

HELEN LTD

**FINANCIAL STATEMENTS
AND REPORT ON OPERATIONS
FOR THE FINANCIAL YEAR 1.7.2014-31.12.2015**

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REPORT ON OPERATIONS 2015

The Helen Group is a commercial entity, which consists of the parent company Helen Ltd and its subsidiaries Helen Sähköverkko Oy, Oy Mankala Ab, Suomen Energia-Urakointi Oy and Helsingin Energiatunnelit Oy. The associated companies of Helen Ltd are Voimapiha Oy and Suomen Merituuli Oy.

Helen Ltd was founded on 1 July 2014 and entered into the Trade Register on 7 August 2014. Operations started on 1 January 2015, when the businesses of the commercial entity Helsingin Energia transferred to Helen Ltd, with the exception of Helsinki's outdoor lighting operations. The company is owned by the City of Helsinki. Helen Ltd provides its customers with electricity, district heating, district cooling, as well as wide variety of services for the microgeneration of energy, for the customers' own energy use and making it more energy-efficient. Energy is produced in the power and heating plants located in Helsinki, and it is also obtained through Helen's power assets. Energy-efficient combined heat and power generation at the power plants in the Helsinki area accounts for 67% of the electricity supplied and 91% of the heat produced. Over 90% of the heat demand in Helsinki is covered with district heat, and district cooling is vigorously expanding in Helsinki. In this report, the reference data on the sales volumes of energy are Helsingin Energia's corresponding data for 2014.

Helen Sähköverkko Oy (100%) concentrates on electricity network operations in compliance with the Electricity Market Act and provides transmission and distribution services to its customers almost in the whole Helsinki area. Helen Sähköverkko Oy's net sales account for approx. 13% of the Helen Group's net sales.

Oy Mankala Ab (100%) is a hydropower company that owns the Mankala, Ahvenkoski, Klåsarö and Ediskoski hydropower plants by the Kymijoki River. Oy Mankala Ab has an 8.1% share in Teollisuuden Voima Oy, a 12.5% share in Suomen Hyötytuuli Oy and a 50% share in Suomen Merituuli Oy.

Helsingin Energiatunnelit Oy was founded on 28 August 2014 and entered into the Trade Register on 10 September 2014. Operation began on 1 December 2015, when the tunnel business of Helen Ltd was transferred to the new company. The transfer of business operations was based on the City Council's decision, according to which the City of Helsinki wanted to have a direct holding in the tunnel operations. An agreement was made to the effect that the City of Helsinki's holding in Helsingin Energiatunnelit Oy is 10%.

Suomen Energia-Urakointi Oy (60%) is a service company specialised in electronic urban technology, providing design, installation, operation and data transmission services for networks and equipment related to electricity transmission, distribution and use. The other owners are Vantaan Energia Oy and Lahti Energia Oy.

Financial year 2015

The energy sector is currently going through a period of change, which is rapidly and irrevocably changing the basis of the energy system. In Finland, the stalling of economic growth has reduced the demand for electricity. Conversely, the supply of electricity has grown, as different support mechanisms have increased investments in renewable energy and especially in non-adjustable wind power. Together, these factors have led to a sharp fall in the market price of electricity. As a consequence of the low price level of electricity and the existing support mechanisms, unprofitable power plants are being shut down, and the commissioning of new market-driven power plant is not possible. Finland's dependence on imported electricity continues to increase, but transmission connections limit electricity transmission from one country to another.

In the Nordic market, the wholesale prices of electricity continued to fall from the low level achieved in 2014. Lower wholesale market prices were last seen in 2000. The hydropower situation was exceptionally good in all Nordic countries.

Both the beginning and the end of the year 2015 were record warm. Due to this, the demand for district heating fell by approx. five per cent nationwide. The demand for district cooling fell by approx. five per cent as well, compared to the previous year. This drop resulted from a cooler-than average summer, which significantly reduced the cooling need of buildings. The number of new customers that have joined out district cooling network has continued to grow significantly.

In July, the European Commission published its proposal for revising the Emissions Trading Directive. The objective for reducing carbon dioxide emissions in the period 2021–2030 would be at least 40%, of which the emissions trading sector would account for 43%. The Commission's objective is that emissions trading would be the main tool for reaching the climate targets.

In December, Paris saw the signing of a climate agreement, as a result of which 190 countries announced that they are going to participate in the global emission reduction measures. The common goal of the agreement parties is to keep the rise in the average global temperature below two degrees Celsius and to develop measures to cap the warming at 1.5 degrees Celsius. The country-specific emission reduction targets are not binding, and each country can decide on the tools it will use to reduce emissions.

Group's profit trend

The mild weather reduced the district heating sales revenues, and the cool summer eroded the expected growth in the sale of the district cooling energy. The fall in fuel costs compensated the fall in net sales.

Helen Group's results were in line with plans. The net sales for 2015 stood at EUR 746 million and the operating profit at EUR 110 million. District heat sales fell by 7% on the previous year to 6,019 GWh. At 7,122 GWh, the electricity sales volume remained at the 2014 level, but due to the lower market price of electricity, the turnover from electricity sales fell by 11%. District cooling energy sales were down by 5% from the year before. Electricity distribution in Helsinki fell by 4% to 4,317 GWh.

The fact that Teollisuuden Voima Oyj's Olkiluoto 4 project was dropped resulted in costs of approx. EUR 7 million for the Helen Group.

The share of emission-free production methods in total electricity procurement grew. Hydropower, nuclear power and wind power accounted for approx. 33 per cent of total procurement. The share of hydropower increased to 11 per cent in 2015. Carbon dioxide emissions from Helen's energy production decreased by approx. 8% on the previous year to approx. 2.9 million tonnes

Group and parent company: Key figures 2015

| | Group | Parent company |
|---|--------------|-----------------------|
| Net sales, EUR mill. | 746 | 634 |
| Operating profit, EUR mill. | 110 | 95 |
| Operating profit, % of net sales | 15 | 15 |
| Profit before appropriations, EUR mill. | 83 | 83 |
| Investments, EUR mill. | 115 | 74 |
| Equity ratio | 71 | 77 |
| Return of equity (ROE), % | 4 | 4 |
| Employees as of 31 December | 1,342 | 1,067 |

Investments

Helen Group's investments stood at EUR 115 million. Pellet combustion equipment enabling the combustion of wood pellets mixed with coal at a ratio of 5-7 per cent was built at the Hanasaari power plant. Helen's investments in flue gas cleaning technology and especially in reducing nitrogen oxides at the Salmisaari and Hanasaari power plants amounted to almost EUR 20 million. A new underground substation in Pasila was completed. A total of 29 kilometres of new district heating and cooling networks were constructed, and they accounted for EUR 17 million of all investments. In addition to the investments complying with the investment programme, the capitalisations of Oy Mankala Ab and associated companies increased the investments of Helen Ltd by EUR 14 million. Emission allowance purchases amounted to EUR 12 million.

