

Financial statements 2016

Vantaa Energy

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VANTAA ENERGY LTD

Report of the Board of Directors 2016

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1 General review

The Vantaa Energy Group consists of the parent company Vantaa Energy Ltd and its subsidiary Vantaa Energy Electricity Networks Ltd (ownership 100%), as well as its associated companies.

Vantaa Energy Ltd produces energy services for its customers. The company's main products are electricity, district heating and natural gas. Vantaa Energy sells electricity to corporate customers throughout Finland and to households in Vantaa and its neighbouring areas. The company's main market area for the district heating business is Vantaa. The company also provides natural gas for industrial needs.

Vantaa Energy Ltd is owned by the City of Vantaa (60%) and the City of Helsinki (40%).

The year 2016 was the company's 106th year of operation.

The subsidiary Vantaa Energy Electricity Networks Ltd is responsible for electricity network operations in Vantaa.

In 2016, the associated companies of Vantaa Energy Ltd were (ownership shares in brackets): Svartisen Holding A/S (49.6%), Suomen Energia-Urakointi Oy (25.9%), and Kolsin Voima Oy (22.5%).

The associated company Svartisen Holding A/S owns a subsidiary in Norway, Eastern Norge Svartisen A/S (100%). Kolsin Voima Oy has a subsidiary, Kolsin Vesivoimantuotanto Oy (100%).

2 Development of business operations

The company's electricity generation was based on its own combined heat and power (CHP) generation at the Martinlaakso power plant and the Långmossebergen waste-to-energy power plant. These two power plants accounted for 45% of total electricity generation. The company's shares in various partly-owned power plants totalled 55%. The company's own electricity generation and the electricity obtained from its shares in partly-owned power plants amounted to 1,411 gigawatt-hours (GWh) (1,062 GWh in 2015).

The annual output of the Martinlaakso power plant was higher than in the previous year, amounting to 376 GWh (325 GWh) of electricity and 835 GWh (828 GWh) of district heat. The production volumes of

the waste-to-energy power plant also increased to 253 GWh (210 GWh) of electricity and 943 GWh (828 GWh) of district heat.

Even though the production volumes were slightly up on the previous year, the low level of electricity market prices continues to limit the volume of profitable electricity generation at the power plants. Behind the increase in the amount of electricity obtained from the company's shares in partly-owned power plants is the fact that the production volume of the company's the hydro power assets in Norway was significantly higher than in the previous year.

The production year of the waste-to-energy power plant was a success. The amount of waste used as a fuel was 356,000 tonnes (343,000 tonnes).

Vantaa Energy Ltd introduced monthly billing for district heating on 1 January 2016 and reduced its energy prices for January and February, due to which the customers' average annual heating costs fell by 2.1%. After the price reductions implemented in recent years, the price of district heat in Vantaa is among the lowest in Finland, and the district heat price for the summer season is the lowest in Finland.

The targeted customer-specific outage time for district heating customers was 0.8 h/customer. In 2016, the customer-specific outage time was 0.97 h/customer (1.1 h/customer).

In terms of the heating requirement, the year 2016 was about 6.8% warmer than the long-term average. District heat and steam energy sales to the Vantaa region grew to 1,723 GWh (1,536 GWh). The number of connections and the contracted capacity increased as well. At the end of the year, the total contracted capacity of district heating customers was 975 MW (960 MW). Retail sales of natural gas to customers amounted to 27 GWh (25 GWh).

A new district heating connection was built from Vallinoja to the district heating network of Fortum Oyj in Tuusula.

Sales of electric energy to customers totalled 3,210 GWh (3,180 GWh). The profitability of sales was at a good level. Competition for business and residential customers continued to be very tough. The sales to business customers have partly been outsourced, and the number of customers showed an upward trend.

In line with the company's objective, customers' online access to services, as well as their self-service, developed favourably. Online services increased in popularity, and electronic invoicing was also on the increase among both households and business customers.

In 2016, the first stage of customer contacts and the contact center were outsourced to an outside service provider. Towards the end of the year, also the operation of the telephone switchboard was outsourced to the same service provider.

Vantaa Energy is involved in the Hanhikivi 1 nuclear power plant project of Fennovoima Oy through Voimaosakeyhtiö SF. Vantaa Energy's power share in the nuclear power plant is approx. 60 MW. The Ministry of Economic Affairs and Employment reported in the summer that the EIA programme submitted by Fennovoima Oy fulfilled the conditions set in the decision in principle, due to which the processing of the building permit application at the Ministry of Economic Affairs and Employment will continue.

Fennovoima Oy submitted a building permit application to the government in summer 2015. It is likely that the government will make a decision on the building permit application in 2018. The objective is that the nuclear power plant will start to produce electricity in 2024.

The sales and shutdown process of the wind power company Innopower Oy partly owned by Vantaa Energy Ltd progressed toward completion. It is likely that the process will be complete by next autumn.

The Nikkarinkaarto wind farm of Suomen Hyötytuuli Oy and the Santavuori wind farm of EPV Energia Oy in Ilmajoki, both of which are partly owned by Vantaa Energy, started commercial production in 2016. The commissioning of these wind farms almost doubled the company's wind power capacity to approx. 22 MW.

In order to comply with the Industrial Emissions Directive (IED), Vantaa Energy made the necessary burner modifications in the coal-fired boiler of the Martinlaakso power plant. The company also continued to investigate possibilities of converting the old gas-fired boiler into a biofuel-fired boiler using wood chips.

In December 2016, the management system of production was granted a certificate that complies with the ISO 9001 quality system standard.

Vantaa Energy Electricity Networks Ltd raised the price level of electricity distribution in the Vantaa area by about 7% (prices including tax) on 1 January 2016. At the same time, the special pricing that had been applied to the airport area was discontinued, and many price adjustments required by changes in the operating environment were made.

Vantaa Energy Ltd sold its office building to Nordisk Renting Ab in spring 2016. Nordisk Renting Ab launched an extensive renovation and building project in the property. Vantaa Energy intends to move into the renovated office building as a long-term tenant in summer 2017. At the moment, the personnel of the office building are working in temporary facilities. In 2016, Vantaa Energy Ltd also signed preliminary agreements on the sale of the industrial plots surrounding the office building.

3 Financial performance

Consolidated turnover stood at EUR 284.5 million (EUR 282.7 million in 2015).

The turnover of the parent company Vantaa Energy Ltd totalled EUR 249.1 million (EUR 253.7 million). The share of electricity sales in the turnover was EUR 133.4 million (EUR 141.6 million) and that of heat sales EUR 96.1 million (EUR 91,9. million). The turnover of Vantaa Energy Electricity Networks Ltd stood at EUR 37.9 million (EUR 31.1 million).

The Group's operating profit amounted to EUR 50.2 million (EUR 29.0 million). The parent company's operating profit stood at EUR 39.8 million (EUR 24.3 million), and that of Vantaa Energy Electricity Networks Ltd at EUR 8.2 million (EUR 1.7 million). Behind the increase in the parent company's operating profit were successful business operations across the board. Profitability was particularly improved by the efficient operations of the waste-to-energy power plant, the actual production of the Norwegian hydro power assets which was significantly higher than forecast, the improved profitability of sales to corporate customers, and the sales profit from oil that had been stored in the oil stockpile but had become unnecessary. The increase in the operating profit of Vantaa Energy Electricity Networks resulted from a higher amount of electricity distribution, as well as a price increase at the beginning of the year.

The Group's profit before appropriations and taxes stood at EUR 42.6 million (EUR 26.3 million). The parent company's profit before appropriations and taxes stood at EUR 35.5 million (EUR 34.8 million). Direct taxes amounted to EUR 5.1 million (EUR 5.6 million).

The Group's gross investments in fixed assets amounted to EUR 41.8 million (EUR 38.8 million). This amount includes the parent company's investments of EUR 9.0 million in power plants and heat-

ing plants. Refurbishments of the district heating network amounted to EUR 6.1 million, and a total of EUR 11.7 million was invested in production shares. The parent company's other investments stood at EUR 1.1 million and those of Vantaa Energy Electricity Networks Ltd at EUR 13.9 million.

The only financing arrangement in 2016 was the sales and financial leasing contract concerning the office building project. The total costs of the project are EUR 15.4 million. The short-term working capital needs continue to be met with the Group account credit limit (EUR 25 million) of the City of Vantaa and the parent company's commercial-paper programme (EUR 150 million). A total of EUR 6.5 million of the Group account credit limit of EUR 25 million of the City of Vantaa had been drawn at the end of the year. No commercial papers were issued.

Financial key figures:

Key figure	Group			Parent company		
	2016	2015	2014	2016	2015	2014
Turnover, EUR mill.	284.5	282.7	309.2	249.1	253.7	274.0
Operating profit, EUR mill.	50.2	29.0	44.2	39.8	24.3	34.3
• % of turnover	17.6	10.3	14.3	16.0	9.6	12.5
Return on equity (ROE) %	16.4	10.6	16.1	17.8	12.5	18.8
Equity ratio %	38.0	35.4	35.0	36.3	36.0	31.8
Gross investments, EUR mill.	41.8	38.8	74.1	27.9	25.6	58.9
• % of turnover	14.7	13.7	24.0	11.2	10.1	21.5

4 Risk management

4.1 Principles of risk management

Objectives

The aim of Vantaa Energy's risk management measures is to support the achievement of business objectives and to prevent any negative effects. The Board of Directors of Vantaa Energy Ltd approves the Group's risk management policy. The policy sets out the key principles, responsibilities and processes of risk management.

Organisation

The parent company's Managing Director is responsible for risk management at the group level. The managers of the subsidiary and the different business units are responsible for risk management in

their individual company or business unit, as well as for the agreed reporting to the parent company's Managing Director. They also take part in the management of key risks at the group level.

The Managing Director is responsible for the implementation of the risk management policy, and for the organisation and development of risk management practices in accordance with the requirements set by business operations and in compliance with good governance. The Managing Director is assisted by experts in the development of risk management processes and methods.

The key risks of the Group have designated owners. The owner of the risk is responsible for ensuring that the management of the risk in question is developed and that the necessary actions are taken.

Major risks and uncertainties have been identified and the key risks are systematically managed. The key risks include sudden fluctuations in the market price of electricity, a rise in fuel prices, public authority regulation that is difficult to forecast, extensive disturbances in the electricity or heating network or energy production, and problems in information systems.

The internal audit unit supports the company's management and organisation in the development and maintenance of the internal control system. The internal audit services are provided by an external service provider.

Reporting and monitoring

Any significant changes in the principles of risk management, key risks and their management are reported to the Board of Directors annually. The business units report their risks to the Managing Director. Financial risks are regularly reported to the parent company's Managing Director and to the Board of Directors.

The monitoring of risk management has been integrated into the strategic monitoring process. The key persons of risk management arrange a special day for the development of Risk Management each year.

Development projects and audits in 2016

In 2016, the Group's key development projects on risk management included hacking and penetration testing related to the improvement of data security, creating contingency plans for the Group, and performing audits on derivatives and financing activities. In the definition

stage of a new customer data management system, attention was also paid to a number of requirements related to risk management.

In the course of 2016, the Board of Directors audited the company's general risk management policy, financial risk management policy, corporate security policy, and data security policy.

4.2 Descriptions of risks

Risk management means that risks are identified, assessed, handled and managed. At Vantaa Energy Ltd, risks are classified in accordance with the risk management policy into financial risks, strategic risks, operational risks and risks associated with events.

Financial risks

The focus of risk management is on financial risks. The financial risks are grouped into market risks (various commodity price risks related to fuels, electricity and emission allowances), counterparty risks and financial risks. These risks are managed in accordance with the financial risk management policy. The policy sets out the management and control of financial risks and the related reporting practices. Reports on financial risks are regularly provided to the Managing Director of the parent company and to the Board of Directors. Small additions were made to the financial risk management policy and the management's reporting practices with respect to financial risk management in 2016.

The hedging practices of Vantaa Energy Ltd are based on the financial risk management policy approved by the company's Board of Directors. According to the production forecast for the next few years, the company's own electricity production, the fuels, emission allowances and certificates required by it, and the procurements from the power exchange corresponding to electricity sales are hedged with financial derivative instruments in accordance with the company's financial risk management policy.

The open net volume of electricity derivatives is lower during their time to maturity than the forecasted very likely volume of spot-priced procurement lots. Significant procurement lots of energy production related commodities are hedged against foreign exchange rate risks. The loans taken out by the company are also hedged against interest rate risks in the manner described in the financial risk management policy.

Strategic risks

Vantaa Energy Ltd is aiming for an operational and financial success in the energy sector. The company aims to actively develop its production capacity to fulfil the challenges posed by the European electricity markets. The retail sales of electricity are carried out in a highly competitive domestic market. Electricity network and district heating operations are actively developed, taking customers wishes into account. Operations are based on the local energy networks.

Typically, the strategic risk faced by an energy company is the long time span related to substantial energy investments: For example, the lifetimes of power plant investments may be as long as 50 years.

Strategic risks in the Group are handled in connection with the strategy process

Operational risks

The operational risks of Vantaa Energy Ltd are related to malfunctions of various systems, such as production plants, energy networks and data systems, and shortcomings in instructions or skills, human errors and possible deficiencies in contracts or insurances.

In 2016, operational risks were approached through corporate security work. The Group's contingency plans were completed. Vantaa Energy Ltd also focused on measures that improve data security and cyber security. Special attention was paid to the refurbishment of the district heating network. Environmental risks are examined as part of the company's environmental management system that complies with the ISO 14001 standard. Energy generation and heat supply completed their quality management system that complies with the ISO standard. One of the company's key targets is to reduce accidents. This target is supported with active occupational safety observations and safety discussions.

