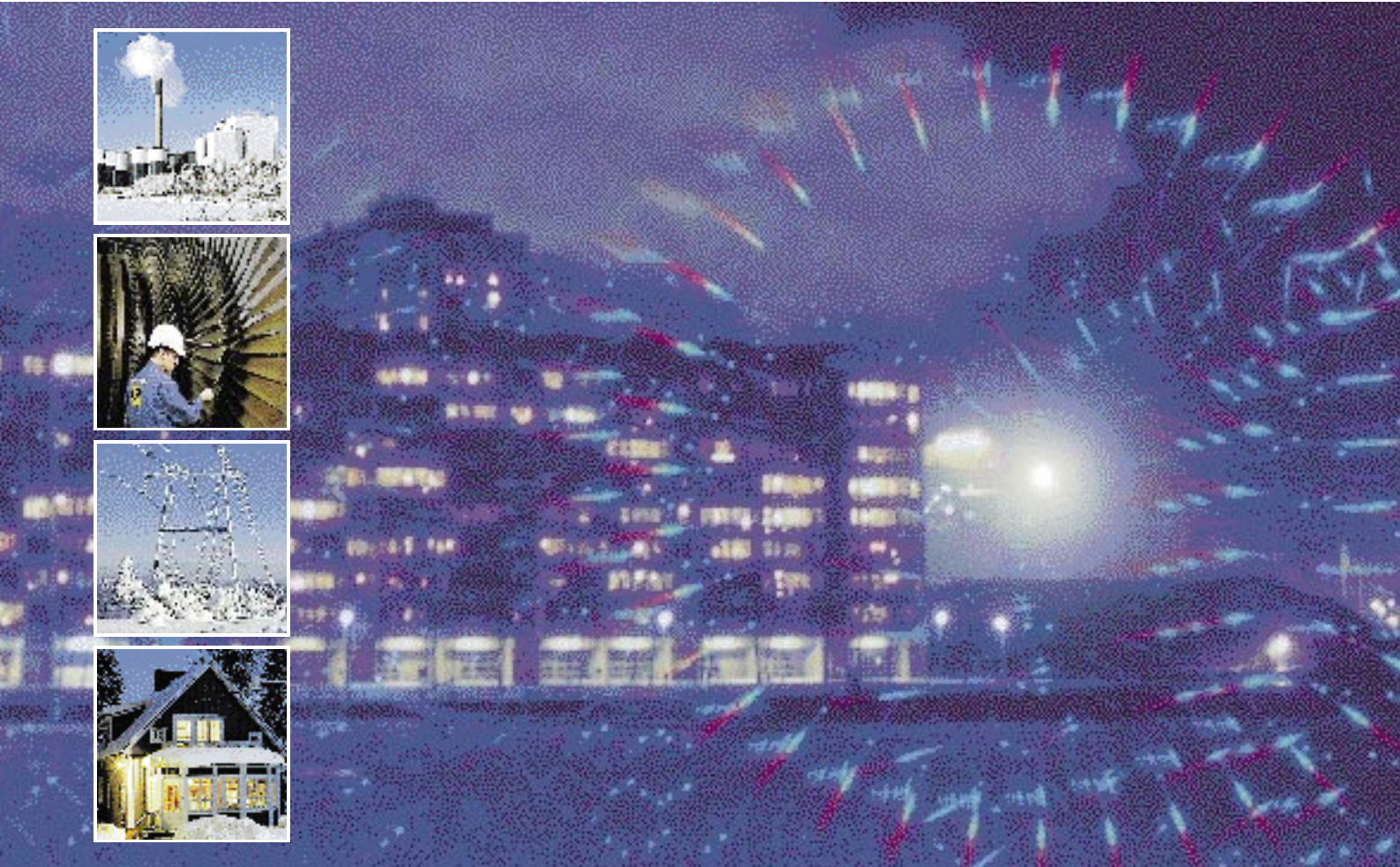
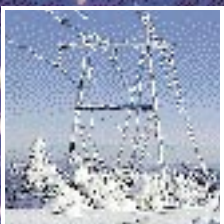


ANNUAL REPORT 1995



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ANNUAL GENERAL MEETING

The Annual General Meeting of Imatran Voima Oy will take place on March 26, 1996, at 11.30am at the head office of the company, Malminkatu 16, Helsinki.

FINANCIAL REPORTS

The Annual and Interim Reports are published in Finnish and English.

The Interim Reports 1996 will be published in June (4 months) and in October (8 months).

Publications are available from:

IVO Group, Group Communications,
Malminkatu 16, Finland.

Mailing address 00019 IVO, Finland.

Tel +358 0 85 611, fax +358 0 694 4481.

ENVIRONMENTAL REPORT

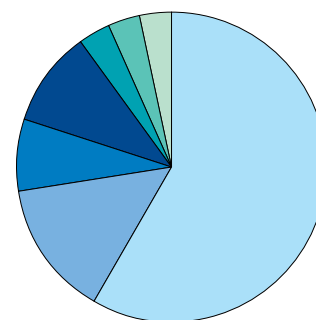
A separate environmental report is published each year in Finnish and English.

IVO GROUP IN 1995

- Group profit, at FIM 1.1 billion, showed an increase of nearly FIM 800 million on the previous year. Group turnover, at more than FIM 8 billion, increased by 6%.
- Profit in the Power and Heat business improved appreciably; Grid Services' profit remained good. All other business units also showed a positive result.
- The equity/total capital ratio improved by 3 percentage points, to 47%.
- The long-term electricity contracts expired at the end of October and new shorter-term contracts were signed with the majority of our customers, but the volume of electricity supplies to two of our major industrial customers reduced considerably. This will decrease our market share in 1996.
- At the beginning of November, the electricity market in Finland was deregulated for consumers of more than 500 kW; the entire market will be liberalised at the beginning of 1997. Sweden liberalised its market at the beginning of 1996, at the same time as the Norwegian-Swedish electricity spot market began operating. The electricity market now covers the Nordic countries and IVO has signed its first contracts with Swedish electricity distributors.
- Group's international operations proceeded as planned.
- An outline agreement has been signed under which a new nationwide grid company will buy IVO's grid, including the international tielines, by the end of 1996.

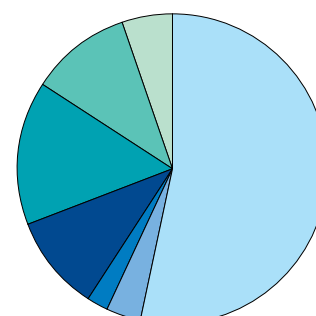
GROUP KEY FIGURES	1995	1994	Change %
Turnover, FIM million	8,055	7,602	+ 6
Operating profit			
FIM million	1,337	737	+ 81
% of turnover	17	10	..
Profit before extraordinary items			
FIM million	1,129	347	+ 225
% of turnover	14	5	..
Return on equity %	9.4	3.5	..
Return on capital employed %	12.5	6.8	..
Equity/total capital %	47	44	..
Investments, FIM million	878	643	+ 37
Employees as at December 31	5,439	5,272	+ 3

TURNOVER
BY BUSINESS UNIT*)

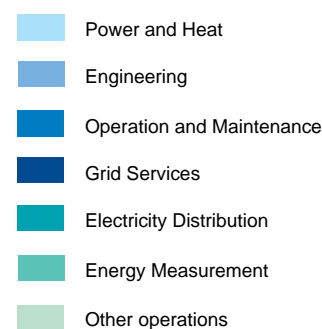
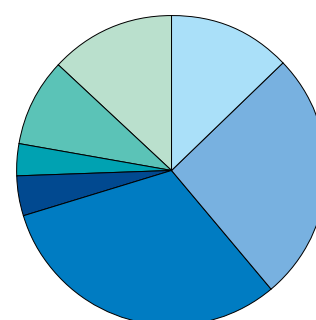


*) Turnover generated from the trade between business units has not been eliminated.

INVESTMENTS
BY BUSINESS UNIT



EMPLOYEES
BY BUSINESS UNIT



IVO Group provides customers with energy services, power and heat, and with expert services which relate to their generation, transmission and distribution.

The liberalisation of Finland's electricity markets has resulted in the expansion of our home market from Finland to the Nordic countries. We are also well established in the UK and South East Asia and market our services in a number of other countries, including Russia, central Europe and China.

The competitiveness of our services is based on our expertise in all aspects of the energy chain, including the design of power plants and transmission systems; capital investments; construction; fuel procurement; operation and maintenance; and transmission, distribution and sales of power and heat. Our comprehensive experience is in increasing demand as the world's power production and electricity markets are opened up to competition.

We carry out research and development to create new, efficient and environmentally-friendly technologies to meet our customers' needs and are mindful of the environmental impact of our operations. In addition, we continually work to improve our energy-related expertise and the quality of our operations.



POWER AND HEAT

This business produces, procures and sells power and heat, primarily to power distributors and industry, but also to other power companies. In addition, we trade in the Norwegian-Swedish electricity spot market. While the major part of our power is sold in Finland, additional sales are sought in Sweden, the UK, central Europe and South East Asia.

Heat is supplied to municipalities, in the form of district heat, and to industry, in the form of process steam. The outlook for the co-generation of power and heat is good, not only in the Finnish and Swedish markets, but also in Germany, China and South East Asia.

Power is generated at IVO's own power plants, or is procured as shares from other power producers, by direct purchases from other power companies in Finland and the neighbouring countries, or in the electricity spot market. Most of the heat is produced at IVO's power plants by co-generation of power and heat. The total output of our own power plants is 4,600 MW of power and 2,600 MW of heat. IVO's generation uses hydro and nuclear power, coal, natural gas, peat, biomass and, to a minor extent, oil. The potential for using solar and wind power is being researched at our experimental power plants.

Turnover of the Power and Heat business for the year was FIM 5,799 million. The business is operated by Imatran Voima Oy, our parent company.



ENGINEERING

The Engineering business specialises in turnkey contracts for the construction of power plants and power transmission systems and their parts, and in related design and consulting services.

The power plant engineering focuses on the co-generation of power and heat, automation and electrification, refurbishments, and environmental protection technologies. Its most important market area is Finland and the neighbouring areas, the rest of Europe, South East Asia and China.

The power transmission engineering offers design, construction and maintenance of transmission lines, substations and power system control, and railway electrification. Marketing efforts are focused on the Nordic countries.

This business unit also covers hydro and nuclear power engineering.

Turnover of the Engineering business, which is operated by IVO International Group, was FIM 1,405 million, more than half of which came from overseas projects.



OPERATION AND MAINTENANCE

This business provides turnkey operation services (IVO O&M) to owners of power plants, and maintenance services (IVO Service) to industry and power plants.

IVO O&M is responsible for the operation and maintenance of one third of Finland's power generation capacity. Substantial growth in the overseas volume of this business is expected, particularly in South East Asia. In the UK, IVO O&M operates and maintains two combined-cycle gas-fired power plants. An O&M contract signed in Malaysia during the year was our first venture in the South East Asia market.

IVO Service operates in Hungary and Sweden as well as in Finland. The outlook for growth is promising, both in Finland and overseas. IVO Service provides top-quality maintenance services for turbines, boilers, switchgears and transformers. It also provides long-term turnkey maintenance contracts.

Turnover of the Operation and Maintenance business was FIM 740 million. IVO Generation Services Group operates the business.



GRID SERVICES

The Grid business offers grid services, priced on the point system, to all Finnish electricity companies. This business covers about 90% of Finland's grid, including international tielines. At the end of the year, the Ministry of Trade and Industry, IVO and Pohjolan Voima Oy signed a contract for the establishment of a single Finnish grid company by the beginning of 1997; this will considerably decrease IVO's ownership of the grid business.

Turnover of the Grid Services business totalled FIM 1,001 million. IVO Transmission Services Ltd (IVS) operates the grid within Finland; Imatran Voima Oy is responsible for the international tielines.



ELECTRICITY DISTRIBUTION

The Electricity Distribution business takes care of transmission and distribution for small-scale users of electricity. IVO participates in Finnish electricity distribution by owning shares in distribution companies. The electricity is purchased from the producers. Our local services also include the sales of district heat and natural gas.

Turnover of the Electricity Distribution business was FIM 314 million.



ENERGY MEASUREMENT

This business, which is operated by Enermet Group, develops, manufactures and markets equipment and systems for energy measurement and the control of electricity use. Turnover was FIM 330 million.

OTHER OPERATIONS

Infrarödteknik Group supplies infra-red dryers for the paper and paint industries. Telivo Ltd is a teleoperator of long-distance and overseas calls in Finland. The other operations also include the following corporate-level activities: research and development, environmental protection, corporate services and staff. Total turnover of other operations was FIM 320 million.

IVO GROUP

REVIEW BY THE PRESIDENT

In 1995, the IVO Group improved the profitability of its business operations significantly. Profit increased by FIM 800 million and return on equity grew to 9.4%. The equity/total capital ratio improved to a good 47%. Our stated objectives were achieved through goal-orientated work: this work continues because, compared with some of our competitors in other countries, all the key figures indicating the company's performance are not yet satisfactory.

As a whole, 1995 can be considered to be a successful year. Profitability of the Power and Heat business improved markedly. Grid Services showed a good result, as it did in the previous year.

The Engineering business has undergone intensive reorganisation, a process which is expected to improve profits in the future. The Finnish market is small and competition is increasing. We must, therefore, seek growth for our Engineering, and Operation and Maintenance businesses outside Finland.

TOWARDS OPEN NORDIC ELECTRICITY MARKETS

The coming into force of the Electricity Market Act and the expiration of the old, mainly ten-year, electricity contracts at the end of October, were the most significant factors influencing the operations of the IVO Group in 1995. Negotiations on new electricity contracts were characteristic of the Power and Heat business during the year. It gives me great pleasure to report that successful negotiations resulted in our signing electricity contracts with the majority of our existing customers. However, we lost a major part of the electricity supplies for two of our important industrial customers to a Swedish competitor and this will decrease our market share in 1996.

The development of distributor companies led to several mergers, the formation of purchasing consortia or changes in ownership. In this transitional phase, we succeeded in carrying out our strategy of expanding our operations to electricity distribution, for which new procedures will also be sought in 1996. The role of the municipalities owning distributor com-

panies will be a central factor in this process. The municipalities will increasingly focus on producing basic services for people. Electricity distribution in a deregulated market is not necessarily one of these services.

In respect to changes in the electricity market, our industrial customers are also changing the way they operate. In this context, our objective is to work in cooperation with industrial companies as a power producer. This would make it possible for us, as a power producer, and for our customers, as experts in their own fields, to focus on the development of our specific strengths and to support one another in the face of increasingly fierce competition. We have shown this model to be successful in Finland and in other countries.

Since Sweden deregulated its electricity market at the beginning of 1996, the market has expanded to cover the Nordic countries. IVO has already taken advantage of this opportunity to obtain customers and production capacity in Sweden and it would seem that there is a growing demand for IVO's expertise in the Swedish market.

INTERNATIONAL OPERATIONS PROCEEDED AS PLANNED

It has been apparent for some years that the power and heat market in Finland will not grow sufficiently quickly to enable it to be the sole market for the IVO Group. The natural solution is for us to expand our operations to the adjacent Nordic countries, Russia and the Baltic countries.

Our Engineering business has operated in more than 60 countries, but we believe it is now time to focus our operations in specific market areas. The IVO Group has considerable expertise and experience, but success in overseas markets requires us to focus on particular countries and areas where there is a need for our specialised knowledge.

We have chosen to target three areas: in the United Kingdom, we have been represented since the liberalisation of the market and are well established; in central and eastern Europe, the market is developing and the demand for our knowledge is

growing; in South East Asia and China, we have gained a foothold and aim to build on that.