Development programme

In line with the energy policy definitions of the City of Helsinki in 2008 and the City Council's decision of 18 January 2012, two options for reaching the climate targets were thoroughly investigated: the building of a new multifuel power plant in Vuosaari and upgrade investments that would enable significant increases in pellet combustion at the Hanasaari and Salmisaari power plants. A new option based on distributed production was also assessed.

The different options for reaching the climate targets were extensively studied from the environmental point of view, with respect to their economic and technical feasibility. The studies were based on analyses of the market situation and different scenarios of future developments. All the alternatives studied would have an adverse effect on Helen's finances. In the current upheaval of the energy markets, the Board of Directors of Helen Ltd found that there is no economic basis for implementing any of the above options. In the Board's view, the best option for reaching the climate policy targets set by the City of Helsinki was a new model in which various renewable energy solutions are progressively taken into use, utilising new technologies and innovations.

According to the Helsinki City Council's decision of 2 December 2015, the development programme will be based on the model in which the use of biofuels is progressively increased in heat production. At the same time, the possibilities offered by new technologies and any changes in the energy use of Helen's customers will be taken into account. For example, the possibilities of extensively utilising solar heat, geothermal heat and heat pumps will be investigated.

In line with the City Council's policy definitions, our objective is to reduce carbon dioxide emissions by 20 per cent on the 1990 level and increase the share of renewable energy to 20 per cent. The first significant investment project will be a pellet-fired heating

plant designed for the Salmisaari power plant area, replacing the oil-fired heating plant. The planning of the new heating plant has already started, and the project's investment decision is expected in 2016. Once completed, the amount of energy produced by the plant would meet the heating need of 25,000 one-bedroom apartments.

The next step will be to build a large bio-energy heating plant in the Vuosaari power plant area and possibly also at another site. The Hanasaari CHP plant will be decommissioned in accordance with the City Council's decision by 31 December 2014 at the latest, i.e. as soon as a sufficient substitute heat production capacity has been ensured.

Preparations for the decommissioning of the Hanasaari power plant will be started immediately by assessing the impacts of the decommissioning on the maintenance programme, investments and personnel planning. We will move over to corrective maintenance, where applicable, while taking account of the availability requirement of our power plants. Only unavoidable investments, such as those required by the Industrial Emissions Directive or other corresponding upgrade projects, will be implemented. Recruitment of employees will be carefully considered.

Financing

The equity ratio of the parent company was 77%, and the amount of interest-bearing debts was EUR 499 million. The interest-bearing debts consist of a subordinated loan (EUR 157 million) taken out from the owner, a so-called senior debt (EUR 294 million) taken out from the owner, and loans taken out from financial institutions (EUR 48 million).

The subordinated loan taken out from the City of Helsinki can be repayed early, either partially or fully, if the borrower so wishes. The capital of the subordinated loan can only be repayed to the extent that the unrestricted shareholders' equity and the total amount of the subordinated loans at the time of repayment exceed the loss that is to be confirmed for the company's last financial year or is included in the balance sheet of more recent financial statements. The annual interest rate for the loan is six per cent (6%).

Shares

The registered and fully paid share capital of Helen Ltd is EUR 600 million. The total number of shares is 1,000. The City of Helsinki owns all the shares.

Helen Ltd reorganised its business structure

Helen Ltd reorganised its business structure to correspond with the company's strategy. The changes aim to improve the company's competitive position in the constantly evolving energy market. The objective is to boost sales and improve customer experiences and thus to increase the company's market share, along with customer satisfaction. Concentration of asset management will improve and harmonise the condition management of production plants and the heating and cooling networks. By concentrating the energy sales, Helen seeks to increasingly improve its margin management in the current difficult market environment.

Transfer of the tunnel business

The operation of Helsingin Energiatunnelit Oy was launched on 1 December 2015, when the tunnel business of Helen Ltd was transferred to new company. The asset deal was partly implemented as a share issue directed to Helen Ltd and partly as money. The value of the asset deal was EUR 92 million, of which Helen Ltd subscribed for shares worth EUR 40 million. For the rest, EUR 52 million, Helsingin Energiatunnelit Oy remained indebted to Helen Ltd.

The second phase of the transfer of the tunnel business will be implemented after the financial statements for 2015 of Helen Ltd have been completed so that the company will make a repayment of capital corresponding to the City's ownership by assigning 40,000 shares of Helsingin Energiatunnelit Oy to the City of Helsinki. The repayment will amount to EUR 4 million.

KEY EVENTS DURING THE FINANCIAL PERIOD

In November, a pellet system was introduced at the Hanasaari power plant to replace 5–7% of the coal used by the power plant with wood pellets. At the Salmisaari power plant, a similar pellet system was introduced already at the end of 2014. When pellet combustion with a share of 5–7 per cent is carried out both at Hanasaari and Salmisaari, pellet combustion in Helsinki totals almost 100,000 tonnes a year. This amount corresponds to about one-third of all pellet production in Finland.

Combined district heating and cooling solution won the esteemed **Global District Energy Climate Awards** on 27 April 2015. The award panel was particularly impressed by Helen's energy-efficient solutions that utilise the densely-built urban structure to maximise energy efficiency. District cooling improves the residents' quality of life and also enables large-scale utilisation of waste energy and solar heat.

Helen Ltd is implementing the largest electricity storage facility in the Nordic countries the Suvilahti district of Helsinki. In the pilot project, new opportunities offered by a megawatt-scale electricity storage facility will be tested: flexible intermediate storage of electricity and new business models that can be developed by storing electricity. The company is the first in the Nordic electricity market to connect a megawatt-scale lithium battery storage facility to the electricity grid. The electricity storage facility will be included as part of the smart energy system in Kalasatama.

Suvilahti solar power plant fulfilled expectations. The solar power plant in the Helsinki district of Suvilahti, which was Finland's largest solar power plant on completion, has met all expectations since it started production in spring 2015. The plant has collected a total of over 200,000 kWh of solar electricity, which is the equivalent of the annual consumption of 100 one-bedroom apartments. The Suvilahti solar power plant increased the total solar electricity output connected to Finland's grid by over 10 per cent.

New solar power plant to Kivikko in Helsinki. Helen Ltd launched the construction of a new solar power plant in the Kivikko district of Helsinki. The solar power plant will consist of almost 3,000 solar panels, and its output will be over 800 kW. Along with the completion, the company will strengthen its position as Finland's largest producer of solar electricity.

New underground substation to the expanding district of Pasila. A new underground substation was inaugurated in Ilmalantori. The substation will strengthen electricity distribution in the nearby areas and improve the security of electricity supply. In order to save urban space, the new substation has been built into an underground cavern at a depth of 30 metres.

Customers and services

Customer services in different service channels are measured and developed systematically throughout the whole Group.

The customer services of Helen Ltd was once again ranked highest in the EPSI Rating Finland survey on customer satisfaction in electricity retail sales. The company has maintained its number one position among major energy companies for 10 years.

As a result of the reorganisation carried out at Helen Ltd, the electricity, district heat and district cooling services have now been combined into a single organisation. The objective is to develop procedures and further improve customer service experiences.

Significant investments are made in customer-oriented product and service development. Customers are given the opportunity to take part in and influence product development and to improve their user experiences.