Risks associated with events

For Vantaa Energy and the energy sector as a whole, the main risks associated with events are political and legislative ones.

Political and legislative initiatives and changes are often difficult to predict in the energy sector, and they have a significant impact on the operating preconditions of the sector. The operating model that Vantaa Energy has selected for managing changes is close interaction with decision-makers and influential persons.

Through the sector association Finnish Energy, Vantaa Energy takes an active part in the work carried out with the aim of influencing the development of control systems or other policy instruments in advance. The company predicts the impacts of any changes in regulation or directives on its own operations and looks for operating models that are as flexible as possible and can be altered when regulation or directives change.

5 Employees

The Vantaa Energy Group had an average of 342 (355) employees during the financial period. Salaries, wages and bonuses totalled EUR 21.4 million (EUR 22.1 million). Job-specific pay systems that are based on job difficulty and personal competence are used for the following groups: manual workers, employees and managerial employees. The task-specific pay component is the same for all employees belonging to the same competence category; the personal pay component varies between persons, depending on the competence and performance level of each person. Vantaa Energy Ltd has a performance-based bonus system that applies to all employees, with the exception of the Managing Director and the persons who have signed individual performance agreements.

Key employee figures:

Key figure	Group			Parent company		
	2016	2015	2014	2016	2015	2014
Average number of employees during the financial period	342	355	367	274	285	298
Permanent as of 31 Dec.	321	331	344	256	265	282
• monthly salary	281	288	297	232	238	252
• hourly wages	40	43	47	24	27	30
• men	249	257	266	194	202	214
• women	72	74	78	62	63	68
Fixed-term contracts as of 31 Dec.	7	23	14	7	22	12
Average age of employees, yrs	44.6	44.2	44.9	44.1	44.2	45.1
Paid salaries, wages and bonuses, EUR mill.	21.4	22.1	22.7	17.6	18.3	19.0

More key employee figures are available in Vantaa Energy's corporate social responsibility report for 2016.

6 Environment

6.1 Operating principles and management systems related to environmental issues

Vantaa Energy's environmental work is based on the legislative and operational requirements for its own operating environment. The company's most significant environmental impacts are created by energy production and distribution. Environmental impacts are reduced, e.g. by increasing the share of renewable energy and other carbon-neutral production in accordance with the company's development programme. One of the aims of the development programme is to phase out coal in the 2020s.

The company's environmental management is based on the Group's corporate security policy and social responsibility policy, on its quality management system, and on a number of separate guidelines. All of the company's operations are covered by the environmental management system that has been certified in compliance with the ISO14001 standard. The quality management system used in production and heat supply was granted a quality certificate complying with the ISO 90012 standard in 2016. The company's targets for environmental key figures are confirmed annually.

For the certification of the origin of electricity, Vantaa Energy uses the System Guarantees of Origin (GO) of Finextra Oy. The electricity sold as renewable has a certificate of origin that complies with GO system.

The company has joined the new Energy Efficiency Agreement scheme for the period 2017- 2025.

6.2 Significant environmental issues and improvements achieved

The most significant environmental issues of Vantaa Energy are related to the use of fuels and the resulting carbon dioxide emissions, as well as other emissions and waste from energy production.

The company invested a total of EUR 11 million in environmental protection in 2016. The most important environmental investments were allocated to the modification work on the coal-fired boiler of the Martinlaakso power plant due to the Industrial Emissions Directive (IED), and to acquiring shares in wind power companies. The company is reducing specific emissions and making preparations for the more stringent environmental requirements concerning its production plants by introducing an over-fire air system in the coal-fired boiler and increasing the efficiency of its nitrogen removal.

Vantaa energy's wind power production grew by about 10 GWh, or by about one-quarter, on the previous year.

After the Supreme Administrative Court had made its decision, the waste-to-energy plant was granted a final environmental permit. The waste-to-energy plant was also granted a new emission permit.

6.3 Level of environmental protection in relation to requirements

The company aims to systematically identify the environmental risks of its operations. In the same way, environmental aspects are always analysed in connection with new projects, and the required risk mappings are carried out. The company has ensured that all environmental liabilities related to its operations have been sufficiently recorded and the necessary reservations for any future costs of re-generation measures resulting from environmental damage have been made.

The company's management is not aware of any cases related to environmental issues that would have a significant impact on the company's financial position. There are no reserves concerning environmental liabilities in the obligatory reserves included in the financial statements for 2016.

In 2016, there were a total 8 incidents of exceeding the emission limit values. The incidents of exceeding permit limits did not result in any production outages, and Vantaa Energy has ensured that operations comply with the permit conditions in all respects. The incidents did not cause any sanctions or other financial accountabilities to the company.

The new Energy and Climate Strategy published by the Finnish government in autumn 2016 was much as expected. Phasing out the use of coal, the increased use of wood-based energy and reduction of greenhouse gases were highlighted in the strategy.

The company's Martinlaakso power plant, the gas turbine unit of the waste-to-energy power plant and the company's six heating plants are covered by the emissions trading scheme.

The actual carbon dioxide emissions of the plants that are covered by the emissions trading scheme totalled 503,535 tonnes (458,500) in 2016.

6.4 Level of environmental protection in view of the nature and scope of operations

The company's management monitors the development of the environmental key figures and the achievement of the targets set for them. The environmental key figures are related to fuel consumption, emissions into the air, and waste.

Environmental key figures	2016	2015	2014
Carbon dioxide emissions (CO ₂ t) from local (Vantaa) production	662,538	609,679	660,608
Emissions (CO ₂ g/kWh) from local (Vantaa) production/energy produced in Vantaa	262	267	285
Environmental costs (EUR mill.)			
• investments in environmental protection	11	5	22
Environmental liabilities (obligatory reserves, EUR mill.)	0	0	0
Incidents of exceeding permit limits (number)	8	9	6
Cases of environmental damage (number)	0	2	0
Fuel consumption (GWh)			
• coal	1,233	1,185	1,198
• natural gas	597	310	763
• oil	1	43	28
• mixed waste	1,058	1,030	665
total	2,889	2,568	2,654
Emissions from energy production (t)	876	926	1164
• NO ₂	281	778	673
• SO ₂	3	3	2
• particle matter			
Waste			
• ashes and slag (t)	100,647	102,669	69,638
• recovery (%)	88	51	36

6.5 Report of the Board of Directors in relation to other environmental reporting

Vantaa Energy publishes annually a separate social responsibility report, which provides a wider range of information on the status and development of the company's environmental management system. The key figures concerning environmental costs, liabilities and incidents of exceeding permit limits cover the units in accordance with the company's juridical corporate structure, complying with the consolidation principles of the consolidated financial statements. The key environmental figures that describe energy consumption, emissions and waste cover the company's production plants and the properties owned and administered by it.

7 Social responsibility

Vantaa Energy Group's social responsibility policy creates guidelines for the management and development of the Group finances, the environment and social responsibility.

Vantaa Energy has drawn up reports on the objectives of social responsibility and the results of constant improvement of operations in a social responsibility report published each year. The social responsibility report is based on the international Global Reporting Initiative (GRI G3) Guidelines.

Vantaa Energy's social responsibility report for 2015 was published in April 2016. As in previous years, environmental responsibility was of primary importance in the report for 2015. Personnel matters and stakeholder relations also played an important role in the social responsibility report.

The information in the report has been verified by an independent outside expert, Inspecta Sertifiointi Oy.

The social responsibility report for 2016 will be published online in spring 2017.

Vantaa Energy Electricity Networks Ltd has drawn up a report on measures that will ensure that the parties to the electricity market are treated in an equal manner. The report has been submitted to the Energy Authority.

Vantaa Energy has actively continued to arrange tours of the waste-to-energy power plant for schools and other interest groups. The tours were started in 2014. During the tours, the visitors are told about waste sorting and the importance of recycling. In 2016, the waste-to-energy power plant had about 5,500 visitors.

8 Research and development

Vantaa Energy is a Group that focuses on the production of energy services and makes only minor investments in its own research and development. The Group participates in development projects mainly by providing financing to interesting R&D projects and by making the company's expertise available to the projects. In the research, we trust in the partnership networks in the industry and in good cooperation with leading energy research institutions.

Vantaa Energy Ltd is a shareholder of the company CLIC Innovation Ltd, which is a centre of excellence in the cleantech and bio-economy sector. Vantaa Energy is also involved in the drafting of the future programmes of CLIC Innovation Ltd.

We have also supported research serving the energy sector by participating in the electricity research pool and a number of research projects financed by Finnish Energy.

Promotion of electric traffic was one of the key focus areas of the research in 2016. The company is gearing itself up for an increase in electric traffic and creating the infrastructure required by it, as well as investigating the possibility of the car stock to function as an accumulator-based electricity storage in the electricity market. With these themes, the company is involved in the Electric Traffic Helsinki Test Bed Project which was partly financed by the EVE – Electric Vehicle Systems Programme of Tekes, the Finnish Funding Agency for Innovation.

Vantaa Energy also continued to assess various biofuel alternatives in 2016. The company has also participated in various studies and initiatives related to climate change mitigation and emissions reduction.

9 Administration

The Annual General Meeting of Vantaa Energy Ltd was held on 31 March 2016. The issues discussed were those defined in section 13 of the articles of association for the Annual General Meeting.

The members of the company's Board of Directors were Tommi Valtonen, Chairman; Janne Pesonen, first Vice Chairman; Erkki Vuorenmaa, second Vice Chairman; Timo Auvinen; Jasmin Hamid (based on the shareholders' unanimous decision as of 17 May 2016); Marko Karvinen (as of 31 March 2016); Sirpa, Kauppinen; Tapio Korhonen (until 31 March 2016); Paula Lehmuskallio; Jukka Relander (until 31 March 2016); and Leena Westlund.

The Board of Directors convened 10 times during the year.

The auditors of the company were Deloitte & Touche Oy, Authorised Public Accountants, with Robert Kajander, APA and Matti Ojala, APA, as auditors in charge, and Merja Itäniemi, APA, as deputy auditor.

The company's Managing Director was Pertti Laukkanen, M.Sc. (Eng.).

10 Significant legal affairs

On 4 November 2016, the Supreme Administrative Court issued its decision on Vantaa Energy's appeals concerning the positive decisions of the Regional State Administrative Agency for Southern Finland on Vantaa Energy's applications to have the environmental permit of the waste-to-energy power plant amended and supplemented. The application to have the environmental permit amended concerned a change in the direction of run-off rainwater, a flue gas condenser to be added to the power plant, and a bigger gas turbine. The application to have the environmental permit supplemented concerned incinerable waste types.

The decision of the Supreme Administrative Court was positive for Vantaa Energy, because the environmental permit was amended in accordance with the company's applications. As far as the incinerable waste types are concerned, the Supreme Administrative Court reversed, for the second time already, the changes the Vaasa Administrative Court had made to the permit regulations, in practice changing them to comply with the original decision of the Regional State Administrative Agency for Southern Finland

On 16 September 2015, the Regional State Administrative Agency for Southern Finland granted Vantaa Energy a permanent right to use the hydropower that belongs to the participants' association of Änkilä for the joint water area and the Haamukoski farm for the Lahnasenkoski hydropower plant. The recipient of the permanent right to use the hydropower shall pay a lump sum to the parties concerned. The participants' association of Änkilä for the joint water area filed an appeal against the Regional State Administrative Agency's decision with the Vaasa Administrative Court, which issued its decision on 29 December 2016, returning the case to the Regional State Administrative Agency for Southern Finland for rehearing.

In addition, the Regional State Administrative Agency for Southern Finland issued its decision on the fish way application of the Lahnasenkoski hydropower plant on 22 April 2016. The decision became legally binding on 23 May 2016, and the permit concerns a slot fish way solution. The fish way must be built in two years from the date on which the decision became legally binding. Appeals have been filed against the fish ways located in the Hiitolanjoki River with the Vaasa Administrative Court, which means that the Hiitolanjoki fish ways will probably not be completed at the same time as the company's fish way.

In June 2016, the Market Court issued its decision on a joint appeal that Vantaa Energy Electricity Networks Ltd and Helen Electricity Network Ltd had filed against a decision that the Energy Authority had made on Fingrid Oyj's decision on naming the grid network. The Market Court turned down the demands of the two appealing parties and reversed the Energy Authority's decision so that Fingrid Oyj's naming decision on the grid network remained in force in full. The decision of the Market Court is legally binding,

Vantaa Energy Ltd and Vantaa Energy Electricity Networks Ltd are also involved in a few dispute cases. In economic terms, these cases are deemed to be insignificant.

11 Events after the financial period

The increase in the fuel tax at the beginning of 2017 raised the production cost by 1.4%.

Vantaa Energy Ltd lodged an appeal against the permanent right to use the hydropower of the Lahnasenkoski hydropower plant with the Supreme Administrative Court. In this appeal, Vantaa Energy Ltd requested the Supreme Administrative Court to reverse the decision of the Vaasa Administrative Court of 29 December 2016, in which the Vaasa Administrative Court returned the decision that the Regional State Administrative Agency for Southern Finland had made on 16 September 2016 to the Agency for rehearing.

The Energy Authority provided a draft regulatory decision concerning the regulatory period 2012 - 2015 to Vantaa Energy Electricity Networks Ltd on 10 February 2017. According to the draft decision, the Energy Authority will issue a separate decision on sanctions concerning the failure to return the surplus of the second regulatory during the third regulatory period. No decision has been made on the matter yet.