ENERGY POLICY INCONCLUSIVE

Recent discussions on energy policy in Finland have been lacklustre: energy taxation is the only important issue to have been raised. Towards the end of the year, the Finnish Government stated that irregularities in energy taxation must be corrected to enable Finland to produce coal-fired power profitably for the Nordic market. The final decisions will, however, be made during 1996.

It is most important that after energy taxation has been rationalised, its structure should continue unchanged for a long period. It is impossible to make long-term decisions about investing in power plants in Finland unless taxation is more predictable. The discussion on energy taxes shows that, in the final analysis, a tax and environmental policy, similar to that in the countries of our competitors, is the only way forward in a liberalised market.

Nuclear power was discussed in parliament towards the end of the year, and will, no doubt, continue into the Spring of 1996. It would be advisable to introduce nuclear power as one option for producing base-load power. Capacity problems, which are predicted at the turn of the century, are a further matter for discussion. We are prepared to make a rapid decision to solve them by building a new coal-fired condensing power plant, if that proves to be necessary, to satisfy the needs of our customers.

ESTABLISHMENT OF A NATIONWIDE GRID

Negotiations in principle on the establishment of a nationwide grid company in Finland were completed at the end of the year. Decisions about the practical solutions will be made in 1996. According to the outline agreement, a new nationwide grid company, to which IVO and Pohjolan Voima Oy will sell their grids, will be established.

It is true that, in the short term, this

decision will have an adverse effect on our profitability but, in the long term, it will increase our opportunity to make the additional investments required to compete in a united energy market. It is our principal shareholder's view that the establishment of a grid company will help us to expand our shareholder base, and this, in turn, will create new opportunities to develop our business.

PROMISING OUTLOOK

The beginning of 1996 has shown that we are justified in expecting good profits in this coming year as well, primarily as a result of the liberalisation of the electricity markets in Finland and Sweden, but also because of the contracts signed with our electricity customers in Finland at the end of 1995.

The outlook for the next few years is, on the whole, good. We aim to increase our operations in Finland and to expand in the other Nordic countries. This strategy has proved to be successful when looked at in the context of the acquisitions made in the first part of the year and of the contracts signed and negotiations held. Now that our Engineering business has been reorganised and our international energy strategy has been streamlined, I am optimistic and expect our operations in the Nordic countries and our other target markets to be successful and to continue to grow profitably.

Helsinki, March 1996



Kalevi Numminen
President,
Chairman of the Board of Directors



ADMINISTRATION AS AT JANUARY 1, 1996



The Supervisory Board. From left: Pekka Lämsä, Markku Autti, Esko Vainionpää, Risto Tuominen, Satu Laiterä, Taisto Turunen, Eeva Kauppinen, Ahti Oikari, Mikko Rönholm (Deputy Chairman), Mikael Ingberg, Ilkka Kanerva (Chairman), Gunnar Graeffe, Rose-Marie Björkenheim, Pekka Tuomisto and Ismo Partanen. Elina Lehto is not in the photograph.

SUPERVISORY BOARD

	Membership spanning period between Annual General Meetings
Ilkka Kanerva, Chairman ¹⁾	1995-1996
Mikko Rönholm, Deputy Chairman	1995-1998
Markku Autti	1995-1996
Rose-Marie Björkenheim	1995-1998
Gunnar Graeffe	1994-1997
Mikael Ingberg	1993-1996
Elina Lehto	1995-1998
Ismo Partanen	1994-1997
Risto Tuominen	1993-1996
Pekka Tuomisto	1994-1997
Taisto Turunen, Representative of the Ministry of Trade and Industry	1995-1998
Esko Vainionpää	1994-1997

¹⁾ Mr Ilkka Kanerva, Member of Parliament, was elected Chairman of the Supervisory Board on June 8, 1995, after Ms Tuula Linnainmaa, Member of Parliament, became the Minister of Transport and Communications.

Employee representatives

Eeva Kauppinen	1994-1997
Satu Laiterä	1994-1997
Pekka Lämsä	1994-1997
Ahti Oikari	1994-1997

AUDITOR

SVH Coopers & Lybrand Oy, Authorised Public Accountants, Pekka Kaasalainen, Chief Auditor, Authorised Public Accountant

SUPERVISORY AUDITOR

SVH Coopers & Lybrand Oy, Authorised Public Accountants

BOARD OF DIRECTORS



Kalevi Numminen

Born 1932, DTech hc. President and Chairman of the Board of Directors since 1982, member of the Board since 1975. Mr Numminen joined IVO in 1957. He is responsible for general administration, strategy planning, business and management development and internal auditing. He is Chairman of the Board of Directors of IVO International Ltd.



Kari Huopalahti

Born 1947, Msc (Eng). Executive Vice President, member of the Board of Directors since 1987. Mr Huopalahti joined IVO in 1973. He is responsible for the Engineering business and Power and Heat business outside the Nordic countries. Mr Huopalahti is Chairman of the Board of Directors of Humber Power Limited and Deputy Chairman of the Boards of Directors of IVO International Ltd and IVO Generation Services Ltd.



Ingmar Häggblom

Born 1931, Msc (Eng). He was employed by United Paper Mills Ltd from 1954 and retired as Executive Vice President at the end of 1993. Appointed to the Board of Directors for the period October 1, 1994 to December 31, 1996.



Kalervo Nurminen

Born 1937, Msc (Eng). Executive Vice President, Deputy Chairman of the Board of Directors since 1993, member of the Board since 1983. Mr Nurminen joined IVO in 1961. He is responsible for power and heat sales and power supply in the Nordic countries. Mr Nurminen is Chairman of Nordel, and Chairman of the Boards of Directors of IVO Transmission Services Ltd and Uudenmaan Energia Oy.



Heikki Marttinen

Born 1946, Msc (Econ). Executive Vice President, member of the Board of Directors since 1993. Mr Marttinen joined IVO in 1993. He is responsible for finance, administration, the Energy Measurement business and Electricity Distribution business in the Nordic countries. Mr Marttinen is Deputy Chairman of the Board of Directors of IVO Transmission Services Ltd.



Gerhard Wendt

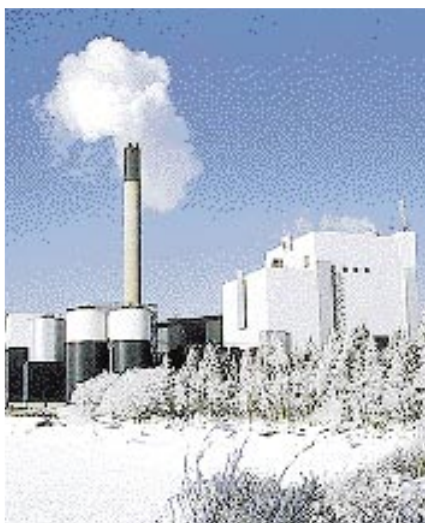
Born 1934, PhD. He has been employed with Kone Corporation since 1970 and retired as President at the end of 1994. Appointed to the Board of Directors for the period October 1, 1994 to December 31, 1996.



Anders Palmgren

Born 1940, DTech. Executive Vice President since 1993, member of the Board of Directors since 1982. Dr Palmgren joined IVO in 1971. He is responsible for power and heat generation, operations in eastern Europe, nuclear power, research and development and environmental protection. He is Chairman of the Boards of Directors of IVO Generation Services Ltd and ETV-Eröterv Rt.

POWER AND HEAT



The Meri-Pori power plant's low level of emission makes it one of the world's cleanest power plants.

KEY FIGURES	1995	1994
Turnover, FIM million	5,799	5,512
Operating profit, FIM million	698	188
– % of turnover	12	3
Investments, FIM million	471	437
Average number of employees	737	708

The Power and Heat business produces and provides comprehensive energy services, power and heat. Customers, which include power companies and energy-intensive industries, are primarily in Finland, where IVO holds a significant position in the electricity market and is the largest supplier of heat. At the same time as capitalising on deregulation of the electricity markets, we are expanding our operations to the other Nordic countries, central Europe and South East Asia. We now have signed contracts with our first Swedish electricity distributor customers. In the UK, Malaysia and Thailand we operate as a power producer in joint ventures with local companies. Imatran Voima Oy is responsible for the operation of this business.

Electricity sold in the Nordic countries is generated at our own power plants or is procured through holdings in other producers' power plants. Electricity is also purchased direct from other power companies in Finland and the neighbouring countries, and from the electricity spot market. In addition, we have shareholdings in power companies outside the Nordic region. Our total capacity for power procurement is about 7,800 MW.

Heat is produced at our own combined-cycle plants which generate power and heat, at thermal power plants, or at power plants owned jointly with our customers. Our heat generation capacity is about 2,600 MW.

Our own power plants use hydropower, nuclear power, coal, natural gas, peat, biomass and, to a minor extent, oil. The diversity of our power procurement structure and the use of economical energy sources ensure reasonable electricity and heat prices and reliable supplies.

The environmental protection, condition and availability of our own power plants are at a high level. Since 1990, we have invested some FIM 1 billion in modern technology to control air pollution. The dedication of IVO O&M, which operates and maintains the power plants, has resulted in a continued decrease in operating costs. The Loviisa power plant is operated by the parent company.

MARKET SITUATION

During the past few years, competition in the energy sector has been encouraged throughout the world, resulting in a number of open national or regional electricity markets. Deregulation of the power transmission networks has been a prerequisite for

this change. The trend began in the UK; thereafter competitive electricity markets were adopted by Norway and, of the EU countries, by Finland and Sweden. Elsewhere in the EU, however, the markets have not been opened up at the rate which was anticipated a few years ago.

In the Nordic countries the electricity markets grow slowly and are close to saturation. Approximately 350 TWh of electricity is sold each year in these countries with a market value of some FIM 70 billion. In Finland, annual sales amount to some 70 TWh, worth approximately FIM 14 billion.

In Norway, the electricity market was deregulated at the beginning of 1993; in Finland, except for small-scale consumers, at the beginning of November 1995; and in Sweden at the beginning of 1996. The electricity spot market, which has been in operation in Norway for several years, was expanded to Sweden from the beginning of 1996.

The number of companies operating in the market has continued to decrease and ownership is increasingly concentrated in generation and distribution with the primary objective of saving costs. A strong factor affecting the background to the market is the change from electricity management to electricity markets, making investment of more importance to owners.

Contract terms have also become shorter. Most electricity was previously supplied under ten-year contracts, but contracts in force today mostly run for between three and five years. In addition, some Nordic electricity is now sold on the spot market at the price ruling on that day.

Heat is sold at a more local level than electricity. District heat produced in Finland amounts to some 25 TWh with a total sales value of more than FIM 4 billion. Industry has traditionally generated the steam it requires for production, but the trend recently has been towards outsourcing steam generation, leaving industrial plants to concentrate on their own specialities while steam generation is handled by a specialist energy company.

In practice, large-scale heat generation in Finland almost always involves the simultaneous generation of back-pressure power. Finland is one of the leading countries in the world in the co-generation of heat and power. In Sweden, for example, co-generation is used proportionally at a much lower level than in Finland.

In addition to three major electricity suppliers in the UK, there are several

smaller, independent power producers. In the electricity distribution sector, competing consortia are being established and these tend also to acquire power production capacity. Electricity is sold through the pool at market price. It is also possible to agree the price between sellers and buyers. Electricity consumption increases slowly.

In most South East Asian countries, competition in power production has been deregulated. As a result, many independent producers have obtained part of the new generating capacity. Electricity consumption is increasing rapidly, at an average annual rate of more than 10%, and there is also a demand for the combined generation of power and heat.

IVO GROUP'S OPERATIONS

In its main market area in the Nordic countries, the Power and Heat business had a share of nearly 10% of electricity sales. The total volume of IVO's power supplies decreased by well over 1%, to 30.3 TWh. The distribution sector accounted for 60% of the supplies, industry for 39% and exports for 1%. The volume of electricity delivered to distributors was 2% lower than in the previous year, while the level of deliveries to industry was maintained.

Heat sales increased to 8.5 TWh, against the 8.4 TWh of the previous year. Process steam supplies were up by 6%, district heat supplies down by 2% on 1994.

The order book of new electricity contracts signed with Finnish distributors and industry totals some FIM 25 billion. In line with present trends in electricity trading, contract terms are shorter than before. The value of heat contracts signed with municipalities and industry amounts to about FIM 6 billion.

In power production, a completely new form of co-operation began when IVO combined its generation facilities in Jyväskylä with those of Jyväskylän Energia (Jyväskylä Energy). IVO's share of the new production company is 60%; the city of Jyväskylä holds 40%. The joint company enables considerable improvement to be

IVO is a notable independent power producer in Thailand and Malaysia.





At the end of 1995, IVO signed contracts to supply electricity to the Swedish companies Stockholm Energi AB (above) and TelgeKraft AB.



Mr Martti Ahtisaari, President of Finland, inaugurated the Toppila 2 power plant in September.



Rautaruukki Oy, one of Finland's largest users of electricity, optimises its use of energy carefully. As a customer of IVO, it has access to our extensive expertise.

made in the efficient use of resources, ensuring inexpensive energy for the electricity and heat consumers and releasing capital for the city of Jyväskylä.

Overseas operations were expanded as markets were liberalised. In Sweden, long-term contracts, which were signed with Stockholm Energi AB and TelgeKraft AB, came into effect at the beginning of 1996 and have secured a 1% share of the market in Sweden. A subsidiary, IVO Energi AB, was established in Stockholm to run the Swedish operations.

IVO has achieved a significant position as an independent operator in the UK in a few years. The Brigg power plant, in which IVO holds a share, became operational in 1994 and has an excellent record. The construction of the 750 MW Humber power plant is progressing in accordance with plans and will be ready for commercial operation in the Spring of 1997. IVO has borne the main responsibility for the development of this project and is responsible for supervising the construction. It also has the largest share, 30%, of the company which owns the plant.

In the fast-growing energy markets in Thailand and Malaysia, IVO has become a noteworthy independent power producer within a short period. In Thailand, The Cogeneration Public Company Limited supplies power and heat to its customers in the industrial area of Map Ta Phut. The first 150 MW gas-fired power plant unit was completed at the end of the year; a further unit of the same size will be put into operation in 1996. The Cogeneration Public Company, of which IVO owns 11%, was successfully listed on the Thailand Stock Exchange in February 1996.

In Malaysia, the 440 MW gas-fired power plant of Powertek Sdn Bhd was commissioned. IVO has a 10% shareholding in the company.

TURNOVER AND RESULT

The turnover of the Power and Heat business was FIM 5,799 million, up by 5% on the previous year.

Turnover from power sales amounted to FIM 5,146 million, up by 8% on 1994. A rise in electricity prices in Finland, partly as a result of higher energy taxation that came into force at the beginning of the year, contributed to the increase. The turnover was, however, decreased by a reduction in electricity sales to two major

industrial customers and by point pricing of the grid, which became effective in November and which specifies that customers pay half of transmission charges direct to the network operator. Sales were also affected by the weather, which was warmer than the year before.

Turnover from heat sales totalled FIM 608 million, 10% higher than in the previous year. The growth in the sales of process steam continued, together with the acquisition of new customers.

The operating profit of the Power and Heat business amounted to FIM 698 million, up by FIM 510 million on the previous year. The growth resulted from a rise in turnover and from the acquisition of inexpensive electricity. Because of high precipitation levels, the heavily taxed Finnish coal-fired condensing power was able to be replaced with our own hydropower and with electricity bought in on a temporary basis from Sweden. Profitability of this business improved.

INVESTMENTS

The Power and Heat business invested a total of FIM 471 million during the year, FIM 401 million was invested in new projects: FIM 233 million in Finland and FIM 168 million in other market areas. A total of FIM 70 million was invested in refurbishing power plants in Finland.

IVO's largest new investment projects in Finland were the power plant project for Metsä-Serla Oy's paper mill in Kirkniemi and the Toppila 2 power plant, completed for Oulun Energia (Oulu Energy), in which its investment was in proportion to its share of the plant's output.