The smart homes pilot area in the Helsinki district of Kalasatama was the first to introduce the HIMA home automation systems delivered by Helen Ltd and ABB, enabling up to 15 per cent lower electricity and water consumption. Customers can monitor the consumption data online in real time, also on mobile devices when out and about.

Helen Ltd was the first company in Finland to launch the renewable district heat product aimed at apartment residents who can have an impact on the development of district heat production.

Employees

The parent company had 1,067 employees at the end of the year. The number of permanent employees was 1,016, or 95%, and the number of fixed-term employees was 51. The average number of employees was 1,111. A total of 31 employees retired, and ten new permanent employees were recruited. The average age of the employees was 46.1 with an average of 17.5 years of service between them. A total of EUR 54 million was paid as wages and salaries, also including bonuses. In addition to statutory insurance, all employees are covered by group leisure-time accident insurance.

The average number of employees of Helen Sähköverkko Oy was 108 and that of Suomen Energia-Urakointi Oy 167. The other subsidiaries did not have any employees at the end of 2015.

Research and development

The company was involved in the SunZeb research project, which confirmed that a significant amount of heat can be recycled from buildings back into the district heating network with the aid of district cooling. A substantial amount of this heat is renewable energy from the sun. The SunZEB research project coordinated by VTT studied the new opportunities offered by dense urban construction in the utilisation of renewable energy, recycling of energy flows and emissions reduction.

Energy storage is part of 'the best city energy in the world' concept of Helen Ltd. The company is a forerunner in energy storage on the global scale. Heat has been stored for some time in district heat storage facilities in Vuosaari and Salmisaari, and cold has been stored in the district cooling storage facility in Pasila. The new cooling water storage facility in the Esplanade Park was commissioned in the spring. Energy storage enables flexible use of energy in various demand situations. The latest project related to energy storage is the largest electricity storage facility in the Nordic countries.

Helen Ltd took part in bioenergy research through CLIC Innovation Ltd in Sustainable Bioenergy Solutions for Tomorrow (BEST), a joint four-year research programme with Finnish industry and research organisations. The objective is to create new sustainable bioenergy business. Helen Ltd focused on health and safety issues related to biofuels, as well as logistical development. The company also took part in the five-year research programme on carbon capture and storage (CCSP) by CLIC Innovation Ltd, especially in the research of the technology and concepts of carbon capture.

In the autumn, Helen Ltd joined the innovation unit Forum Virium, which develops new digital services in collaboration with enterprises, the City of Helsinki, other public sector organisations and the residents of Helsinki. The company aims to develop better services, create new business and open up contacts for international markets.

Internal control and risk management

The aim of our risk management measures is to ensure the security of energy supply and safeguard and increase the value of the Helen Group in the long term. Within the company, risk management means a systematic and proactive way of identifying, analysing and managing uncertainties related to operations. Comprehensive risk management is a business-oriented, systematic and standardised procedure that steers decision-making and operations throughout the organisation. Risks are divided into different categories to facilitate the perception of overall risk management, comparison of risks and to define the matters to be discussed.

It is the responsibility of Helen's management to ensure that the company has efficient risk management and internal control practices with regard to the extent and content of its economy and business operations. With regard to the extent and structure of its operations, the company has extensively assessed the most significant risks and uncertainty factors, as well as other factors affecting operational development.

Internal control and risk management have been organised by including risk-management thinking in all activities of the company. Operating principles and a risk management handbook have been drawn up for energy trading. The energy trading principles and associated risk management practices outlined in the risk management handbook have been approved by Helen's Board of Directors.

The electricity market is highly volatile and predictability is expected to weaken. Competition is becoming tougher in the end customer market. Fluctuation of electricity exchange prices will cause business risks in wholesale and retail sales and also in electricity procurement. The Group is prepared for risks and uses derivatives to hedge procurement and sales. The most significant risks of fuel procurement are the volume risk and price risk. These risks are controlled, e.g. by means of procurement and derivative contracts.

The Group's insurances were updated with the exception of those of Suomen Energia-Urakointi Oy. Earnings-related pension insurances and a group life insurance were taken out at Keva. In other respects, Helen arranged an extensive bidding contest for insurances by insurance types in 2014. The new insurances became effective on 1 January 2015, and they were divided between three insurance companies. The insurance protection covers damages to property, damage due to business interruptions, damage to third-parties, personal injuries and vehicle damage. It has been ensured that the coverage and excess levels of the insurances correspond to the insurance companies' risk-bearing capacity.

Environment

Energy efficiency, security of supply and responsibility are the main principles of our business operations. The energy-efficient operations are based on ecologically efficient combined heat and power generation, as well as district heating and district cooling. Concentrated energy production falls within the scope of the EU Emissions Trading Scheme (EU ETS).

The key tool for achieving the climate policy targets is raising the share of renewable energy production methods in the present production structure. Carbon dioxide emissions will be reduced by increasing the use of biofuels, building solar and wind power, improving energy efficiency and investing in smart energy systems that will make the utilisation of microgeneration and waste energies possible.

The Industrial Emissions Directive (IE Directive) that entered into force at the start of 2016 made the emission limits of local emissions, such as particle matter, sulphur dioxides and nitrogen oxides more stringent, in many cases reducing the amounts to less than half of their present levels. The particulate emissions of Helen Ltd have already been at a very low level and below the emission limits. The efficiency of the desulphurisation plants of the coal-fired power plants has also been increased.

Reducing emissions of nitrogen oxides has required significant investments.

An SCR (Selective Catalytic Reduction) catalyst that removes flue gases from nitrogen oxides has been implemented in the Salmisaari power plant. The nitrogen oxides of the Hanasaari power plant are cleaned in the plant's boiler with an SNCR (Selective Non-Catalytic Reduction) urea injection system.

The impacts of the local emissions from Helen's energy production on air quality in the Greater Helsinki Area are monitored as part of the air quality monitoring carried out by the Helsinki Region Environmental Services Authority HSY. The results of monitoring show that the impacts of energy production on the air quality of Helsinki are minimal.

In energy production and distribution, Helen Ltd uses an environmental management system that complies with the ISO 14001 standard. The Green Office environmental programme is used in all offices.

The Board of Directors' proposal for the distribution of dividends

The distributable equity of the parent company Helen Ltd stands at EUR 1,323,155,185.70, of which the profits from the financial year amount to EUR 67,974,375.03. According to the owner's policy decision, the company will distribute approx. half of its retained profit as dividends. The Board of Directors proposes to the Annual General Meeting that the company should pay a dividend of EUR 34,000.00/share, totaling EUR 34,000,000.00 and that EUR 33,974,375.03 should be retained in shareholders' equity. The Board of Directors proposes that the distribution of dividends should take place on 31 March 2016. The liquidity of the company is good, and the Board of Directors takes the view that the profit distribution will not jeopardise the company's liquidity.