On 21 February 2017, Vantaa Energy Electricity Networks Ltd published its intent to raise the electricity distribution price as of the beginning of April 2017. The average price increases for apartments are about 11% and for homes with electric heating 7% of the total price including tax. For business customers, the prices excluding the electricity tax increased by about 14%, and the total prices including tax by about 10%.

12 Outlook

In 2017, the turnover of the Vantaa Energy Group is expected to grow on the previous year. The operating profit of the Group is expected to fall from the previous year's level. The most important reason for the drop in profitability is the sustained period of low market price of electricity in relation to production costs.

A new regulatory period concerning electricity network operations started at the beginning of 2016. The Energy Authority has defined new regulation principles for the next two four-year regulatory periods. The aim of the new regulation principles is to ensure that the goals for the security of supply laid down in the Electricity Market Act are reached. The permitted level of return on network operations will clearly rise, and the predictability of regulation will improve when the principles of regulation are known for an eight-year period. As a result of the reform, the profitability of the business operations of Vantaa Energy Electricity Networks Ltd will improve.

Over 80 per cent of the heating requirement in Vantaa is covered by district heating, which is produced at our environmentally friendly and efficient CHP plants. Due to the fact that district heating competes with other heating methods in the heating market, a precondition for profitable operations is that production costs are efficiently managed. Due to the new waste-to-energy power plant, the pricing of district heating is likely to remain highly competitive in Vantaa. We also believe that our district heating operations will remain the market leader in our area of operation, and continue to be a profitable business throughout the current decade.

In the next few years, the Nordic electricity market is expected to become integrated also with respect to sales to residential customers. This will increase the need for electronic customer services and speed up their deployment. To increase the efficiency of our customer services, we are developing electronic sales and service channels, such as homepages and online services.

Due to the challenging targets set by contracts signed with the EU and other international organisations on reducing carbon dioxide emissions and increasing the share of renewable energy, the company will have to make further investments in production outside the emissions trading scheme and the increased use of renewable energy sources in production. The Finnish Government's new Energy and Climate Strategy also supports the achievement of these objectives. Vantaa Energy has already responded to this challenge by investing in, e.g. wind power, hydropower, nuclear power and waste power. The company will continue to reduce the share of production based on fossil fuels. At the Martinlaakso power plant, the use of coal will be phased out in the 2020s, and the present production equipment of the plant will be replaced with one using bio-based fuels.

The services related to the energy networks, electricity distribution and district heating in Vantaa will continue to provide stability for the Group's finances. The expected population growth and increase in the number of jobs in Vantaa will provide a growing base for these services.

13 The Board of Directors' proposal for the distribution of dividends

The distributable equity of the parent company according to the financial statements of 31 December 2016 is as follows:

- profits from the previous financial years	€	106,922,502.10
- profit from the financial year	€	<u>21,880,086.88</u>
- total	€	128,802,588.98

The Board of Directors proposes that the company should pay a dividend of EUR 11.68/share, totalling EUR 19,983,405.44, to external share capital, reserve EUR 31,000.00 for donations, and set aside a sum of EUR 25,000.00 for the Board of directors to use for the public good. The rest of the distributable equity, EUR 108,763,183.54, is left in the retained earnings account.

Since the end of the financial year, there have been no essential changes in the company's financial position. The company's liquidity is good and, according to the Board of Directors, the proposed distribution of profits will not jeopardise the company's solvency.

14 Company stock

The company's capital stock is divided as follows:

Owner	2016	
	Number	€
City of Vantaa	1,026,545	2,053,090
City of Helsinki	684,363	1,368,726
Total	1,710,908	3,421,816

The nominal value of each share is EUR 2.00. All shares have an equal right to dividend and company assets.

VANTAA ENERGY LTD

Income statement

(EUR)	Appendix	GROUP		PARENT COMPANY	
		1.1.-31.12.2016	1.1.-31.12.2015	1.1.-31.12.2016	1.1.-31.12.2015
Net sales	2	284 456 111,51	282 722 990,29	249 083 752,75	253 748 990,14
Activated own work	3	4 240 813,68	3 642 314,14	2 697 800,87	2 338 825,09
Other operating income	4	24 334 693,47	1 773 487,04	30 250 861,31	8 157 574,47
Materials and services	5	-181 348 839,45	-178 849 978,54	-172 736 955,06	-170 712 586,28
Personnel expenses	6	-27 316 022,55	-28 425 441,55	-22 566 408,46	-23 702 830,77
Depreciations and amortisations	7	-25 968 821,10	-28 101 372,64	-17 429 047,92	-19 663 820,89
Other operating expenses	8	-30 355 514,43	-26 776 050,22	-29 477 605,04	-25 870 534,38
Share of associated companies' profits		2 140 870,42	3 010 985,30	-	-
Operating profit		50 183 291,55	28 996 933,82	39 822 398,45	24 295 617,38
Financial income and expenses	9	-7 581 814,12	-2 668 251,18	-4 278 012,21	514 223,27
Profit before appropriations and taxes		42 601 477,43	26 328 682,64	35 544 386,24	24 809 840,65
Appropriations					
Change in depreciation reserve		-	-	-3 265 648,77	-3 579 738,74
Group contribution	10			-5 300 000,00	10 000 000,00
Income taxes	11	-8 348 679,93	-4 430 779,25	-5 098 650,59	-5 576 052,96
Profit for the period		34 252 797,50	21 897 903,39	21 880 086,88	25 654 048,95

VANTAA ENERGY LTD

Balance sheet

(EUR)	Appendix	GROUP		PARENT COMPANY	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
ASSETS					
Non-current assets					
	12,13				
Intangible assets					
Intangible rights		1 393 701,62	2 270 528,18	1 110 883,35	2 190 116,10
Other long-term expenditures		12 228 975,10	14 635 457,59	10 855 284,80	13 272 213,07
Acquisitions in progress		1 147 142,95	283 659,09	856 048,63	283 659,09
		14 769 819,67	17 189 644,86	12 822 216,78	15 745 988,26
Tangible assets					
Land and water areas		8 438 367,16	8 616 945,70	8 003 627,50	8 182 764,49
Buildings and structures		111 754 273,71	116 600 361,27	103 273 383,70	110 708 129,67
Electricity network		114 444 385,75	110 172 041,84	0,00	0,00
District heating network and equipment		64 050 846,76	62 479 312,01	64 050 846,76	62 479 312,01
Gas distribution network		746 452,16	747 905,09	746 452,16	747 905,09
Machinery and equipment		30 462 364,18	34 099 227,31	30 373 844,43	33 977 657,84
Other tangible assets		5 167 348,83	5 636 286,07	5 167 348,83	5 636 286,07
Acquisitions in progress		12 020 269,96	5 685 934,78	10 275 334,38	1 795 058,88
		347 084 308,51	344 038 014,07	221 890 837,76	223 527 114,05
Investments					
Holdings in Group companies		0,00	0,00	76 000,00	76 000,00
Holdings in associated companies		28 830 518,79	30 367 710,44	35 356 066,69	35 356 066,69
Other shares and holdings		59 295 726,03	49 533 882,74	59 292 924,98	49 531 081,69
Other long-term investments		1 040 000,00	1 040 000,00	1 040 000,00	1 040 000,00
		89 166 244,82	80 941 593,18	95 764 991,67	86 003 148,38
Total non-current assets		451 020 373,00	442 169 252,11	330 478 046,21	325 276 250,69
Current assets					
	14				
Inventories					
Materials and equipment		122 199,62	82 777,61	122 199,62	82 777,61
Oil store		3 061 533,87	8 496 696,49	3 061 533,87	8 496 696,49
Coal store		10 559 671,54	11 393 292,52	10 559 671,54	11 393 292,52
Advance payments		0,00	214 910,11	0,00	214 910,11
		13 743 405,03	20 187 676,73	13 743 405,03	20 187 676,73
Long-term receivables					
Loan receivables from associated companies		13 856 049,34	15 730 930,92	13 856 049,34	15 730 930,92
Accrued income		2 056 347,30	2 164 129,48	388 944,96	420 060,48
Other receivables		2 638 547,00	11 488 278,00	2 638 547,00	11 488 278,00
Deferred tax assets		1 076 408,55	0,00	1 055 178,40	0,00
Short-term receivables					
Sale receivables		54 967 632,20	54 782 131,37	41 637 113,64	43 758 612,31
Connection fee receivables		323 584,93	194 411,64	190 797,98	115 019,00
Receivables from Group companies		0,00	0,00	46 662 047,43	50 493 019,96
Receivables from associated companies		1 897 788,00	1 909 727,88	1 897 788,00	1 909 727,88
Accrued income		8 286 853,45	3 467 585,74	7 568 531,41	3 187 693,01
Other receivables		8 433 335,52	11 324 436,87	8 060 248,31	11 324 436,87
Total receivables		93 536 546,29	101 061 631,90	123 955 246,47	138 427 778,43
Cash and bank receivables		10 129 271,21	7 794 199,88	10 129 271,21	7 794 199,88
Total current assets		117 409 222,53	129 043 508,51	147 827 922,71	166 409 655,04
TOTAL ASSETS		568 429 595,53	571 212 760,62	478 305 968,92	491 685 905,73

Balance sheet

(EUR)	Appendix	GROUP		PARENT COMPANY	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
EQUITY AND LIABILITIES					
Shareholders' equity	15				
Share capital		3 421 816,00	3 421 816,00	3 421 816,00	3 421 816,00
Retained earnings		178 990 132,26	178 324 621,53	106 922 502,10	101 285 858,59
Profit for the period		34 252 797,50	21 897 903,39	21 880 086,88	25 654 048,95
Translation differences		-753 332,62	-1 214 987,21	--	--
Total shareholders' equity		215 911 413,14	202 429 353,70	132 224 404,98	130 361 723,54
Accumulated appropriations					
Depreciation difference		--	--	51 771 446,81	48 505 798,04
Obligatory provisions		106 150,74	0,00	106 150,74	0,00
Liabilities	16				
Long-term liabilities					
Connection fees		131 418 383,12	129 299 634,84	90 674 504,53	89 977 859,56
Loans from financial institutions		135 650 921,14	140 807 854,00	135 650 921,14	140 807 854,00
Other long-term liabilities		1 232 000,00	1 334 666,67	1 232 000,00	1 334 666,67
Deferred tax liability		20 953 380,42	17 939 611,66	0,00	0,00
		289 254 684,68	289 381 767,17	227 557 425,67	232 120 380,23
Short-term liabilities					
Loans from financial institutions		11 665 683,32	12 992 026,12	11 665 683,32	12 992 026,12
Advance payments received		250 265,62	58,63	250 013,63	13,63
Accounts payable		14 844 654,27	18 140 775,75	13 240 016,16	16 923 073,29
Liabilities to Group companies		0,00	0,00	6 671 796,96	4 153 930,00
Liabilities to associated companies		58 887,72	376 962,15	11 198,08	51 984,67
Accrued expenses		15 504 746,91	11 328 742,65	14 002 930,10	10 187 734,34
Other liabilities		20 833 109,13	36 563 074,45	20 804 902,47	36 389 241,87
		63 157 346,97	79 401 639,75	66 646 540,72	80 698 003,92
Total liabilities		352 412 031,65	368 783 406,92	294 203 966,39	312 818 384,15
TOTAL EQUITY AND LIABILITIES		568 429 595,53	571 212 760,62	478 305 968,92	491 685 905,73

Cash flow statement

(EUR)	GROUP		PARENT COMPANY	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Cash flow from operations				
Profit before appropriations	42 601 477,43	26 328 682,64	35 544 386,24	24 809 840,65
Adjustments				
Planned depreciations	25 968 821,10	28 101 372,64	17 429 047,92	19 663 820,89
Other income and expenses not involving payments	753 057,98	6 389 443,86	569 628,50	6 324 207,24
Financial income and expenses	7 581 814,12	2 668 251,18	4 278 012,21	-514 223,27
Share of associated companies' result/other adjustments	-2 140 870,42	-3 010 985,30	0,00	0,00
Cash flow before change in working capital	74 764 300,21	60 476 765,02	57 821 074,87	50 283 645,51
Change in working capital				
Change in inventories	6 444 271,70	4 109 390,47	6 444 271,70	4 109 390,47
Change in short-term receivables	-3 592 642,92	46 817 807,28	3 110 239,94	19 143 412,85
Change in short-term liabilities	-14 917 949,98	-157 120 370,40	-12 725 120,40	-132 856 698,85
Cash flow from operating activities before financing and taxes	62 697 979,01	-45 716 407,63	54 650 466,11	-59 320 250,02
Interest paid and payments for operations	-4 147 215,61	-2 989 756,94	-4 146 365,55	-3 013 182,12
Dividends received	3 012 123,07	3 150 178,51	3 012 123,07	3 150 178,51
Interest received	698 721,47	281 614,16	1 076 943,87	377 226,88
Direct taxes paid	-6 411 319,72	-5 402 261,90	-6 153 828,99	-5 576 052,96
Cash flow from operations	55 850 288,22	-50 676 633,80	48 439 338,51	-64 382 079,71
Cash flow from investments				
Investments in tangible and intangible assets	-30 179 682,40	-29 715 313,88	-16 267 262,72	-16 547 269,06
Proceeds from sale of tangible and intangible assets	0,00	90 584,33	0,00	0,00
Other investments	-11 644 900,00	-9 098 709,20	-11 644 900,00	-9 098 709,20
Proceeds from sale of other investments	1 856 203,56	37 445,36	1 856 203,56	37 445,36
Cash flow from investments	-39 968 378,84	-38 685 993,39	-26 055 959,16	-25 608 532,90
Cash flow before financing activities	15 881 909,38	-89 362 627,19	22 383 379,35	-89 990 612,61
Cash flow from financing				
Withdrawals of long-term loans	0,00	130 000 000,00	0,00	130 000 000,00
Repayments of long-term loans	-5 156 932,86	-1 641 025,64	-5 156 932,86	-1 641 025,64
Withdrawals of short-term loans	0,00	70 462,57	0,00	70 462,57
Repayments of short-term loans	-1 326 342,80	-41 982 250,00	-1 326 342,80	-41 982 250,00
Increase (-) / decrease (+) in loan receivables	1 874 881,58	43 857 131,58	2 174 881,58	36 112 131,58
Increase (-) / decrease (+) in long-term receivables	8 957 513,18	-11 284 564,82	8 880 846,52	-11 457 162,48
Increase (+) / decrease (-) in connection fees	2 121 448,28	2 240 493,31	696 644,97	786 276,39
Dividends paid	-19 983 405,44	-29 992 217,24	-19 983 405,44	-29 992 217,24
Group contributions received and paid			-5 300 000,00	10 000 000,00
Other	-34 000,00	-38 750,00	-34 000,00	-38 750,00
Cash flow from financing	-13 546 838,06	91 229 279,76	-20 048 308,03	91 857 465,18
Change in cash and cash equivalents	2 335 071,32	1 866 652,57	2 335 071,32	1 866 852,57
Cash and cash equivalents 1 January	7 794 199,88	5 927 547,31	7 794 199,88	5 927 347,31
Cash and cash equivalents 31 December	10 129 271,21	7 794 199,88	10 129 271,21	7 794 199,88