At the Kokkola power plant, which IVO acquired in 1991, the old coal-fired boilers were replaced with a new circulating fluidised bed boiler, the primary fuel for which is peat. As a result of the modification, sulphur emissions from the power plant were reduced by 50% and particle emissions by 90%. Nitrogen emissions were also decreased. The construction of a third unit was started at the hydropower plant owned by Pamilo Oy.

The start-up of our operations in Sweden included the acquisition of shares in Mellansvensk Kraftgrupp AB, entitling IVO to a 30 MW share of the Forsmark nuclear power plant.

Some FIM 60 million was invested in energy projects in Malaysia and Thailand.

In relation to the volume of the business operations, our investment in overseas power plants has been relatively small because project financing has been used.

RESEARCH AND DEVELOPMENT

The Power and Heat business invested some FIM 27 million in research and development. Research, carried out in co-operation with our customers and focused on the efficient use of energy and the competitiveness of electricity, was aimed at improving the competitive ability of IVO and its customers.

In 1996, a recovery heat treatment, based on several years' research, will be carried out on the pressure vessel of unit 1 of the Loviisa power plant.

The position of electricity in residential and industrial use was strengthened through testing, experimental buildings and guidance.

ENVIRONMENTAL PROTECTION

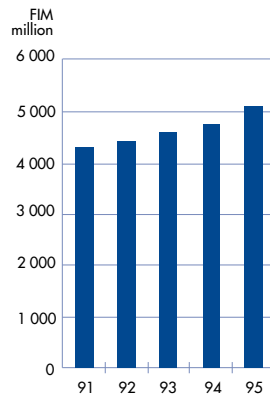
Environmental issues play a vital role in the energy business. Their management is being developed strenuously, primarily through environmental audits, life-cycle assessments and environmental reporting, yielding more specific information about the environmental impact of energy on IVO and our customers. One of our objectives is to have the environmental management system certified by a certification body.

IVO's power plants are already equipped with the best available air pollution control technology and no further sizeable investments are anticipated for the near future. As a result of the investment of about FIM 1 billion during the past few years, sulphur and nitrogen emissions per produced energy unit have been falling consistently. During the year, a decrease in the use of coal also contributed to a reduction in total emissions. Most of the ashes and desulphurisation products resulting from flue gas cleaning were recycled.

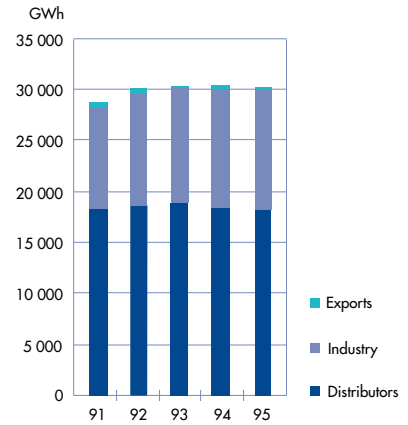
The three-year environmental audit programme, which covers all IVO's power plants, was continued at ten sites. The audits have shown that the environmental issues are, on the whole, well managed. The improvements have mainly concerned the responsibilities for environmental protection, more systematic procedures and the prevention of oil and chemical damage.

The disposal of nuclear waste in the Finnish bedrock was researched further and

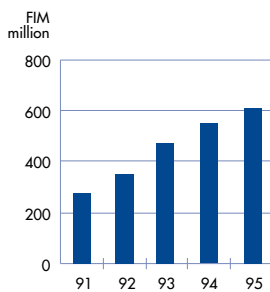
POWER SALES TURNOVER



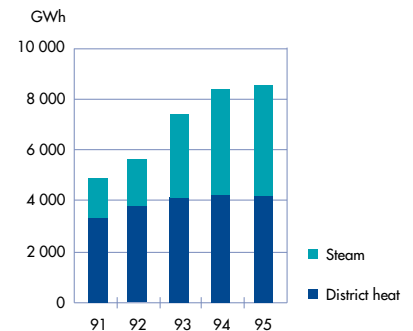
POWER SALES



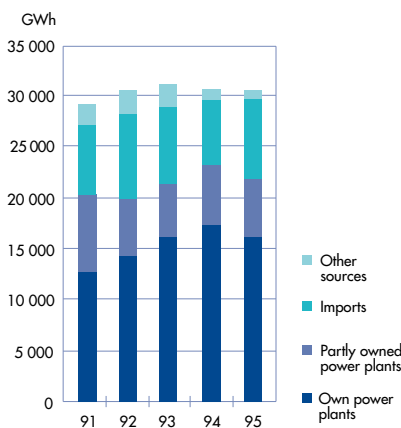
HEAT SALES TURNOVER



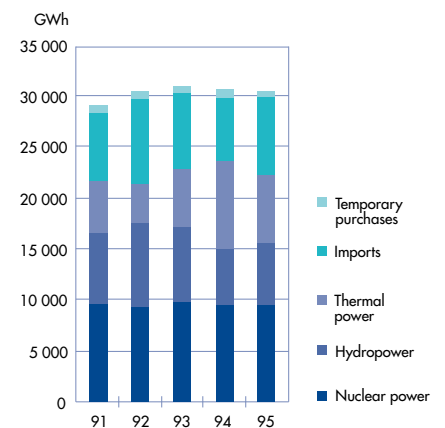
HEAT SALES



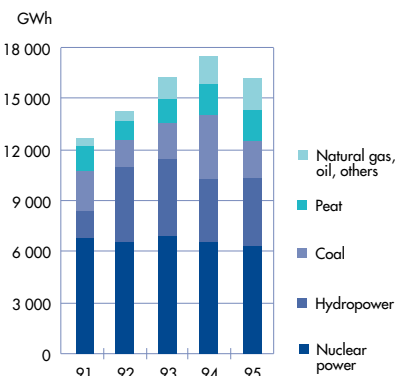
ELECTRICITY SUPPLY BY SOURCE



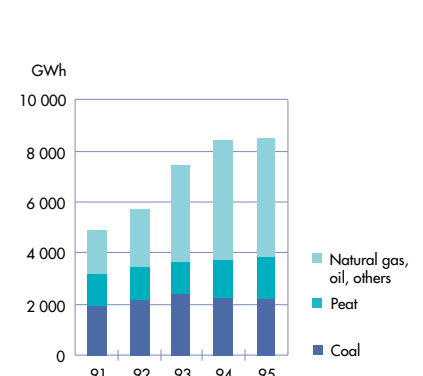
ELECTRICITY SUPPLY BY ENERGY TYPE



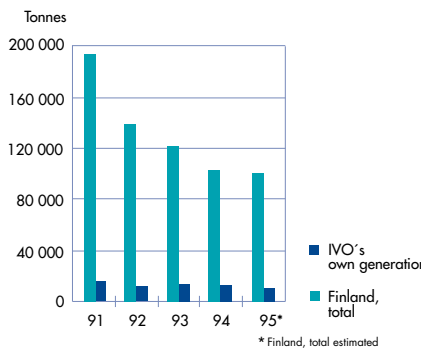
IVO'S ELECTRICITY GENERATION BY ENERGY SOURCE (according to main energy source)



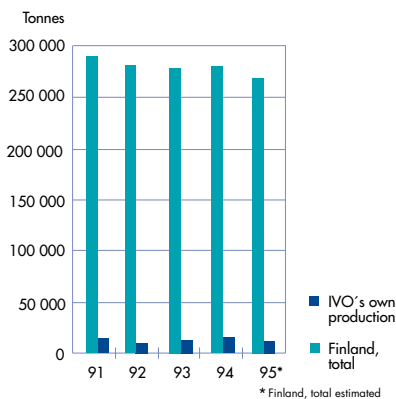
IVO'S HEAT GENERATION BY ENERGY SOURCE (according to main energy source)



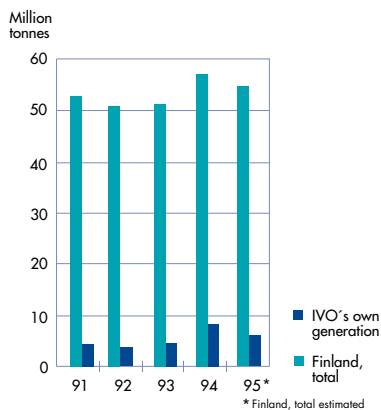
SULPHUR DIOXIDE EMISSIONS SO₂



NITROGEN OXIDE EMISSIONS EXPRESSED AS NO₂



CARBON DIOXIDE EMISSIONS CO₂



EMPLOYEES IN THE POWER AND HEAT BUSINESS AS AT DECEMBER 31

	1995	1994
Energy services, distributors	39	38
Energy services, industry	12	14
Power supply	66	66
Power and heat generation	41	42
Strategy planning	31	32
Loviisa power plant	444	453
IVO Energy International	27	30
Administration	19	22
Total	679	697

plans were specified in collaboration with Teollisuuden Voima Oy.

SHORT-TERM OUTLOOK

The objective of the business is to increase our market share of electricity sales in the Nordic countries. In Finland, the most interesting issues in the near future include the possible introduction of an electricity spot market and its relationship with the Norwegian-Swedish spot market.

In future, the price of electricity will be less stable as a result of shorter contract periods and the introduction of the spot market. This will also make the profits of the Power and Heat business less predictable.

Together with the liberalisation of the market, power companies are seeking to improve cost-effectiveness through alliances, in a similar way to that which has been evident in large-scale industry for some time. Change presents new and demanding challenges. We must face these challenges with flexible energy services, environmentally-orientated products and close co-operation with our customers. We have a competitive advantage in our mastery of all aspects of the energy chain, developed through co-operation between IVO's business units.

Finnish cities will require somewhat more district heating capacity in the future. Industry, too, is expected to continue to expand, even though at a slower rate than in recent years. These projects will present new opportunities for the Power and Heat business to offer its expertise to all electricity and heat co-generation projects which

will be implemented in Finland, particularly as cities will expect increasing profitability from their investments. Furthermore, we will continue to be ready to build more coal-fired base-load power capacity in Naantali or Inkoo.

Our market share in Sweden will be increased by the purchase of shares in power and utility companies, through joint projects and direct trade in electricity. It is estimated that power and heat co-generation facilities which will be built in Sweden by 2005 will generate some 2,000 MW of electricity. The corresponding figure in Finland will be 500 MW.

In the international energy markets, our objective is to become the preferred partner. In the UK and in South East Asia, our goal is to increase our market share by expanding our foothold. The co-generation of power and heat is seen as a potential concept in, for example, China, Indonesia and Germany, where our sights are set on becoming a partner for local industry in back-pressure generation.



IVO carries out continuous research and development at its power plants in order to control emissions.

POWER AND HEAT GENERATION CAPACITY AS AT DECEMBER 31, 1995

IVO'S POWER PLANTS		Output MWe/d/s ⁽¹⁾	Natural gas	
Hydropower			Järvenpää	7/7
Imatra	170		Kotka	79/15/140
Mustionjoki (4 power plants)	7		Kouvola	46/70
Myllykoski	1		Sahanmäki	47/70
Oulujoki, total	496		Vanaja	60/95
– Aittokoski	35		Peat, waste wood, etc	
– Ala-Utos	1		Haapavesi	154
– Jylhämä	50		Joensuu	56/125
– Leppikoski	22		Kauttua	19/7/41
– Montta	40		Kirkniemi	25/3/65
– Nuojua	80		Kokkola	184/82/106
– Pyhäkoski	120		Toranki	6/20
– Pälli	50		Uimaharju	50/0/230
– Seitenoikea	29		Gas turbines and others	
– Utanen	55		Huutokoski	176
– Ämmä	14		Loviisa	40
Palokki	7		Naantali	39
Tainionkoski	60		Vanaja	47
			Kopparnäs	0.03
Thermal power			IVO'S HEATING PLANTS	Output MW ⁽³⁾
Nuclear power			Järvenpää	30/3
Loviisa 1,2	890		Kieviari	15/0
Coal			Kouvola	46/0
Inkoo	1,070		Lohja	10/46
Meri-Pori	565 ⁽²⁾		Uusikaupunki	7/0
Naantali 1	116			
Naantali 2, 3	160/300/60			

IVO'S SHARES IN PARTLY OWNED PLANTS	Output, MW ⁽¹⁾	IVO's share, MW ⁽¹⁾
Finland		
Helsingin Energia/Vuosaari A	165	110
Jyväskylän Energiantuotanto Oy	116	69
Kemijoki Oy	822	352
Lahden Lämpövoima Oy	195	98
Lappeenrannan Lämpövoima Oy	190	95
Oulun Energia/Toppila 2	130	55
Teollisuuden Voima Oy/Olkiluoto	1,420	377
Fixed-term shares		180
Sweden		
Mellansvensk Kraftgrupp AB	789	30
United Kingdom		
Regional Power Generators Ltd/Brigg	240	60
Malaysia		
Powertek Sdn Bhd/Malacca	440	44
Thailand		
The Cogeneration Public Company Limited/COCO I	150/-/80	17/-/9
The Cogeneration Public Company Limited/TCC	-/-/100	-/-/11

CAPACITY UNDER CONSTRUCTION	Output MW ⁽¹⁾	IVO's share MW ⁽¹⁾
Finland		
Helsingin Energia/Vuosaari B	450/410	decreasing output share 8 years
Kirkniemi	100/120	100/120
United Kingdom		
Humber Power Limited/South Humber Bank	750	225
Thailand		
The Cogeneration Public Company Limited/COCO II	150/-/80	17/-/9

(1) electricity/district heat/steam output

(2) Teollisuuden Voima Oy holds an output share of 187 MW

(3) district heat/steam output

IVO'S NUCLEAR POWER

IVO owns the 890 MW Loviisa power plant, which has two pressurised water reactors of the VVER-440 type. Loviisa is the only VVER plant in the world designed and constructed to meet Western safety standards. The units were put into commercial operation in 1977 and 1981.

International comparison shows that the availability of the plant has been remarkably good. Since the beginning of the commercial operation, the average load factor has been 83.5%. In 1995, the load factor of Loviisa unit 1 was 87.8% while that of Loviisa unit 2 was 79.2%. The units are now being modernised with the aim of increasing capacity by some 10% and of extending the plant's operating life substantially. Modernisation will be carried out over the next four years during the normal operation and outages.

Spent nuclear fuel from Loviisa was returned to Russia, as specified in the contracts. The last shipment will take place during 1996. After that the spent fuel will be disposed of in Finland. After interim storage at the power plant site, Posiva Oy, a company owned jointly by IVO and Teollisuuden Voima Oy, will dispose of spent fuel in the Finnish bedrock.

Since the introduction of nuclear power, provision has been made for the cost of handling and disposal of nuclear waste by collecting the necessary assets in the Nuclear Waste Disposal Fund of Finland, which is supervised by the Ministry of Trade and Industry.

On December 31, 1995, the liability for Loviisa totalled FIM 2.5 billion, FIM 1.3 billion of which will be collected in the reserve fund by April 1, 1996. The shortfall has been covered by securities. The fund is expected to cover the liability in the year 2001. Before that, the fund will be added to by an average of about FIM 200 million each year, in addition to interest earned on the fund, with a concomitant reduction in securities. Imatran Voima Oy is allowed to borrow 75% of the funded sum.

IVO owns 26.6% of Teollisuuden Voima Oy, corresponding to an output share of 377 MW of the Olkiluoto nuclear power plant. Additionally, IVO owns 1% of the Forsmark nuclear power plant through its ownership in Mellansvensk Kraftgrupp AB, corresponding to an output of 30 MW.

ENGINEERING



Construction of a large-scale power plant in St Petersburg began in early 1995.