Organisation and auditors

The task of the Board of Directors of Helen Ltd is to develop and supervise the company's operations. At the launch stage, the company had a temporary Board of Directors with Tapio Korhonen as acting Chairman and Jaana Eklund and Sami Sarvilinna as members. After the resignation of the temporary Board of Directors on 31 December 2014, the Board consisted of the following nine members as of 1 January 2015 by the decision of the

extraordinary general meeting held on 16 December 2014: Pekka Majuri, Chairman; Osmo Soininvaara, Vice Chairman; Hanna-Maria Heikkinen; Mari Holopainen; Tapio Korhonen; Annukka Mickelsson; Hillevi Mannonen; Mikko Niinivaara; and Jouko Sillanpää. The Board members were re-elected at the Annual General Meeting of 17 March 2015, and they will hold office until the end of the 2016 Annual General Meeting.

During the financial year of 1 July 2014 – 31 December 2015, the Board of Directors convened 31 times.

The extraordinary general meeting on 27 August 2014 decided on the establishment of a permanent nomination board and the election of members. The following persons were elected as members of the permanent Shareholders' Nomination Board: Mari Puoskari, Chairman of the City Council of Helsinki; Tatu Rauhamäki, Chairman of the City Board of Helsinki; Jussi Pajunen, Mayor of Helsinki; Osku Pajamäki, Deputy Chairman of the City Board of Helsinki; and Sirpa Puhakka, Member of the City Council of Helsinki. In the Annual General Meeting on 17 March 2015, Veronika Honkasalo, Member of the City Council, was elected to replace Member of the Council Sirpa Puhakka. The task of said Shareholders' Nomination Board is to annually prepare the election of Board members and the proposals concerning fees to the general meeting, and to ensure that the Board and its members have sufficient expertise and experience that correspond with the needs of the company.

The Board committees include the Audit Committee and the Nomination and Remuneration Committee. The committees help the Board in carrying out its duties. The Board of Directors has approved the written rules of procedure for the committees. The members of the Audit Committee are Hillevi Mannonen as Chairman and Hanna-Maria Heikkinen and Mari Holopainen as members. The Audit Committee convened five times during 2015. The members of the Nomination and Remuneration Committee were Pekka Majuri as Chairman and Mikko Niinivaara and Osmo Soininvaara as members. The Nomination and Remuneration Committee convened seven times during 2015. The term of the committees is one year, terminating at the end of the 2016 Annual General Meeting.

Pekka Manninen, M.Sc. (Tech.) has acted as President and CEO of Helen Ltd.

During the financial period (1 July 2014 – 31 December 2015), a total of EUR 517,544 was paid as salaries, fees and bonuses to the members of the company's Board of Directors and to the President and CEO and his deputy.

KPMG Oy Ab acted as the company's auditor. The principal auditor was Kaija Pakkanen, Authorised Public Accountant.

Outlook for the future

The result for 2016 is expected to show a significant fall on the previous year. Uncertainties in the economy and the energy markets in Europe and Finland continue to have repercussions on our business operations. According to forecasts, the electricity market will be very difficult for electricity producers in the next few years. The volume of renewable production is growing rapidly. The prices are at a low level, and the steep price fluctuations will continue and strengthen further. When realised, the Finnish Government's plan to progressively raise the carbon dioxide tax on combined heat and power generation will significantly impact the production costs of CHP production and have an adverse effect on the competitiveness of district heating. Over a longer period of time, especially the investment solutions related to the development programme will have a significant impact on the company's earnings potential.

| PROFIT AND LOSS ACCOUNT 1.7.14-31.12.15 | GROUP 2015 € | PARENT COMPANY 2015 € |
|--|-------------------------------------|--------------------------------------|
| NET TURNOVER | 745,806,302.57 | 633,814,353.03 |
| Variation in work in progress | -529,856.43 | - |
| Work performed by the undertaking for its purpose and capitalized | 5,718,836.16 | 4,514,993.07 |
| Other operating income | 10,896,430.79 | 20,978,668.42 |
| Operating expenses | | |
| Energy procurement | -74,133,392.31 | -69,388,385.15 |
| Purchase of electricity distribution | -370,284.88 | -5,974,602.70 |
| Materials, supplies and goods: | | |
| Fuel | -236,369,668.85 | -236,369,668.85 |
| Variation in inventories | 388,240.18 <small>incr/decr</small> | -553,965.30 <small>incr/decr</small> |
| Purchase of materials and supplies | -18,814,717.65 | -11,830,702.22 |
| External services | -52,856,517.03 | -29,142,003.26 |
| Staff expenses | -83,265,113.24 | -66,339,171.34 |
| Depreciation and value adjustments | -118,497,444.41 | -84,724,397.27 |
| Other operating charges | -68,325,513.81 | -59,752,580.11 |
| | ----- | ----- |
| OPERATING PROFIT | 109,647,301.09 | 95,232,538.32 |
| Financial income and expenses | | |
| Income from associated companies | 1,273,334.09 | - |
| Dividend income | 17,496.96 | 7,537,496.96 |
| Other interest and financial income | 2,896,964.46 | 6,173,647.77 |
| Interest and other financial expenses | -30,462,090.40 | -25,885,699.31 |
| | ----- | ----- |
| PROFIT BEFORE APPROPRIATIONS AND TAXES | 83,373,006.20 | 83,057,983.74 |
| Income taxes | -16,742,937.14 | -15,083,608.71 |
| Minority interests | -459,104.03 | - |
| | ----- | ----- |
| PROFIT FOR THE FINANCIAL YEAR | 66,170,965.03 | 67,974,375.03 |

BALANCE SHEETGROUP
31.12.2015
€PARENT COMPANY
31.12.2015
€**ASSETS****NON-CURRENT ASSETS****Intangible assets**

| | | |
|--------------------------|---------------|---------------|
| Intangible rights | 64,699,862.49 | 63,329,405.90 |
| Goodwill | 35,236,715.56 | - |
| Other long-term expenses | 18,294.84 | - |
| | ----- | ----- |
| | 99,954,872.89 | 63,329,405.90 |

Tangible assets

| | | |
|---|------------------|------------------|
| Land and waters | 5,205,981.02 | - |
| Buildings and constructions | 389,202,364.88 | 251,493,411.78 |
| Machinery and equipment | 1,472,044,541.10 | 1,076,528,185.97 |
| Advance payments and construction in progress | 83,048,177.87 | 54,383,581.74 |
| | ----- | ----- |
| | 1,949,501,064.87 | 1,382,405,179.49 |

Investments

| | | |
|-------------------------------------|----------------|----------------|
| Holdings in group undertakings | - | 382,100,572.18 |
| Receivables from Group expenses | - | 200,400,000.00 |
| Investments in associated companies | 59,793,334.09 | 60,000,000.00 |
| Participating interests | 242,857,054.36 | 121,745,054.71 |
| other investments | 231,683.41 | 231,683.41 |
| | ----- | ----- |
| | 302,882,071.86 | 764,477,310.30 |

CURRENT ASSETS**Inventories**

| | | |
|------------------|---------------|---------------|
| Fuel | 70,780,314.63 | 70,780,314.63 |
| Work in progress | 1,350,785.99 | - |
| Consumables | 2,098,389.69 | - |
| | ----- | ----- |
| | 74,229,490.31 | 70,780,314.63 |