VANTAA ENERGY LTD

NOTES ON THE PREPARATION OF THE FINANCIAL STATEMENTS

1 Accounting principles of the financial statements

Group structure

The consolidated financial statements include the parent company Vantaa Energy Ltd and its fully owned subsidiary Vantaa Energy Electricity Networks Ltd. Companies pooled as associated companies are listed in note 13. The consolidated financial statements have been prepared in compliance with the Accounting Act 1336/1997 valid on 31 December 2016 and the Limited Liability

The Vantaa Energy Group is a sub-group of the City of Vantaa Group. A copy of the consolidated financial statements of the City of Vantaa is available online at: <http://www.vantaa.fi>. A copy of the consolidated financial statements of Vantaa Energy is available at the address Peltolantie 27, 01300 Vantaa, Finland, or online at: <http://www.vantaanenergia.fi>.

The parent company produces, acquires and sells electricity, produces, sells and distributes district heat, and acquires and sells natural gas. The company also offers other services related to the energy business, as well as administrative services to the Group's subsidiaries on the basis of

Consolidation principles

Mutual share ownership is eliminated with the acquisition cost method. All intra-group transactions, receivables and liabilities, unrealised profits and internal profit distribution have been eliminated when drawing up the consolidated financial statements. The associated companies with their subsidiaries have been combined in the consolidated financial statements with the equity method. A dividend obtained from associated companies is deducted from the Group's results and the

Unbundled financial statements

According to the requirements of the Electricity Market Act and the Natural Gas Market Act, an electricity company must unbundle the accounts of the sale and production of electricity (other electricity business), electricity network operations and natural gas network operations, and the sale of natural gas from each other and from other operations. The Group's corporate structure and the company's business division act as a basis for the unbundling of accounts. Administrative services provide services to the business units in a centralised way in accordance with the service contracts.

Items denominated in foreign currency

Transactions in foreign currency are recorded according to the exchange rate of the moment of transaction. Receivables and debts denominated in foreign currency in the balance sheet at the balance sheet date are valued at the exchange rate applying at the balance sheet date. Exchange differences arising from business operations are usually entered in the profit and loss account and included in the corresponding items above operating profit. Exchange differences arising from

converted into euros at the average rate of the reporting period and the balance sheet items at the exchange rate of the balance sheet date. Exchange differences arising from the conversion, as well as the translation differences arising from the conversion of the equity of overseas associated companies, are presented in the item "retained earnings".

Pension arrangements

Pension security of the Group's employees with extra benefits is provided for by the pension insurance company and recorded according to the calculations and charges of the pension insurance company. The CEO of the Group's parent company is entitled to retire in accordance with the Employees Pensions Act valid at any given time. The retirement age of the subsidiary's Managing Director has been agreed to be 62 years.

Turnover

Turnover consists of the profits of electricity, heat and natural gas operations and other services related to the energy business. Recorded sales profits are based on delivered amounts. Physical energy sale and purchase contracts are allocated on the accrual basis. The profits are presented deducted by indirect taxes, such as value added tax and excise duty.

Other income

Income from outside normal business operations are included in other income. Other income includes recurring items, such as the sale of administrative services to other Group companies, rental income and non-recurring items, such as sales profits of fixed assets. The sales income of emission allowances is also recorded in other income.

Emission allowances

Emission allowances are dealt with using the so-called net method in accordance with statement 1767/2005 of the Finnish Accounting Standards Board. If the actual emission tonnes exceed the available allowances, they are entered as provisions. If actual tonnes fall short of the available allowances, they are presented as off-balance sheet assets in the notes. Unused emission allowances acquired for consideration are entered in the balance sheet as intangible assets under the original acquisition cost or at a market price that is lower than the original acquisition cost. Sales income from emission allowances are presented in other operating income.

Research and development expenses

Research and development expenses are not activated, but they are entered as expense in the profit

Fixed assets

Licence fees for IT software and IT programmes, participation fees e.g. for a natural gas pipeline, right-of-way usufruct and emission allowances acquired for consideration, emissions reductions and activated planning costs of power plants are recorded under intangible assets.

Tangible assets are entered in the balance sheet at their original acquisition cost deducted by accumulated depreciation. The original acquisition cost includes expenses resulting directly from the acquisition cost of the asset in question. In addition to direct costs, the acquisition cost of self-manufactured assets also includes the share of indirect costs that results from bringing the asset to its working condition for the purpose of its use. The original acquisition cost includes expenses resulting directly from the acquisition cost of the asset in question. No depreciations are made on land areas as their useful life cannot be defined.

Planned depreciations are calculated as straight-line depreciations by recording the acquisition costs as expense during the estimated useful lives as follows:

Intellectual property rights	2-10	years
Other long-term expenses	2-20	years
Buildings	20-50	years

Structures	10	years
Electricity and district heating networks	5-30	years
Gas distribution network	10-30	years
Production machinery and equipment	5-20	years
Machinery and equipment	5-20	years
Other tangible assets	10	years

Investments are valued at the original acquisition price.

The expenses of maintenance outages carried out every 4 years at a power plant are recorded in the balance sheet and taken off during the period between outages. Other repair and maintenance expenses are recorded as expenses in the profit and loss account for the accounting period in which

Current assets

Fuel stocks are valued at the acquisition price calculated according to the FIFO principle or at the market price at the balance sheet date if lower. Supplies are valued at the weighted average price.

Sales receivables are recorded at the amount of original invoicing. A sales receivable is recorded as a write-off immediately after it can be proven that the Group is unable to receive its sales receivables in accordance with the original contracts. These proofs can include, e.g. a recommendation by a debt collection agency or serious financial problems of a debtor. Write-offs are recorded as expense in the profit and loss account.

Financial fixed assets are valued at the acquisition cost or market price if lower in accordance with Chapter 5, section 2 of the Accounting Act. Cash assets consist of liquid investments.

A credit limit granted by a bank to cover a collateral requirement related to electricity derivatives has been recorded in both receivables and liabilities in the balance sheet in terms of the used limit.

Connection fees

Fees that a customer pays when joining a district heating or electricity network are recorded in the balance sheet under other long-term liabilities. These connection fees are transferable and refundable. Connection fees for natural gas connections are recorded in the profit and loss account

Income tax and deferred tax

Income tax includes taxes for the financial year calculated on the basis of the profit or loss for the financial year and payable or refunded taxes from previous financial years.

Accrued depreciation is entered in the consolidated balance sheet divided into equity and deferred tax liabilities, and their change is entered in the change in deferred tax liabilities and the profit or loss for the financial year in the consolidated financial statements. Deferred tax assets have been recorded by the parent company on the change of fair value of derivatives.

Financial leasing

Financial leasing costs have been entered during the accounting period on an accrual basis as expenses are presented as off-balance sheet liabilities.

Financing and liquidity management

The company's Board of Directors has accepted for the company a financial risk policy, the implementation of which is monitored at all times. The Group's finances focus on the parent company, and the financing of subsidiaries is mainly managed with inter-company loans. The liquidity of group companies is concentrated with consolidated accounts. Liquidity risk management aims to secure the Group's finances in all situations. The liquidity risk is reduced by only investing in

Calculation principles related to derivatives instruments and hedging measures

The company's risk management aims to support the achievement of the targets of the business strategy. Electricity price risk is the company's key business risk. The price trend of the electricity market mainly has an impact on Vantaa Energy's electricity generation and sales business. Factors having an impact on the price of electricity in the Nordic market in the short term are the water supply situation, temperature, the prices of emission allowances for carbon dioxide, the price of fuels, and

The company hedges against electricity price risks by drawing up electricity derivatives contracts with respect to both sales and production. During the maturity of derivatives, the open net volume of electricity derivatives is lower than the predicted extremely likely amount of spot-priced purchases. Fuel price risks are hedged against by trading in raw material derivatives. The company hedges against a change in the value of the dollar by trading in foreign currency derivatives. The price risk of carbon dioxide emission allowances is hedged against with emission allowance derivative contracts and by taking into account the costs of emission allowances in production planning. Interest risks (bank loans and leasing debts) are hedged with interest derivatives.

For hedging activities, the Board of Directors has approved a financial risk policy, the implementation of which is monitored at all times. The fair values of derivatives instruments and the values of underlying instruments are presented in note 20. The fair values are based on the market data on the balance sheet date and they are confirmed by an outside body. All derivatives are carried out for

1963/2016 by the Accounting Board. The interest rate swaps, the validity and interest period of which correspond with the loan maturity and interest period (reverse coherence in terms of the interest), are presented as liabilities in the notes to the financial statements. The interest rate swaps and commodity derivative contracts on which allocation cannot be made are valued at the balance sheet date value according to the contract, and the negative difference between the value at the moment of drawing up the derivative contract and the value on the balance sheet date is recorded as expense for the accounting period.

Calculation formulas for key figures

$$\text{Return on equity \%} = \frac{(\text{Profit before extraordinary items} - \text{taxes})}{\text{Equity}} * 100$$

$$\text{Equity ratio} = \frac{\text{Equity}}{\text{Balance sheet total}} * 100$$

VANTAA ENERGY LTD

Notes to the financial statements 2016

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
2 Turnover				
Electricity sales and distribution	167 561 011,24	169 263 552,54	133 446 935,04	141 630 978,40
Heat sales	96 060 609,55	91 872 919,85	96 060 609,55	91 872 919,85
Natural gas sales	1 947 827,69	2 732 182,11	1 947 827,69	2 732 182,11
Income from gate fees at the waste-to-energy plant	15 865 126,41	15 541 619,31	15 865 126,41	15 541 619,31
Other operations	3 021 536,62	3 312 716,48	1 763 254,06	1 971 290,47
	284 456 111,51	282 722 990,29	249 083 752,75	253 748 990,14
3 Work performed by the undertaking for its own purpose and capitalised				
Activated wages and salaries	1 950 113,31	1 734 144,34	693 352,21	712 602,83
Activated indirect employee costs	394 394,52	410 334,48	108 142,81	128 386,94
Activated materials and disposables	1 896 305,85	1 497 835,32	1 896 305,85	1 497 835,32
	4 240 813,68	3 642 314,14	2 697 800,87	2 338 825,09
4 Other operating income				
Service income from Group companies	-	-	6 097 747,62	6 610 148,32
Profit from sale of fixed assets	144 184,59	126 266,79	103 511,81	57 026,79
Lease income	556 798,96	794 674,00	580 575,66	819 600,24
Insurance claims and damage compensation receivable	79 818,66	71 397,35	79 818,66	71 397,35
Sale of fuel oil	22 074 473,00	0,00	22 074 473,00	0,00
Other income	1 479 418,26	781 148,90	1 314 734,56	599 401,77
	24 334 693,47	1 773 487,04	30 250 861,31	8 157 574,47
5 Materials and services				
Purchase of energy				
Purchase of electricity	92 456 287,46	109 022 804,61	92 596 755,25	109 129 006,94
Purchase of heat	191 500,65	26 819,72	191 500,65	26 819,72
Purchase of fuel oil	12 853 359,89	-2 098,61	12 853 359,89	-2 098,61
Purchase of coal	18 641 306,41	20 579 991,22	18 641 306,41	20 579 991,22
Purchase of gas	24 226 198,29	16 865 482,22	24 226 198,29	16 865 482,22
Emission costs	1 722 335,40	1 493 721,32	1 722 335,40	1 493 721,32
Other energy production costs	-17 469,40	470 000,00	-17 469,40	470 000,00
Energy purchases, total	150 073 518,70	148 456 720,48	150 213 986,49	148 562 922,81
Raw materials and consumables	5 448 096,20	6 247 906,49	5 419 469,33	6 092 594,60
Increase (+) / decrease (-) in inventories	6 229 361,59	4 324 300,57	6 229 361,59	4 324 300,57
Depreciation of inventories	0,00	0,00	0,00	0,00
Purchased services	19 597 862,96	19 821 051,00	10 874 137,65	11 732 768,30
Materials and services, total	181 348 839,45	178 849 978,54	172 736 955,06	170 712 586,28
6 Employees				
In the financial year the average number of personnel was				
Number of monthly salaried employees	301	310	249	257
Number of hourly waged employees	41	45	25	28
	342	355	274	285
Personnel expenses				
Wages and salaries	21 430 558,93	22 077 856,92	17 608 619,11	18 315 742,86
Pension costs	4 771 180,02	5 020 556,41	4 035 195,11	4 256 172,65
Other personnel-related expenses	1 114 283,60	1 327 028,22	922 594,24	1 130 915,26
Personnel expenses in the profit and loss account	27 316 022,55	28 425 441,55	22 566 408,46	23 702 830,77
Salaries and wages paid, including fringe benefits				
To the Board/s of Directors	58 081,67	63 439,99	48 841,67	54 199,99
To the Managing Director/s	423 634,77	429 798,24	262 026,82	262 943,84
	481 716,44	493 238,23	310 868,49	313 160,84
	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
7 Depreciation and reduction in value				
Intangible assets	639 108,62	1 046 361,89	516 094,78	1 020 521,93
Other long-term expenses	2 698 626,50	3 424 338,95	2 631 357,38	3 272 825,51
Buildings and constructions	6 540 949,68	6 633 796,74	6 094 176,96	6 174 566,94
District heat and gas network	3 482 737,74	3 397 193,89	3 482 737,74	3 397 193,89
Electricity network	7 869 667,78	7 776 706,35	--	--
Machinery and equipment	4 273 495,16	5 240 005,73	4 240 445,44	5 215 743,53
Other tangible assets	464 235,62	582 969,09	464 235,62	582 969,09
	25 968 821,10	28 101 372,64	17 429 047,92	19 663 820,89
8 Other operating costs				
Administrative services	4 507 161,81	4 199 939,89	4 760 746,02	4 452 106,45
Total occupancy costs	5 859 779,54	5 716 122,01	5 727 052,25	5 675 768,59
Costs linked to personnel	1 685 424,54	1 910 731,32	1 498 599,96	1 703 422,09
IT hardware and software costs	4 916 060,37	4 500 274,14	4 596 227,25	4 207 361,12