KEY FIGURES	1995	1994
Turnover, FIM million	1,405	1,812
Operating profit, FIM million	13	33
– % of turnover	1	2
Investments, FIM million	31	27
Order book, FIM million	2.7	2.1
Average number of employees	1,474	1,507

IVO is one of the largest players in the engineering business in the Nordic countries. We specialise in turnkey contracts, construction contracts, design and consulting for power and heat systems, and transmission systems. Our customers include power companies and the process industry in Finland, Russia, Poland, the Czech Republic, Hungary, Sweden, Norway and Germany. IVO International Group operates this business.

Since the end of the 1970s IVO has focused on developing its engineering business and has carried out projects and assignments in more than 60 countries, gaining extensive experience of various types of power plants, power transmission, district heating, nuclear power engineering, environmental protection, automation, electrification, information systems and the conservation of energy. This has increased the Engineering business's expertise and has strengthened its position in the countries in which it operates.

MARKET REVIEW

There was little evidence of power companies and industry being willing to invest in new power plants during the year, but refurbishment of power plants and environmental protection were carried out, particularly in Poland, the Czech Republic and Russia.

In common with recent years, demand for new transmission lines in Finland and neighbouring areas was low but the market in South East Asia is growing rapidly. The revival of rail traffic in the Nordic countries has resulted in the expansion of the railway and tramway electrification markets in these countries.

The demand for data communications and power system control systems, fibre optic connections and antenna masts increased strongly, but the demand for new substations continued to be weak throughout most of the world. The expected refurbishments of substations in Finland got off to a slower start than anticipated. Sweden and Norway both continue to support investments in the infrastructure of developing countries, a policy which offers potential for new projects in these markets.

Finland's membership of the EU enabled us to participate in EU-financed nuclear power refurbishment projects in the CIS countries and in the central part of eastern Europe. The European Bank for Reconstruction and Development (EBRD) contributed to the growth of this market when it began to operate a nuclear safety fund in Russia.

Again, as in recent years, few new hydropower projects were initiated in Finland.

IVO GROUP'S OPERATIONS

The most important project gained in Finland by the Engineering business was the turnkey delivery of a plant to supply power for Metsä-Serla Corporation's Kirkniemi paper mill. Worth more than FIM 300 million, the project is an essential part of the plant extension project, which is due to be completed in 1996. IVO is building the power plant in partnership with Metsä-Serla.

The Toppila 2 power plant, which will decrease emissions from power and heat generation, was completed for Oulun Energia (Oulu Energy) about a month ahead of schedule. IVO saved the customer tens of millions of marks by bringing the project in under budget.

At the end of the year, the modernisation of the incineration plant owned by Oy Turku Energia – Åbo Energi Ab was completed. Pamilo Oy placed an order for a third unit for the Pamilo hydropower plant. Construction began in July; the project is due for completion in October 1997.

The construction of a large-scale power plant began in St Petersburg. IVO's Engineering business leads the consortium which is responsible for implementing those parts of the project which have been awarded to companies in the west. The main contractor is the Russian foreign trade company, Technopromexport, which ordered the power plant. This project is an exceptionally large and challenging one for us.

During the past few years, close relationships have been established with customers in the Czech market through small-scale projects. As a result the implementation of a larger, and more demanding, project was obtained at the Chvaletice power plant after the engineering business won an international tender for a desulphurisation plant.

New burner and monitoring systems were completed for two boilers of the Jaworzno III power plant in Poland. An additional order for burners was obtained from the Leg power plant in Cracow. IVO established a subsidiary in Poland in the Spring.

The Electrolyzing Chemical Combine in Angarsk in southern Siberia placed an order with us for a second handling plant

for uranic hexafluoride, to be delivered in 1996. Co-operation with the Russian company Atomenergoexport, over the design of a VVER type of nuclear power plant for China, continued.

In Abu Dhabi, an operational control project was initiated with ABB Network Control AB to connect the country's substations and power plants to a nationwide system. The project is scheduled for completion in less than five years. A transmission line project was completed in Dubai.

The Pangani Falls hydropower plant in Tanzania was completed in February. The first unit of the plant had begun commercial operation in November 1994, five months ahead of schedule. The plant capacity of 68 MW increased the state's electricity generation capacity by some 20%. The project included an extensive programme for the use of water resources in the catchment area of the Pangani river.

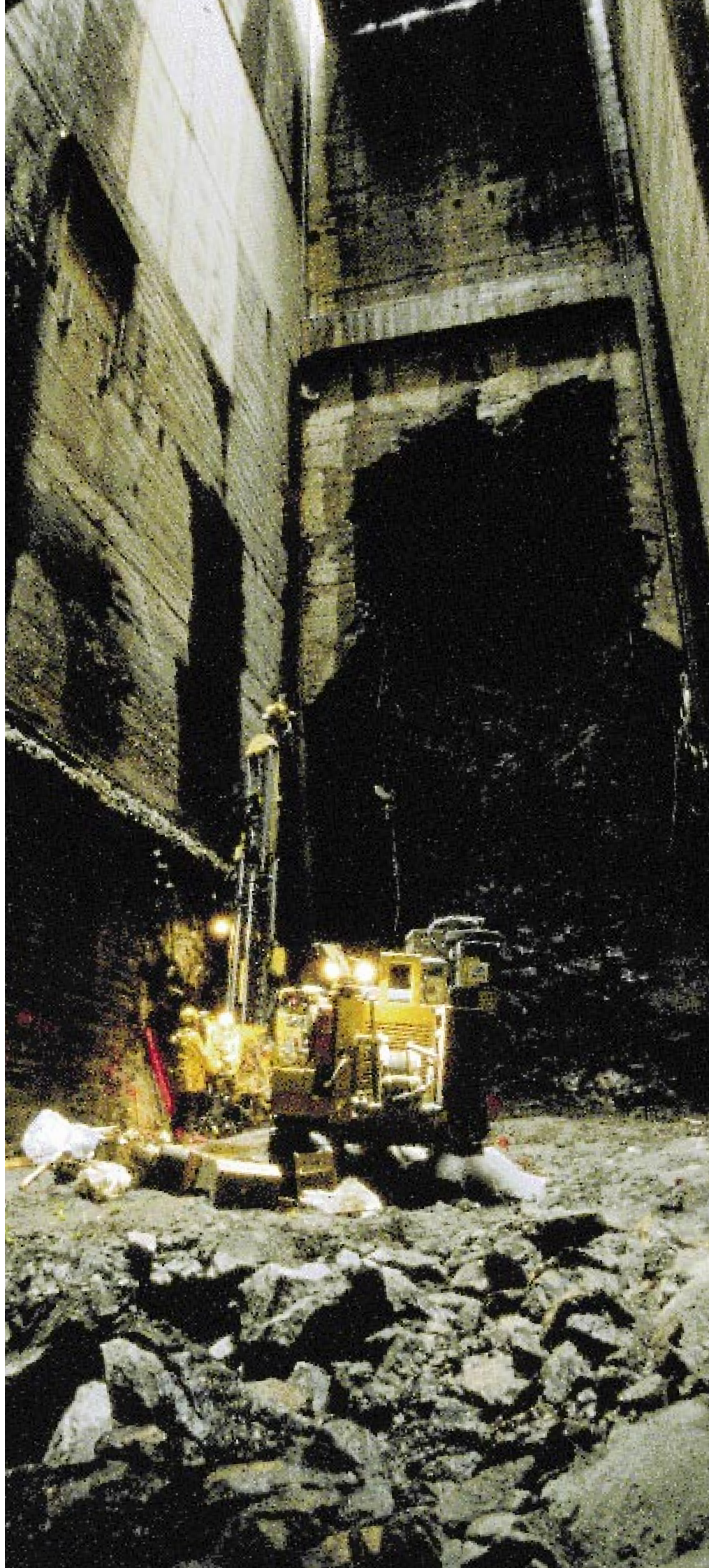
Electric Rails Ltd continued the electrification of railways in Finland. It strengthened its position in the Swedish market when contracts were signed with Banverket and SL Bansystem AB. Telecom Finland Ltd awarded Transmast Ltd an order for antenna masts for delivery in 1996-97. Transelectric AB of Sweden and AS Linjebygg of Norway were also successful on the transmission line and antenna mast markets in their home countries and overseas, particularly in Africa.

TURNOVER AND RESULT

Turnover, at FIM 1,405 million, was about 20% lower than in 1994. The principal reason for the decrease was a low level of orders in Finland in 1994, a deficit which could not be eradicated by new orders received in 1995.

During the past few years, the Engineering business has increasingly shifted its focus from Finnish to international markets and, today, more than half its turnover comes from overseas projects. About 20% of turnover came from the IVO Group.

A third unit will be built for the Pamilo hydropower plant.





President Ali Hassan Mwinyi inaugurated Tanzania's Pangani Falls power plant in June.

Profitability was disappointing. Operating profit totalled FIM 13 million, FIM 20 million lower than in the previous year. Profit before extraordinary items and tax was FIM 7 million, against FIM 25 million in 1994. The low level of orders in 1994 and lower-than-expected profit margins on our projects in the Middle East in particular were the main reasons for this decline. The positive trend in the volume of outstanding orders, however, gives this business a firm base and provides hope of improved profits in 1996. Our goal-directed improvement work for the strategy and structure also aims at the same target.

INVESTMENTS

FIM 31 million was invested in the business during the year, principally in data processing and conductor installation equipment.

We acquired 75% of a Hungarian engineering company, ETV-Eröterv Rt. Eröterv is the largest energy engineering company in Hungary: it has designed the majority of Hungary's power plants and power transmission systems. The contract, signed at the beginning of 1996, is part of the privatisation of the Hungarian state-owned companies and strengthens IVO's position in the emerging markets in Hungary and neighbouring countries.

At the beginning of 1996, 50% of the Finnish company Verkonrakentaja Wire Oy, which specialises in the construction and maintenance of electrical networks and road lighting, was also acquired.

RESEARCH AND DEVELOPMENT

A total of FIM 17 million was invested in research and development.

Active development of power plant concepts continued, strengthening our expertise in the power plant technologies, automation and information systems product groups, particularly in problematic fuels. The application of fluidised bed boilers for the use of several fuels and the improvement of their overall efficiency were studied in a number of research projects. A bed-mixing dryer for fuels with a high moisture content was developed further and has already elicited great interest from customers.

Our continuing investments in burner and cleaning technologies have resulted in the launch of significant products on the market. The new low-NO_x burner technology, developed in partnership with Hitachi, was received favourably by customers, particularly for the refurbishment of ageing power plants in central Europe.

We have also developed new technologies for the design and implementation of



The Kirkniemi turnkey contract comprises a new natural-gas-fired power plant, the combining of the old and the new power plant, and a boiler to generate steam.

power plants' automation and information systems. These improve the operation and economy of extensive systems which incorporate a number of parts and software packages. In the automation sector, new methods for controlling power plants' operational economy and emissions into the environment were also researched.

REORGANISATION OF THE ENGINEERING BUSINESS

In September, IVO's engineering operations were reorganised after a strategic review. The business now operates in four business areas which replace the seven business units. The reorganisation was based on feedback from the market and on recent experience. The new structure emphasises our focus on our selected target markets and on the products and services in which the Engineering business has specific expertise.

Power plant engineering is involved with thermal power plants, refurbishments and environmental protection technology, and automation and electrification. Power transmission engineering covers transmission lines, substations and power system controls. Nuclear power engineering comprises nuclear power and nuclear waste technologies. Hydro power engineering deals with new hydropower plants, refurbishments and consulting.

refurbishments and consulting.

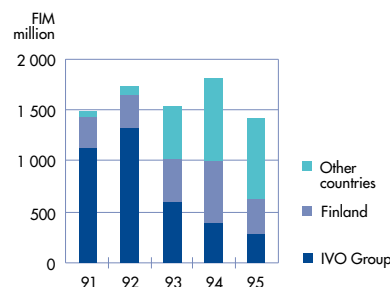
In order to strengthen our position in the market, we have established subsidiaries and representative offices in our main target areas.

SHORT-TERM OUTLOOK

Investments in energy will remain at a low level in Finland; this is why the proportion of projects on which we work overseas will continue to grow. The best opportunities are in neighbouring areas, such as Sweden, Russia and the Baltic countries. Our subsidiaries in these areas improve the opportunities of strengthening and broadening our market position, particularly in the refurbishment markets in Poland, the Czech Republic and Hungary.

We focus our business on selected countries and products and ensure that we have high visibility in our target markets. Our Engineering business has gained a foothold in China through district heating and desulphurisation projects. This business has an important role in IVO's power plant projects overseas, particularly in South East Asia and central Europe.

ENGINEERING BUSINESS TURNOVER



TURNOVER BY BUSINESS AREA

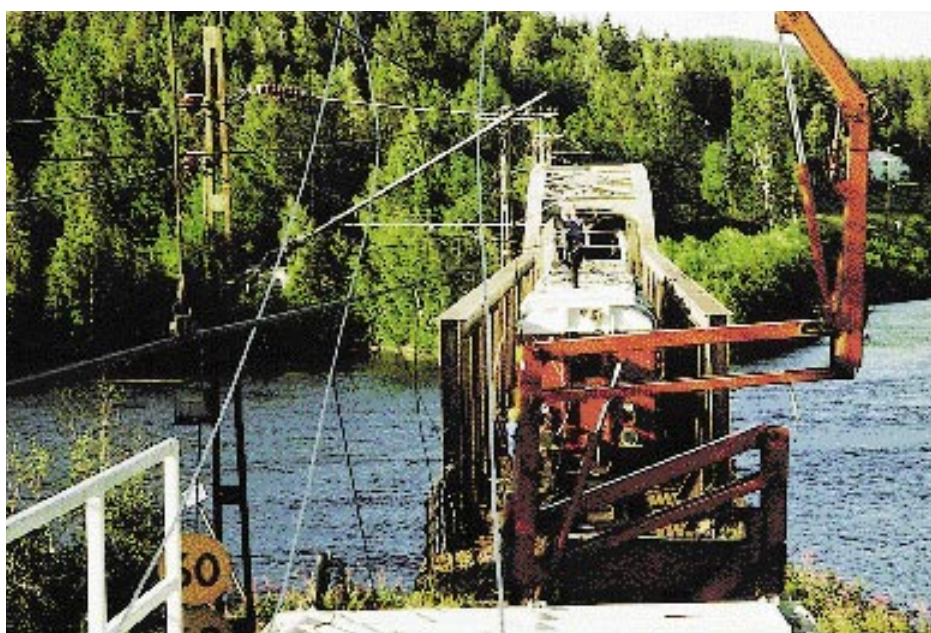
FIM million	1995	1994
Power plant engineering	588	864
Power transmission engineering	730	814
Nuclear power engineering	98	92
Hydro power engineering	27	45
Others	8	38
Turnover from within the Group	- 46	- 41
Total	1,405	1,812

OUTSTANDING ORDERS AS AT DECEMBER 31

FIM million	1995	1994
IVO Group	359	473
Finland	483	114
Other countries	1,879	1,479
Total	2,721	2,066

NUMBER OF EMPLOYEES BY BUSINESS AREA AS AT DECEMBER 31

	1995	1994
Power plant engineering	480	435
Power transmission engineering	809	827
Nuclear power engineering	118	115
Hydro power engineering	23	24
Executive staff	34	60
Total	1,464	1,461



Electric Rails Ltd is the leading company in Finland's railway electrification business. In recent years, the company has also become established on the Swedish market.

OPERATION AND MAINTENANCE



IVO Service focuses on quality in its operations.

KEY FIGURES	1995	1994
Turnover, FIM million	740	701
Operating profit, FIM million	49	78
– % of turnover	7	11
Investments, FIM million	15	13
Average number of employees	1,771	1,648

The Operation and Maintenance business comprises IVO O&M and IVO Service. IVO O&M (Operation & Maintenance) carries out turnkey operations and maintenance projects at customers' power plants on a long-term basis. This enables our customers to focus on the development of their core business.