Long term receivables

| | | |
|-------------------|---------------|-----------|
| Loan receivables | 39,004,720.00 | - |
| Other receivables | 17,325.72 | 17,325.72 |
| | ----- | ----- |
| | 39,022,045.72 | 17,325.72 |

Current receivables

| | | |
|----------------------------------|----------------|----------------|
| Accounts receivable | 19,513,428.61 | 17,982,712.71 |
| Receivables from Group companies | - | 8,000,000.00 |
| Group account receivables | 130,808,747.45 | 113,595,878.23 |
| Other receivables | 8,621,245.61 | 4,893,979.18 |
| Prepayments and accrued income | ----- | ----- |
| | 238,267,772.74 | 216,948,152.51 |

Cash in hand and at banks**TOTAL ASSETS**

| | | |
|--|------------------|------------------|
| | 17,247,140.81 | 12,230,346.53 |
| | ----- | ----- |
| | 2,721,104,459.20 | 2,510,188,035.08 |

| BALANCE SHEET | GROUP 31.12.2015 € | PARENT COMPANY 31.12.2015 € |
|---|--------------------------|-----------------------------------|
| EQUITY | | |
| CAPITAL AND RESERVES | | |
| Share capital | 600,000,000.00 | 600,000,000.00 |
| Invested unrestricted equity fund | 1,255,180,810.67 | 1,255,180,810.67 |
| Profit for the financial year | 66,170,965.03 | 67,974,375.03 |
| | ----- | ----- |
| | 1,921,351,775.70 | 1,923,155,185.70 |
| | | |
| MINORITY INTERESTS | 1,716,048.69 | - |
| | | |
| LIABILITIES | | |
| Long-term debts | | |
| Subordinated loan | 158,600,000.00 | 157,000,000.00 |
| Financing loans | 357,950,000.00 | 314,950,000.00 |
| Other interest-bearing liabilities | 87,172,056.15 | 56,641.90 |
| Deferred tax liabilities | 12,008,000.00 | - |
| | ----- | ----- |
| | 615,730,056.15 | 472,006,641.90 |
| Current liabilities | | |
| Financing loans | 81,600,000.00 | 26,600,000.00 |
| Accounts payable | 23,350,999.51 | 26,304,223.18 |
| Other current liabilities | 39,884,189.23 | 29,733,603.54 |
| Deferred income and accrued liabilities | 37,471,389.93 | 32,388,380.76 |
| | ----- | ----- |
| | 182,306,578.67 | 115,026,207.48 |
| | ----- | ----- |
| TOTAL EQUITY AND LIABILITIES | 2,721,104,459.20 | 2,510,188,035.08 |

CASH FLOW STATEMENTGROUP
2015
€PARENT COMPANY
2015
€**Cash flow from operating activities**

| | | |
|---|--------------------------|-----------------------------|
| Operating profit | 109,647,301.09 | 95,232,538.32 |
| Corrections | | |
| Depreciations according to plan | 114,133,987.33 | 80,657,267.20 |
| Other income and expenses without payments | 4,413,735.83 | 4,067,130.07 |
| Financial income and expenses | -26,274,294.89 | -12,174,554.58 |
| Taxes | -16,742,937.14 | -15,083,608.71 |
| Share of profits of associated companies | 1,206,665.91 | - |
| Cash flow before change in working capital | 186,384,458.13 | 152,698,772.30 |
| Working capital | | |
| Current receivables without interests | -146,481,071.00 | -103,369,600.00 |
| Group account receivables | -130,808,747.45 | -113,595,878.23 |
| Current receivables | -74,229,490.31 | -70,780,314.63 |
| Current liabilities without interests | 112,714,578.66 | 115,026,207.48 |
| Cash flow from operating activities (A) | -52,420,271.97 | -20,020,813.08 |
| Cash flow from investing activities | | |
| Investments in material and immaterial goods | -2,260,496,620.41 | -1 623 002 220,89 |
| Capital gain of material and immaterial goods | 92,543,238.23 | 92,543,238.23 |
| Investments in other investments | -302,882,071.86 | -764,477,310.30 |
| Cash flow from investing activities (B) | -2,470,835,454.04 | -2,294,936,292.96 1) |
| Cash flow from financing activities | | |
| Current debts | 81,600,000.00 | - |
| Long-term debts | 603,722,056.15 | 472,006,641.90 |
| Own capital | 1,815,180,810.67 | 1,855,180,810.67 |
| Cash flow from financing activities (C) | 2,540,502,866.82 | 2,327,187,452.57 2) |
| Change in cash flow (A + B + C) increase (+) or decrease (-) | 17,247,140.81 | 12,230,346.53 |
| Cash and cash equivalents at the beginning of the year | - | - |
| Cash and cash equivalents at the end of the year | 17,247,140.81 | 12,230,346.53 |
| | 17,247,140.81 | 12,230,346.53 |

1) Cash flow from investing activities includes assets transferred in connection with the establishment of Helen Ltd.

2) Cash flow from financing activities includes the majority shareholding of the establishment of Helen Ltd.

NOTES TO THE FINANCIAL STATEMENTS

Accounting principles

Scope of consolidated financial statements

The consolidated financial statements include the parent company Helen Ltd and its subsidiaries Helen Sähköverkko Oy, Oy Mankala Ab, Helsingin Energiatunneli Oy and Suomen Energia-urakointi Oy. Voimapiha Oy and Suomen Merituuli Oy are consolidated as associated companies. The consolidated financial statements are prepared according to the Finnish Accounting Standards.

The Group is included in the Helsinki City Group as a subgroup. A copy of the financial statements of the City of Helsinki is available online at www.hel.fi.

Accounting principles applied to the consolidated financial statements

Intragroup shareholding is eliminated with the acquisition cost method. Business transactions within the Group, the internal margin included in non-current assets and inter-company receivables and liabilities have been eliminated. In Group balance sheet, the difference of the acquisition cost and equity has been allocated as Group goodwill, which is depreciated in five or 20 years. The share of equity exceeding the acquisition cost of subsidiaries has been allocated as Group reserve, which is recognised as revenue in 20 years. Group goodwill has been reported on a net basis and presented as Group reserve. Minority interests has been separated from consolidated shareholders' equity and net profit and presented as a separate item. Associated companies have been consolidated in the consolidated financial statements with the equity method.

Valuation of current assets

Current assets are presented according to the FIFO principle as acquisition cost or as replacement cost if lower.

Valuation of fixed assets

Fixed assets are recognised in the balance sheet at purchase cost less depreciation according to plan and possible impairment. Depreciation according to plan is calculated as straight-line depreciation on the acquisition cost of fixed assets.

