



ESPOON SÄHKÖ

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INFORMATION FOR SHAREHOLDERS

Shareholders' meeting

The Annual General Meeting of Espoon Sähkö Oy shareholders will be held on Thursday 11 April 1996, beginning at 4.00 pm at the Hotel Kuninkaantie in Espoo, street address Lakelankatu 1. Shareholders will be entitled to participate in the annual meeting who have registered their names in the company's share register maintained by the Central Share Register of Finland by 1 April 1996. Shareholders whose shares have not been transferred to the book-entry system will also be entitled to participate in the annual meeting provided they were registered in the company's share register before 30 September 1994. In this case shareholders must present their share certificates or other proof that the right to shares has not been transferred to a book-entry account.

Shareholders who wish to participate in the annual meeting must give notification by 4.00 pm on 9 April 1996 either in writing to Espoon Sähkö Oy, Osakerekisteri, P.O.Box 109, FIN-02201, Espoo, or by phone to +358-0-8048 0802. Any power of attorney on the basis of which an agent is authorized to vote for a shareholder by proxy should be sent to the company before the period of notification expires.

Payment of dividends

The Board of Directors proposes to the Annual General Meeting that a dividend of FIM 1.20 per share be distributed for the financial year 1995. The record date for dividend payments will be 16 April 1996 and the payment date will be 19 April 1996 if the Board's proposal is approved.

Shareholders who have not transferred their shares to the book-entry system by the record date will be paid dividends when their shares have been transferred to the system.

Financial publications in 1996

Espoon Sähkö Oy will publish interim reports on the first four months of the year on 7 June 1996 and on the first eight months of the year on 11 October 1996. Please write to the following address for financial publications: Espoon Sähkö Oy, Piispanportti 10, P.O.Box 109, FIN-02201 Espoo, Finland. Phone +358-0-8048 0807, and fax. +358-0-8048 0859.

ESPOON SÄHKÖ IN 1995

	1995	1994	Change, %
Net sales, MFIM	707.7	709.4	-0.2
Operating margin, MFIM	241.1	263.0	-8.4
Operating profit, MFIM	137.6	160.0	-14.0
Profit before extraordinary items, provisions and taxes, MFIM	131.3	137.7	-4.6
Earnings per share, FIM	6.90	9.16	-24.6
ROI, %	10.4	11.6	-10.2
Solvency ratio 1, % (connection charges included in shareholders' equity)	76.6	71.5	7.0
Solvency ratio 2, % (connection charges excluded in shareholders' equity)	47.4	42.7	11.0
Full-time employees on 31 Dec.	398	409	-2.7

Espoon Sähkö Oy is a listed energy company which generates, purchases and sells electricity, district heat and natural gas. The company aims to offer competitive and high-quality energy services in response to the needs of its customers. Espoon Sähkö Oy's strengths are a strong capital and ownership structure, well dimensioned and efficient production plants and networks, and diversified energy procurement.

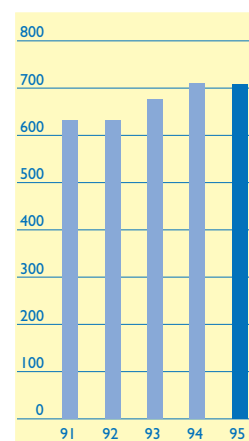
Espoon Sähkö Oy produces about 44 % of the electricity which it sells, and purchases the remainder from electricity wholesalers from the national grid. The company relies on cogeneration to produce 100 percent of its electricity and about 80 % of its district heat since a combined plant is far more fuel efficient and economical than conventional separate generation.

The company owns the electricity network covering the Espoo, Kauniainen and Kirkkonummi areas, the district heat network for Espoo and Kauniainen, and combined heat and power plants and local heat boilers in Espoo.

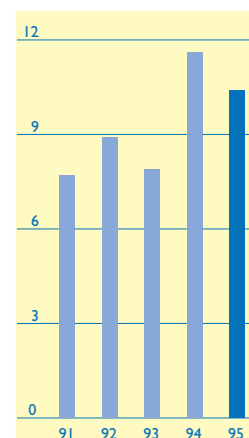
The Espoon Sähkö Group comprises the parent company Espoon Sähkö Oy, and two wholly owned subsidiaries: Kiinteistö Oy Espoon Energialato and Kiinteistö Oy Piispankylä 4.

Espoon Sähkö Oy's net sales in 1995 totalled FIM 708 million and it had 398 employees at the year end. 1995 was Espoon Sähkö Oy's 77th year of operation.

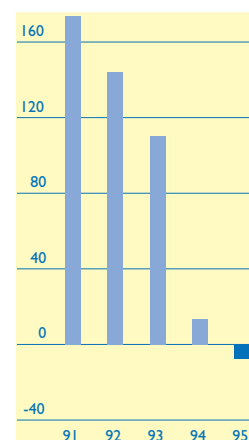
Net sales, MFIM



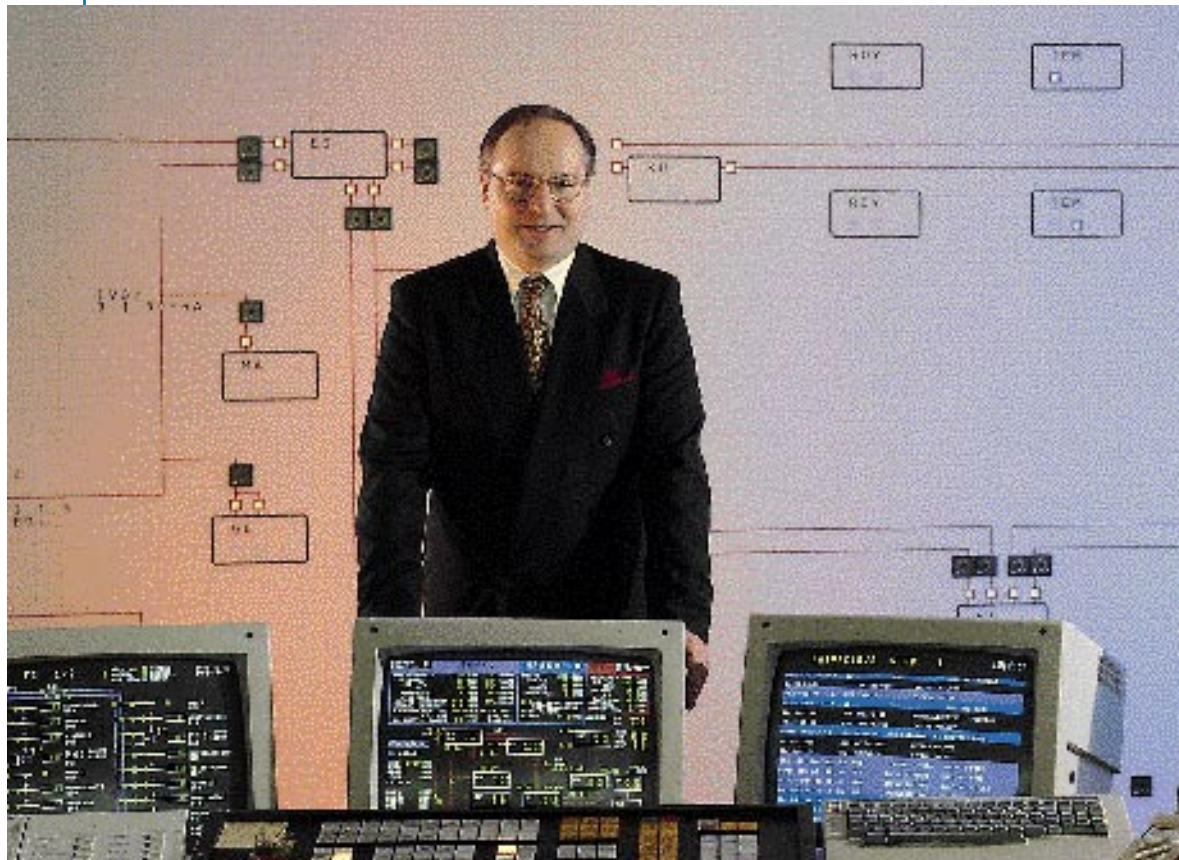
Return on investment, %



Gearing, %



MANAGING DIRECTOR'S REVIEW



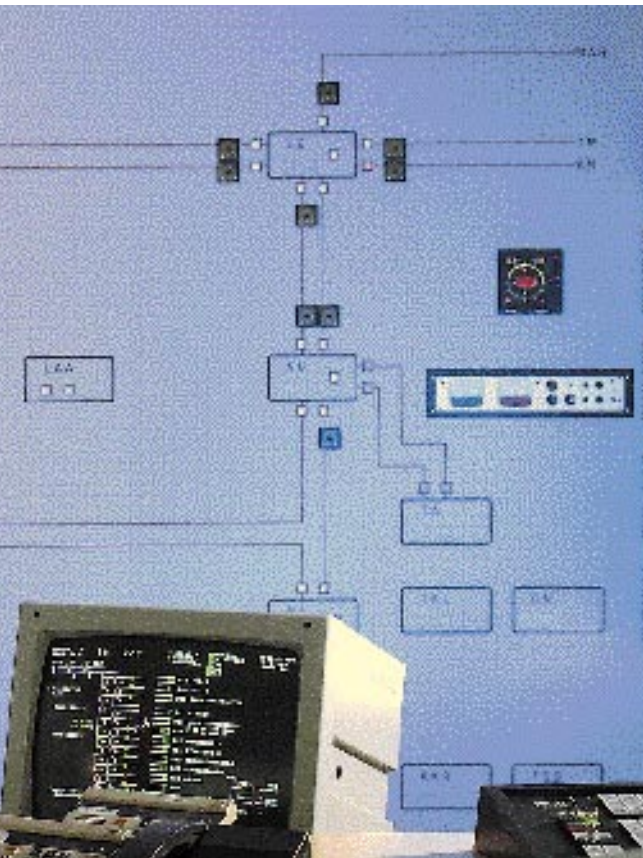
Business conditions

Many major changes took place in Finland's energy sector during 1995. The most significant were the deregulation of the electricity markets, changes in electricity wholesaling, a sharp increase in the coal tax, and considerable restructuring throughout the sector. The Electricity Market Act came into force without complications.

Performance

Three years ago Espoon Sähkö was set the target of being a cost-efficient, competitive and financially solid company when the electricity markets were opened to competition. Considerable progress has been made in achieving each of these goals as the company has put into effect a clearly defined programme of measures to intensify efficiency and secure its capital adequacy. For several years Espoon Sähkö has adopted a moderate price policy with price reviews taking place at most only once a year. The intention has been to create an image of a reliable and solid energy supplier valued by its customers. On the other hand, this has produced some variation in the company's financial performance from year to year since certain cost items, such as energy taxation and fuel prices, can vary substantially every year. Nevertheless, the company is able to respond very rapidly to important changes if required.

The company's cost structure in 1995 was burdened by a substantial increase in both the tax on coal and price of coal, as well as the extra cost of purchasing electricity that these increases caused. The increases led to more than FIM 30 million in extra costs, compared to the previous year. The Council of State announced its tax decision only slightly before the beginning of the review year and after the new energy sales prices had already been published. Considering also that demand for heat, and hence heat sales, were clearly lower



than one year before, the company's profitability also fell on the previous year. However, due to a sharp reduction in financial expenses, the profit before provisions, taxes and extraordinary items remained close to the previous year's level at FIM 131 (138) million. Capital adequacy continued to improve and was very good. Network investment needs are low since there is relatively little new building construction in progress. The company's energy generation capacity is up to date and meets the environmental regulations in force.

Business units

Our Electricity business has proved to be solidly based during the initial stages of open competition, giving good opportunities for developing our marketing concept and new forms of contracts. As soon as the markets were deregulated we concluded several major contracts which increased our electricity sales by an aggregate five percent. Nor did we lose any of our existing customers.

In the Network sector, we introduced a new transmission pricing system based on extensive analyses of factors including network values and cost allocation. The result is, in our opinion, a workable and competitively priced solution.

In the Energy business district heating maintained its solid position as a standard solution for space heating in urban areas. Our customer base is growing in pace with the volume of new building construction. We also stepped up our sales effort to residents and business in the vicinity of our district heat network who are not yet our customers. Electricity generation in our own plants reached a record high level due to their extremely high availability.

In the Contracting business we maintained our strong position in the construction and maintenance of street lighting networks within our service area. New projects included several transformer substations and electricity networks for industrial customers. The Contracting unit also began the development of a quality system.

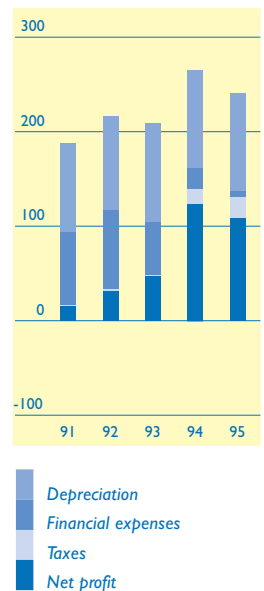
Prospects

Changes in the electricity markets are presenting all players in this sector with many new challenges with respect to competitiveness, customer service and marketing. At Espoon Sähkö we have been implementing a clearly defined action programme for the past two to three years to develop our operations and financial structure. We are confident of our abilities as competition becomes more widespread next year. This will also strengthen our dividend payout ratio as in fact we predicted we would when we went public.

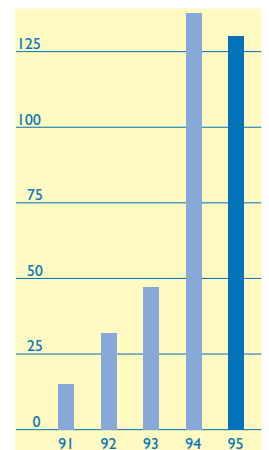
Espoo, March 1996

Matti Manninen
Managing Director

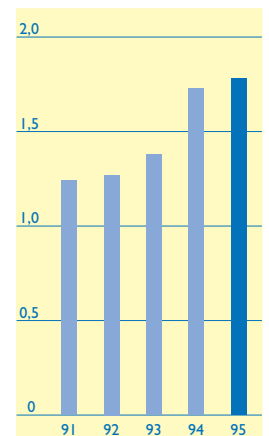
Operating margin, MFIM



Profit before extraordinary items, provisions and taxes, MFIM



Net sales per employee, MFIM



Review of the year

1995 was a year of big changes in the energy sector, and especially in regard to electricity. The Electricity Market Act came into force on 1 June 1995 although the possibilities opened up by the new law only began to take real effect in November when competitive bidding for electricity supply became available to large customers with power requirements exceeding 500 kW (about 1500 users in Finland). The new law also requires separate accounting of network sales, electricity generation and other activities. Networks will remain natural monopolies subject to certain obligations. A new official body, the Electricity Market Authority, was set up to supervise the field.