Notes to the financial statements 2016

Waste-to-energy plant leasing costs	8 789 860,02	5 622 035,14	8 789 860,02	5 622 035,14
Other expenses of machinery and equipment	422 167,88	397 586,07	420 417,18	396 553,29
Marketing costs	2 694 590,36	2 041 553,31	2 684 230,42	1 987 761,31
Other costs	1 480 469,91	2 387 808,34	1 000 471,94	1 825 526,39
	30 355 514,43	26 776 050,22	29 477 605,04	25 870 534,38
Auditors' fees				
Deloitte & Touche Ltd certified public accountants				
Audit fees	39 500,00	38 840,00	34 000,00	33 500,00
Other fees	643,49	341,17	643,49	341,17
	40 143,49	39 181,17	34 643,49	33 841,17
9 Financial income and financing costs				
Dividend income				
From associated companies	-	-	2 924 729,45	3 110 286,91
From other sources	87 393,62	39 891,60	87 393,62	39 891,60
Dividend income, total	87 393,62	39 891,60	3 012 123,07	3 150 178,51
Interest income from investment				
Interest income				
From group companies	-	-	379 600,00	103 574,89
From associated companies	138 691,23	186 511,80	138 691,23	186 511,80
From other sources	1 818,08	28 773,98	1 775,38	22 091,13
Interest income, total	140 509,31	215 285,78	520 066,61	312 177,82
Other financial income	558 212,16	66 328,38	556 877,26	65 049,06
Interest and other financial expenses				
Interest expenses to group companies	-	-	0,00	-25 127,27
Interest expenses to others	-633 362,50	-1 113 386,65	-632 512,44	-1 111 684,56
Other financial expenses				
Reduction in value of non-current assets	0,00	599 415,13	0,00	599 415,13
Other financial expenses	-7 734 566,71	-2 475 785,42	-7 734 566,71	-2 475 785,42
Interest and other finance expenses, total	-8 367 929,21	-2 989 756,94	-8 367 079,15	-3 013 182,12
Financial income and expenses, total	-7 581 814,12	-2 668 251,18	-4 278 012,21	514 223,27
10 Group contribution				
Group contribution received from subsidiary	-	-	0,00	10 000 000,00
Group contribution paid to subsidiary	-	-	-5 300 000,00	0,00
Group contribution, total	-	-	-5 300 000,00	10 000 000,00
11 Income tax				
Income taxes from actual operations in financial period	6 121 594,38	5 304 245,51	5 864 103,65	3 478 036,57
Income tax on extraordinary items	-	-	-	2 000 000,00
Tax on retained earnings	289 725,34	98 016,39	289 725,34	98 016,39
Deferred taxes	1 937 360,21	-971 482,65	-1 055 178,40	-
	8 348 679,93	4 430 779,25	5 098 650,59	5 576 052,96
GROUP				
2016				
2015				
PARENT COMPANY				
2016				
2015				
12 Non-current assets				
Intangible assets				
Acquisition cost 1 Jan.	9 659 035,44	9 844 049,12	5 077 797,36	5 395 575,94
Increase	1 370 972,76	1 308 707,64	1 058 049,27	1 175 942,74
Decrease	-1 624 522,14	-1 493 721,32	-1 624 522,14	-1 493 721,32
Acquisition cost 31 Dec.	9 405 486,06	9 659 035,44	4 511 324,49	5 077 797,36
Accumulated depreciation according to plan 1 Jan.	-6 204 966,76	-5 056 366,93	-2 887 681,26	-1 867 159,33
Accumulated depreciation on deductions	3 334,90	0,00	3 334,90	0,00
Depreciation for the financial period	-639 108,62	-1 148 599,83	-516 094,78	-1 020 521,93
Accumulated depreciation according to plan 31 Dec.	-6 840 740,48	-6 204 966,76	-3 400 441,14	-2 887 681,26
Book value 31 Dec.	2 564 745,58	3 454 068,68	1 110 883,35	2 190 116,10
Other long-term expenses				
Acquisition cost 1 Jan.	34 040 987,71	35 679 495,45	32 985 233,29	34 674 386,20
Increase	350 606,59	964 130,01	260 395,15	913 484,84
Decrease	-75 861,80	-2 602 647,57	-75 861,80	-2 602 647,57
Transfers between items	-12 259,46	9,82	-12 259,46	9,82
Acquisition cost 31 Dec.	34 303 473,04	34 040 987,71	33 157 507,18	32 985 233,29
Accumulated depreciation according to plan 1 Jan.	-20 589 070,62	-17 512 298,34	-19 713 020,22	-16 685 523,44
Accumulated depreciation on deductions	42 155,22	245 328,73	42 155,22	245 328,73
Depreciation for the financial period	-2 698 626,50	-3 322 101,01	-2 631 357,38	-3 272 825,51
Accumulated depreciation according to plan 31 Dec.	-23 245 541,90	-20 589 070,62	-22 302 222,38	-19 713 020,22
Book value 31 Dec.	11 057 931,14	13 451 917,09	10 855 284,80	13 272 213,07
Intangible assets under construction				
Acquisition cost 1 Jan.	283 659,09	54 398,00	283 659,09	54 398,00

Notes to the financial statements 2016

Increase	908 368,25	243 799,09	617 273,93	243 799,09
Decrease	-44 884,39	-14 538,00	-44 884,39	-14 538,00
Acquisition cost = book value 31 Dec.	1 147 142,95	283 659,09	856 048,63	283 659,09
Intangible assets, total	14 769 819,67	17 189 644,86	12 822 216,78	15 745 988,26
Tangible assets				
Land				
Acquisition cost 1 Jan.	8 616 945,70	8 208 557,14	8 182 764,49	7 737 411,38
Adjustment of acquisition cost	0,00	560 000,00	0,00	0,00
Increase	4 445,28	18 833,25	2 700,00	18 833,25
Transfers between items	0,00	0,00	0,00	560 000,00
Decrease	-183 023,82	-170 444,69	-181 836,99	-133 480,14
Acquisition cost = Book value 31 Dec.	8 438 367,16	8 616 945,70	8 003 627,50	8 182 764,49
Revaluations				
Land and water				
Revaluation 1 Jan.	0,00	437 288,65	0,00	437 288,65
Revaluation 31 Dec.	0,00	437 288,65	0,00	437 288,65
Buildings and constructions				
Acquisition cost 1 Jan.	165 999 367,31	165 567 521,05	153 210 474,36	152 872 464,43
Adjustment of acquisition cost	9,82	0,00	9,82	0,00
Increase	3 266 811,32	3 531 174,35	206 042,59	3 437 338,02
Transfers between items	0,00	-2 427 690,96	0,00	-2 427 690,96
Decrease	-6 855 738,27	-671 637,13	-6 453 286,80	-671 637,13
Acquisition cost 31 Dec.	162 410 450,18	165 999 367,31	146 963 239,97	153 210 474,36
Accumulated depreciation according to plan and reduction in val	-49 399 006,04	-42 691 860,05	-42 502 344,69	-36 254 428,50
Accumulated depreciation on decreases	5 342 973,85	217 841,23	4 965 859,98	217 841,23
Depreciation for the financial year	-6 600 134,46	-6 935 174,79	-6 153 361,74	-6 475 944,99
Transfers between items	-9,82	10 187,57	-9,82	10 187,57
Accumulated depreciation according to plan 31 Dec.	-50 656 176,47	-49 399 006,04	-43 689 856,27	-42 502 344,69
Book value 31 Dec.	111 754 273,71	116 600 361,27	103 273 383,70	110 708 129,67
Electricity network				
Acquisition cost 1 Jan.	276 975 969,88	267 425 361,09		
Increase	12 298 916,74	9 900 439,58		
Decrease	-515 786,79	-349 830,79		
Acquisition cost 31 Dec.	288 759 099,83	276 975 969,88		
Accumulated depreciation according to plan 1 Jan.	-166 803 928,04	-159 269 796,08		
Accumulated depreciation on decreases	358 881,74	242 574,39		
Depreciation for the financial year	-7 869 667,78	-7 776 706,35		
Accumulated depreciation according to plan 31 Dec.	-174 314 714,08	-166 803 928,04		
Book value 31 Dec.	114 444 385,75	110 172 041,84		
	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
District heating network and equipment				
Acquisition cost 1 Jan.	138 380 838,00	132 168 316,31	138 380 838,00	132 168 316,31
Increase	5 010 468,93	6 212 521,69	5 010 468,93	6 212 521,69
Acquisition cost 31 Dec.	143 391 306,93	138 380 838,00	143 391 306,93	138 380 838,00
Accumulated depreciation according to plan 1 Jan.	-75 901 525,99	-72 548 226,54	-75 901 525,99	-72 548 226,54
Depreciation for the financial year	-3 438 934,18	-3 353 299,45	-3 438 934,18	-3 353 299,45
Accumulated depreciation according to plan 31 Dec.	-79 340 460,17	-75 901 525,99	-79 340 460,17	-75 901 525,99
Book value 31 Dec.	64 050 846,76	62 479 312,01	64 050 846,76	62 479 312,01
Gas distribution network				
Acquisition cost 1 Jan.	2 283 126,36	2 283 126,36	2 283 126,36	2 283 126,36
Increase	42 350,63	0,00	42 350,63	0,00
Acquisition cost 31 Dec.	2 325 476,99	2 283 126,36	2 325 476,99	2 283 126,36
Accumulated depreciation according to plan 1 Jan.	-1 535 221,27	-1 491 326,83	-1 535 221,27	-1 491 326,83
Depreciation for the financial year	-43 803,56	-43 894,44	-43 803,56	-43 894,44
Accumulated depreciation according to plan 31 Dec.	-1 579 024,83	-1 535 221,27	-1 579 024,83	-1 535 221,27
Book value 31 Dec.	746 452,16	747 905,09	746 452,16	747 905,09
Production machinery and equipment				
Acquisition cost 1 Jan.	142 008 857,35	139 317 656,36	142 008 857,35	139 317 656,36
Adjustment of acquisition cost	0,00	-560 000,00	0,00	0,00
Increase	441 039,93	3 251 200,99	441 039,93	3 251 200,99
Transfers between items	0,00	0,00	0,00	-560 000,00
Acquisition cost 31 Dec.	142 449 897,28	142 008 857,35	142 449 897,28	142 008 857,35
Accumulated depreciation according to plan and reduction in val	-109 716 866,43	-105 045 897,45	-109 716 866,43	-105 045 897,45
Adjustment of accumulated depreciation according to plan	0,00	0,00	0,00	0,00
Depreciation for the financial year	-3 710 084,85	-4 670 968,98	-3 710 084,85	-4 670 968,98
Accumulated depreciation according to plan 31 Dec.	-113 426 951,28	-109 716 866,43	-113 426 951,28	-109 716 866,43
Book value 31 Dec.	29 022 946,00	32 291 990,92	29 022 946,00	32 291 990,92
Other machinery and equipment				