Depreciation plan

| | Depreciation period, years |
|-------------------------------------|----------------------------|
| Intangible assets | |
| IT software | 3-5 |
| Other intangible rights | over their useful |
| Economic life Goodwill | 5-20 |
| Emission allowances | according to use |
| Other long-term expenses | 3-10 |
| Tangible assets | |
| Land and waters | no |
| Depreciation period buildings | |
| and constructions | 10-40 |
| Networks | 10-40 |
| Machinery and equipment | 3-30 |
| IT equipment | 3-10 |
| Advance payments and | |
| construction in progress | no depreciation period |
| Investments of fixed assets | |
| Shares and holdings | no depreciation period |
| Group reserve recognised as revenue | 20 |

Processing of connection fees

Connection fees that are transferrable but non-refundable have been entered as income in the profit and loss account.

| | GROUP 2015 € | PARENT COMPANY 2015 € |
|---|--------------------|-----------------------------|
| 1. Turnover | | |
| Electricity sales | 286,683,356 | 286,683,356 |
| Sales of electricity distribution | 95,202,439 | - |
| Heat sales | 317,436,134 | 317,436,134 |
| Other income | 46,484,374 | 29,694,863 |
| Total | 745,806,303 | 633,814,353 |
| 2. Variation in work in progress | -529,856 | - |
| 3. Work performed by undertaking for its own purpose and capitalised | 5,718,836 | 4,514,993 |
| 4. Other operating income | | |
| Rents | 2,769,707 | 1,917,542 |
| Capital gains | 303,612 | 295,903 |
| Other | 7,823,112 | 18,765,223 |
| Total | 10,896,431 | 20,978,668 |
| 5. Fuels and energy procurement | | |
| Purchase of electricity | 73,208,211 | 68,463,203 |
| Purchase of heat | 925,182 | 925,182 |
| Purchase of electricity distribution | 370,285 | 5,974,603 |
| Purchase of fuels | 236,369,669 | 236,396,669 |
| Change in fuel stores | 553,965 | 553,965 |
| Total | 311,427,312 | 312,286,622 |
| 6. External services | | |
| Grid fees | 14,963,177 | - |
| Construction and land construction projects | 13,914,433 | 6,673,702 |
| Expert and consultant services | 6,296,709 | 6,125,210 |
| Environmental services | 1,578,286 | 1,578,286 |
| Other external services | 16,103,913 | 14,764,805 |
| Total | 52,856,517 | 29,142,003 |
| 7. Staff | | |
| Average number of personnel | | |
| Number of monthly salaried employees | 1,371 | 1,091 |
| Number of hourly waged employees | 20 | 20 |
| Personnel | 1,391 | 1,111 |
| Staff costs | | |
| Wages and salaries | 67,334,184 | 53,639,532 |
| Pension expenses | 11,893,369 | 9,400,632 |
| Other social charges | 4,037,560 | 3,299,007 |
| Total | 83,265,113 | 66,339,171 |
| Value of fringe benefits for tax purposes | 175,645 | 175,645 |
| Total | 83,440,758 | 66,514,816 |
| Remuneration of the Board and key management | 795,186 | 517,544 |

| | GROUP 2015 € | PARENT COMPANY 2015 € |
|--|--------------------|-----------------------------|
| 8. Other operating charges | | |
| Land leases | 7,286,883 | 5,615,406 |
| Other leases | 8,463,612 | 5,385,696 |
| Information technology and expert services | 10,153,574 | 9,578,554 |
| Vehicle and equipment expenses | 6,029,697 | 4,157,940 |
| Representation and marketing | 3,199,784 | 3,173,285 |
| Insurance policies | 1,395,796 | 1,252,197 |
| Emission allowances | 18,457,287 | 18,457,287 |
| Audit fees | 37,260 | 24,480 |
| Other costs | 13,301,621 | 12,107,735 |
| Total | 68,325,514 | 59 752 580 |
| 9. Financial income and expenses | | |
| Share of profits of associated companies | 1,273,334 | - |
| Divided income | | |
| From Group undertakings | - | 5,040,000 |
| From associated companies | - | 2,480,000 |
| From others | 17,497 | 17,497 |
| Interest income on long-term investments | | |
| From Group undertakings | - | 5,491,080 |
| Other interest and financial income | 2,896,964 | - |
| From Group undertakings | - | 108,333 |
| From others | - | 574,234 |
| Total financial income | 4,187,796 | 13,711,145 |
| Interest expenses | | |
| Interest expenses on a subordinated loan | 9,420,000 | 9,420,000 |
| Interest expenses on a senior debt | 15,263,498 | 15,263,498 |
| From associated companies | 11,914 | 11,914 |
| Other interest and financial expenses | | |
| To Group undertakings | - | 53,775 |
| To others | 5,778,593 | 1,148,426 |
| Total financial expenses | 30,462,090 | 25,885,699 |

| | GROUP 2015 € | PARENT COMPANY 2015 € |
|--|--------------------|-----------------------------|
| 10. Non-current assets | | |
| Intangible assets | | |
| Acquisition cost 1.7.2014 | - | - |
| Acquisition cost 1.1.2015 | 69,641,614 | 69,479,751 |
| Increases 1.1.-31.12. | 15,742,378 | 14,443,023 |
| Decreases 1.1.-31.12. | 18,363,572 | 18,363,572 |
| Acquisition cost 31.12. | 67,020,420 | 65,559,203 |
| Depreciation 1.1.-31.12. | 2,302,263 | 2,229,797 |
| Book value 31.12. | 64,718,157 | 63,329,406 |
| Group goodwill | | |
| Acquisition cost 1.1.2015 | 149,903,669 | - |
| Increases 1.1.-31.12. | - | - |
| Decreases 1.1.-31.12. | - | - |
| Acquisition cost 31.12. | 149,903,669 | - |
| Depreciation 1.1.-31.12. | 7,718,949 | - |
| Book value 31.12. | 142,184,721 | - |
| Carried over from Group reserve | -106,948,005 | - |
| Group goodwill in the balance sheet 31.12. | 35,236,716 | - |
| Group reserve | | |
| Value 1.1.2015 | 112,576,848 | - |
| Increases 1.1.-31.12. | - | - |
| Decreases 1.1.-31.12. | 5,628,842 | - |
| Value 31.12 | 106,948,005 | - |
| Book value 31.12. | 106,948,005 | - |
| Carried over to Group goodwill | 106,948,005 | - |
| Group goodwill in the balance sheet 31.12. | - | - |
| Land and waters | | |
| Acquisition cost 1.1.2014 | - | - |
| Acquisition cost 1.1.2015 | 5,205,981 | - |
| Increases 1.1.-31.12. | - | - |
| Decreases 1.1.-31.12. | - | - |
| Acquisition cost 31.12. | 5,205,981 | - |
| Book value 31.12. | 5,205,981 | - |
| Buildings and structures | | |
| Acquisition cost 1.7.2014 | - | - |
| Acquisition cost 1.1.2015 | 299,192,343 | 254,405,213 |
| Increases 1.1.-31.12. | 108,330,401 | 12,232,594 |
| Decreases 1.1.-31.12. | 2,547,663 | 2,547,663 |
| Acquisition cost 31.12. | 404,975,080 | 264,090,144 |
| Depreciation 1.1.-31.12. | 15,772,715 | 12,596,732 |
| Book value 31.12. | 389,202,365 | 251,493,412 |
| Machinery and equipment | | |
| Acquisition cost 1.7.2014 | - | - |
| Acquisition cost 1.1.2015 | 1,556,183,676 | 1,174,153,208 |
| Increases 1.1.-31.12. | 99,741,384 | 57,709,332 |
| Decreases 1.1.-31.12. | 89,911,617 | 89,503,617 |
| Acquisition cost 31.12. | 1,566,013,444 | 1,142,358,924 |
| Depreciation 1.1.-31.12. | 93,968,903 | 65,830,738 |
| Book value 31.12. | 1,472,044,541 | 1,076,528,186 |
| Advance payments and fixed assets in progress | | |
| Acquisition cost 1.7.2014 | - | - |
| Acquisition cost 1.1.2015 | 91,829,779 | 54,583,777 |
| Increases 1.1.-31.12. | 116,117,031 | 100,547,116 |
| Decreases 1.1.-31.12. | 124,898,632 | 100,747,311 |
| Acquisition cost 31.12. | 83,048,178 | 54,383,582 |
| Book value 31.12. | 83,048,178 | 54,383,582 |