Certain large companies had already decided at the beginning of the year to start purchasing electricity from Vattenfall in Sweden, as permitted by EU directives. Vattenfall, which considers all the Nordic region its domestic market, became a stronger force in electricity distribution in Finland when it acquired Hämeen Sähkö Oy; this company was previously owned mainly by local authorities and has been listed on the Helsinki Stock Exchange since February 1995. Finnish distribution companies owned by Vattenfall account for roughly 6 % of annual electricity sales.

Imatran Voima Oy (IVO) continued to play an active role in distribution and production. Certain ownership arrangements, alliances and structural decisions taken with electricity companies in Uusimaa and central Finland reinforced the impression that IVO is taking on an active distribution role.

The ownership structure of the national grid is being diversified. In December a framework agreement was reached to set up a new company which would also take over the disputed powerlines on the Finland's borders. IVO and Pohjolan Voima would each hold about one-third of the new company, about one-tenth would be directly state-owned, and efforts would also be made to attract institutional investors. This arrangement would most probably increase the means at IVO's disposal to finance further expansion into distribution activities.

At the end of the year Suomen Optiomeklarit Oy (a Finnish company of brokers) proposed the foundation of a national power exchange. In February 1996 it was decided to establish a power exchange called EL-EX Sähköpörssi Oy on 1 June 1996, a decision which will have positive significance for the development of the electricity markets. The Exchange's members will cover most of the country's domestic production, distribution and industrial consumption. It is likely that the bulk of electricity sales in the future will be handled through long-term contracts, although the Exchange will probably take an increasing share of this business in future years.

In December 1995 the Council of State reached decisions on energy policy and energy-saving measures. A fundamental change to energy taxation is under preparation which would abolish the environmental protection tax on fuels and certain forms of energy, and a corresponding amount of tax would be levied on electricity consumption.

The field becomes more international

In November Sweden decided to open its electricity markets to competition from 1 January 1996. This had already taken place in Norway five years earlier. Trading on the joint Norwegian-Swedish power exchange set up in Oslo began in early January 1996. IVO has also entered the Swedish market as an electricity supplier.

A number of active foreign partners and investors already operate on the Swedish energy markets, notably the German company PreussenElektra and the state-owned French company Electricité de France. Electricity utilities were privatized in Great Britain in 1990 and certain companies started operations abroad, for example in Sweden and Finland. In 1995 certain American corporations acquired British companies and they are becoming increasingly interested in Europe, including the Nordic countries.

The EU countries have not yet reached unanimity on the deregulation of the electricity markets. Denmark's position is significant with respect to expansion of the already deregulated electricity trading in the Nordic countries. On the question of imposing and developing an energy and carbon dioxide tax, the Commission prepared a proposal based on a transition period and voluntary commitment but this proposal has not yet been finalized.

Sector-wide change and success

The municipalities have provided a major impetus for the emergence of electricity utilities in Finland. Their general role as social providers guaranteed a supply of electricity, and later of district heat, to the local inhabitants and the business community. The value of ownership grew without any significant contribution by the owners since investments were financed by payments collected from consumers according to tariffs defined by the utility needs; hence, a direct return on ownership was in many cases not even expected.

With the new Electricity Market Act in force, the situation has now changed. Networks will remain monopolies but revenues must be kept reasonable. Electricity generation and sales, however, are now open to competition, implying that the business must now be developed to meet customer needs and expectations. Electricity must be priced not just in terms of purchasing costs but also taking into

account the efficiency of other operations. The price of district heat, for its part, must likewise be competitive with other heating alternatives available to consumers and revenue from sales can no longer be used to support the price of electricity. When calculating the profitability of building new production capacity, attention must be also paid to market developments and the impact of competition. Furthermore, the customer must be reassured as to the corporate image, services and products of the supplier.

Concentration, which has already begun in this sector, will continue. Competition and control over network operations provide customers with a measure of security, allowing the earlier concept of municipally controlled energy supply to disappear. Indeed, certain municipalities have already divested their electricity utilities, using the proceeds to considerably boost their financial structure. The role of the municipalities is becoming a hotly debated issue around the country. The active role of customers and their ability to subject suppliers to competitive bidding are increasing. Through alliances and ownership agreements electricity companies are seeking to benefit from economies of scale in their operations and also in the management of market and investment risks - a new and previously unknown feature in the field created by competition.

Those companies will succeed which can manage change by enhancing both internal and external efficiency and by creating a financially sound operating base. A clear organization structure, coupled with personnel committed to teamwork and efficient management will guarantee high-quality, fairly priced services tailored to the needs of their customers. Properly directed marketing efforts and the development of a positive corporate identity will also be significant competitive factors.

Espoon Sähkö has intensively developed its operations in recent years in anticipation of the new conditions and challenges it will face in the future.

Espoon Sähkö Oy's emission levels

Environmental investments were continued at Espoon Sähkö Oy's Suomenoja power plant during 1995. The auxiliary boiler of the coal-fired plant was converted in the summer to a natural gas fired boiler. The steam needed to reduce nitrogen oxide emissions from the gas turbine plant can now be produced by the auxiliary boiler while the coal-fired unit is shut down during the summer. The specific emissions of sulphur dioxide and nitrogen oxides produced by the steam plant are below the existing emission limits. Regarding the reduction of nitrogen oxides from the gas turbine plant, the level of the standards was reached during the review year.

Environmental analyses

The company took part in a project to analyse the environmental external costs of energy production in the Helsinki metropolitan area. This analysis attempted to establish the applicability of an air pollution valuation method in a limited area and to improve the precision of previously developed valuation principles. The company also commissioned an evaluation of the feasibility of obtaining and using wood-based fuel at the Suomenoja power plant.

During the year the company also evaluated the feasibility of building a semi-offshore wind-power plant. Decisions on this project will be made during 1996 subject to expert opinions and further analysis.

Espoon Sähkö Oy has pursued an active policy of providing advice on energy saving measures and consultation with various interest groups. Its activities in this respect include helping to prepare the City of Espoo's energy saving programme, which was singled out for special mention by the Association of Finnish Local Authorities, and participation in established energy savings working group. The company also supported a theme week arranged by a local property management company in the autumn. Cooperation with local schools, colleges and childcare centres was aimed at increasing awareness about energy issues especially among young people, who are also a channel for influencing the consumer attitudes of their parents.

The company has started work on an energy and environmental programme. An important element is the environmental management system which is now being prepared. This programme also aims at concrete action to promote more efficient use of energy by the company, its personnel and its customers.

Environmental management in an energy company

An energy company supplies its customers with energy which it either generates itself or buys in from outside. This means a long chain of environmental effects from energy generation to the customer's own use of energy and products.

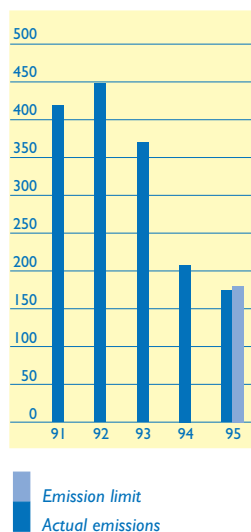
Companies operating under conditions of open competition must be able to respond to the requirements of their customers. In recent years environmental responsibility has also been added to the list of key criteria in the selection of energy suppliers. So far electricity companies and utilities have kept up by complying with official environmental regulations. In practice, many energy companies, however, were far-sighted and responsible enough to take action in environmental matters before open competition came into effect.

Efficient energy suppliers are competitive in the services, prices and quality they offer. But in the future they will need to be environmentally competitive as well. In other words, they must be capable of responding to the environmental requirements of their stakeholders and make more effective use of environmental issues in their operations than their competitors. The environmental friendliness of products and services is a relative concept, and measured in terms of superiority over one's competitors.

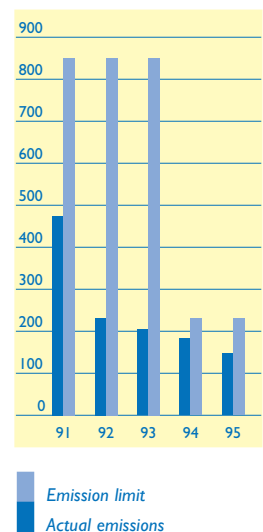
Managing the environmental effects of a company's operation and products requires a wide range of evaluations and opinions. A significant factor is the company's overall environmental management policy which forms the basis on which the company commits itself to its targets and action plans. Creating awareness among personnel of the importance of good environmental management, coupled with constant improvements in environmental efficiency, are important elements in this policy. The energy company's main means of improving the environmental quality are to increase the efficiency of its own operations and take an active position with respect to how its customers use their energy.

Espoon Sähkö is committed to enhancing its competitive efficiency on environmental issues. The company will begin work on preparing an environmental management programme and it will continue to take environmental issues into consideration in the future development of its operations.

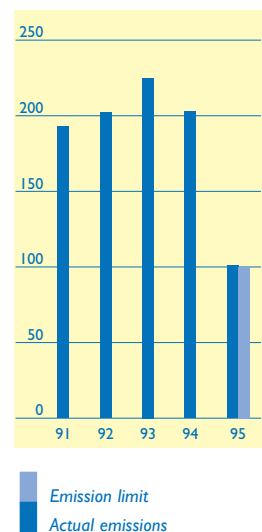
Specific emissions of nitrogen oxides at the Suomenoja coal-fired power plant, mg NO₂/MJ



Specific emissions of sulphur dioxides at the Suomenoja coal-fired power plant, mg SO₂/MJ



Specific emissions of nitrogen oxides at the Suomenoja gas turbine power plant, mg NO₂/MJ

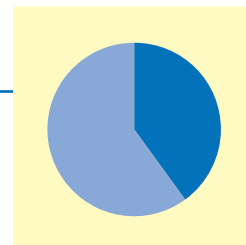




Customer Service is responsible for drawing up electricity supply contracts, providing information on tariffs and answering inquiries on invoicing. Customers have also expressed interest in the sensible use of energy and Customer Service caters to this need as well.

ELECTRICITY

Share of Group net sales 40 %



The Electricity unit is responsible for purchasing, selling and marketing electricity. The unit procures 44 percent of its electricity from Espoon Sähkö Oy's own power plants, the remainder being purchased from the national grid via electricity wholesalers.

The districts of Espoo, Kauniainen and Kirkkonummi make up the Electricity unit's principal operating area. Since 1 November 1995 the unit has also gained customers from elsewhere in Finland. It had 40 employees at the end of the year.

Market conditions

The new Electricity Market Act came into force on 1 June 1995, accompanied by new sales conditions including the obligation to announce tariff changes directly to customers, and certain clarifications to invoicing procedures. From 1 November 1995 electricity companies were permitted to transfer electricity to any networks outside their own operating areas. This right, however, was limited to large customers with power usage exceeding 500 kW, representing an annual invoicing level of about one million Finnish markka. This restriction will be abolished at the beginning of 1997, which will then bring all electricity sales within the scope of competition.

Espoon Sähkö Oy currently has 50 customers in the over-500 kW bracket. By the end of 1995 the Electricity unit had signed ongoing long-term contracts with almost one hundred customers. Most of these contracts cover periods of three to four years.

The opening of competition at the beginning of November offered Espoon Sähkö the opportunity to broaden its operations to cover the entire country.

Performance

Electricity sales totalled 1522 GWh in 1995. Sales to industry and businesses rose when companies started occupying empty business premises in the Espoo area. A contract with Nokia Cables Ltd increased annual sales by three percent. The review year was noticeably warmer and this reduced heat consumption. Consequently, electricity consumption in households was down on the previous year as well.

Customers numbered 106,417 compared with 103,969 in 1994.

Electricity sales prices were raised at the beginning of 1996 by 0.8 percent. This was mainly in response to increases in electricity transmission costs on 1 November 1995 by Imatran Voimansiirto Oy and Teollisuuden Voimansiirto Oy, which maintain the national grid.

Investments

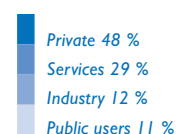
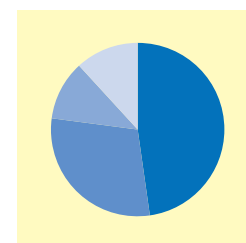
The Electricity unit has invested in several new information systems. One of these, an energy control system, facilitates energy procurement and improves the efficiency of electricity sales. Likewise, a new customer information system enables a more individual approach to pricing and invoicing based on customer preferences. The system is being introduced in stages and will be fully operational in autumn 1996.

Short-term outlook

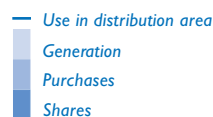
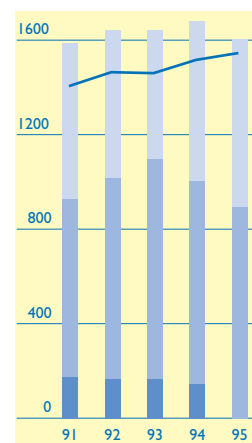
The electricity market will continue to experience intensive change in the next few years. All customer groups will be open to competition from 1 January 1997.