Maintenance services provided by IVO Service, which comprises several profit centres and maintenance companies, cover everything from a single operation to a contract for an entire plant. Our customers include power plant and substation operators and industrial plants.

Operation and maintenance business is carried out in Finland, the UK, Sweden, Hungary and Malaysia. There is also potential in Germany, Thailand, Indonesia and China; this is being studied in co-operation with our Power and Heat and Engineering businesses. IVO Generation Services Group operates this business.

MARKET REVIEW

Markets for operation and maintenance services are changing throughout the world and provide us with a solid base for growth. The prime mover is the need for power plants, substations and industrial plants to focus on their core businesses and to outsource increasing amounts of their operation and maintenance to service companies.

The demand for comprehensive operation and maintenance services is also increasing elsewhere, particularly in South East Asia where both large power plant units, of 500 - 1,500 MW, and smaller ones are being developed. The fact that we are represented in South East Asia has improved the opportunities for offering our expertise for such operation and maintenance projects.

IVO GROUP'S OPERATIONS

The Operation and Maintenance business has several decades' experience of all forms of power generation. IVO O&M is responsible for the operation and maintenance of 5,500 MW power generation, 3,700 MW of which is in Finland and 1,800 MW overseas. In Finland we operate and maintain most of IVO's power plants and, in the UK, have signed a contract for the operation of three combined-cycle power plants, two of which have been in operation

since 1993. The commercial operation of the third one will begin in 1997. In addition, we have been operating one Malaysian power plant on a contract basis since 1994. The availability of power plants which are operated by IVO O&M is high: at its best it is as much as 99%.

Towards the end of the year, IVO O&M won a contract for the operation of all the power plants owned by Jyväskylän Energiantuotanto Oy, which is a joint venture between the city of Jyväskylä and IVO. It supplies district heat for the entire city as well as for some rural areas of the community of Jyväskylä. This style of operation also opens up new markets for us in other cities.

At the turn of the year, we signed a contract for a co-operation project with Kymmene Corporation under which we will build a solid fuel-firing boiler for Schauman Wood Oy's Jyväskylä works. The new boiler will supply steam for the company's veneer works on a long-term contract. This is our first venture into a new thermal market for industry.

A new, more flexible, model of operation and maintenance procedures, which more readily meets our customers' needs, has been created. We used our overseas experience to develop it to be suitable for the Finnish market. It covers the operation and maintenance of power plants of all sizes and is easily modified to meet customers' specific needs and circumstances. It has improved competitiveness of the district heat business, particularly at power plants owned by industry, as their operation can be arranged at a larger power plant in the vicinity.

Outsourcing of services has clearly increased in the power plant maintenance markets. IVO Services' maintenance contracts are carried out in partnership with the customer, with operation personnel working at the customer's premises. New contracts for industrial maintenance were signed with Oy Metsä-Rauma Ab, Finnsementti Oy and with the plants of Kuivamaito Oy and Valio Finnish Co-operative Dairies' Association. IVO Service, which works in Sweden and Hungary, as well as in Finland, also won several contracts for demanding service projects for turbines, transformers and boilers. The volume of comprehensive contracted maintenance projects is expected to increase in 1996.

TURNOVER AND RESULT

Turnover increased by some 6% to FIM 740 million, about 70% of which originated from IVO O&M. Almost a third of the turnover came from outside the IVO Group; in this respect, the greatest growth came from IVO Service.

The profitability of the Operation and Maintenance business was very satisfactory: the profit before extraordinary items amounted to FIM 53 million.

The Operation and Maintenance business invests heavily in improving its competitiveness. Turnover is expected to increase over 1995, and profit is also forecast to show an increase.

RESEARCH AND DEVELOPMENT

In the Operation and Maintenance business, Total Productive Generation (TPG) of power plants was made into a commercial product which specifies the systematic and proven methods of power plant operation and maintenance. The basic idea behind it is continuous development, which is done in co-operation with all personnel. Other development projects focused on the solving of power plant specific problems, on monitoring and improving efficiency, controlling ageing and failure problems in gas turbines, and improving efficiency in commissioning new power plants.

Maintenance was developed with innovations in materials and new procedures, which improved productivity by reducing the operation and maintenance costs of power plants. A training simulator was completed at the Vanaja gas-fired combined-cycle power plant for training personnel.

New condition monitoring methods were designed for maintenance. Significant improvements were also made in condition monitoring and repair technologies for components in the hot gas areas of turbines and in working methods on high-voltage cables.

Expert-95 was launched to improve the expertise of our core business personnel, including both special expertise and versatility.

IVO Service's expertise covers the installation of substations and transformer stations, as well as their maintenance.





IVO Service has considerable experience and expertise in the maintenance of power transformers.

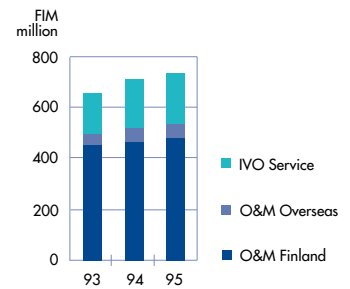
We are focusing on the quality of our operations and have already been awarded ISO 9002 quality certificates for the Operation and Maintenance business for the maintenance of power transformers and the installation and maintenance of gas and steam turbines.

SHORT-TERM OUTLOOK

Growth is being sought for IVO O&M in Finland and in other selected target countries. In the present market, most potential for growth exists overseas. Co-operation with other business units of IVO, particularly the Power and Heat business, gives us a competitive advantage which creates opportunities to expand our operations. The successful O&M reference power plant in Malaysia, together with the local office opened in Kuala Lumpur, increase our chances of providing operation and maintenance services to the growing number of energy-related projects in South East Asia.

Intensive growth continues in IVO Service, particularly in industrial maintenance operations. New types of maintenance contracts are being developed to meet customers' needs and to help us achieve our principal objective: the continuous development of customer relations and the promotion of co-operation. The potential for demerging the maintenance business is being studied, particularly in Hungary.

OPERATION AND MAINTENANCE TURNOVER



The business began operating in its present form at the beginning of 1993.

OPERATION-TIME ENERGY AVAILABILITY OF POWER PLANTS*

%	1995	1994
Natural gas-fired power plants	99.2	99.1
Peat and wood-fired power plants	98.9	98.7
Coal-fired power plants	92.7	89.6

OPERATION-TIME TIME AVAILABILITY OF POWER PLANTS*

%	1995	1994
Hydropower plants	99.8	99.8

* Power plants for which the Operation and Maintenance business is responsible in Finland.

EMPLOYEES IN THE OPERATION AND MAINTENANCE BUSINESS AS AT DECEMBER 31

	1995	1994
O&M Finland	751	726
O&M Overseas	88	74
IVO Service	884	812
Total	1,723	1,612

The generation company owned jointly by the city of Jyväskylä and IVO supplies district heat for the Jyväskylä region. Use of resources is improved through co-operation.



GRID SERVICES



IVS was highly successful in the international comparative study on the maintenance services of grid companies.

KEY FIGURES	1995	1994
Turnover, FIM million	1,001	910
Operating profit, FIM million	590	576
– % of turnover	59	63
Investments, FIM million	84	104
Average number of employees	239	259

IVO's Grid Services business controls about 90% of the Finnish grid, including international tielines. IVO Transmission Services Ltd (IVS) is responsible for the grid within Finland with Imatran Voima Oy being responsible for the international tielines.

Grid services in Finland are divided into transmission business, transmission technologies and network operation. The transmission business offers services to all partners in the electricity trade; the transmission technologies business designs, contracts and maintains the network; the network operation business is responsible for the reliability of the power system and for network operations.

IVO was a pioneer in Europe and demerged grid services within Finland into a separate company as early as 1992. IVS' share of the electricity transmitted in the Finnish grid is more than 80% of the total 50 TWh.

MARKET REVIEW

England, Norway and Sweden are the only European countries, other than Finland, to have demerged power transmission as a separate business. The trend in the EU, albeit slow, is towards demerging. In the major German and French energy markets, power transmission is still a part of integrated power companies.

The Electricity Market Act, which came into force at the beginning of June 1995, resulted in considerable structural and operational changes in Finland's electricity sector, the greatest of which are in the transmission business. The law stipulates that the network companies are responsible for carrying out connection, transmission and network development. The law also requires the adoption of the point pricing system for grid services. This means that the pricing based on transmission distance has been abandoned and replaced with a point system comprising charges for grid access, utilisation and losses. Each buyer and seller of electricity pays the grid company he has chosen for the grid services.

IVO GROUP'S OPERATIONS

The change to the point pricing system aroused criticism among some of our customers, even though the cost of services is, on average, lower than before. In the latter part of the year, it was, however, possible to sign new contracts with nearly all our customers in

accordance with the new point system. These contracts will give a grid customer access to all the grid services, excluding international tielines, in Finland. The grid services will have an impact of about 2 Finnish pennies per kWh on the price of electricity.

The transmission right for the Fenno-Skan international submarine cable from Sweden to Finland, was let to Vattenfall AB of Sweden for five years. The majority of the lines from northern Finland to Sweden and Norway, and the tielines to Russia, were let to IVO's Power and Heat business. Part of the international tielines' transmission capacity is needed for cases of disturbance in Finland.

The transmission technologies division prepared itself for investments which will be needed by the developing electricity markets and for customers' increasing transmission needs which are expected, both in the grid and in customers' networks.

The previous year's positive trend in the operative use of the network continued: this business went on supplying a highly reliable power transmission service. Disturbances in the grid resulted in an average interruption of three minutes in users' electricity supply during the year.

IVS was very successful in the international comparative study concerning the maintenance services of grid companies which was carried out under the leadership of US consultant, UMS Group. The study shows that IVS is 40% below the average cost and 30% above the average quality of other grid companies. The consultant considered this to be proof of the high level of our expertise in the important subsectors and of innovative use of the grid information system.

TURNOVER AND RESULT

Grid Services' turnover totalled FIM 1,001 million. Changes in electricity procurement compensating for transmission losses were the main factor in the 10% increase in turnover. Previously, most grid transmission losses were compensated for in the form of energy, but the costs of transmission losses are now included in transmission prices and the Grid Services business procures electricity from several producers to cover those losses. The increase in turnover resulting from the new practice will be seen to full effect in 1996.

The largest customer of the Grid Services business was IVO's Power and Heat business, which accounted for 61% of the turnover. The share of the Power and Heat business will, however, decrease to about a quarter as a result of the point pricing system which was adopted at the beginning of November 1995.

Considerable cost savings could be achieved through technical systems being used efficiently. This would reduce maintenance costs considerably without affecting the quality of electricity.

Operating profit increased to FIM 590 million, against FIM 576 million the previous year. Even from an international viewpoint, this is an efficiently managed business. Profitability was good and is sufficient for a reasonable return in proportion to the value of the grid. The new pricing system is, however, expected to create some deterioration in the result in 1996.

INVESTMENTS

FIM 84 million was invested in the business, the major part of which went to technical modernisations and projects necessitated by an increase in the transmission capacity. Investments were also made in order to maintain performance and to minimise losses.

The most important project was a new operational control system. This will be completed in 1996 and replaces technology which had been installed in the 1970s. A new switchgear was built in Hämeenlinna and new lines were built east of Jyväskylä in order to meet the need for increased transmission capacity. Several capacity increase projects and the modernisation of the Virkkala switchgear were also begun.

RESEARCH AND DEVELOPMENT

Research and development was focused on important projects in order to decrease losses and to maintain the existing level of performance.

Research into transmission losses studied the origin of the corona phenomenon and the effect of weather conditions, with the aim of generating a method of predicting corona losses more accurately and controlling the use of network in order to reduce these losses.

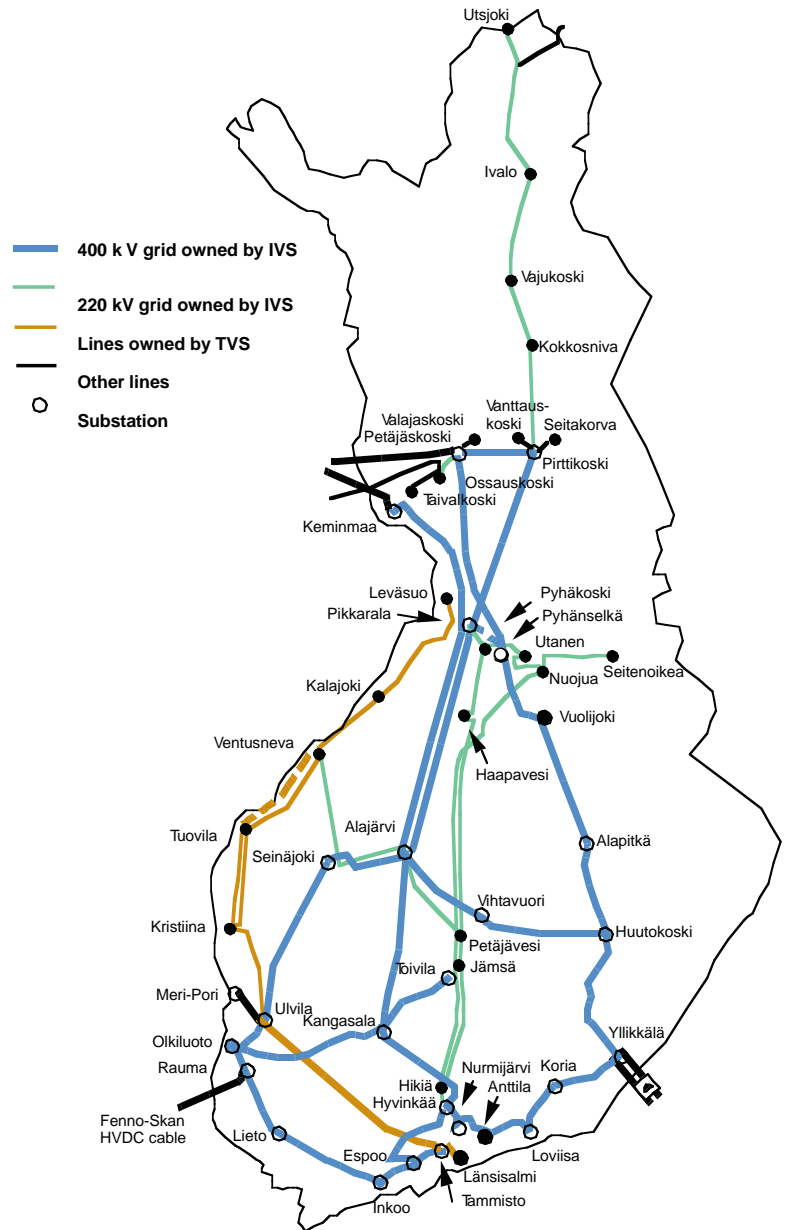
Maintenance and refurbishment projects were selected more accurately than

before by improving the continuous condition monitoring of substation equipment.

A study was also carried out on the potential of increasing the grid's transmission capacity in the north-south axis of the grid and, in particular, in the alternating-current connection between Finland and Sweden. Series compensation of transmis-

sion lines was found to be the most efficient method. The EU Commission granted a subsidy for the design work which enables the system to be specified and for equipping the method to begin with Svenska Kraftnät.

400 kV AND 220 kV GRID IN FINLAND



GRID OWNED BY IVS AND IVO AS AT FEBRUARY 1, 1996

Lines	
400 kV	3,248 km
220 kV	2,156 km
110 kV	5,783 km
Fenno-Skan submarine cable	100 km

Substations	71
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ENVIRONMENTAL PROTECTION

It is the environmental policy of the Grid Services to gain general acceptability of its grid operations, which have a significant impact on the landscape.