| Investments 31.12.2015 | Domicile | GROUP Number | Share % | Book value € | PARENT COMPANY | | Book value € |
|---|-----------|-----------------|------------|--------------------|-----------------------------|------------|--------------------|
| | | | | | Number | Share % | |
| Shares and holdings | | | | | | | |
| Shares in Group undertakings | | | | | | | |
| Oy Mankala Ab | Iitti | - | - | - | 42,500,262 | 100.00 | 254,600,000 |
| Helen Sähköverkko Oy | Helsinki | - | - | - | 42,000 | 100.00 | 84,000,000 |
| Helsingin Energiatunnelit Oy | Helsinki | - | - | - | 400,090 | 100.00 | 40,093,172 |
| Suomen Energia-Urakointi Oy | Helsinki | - | - | - | 3,625 | 60.40 | 3,407,400 |
| Associated companies | | | | | | | |
| Voimapiha Oy | Helsinki | 400,000 | 33.33 | 58,795,743 | 400,000 | 33.33 | 60,000 |
| Suomen Merituuli Oy | Helsinki | 1,000 | 50.00 | 997,591 | - | - | - |
| Other shares | | | | | | | |
| Teollisuuden Voima Oyj | Helsinki | 99,630,381 | 8.14 | 117,973,353 | - | - | - |
| EPV Energia Oy | Vaasa | 492,102 | 6.88 | 54,659,809 | 492,102 | 6.88 | 54,659,809 |
| Pohjolan Voima Oy | Helsinki | 327,708 | 0.86 | 16,363,784 | 327,708 | 0.86 | 16,363,784 |
| Kemijoki Oy | Rovaniemi | 39,095 | 1.60 | 50,176,665 | 39,095 | 1.60 | 50,176,665 |
| Helsinki Halli Oy | Helsinki | 12 | - | 201,826 | 12 | - | 201,826 |
| Liikennevirta Oy | Helsinki | 2,000 | 11.20 | 444,797 | 2,000 | 11.20 | 444,797 |
| CLIC Innovation Oy | Helsinki | 100 | 2.20 | 100,000 | 100 | 2.20 | 100,000 |
| Powest Oy | Helsinki | 4,436 | - | 29,840 | 4,436 | - | 29,840 |
| Suomen Hyötytuuli Oy | Pori | 276 | 12.50 | 3,138,646 | - | - | - |
| Suomen Messut osuuskunta | Helsinki | 1 | - | 17 | 1 | - | 17 |
| Helsingin | | | | | | | |
| Konsernihankinta Oy | Helsinki | 3 | - | 1 | 1 | - | 1 |
| Other shares and similar rights of ownership | | | | | | | |
| Subordinated loan, Helen Sähköverkko Oy, 1.10.2006–30.9.2026, interest is the reference rate of interest confirmed by the electricity market + 2 percentage points. | | | | | | | 146,000,000 |
| Subordinated loan, Suomen Energia-Urakointi Oy, 30.4.2012–31.12.2017, rate of interest is the 5-year Finnish government bond interest + 1 percentage point. | | | | | | | 2,400,000 |
| Loan to Helsingin Energiatunnelit Oy 15.12.2015-15.12.2029, fixed rate 5 %. | | | | | | | 52,000,000 |
| | | | | GROUP 2015 € | PARENT COMPANY 2015 € | | |
| 11. Receivables | | | | | | | |
| Long-term receivables | | | | | | | |
| Long-term loan receivables from others | | | | 39,004,720 | | | - |
| Other receivables | | | | 17,326 | | | 17,326 |
| Total | | | | 39,022,046 | | | 17,326 |
| Short-term receivables from Group undertakings | | | | | | | |
| Intra-group loan, interest-bearing | | | | - | | | 8,000,000 |
| Trade receivables | | | | - | | | 6,015,697 |
| Accrued income and prepaid expenses | | | | - | | | 3,396,967 |
| Total | | | | | | | 17,412,664 |
| Accrued income and prepaid expenses | | | | | | | |
| Accrued sales | | | | 72,120,300 | | | 66,015,330 |
| Accrued direct taxes | | | | 299,391 | | | 299,391 |
| Other accrued income | | | | 6,904,660 | | | 6,160,861 |
| Total | | | | 79,324,351 | | | 72,475,582 |

| | GROUP 2015 € | PARENT COMPANY 2015 € |
|--|--------------------|-----------------------------|
| 12. Equity | | |
| Share capital 1.7.2014 | - | 2,500 |
| Increase in share capital 31.12.2014 | - | 599,997,500 |
| Share capital 1.1. and 31.12.2015 | 600,000,000 | 600,000,000 |
| Invested unrestricted equity fund 1.7.2014 | - | 97,500 |
| Increase in invested unrestricted equity fund 31.12.2014 | - | 1,255,083,311 |
| Increase in invested unrestricted equity fund 1.1.2015 | 1,255,180,811 | - |
| Invested unrestricted equity fund 31.12.2015 | 1,255,180,811 | 1,255,180,811 |
| Profit for the financial period 31.12.2015 | 66,170,965 | 67,974,375 |
| | ----- | ----- |
| 13. Liabilities falling due after five years | | |
| Subordinated loan from the City | 157,000,000 | 157,000,000 |
| Other loans from the City | 181,950,000 | 181,950,000 |
| Loans from financial institutions | 10,000,000 | - |
| Nuclear waste management loan | 82,114,971 | - |
| | ----- | ----- |
| Total | 431,064,971 | 338,950,000 |

The Helen Group owns shares in the Finnish nuclear power company Teollisuuden Voima Oyj (TVO), which is legally obliged to cover in full the decommissioning of its nuclear power plants and the final disposal of spent nuclear fuel through the Nuclear Waste Management Fund. In order to cover its share of TVO's fund target in the forthcoming year and in case of unforeseen events, the Group has provided a directly enforceable guarantee for the sum of EUR 11 million. TVO has exercised its right to borrow the funds back from the Nuclear Waste Management Fund. The Helen Group's share of the reloan is EUR 82 million, which is included in the long-term debt falling due after five years.