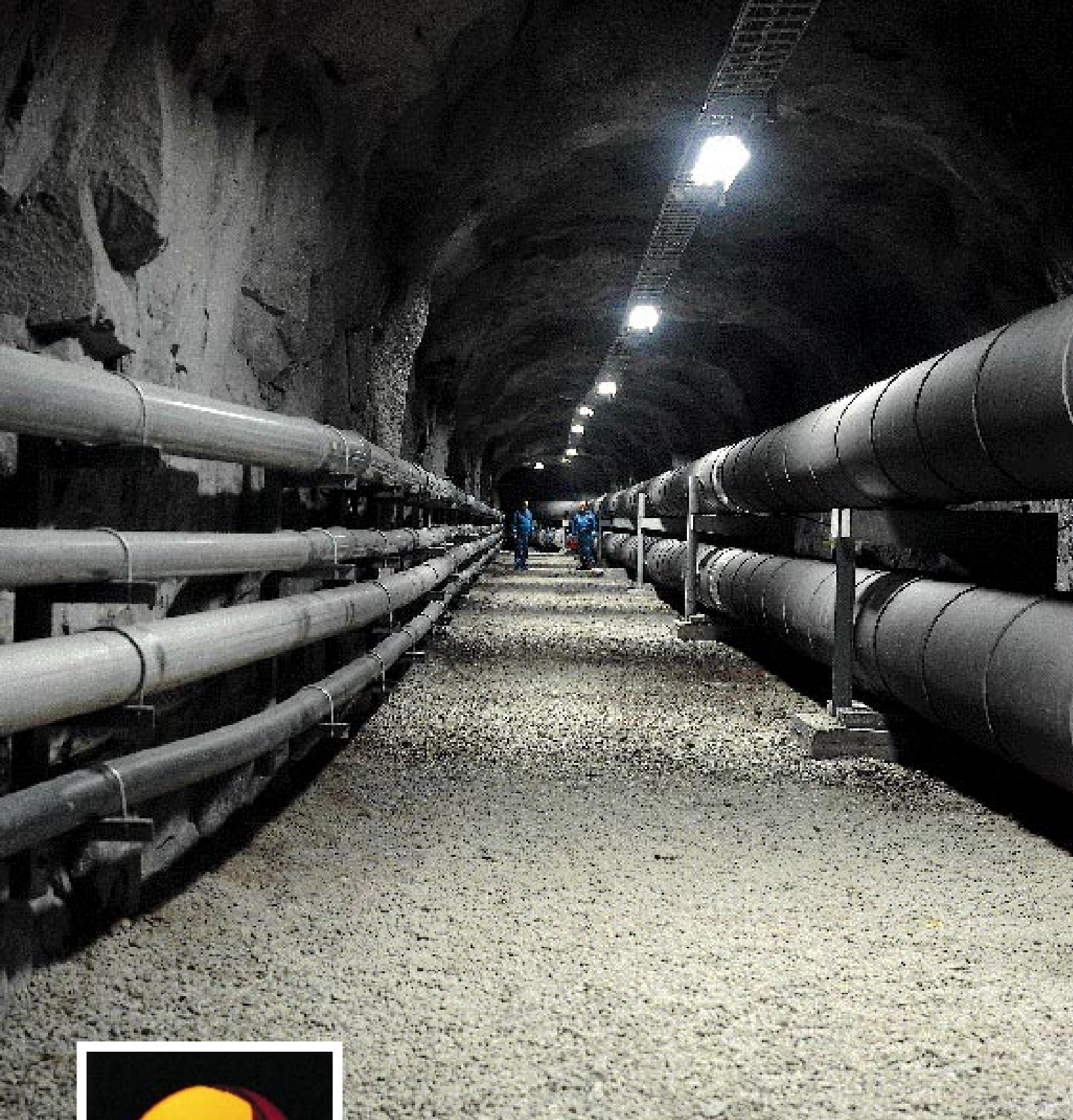
Espoon Sähkö Oy's market share of electricity sales in its own operating area will remain high. Electricity sales are forecast to remain stable since about 50 % of sales goes to households.

Electricity sales by customer segment



Electricity supply, GWh

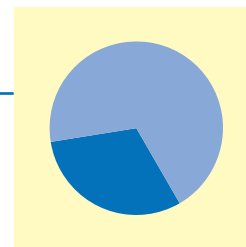




District heat is the main form of heat supply in Espoon Sähkö's service area. A new customer acquired during the year was Outokumpu Corporation's office complex, which previously relied on heavy fuel oil for energy generation. Environmental emissions were substantially reduced when this company transferred to district heating.

ENERGY

Share of Group net sales 31 %



The Energy unit's operations comprise electricity and heat production and district heat. The unit sells district heat to 145,000 residents in Espoo and 5000 residents in Kauniainen via a 439 km-long network. The electricity generated in connection with heat production is sold to the Electricity unit, covering 44 % of its requirement. The Energy unit had 137 employees at the year end.

Market conditions

Relatively little new building construction has taken place in Finland in recent years. A total of 116 new customers were connected during 1995, which was slightly above the five-year average of 103. Altogether 24 of these started using district heat in preference to other forms of heat. House owners have shown particularly sharp interest in district heating in recent years.

Performance

1475 GWh of district heat was sold during the year. Sales dropped by 2.6 % on the previous year due to the exceptionally mild first few months of the year. The average selling price was FIM 178.86/MWh, which was 5.9 % up on the previous year. Of this increase, 4.7 % was caused by higher energy costs arising from an increase in fuel taxes; the remainder was due to a higher basic price caused by the decrease in energy sales.

Production

Combined heat and power generation is a major advantage in the Energy business. Espoon Sähkö produces all its electricity and about 80 % of its district heat by this method. Cogeneration is a more efficient means of producing heat than separate generation since the method utilizes almost 90 % of the fuel energy.

Fuel availability was stable throughout the year. All the purchased coal was imported from Russia. At the end of the year Espoon Sähkö had coal reserves corresponding to 17 months of consumption.

Coal accounted for 58 % of fuel consumption and natural gas for 39 %, with the remainder divided between fuel oil and biogas.

Investments

Espoon Sähkö has been engaged in wide-reaching environmental investments for several years. Its gas and coal fired base-load units fall well within the new emission limits.

Uninterrupted heat supply has been guaranteed by standby local heat boilers around the Espoo area, coupled with abundant loops in the network. Decisions were made in 1995 to build a new district heating boiler plant in Otaniemi and to dismantle the old standby Tapiola power plant. The newer heat production units in Tapiola will continue in operation.

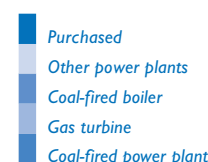
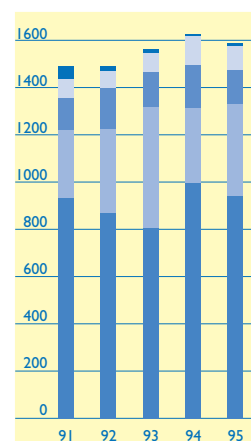
Short-term outlook

The average price of heat was raised 1.4 % at the beginning of 1996, due mainly to an increase in fuel costs.

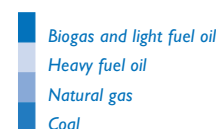
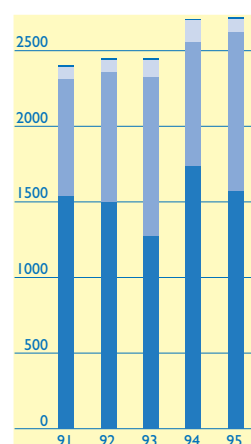
The unit's performance in 1996 should be positive and steady since district heat has attained a stable position in the densely populated areas of Espoo and Kauniainen. Some 75 % of people in Espoo and 60 % in Kauniainen live in homes connected to the district heat network.

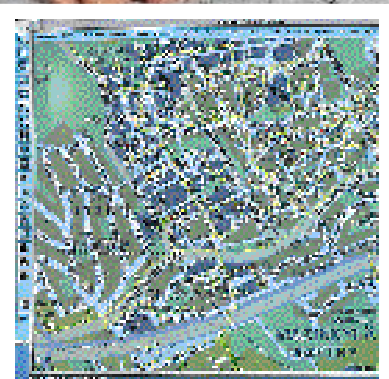
Further evaluations will be made on the construction of the Vermo 110/110 MW cogeneration power plant during 1996. A decision will be reached no later than in 1997, which will ensure the plant's completion by the year 2000. The aim of the project is to keep the production structure optimized and to secure a competitive source of basic energy to satisfy future demand.

District heat supply, GWh



Fuel consumption, GWh

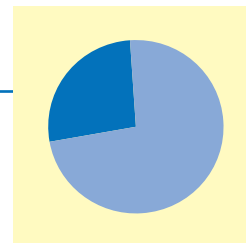




The Network unit's connection service inspects the electricity plans of properties and offers advice on safety and installation matters. It is also responsible for installation, servicing and inspection of electricity meters.

NETWORK

Share of Group net sales 27 %



The Network unit is responsible for transferring electricity to the company's customers. It also constructs, operates and maintains the electricity network and takes care of customers connected, or due to be connected, to the network. The network extends for more than 5500 kilometres in the Espoo, Kauniainen and Kirkkonummi operating area and it includes 1500 substations. Some 35,000 customers are connected to the network and the unit had 57 employees at the end of the year.

Market conditions

The Electricity Market Act, which came into force at the beginning of June, brought changes to the Network unit's business environment. Networks previously operated exclusively by local electricity utilities were now open for outside electricity suppliers.

The new law requires companies maintaining electricity networks to serve all customers on equal terms. Network services should be priced to reflect their costs and revenues should be reasonable.

New transmission prices were announced on 1 November 1995 and pricing principles were varied for different customer groups based on voltage levels and application. Pricing was formulated on the principle of cost accountability; each customer is as far as possible responsible for the costs it generates.

Performance

The Network unit derived most of its revenues during the year from the sale of electricity transmission services. Its other activities - inspection services, installation and planning - accounted for some three percent of its net sales.

The performance of the Network unit improved during the year as a result of tighter work processes and higher network capacity utilization. To further improve capacity utilization, the planning and scheduling of network expansions will be reviewed and further attention will be given to preventive maintenance.

The new national grid fees introduced on 1 November 1995 raised the unit's costs. Espoon Sähkö Oy's annual costs for using the national grid will rise to FIM 15 million. The pricing of the grid will be reviewed again during 1996 when preparations get under way to establish a new grid company.

Investments

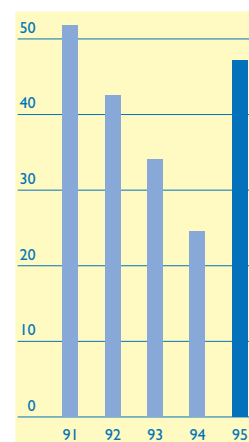
In 1995 the Network unit's capital expenditure totalled FIM 47 million. The 110 kV line between Nuijala and Tapiola, and expansions of the Nuijala and Tapiola substations were taken into operation in September. The unit also bought an approximately three-kilometre-long 110 kV line between Kilo and Leppävaara from Imatran Voima Oy.

Short-term outlook

The number of new connections will increase fairly moderately during the next few years due to the low volume of building construction in the area. Investments will focus on maintaining, upgrading and renovating the existing network. The goal is to improve availability and the network's useful life.

The Network unit's largest customer is Espoon Sähkö Oy's Electricity unit. Since November 1995 other electricity suppliers will be potential customers of the Network. However, long-term electricity supply contracts made by the Electricity unit will keep the volume of electricity distributed by outside suppliers in the company's network very low in 1996.

Network investments, MFIM

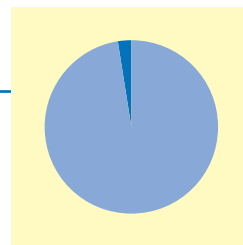




The Contracting unit has a diverse range of modern equipment at its disposal: mobile lifting platforms, cable pulling machines, and measuring and testing equipment. In 1995 the unit decided to develop a quality system to maintain its responsiveness to customer needs.

CONTRACTING

Share of Group net sales 2 %



The Contracting unit builds and maintains electricity networks and their equipment. It is also responsible for building street and road lighting networks, area and park lighting, and transformer substations. The Contracting unit's largest customer is Espoon Sähkö's Network unit. Other major customers include building companies, industry, municipal authorities, the National Road Administration, electricity contractors and utilities. The unit had 83 employees at the end of the year.

Market conditions

Until mid-1995 the Contracting unit had operated in a stable and competition-free business environment. This situation changed when the Electricity Market Act came into force; the construction of connection lines, ie. short electricity lines for a single new connection, was opened to competitive bidding. Electricity contractors began to enter Espoon Sähkö's field and competition for contracts increased.

Espoon Sähkö Oy's Contracting unit then expanded its scope of operations to include other activities related to network construction.

The unit undertook extensive street lighting work for the Uusimaa district of the National Road Administration. The Ministry of Defence awarded the unit the contract to electrify the Upinniemi port, a project including the construction of two substations, ship distribution stations and quay lighting.

The operations have also been expanded geographically and the unit is now responsible for maintaining the National Road Administration's road lighting networks in the municipalities of Lohja, Lohjan kunta, Inkoo, Karjaa, Tenhola and Pohja.

Distribution of net sales

Two-thirds of the unit's net sales derives from intragroup contracts, and one-third from outside work. Most of the intragroup revenue comes from construction and maintenance of the company's electricity network. The bulk of external revenues were generated by the construction of outside lighting networks and lighting network maintenance. Intragroup sales do not include materials.

Investments

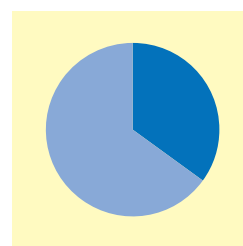
The Contracting unit's investments are only marginal due to the nature of its business.

Short-term outlook

The Contracting unit's markets are dependent on the building and construction industry, the outlook for which remains bleak.

Espoon Sähkö's Contracting unit is forecast to perform well during 1996 despite the increase in competition. The orderbook already contains a transformer substation contract for Nokia's Keila-lahti office complex, the road lighting contract for the Kehä III Helsinki ring road, and its extension at the Turku motorway junction.

Contract invoicing



External invoicing 35 %
Intragroup invoicing 65 %

Overview

Electricity consumption in Finland totalled 69 TWh (1000 million kWh) in 1995. Industrial consumption increased 2.3 %, while household consumption was down 2.4 %. Espoon Sähkö sold 2.2 % of Finland's total electricity consumption.

Espoon Sähkö Oy's sold 1522 GWh (1994: 1630 GWh) of electricity in 1995 and 1475 (1515) GWh of district heat. The main reason for the decrease in electricity sales was the termination of transfer sales via Etelä-Suomen Voima Oy in November 1994. The number of electricity customers rose 2.4 % and totalled 106,417 at the year end. Heat sales declined 2.6 % following a mild winter; calculated in degree days, heat consumption was 5 % down on 1994. Altogether 116 new connections were made to the district heating network in 1995. The net increase in contracted capacity was 1.2 %. Sales of natural gas amounted to 15 GWh, up by 4.4 %.

The Electricity Market Act, which came into force in June 1995, stipulates separate tariffs for electricity transmission and electricity sales. The new transmission tariffs were formulated on the basis that each group of consumers would be responsible for their own network operating and capital costs. The average price of electricity transmission (net of VAT) in Espoon Sähkö is FIM 0.126/kWh according to the current consumption structure.