The tangible measures included environmental impact assessments on 400kV transmission lines and an environmental audit at a substation. Landscape towers, designed with Studio Nurmesniemi, are built at points of the network most vulnerable scenically. The towers were awarded the Steel Structure of 1995 prize. The design work was extended to substations, the first of which will be completed in Vantaa in 1997.

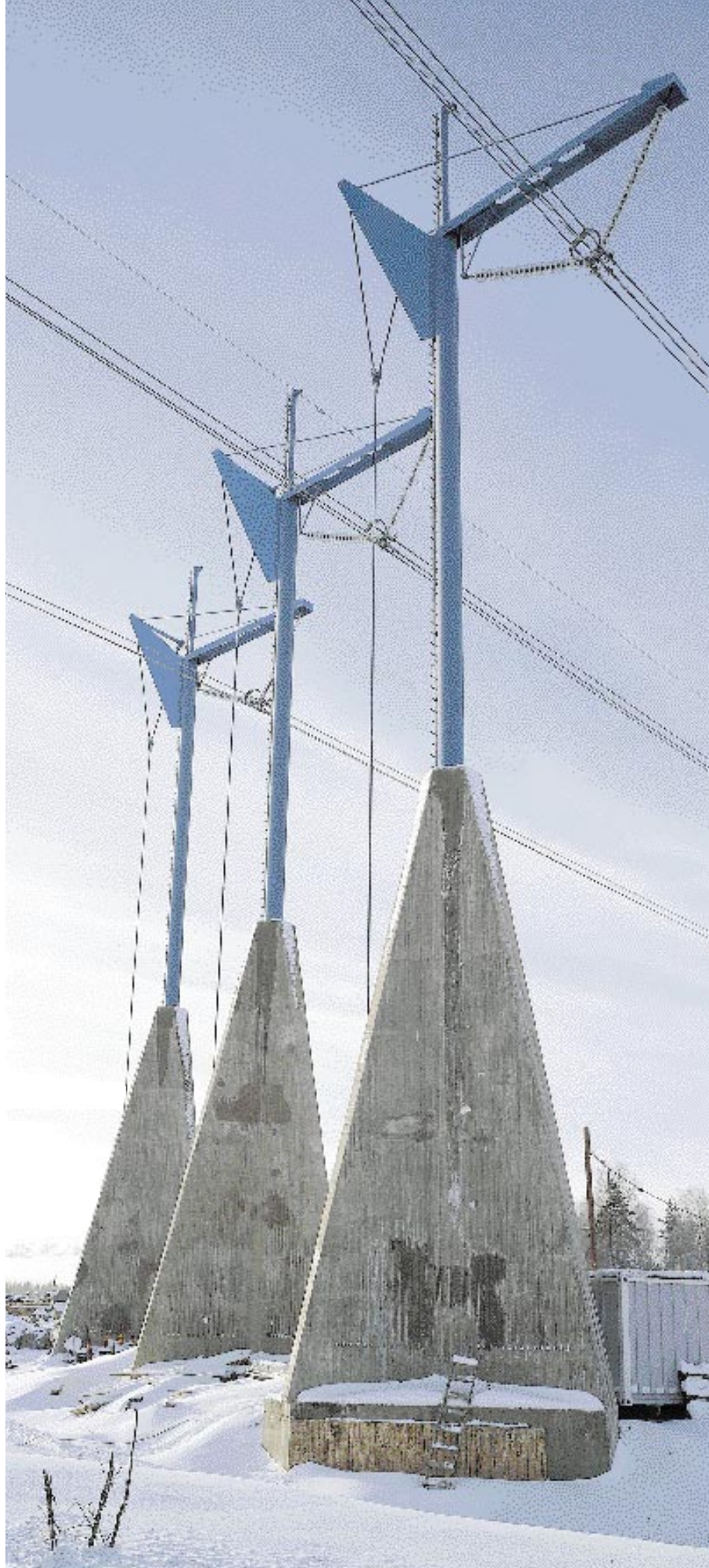
The potential for increasing multiple use of power line areas was tested through a competition which was arranged with the Ministry of the Environment and the Central Union of Agricultural Producers and Forest Owners. The first of the prize-winning innovations are already in use.

In the Liminganlahti Gulf, which is considered to be the most valuable bird sanctuary in Finland, a new type of warning sphere has been installed to prevent migrating birds from flying into transmission lines. The results are promising and development work is being continued, in co-operation with the Ministry of the Environment and Finnish BirdLife.

SHORT-TERM OUTLOOK

In December, the Ministry of Trade and Industry, IVO and Pohjolan Voima Oy signed an outline agreement on the establishment of a nationwide grid company which, it is planned, will begin operations by 1 January, 1997. The IVS operations, the grid under its control, the substations and the international tielines owned by IVO will be taken over by this new company. In contrast to Norway and Sweden, no state-owned monopoly is planned for Finland; the operations will be based on a broad ownership basis.

Landscape towers, designed in co-operation with Studio Nurmesniemi, were erected in Espoo (pictured), Turku and Laukaa. The towers were awarded the Steel Structure of 1995 prize.



ELECTRICITY DISTRIBUTION



The deregulation of the electricity market has enabled IVO to apply its energy expertise to the distribution of electricity.

KEY FIGURES	1995	1994
Turnover, FIM million	314	249
Operating profit, FIM million	9	28
– % of turnover	3	11
Investments, FIM million	125	55
Average number of employees	188	218

Because of the reorganisation of the business operations, the 1995 and 1994 figures are not comparable.

Changes in the electricity market have resulted in a situation in which distributor companies acquire generation capacity and vice versa. While the market is undergoing these changes, IVO intends to expand electricity distribution into a new and profitable business. The province of Uusimaa was chosen to be the focal point for the initial stage and a strong foothold was gained in this area. The home market of this growing business is considered to include Sweden and Norway as well as Finland.

The Electricity Distribution business sells electricity to small-scale consumers, industry and services. In addition, it provides regional network services on an equal basis to all those who need them. The energy is bought from power producers. Local services also include sales of district heat and natural gas.

MARKET REVIEW

In the Nordic distribution market, annual electricity sales total around 200 TWh. Certain power companies also provide their customers with other energy-related services, such as district heat and natural gas. In the Nordic countries, there are some 750 power companies which have total sales of electricity worth about FIM 65 billion each year.

During the past 20 years, the number of distributor companies carrying out electricity distribution and sales in Finland has fallen from well over 200 down to around 100; these are owned by municipalities, cities, companies or private individuals. There is a total of 2.9 million customers who buy about 35 TWh of electricity. Several distributor companies have established purchasing consortia, the 11 largest of which sell about 20 TWh of electricity while the energy companies of the five largest cities sell about 8 TWh of electricity. The electricity distribution market in Finland accumulates turnover of around FIM 11 billion; the district heat distribution market is worth around FIM 3 billion.

Since the new electricity market laws came into force and the markets in Norway, Finland and Sweden were deregulated, competition for consumers has become tougher. All the Norwegian and Swedish consumers are already able to ask for competitive tenders from electricity suppliers. Until the beginning of 1997, this option will only be open in Finland to consumers of more than 500 kW.

The distributor companies have prepa-

red themselves for competition by making considerable investments in marketing and services. Additional strength has been sought from mergers, which has reduced the number, and increased the size of companies. In Sweden, the legislative changes have called for the establishment of separate sales and transmission companies, in Finland and Norway, for separate accounting systems. This is to ensure that the pricing of monopolistic and regulated power transmission is open, on an equal basis and will not impede electricity trade.

REORGANISATION OF THE ELECTRICITY DISTRIBUTION BUSINESS

IVO has mastery of the energy chain; as electricity markets open up, this can be capitalised on in electricity distribution. Our competitiveness is increased through our extensive experience of co-operating with Finnish distributor companies in sales and marketing and by our significant development resources. Our core business has been strengthened by acquiring distributor companies, and partnerships in these companies, and by combining our operations with other players in the field.

In 1995, our Electricity Distribution business gained a stronger foothold in the markets in the province of Uusimaa and, in March, IVO and the municipalities of Järvenpää and Tuusula established Tuusulanjärvi Energy Ltd, a company which will distribute electricity, heat and gas within the area of the two municipalities. Once



From the beginning of 1997, small-scale consumers will be free to choose their electricity suppliers.

established, the company acquired the business operations of Tuusulan Seudun Sähkölaitos (Electricity Board of the Tuusula Area).

In early November, IVO and Paloheimo Oy merged parts of their power distribution businesses. The newly-established companies, Uudenmaan Energia Oy and Uudenmaan Sähköverkko Oy, acquired the business operations of Paloheimo Oy Sähkölaitos and POY-Sähköverkot Oy, and IVO's Lohjan Sähkö Oy and Vihdin Sähkö Oy. Uudenmaan Energia, which focuses on distribution sales, became Finland's fifth largest company in its field. Uudenmaan Sähköverkko provides electricity transmission services to vendors of power; it also contracts distribution network projects within its area of operation. The network company covers close to 30 municipalities. Total turnover of the new companies is nearly FIM 500 million. In early 1996, contracting of network projects was separated from the transmission business and sold to Verkonrakentaja Wire Oy, half of which is owned by IVO's Engineering business.

IVO'S OWNERSHIP IN DISTRIBUTOR COMPANIES AS AT DECEMBER 31, 1995

Uudenmaan Energia Oy	50%
Uudenmaan Sähköverkko Oy	50%
Tuusulanjärvi Energy Ltd	30%
Koillis-Pohjan Sähkö Oy	25%
Keuruun Sähkö Oy	8%
Länsivoima Oy	9.9%*

* Partly through the ownership in Suomen Sähköverkko Oy.

TURNOVER, RESULT AND INVESTMENTS

Turnover from Electricity Distribution totalled FIM 314 million. This consisted of Lohjan Sähkö Oy's and Vihdin Sähkö Oy's turnover for a 10-month period and Uudenmaan Energia Oy's turnover for a two-month period. Operating profit was FIM 9 million. Turnover and operating profit are not comparable with those of 1994 because of the reorganisation of the business. Operations began under the new structure at the beginning of November 1995.

Total investment in Electricity Distribution was FIM 125 million. This included investments in distributor companies and in the contracting and refurbishment of subsidiaries' networks. Gross investment in

distribution was at a lower figure than the receipts from sales of businesses in connection with the reorganisation.

ENVIRONMENTAL PROTECTION

In Electricity Distribution, the primary environmental protection issues relate to landscaping, such as the layout of overhead lines and substations.

Efforts are being made to find new ways of using the land under the distribution lines.

SHORT-TERM OUTLOOK

In the Nordic market, which is fairly saturated, electricity and heat consumption is growing slowly. As the electricity market undergoes changes, competition will become more intense and less efficient companies will find it hard to survive. It is believed that the number of players in the market will continue to fall and that ownership structures will continue to change. Changes are expected, in particular, in the ownership role of municipalities. In the advanced distribution market, electricity and heat are no longer considered to be a part of basic municipal services. As a result, municipalities are tending either to aim to improve the return on their investment or to sell their power companies in order to improve their basic services.

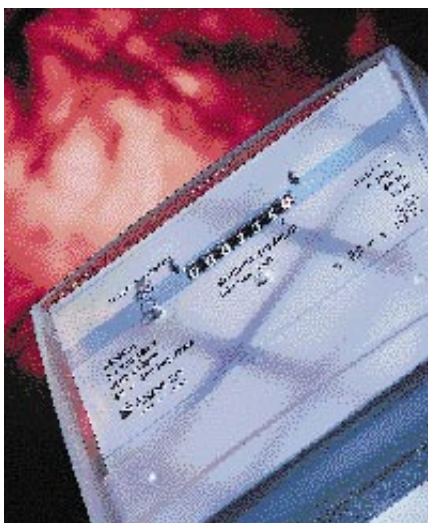
In its first stage, at the beginning of November 1995, the Electricity Market Act brought 1,500 customers into competition in the distribution sector. From the beginning of 1997, nearly three million small-scale consumers of electricity in Finland will be free to choose their electricity suppliers.

IVO is developing electricity distribution to become a significant business to support its other core businesses. Electricity distribution, including its various segments, spreads IVO's business risks and is a particularly suitable business for a group of companies which has extensive expertise in the electricity and heat markets. Through controlled and profitable growth, IVO aims to gain a considerable share of the electricity distribution market in Finland, Sweden and Norway.

During the past year, IVO has strengthened its position in the markets in the province of Uusimaa. The core market of the expanding business is likely to include Sweden and Norway as well as Finland.



ENERGY MEASUREMENT



Enermet's meters represent the most advanced industrial design.

KEY FIGURES	1995	1994
Turnover, FIM million	330	177
Operating profit, FIM million	22	18
– % of turnover	7	10
Investments, FIM million	90	27
Average number of employees	511	320

Enermet Group, which develops, manufactures and markets equipment, systems, and services for energy metering and load control, is responsible for the Energy Measurement business. This business unit has companies in Finland, Australia, Denmark, Germany, the Netherlands, New Zealand, Norway, Sweden and Switzerland.

IVO GROUP'S OPERATIONS

The generation, distribution, sales and use of energy are in the process of changing throughout the world. Energy markets need increasingly versatile systems for energy measurement and control. Significant investment in product development, together with strategic acquisitions, has made IVO's Energy Measurement business one of the leading manufacturers of measuring and control systems in Europe. It is also the largest supplier of energy meters in the Nordic countries and the market leader for ripple control systems in Australia and New Zealand.

Particular attention has been given to developing next generation kWh meters and to launching them on the Nordic and central European markets in order to expand the business. As the electricity trade has opened up, and continues to do so in Finland and Sweden, the need for measuring systems has increased. The demand for control systems remained at its previous level in Australia, Europe and New Zealand, but increased in Africa and the Far East.

TURNOVER, RESULT AND INVESTMENTS

The turnover of the Energy Measurement business increased to FIM 330 million, against FIM 177 million in the previous year. Growth came from the ripple control system business, acquired from the Swiss company Zellweger Luwa AG, which extended our market area and increased the product range. The share of exports and overseas operations increased from 62% to 79% of turnover. Operating profit totalled FIM 22 million, well over FIM 4 million more than in 1994. Profit before extraordinary items, at FIM 16 million, remained at the 1994 level. The performance of the business was satisfactory.

Investments totalled FIM 90 million. In addition to the acquisition, investments

included the development and maintenance of Enermet Oy's production processes as well as an increase in capacity.

RESEARCH AND DEVELOPMENT

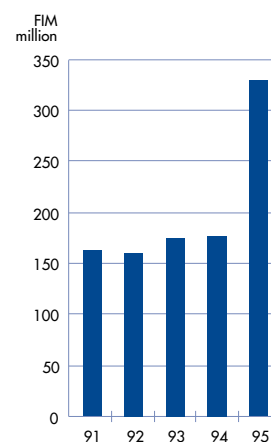
A total of 9% of the business turnover was spent on product development. The largest investments included the measuring systems required for the newly deregulated electricity markets and receivers for the ripple control systems intended for the Australian and New Zealand markets. Furthermore, next generation domestic kWh meters and heat energy meters have been developed.

SHORT-TERM OUTLOOK

Total demand is likely to equal that of the previous year in energy measurement business. The demand for static meters and measuring systems will increase, but a decrease in prices will result in turnover remaining at the present level.

Rapid advances being made in metering technology present this business with new challenges. In the next few years, opportunities to strengthen our market position in central Europe appear to be good and the potential to expand into selected market areas seems promising. In 1996, we expect to maintain profit at 1995's level.

ENERGY MEASUREMENT TURNOVER



INFRARÖDTEKNIK AB



Efficient customer support is an essential part of IRT's service.