14. Current liabilities

| | | |
|--|------------|------------|
| Current liabilities to Group undertakings | | |
| Accounts payable | - | 2,721,366 |
| Other liabilities | - | 2,637,632 |
| Accruals | - | 1,596,414 |
| Current liabilities to associated companies | | |
| Accounts payable | 1,017,573 | 1,000,654 |
| Accruals | | |
| Periodisation of holiday pay and holiday allowance | 16,480,862 | 12,385,972 |
| Interests | 13,388,394 | 13,095,888 |
| Accrued direct taxes | 757,098 | - |
| Other accruals | 6,845,037 | 6,906,521 |
| | 37,471,390 | 32,388,380 |

15. Commitments and contingent liabilities

| | | |
|--------------------------------------|------------|------------|
| Insurance deposits | | |
| Bank liabilities | 4,064,568 | 4,064,568 |
| Leasing liabilities | 78,871 | 78,871 |
| Rental liabilities | | |
| Due in 2016 | 4,368,216 | 3,590,226 |
| Due at a later date | 17,277,408 | 10,770,678 |
| Leasing liabilities | | |
| Due in 2016 | 2,011,643 | 877,299 |
| Due at a later date | 3,005,824 | 1,247,377 |
| Directly enforceable guarantees | 11,199,309 | - |
| Construction and warranty guarantees | 1,619,736 | - |

Oy Mankala Ab is committed to providing a shareholder loan to Teollisuuden Voima Oyj for a total maximum amount of EUR 24.4 million, of which EUR 24.4 million is outstanding.

Cross currency interest rate swaps

Derivatives are used for hedging the future interest costs of variable-rate loans and foreign currency loans against exchange rate differences. The maximum maturity of the swaps is 5 years.

| | GROUP 2015 € | PARENT COMPANY 2015 € |
|---|--------------------|-----------------------------|
| Cross currency interest rate swaps | | |
| Nominal value of swaps | 115,000,000 | 30,000,000 |
| Fair value of swaps | -376,957 | -833,710 |
| of which yet to be recognised in profit and loss account | -376,957 | -833,710 |

Electricity, currency, coal and emission derivatives

The purpose of electricity derivative trades is to hedge future purchases and sales of electricity taking place at the market price. The maximum duration of the derivatives is 10 years as from the balance sheet date. Physical electricity sale and purchase contracts are drawn up through Nord Pool Spot. Hourly-based sales and purchases are netted at the Group level and presented either as income or expenses according to the status of either net seller or net purchaser at any given time.

In commodities trade, foreign currency derivatives are used for hedging coal purchases denominated in US dollars. The maximum duration of the foreign currency derivatives is 5 years as from the balance sheet date.

Coal derivatives are used for hedging future physical purchases of coal. The maximum duration of the derivatives is 5 years as from the balance sheet date.

The purpose of using emission derivatives is based on the trading need according to actual and estimated emission levels and the emission allowances granted in the initial allocation. Emission derivatives are forward contracts with a maximum duration until the end of 2020.

The market values of derivatives are based on the market prices at the balance sheet date. Changes in the value of derivative contracts drawn up for hedging purposes are recorded in profit or loss for the same period as the physical contracts they are hedging. If there are derivative contracts that have been drawn up for purposes other than hedging, their unrealised loss shall be recognised in profit or loss for the accounting period.

| | GROUP 2015 € | PARENT COMPANY 2015 € |
|---|--------------------|-----------------------------|
| Electricity derivatives | | |
| Fair value of swaps | -67,391,366 | -63,805,862 |
| of which yet to be recognised in profit and loss account | -67,391,366 | -63 805 862 |
| Purchased TWh | 8.9 | 8.4 |
| Sold TWh | 6.3 | 6.3 |

The part of the derivative contracts not entered as income has been established when hedging physical market-priced electricity purchases and sales taking place in the future.

Currency derivatives (No currency derivatives in commodities trade were open at the balance sheet date.)

| | | |
|--|---|---|
| Nominal value of swaps | 0 | 0 |
| Fair value of swaps | 0 | 0 |
| of which yet to be recognised in profit and loss account | 0 | 0 |

The fair value of currency derivative contracts has been established when hedging coal procurement taking place in the future.

Coal derivatives (No coal derivatives were open at the balance sheet date.)

| | | |
|--|---|---|
| Fair value of swaps | 0 | 0 |
| of which yet to be recognised in profit and loss account | 0 | 0 |
| Purchased t | 0 | 0 |
| Sold t | 0 | 0 |

The fair value of coal derivative contracts has been established when hedging coal procurement taking place in the future.

Emission derivatives

| | | |
|--|---------|---------|
| Fair value of swaps | 88 | 88 |
| of which yet to be recognised in profit and loss account | 88 | 88 |
| Purchased t CO ₂ | 679,000 | 679,000 |
| Sold t CO ₂ | - | - |

The fair value of emission derivative contracts has been established when hedging the difference between predicted future emissions and the granted emission allowances.

Emissions trading

Helen Ltd has been granted emission allowances for a total of 7.1 million tonnes of CO₂ for 2013-2020. The estimated actual emissions in 2015 total 2.9 million CO₂. In the 2015 trading, the emission allowances and corresponding allowances bought physically totalled 1.8 million tonnes of CO₂.

In intangible assets in the balance sheet, emission allowances and corresponding allowances totalled 9.6 million tonnes of CO₂ on 31 December 2015.

In accounting, emission allowances are dealt with using the so-called net method in accordance with statement 1767/2005 of the Finnish Accounting Standards Board.

16. Foreign currencies

Items denominated in a foreign currency have been valued at the exchange rate applying at the balance sheet date.

17. Court proceedings and disputes

Oy Mankala Ab, which is part of the Helen Group, is a shareholder (8.1%) of Teollisuuden Voima Oyj (TVO), which is constructing the Olkiluoto 3 nuclear power plant unit (OL3) at Olkiluoto in Eurojoki under a turnkey contract.

The plant was expected to be completed in 2009 according to the original schedule.

In 2012, TVO submitted a claim and defence in arbitration proceedings in accordance with the rules of the International Chamber of Commerce (ICC) concerning the delay in the completion of OL3 and the ensuing costs. The monetary value of the company's costs and losses updated by TVO in July 2015 is about EUR 2.6 billion until December 2018, which, according to the schedule submitted by the OL3 supplier in September 2014, is the time of commencement of regular electricity production at OL3.

The arbitration proceedings were initiated in December 2008 by the OL3 supplier. The OL3 supplier's total monetary claim, updated in February 2016, is approximately EUR 3.52 billion. The sum is based on the supplier's updated analysis of events that occurred until September 2014, with certain claims quantified until the end of December 2014. The sum includes interest on overdue payments (calculated to June 2016) and a total of some EUR 1.45 billion of payments delayed by TVO under the plant contract, as well as approximately EUR 135 million in loss of profit claimed by the OL3 supplier. TVO has considered and found the earlier claim by the Supplier to be without merit, scrutinises the updated claim and will respond to it in due course. The supplier consortium companies (AREVA GmbH, AREVA NP SAS and Siemens AG) are jointly liable for their obligations under the plant supply contract. The arbitration proceedings may continue for several years.

TVO has not recorded any receivables or provisions based on the claims presented in the arbitration proceedings.