The deregulation of retail electricity sales, which began in November 1995 and will be complete on 1 January 1997, has had a major impact on the sales operations of electricity. Competitive bidding has been very lively although in most cases the local seller has ended up continuing to supply electricity. Espoon Sähkö has taken firm action in anticipation of the new competition since 1994 and the long-term electricity supply contracts it has already concluded put the company on a solid foundation as soon as deregulation came into force. The company was also among the first electricity suppliers to make contracts with new customers, the most significant being the Pikkala factory of Nokia Cables Ltd at the beginning of November.

Espoon Sähkö was an active member of the working group set up to prepare the establishment of a power exchange in Finland. The company has indicated its wish to become a member.

Espoon Sähkö started negotiations on cooperation with Vantaan Sähkölaitos Oy (the Vantaa Electricity Utility).

The offer to buy Kirkkonummen Lämpö Oy (Kirkkonummi Heat) is still valid. The transaction has been delayed since the sale of this company has been disputed.

Net sales

Espoon Sähkö Oy's consolidated net sales were FIM 708 (709) million. Electricity sales were FIM 470 (483) million. The average price of electricity sales in 1995 was one percent higher than during the previous year. The decrease in sales was due to the disposal of the Company's shareholding in Etelä-Suomen Voima Oy, through whose network the Company was previously entitled to transmit and sell electricity (FIM 26 million in 1994). District heat sales amounted to FIM 216 (208) million. Sales volume fell 2.6 % but the average selling price rose on the previous year by 5.9 %. Other sales, principally the construction and maintenance of outside lighting, and the sale of local heat and natural gas, came to FIM 21 (18) million.

Expenses

The Group's operating expenses totalled FIM 469 million, which was FIM 19 million more than during 1994. Energy expenses rose by a total of four percent but prices developed differently for different fuels. Electricity purchases fell by 96 GWh and the average price of purchased electricity increased 11 %. Coal consumption was down by 28,000 tonnes but the average price of coal rose 41 %, over half of which was due to a rise in the fuel tax. Natural gas purchases increased by 23 million cubic metres but the avera-

ge price fell 4.8 %. The Company achieved a new production record, 707 GWh, during the year. Other operating expenses (excluding energy expenses) were 3.2 % up on the previous year. Net financial expenses fell on the previous year since interest costs declined as a result of reduced loans and lower interest rates, and interest income rose due to improved liquidity.

Result

The Group's operating margin (operating profit before depreciation) was FIM 241 (263) million, ie. 34 % (37 %) of consolidated net sales. The operating profit was FIM 138 (160) million, and the profit before extraordinary items, provisions and taxes was FIM 131 (138) million.

Financing

The good result strengthened the Group's financial structure compared to the previous year. The solvency ratio, excluding connection charges, rose to 47 % (43 %). Interest-bearing debt on the balance sheet date totalled FIM 255 million, which was FIM 84 million less than one year earlier. FIM 18 million of loans were denominated in foreign currency. Cash funds totalled FIM 316 million at the year end.

Board authorizations

The Company has not floated bonds with warrants or convertible bonds. The Board of Directors has no current authorizations from the shareholders' meeting to issue new shares.

Investments

Investments in fixed assets amounted to FIM 77 million during 1995. Electricity investments came to FIM 47.2 million, mainly involving the construction of 20 kV and low-voltage lines and distribution transformer stations. The largest single projects were a 110 kV line between Nuijala and Tapiola, and the Tapiola substation. FIM 7.9 million of the 110 kV line's total FIM 11 million investment fell due during the review year.

The Tapiola substation cost altogether FIM 14 million, FIM 9.1 million of which fell due during the review year. Most district heat investments involved distribution network construction. About 14 km of new network was constructed at a total cost of FIM 10.6

million. Investments in power and district heat equipment amounted to 8.7 million. The largest projects involved power plant automation and equipment for environmental upgrades.

Personnel

Personnel averaged 422 (467) during the year. The Company had 398 full-time employees at the year end. Pay and other remuneration totalled FIM 77,710,922 (FIM 82,853,097) million, of which the Supervisory Board, the Board of Directors and the Managing Director received FIM 838,593 (955,876) million. No share of profits was paid to management.

Supervisory Board, Board of Directors and Auditors

No changes took place in the composition of the Supervisory Board or the Board of Directors during the year. Deputy Managing Director Ole Westerback, Authorized Public Accountant, Deputy City Auditor Eila Tieaho and Antti Vuorenrinne LLB, Approved Accountant, were re-elected as auditors. Jorma Tuominen, Authorized Public Accountant, was elected to perform supervisory auditing.

Prospects for 1996

The new Electricity Market Act has increased competition in electricity production and sales. The Company gained new electricity customers at the end of 1995 and beginning of 1996, which is forecast to increase sales of electricity by approximately 5 %.

Sales of district heat are expected to rise by over three percent in the Company's operating area during 1996, assuming that the average temperature for the year remains normal. The price of electricity was raised at the beginning of the year by 0.8 % and of district heat by 1.4 %. Consequently the Company is forecast to return a higher operating profit than during 1995, barring unexpected increases in energy purchasing costs.

Espoon Sähkö Oy will pursue a policy of increasing dividend payout ratio in the future.

CONSOLIDATED INCOME STATEMENT

(FIM 1000)	Note	1 Jan.-31 Dec. 1995	%	1 Jan.-31 Dec. 1994	%
Net sales	1	707,686	100	709,432	100
Other operational income	2	2,707		3,520	
Expenses					
Energy and fuels	3				
Purchases during the year		307,398		304,186	
Change in fuel stocks		3,944		-11,029	
Materials and supplies					
Purchases during the year		22,069		18,142	
Change in stocks		-2,890		926	
Personnel expenses	4	102,153		100,675	
Rents	5	4,354		4,388	
Other expenses	6	32,303		32,640	
		-469,332	-66	-449,927	-63
Operating margin		241,062	34	263,025	37
Depreciation	7	-103,443	-15	-103,046	-15
Profit before financial items		137,619	19	159,979	23
Financial income and expenses	8				
Interest income		17,349		6,163	
Exchange-rate differences		1,163		-3,878	
Interest expenses		-24,591		-34,622	
Other financial expenses		-229		-5,532	
		-6,308		-37,869	
Profit after financial items		131,311	19	122,110	17
Extraordinary income and expenses	9				
Extraordinary income		0		21,472	
Extraordinary expenses		0		-19,605	
		0		1,867	
Profit before provisions and taxes		131,311	19	123,977	17
Increase in depreciation difference		-41,256		-64,482	
Direct taxes					
For the year		-22,724		-15,510	
For previous years		0		0	
		-22,724		-15,510	
Profit for the year		67,332	10	43,985	6

CONSOLIDATED FUNDS STATEMENT

(FIM 1000)	1995	1994
Source of funds		
Internal financing::		
Net profit	67,332	43,985
Depreciation	103,443	103,046
Change in reserves	41,256	64,482
Internal financing, total	212,030	211,513
Sale of fixed assets	906	34,155
Increase in long-term loans	0	0
Change in valuation items	0	15,578
Increase in connection charges	19,661	21,589
Share issue	0	146,699
Total source of funds	232,597	429,534
Application of funds		
Investments	77,217	60,257
Repayment of long-term loans	84,041	210,671
Dividends	11,015	3,147
Total application of funds	172,273	274,075
Change in net operating capital	60,324	155,459
Change in net operating capital itemized:		
Cash in hand and at banks	67,384	146,860
Current financial assets	11,284	- 8,352
Inventories	-1,054	10,104
Current liabilities	-17,290	6,847
Total (+decrease/-increase)	60,324	155,459
Net operating capital 1 Jan.	326,429	170,970
Net operating capital 31 Dec.	386,753	326,429

CONSOLIDATED BALANCE SHEET

ASSETS (FIM 1000)	Note	31 Dec.1995	%	31 Dec.1994	%
Fixed assets and other					
long-term investments	10				
Intangible assets					
Intangible rights		6,298		6,263	
Other long-term expenses		18,620		10,304	
		24,919	2	16,567	1
Tangible assets					
Land and water areas		44,175		43,943	
Buildings and constructions		278,026		286,910	
Power and district heat equipment		214,837		238,452	
Transmission and distribution systems		344,474		333,992	
District heat network		182,670		193,437	
Machinery and equipment		14,304		16,482	
Other material goods		1,141		1,505	
Advance payments and work in progress		7,153		7,843	
		1,086,779	67	1,122,563	71
Stocks and other long-term investments					
Stocks and shares		3,886		3,587	
Other long-term investments		263		263	
		4,149	0	3,851	0
Inventories and financial assets					
Inventories	12				
Materials and supplies		6,445		6,569	
Work in progress		4,472		1,458	
Fuels		78,315		82,259	
		89,232	5	90,286	6
Receivables					
Sales receivable		91,792		80,350	
Loan receivables		0		9	
Deferred charges		18,106		18,255	
		109,898	7	98,614	6
Cash in hand and at banks					
		315,688	19	248,304	16
		1,630,664		1,580,183	

CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

(FIM 1000)	Note	31 Dec. 1995	%	31 Dec. 1994	%
Shareholders' equity	13				
Restricted equity					
Share capital		31,472		31,472	
Other restricted equity		141,473		141,473	
		172,945		172,945	
Non-restricted equity					
Profit from previous years		33,312		342	
Profit for the year		67,332		43,985	
		100,644		44,327	
Shareholders' equity, total		273,588	17	217,272	14
Reserves	14				
Accumulated depreciation difference		453,996		412,740	
Voluntary provisions					
Transition provisions		44,733		44,733	
		498,729	31	457,473	29
Connection charges	15	475,460	29	455,799	29
Liabilities	16				
Long-term liabilities					
Loans from financial institutions		60,872		152,264	
Pension loans		93,461		102,494	
Other long-term loans		196		241	
		154,530	9	254,999	16
Current liabilities					
Loans from financial institutions		91,259		74,299	
Pension loans		9,035		9,566	
Advances received		1,270		0	
Accounts payable		44,231		40,006	
Deferred liabilities		81,946		70,000	
Other current liabilities		618		769	
		228,358	14	194,640	12
Liabilities, total		382,888	23	449,640	28
		1,630,664		1,580,183	

PARENT COMPANY'S FINANCIAL STATEMENTS

Income statement | Jan.-31 Dec.

(FIM 1000)	Note	1995	1994
Net sales	1	708,393	710,086
Other operational income	2	682	735
Expenses:			
Energy and fuels	3		
Purchases during the year		307,398	304,104
Change in fuel stocks		3,944	- 11,029
Materials and supplies			
Purchases during the year		22,327	18,330
Change in stocks		-2,890	926
Personnel expenses	4	102,150	100,673
Rents	5	9,166	9,231
Other fixed expenses	6	31,529	31,950
		-473,625	- 454,184
Operating margin		235,450	256,637
Depreciation on fixed assets and other long-term expenditure	7	-100,682	- 100,286
Profit before financial items		134,767	156,351
Financial income and expenses	8		
Interest income		19,080	8,439
Exchange-rate differences		1,163	- 3,878
Interest expenses		-24,698	- 34,717
Other financial expenses		-229	- 5,532
		-4,684	- 35,689
Profit after financial items		130,083	120,662
Extraordinary income and expenses	9		
Extraordinary income		0	21,472
Extraordinary expenses		0	- 19,605
		0	1,867
Profit before provisions and taxes		130,083	122,530
Increase in depreciation difference		-40,233	- 63,298
Direct taxes			
For the year		-22,496	- 15,305
For previous years		0	0
		-22,496	- 15,305
Profit for the year		67,353	43,928

Source and application of funds

(FIM 1000)	1995	1994
Source of funds		
Internal financing:		
Net profit	67,353	43,928
Depreciation	100,682	100,286
Change in reserves	40,233	63,298
Internal financing, total	208,268	207,512
Sale of long-term investments	2,757	3,973
Sale of fixed assets	906	34,155
Increase in long-term loans	0	0
Change in valuation items	0	15,578
Increase in connection charges	19,661	21,589
Share issue	0	146,699
Total source of funds	231,592	429,506
Application of funds		
Investments	77,199	60,258
Repayment of long-term loans	84,041	210,671
Dividends	11,015	3,147
Total application of funds	172,255	274,076
Change in net operating capital	59,337	155,430
Change in net operating capital itemized:		
Cash in hand and at banks	67,342	146,907
Current financial assets	11,274	-8,419
Inventories	-1,054	10,104
Current liabilities	-18,225	6,838
Total (+decrease/-increase)	59,337	155,430
Net operating capital 1 Jan.	325,202	169,772
Net operating capital 31 Dec.	384,539	325,202

BALANCE SHEET

Assets

(FIM 1000)	Note	31 Dec.1995	31 Dec.1994
Fixed assets and other	10		
long-term investments			
Intangible assets			
Intangible rights		6,298	6,263
Other long-term expenses		18,611	10,295
		24,910	16,558
Tangible assets			
Land and water areas		22,551	22,319
Buildings and constructions		186,482	192,638
Power and district-heat equipment		214,837	238,452
Transmission and distribution systems		344,474	333,992
District-heat network		182,670	193,437
Machinery and equipment		14,274	16,438
Other material goods		1,141	1,505
Advance payments and work in progress		7,153	7,843
		973,581	1,006,622
Stocks and other			
long-term investments			
Shares in subsidiaries		81,709	81,709
Other stocks and shares		3,886	3,587
Loans receivable		32,449	35,206
Other investments		263	263
		118,307	120,766
		1,116,798	1,143,945
Inventories and financial assets			
Inventories	12		
Materials and supplies		6,445	6,569
Work in progress		4,472	1,458
Fuels		78,315	82,259
		89,232	90,286
Receivables			
Sales receivable		91,792	80,384
Loan receivables		0	9
Deferred charges		18,070	18,195
		109,862	98,588
Cash in hand and at banks		315,608	248,266
		1,631,500	1,581,084

Liabilities and shareholders' equity

(FIM 1000)	Note	31 Dec.1995	31 Dec.1994
Shareholders' equity	13		
Restricted equity			
Share capital		31,472	31,472
Reserve fund		141,453	141,453
Revaluation fund		19	19
		172,945	172,945
Non-restricted equity			
Accumulated retained earnings		33,012	100
Profit for the year		67,353	43,928
		100,366	44,028
Shareholders' equity, total		273,310	216,972
Reserves	14		
Accumulated depreciation difference		453,011	412,778
Voluntary provisions			
Transition provision		44,733	44,733
		497,744	457,511
Connection charges	15	475,460	455,799
Liabilities	16		
Long-term liabilities			
Loans from financial institutions		60,872	152,264
Pension loans		93,461	102,494
Other long-term loans		196	241
		154,530	254,999
Current liabilities			
Loans from financial institutions		91,259	74,299
Pension loans		9,035	9,566
Advances received		1,270	0
Accounts payable		44,231	40,006
Deferred liabilities		81,935	69,722
Other current liabilities		2,727	2,210
		230,456	195,803
Liabilities, total		384,985	450,803
		1,631,500	1,581,084

Consolidation

The consolidated financial statements include the parent company, Espoon Sähkö Oy, and the subsidiaries Kiinteistö Oy Piispankylä 4 and Kiinteistö Oy Espoon Energiatalo, which are fully owned by the parent company. The consolidated financial statements have been prepared by combining the income statements and balance sheets of the parent company and its subsidiaries. Inter-Group income and expenses, mutual receivables and liabilities, internal margins and the internal distribution of profits have been eliminated.