KEY FIGURES	1995	1994
Turnover, FIM million	66	43
Operating profit, FIM million	5	0
– % of turnover	7	–
Investments, FIM million	1	1
Average number of employees	74	73

Infrarödteknik supplies equipment and systems to companies which need drying and heat treatment facilities, and to related equipment suppliers. The advanced technology which it provides generates added value for customers in the form of improved quality, productivity and energy conservation, as well as by reducing space requirements and creating opportunities for developing new products. Infrarödteknik AB, the parent company of the Group, is based in Sweden. The Group also operates in Finland, Germany and France.

Group turnover, at FIM 66 million, increased by some 50%. The increase came from products for the paper industry, which took a distinct upward turn as a result of significant investments by the north European paper industry and major installations of off-line coaters. For the extensive range of paint drying equipment, increasing competition constrained turnover, almost to the previous year's level, and decreased profit margins.

Profitability improved, as a result of increased volume in the product line for the paper industry. Operating profit totalled FIM 5 million; profit before extraordinary items was FIM 4 million.

High volumes are expected to continue for our paper industry products, and the market for the paint drying equipment is expected to improve.

TELIVO LTD



Telivo's market share in overseas calls was some 8%.

KEY FIGURES	1995	1994
Turnover, FIM million	53	23
Operating profit, FIM million	10	- 6
– % of turnover	20	- 28
Investments, FIM million	26	11
Average number of employees	22	7

Telivo Ltd provides long-distance calls within Finland under operator code 1041, overseas calls under operator code 994, and other telecommunications services for companies and households in Finland. The company uses in its operations a fibre-optic network built in conjunction with IVO's power transmission network, and other infrastructure of the IVO Group.

Competition in the telecommunications business in the EU is most extensive in Finland, the UK and Sweden. Outside the EU, this level of competition exists only in the USA, Japan, Australia and New Zealand. Telecommunications services will be deregulated in all EU countries by the beginning of 1998. In Finland, a new law on telecommunications, including deregulation of prices, is expected to be introduced in the summer of 1996.

Telivo's market share in overseas calls increased to some 8% and in long-distance calls to more than 4%.

The turnover of the company was more than double that of the previous year, at FIM 53 million. Sales of overseas calls grew most significantly. After the losses of the first year of operation, the business moved into profit. Operating profit totalled FIM 10 million, and profit before extraordinary items was FIM 7 million.

During the year the company invested FIM 26 million, the majority of which was spent on the broadband SDH transmission

network, which uses state-of-the-art fibre-optic cables. This network is used by MTV-3 to transmit television programmes from Helsinki to Lahti and Tampere. Sales of services on the fibre-optic link to St Petersburg increased. These are handled by AO Leivo, a company owned jointly by IVO and the Russian company Lenenergo.

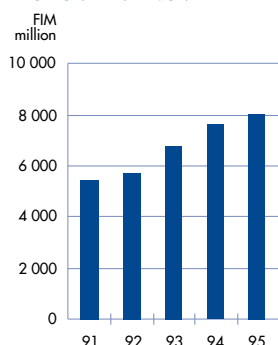
Opportunities to expand Telivo's operations improved significantly in August, as the Government cancelled the limits on turnover on the company's operating licences. In October, the Government granted Telivo a licence to build and operate a DCS-1800 radio network in all parts of Finland, excluding the province of Åland. Telivo is now developing its radio network business with the aim of offering mobile communications services to its customers by the end of 1996.

The deregulation and new legislation, increased competition and new technology will encourage continual changes in Telivo's operating environment. The company has the advantage of owning a competitive long-distance network and having efficient organisation. In addition to mobile communications services, Telivo plans to expand its operations to the growing field of data services. It also intends gradually to build new local links in Finland's largest cities.

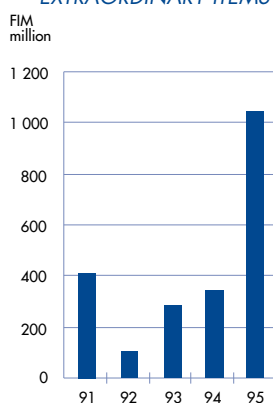
IMATRAN VOIMA OY

BOARD OF DIRECTORS' REPORT

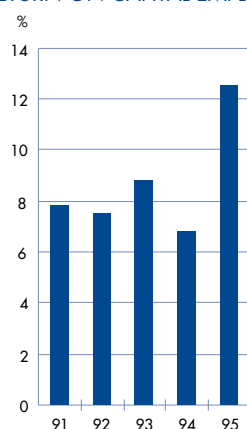
GROUP TURNOVER



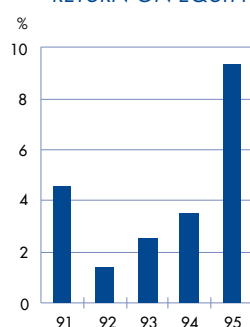
PROFIT BEFORE EXTRAORDINARY ITEMS



RETURN ON CAPITAL EMPLOYED



RETURN ON EQUITY



In Finland and the other Nordic countries, the Group's principal markets, economic growth declined. This was reflected in the demand for electricity. In Finland, electricity use increased by just over 1%, to a total of 69 TWh. In the Nordic countries, about 350 TWh of electricity was consumed, up by less than 2% on the previous year.

In the rest of Europe, economic growth was moderate, but the economies of South East Asia and China continued to expand rapidly, resulting in increased demand for electricity.

As a whole, IVO's business developed favourably and met its objectives. The result of the Power and Heat business improved considerably and is now almost at the same level, in proportion to turnover, as at the end of the 1980s. Grid Services continued to yield a good result and the other business units also showed a profit.

TURNOVER

Group turnover totalled FIM 8,055 million, up by 6% (FIM 453 million), on 1994. A significant part of this growth came from the Power and Heat business. Engineering sales decreased by 20% as turnover contracted in Finland. The turnover of the Energy Measurement business nearly doubled as a result of an acquisition.

TURNOVER BY BUSINESS UNIT

FIM million	1995	1994	Change	Change %
Power and Heat	5,799	5,512	+ 287	+ 5
Grid Services	1,001	910	+ 91	+ 10
Engineering	1,405	1,812	- 407	- 22
Operation and Maintenance	740	701	+ 39	+ 6
Electricity Distribution	314	249	+ 65	+ 26
Energy Measurement	330	177	+ 153	+ 86
Other operations	320	327	- 7	- 2
Business between business units	- 1,854	- 2,086	+ 232	- 12
Total	8,055	7,602	+ 453	+ 6

Turnover from electricity sales increased by 8%, to FIM 5,146 million, 89% of the total turnover of the Power and Heat business. The volume of electricity sales decreased by 1%, but higher electricity

prices in Finland resulted in increased turnover. Part of the price increase resulted from the energy taxation which was raised at the beginning of the year. Turnover from heat sales increased by 10%, to FIM 608 million. The sales of the rest of the Power and Heat business were down by FIM 144 million, to FIM 45 million.

The total turnover of our exports and overseas operations grew by 6%, to FIM 1,214 million. Exports and overseas operations accounted for 15% of Group turnover.

TURNOVER BY MARKET AREA

FIM million	1995	1994	Change
Finland	6,841	6,454	+ 387
Other Nordic countries	365	341	+ 24
Russia and eastern Europe	332	190	+ 142
Western Europe	208	316	- 108
Other market areas	309	301	+ 8
Total	8,055	7,602	+ 453

RESULT

Group operating profit was FIM 1,337 million, up by FIM 600 million on the previous year. The improved result of the Power and Heat business was the main factor in this positive trend. In addition to the increased turnover, the replacement of coal-fired condensing power with hydropower in the electricity supplies and temporary purchases of electricity from Sweden also improved our profits. In addition, profits resulting from the reorganisation of the Electricity Distribution business improved the Group operating profit by FIM 80 million.

OPERATING PROFIT BY BUSINESS UNIT

FIM million	1995	1994	Change
Power and Heat	698	188	+ 510
Grid Services	590	576	+ 14
Engineering	13	33	- 20
Operation and Maintenance	49	78	- 29
Electricity Distribution	9	28	- 19
Energy Measurement	22	18	+ 4
Other operations and internal items*	- 44	- 184	+ 140
Total	1,337	737	+ 600

* Includes other operations, corporate administration, corporate-level research and development, and eliminations from the operating profit.

Net financing expenses fell by almost 50% on 1994, to FIM 208 million. Profit before extraordinary items nearly trebled, to FIM 1,129 million. Return on capital employed improved to 12.5%, against 6.8% in the previous year.

Net profit was FIM 671 million, an improvement of FIM 441 million on 1994. Profit/share increased to FIM 7.28, up from FIM 2.49, and return on equity grew to 9.4%, against 3.5% in the previous year. An increase in the company tax rate, up to 28% in 1996, increased the deferred tax provision by FIM 185 million; this decreased the net profit accordingly and lowered the return on equity by 2.5 percentage points.

The improvements restore Group profitability to the level sustained before the recession. Operating profit and result, in proportion to turnover, are now at the same level as they were at the turn of the decade. The percentages of return on capital employed and equity are somewhat better. During these years, turnover increased by more than 50%.

FINANCING

Cash flow from operating activities of the Group increased by nearly 50%, to FIM 1,573 million. Financing requirements were further reduced and net interest expenses decreased by FIM 88 million, to FIM 256 million, 3.2% of turnover. FIM 46 million of exchange gains was entered in the profit, against the FIM 30 million entered as exchange losses in 1994. The calculated exchange gains of FIM 133 million on long-term loans, FIM 85 million lower than in 1994, have been entered in the balance sheet.

Other than loans from the Nuclear Waste Disposal Fund of Finland, very few new loans were raised. In addition to scheduled repayments, FIM 217 million was spent on early repayments of loans. Following the reorganisation of the Electricity Distribution business, receipts from interest-free connection charges decreased by FIM 178 million. Interest-bearing net liabilities declined by about FIM 1 billion, to stand at FIM 2,697 million at the end of the year. The ratio of interest-bearing net liabilities to shareholders' equity was down to 36%,

against 54% in 1994.

At the end of the year, shareholders' equity totalled FIM 7,402 million; the equity/total capital ratio had improved by 3 percentage points to 47%.

INVESTMENTS

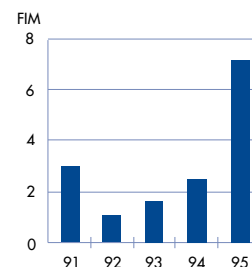
Group gross investments totalled FIM 878 million, FIM 235 million more than in the previous year.

In the Power and Heat business, the largest investments were in the Kirkniemi power plant project for Metsä-Serla Oy's paper mill and the second unit completed for the Toppila power plant, owned by Oulun Energia (Oulu Energy). In Sweden, IVO acquired shares of Mellansvensk Kraftgrupp AB, entitling it to an output share of 30 MW in the Forsmark nuclear power plant. In Thailand and Malaysia, shares of energy companies were bought. The Energy Measurement business expanded considerably after the Enermet Group acquired the ripple control system business from Zellweger Luwa AG. In the reorganisation of the Electricity Distribution business, shares of certain distributor companies were acquired and parts of other distributor companies were sold. As a result of exceptionally large sales, the Group's net investments remained relatively low, at FIM 308 million, for the second year running.

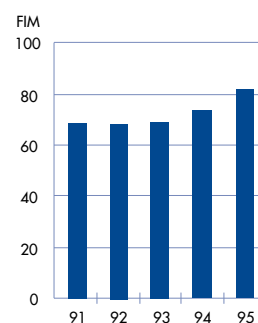
INVESTMENTS BY BUSINESS UNIT

FIM million	1995	1994	Change
Power and Heat	471	437	+ 34
Grid Services	84	104	- 20
Engineering	31	27	+ 4
Operation and Maintenance	15	13	+ 2
Electricity Distribution	125	55	+ 70
Energy Measurement	90	27	+ 63
Other operations	46	26	+ 20
Internal items	16	- 46	+ 62
Gross investments, total	878	643	+ 235
Sales	- 570	- 587	+ 17
Net investments, total	308	56	+ 252

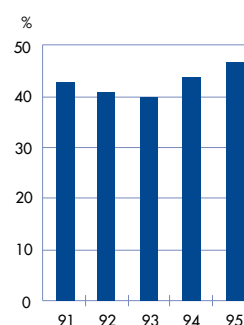
PROFIT/SHARE



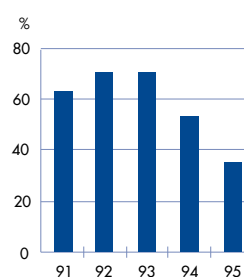
SHAREHOLDERS' EQUITY PER SHARE



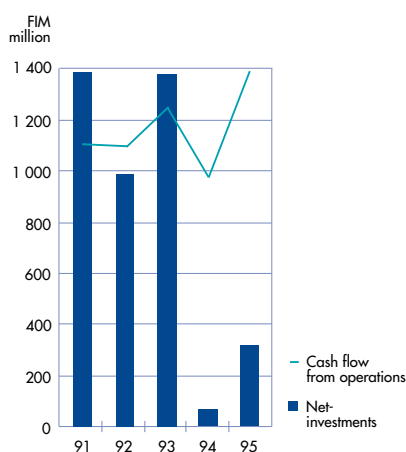
EQUITY/TOTAL CAPITAL



DEBT/EQUITY



NET INVESTMENTS AND CASH FLOW FROM OPERATIONS



DIVIDEND

The parent company's share capital is FIM 912 million, 95.6% of which is owned by the State of Finland and 4.4% by the Social Insurance Institution. The proposed dividend of FIM 137 million is about 20% of Group profit and 15% of share capital.

RESEARCH AND DEVELOPMENT

Investment in research and product development totalled FIM 146 million, representing around 2% of Group turnover.

In the power and heat generation sector, research and development focused on improving the operation and maintenance of power plants and decreasing generation costs. In power plant technologies, fuel handling, drying and burning, and flue gas cleaning were the most important issues. The primary research in the field of energy use was into improved efficiency in the use of electricity and heat in detached houses, public buildings and in small and medium-size industries. The Energy Measurement business substantially increased its investment in technologies.

ENVIRONMENTAL PROTECTION

A total of FIM 15 million was invested in controlling power plants' air pollution. Since 1990, IVO has invested about FIM 1 billion in air pollution control at its own plants. The programme has been implemented through the best available technologies. No significant additional investment is expected to be necessary in the next few years.

The control of environmental risks was developed through environmental audits carried out at ten sites. These aim to develop environmental management procedures and to make it possible to certify the environmental management systems in the most important business units quickly and economically, if necessary.

REORGANISATION OF THE BUSINESS OPERATIONS

In the Electricity Distribution business, IVO and the municipalities of Järvenpää and Tuusula established Tuusulanjärvi Energy Ltd, a new company 30% owned by IVO and 35% owned each by the two municipalities.

IVO and Paloheimo Oy combined their electricity distribution businesses into Uudenmaan Energia Oy and Uudenmaan Sähköverkko Oy owned 50:50 by the two companies.

IVO and Jyväskylän Energia (Jyväskylä Energy) jointly established Jyväskylän Energiantuotanto Oy, 60% of which is owned by IVO.

Teollisuuden Voima Oy (Industrial Power Company) and IVO established Posiva Oy to dispose of spent uranium fuel, from Olkiluoto and Loviisa power plants, in Finland's bedrock. IVO owns 40% of the company, which began operating at the beginning of 1996. IVO continues to be responsible for the spent fuel of the Loviisa power plant. IVO has made provision for future disposal costs by depositing FIM 1.2 billion in the Nuclear Waste Disposal Fund of Finland by the end of 1995.

In December, the Ministry of Trade and Industry, IVO and Pohjolan Voima Oy signed an outline agreement to establish a common nationwide grid company, which is scheduled to begin operating by January 1, 1997. The new company will purchase the grids now owned by IVO and Pohjolan Voima together with IVO's international tielines to Sweden, Norway and Russia. None of the owners will be allowed to have a controlling interest in the company: IVO and Pohjolan Voima will both own a third of the company, the State of Finland will own about a tenth. Efforts will be made to interest Finnish institutional investors in the remainder. In accordance with the outline agreement, IVO will sell property worth FIM 5.35 billion to the company to be established.