Notes to the financial statements 2016

Acquisition cost 1 Jan.	19 392 646,69	19 079 063,81	19 199 373,16	18 985 700,28
Increase	136 407,32	313 582,88	136 407,32	213 672,88
Acquisition cost 31 Dec.	19 529 054,01	19 392 646,69	19 335 780,48	19 199 373,16
Accumulated depreciation according to plan 1 Jan.	-17 585 410,30	-17 099 910,37	-17 513 706,24	-17 052 468,51
Depreciation for the financial year	-504 225,53	-485 499,93	-471 175,81	-461 237,73
Accumulated depreciation according to plan 31 Dec.	-18 089 635,83	-17 585 410,30	-17 984 882,05	-17 513 706,24
Book value 31 Dec.	1 439 418,18	1 807 236,39	1 350 898,43	1 685 666,92
Total machinery and equipment 31 Dec.	30 462 364,18	34 099 227,31	30 373 844,43	33 977 657,84

Other tangible assets

Acquisition cost 1 Jan.	6 332 593,55	3 822 163,18	6 332 593,55	3 822 163,18
Increase	12 259,46	82 749,23	12 259,46	82 749,23
Transfers between items	0,00	2 427 681,14	0,00	2 427 681,14
Decrease	-22 312,74	0,00	-22 312,74	0,00
Acquisition cost 31 Dec.	6 322 540,27	6 332 593,55	6 322 540,27	6 332 593,55
Accumulated depreciation according to plan 1 Jan.	-696 307,48	-103 150,82	-696 307,48	-103 150,82
Accumulated depreciation on decreases	5 351,66	0,00	5 351,66	0,00
Depreciation for the financial year	-464 235,62	-582 969,09	-464 235,62	-582 969,09
Transfers between items	0,00	-10 187,57	0,00	-10 187,57
Accumulated depreciation according to plan 31 Dec.	-1 155 191,44	-696 307,48	-1 155 191,44	-696 307,48
Book value 31 Dec.	5 167 348,83	5 636 286,07	5 167 348,83	5 636 286,07

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Own work in progress				
Acquisition cost 1 Jan.	5 685 934,78	2 128 204,75	1 795 058,88	1 116 177,69
Increase	11 879 876,75	4 116 516,95	8 480 275,50	1 026 275,64
Decrease	-5 545 541,57	-558 786,92	0,00	-347 394,45
Acquisition cost = Book value 31 Dec.	12 020 269,96	5 685 934,78	10 275 334,38	1 795 058,88
Tangible assets, total	347 084 308,51	344 038 014,07	221 890 837,76	223 527 114,05
Investments				
Shares in group companies				
Acquisition cost 1 Jan.	-	-	76 000,00	76 000,00
Acquisition cost = Book value 31 Dec.			76 000,00	76 000,00
Shares in associated companies				
Acquisition cost 1 Jan.	30 367 710,44	32 406 869,54	35 356 066,69	35 356 066,69
Increases/decreases	-1 537 191,65	-2 039 159,10	0,00	0,00
Acquisition cost = Book value 31 Dec.	28 830 518,79	30 367 710,44	35 356 066,69	35 356 066,69
Other shares and holdings				
Acquisition cost 1 Jan.	49 533 882,74	40 472 618,90	49 531 081,69	40 469 817,85
Increases	11 644 900,00	9 098 709,20	11 644 900,00	9 098 709,20
Decreases	-1 883 056,71	-37 445,36	-1 883 056,71	-37 445,36
Acquisition cost = Book value 31 Dec.	59 295 726,03	49 533 882,74	59 292 924,98	49 531 081,69
Other long-term investments				
Acquisition cost 1 Jan.	1 040 000,00	1 040 000,00	1 040 000,00	1 040 000,00
Acquisition cost = Book value 31 Dec.	1 040 000,00	1 040 000,00	1 040 000,00	1 040 000,00
Investments, total	89 166 244,82	80 941 593,18	95 764 991,67	86 003 148,38
Non-current assets, total	451 020 373,00	442 169 252,11	330 478 046,21	325 276 250,69
Capital loan granted:				
Amount:	1 040 000,00	1 040 000,00	1 040 000,00	1 040 000,00
Terms:	The capital loan meets all the terms set out in Chapter 12 of the Limited Liability Companies Act. No The principal shall be repaid in full at the end of the loan period 31.12.2017.			
Interest:	The interest agreed on the capital loan is the rate of interest of the 5-year Finnish government bond + 1 percentage point. Unpaid interest accrued for the interest period of 1 January – 31 December 20 EUR 22,464.00 has been recognised as income in the profit and loss account.			

13 Subsidiaries and associated companies 31 December 2016

Shares in group companies

Owned by the parent company	Domicile	Group's shareholding	Parent company's shareholding	Share capital	Book value 31.12.2016	Number of shares
Vantaa Energy Electricity Networks Ltd	Finland	100,00 %	100,00 %	6 453 804,25	76 000,00	701

Associated companies

Owned by the parent company						
Svartisen Holding AS	Norway	49,63 %	49,63 %	17 801 539,20	20 006 986,68	54 883 850
Suomen Energia-Urakointi Oy	Finland	25,88 %	25,88 %	5 272 726,16	1 364 757,25	1 553
Kolsin Voima Oy	Finland	22,50 %	22,50 %	53 805 792,43	9 664 222,34	2 250

Notes to the financial statements 2016

All group and associated companies have been combined in the parent company's consolidated financial statements.
The loan granted by the parent company to Svartisen Holding AS (capital on 31 December 2016 EUR 15,730,930.92) is unsecured.

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
14 Current assets				
Long-term receivables				
Long-term receivables from associated companies				
Long-term loan receivables	13 856 049,34	15 730 930,92	13 856 049,34	15 730 930,92
	13 856 049,34	15 730 930,92	13 856 049,34	15 730 930,92
Accruals				
Purchase invoice accrual	2 056 347,30	2 164 129,48	388 944,96	420 060,48
	2 056 347,30	2 164 129,48	388 944,96	420 060,48
Other receivables				
Securities	2 638 547,00	11 488 278,00	2 638 547,00	11 488 278,00
	2 638 547,00	11 488 278,00	2 638 547,00	11 488 278,00
Deferred tax assets				
Deferred tax asset of the fair value of interest rate derivatives and provisions	1 076 408,55	0,00	1 055 178,40	0,00
	1 076 408,55	0,00	1 055 178,40	0,00
Short-term receivables				
Short-term receivables from Group undertakings				
Intra-group loan, interest-bearing	-	-	46 500 000,00	46 800 000,00
Group account receivables	-	-	0,00	3 066 794,86
Group trade receivables	-	-	0,00	10 279,51
Other group receivables	-	-	162 047,43	615 945,59
			46 662 047,43	50 493 019,96
Short-term receivables from associated companies				
Short-term loan receivables	1 874 881,58	1 874 881,58	1 874 881,58	1 874 881,58
Short-term interest receivables	22 906,42	34 846,30	22 906,42	34 846,30
	1 897 788,00	1 909 727,88	1 897 788,00	1 909 727,88
Accruals				
Revenue recognition	6 087 472,32	1 058 460,82	5 467 472,32	1 052 043,53
Capital repayment receivable	0,00	594 400,00	0,00	594 400,00
Income tax receivables	0,00	82 574,63	0,00	0,00
Receivables from suppliers	492 702,65	462 429,55	492 702,65	462 429,55
Purchase invoice accrual	775 018,91	606 763,00	757 553,64	551 769,95
Advance payments for 2017	300 176,92	175 677,19	300 176,92	175 677,19
Imbalance power	143 423,65	207 462,18	143 423,65	207 462,18
Kela reimbursement accrual	61 979,00	61 492,74	61 979,00	61 492,74
Palkkojen sos.kulujaksotukset	385 277,38	141 209,79	319 802,61	58 635,16
Interest for the financial year	24 198,45	22 464,00	24 198,45	22 464,00
Other items	16 604,17	54 651,84	1 222,17	1 318,71
	8 286 853,45	3 467 585,74	7 568 531,41	3 187 693,01
Other receivables				
Securities	8 060 248,31	11 324 436,87	8 060 248,31	11 324 436,87
Tax assets	373 087,21	0,00	0,00	0,00
	8 433 335,52	11 324 436,87	8 060 248,31	11 324 436,87
15 Equity				
Share capital				
Share capital 1 Jan.	3 421 816,00	3 421 816,00	3 421 816,00	3 421 816,00
Share capital 31 Dec.	3 421 816,00	3 421 816,00	3 421 816,00	3 421 816,00
Retained earnings				
Retained earnings 1 Jan.	199 007 537,70	209 080 459,04	126 939 907,54	131 316 825,83
Adjustment of the value of associated companies	0,00	-724 870,28	0,00	0,00
Payment of dividends	-19 983 405,44	-29 992 217,24	-19 983 405,44	-29 992 217,24
Donations	-34 000,00	-38 750,00	-34 000,00	-38 750,00
Retained earnings 31 Dec.	178 990 132,26	178 324 621,52	106 922 502,10	101 285 858,59
Translation differences	-753 332,62	-1 214 987,21	--	--
Profit for the financial year	34 252 797,50	21 897 903,39	21 880 086,88	25 654 048,95
Total equity	215 911 413,14	202 429 353,70	132 224 404,98	130 361 723,54
Distributable unrestricted equity				

Notes to the financial statements 2016

Retained earnings	-	-	106 922 502,10	101 285 858,59
Profit for the financial year	-	-	21 880 086,88	25 654 048,95
Total			128 802 588,98	126 939 907,54
Imputed tax liabilities				
From appropriations	20 953 380,42	17 939 611,66	10 375 519,51	9 701 159,61
From revaluations	0,00	87 457,73	0,00	87 457,73
Total	20 953 380,42	18 027 069,39	10 375 519,51	9 788 617,34
16 Liabilities				
Liabilities falling due within one year	11 665 683,32	12 992 026,12	11 665 683,32	12 992 026,12
Liabilities falling due in 1-5 years	43 016 542,58	28 877 731,44	43 016 542,58	28 877 731,44
Liabilities falling due after 5 years	92 634 378,56	111 930 122,56	92 634 378,56	111 930 122,56
Current liabilities				
Current liabilities to Group undertakings				
Other liabilities	-	-	4 030 715,97	3 651 353,34
Group account liabilities	-	-	2 176 869,19	83 651,88
Payables	-	-	1 116,00	169 101,19
Accruals	-	-	463 095,80	249 823,59
			6 671 796,96	4 153 930,00
Accruals				
Holiday pay reserve	4 100 745,95	4 308 037,05	3 353 005,44	3 570 737,91
Purchase invoice accrual	585 846,80	2 205 522,50	585 846,80	2 205 522,50
Leasing payments	514 234,57	512 078,25	514 234,57	512 078,25
Energy investment support accrual in 2017	102 666,67	102 666,67	102 666,67	102 666,67
Wages, salaries and social expenses	2 719 601,83	2 778 107,57	2 311 125,18	2 379 643,05
Derivative liabilities	5 278 443,00	315 027,06	5 278 443,00	315 027,06
Income tax accrual	1 594 397,27	660 079,53	1 594 397,27	660 079,53
Interests	67 267,72	261 279,68	67 267,72	261 279,68
Other items	541 543,10	185 944,34	195 943,45	180 699,69
	15 504 746,91	11 328 742,65	14 002 930,10	10 187 734,34
17 Provisions				
Emission allowance deficit	106 150,74	-	106 150,74	-

Notes to the financial statements 2016

18 Guarantees and contingent liabilities

	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Liabilities related to the waste-to-energy plant				
Leasing liability for production machines and equipment in the waste-to-energy plant including	151 787 160,87	162 683 913,46	151 787 160,87	162 683 913,46
Operational guarantee on fulfilling essential obligations of the service contract on waste, with HSY as beneficiary	5 000 000,00	5 000 000,00	5 000 000,00	5 000 000,00
Total	156 787 160,87	167 683 913,46	156 787 160,87	167 683 913,46

The ownership of the production machines and equipment of the waste-to-energy plant has been transferred to the leasing company against the payments of the purchase price. The leasing agreement will terminate in 2029 when the company will have a purchase option to the object of leasing or entitlement to designate a buyer for it. The residual value is EUR 42,500,000.00. The amount of leasing liability is the amount of the remaining capital including value added tax and interest costs and deducted by the residual value.

The nature of the contract is financial leasing as the risks and benefits based on the underlying asset have essentially been transferred to the lessee at the beginning of the contract period.

The leasing arrangement has been drawn up as a tripartite agreement between the company, the leasing company and the financial institution. The leasing company has refinanced part of the

The City of Vantaa provided a directly enforceable guarantee of EUR 240 million for the financial arrangements of the waste-to-energy plant. The validity of the guarantees provided by the City of Vantaa has been limited to 20 years and 80% of the residual capital of the financial arrangement.

The company has provided contracts of pledge as counter-security so that the value of the securities corresponds to 150% of the amount of financial arrangement subject to the guarantee at any given time (EUR 360 million). Furthermore, the company provided the City of Vantaa with a negative pledge agreement required by a directly enforceable guarantee arrangement. At the balance sheet date, the remaining capital of the leasing arrangement was EUR 164,909,000.70 and the bank loan in the balance sheet of Vantaa Energy Ltd was EUR 125,076,923.08.