Exchange-rate differences for loans in foreign currencies

In 1995 exchange rate differences related to loans and payments in foreign currencies are recorded in the income statement. Before 1 January 1994, all realized exchange-rate differences and part of unrealized exchange-rate differences for loans in foreign currencies were booked in the Income Statement along with financial income and expenses. Part of unrealized exchange-rate differences were booked along with valuation items in the Balance Sheet. According to the altered practice, as of 1 January 1994 exchange-rate differences for loans in foreign currencies have been booked in the year in which they arose. In the computation of indicators, the results for previous years have been altered to correspond to this practice. The figures in the official financial statements for 1994 have not been altered. In the official financial statements for 1994, FIM 15.6 million in unrealized exchange-rate differences were taken off the Balance Sheet and booked with expenses as exchange-rate losses in 1994.

Depreciation according to plan

Depreciation is calculated on a straight-line basis. The economic life of fixed assets and long-term expenditure varies as follows:

- buildings 25-40 years
- electricity and district-heat network 20-30 years
- machinery and equipment 5-20 years
- other tangible assets 3-30 years

The difference between book depreciation and depreciation according to plan is shown in the Income Statement as a change in the depreciation difference. Accumulated depreciation in excess of plan is shown in the Balance Sheet as a separate item together with reserves.

Research and development expenses

Research and development expenses are booked with annual expenses. Development expenses related to significant investments and made after an investment decision have been capitalized.

Research and development expenses are minor.

Pension arrangements

Pension coverage for the Group's personnel, the members of the Board of Directors and the chairman and vice-chairmen of the Supervisory Board and the

Managing Director has been arranged through pension insurance. The minor uncovered pension liability is shown in the notes to the financial statements.

Extraordinary income and expenses

No extraordinary income or expenses were recorded during 1995.

In 1994 the profit from the sale of shares in Etelä-Suomen Voima Oy was booked as extraordinary income.

Streamlining costs, i.e. severance pay and related social costs for redundant employees as well as pension payments for employees taking early retirement, were booked as extraordinary costs.

Direct taxes

The estimated taxes corresponding to the Group companies' results for the year together with tax adjustments for previous years have been booked as direct taxes in the Income Statement. The deferred tax liability included in provisions has not been booked.

Fixed assets and other long-term investments

Fixed assets have been entered in the Balance Sheet according to direct acquisition cost minus depreciation according to plan. Land areas and buildings include revaluations allowed by the Bookkeeping Act, which are itemized in the notes to the financial statements. Other long-term investments include the parent company's receivable in the subsidiary Kiinteistö Oy Espoon Energiatalo.

Inventories

Supply stocks have been evaluated according to the average acquisition cost. Fuel stocks (coal and oil stocks) have been evaluated according to direct acquisition cost on an FIFO basis. Work in progress booked in inventories has been evaluated according to acquisition cost.

Financial assets

Short-term investments, mainly consisting of bank investment certificates, corporate certificates and trust-department investments, are included with cash in hand and at banks.

NOTES TO THE FINANCIAL STATEMENTS

	1995	Group 1994	Parent company 1995	1994
1. Net sales				
Electricity	470,481	483,262	470,977	483,676
Heat	216,040	208,434	216,250	208,673
Auxiliary operations	21,166	17,737	21,166	17,737
Net sales, total	707,686	709,432	708,393	710,086
2. Other operational income				
Rents	2,482	2,995	457	210
Other income	225	525	225	525
Other operational income, total	2,707	3,520	682	735
3. Energy and fuels				
Purchasing of electricity	176,102	179,989	176,102	179,933
Purchasing of heat	679	285	679	260
Purchasing of fuels	130,617	123,912	130,617	123,912
Change in fuel stocks	3,944	-11,029	3,944	-11,029
Energy expenses, total	311,342	293,157	311,342	293,075
4. Personnel expenses				
Wages and salaries	73,266	73,021	73,263	73,019
Pension expenses	17,810	16,826	17,810	16,826
Other compulsory personnel expenses	9,565	9,462	9,564	9,462
Voluntary personnel expenses	1,513	1,366	1,513	1,366
Personnel expenses, total	102,153	100,675	102,150	100,673
Tax value of fringe benefits	410	496	410	496
Pay and other remuneration received by the members of the Board of Directors and the Supervisory Board and the Managing Director	842	956	839	954
Other pay	76,872	81,897	76,872	81,897
Pay, total	77,714	82,853	77,711	82,851
No share of profits was paid to management. Pension commitments for employees have been taken care of through outside pension insurance.				
Pension liabilities for the members of the Board of Directors and the Managing Director:				
The members of the Board of Directors and the Managing Director have pension benefits corresponding to those of other personnel.				
5. Rents				
Leasing fees	536	481	536	481
Other rents	3,818	3,907	3,818	8,749
Rents, total	4,354	4,388	9,166	9,231
6. Other expenses				
Outside services	20,285	19,921	19,683	19,364
Administrative expenses	10,755	11,529	10,725	11,520
Liability expenses and public charges	2,270	2,176	2,128	2,053
Expense adjustments	-1,007	-986	-1,007	-986
Other expenses, total	32,303	32,640	31,529	31,950

NOTES TO THE FINANCIAL STATEMENTS

	1995	Group 1994	Parent company 1995	1994
7. Depreciation				
Depreciation according to plan				
Other intangible rights	1,704	1,440	1,704	1,440
Other long-term expenditure	693	997	693	997
Buildings and constructions	12,192	12,102	9,446	9,356
Power and district heat equipment	31,231	30,744	31,231	30,744
Transmission and distribution network	30,106	29,984	30,106	29,984
District heat network	20,306	19,857	20,306	19,857
Machines and equipment	6,765	7,483	6,751	7,468
Other material goods	445	440	445	440
Depreciation according to plan, total	103,443	103,046	100,682	100,286
Tax depreciation	144,699	167,528	140,916	163,583
Depreciation difference, total	41,256	64,482	40,233	63,298
Depreciation difference at the beginning of the year	412,740	348,259	412,778	349,480
Increase	41,256	64,482	40,233	63,298
Depreciation difference at the end of the year	453,996	412,740	453,011	412,778
8. Financial income and expenses				
Interest income	17,349	6,163	19,080	8,439
Interest expenses	-24,591	-34,622	-24,698	-34,717
Net interest	-7,241	-28,459	-5,618	-26,278
Exchange rate gains	3,324	15,360	3,324	15,360
Exchange rate losses	-2,161	-19,238	-2,161	-19,238
Exchange rate differences	1,163	-3,878	1,163	-3,878
Intragroup financial income and expenses				
Interest income from Group companies			1,740	2,283
Interest expenses to Group companies			107	96
9. Extraordinary income and expenses				
Extraordinary income:				
Profit from the sale of shares in Etelä-Suomen Voima Oy	0	21,472	0	21,472
Extraordinary expenses:				
Pay for personnel affected by reorganization	0	4,902	0	4,902
Indirect costs for personnel affected by reorganization	0	14,703	0	14,703
Extraordinary expenses, total	0	19,605	0	19,605
10. Fixed assets and other long-term expenditure				
Intangible rights:				
Acquisition cost 1 Jan.	14,570	12,190	14,570	12,190
Increases 1 Jan.-31 Dec.	1,739	2,380	1,739	2,380
Decreases 1 Jan.-31 Dec.	0	0	0	0
Acquisition cost 31 Dec.	16,309	14,570	16,309	14,570
Accumulated depreciation acc. to plan 31 Dec.	10,011	8,307	10,011	8,307
Book value 31 Dec.	6,298	6,263	6,298	6,263

NOTES TO THE FINANCIAL STATEMENTS

	1995	Group 1994	1995	Parent company 1994
Other long-term expenditure:				
Acquisition cost 1 Jan.	17,463	17,463	17,454	17,454
Increases 1 Jan.-31 Dec.	9,010	0	9,010	0
Decreases 1 Jan.-31 Dec.	0	0	0	0
Acquisition cost 31 Dec.	26,472	17,463	26,463	17,454
Accumulated depreciation acc. to plan 31 Dec.	7,852	7,159	7,852	7,159
Book value 31 Dec.	18,620	10,304	18,611	10,295
Land and water areas:				
Acquisition cost 1 Jan.	43,943	37,865	22,319	16,241
Increases 1 Jan.-31 Dec.	232	6,078	232	6,078
Decreases 1 Jan.-31 Dec.	0	0	0	0
Acquisition cost 31 Dec.	44,175	43,943	22,551	22,319
Buildings and constructions:				
Acquisition cost 1 Jan.	395,251	392,967	290,910	288,627
Increases 1 Jan.-31 Dec.	3,308	2,284	3,290	2,284
Decreases 1 Jan.-31 Dec.	0	0	0	0
Acquisition cost 31 Dec.	398,559	395,251	294,201	290,910
Accumulated depreciation acc. to plan 31 Dec.	120,533	108,341	107,719	98,273
Book value 31 Dec.	278,026	286,910	186,482	192,638
Power and district-heat equipment:				
Acquisition cost 1 Jan.	478,207	467,383	478,207	467,383
Increases 1 Jan.-31 Dec.	7,620	10,889	7,620	10,889
Decreases 1 Jan.-31 Dec.	4	65	4	65
Acquisition cost 31 Dec.	485,823	478,207	485,823	478,207
Accumulated depreciation acc. to plan 31 Dec.	270,986	239,755	270,986	239,755
Book value 31 Dec.	214,837	238,452	214,837	238,452
Transmission and distribution network:				
Acquisition cost 1 Jan.	577,039	555,095	577,039	555,095
Increases 1 Jan.-31 Dec.	41,071	22,160	41,071	22,160
Decreases 1 Jan.-31 Dec.	482	216	482	216
Acquisition cost 31 Dec.	617,628	577,039	617,628	577,039
Accumulated depreciation acc. to plan 31 Dec.	273,154	243,048	273,154	243,048
Book value 31 Dec.	344,474	333,992	344,474	333,992
District-heat network:				
Acquisition cost 1 Jan.	400,521	387,948	400,521	387,948
Increases 1 Jan.-31 Dec.	9,539	12,573	9,539	12,573
Decreases 1 Jan.-31 Dec.	0	0	0	0
Acquisition cost 31 Dec.	410,061	400,521	410,061	400,521
Accumulated depreciation acc. to plan 31 Dec.	227,391	207,085	227,391	207,085
Book value 31 Dec.	182,670	193,437	182,670	193,437

NOTES TO THE FINANCIAL STATEMENTS

	Group		Parent company	
	1995	1994	1995	1994
Machinery and equipment:				
Acquisition cost 1 Jan.	90,185	85,830	90,098	85,744
Increases 1 Jan.-31 Dec.	5,007	4,681	5,007	4,681
Decreases 1 Jan.-31 Dec.	420	327	420	327
Acquisition cost 31 Dec.	94,772	90,185	94,686	90,098
Accumulated depreciation acc. to plan 31 Dec.	80,468	73,703	80,412	73,661
Book value 31 Dec.	14,304	16,482	14,274	16,438
Other material goods:				
Acquisition cost 1 Jan.	3,309	3,227	3,309	3,227
Increases 1 Jan.-31 Dec.	81	83	81	83
Decreases 1 Jan.-31 Dec.	0	0	0	0
Acquisition cost 31 Dec.	3,390	3,309	3,390	3,309
Accumulated depreciation acc. to plan 31 Dec.	2,250	1,804	2,250	1,804
Book value 31 Dec.	1,141	1,505	1,141	1,505
Machinery and equipment's share of book value 31 Dec.	374,956	397,232	374,869	397,232
Stocks and other long-term investments				
	Number of shares	Holding, %	Nominal value	Book value
Shares in subsidiaries:				
Kiinteistö Oy Piispankylä 4	217,000	100	21,700	21,709
Kiinteistö Oy Espoon Energiatalo	200	100	20,000	60,000
			41,700	81,709
	Shareholders' equity		Profit/loss for the year	
Kiinteistö Oy Piispankylä 4	23,926		678	
Kiinteistö Oy Espoon Energiatalo	58,072		-699	
Shares in other companies:				
	Number of shares	Holding, %	Nominal value	Book value
Asunto Oy Espoon Etelätie 41	115		4	395
Helsinki Stock Exchange Cooperative	20,000		200	300
Helsinki Telephone Company	163		908	399
Helsingin Seudun Lämpövoima Oy	115	11.5	575	575
Innopoli Oy	7,400	0.8	740	999
Kiinteistö Oy Irmelinpesä	75		75	288
Kirkkonummen Lämpö Oy	3		18	448
Central Share Register of Finland Cooperative				140
Other companies			101	342
			2,621	3,886
Tax value of shares in real estate and stocks in 1994:			Group	Parent company
Land areas			29,484	22,722
Buildings and constructions			98,089	76,573
Stocks and shares			2,546	86,101
			130,119	185,396

