases	12 621	11 949
Others	186	323
Total	19 400	18 821
Interest-bearing receivables		
Non-current assets	288 690	228 459
Current assets	71 393	99 560
Total	360 083	328 019

15 INVESTMENTS

1 000 €	2015	2014
Holdings in investment funds with short-term interest, certificates of deposit and commercial papers		
Reacquisition price	26 170	34 456
Book value	26 122	34 438
Difference	48	18

16 EQUITY

1 000 €	2015	2014
Share capital 1.1.	64 912	63 091
Transfer from share issue	1 890	1 821
Purchase and annulment of own shares	-741	-
Transfer to reserve for invested non-restricted equity	-1 953	-
Share capital 31.12.	64 108	64 912
Share issue 1.1.	109 537	169 769
Transfer to share capital	-1 890	-1 821
Transfer to reserve for invested non-restricted equity	-61 044	-58 811
Share issues during the year	2 702	400
Share issue 31.12.	49 305	109 537
Share premium 1.1.	333 308	333 308
Transfer to reserve for invested non-restricted equity	-41 843	-
Purchase and annulment of own shares	-6 251	-
Share premium 31.12.	285 214	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	243 347	210 298
Share issues	61 044	58 811
Refund of reserve for invested non-restricted equity	-	-17 625
Transfer from share capital	1 953	-
Transfer from share premium	41 843	-
Purchase and annulment of own shares	-43 796	-
Transfer to retained earnings	-6 497	-8 137
Reserve for invested non-restricted equity 31.12	297 894	243 347
Retained earnings 1.1.	-6 497	-8 137
Transfer from reserve for invested non-restricted equity	6 497	8 137
Retained earnings 31.12.	0	0
Profit or loss for the year	-9 183	-6 497
Total	905 982	963 251
Distributable earnings 31.12.		
Retained earnings	0	0
Profit or loss for the year	-9 183	-6 497
Reserve for invested non-restricted equity	297 894	243 347
Total	288 711	236 850

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

17 OBLIGATORY PROVISIONS

1 000 €	**2015**	**2014**
Other obligatory provisions	100	-

18 NON-CURRENT LIABILITIES

1 000 €	**2015**	**2014**
Loans from financial institutions	50 000	0
Pension loans	5 424	8 135
Other non-current liabilities	573 111	593 314
Total	628 535	601 449
Liabilities to participating interests		
Other non-current liabilities	573 111	558 201
Liabilities with more than five years to maturity		
Other non-current liabilities	573 111	593 309
Total	573 111	593 309
Non-interest-bearing and interest-bearing non-current liabilities		
Non-interest-bearing	0	35 112
Interest-bearing	628 535	566 337
Total	628 535	601 449

19 CURRENT LIABILITIES

1 000 €	**2015**	**2014**
Other interest-bearing liabilities	143 356	236 764
Advances received	0	18 170
Trade payables	75 648	41 193
Other current liabilities	0	306
Accrued expenses	10 375	13 248
Total	229 379	309 681
To Group undertakings		
Trade payables	65 356	29 405
Accrued expenses	-142	812
To Group undertakings, total	65 214	30 217
To participating interests		
Trade payables	9 531	11 001
Accrued expenses	5 629	7 088
To participating interests, total	15 160	18 089
Accrued expenses		
Accrued personnel expenses	1 914	2 338
Accrued interest costs	5 394	6 429
Accrued energy sale credits	1 048	0
Accrued energy purchases	885	2 540
Accrued emission right purchases	1 013	1 294
Others	121	647
Total accrued expenses	10 375	13 248
Non-interest-bearing and interest-bearing current liabilities		
Non-interest-bearing	86 023	72 917
Interest-bearing	143 356	236 764
Total	229 379	309 681

20 GUARANTEES AND CONTINGENT LIABILITIES

1 000 €	2015	2014
Guarantees		
Guarantees for loans		
On behalf of participating interests	22	23
Other guarantees		
As security for own liabilities	581 135	569 147
On behalf of Group undertakings	3 800	3 800
Total guarantees	584 957	572 970
Leasing liabilities		
Payments during the following year	93	64
Payments in subsequent years	151	40
Total leasing liabilities	244	104
Rental liabilities		
Payments during the following year	649	1 259
Payments in subsequent years	3 081	84
Total leasing liabilities	3 730	1 343
Other contingent liabilities		
Guarantee according to Nuclear Energy Act	78 164	86 735
As security for own liabilities	271	329
Total other contingent liabilities	78 435	87 064

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 78.2 million Euros (2014: 86.7 million Euros).

21 DERIVATIVE FINANCIAL INSTRUMENTS

1 000 €	**2015**	**2014**
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)	564 000	646 400
Market value	-2 020	-3 975
Currency derivatives		
Forward contracts (nominal value)	-	6 919
Market value	-	246

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 2020. The loan facility was fully undrawn as per 31.12.2015. 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 € 9 182 517.32.

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, March 3, 2016

Tapio Korpeinen Chairman	**Seppo Parvi** Deputy Chairman	**Hannu Anttila**
Jukka Hakkila	**Anders Renvall**	**Tapani Sointu**
Rami Vuola	**Peter Boström**	**Patrick Wackström**
Lauri Virkkunen President and CEO		

The Auditor's note

Our auditor's report has been issued today.

Helsinki, March 18, 2016

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 2015. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or 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 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 18 March 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen
Authorised Public Accountant