Mortgages on real estate

Handed over to the City of Vantaa as counter-security in relation to the leasing financing agreement on the waste-to-energy plant	360 000 000,00	360 000 000,00	360 000 000,00	360 000 000,00
Unrestricted and held by the company	114 832 000,00	116 597 900,00	114 832 000,00	116 597 900,00
Mortgages provided on excise duty to the Finnish Customs	168 100,00	168 100,00	168 100,00	168 100,00
Total	475 000 100,00	476 766 000,00	475 000 100,00	476 766 000,00

Liabilities concerning the associated company

Guarantee on behalf of the debt of Svartisen Holding AS	39 720 000,00	40 440 000,00	39 720 000,00	40 440 000,00
Guarantee on behalf of loan derivatives of Svartisen Holding AS	440 055,40	0,00	440 055,40	0,00
Guarantee provided on behalf of Eastern Norge Svartisen AS to meet obligations, with Nordland Fylkeskommune as beneficiary	2 457 931,17	2 325 679,48	2 457 931,17	2 325 679,48
Total	42 617 986,57	42 765 679,48	42 617 986,57	42 765 679,48

Vantaa Energy Ltd has pledged as security its shares in Svartisen Holding AS partly as counter-security to the City of Vantaa and partly to Nordea.

Book value of pledged shares	20 006 986,68	16 366 064,88	20 006 986,68	16 366 064,88
Remaining debt in the balance sheet of Vantaa Energy Ltd	15 730 930,92	17 605 812,50	15 730 930,92	17 605 812,50

Bank guarantees on behalf of others

Guarantee to secure imbalance power contract, with Fingrid Oyj as beneficiary	860 000,00	860 000,00	860 000,00	860 000,00
Fixed-term guarantee to fulfil obligations related to land use, municipal utilities and construction and the change of plots, with the City of Vantaa as beneficiary	2 445 889,00	0,00	2 445 889,00	0,00
Total	3 305 889,00	860 000,00	3 305 889,00	860 000,00

The bank guarantees are guarantees provided by the bank on behalf of Vantaa Energy Ltd. Vantaa Energy Ltd is committed to paying to the bank the fees and provisions related to this commitment and to compensate for any costs related to the bank guarantee.

Financial securities provided on behalf of own commitments

Deposit to Nord Pool Spot AS provided as pledge for electricity exchange trade	192 701,83	226 295,83	192 701,83	226 295,83
Deposit to Kaasupörssi Oy provided as pledge for gas exchange trade	31 297,94	31 297,94	31 297,94	31 297,94
Total	223 999,77	257 593,77	223 999,77	257 593,77

Leasing liabilities incl. VAT

Maturing within one year				
Leasing liability for office building	1 037 136,00	0,00	1 037 136,00	0,00
Other leasing liabilities	636 210,63	587 694,35	484 500,34	432 429,87
Maturing at a later date				
Leasing liability for office building	17 131 138,16	0,00	17 131 138,16	0,00
Other leasing liabilities	1 137 512,01	1 114 416,56	815 504,53	685 462,48
Total	19 941 996,80	1 702 110,91	19 468 279,03	1 117 892,35

A sale and financial leasing contract and a project management contract were drawn up on the office buildings in February 2016.

The project cost estimate of the office building is EUR 15,390,000. The final costs will be specified after the construction of the office building has been completed.

The lease period of the office building will terminate on 29 February 2032 and it will continue by three years unless Vantaa Energy Ltd uses its option right to purchase the shares of the real estate company. An option agreement has also been drawn up on the option of purchasing the office building. Vantaa Energy Ltd is entitled to but not obliged to purchase the shares of the real estate company for a price agreed in advance between 31 December 2022 and 31 December 2026.

The rent is determined according to a separate rent calculation and it is entered as the company's expense in the profit and loss account.

Vantaa Energy Ltd shall have the right of control (Chapter 1, section 3, subsection 3 of the Accounting Act and IFRS standard 10) over the real estate company during construction. As the cons has not been combined in the consolidated financial statements of Vantaa Energy Ltd due to the short duration of construction.

The equity of the real estate company on 31 December 2016 was EUR 2,500 and balance sheet total EUR 9.47 million, which is 1.7% of the Group's balance sheet.

The financing arrangement does not include security arrangements.

Leasing agreements related to other than the waste-to-energy plant and the office building are mainly subject to the following terms: the duration of the agreements varies from two to five years obligations to redeem.

Rent liability incl. VAT

Maturing within one year				
Rent liability for temporary premises 30 June 2017	224 761,74	0,00	224 761,74	0,00
Total	224 761,74	0,00	224 761,74	0,00

Other contractual liabilities incl. VAT

Binding purchase commitments	11 579 070,40	12 226 400,00	316 150,40	0,00
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Notes to the financial statements 2016

Other contingent liabilities (all parent company's)**Financing and bank guarantee limits**

	2016		2015	
	Maximum amount	Tied	Maximum amount	Tied
From financial institutions	50 000 000,00	2 000 000,00	50 000 000,00	2 000 000,00
From financial institutions	0,00	0,00	50 000 000,00	0,00

The company has from the bank a commercial guarantee limit of EUR 50 million, of which EUR 2.0 million is in use at the balance sheet date as security for electricity exchange trade

From financial institutions	50 000 000,00	30 000 000,00	55 000 000,00	30 000 000,00
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Financial limit to cover derivative liabilities. The maximum amount is EUR 50.0 million, of which EUR 30.0 million is tied at the balance sheet date. Guarantee requirement EUR 9.6 million is ei

From financial institutions	10 000 000,00	0,00	10 000 000,00	10 000 000,00
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Financial limit to cover derivative liabilities and for financing. The maximum amount is EUR 10 million, of which EUR 0 million is used on the date the accounts are closed.

Group account limit of the City of Vantaa	25 000 000,00	6 508 750,46	25 000 000,00	7 835 093,26
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Other liabilities in energy production companies

The parent company owns shares in electricity production companies operating under so-called Mankala principle: Suomen Hyötytuuli Oy, Innopower Oy, EPV-Energia Oy, Pohjolan Voima Oy and Voimaosakeyhtiö SF. In these companies, the shareholders are responsible for all costs arising in the companies with respect to their own share of ownership in accordance with the articles of association. In terms of Voimaosakeyhtiö SF, the Mankala responsibility has been limited in the articles of association so that the Mankala responsibility will not start until after Fennovoima's nuclear power plant is operational. When a company is dissolved, its assets and liabilities are primarily distributed to the shareholders so that the shareholders of each series of shares will gain ownership of the production resources. The ownership of the series of shares in question entitles to and take on the responsibility for the liabilities of the series of shares in question.

Subscription liabilities

The company's liabilities with respect to future share subscriptions in shared electricity production projects:

Wind power (Suomen Hyötytuuli Oy, EPV Energia Oy)	2 573 850,00	9 469 350,00	2 573 850,00	9 469 350,00
Nuclear power (Voimaosakeyhtiö SF, EPV Energia Oy, Pohjolan Voima Oy)	74 305 980,00	79 285 680,00	74 305 980,00	79 285 680,00
Total	76 879 830,00	88 755 030,00	76 879 830,00	88 755 030,00

Liability for VAT refunds

Value added tax deductions concerning buildings and investments on the expansion of a production network related to a refund liability for 2016–2025 in accordance with section 33 of the Value Added Tax Act

	30 679 958,44	29 852 765,79	14 013 185,20	14 639 062,49
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Other liabilities

The Energy Authority has provided a draft regulation decision for Vantaa Energy Electricity Networks Ltd on 10 February 2017 concerning the regulatory period of 2012–2015. The draft decision states that the Energy Authority will issue a separate decision concerning the consequences of neglecting to return the surplus for the second regulatory period during the third regulatory period. No decision has been taken on the matter.

Notes to the financial statements 2016

19 Overall situation of emission allowances within the Emissions Trading Scheme

The authority has granted a total of 1,650,150 tonnes of carbon dioxide of free emission allowances for 2013–2020.

Accruals data (tonnes of CO₂)	2016	2015
Free emission allowances granted	203 587	262 042
Actual carbon dioxide emissions	-503 535	-458 500
Purchased emission allowances EUA	175 000	123 297
Purchased emission allowances CER	23 513	10 825
Purchased emission allowances ERU		
Deficit/surplus of emission allowances (-/+)	-101 435	-62 336
Deficit/surplus of emission allowances (-/+), cumulative	-22 846	78 589
Change of free emission allowances for period 2016–2020	-94 265	
Remaining emission allowances for period 2013–2020 on 31 Dec.	542 374	840 226

Notes to the financial statements 2016

20 Derivative contracts

Electricity derivatives

The company's open electricity derivative contracts are electricity futures and forwards quoted on the Nasdaq Commodities exchange.

Electricity derivatives are used for hedging the price risk of future highly probable spot-priced purchases.

During the maturity of derivatives, the open net volume of electricity derivatives is lower than the predicted highly probable amount of spot-priced purchases.

Notional amount (GWh)	2017	2018	2019	2020
Purchase derivatives	2 115	458	298	61
Sale derivatives	-138	-53	-18	-9
Total (net GWh)	1 978	405	280	52
Fair value (EUR 1,000)	2017	2018	2019	2020
Purchase derivatives	20	-1 040	46	59
Sale derivatives	-121	17	10	-22
Fair value, total (EUR 1,000)	-101	-1 024	56	37

The amounts of annual fair value of electricity derivatives presented above are based on the closing prices of the Nasdaq Commodities exchange at the balance sheet date.

Sensitivity analysis	2017	2018	2019	2020
Impact of a EUR +1 change on the closing price of electricity derivatives on the fair value of derivatives (EUR 1,000)	1 978	405	280	52
Impact of a EUR -1 change on the closing price of electricity derivatives on the fair value of derivatives (EUR 1,000)	-1 978	-405	-280	-52

Other commodity derivatives

Fuel, emission allowance and currency derivatives are used for hedging the impact of the price risk of fuels and emission allowances on the company's result.

Coal derivatives

Notional amount (tonnes)	2017	2018	2019
Purchase derivatives	31 000	20 000	0
Sale derivatives	0	0	0
Total (net tonnes)	31 000	20 000	0
Fair value (EUR 1,000)	2017	2018	2019
Purchase derivatives	673	81	0
Sale derivatives	0	0	0
Fair value, total (EUR 1,000)	673	81	0

Sensitivity analysis	2017	2018	2019
Impact of a EUR +1 change on the closing price of coal derivatives on the fair value of derivatives (EUR 1,000)	31	20	0
Impact of a EUR -1 change on the closing price of coal derivatives on the fair value of derivatives (EUR 1,000)	-31	-20	0

Oil derivatives

Notional amount (tonnes)	2017	2018	2019
Purchase derivatives	14 000	3 000	0
Sale derivatives	0	0	0
Total (net tonnes)	14 000	3 000	0
Fair value (EUR 1,000)	2017	2018	2019
Purchase derivatives	81	14	0
Sale derivatives	0	0	0
Fair value, total (EUR 1,000)	81	14	0

Sensitivity analysis	2017	2018	2019
Impact of a EUR +1 change on the closing price of oil derivatives on the fair value of derivatives (EUR 1,000)	14	3	0
Impact of a EUR -1 change on the closing price of oil derivatives on the fair value of derivatives (EUR 1,000)	-14	-3	0

Notes to the financial statements 2016

Emission allowance derivatives

Notional amount (tonnes)	2017	2018	2019
Purchase derivatives	60 000	14 000	0
Sale derivatives	0	0	0
Total (net tonnes)	60 000	14 000	0
Fair value (EUR 1,000)	2017	2018	2019
Purchase derivatives	55	14	0
Sale derivatives	0	0	0
Fair value, total (EUR 1,000)	55	14	0
Sensitivity analysis	2017	2018	2019

Impact of a EUR +1 change on the closing price of emission allowance derivatives on the fair value of derivatives (EUR 1,000)	60	14	0
Impact of a EUR -1 change on the closing price of emission allowance derivatives on the fair value of derivatives (EUR 1,000)	-60	-14	0

Currency derivatives

Notional amount (USD 1,000)	2017	2018	2019
Purchase derivatives	3 900	1 500	0
Sale derivatives	-1 000	0	0
Total (USD 1,000 net)	2 900	1 500	0

Fair value (USD 1,000)	2017	2018	2019
Purchase derivatives	235	59	0
Sale derivatives	-57	0	0
Fair value, total (USD 1,000)	178	59	0

Sensitivity analysis	2017	2018	2019
Impact of a EUR +0.1 change on the closing price of EUR/USD on the fair value of derivatives (EUR 1,000)	-290	-150	0
Impact of a EUR -0.1 change on the closing price of EUR/USD on the fair value of derivatives (EUR 1,000)	290	150	0

Interest rate derivatives

Interest rate derivatives are used for hedging the interest rate risk of the variable interest rate of the company's bank loans and contracts outside the balance sheet (leasing financing).

Contract type	tEUR	Variable interest rate, paid by the bank	Contract period	Fixed interest rate, paid by the company	Fair value, EUR 1,000	Hedged item
Forward start contract 2+6 yrs	10 000	3 month Euribor	5.6.2017 - 5.6.2023	1,149 %	-619	Bank loan
Ordinary interest rate swap	15 000	6 month Euribor	16.12.2016 - 16.12.2026	1,505 %	-1 299	Bank loan
Ordinary interest rate swap	20 000	6 month Euribor	2.1.2017 - 11.12.2026	1,125 %	-772	Financing outside the balance sheet
Ordinary interest rate swap	15 000	6 month Euribor	7.7.2015 - 7.7.2025	1,225 %	-1 055	Financing outside the balance sheet
Forward start contract 2.5+4 yrs	20 000	6 month Euribor	1.12.2017 - 1.12.2021	1,162 %	-843	Bank loan
Forward start contract 2+6 yrs	20 000	3 month Euribor	1.6.2017 - 1.6.2023	1,142 %	-1 236	Bank loan
Fair value, total (tEUR)					-5 825	

Fair values of interest rate swaps with a right to extend the contract have been recognised in the financial statements under financial expenses.