NOTES TO THE FINANCIAL STATEMENTS

	Group		Parent company	
Revaluations of fixed assets:				
Land areas		31		31
Buildings		7,000		7,000
		7,031		7,031
Group receivables and liabilities				
Receivables from Group companies:		1995		1994
Long-term receivables/Espoon Energiatalo		32,449		35,240
Liabilities to Group companies:				
Short-term debt/Piispankylä 4		2,344		1,912
		Group		Parent company
	1995	1994	1995	1994
11. Valuation items				
Valuation items 1 Jan.	0	15,578	0	15,578
Change	0	-15,578	0	-15,578
Valuation items 31 Dec.	0	0	0	0
12. Inventories				
Materials and supplies	6,445	6,569	6,445	6,569
Work in progress	4,472	1,458	4,472	1,458
Fuels:				
Coal stocks	68,969	71,183	68,969	71,183
Oil stocks	9,346	11,075	9,346	11,075
Fuel stocks, total	78,315	82,259	78,315	82,259
Inventories, total	89,232	90,286	89,232	90,286
13. Shareholders' equity				
Restricted equity:				
Share capital 1 Jan.	31,472	26,227	31,472	26,227
Increase in share capital	0	5,245	0	5,245
Share capital 31 Dec.	31,472	31,472	31,472	31,472
Other restricted equity 1 Jan.	141,473	19	141,473	19
Share issue	0	141,453	0	141,453
Other restricted equity 31 Dec.	141,473	141,473	141,473	141,473
Restricted equity, total 31 Dec.	172,945	172,945	172,945	172,945
Non-restricted equity:				
Profit from previous years 1 Jan.	44,327	3,489	44,028	3,247
Dividends	-11,015	-3,147	-11,015	-3,147
Profit from previous years 31 Dec.	33,312	342	33,012	100
Profit for the year	67,332	43,985	67,353	43,928
Non-restricted equity, total 31 Dec.	100,664	44,327	100,366	44,028
14. Provisions				
Accumulated depreciation difference	453,996	412,740	453,011	412,778
Transition provision	44,733	44,733	44,733	44,733
Provisions, total	498,729	457,473	497,744	457,511

NOTES TO THE FINANCIAL STATEMENTS

	1995	Group 1994	Parent company 1995	1994
15. Connection charges				
Electricity connection charges 1 Jan.	222,367	212,006	222,367	212,006
Increase	9,323	10,360	9,323	10,360
Electricity connection charges 31 Dec.	231,689	222,367	231,689	222,367
Heat connection charges 1 Jan.	231,130	219,916	231,130	219,916
Increase	10,338	11,214	10,338	11,214
Heat connection charges 31 Dec.	241,468	231,130	241,468	231,130
Natural gas connection charges 1 Jan.	2,302	2,287	2,302	2,287
Increase	0	15	0	15
Natural gas connection charges 31 Dec.	2,302	2,302	2,302	2,302
Connection charges, total 31 Dec.	475,460	455,799	475,460	455,799
16. Liabilities				
Long-term liabilities				
Interest-bearing liabilities	154,530	254,999	154,530	254,999
Current liabilities				
Non-interest-bearing liabilities	128,065	110,774	130,163	111,937
Interest-bearing liabilities	100,293	83,866	100,293	83,866
Interest-bearing liabilities, total	254,823	338,865	254,823	338,865
Repayment programme for long-term loans:				
	Bank loans:	Pension loans:	Other loans:	Total:
Repayments 1996	91,214	9,035	45	100,293
Repayments 1997	17,194	6,542	45	23,781
Repayments 1998	14,083	6,084	45	20,212
Repayments 1999	10,078	5,658	45	15,782
Repayments 2000	10,078	5,262	12	15,352
Repayments 2001-	9,438	69,914	50	79,403
Total 31 Dec. 1995	152,085	102,496	241	254,823
Currency breakdown of long-term loans:				
FIM	93	72	93	72
DEM	4	19	4	19
USD	0	6	0	6
CHF	1	1	1	1
Other	2	2	2	2
Total	100	100	100	100
17. Contingent liabilities				
Mortgages as security for loans	110,000	202,120	110,000	202,120
Pension liabilities	220	531	220	531

Leasing agreements:

Leasing payments on the basis of agreements will amount to FIM 463,000 in 1996 and a total of FIM 2.7 million in 1997-2002.

PROPOSAL BY THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' MEETING

The Group's non-restricted shareholders' equity according to the Balance Sheet at 31 Dec. 1995 is FIM 100,643,556,44. Espoon Sähkö Oy's non-restricted shareholders' equity is FIM 100,365,759,64, of which the profit for the year is FIM 67,353,374,66. The Board of Directors proposes to the Annual General Meeting that a dividend amounting to 60 % of share capital or FIM 18,883,116 be distributed and that FIM 81,482,643,64 be transferred to the accrued earnings account.

Espoo, 6 March 1996

Olli Männikkö
Lars Hongelin
Maija-Liisa Pitkä

Martti Kaasinen
Anne Leppälä-Nilsson
Yrjö Rossi

Kurt Byman
Jouko Petäjä
Esko Tapanainen

Matti Manninen
Managing Director

AUDITORS' REPORT

To Shareholders in Espoon Sähkö Oy

We have examined the bookkeeping, financial statements and administration of Espoon Sähkö Oy for the financial period 1.1.-31.12.1995. The financial statements prepared by the Board of Directors and the Managing Director include a report on operations together with an Income Statement, Balance Sheets and notes for the Group and the parent company. We issue our statement on the financial statements and administration based on our audit.

Bookkeeping, accounting principles and the content and presentation of the financial statements have been examined in the scope required by good auditing practice. In the auditing of administration we have established that the actions of the members of the Supervisory Board, the Board of Directors and the Managing Director have been in conformance with the Companies Act. Jorma Tuominen has taken care of supervisory auditing during the year.

The financial statements have been prepared in accordance with the Bookkeeping Act and other regulations and stipulations concerning the preparation of financial statements. The financial statements provide true and adequate information on the result and economic position of the company, in the manner intended by the Bookkeeping Act. The parent company's profit for the year is FIM 67,353,374.66 and the Group's profit is FIM 67,331,587.14.

The financial statements and consolidated financial statements may be approved. The members of the Supervisory Board, the Board of Directors and the Managing Director may be discharged from personal liability for the financial year audited by us.

The proposal by the Board of Directors concerning the disposal of non-restricted shareholders' equity according to the Balance Sheet is in accordance with the Companies Act.

We have examined the interim reports published during the year. In our opinion they have been prepared in accordance with regulations.

Espoo, 8 March 1996

Ole Westerback
A.P.A.

Eila Tieaho
Deputy
City Auditor

Antti Vuorenrinne
Approved Accountant

SUPERVISORY BOARD'S STATEMENT

The Supervisory Board has examined the report of the Board of Directors, financial statements and auditors' report for the company and Group in 1995. The Supervisory Board proposes that the financial statements for the company and Group be approved and that the profits be used in the manner proposed by the Board of Directors.

Espoo, 19 March 1996

Jari Lanki
Chairman

Jukka Uosukainen
1st Vice Chairman

Kalevi Onnela
2nd Vice Chairman

Björn Ahlroos
Jari Erholm
Jukka Erävuori
Timo Haapaniemi
Kristina Homén
Ulf Johansson
Ilmari Kianne
Ulla Klötzer

Eero Korosuo
Taimi Kursu
Eeva Laatikainen
Matti Lahtinen
Esko Meuronen
Pertti Moll
Kaj Nurmi

Ilpo Nousiainen
Marja Rahkonen
Pentti Rautalahti
Leena Rehn
Esko Roininen
Mika Salonoja
Ossi Terola

KEY FINANCIAL INDICATORS

Group Financial Development

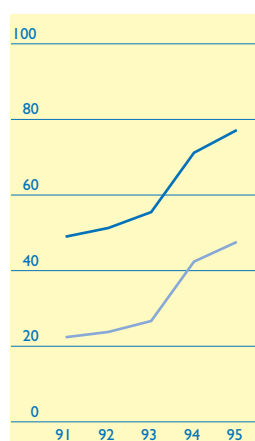
	1991	1992	1993	1994	1995
Income Statement, main items					
Net sales, MFIM	632.3	632.0	676.8	709.4	707.7
Operating margin, MFIM	185.3	214.6	207.2	263.0	241.1
% of net sales	29.3	34.0	30.6	37.1	34.1
Operating profit, MFIM	91.8	115.4	103.1	160.0	137.6
% of net sales	14.5	18.3	15.2	22.6	19.4
Profit before extraordinary items, MFIM	15.2	32.0	47.2	137.7	131.3
% of net sales	2.4	5.1	7.0	19.4	18.6
Profit before provisions and taxes, MFIM	15.2	32.0	47.2	139.6	131.3
% of net sales	2.4	5.1	7.0	19.7	18.6
Balance Sheet, main items					
Shareholders' equity #1, MFIM (including connection charges)	731.0	779.3	841.4	1130.5	1247.8
Shareholders' equity #2, MFIM (excluding connection charges)	336.0	364.0	407.1	674.7	772.3
Interest-bearing debt, MFIM	636.7	626.7	549.5	338.9	254.8
Interest-bearing debt/balance sheet total, %	42.9	41.5	36.4	21.4	15.6
Gross capital expenditure on fixed assets, MFIM	288.5	92.2	86.0	60.3	77.2
% of net sales	45.6	14.6	12.7	8.5	10.9
Balance sheet total, MFIM	1,482.8	1,509.0	1,508.5	1,580.2	1,630.7
Key figures					
Return on investment, %	7.7	8.9	7.9	11.6	10.4
Return on shareholders' equity, % (including connection charges)	1.9	4.0	5.6	12.4	9.1
Return on shareholders' equity, % (excluding connection charges)	4.0	8.7	11.9	22.6	15.0
Solvency ratio, % (including connection charges)	49.3	51.6	55.8	71.5	76.6
Solvency ratio, % (excluding connection charges)	22.7	24.1	27.0	42.7	47.4
Gearing, % (Shareholders' equity excluding connection charges)	173.8	143.9	110.1	13.4	-7.9
Average personnel	532	529	513	467	422
Dividend, MFIM	2.6	2.6	3.1	11.0	18.9 I)
Per share data					
Earnings per share, FIM	1.01	2.32	3.49	9.16	6.90
Dividend per share, FIM	0.20	0.20	0.24	0.70	1.20 I)
Dividend payout ratio, %	19.8	8.6	6.9	9.0	17.4 I)
Price/earnings ratio (P/E)				5.5	9.4
Shareholders' equity per share, FIM (including connection charges)	55.75	59.43	64.16	71.84	79.29
Shareholders' equity per share, FIM (excluding connection charges)	25.62	27.76	31.05	42.88	49.08
Adjusted number of shares	13113275	13113275	13113275	13393504	15735930
Number of shares at 31 Dec.	13113275	13113275	13113275	15735930	15735930
Dividend yield, %				1.4	1.9 I)
Share price on 31 Dec.				50	63
Market capitalization, MFIM				786.8	991.4
Trading volume, 1000				226	2047
Trading volume, %				1.4	13.0

I) Board of Directors' proposal

Computation of Indicators

Return on equity, %	$\frac{\text{Profit after financial items (= profit before extraordinary items) - taxes for the year}}{\text{Shareholders' equity + minority interest + untaxed reserves (average)}} \times 100$
Return on investment, %	$\frac{\text{Profit after financial items (= profit before extraordinary items) + interest expenses + other financial expenses}}{\text{Total assets - interest-free debts (average)}} \times 100$
Solvency ratio # 1, % (including connection charges)	$\frac{\text{Shareholders' equity + connection charges + minority interest + untaxed reserves}}{\text{Total assets - advances received}} \times 100$
Solvency ratio # 2, % (excluding connection charges)	$\frac{\text{Shareholders' equity + minority interest + untaxed reserves}}{\text{Total assets - advances received}} \times 100$
Gearing, % (shareholders' equity excluding connection charges)	$\frac{\text{Interest-bearing debt - cash funds}}{\text{Shareholders' equity + minority interest + untaxed reserves}} \times 100$
Earnings per share, FIM	$\frac{\text{Profit after financial items (= profit before extraordinary items) +/- Group share of profits/losses from associated companies less dividends received +/- minority interest from Group profit/loss less taxes for the year from which the effect of extraordinary income and expenses is eliminated}}{\text{Average adjusted number of shares}}$
Shareholders' equity per share # 1, FIM (including connection charges)	$\frac{\text{Shareholders' equity + connection charges + reserves}}{\text{Adjusted number of shares at the end of the year}}$
Shareholders' equity per share # 2, FIM (excluding connection charges)	$\frac{\text{Shareholders' equity + reserves}}{\text{Adjusted number of shares at the end of the year}}$
Dividend per share, FIM	$\frac{\text{Dividend for the year}}{\text{Adjusted number of shares at the end of the year}}$
Dividend payout ratio, %	$\frac{\text{Dividend for the year}}{\text{Earnings (calculated as in earnings per share)}} \times 100$
Price/earnings ratio	$\frac{\text{Share price at 31 December}}{\text{Earnings per share}}$

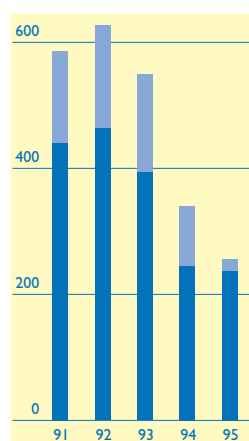
Solvency ratio, %



— Solvency ratio
incl. connection charges

— Solvency ratio
excl. connection charges

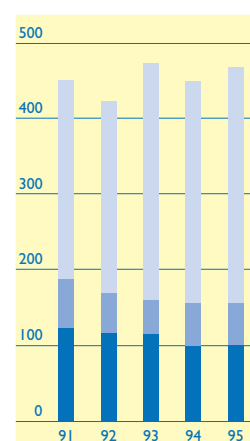
Loans at 31 December, MFIM



■ Currency-based loans

■ FIM-based loans

Operating expenses, MFIM



■ Energy costs

■ Other costs

■ Personnel costs

SHARES AND SHAREHOLDERS

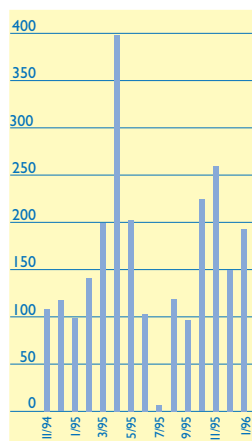
The company's registered and paid up share capital at the end of 1995 stood at FIM 31,471,860 and was divided into 15,735,930 shares with a nominal value of FIM 2 each. According to the Articles of Association the minimum share capital is FIM 20,226,550 and the maximum share capital is FIM 80,906,200, within which limits the share capital may be raised or lowered without amending the Articles of Association. Shares are all equal and each share entitles the holder to one vote at shareholders' meetings.

The Espoon Sähkö Oy share was listed on the Helsinki Stock Exchange on 24 November 1994. During 1995 altogether 2,047,455 shares (13.0 % of the sharestock) were traded on the Helsinki Stock Exchange for a total value of FIM 109,270,832. The average quotation was FIM 53.37 per share. The highest quoted price during the year was FIM 69.00 and the lowest quoted price was FIM 46.00. The price quoted on the balance sheet date was FIM 63.00, according to which the market capitalization was FIM 991 million.

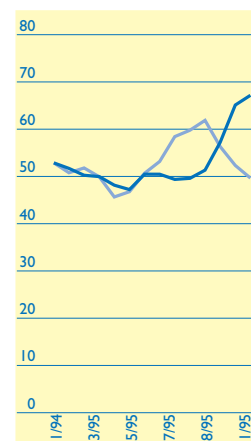
The company's Supervisory Board, the Board of Directors and the Managing Director owned altogether 1,958 Espoon Sähkö Oy shares, which represented 0.01 % of the sharestock and voting power.

The company has not issued bonds with warrants or convertible bonds. The Board of Directors has no current authorizations from the Annual Shareholders' Meeting to issue new shares.

Trading volume, 1000 shares



Share price, FIM



— Espoon Sähkö share

— HEX (Helsinki Stock Exchange) index

Largest shareholders 31 Dec. 1995

	Number of shares		% of shares and votes
1. City of Espoo	11,683,917		74.3
2. Pohjola Group			
Ilmarinen Pension Insurance Ltd	330,000		
Suomi Mutual Life Insurance Company	183,500		
Pohjola Insurance Company Ltd	36,000		
Salama Life Insurance Company	18,000	567,000	3.6
3. Sampo Group			
Industrial Insurance Company Ltd	265,000		
Keskinäinen Vakuutusosakeyhtiö Kaleva	200,000		
Yritys-Sampo Vakuutusosakeyhtiö	15,000	480,000	3.1
4. Tapiola Mutual Pension Insurance Company			
Keskinäinen Eläkevakuutusyhtiö Tapiola	149,000		
Tapiola Mutual Insurance Company	109,996		
Tapiola Mutual Life Insurance Company	91,000		
Yritysten Henkivakuutus Oy Tapiola	15,000	364,996	2.3
5. Kasvu-SYP Investment Fund		180,000	1.1
6. Merita Bank Ltd		166,000	1.1
7. Partita Oy		141,198	0.9
8. Kansallis-Kasvu Investment Fund		81,000	0.5
9. The City of Helsinki		70,026	0.4
10. Nominee-registered		1,321,500	8.4
Largest shareholders total		15,056,137	95.7

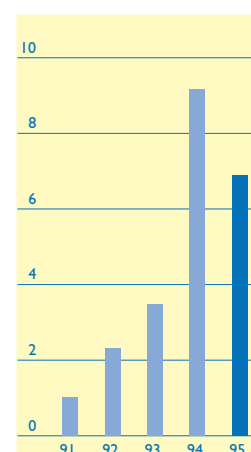
Shareholder groups

	Number of shareholders	% of shareholders	% of shares
Private persons	405	83.5	0.8
Companies	40	8.2	2.2
Financial institutions	27	5.5	12.8
Public organizations	5	1.0	75.6
Non-profit	8	1.6	0.2
Nominee-registered	1	0.2	8.4
	486	100.0	100.0

Distribution of number of shares 31 Dec. 1995

	Number of shareholders	% of shareholders	% of shares
1-100	231	47.5	0.1
101-1.000	186	38.3	0.5
1.001-10.000	38	7.8	0.9
10.001-100.000	20	4.1	4.9
100.001- 1.000.000	9	1.9	11.0
1.000.001-	2	0.4	82.6
	486	100.0	100.0

Earnings per share, FIM



GROUP MANAGEMENT

Supervisory Board

Chairman

Jari Lanki, 46
(member 1985-)
LLB

1st Vice Chairman

Jukka Uosukainen, 40 (1993-)
MSc (Eng.)

2nd Vice Chairman

Kalevi Onnela, 53 (1993-)
MSc (Eng.)

Members

Björn Ahlroos, 45 (1993-)
Cert. of Bus. Admin.

Jari Erholm, 43 (1993-)
MSc (Pol.Sc.)

Jukka Erävuori, 59 (1993-)
MSc (Pol.Sc.)

Timo Haapaniemi, 39 (1993-)
Managing director

Kristina Homén, 61 (1993-)
Physiotherapist

Ulf Johansson, 54 (1989-)
Editor-in-chief

Ilmari Kianne, 67 (1993-)
MSc (Eng.)

Ulla Klötzer, 47 (1993-)
Teacher

Eero Korosuo, 47 (1993-)
Architect

Taimi Kursu, 54 (1993-)
Registered child minder

Eeva Laatikainen, 33 (1993-)
Lawyer

Matti Lahtinen, 53 (1990-)
Technician

Esko Meuronen, 50 (1993-)
Manager

Pertti Moll, 65 (1993-)
MSc (Eng.)

Kaj Nurmi, 55 (1989-)
Fire chief

Ilpo Nousiainen, 63 (1993-)
Manager

Marja Rahkonen, 50 (1989-)
Journalist

Pertti Rautalahti, 70 (1993-)
MSc (Eng.)

Leena Rehn, 50 (1993-)
Secretary

Esko Roininen, 58 (1993-)
Managing director

Mika Salonoja, 31 (1993-)
MSc (Eng.)

Ossi Terola, 63 (1980-85, 1989-)
Master builder

Personnel representatives on the Supervisory Board

Olavi Lahtinen, 40 (1993, 1995-)
Control room supervisor

Reima Siro, 56 (1993-)
Stock controller

Raimo Mattsson, 49 (1993-)
Work planner

Markku Onnela, 51 (1993-)
Shift supervisor

Board of Directors

Chairman

Olli Männikkö, 51
(chairman 1989-)
Director

Members

Kurt Byman, 46 (1993-)
MSc (Eng.)

Lars Hongelin, 44 (1993-)
Marketing director

Martti Kaasinen, 53
(vice chairman 1985-)
Deputy director

Anne Leppälä-Nilsson, 42 (1993-)
LLM

Jouko Petäjä, 39 (1993-)
Assistant lecturer

Maija-Liisa Pitkä, 63 (1993-)
Training secretary

Yrjö Rossi, 45 (1992-)
Managing director

Esko Tapanainen, 54 (1993-)
Managing director

Company's operational management

Matti Manninen, 42
MSc (Eng.)
Managing Director
1993-

Erkki Ala-Risku, 49
BSc (Eng.)
Director of the Electricity unit
1994-

Mauri Hätönen, 42
MSc (Eng.)
Director of the Network unit
1994-

Launo Koskinen, 50
BSc (Eng.)
Director of the Contracting unit
1994-

Matti Kuusisto, 49
MSc (Eng.)
Director of the Energy unit
1994-

Esko Vuorensyrjä, 57
MSc (Pol.Sc.)
Director of the Business Services
1994-95

Reija Väätäinen, 40
M.Sc. (Ekon.)
Chief Financial Officer
1996-

Auditors

Ole Westerback, A.P.A.

Eila Tieaho
Deputy City Auditor

Antti Vuorenrinne,
Approved Accountant

Supervisory auditor

Jorma Tuominen, A.P.A.
Tuokko Deloitte Touche

SVENSK RESUMÉ

Esbo Elektriska 1995

	1995	1994	Ändring, %
Omsättning, Mmk	707,7	709,4	-0,2
Driftsbidrag, Mmk	241,1	263,0	-8,4
Rörelsevinst, Mmk	137,6	160,0	-14,0
Resultat före extraordinära poster, reserveringar och skatter, Mmk	131,3	137,7	-4,6
Resultat/aktie (EPS), Mmk	6,90	9,16	-24,6
Avkastning på investerat kapital, % (ROI)	10,4	11,6	-10,2
Soliditet 1, %	76,6	71,5	7,0
(i eget kapital ingår anslutningsavgifter)			
Soliditet 2, %	47,4	42,7	11,0
(eget kapital utan anslutningsavgifter)			
Antal fast anställda 31.12.	398	409	-2,7

Kort om Esbo Elektriska

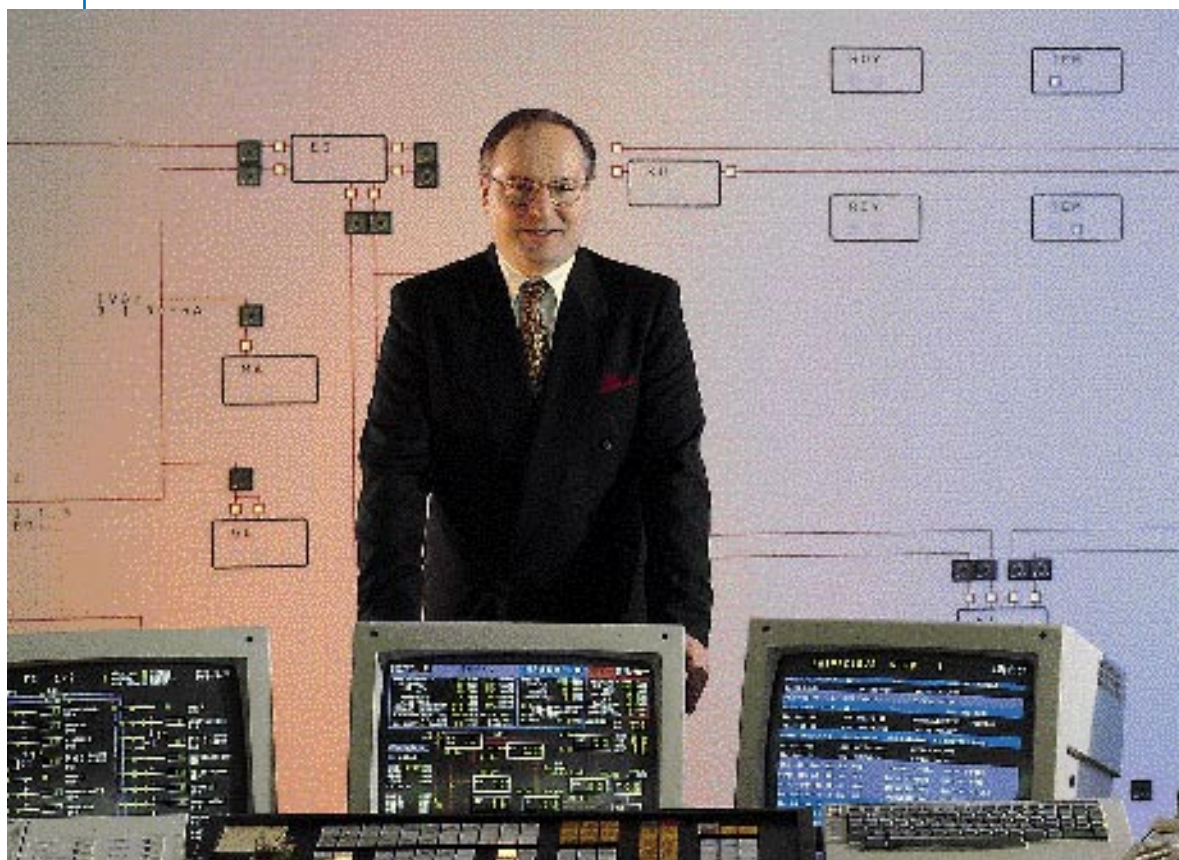
Esbo Elektriska Ab är ett börsnoterat energibolag som producerar, anskaffar och säljer elektricitet, fjärrvärme och naturgas med målet att kunna erbjuda en konkurrenskraftig, högklassig och kundorienterad energiservice. Företagets starka sidor utgörs av en gynnsam kapital- och ägarstruktur, väldimensionerade och effektiva produktionsenheter och nät samt en mångsidig energianskaffning.

Esbo Elektriska Ab producerar själv ca 44 % av den el som företaget saluför och köper resten från riksnätet genom elgrossister. Företaget täcker hela sitt behov av elektricitet och ca 80 procent av fjärrvärmebehovet med samproduktion som är ett effektivare och mer ekonomiskt sätt att producera el än separat produktion.

Företaget äger ett elnät i regionen Esbo, Grankulla och Kyrkslätt, ett fjärrvärmenät i Esbo och Grankulla samt samproduktion-sanläggningar och värmecentraler i Esbo.

I koncernen Esbo Elektriska ingår moderbolaget Esbo Elektriska Ab och dess två fastighetsbolag, Kiinteistö Oy Espoon Energiatalo och Kiinteistö Oy Piispankylä 4. Esbo Elektriska har en hundra procentig ägarandel i dessa dotterbolag.

Esbo Elektriska Ab:s omsättning under 1995 uppgick till 708 Mmk och antalet anställda var 398 vid utgången av året. År 1995 var Esbo Elektriska Ab:s 77 verksamhetsår.



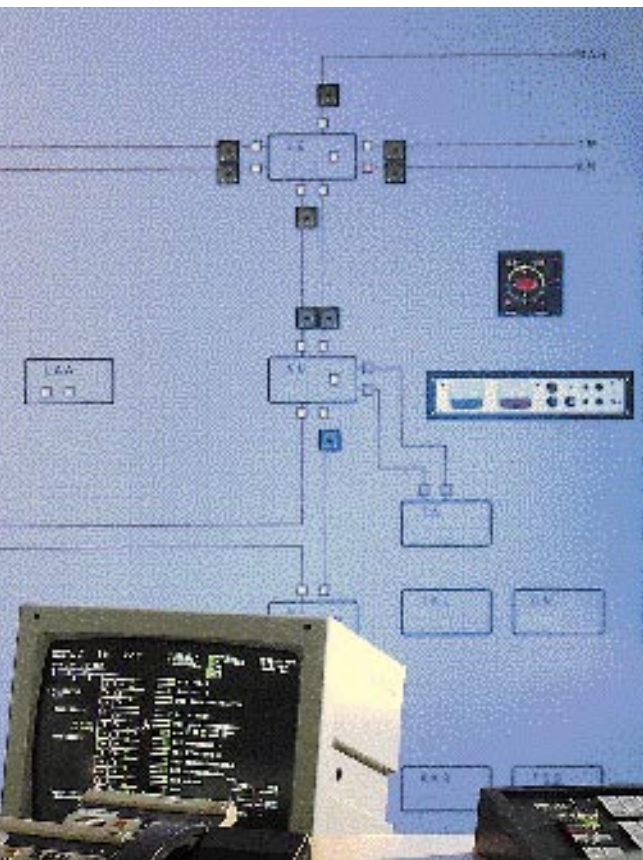
Branschutveckling

Energibranschen upplevde många epokgörande förändringar under 1995: elmarknaden avreglerades, reformer skedde inom elgrossisthandeln, skatten på stenkolk höjdes kraftigt och en mängd omstruktureringar genomfördes inom branschen, för att nämna de viktigaste. Lagen om elmarknaden som länge varit aktuell trädde i kraft utan större dramatik.