Continued interest rate swap 8+8 yrs	10 000	3 month Euribor	7.10.2016-7.7.2031	0,700 %	-820	Bank loan
Continued interest rate swap 10+10v yrs	30 000	6 month Euribor	16.12.2016-18.6.2035	0,700 %	-2 787	Financing outside the balance sheet
Continued interest rate swap 10+10 yrs	20 000	6 month Euribor	19.12.2016-18.6.2035	0,700 %	-1 669	Financing outside the balance sheet
Fair value, total (EUR 1,000)					-5 276	

Sensitivity analysis	2017	2018	2019
Capital at the end of period	286 605	271 534	256 355
Hedgings, total	160 000	160 000	160 000
+1% interest rate change	1 266	1 115	964
-1% interest rate change	-1 266	-1 115	-964

The sensitivity analysis is presented for 2017–2019 with undiscounted values, presenting the impact of a change of 1 percentage point (3-month or 6-month Euribor) on the total amount of the cash flows of the company's hedged items (loans and financing outside the balance sheet) and hedging instruments in each year. A positive value means a growth in the cash flow paid by the company and a negative value means a diminished cash flow

21 Unbundled financial statements concerning other electricity business operations in accordance with the Electricity Market Act and unbundled financial statements concerning the natural gas business

21.1. Other electricity network operations

Unbundled financial statements on other electricity business operations required by the Ministry of Trade and Industry's decree on the unbundling of electricity network operations (79/2005). The method of presentation complies with the reporting formula of the Energy Authority.

INCOME STATEMENT

(EUR)	1.1.-31.12.2016	1.1.-31.12.2015
Turnover	138 162 073,09	146 447 325,06
Work performed by the undertaking for its own purpose and capitalised	9 397,70	785,40
Other operating income		
Other income from business operations	14 093 676,39	2 867 706,82
	14 093 676,39	2 867 706,82
Materials and services		
Raw materials, consumables and supplies		
Purchases		
Other purchases	-110 169 577,48	-117 459 522,06
Change in stocks	-3 153 997,82	-2 057 009,78
	-113 323 575,30	-119 516 531,84
External services		
Other external services	-3 193 039,92	-3 506 492,39
	-3 193 039,92	-3 506 492,39
Materials and services, total	-116 516 615,22	-123 023 024,23
Personnel expenses		
Wages and salaries	-6 071 428,54	-6 053 147,60
Social security expenses		
Pension costs	-1 473 726,56	-1 469 831,01
Other social security costs	-383 128,32	-386 538,71
	-7 928 283,42	-7 909 517,32
Depreciation and reduction in value		
Depreciation according to plan		
Of goodwill		
Of other non-current assets	-2 952 513,96	-3 658 093,74
Reduction in value of non-current assets	0,00	0,00
	-2 952 513,96	-3 658 093,74
Other operating expenses		
Other operating expenses, other	-12 228 487,25	-12 703 045,43
	-12 228 487,25	-12 703 045,43
Operating profit (loss)	12 639 247,33	2 022 136,56
Financial income and expenses		
Other interest and financial income	3 351 316,02	3 147 595,66
Interest and other financial expenses	-1 297 252,98	-4 227 917,60
	2 054 063,04	-1 080 321,94
Profit (loss) before appropriations and taxes	14 693 310,37	941 814,62
Appropriations		
Change in cumulative accelerated depreciation		
Of other non-current assets	320 031,56	1 566 412,14
	320 031,56	1 566 412,14
Income tax	-1 368 374,79	-616 427,98

Profit (loss) for the financial year	13 644 967,14	1 891 798,78
Other electricity network operations		
BALANCE SHEET		
(EUR)	1.1.-31.12.2016	1.1.-31.12.2015
ASSETS		
Non-current assets		
Intangible assets		
Other intangible assets	2 032 008,32	2 568 508,80
Advance payments and construction in progress	301 297,03	0,00
Tangible assets		
Other tangible assets	31 095 493,16	34 685 810,69
Advance payments and construction in progress	2 488 284,05	0,00
	35 917 082,56	37 254 319,49
Investments	94 516 773,41	84 754 593,74
Non-current assets, total	130 433 855,97	122 008 913,23
Current assets		
Inventories	1 516 822,87	4 885 345,02
Receivables		
Long-term receivables		
Other receivables	65 731,70	70 990,22
Short-term receivables		
Receivables	22 402 224,42	25 267 202,07
Other receivables	1 145 071,15	184 220,10
Prepayments and accrued income	6 333 705,77	2 171 457,54
	29 946 733,04	27 693 869,93
Cash in hand and at banks	1 167 319,21	4 673 868,12
Current assets, total	32 630 875,12	37 253 083,07
ASSETS, TOTAL	163 064 731,09	159 261 996,30
EQUITY AND LIABILITIES		
Capital and reserves		
Retained earnings (loss)	16 551 624,13	22 253 268,76
Profit for the financial year	13 644 967,14	1 891 798,78
	30 196 591,27	24 145 067,54
Appropriations		
Depreciation difference	7 714 890,22	8 035 922,58
Provisions	16 528,63	0,00
Liabilities		
Long-term liabilities		
Long-term interest-bearing liabilities	90 500 000,00	92 000 000,00
Long-term non-interest-bearing liabilities		
Long-term accrued liabilities	184 800,00	200 200,00
Connection fees to be refunded	18 027 829,74	18 027 829,74
	108 712 629,74	110 228 029,74
Short-term liabilities		
Short-term non-interest-bearing liabilities		

Payables	5 071 245,67	8 136 497,18
Accruals	5 740 313,15	5 747 241,59
Other liabilities to group companies	299 297,81	421 829,13
Other liabilities	5 313 234,60	2 547 408,54
	<u>16 424 091,23</u>	<u>16 852 976,44</u>
Liabilities, total	125 136 720,97	127 081 006,18
EQUITY AND LIABILITIES, TOTAL	163 064 731,09	159 261 996,30

21.2 Natural gas operations

Unbundled financial statements on natural gas business operations as required by the decree of the Ministry of Trade and Industry on the unbundling of natural gas business operations (222/2005). The method of presentation complies with the reporting formula of the Energy Authority.

Net investments of natural gas transmission in non-current assets

	2016	2015
Natural gas network	42 350,63	0,00

The return on investments in natural gas transmission was 18.2% (39.7% in 2015).

$$\text{Return on investment (\%)} = \frac{(\text{Earnings before appropriations} + \text{interest expenses}) \times 100}{(\text{Balance sheet total} - \text{current non-interest-bearing debts} - \text{tax liability of})}$$

Natural gas sales operations

INCOME STATEMENT

(EUR)	1.1.-31.12.2016	1.1.-31.12.2015
Turnover	620 148,90	1 164 988,50
Materials and services		
Other purchases	-527 365,60	-571 758,54
	<u>-527 365,60</u>	<u>-571 758,54</u>
Materials and services, total	-527 365,60	-571 758,54
Other operating expenses		
Other operating expenses, other	-20 697,24	-21 704,60
	<u>-20 697,24</u>	<u>-21 704,60</u>
Operating profit (loss)	72 086,06	571 525,36
Financial income and expenses		
Other interest and financial income	0,00	0,00
	<u>0,00</u>	<u>0,00</u>
Profit (loss) before appropriations and taxes	72 086,06	571 525,36
Income tax	-14 699,56	-98 689,64
Other direct taxes		
Return of surplus to the municipality		
Profit (loss) for the financial year	57 386,50	472 835,72

Natural gas sales business

BALANCE SHEET

ASSETS

Non-current assets**Current assets**

Receivables

Long-term receivables

Receivables from group companies

0,00

0,00

Short-term receivables

Sales receivables

14 926,50

149 004,23

Other receivables

51 896,10

26 962,29

Prepayments and accrued income

99 000,00

0,00

165 822,60

175 966,52

Cash in hand and at banks

1 071 971,71

1 152 602,78

Current assets, total**1 237 794,31****1 328 569,30****ASSETS, TOTAL****1 237 794,31****1 328 569,30****EQUITY AND LIABILITIES****Capital and reserves**

Retained earnings (loss)

1 106 260,98

785 123,19

Profit for the financial year

57 386,50

472 835,72

1 163 647,48

1 257 958,91

Liabilities

Short-term liabilities

Short-term non-interest-bearing liabilities

Payables

74 146,83

70 610,39

Accruals

0,00

0,00

74 146,83

70 610,39

Liabilities, total**74 146,83****70 610,39****EQUITY AND LIABILITIES, TOTAL****1 237 794,31****1 328 569,30****Natural gas network operations****INCOME STATEMENT**

(EUR)

1.1.-31.12.2016**1.1.-31.12.2015****Turnover****1 614 244,69****1 467 739,14**

Work performed by the undertaking for its own purpose and capitalised

10 041,04

0,00

Materials and services

Raw materials, consumables and supplies

Purchases

Other gas purchases in network operations

-1 329 920,72

-1 062 628,34

Other purchases

-120,36

-123,25

-1 330 041,08

-1 062 751,59

External services

Other external services

-6 791,35

-3 537,21

-6 791,35

-3 537,21

Materials and services, total

-1 336 832,43

-1 066 288,80

Personnel expenses

Tilinpäätöksen liitetiedot 2016

20

Wages and salaries	-63 574,14	-56 721,26
Social security expenses		
Pension costs	-9 030,00	-9 151,20
Other social security costs	-2 329,39	-2 382,05
	<u>-74 933,53</u>	<u>-68 254,51</u>
Depreciation and reduction in value		
Depreciation according to plan		
Of assets in the natural gas network	-44 163,20	-44 254,08
	<u>-44 163,20</u>	<u>-44 254,08</u>
Other operating expenses		
Other operating expenses, other	-30 611,62	-32 812,14
	<u>-30 611,62</u>	<u>-32 812,14</u>
Operating profit (loss)	137 744,95	256 129,61
Financial income and expenses		
Interest and other financial expenses	0,00	0,00
	<u>0,00</u>	<u>0,00</u>
Profit (loss) before appropriations and taxes	137 744,95	256 129,61
Appropriations		
Change in cumulative accelerated depreciation		
Change in cumulative accelerated depreciation of assets in the natura	40 743,50	41 331,45
	<u>40 743,50</u>	<u>41 331,45</u>
Income tax	-36 396,80	-51 364,87
Profit (loss) for the financial year	142 091,65	246 096,19
Natural gas network operations		
BALANCE SHEET		
ASSETS		
Non-current assets		
Tangible assets		
Tangible assets in the natural gas network	755 040,05	747 905,09
	<u>755 040,05</u>	<u>747 905,09</u>
Non-current assets, total	755 040,05	747 905,09
Current assets		
Receivables		
Short-term receivables		
Sales receivables	0,00	63 858,95
Other receivables	124 801,83	65 152,64
Prepayments and accrued income	106 000,00	0,00
	<u>230 801,83</u>	<u>129 011,59</u>
Cash in hand and at banks	144 783,47	192 019,71
Current assets, total	375 585,30	321 031,30
ASSETS, TOTAL	1 130 625,35	1 068 936,39

EQUITY AND LIABILITIES

Capital and reserves		
Retained earnings (loss)	50 762,05	-195 334,13
Profit for the financial year	142 091,65	246 096,19
	<hr/>	<hr/>
	192 853,70	50 762,06
Appropriations		
Depreciation difference	702 508,02	743 251,52
Liabilities		
Long-term liabilities		
Long-term non-interest-bearing liabilities		
Other liabilities to group companies	0,00	0,00
	<hr/>	<hr/>
	0,00	0,00
Short-term liabilities		
Short-term non-interest-bearing liabilities		
Payables	177 345,26	232 495,64
Accruals	56 470,57	41 264,33
Other liabilities	1 447,80	1 162,84
	<hr/>	<hr/>
Short-term liabilities, total	235 263,63	274 922,81
Liabilities, total	235 263,63	274 922,81
<hr/>	<hr/>	<hr/>
EQUITY AND LIABILITIES, TOTAL	1 130 625,35	1 068 936,39

SIGNATURES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS

Vantaa, 28 February 2017

Tommi Valtonen
Chairman of the Board of Directors

Janne Pesonen

Erkki Vuorenmaa

Timo Auvinen

Jasmin Hamid

Marko Karvinen

Sirpa Kauppinen

Paula Lehmuskallio

Leena Westlund

Pertti Laukkanen
CEO

AUDITORS' REPORT

A report on the audit of accounts has been issued today.

Vantaa _____ 2017

Deloitte & Touche Ltd
Authorised Public Accountants

Robert Kajander, Authorised Public Accountant

Matti Ojala, Authorised Public Acco

LIST OF ACCOUNTING BOOKS CONSULTED AND VOUCHER TYPES 2016

ACCOUNTING BOOKS

Daybook and general ledger	electronically
Purchase ledger	electronically
Sales ledger	electronically
Cost accounting	electronically

Inventory accounting	electronically
Stock records	electronically
Final accounts	electronically
Balance sheet breakdowns	electronically

VOUCHER TYPES/STORAGE METHODS

Cash vouchers and bank receipts	as paper document
SEPA and reference payments	as paper document
Accounting memos	as paper document
Payroll accounting	as paper document
Accounts receivable	electronically
Purchase ledger	electronically
Stock records	electronically
Inventory accounting/depreciations	electronically
Notes vouchers	as paper document