Resultatutveckling

För tre år sedan satte Esbo Elektriska som mål att vara ett kostnadseffektivt, konkurrenskraftigt och solitt företag den dag elmarknaden skulle öppnas för fri konkurrens. Efter ambitiöst genomförda program för att effektivisera verksamheten och konsolidera kapitalstrukturen har vi kommit långt på vägen till målpuppfyllelse. Esbo Elektriska har redan under många år tillämpat en stabil prisutveckling när det gäller elförsäljningen. Försäljningspriserna har t.ex. justerats högst en gång per år. Gentemot kunderna har vi medvetet eftersträvat en image som en uppskattad, tillförlitlig och stabil energileverantör. Detta skapar visserligen en något ojämn resultatutveckling, eftersom vissa kostnadsfaktorer som energiskatten och bränslepriserna kan variera kraftigt från år till år. Vi har dock möjligheter att reagera snabbt på större förändringar om det skulle visa sig nödvändigt.

Kraftfulla höjningar av skatten och priset på stenkolk hade effekter på företagets kostnader under 1995. Höjningarna bidrog dessutom till att priset för elanskaffning steg. Som en följd av detta ökade kostnaderna med över 30 Mmk i jämförelse med föregående år. Statsrådets beslut om skattehöjningen utfärdades strax före årsskiftet, när de nya försäljningspriserna för energi redan hade tillkännagivits. Eftersom behovet av uppvärmning var avsevärt lägre än året innan och försäljningen av värmeenergi sjönk, minskade lönsamheten under 1995 jämfört med året före. De finansiella kostnaderna sjönk dock kraftigt, och därför blev resultatet före reserveringar, skatter och extraordinära poster i nivå med föregående år, eller



131 Mmk (138 Mmk). Soliditeten förbättrades ytterligare och var mycket hög. Vårt behov att investera i nät är relativt litet till följd av den låga nybyggnadsaktiviteten. Produktionsanläggningarna för energi är toppmoderna och fyller gällande miljönormer.

Affärsenheterna

Enheten Elektricitet stod på en stabil grund inför den första fasen i avregleringen av elmarknaden. Detta ger oss goda förutsättningar att ytterligare utveckla vår marknadsföring och bredda avtalsbasen. Vi har gjort betydande inbrytningar på nya marknader omedelbart efter avregleringen och slutit nya avtal. Den totala volymen på dessa utgör 5 procent av hela elförsäljningen. Vi har inte förlorat några gamla kunder.

Enheten Nät införde ett nytt prissystem för överföring av el i början av november. Systemet baseras på omfattande analyser av bl.a. värderingar och principer för kostnadsfördelning. Vi har fått en väl fungerande struktur som även är prismässigt stabil.

Inom enheten Energi bibehöll fjärrvärmens sin position som en gedigen standardlösning för uppvärmning av fastigheter i urbana områden, och kundunderlaget växer i takt med nybyggnationen.

Dessutom har vi effektiviserat marknadsföringen till fastigheter som ligger intill fjärrvärmenätet, men inte ännu är våra kunder. Inom elproduktionen nådde vi nytt rekord för våra egna anläggningar tack vare säker och pålitlig drift.

Enheten Elnätsentreprenader hade en fortsatt stark ställning i fråga om byggande och underhåll av elnät för utomhusbelysning inom koncessionsområdet. Dessutom började enheten leverera elnät till transformatorer för fastigheter och industrier. Enheten inledde även arbetet på kvalitetscertifiering.

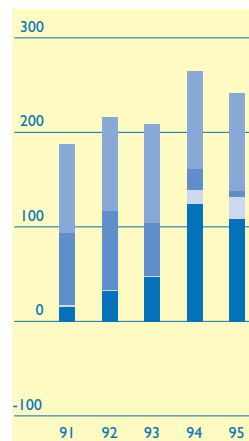
Framtidsutsikter

Förändringarna på elmarknaden innebär många nya utmaningar för företagen inom branschen vad gäller konkurrensförmåga, kundservice och marknadsföring. Vi på Esbo Elektriska har redan under ett par tre års tid målmedvetet utvecklat alla delar av verksamheten och stärkt bolagets soliditet. Vi tror därför att vi står väl rustade att möta den växande konkurrensen under 1996. Detta skapar också möjligheter att öka dividendutdelningen i förhållande till resultatet, vilket vi aviserat i vår handlingsplan vid börsintroduktionen.

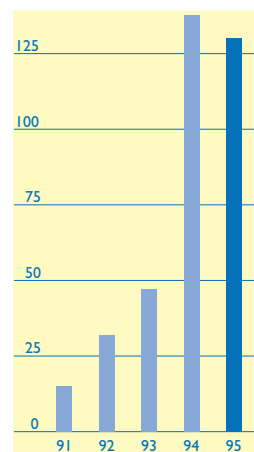
Esbo i mars 1996

Matti Manninen
Verkställande direktör

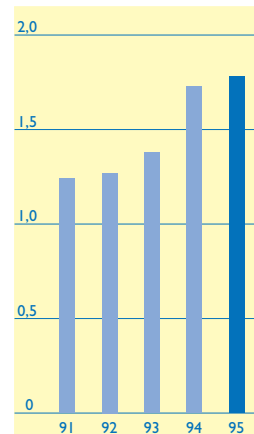
Driftsbidrag, Mmk



Resultat före extraordinära poster, Mmk



Omsättning/person, Mmk



Allmän översikt

Elförbrukningen i Finland uppgick till 69 TWh (miljarder kWh) under 1995. Elkonsumtionen inom industrin ökade med 2,3 %, medan den sjönk med 2,4 % inom privathushållen. Esbo Elektriska stod för 2,2 % av elleveranserna i hela landet.

Esbo Elektriska Ab:s elförsäljning uppgick till 1 522 GWh under 1995, jämfört med 1 630 året innan, och försäljningen av fjärrvärme till 1 475 (1 515) GWh. Minskningen i elförsäljningen berodde främst på att förmedlingen av el upphörde i november 1994 när företaget hade avyttrat aktierna i Sydfinnska Kraft Ab. Antalet elkunder ökade med 2,4 %, och uppgick till totalt 106 417 vid utgången av räkenskapsåret. Försäljningen av värme minskade med 2,6 %. Den varma vintern bidrog till detta. Behovet av uppvärmning var nämligen 5 % mindre jämfört med 1994 enligt nyckeltalet temperatur/dagar. Under året anslöts 116 fastigheter till fjärrvärmenätet. Nettoökningen i distributionseffekt utgjorde 1,2 %. Försäljningen av naturgas uppgick till 15 GWh, en ökning med 4,4 % från året innan.

Lagen om elmarknaden som trädde i kraft i början av juni 1995 förutsätter separata tariffer för överföring respektive försäljning av el. Överföringstarifferna baseras på de drifts- och kapitalkostnader för nätet som kan hänföras till respektive konsumentgrupp. Med nuvarande kostnadsstruktur debiterar Esbo Elektriska ett medelpris utan moms på 12,9 penni per kWh för överföring av el.

I november 1995 började minutförsäljningen av el avregleras, och reformen kommer att vara fullt genomförd den 1 januari 1997. Avregleringen har haft en avsevärd inverkan på elbranschen. Införandet av fri elkonkurrens i hela landet har börjat utan större dramatik. En mängd offerter har begärts in. I de flesta fall har en offert lett till att den lokala distributören har fortsatt att leverera el som tidigare. Esbo Elektriska började redan 1994 bygga upp beredskapen att möta den växande konkurrensen genom att ingå långtidskontrakt på elförsäljning. Vi har lyckats väl redan i initialskedet. Företaget var ett av de första som slöt kontrakt på försäljning även med nya kunder. Det mest betydande av dessa kontrakt gällde leverans av el till Nokia Kabels fabriker i Pickala från november 1995.

Esbo Elektriska var med och utredde förutsättningarna att grunda en elbörs i Finland. Företaget har för avsikt att bli medlem i börsen.

Esbo Elektriska inledde förhandlingar om samarbete med Vanda Elverk Ab under året.

Köpeanbudet på Kyrkslätt Värme Ab är alltså aktuellt. Förvärvet har ännu inte skett, eftersom besvär har anförts mot transaktionen.

Omsättning

Omsättningen för Esbo Elektriska-koncernen uppgick till 708 (709) miljoner mark. Elförsäljningen utgjorde 471 (483) miljoner mark. Medelpriset på el under 1995 var en procent högre än föregående år. Den minskade försäljningen berodde på att aktierna i Sydfinnska Kraft Ab avyttrades. På grund av aktieinnehavet hade Esbo Elektriska rätt att förmedla el från detta bolag, och under 1994 uppgick denna försäljning till 27 miljoner mark. Försäljningen av fjärrvärme uppgick till 215 (208) miljoner mark. Volymen sjönk med 2,6 % och medelpriset på försäljningen steg med 4,7 % i början av 1995. Övrig försäljning som främst består av byggande och underhåll av utomhusbelysning samt försäljning av närvärme och naturgas uppgick till 21 (18) miljoner mark.

Kostnader

Koncernens driftskostnader uppgick totalt till 469 miljoner mark, en ökning med 19 miljoner mark från året innan. Energikostnaderna steg med totalt fyra procent, men prisutvecklingen varierade för olika bränslen. Anskaffningen av el minskade med 100 GWh, och medelpriset för anskaffningen steg med 11 %. Förbrukningen av stenkolk minskade med 28 000 ton, och medelpriset steg med 41 %. Över hälften av prishöjningen utgjordes av bränsleskatt. Anskaffningen av naturgas ökade med 23 miljoner kubikmeter, men me-

delpriset sjönk med 4,7 %. Företagets elproduktion uppgick under året till 707 GWh, vilket var nytt rekord. De övriga driftskostnaderna var 3,2 % högre än föregående år. De finansiella nettokostnaderna sjönk från året innan. Detta berodde på minskade räntekostnader till följd av reducerat lånebelopp och lägre räntenivå samt ökade ränteintäkter tack vare förbättrad likviditet.

Resultat

Koncernens driftsbidrag blev 241 (263) miljoner mark, vilket utgjorde 34 (37) % av omsättningen. Rörelsevinsten uppgick till 138 (160) miljoner mark. Koncernens resultat före extraordinära poster, reserveringar och skatter uppgick till 131 (138) miljoner mark.

Finansiering

Koncernens finansiella struktur förbättrades i jämförelse med året innan till följd av den positiva resultatutvecklingen. Soliditeten exklusive anslutningsavgifter steg till 47 (43) %. De räntebärande skulderna uppgick i bokslutsögonblicket till 255 miljoner mark. Detta är 84 miljoner mark mindre än vid utgången av föregående räkenskapsår. Totalt 18 miljoner mark av lånen var i utländsk valuta. Kassatillgångarna uppgick vid räkenskapsårets utgång till 316 miljoner mark.

Emissionsfullmakt för styrelsen

Bolaget har inte emitterat optionsbevis eller konvertibla debenturlån. Styrelsen har inga gällande av bolagsstämman utfärdade emissionsfullmakter.

Investeringar

Investeringarna i anläggningar uppgick till totalt 77 miljoner mark under 1995. Elverksinvesteringarna uppgick till 47,2 miljoner mark. Största delen av dessa bestod av 20 kV-ledningar, lågspänningsledningar och distributionstransformatörer. De största investeringsobjekten utgjordes av en 110 kV:s ledning mellan Klobbskog och Hagalund samt en elstation i Hagalund. Totalinvesteringarna för 110 kV:s ledning uppgår till 11 miljoner mark, och av detta investerades 7,9 miljoner mark under räkenskapsåret. Elstationen i Hagalund kostade totalt 14 miljoner mark av vilket 9,1 miljoner mark belastar 1995. Största delen av fjärrvärmeinvesteringarna gick till utbyggnad av distributions-

nätet. Ca 14 km distributionsnät byggdes för totalt 10,6 miljoner mark. Totalinvesteringarna för kraft och fjärrvärme uppgick till 8,7 miljoner mark. De största objekten var automatisering av kraftverket och miljöinvesteringar.

Personal

Koncernen hade i medeltal 422 (467) anställda under räkenskapsåret. Antalet fast anställda var 398 vid utgången av året. I löner och arvoden utbetalades 77 710 922 (82 853 097) mark, av vilket löner och arvoden till förvaltningsrådet, styrelsen och verkställande direktören utgjorde 838 593 (955 876) mark. Inga delarvoden har utbetalats till företagsledningen.

Förvaltningsråd, styrelse och revisorer

Under räkenskapsåret skedde inga förändringar i förvaltningsrådets eller styrelsens sammansättning. Till revisorer återvaldes vice verkställande direktör Ole Westerback, CGR, biträdande stadsrevisor Eila Tieaho och vicehäradshövding Antti Vuorenrinne, GRM. Ekonom Jorma Tuominen, CGR, utsågs att verkställa övervakningsrevision.

Utsikter för 1996

Konkurrensen inom elproduktion och elförsäljning har ökat sedan lagen om elmarknaden trädde i kraft. Företaget fick nya elkunder utanför sitt eget ansvarsområde i slutet av 1995 och början av 1996. På basis av tecknade avtal förutses detta leda till en ökning av elförsäljningen med ca 5 %.

Försäljningsvolymen för värme förväntas växa inom koncessionsområdet med mer än tre procent under 1996, förutsatt att medeltemperaturen för året blir normal. Priset på elektricitet höjdes med 0,8 % i början av 1996 och priset på fjärrvärme med 1,4 %. Koncernens rörelsevinst väntas därför förbättras jämfört med 1995, om det inte sker oförutsedda förhöjningar av anskaffningspriserna för energi eller andra kostnader och uppvärmningsbehovet håller sig på normal nivå.

Esbo Elektriska Ab har för avsikt att i framtiden följa en sådan utdelningspolitik att dividenden stiger i förhållande till resultatet.