At the end of 1995, IVO, Pohjolan Voima Oy, IVO Transmission Services Ltd (IVS) and Teollisuuden Voimansiirto Oy (Industrial Power Transmission Company) established Finnish Power Balance Ltd, a company to control the power balance in Finland. IVO and Pohjolan Voima each own 34% of the shares, IVS and Teollisuuden Voimansiirto each own 16%. The operations will be phased in during 1996. Each power producer will be responsible for maintaining adequate power generating capacity and reserve power for its own customers.

In Sweden, IVO made provisions for the deregulation of the electricity market. At the beginning of 1996, a subsidiary, IVO Energi AB, was established in Stockholm. At the end of the year we strengthened our presence in South East Asia through the establishment of a representative office in Thailand. The Cogeneration Public Company Limited

was successfully listed on the Thailand Stock Exchange in February 1996.

EMPLOYEES

The average number of employees in the Group in 1995 was 5,650, including those on fixed-term contracts, as against the previous year's figure of 5,458. Most of the additional employees work in the ripple control system business acquired from Zellweger Luwa AG. The average number of staff in the parent company was 1,336; the corresponding figure for 1994 was 1,339.

AVERAGE NUMBER OF EMPLOYEES BY BUSINESS UNIT

	1995	1994
Power and Heat	737	708
Grid Services	239	259
Engineering	1,474	1,507
Operation and Maintenance	1,771	1,648
Electricity Distribution	188	218
Energy Measurement	511	320
Other operations	730	798
Total	5,650	5,458

NUMBER OF EMPLOYEES BY MARKET AREA AS AT DECEMBER 31

	1995	1994
Finland	4,648	4,670
Other Nordic countries	374	305
Russia and eastern Europe	83	34
Western Europe	249	208
Other market areas	85	55
Total	5,439	5,272

FIM 987 million was paid in wages and salaries to Group employees. Of this, FIM 18 million was paid in salaries and fees to the members of the Supervisory Board,

Boards of Directors, the President and the Managing Directors. Parent company wages and salaries totalled FIM 243 million, FIM 5 million of which was paid in salaries and fees to the members of the Supervisory Board, the Board of Directors and the President.

Profit-related payments totalling FIM 12 million were made to the Imatran Voima personnel fund.

The long-term good relations between employees and management were maintained and intra-Group co-operation continued. A number of important issues were discussed during the year, including the central principles of the Group's personnel policy, which will be developed further in subsidiaries and business divisions.

SHORT-TERM OUTLOOK

IVO's share of Finland's electricity market will decrease because our Swedish competitor has entered the market, but profitability of the Power and Heat business will not be affected as the price of electricity is now more in line with costs. Furthermore, the share of coal-fired power, which has the highest fuel costs and which suffers the highest taxation, will be small. It is expected that energy taxation in Finland will be amended, influencing electricity prices and the relative competitiveness of the various forms of generation and of imports.

An electricity spot market, in which IVO is committed to become a market maker, is due to be established in Finland in Summer 1996. In addition, a Nordic spot market is targeted to begin operating at the beginning

of 1997. Although electricity prices may vary from hour to hour on spot markets, the average annual price is not expected to change significantly.

There is an opportunity for IVO to invest in small and medium-scale projects for co-generation of power and heat, together with Finnish and Swedish municipalities and industrial companies, which will delay the need to build new base-load power in Finland.

Markets for independent power producers are developing in central Europe, where consumers are beginning to demand cheaper energy. In the rapidly-growing economies in Asia, there is a growing need for foreign investment in power plants. This will create opportunities also to participate in investments and in the power trade and to increase the volume of our Engineering business through, for example, refurbishment of existing power plants and environmental protection technologies. There is also potential for growth for the Operation and Maintenance business in the central European and Asian markets.

The Group's equity/total capital ratio will improve after the new nationwide grid company has purchased IVO's grid services. This will also create opportunities for IVO to make significant investments in Finland and overseas.

In addition, IVO will also be able to increase its ownership in electricity distribution, as the municipalities seem to be interested in relinquishing their shares in electricity distribution companies. IVO is not, however, willing to expand its operations at the expense of profitability or electricity prices to consumers.

BOARD OF DIRECTORS' PROPOSAL FOR ALLOCATION OF PROFIT

The consolidated balance sheets show unrestricted equity of FIM 6,422,535,000, of which FIM 4,897,477,000 is voluntary reserves and accumulated depreciation difference reserve from which deferred tax provision has been deducted. Distributable unrestricted equity totals FIM 1,525,088,000. The parent company's unrestricted equity totals FIM 1,782,634,245.93.

The Board of Directors proposes the following to the General Meeting

– 15% dividend on share capital	FIM	136,783,113.00
– additional investment in Imatran Voima Foundation's basic capital	FIM	2,000,000.00
– donation to the Imatran Voima Foundation	FIM	150,000.00
– donations and other contributions by the Board of Directors	FIM	600,000.00
– carried over to the retained profit account	FIM	1,643,101,132.93
The parent company's unrestricted equity as at December 31	FIM	1,782,634,245.93

Helsinki, March 1, 1996
Kalevi Numminen

Kalervo Nurmimäki	Anders Palmgren
Kari Huopalahti	Heikki Marttinen
Ingmar Hägblom	Gerhard Wendt

ACCOUNTING POLICIES

Scope of the consolidated financial statements

The consolidated financial statements include all subsidiaries in which the parent company holds over 50% of the voting rights attached to the shares, either directly or indirectly. Associated companies include the companies in which the parent company holds between 20% and 50% of the voting rights attached to the shares, either directly or indirectly, and in which it holds a minimum of 20% of the shares, directly or indirectly. Subsidiaries and associated companies acquired during the financial year are included in the consolidated financial statements from the date of acquisition and companies sold during the financial year until the date of selling. Holdings in housing companies are not included in the consolidated financial statements. Inclusion of these holdings is not necessary to give a true and fair view of the Group's result and financial position.

More detailed information about Group companies and associated companies is given below, under "Shareholdings".

Basis of preparation of consolidated financial statements

Holdings in subsidiary companies

The consolidated financial statements are prepared based on the fair value of assets at the time of acquisition. The amount paid for subsidiaries' shares, which exceeds shareholders' equity, is partly allocated to fixed assets and partly to Group goodwill. Items allocated to fixed assets are depreciated in accordance with the depreciation plan for fixed assets. Group goodwill is amortised over its estimated useful life. The part of the acquisition price of subsidiary shares that is below the shareholders' equity, the Group reserve, is entered as income in equal amounts over a period of five years. It is entered in the balance sheet as a reduction in Group assets; the change in this item is specified in the notes to the financial statements.

Intra-Group transactions and operating profits

Intra-Group transactions, unrealised profits in respect of intra-Group contracts, intra-Group receivables and liabilities, and intra-Group profit allocation are eliminated.

Minority interests

Minority interests are removed from Group equity, from those reserves and depreciation difference reserve from which tax liabilities have been deducted, and from the result. They are presented as a separate item.

Exchange differences on translation

The figures in the financial statements of overseas Group companies are translated into Finnish marks at the Bank of Finland's exchange rate ruling on the date of the financial statements. Exchange gains and losses arising from the elimination of overseas subsidiaries' shareholders' equity are divided between unrestricted and restricted equity.

Deferred tax provision

Deferred tax provision is calculated on the basis of voluntary reserves and the depreciation difference reserve of the separate companies. Tax liabilities are shown net of imputed tax refund claims relating to significant internal margins of the Group. Deferred tax provision is presented as a separate item under long-term liabilities. In Finnish companies, tax liabilities are calculated according to the company tax rate of 28% to come into effect at the beginning of 1996. Owing to the rise in the tax rate, the deferred tax provision of the Group increased by FIM 185 million.

Associated companies

Associated companies are included using the equity method. In accordance with the Group shareholding, the share of the result for the financial year in respect of associated companies, the operations

of which are linked to the Group, is presented before the operating profit before depreciation and the shares of the results for the financial year of other associated companies are included under financial items. Extraordinary income includes the accumulated depreciation difference reserve, minus deferred tax provision at the beginning of the year in which the associated company adopted the system of depreciation according to plan.

Valuation of fixed assets

Fixed assets are capitalised at direct cost. Depreciation according to plan is calculated as straight-line depreciation over the useful economic life of the fixed asset on the basis of the original cost.

The depreciation periods are as follows:	Years
Other long-term expenditure	3-10
Hydropower plant buildings and structures	50
Hydropower plant machinery	40
Buildings, structures and machinery of other power plant types	25
Substation buildings	40
Substation structures and machinery	30
Other separate buildings	5-40
Separate structures and separate investments in environmental protection	15-40
Transmission lines	15-30
Right of use of line areas	30
Other rights of use according to useful economic life, maximum	10
Heavy machinery and transport equipment	10
Machinery and equipment	3-15
Peat bogs according to use	

Valuation of current assets (inventories)

Inventories are valued on the fifo basis, at lower of market value or replacement cost. Variable costs are included in the value of inventories.

Items denominated in foreign currency

Receivables and liabilities denominated in foreign currencies are translated to Finnish marks at the Bank of Finland's exchange rate ruling on the date of the financial statements. Exceptions to this are receivables and liabilities covered by forward contracts, which are valued at the rate specified in the contract and where the interest is allocated throughout the term of the contract. Exchange differences of foreign currency forward contracts, closed with the intention of hedging, have been used to correct the exchange difference of the corresponding item to be hedged. Exchange losses in respect of long-term loans are entered in the profit and loss account; exchange gains are entered in the balance sheet as liabilities under valuation items, where they are recognised as income on payment of the final instalments. Exchange gains from foreign currency deposits and loans receivable are entered in the balance sheet under valuation items.

Income recognition of long-term projects

Income from long-term projects is recognised according to the percentage of completion which, in turn, is calculated on the basis of costs incurred and an estimate of further costs to completion. Predicted losses from unprofitable projects included in the order book are written off. An obligatory reserve is made for expected losses from long-term projects, as well as for costs arising during the warranty period.

Pension funding costs

Pension liabilities are entered as pension expenses and as loans from pension institutions.

PROFIT AND LOSS ACCOUNTS

FIM 1,000	Group		Parent company		
		Jan 1 - Dec 31, 1995	Jan 1 - Dec 31, 1994	Jan 1 - Dec 31, 1995	Jan 1 - Dec 31, 1994
Turnover	(1)	8,055,110	7,601,588	6,200,946	5,947,317
Other operating income	(2)	140,896	43,121	51,944	46,121
Share of associated companies' results		33,293	6,670	–	–
Expenses	(3)	– 6,096,929	– 6,133,340	– 4,729,557	– 4,895,111
Operating profit before depreciation		2,132,370	1,518,039	1,523,333	1,098,327
Depreciation	(4)	– 795,495	– 780,563	– 662,678	– 662,405
Operating profit		1,336,875	737,476	860,655	435,922
Financing income and expenses	(5)	– 207,510	– 390,649	– 150,930	– 327,722
Profit before extraordinary items, reserves and tax		1,129,365	346,827	709,725	108,200
Extraordinary income and charges	(6)	50,263	334,363	130,757	579,126
Profit before reserves and tax		1,179,628	681,190	840,482	687,326
Increase (-), decrease (+)					
in depreciation difference reserve		–	–	435,577	– 721,779
Decrease in voluntary reserves (+)		–	–	9,797	504,469
Direct tax	(7)	– 366,168	– 148,730	– 312,876	– 121,666
Change in deferred tax provision	(8)	– 91,766	29,634	–	–
Profit for the financial year before minority interests		721,694	562,094	–	–
Minority interest share of result		– 8,025	– 2,573	–	–
Profit for the financial year		713,669	559,521	972,980	348,350

The figures in brackets refer to the notes to the financial statements.

BALANCE SHEETS

FIM 1,000	Group		Parent company	
Assets	Dec 31, 1995	Dec 31, 1994	Dec 31, 1995	Dec 31, 1994
Fixed assets and other long-term investments (9)				
Intangible assets				
Goodwill	63,403	–	–	–
Group goodwill	62,101	144,980	–	–
Other long-term expenditure	523,235	418,348	401,347	261,739
	<u>648,739</u>	<u>563,328</u>	<u>401,347</u>	<u>261,739</u>
Tangible assets				
Land and water areas	658,326	653,991	544,883	542,811
Buildings and structures	2,030,600	2,128,386	1,741,255	1,938,668
Machinery and equipment	6,437,798	6,990,092	5,683,019	6,327,819
Other tangible assets	22,422	23,454	15,494	15,645
Advance payments and contracts in progress	187,866	208,985	79,422	162,882
	<u>9,337,012</u>	<u>10,004,908</u>	<u>8,064,073</u>	<u>8,987,825</u>
Fixed asset investments and other long-term investments				
Shares and holdings in associated companies	1,022,476	951,120	904,646	862,913
Other shares and holdings	397,373	200,261	1,210,198	1,048,404
Loans receivable	37,528	54,862	612,358	773,808
Other investments	41,658	42,734	37,333	37,333
	<u>1,499,035</u>	<u>1,248,977</u>	<u>2,764,535</u>	<u>2,722,458</u>
Current assets (inventories and monetary) (10)				
Current assets (inventories)				
Fuels	817,718	827,398	791,644	827,398
Materials and supplies	178,750	164,976	80,480	81,005
Unfinished products	7,724	35,177	754	162
Finished products	21,835	13,063	208	179
Other current assets	62,972	28,769	–	–
Advance payments	28,105	91,532	19,592	92,210
	<u>1,117,104</u>	<u>1,160,915</u>	<u>892,678</u>	<u>1,000,954</u>
Receivables				
Accounts receivable	1,272,462	970,982	987,150	719,236
Loans receivable	28,245	15,037	299,244	124,564
Prepayments and accrued income	365,609	363,524	470,839	215,284
Other receivables	25,774	89,195	2,745	1,257
	<u>1,692,090</u>	<u>1,438,738</u>	<u>1,759,978</u>	<u>1,060,341</u>
Current asset (monetary) investments				
Shares and holdings	1,916	5,580	–	–
Other securities	–	14,714	–	–
	<u>1,916</u>	<u>20,294</u>	<u>–</u>	<u>–</u>
Cash and cash equivalents	1,871,207	1,264,765	1,696,373	1,142,561
Assets, total	16,167,103	15,701,925	15,578,984	15,175,878

The figures in brackets refer to the notes to the financial statements.

FIM 1,000	Group		Parent company	
Liabilities and shareholders' equity	Dec 31, 1995	Dec 31, 1994	Dec 31, 1995	Dec 31, 1994
Shareholders' equity	(11)			
Restricted equity				
Share capital	911,887	911,887	911,887	911,887
Reserve fund	74,000	44,000	44,000	44,000
Other restricted equity	2,529	2,561	–	–
Exchange difference on translation	– 9,101	– 3,735	–	–
	<u>979,315</u>	<u>954,713</u>	<u>955,887</u>	<u>955,887</u>
Unrestricted equity				
Retained profit	5,708,866	5,261,818	809,654	571,481
Profit for the financial year	713,669	559,521	972,980	348,350
	<u>6,422,535</u>	<u>5,821,339</u>	<u>1,782,634</u>	<u>919,831</u>
Minority interests	82,181	50,360	–	–
Reserves				
Accumulated depreciation difference reserve (12)	–	–	5,732,202	6,167,779
Voluntary reserves (12)	–	–	444,180	453,569
Obligatory reserves	14,031	20,614	–	4,486
Valuation items	(13)			
Exchange gains	132,988	217,973	135,886	218,315
Liabilities	(14)			
Long-term liabilities				
Bonds	1,774,847	1,944,949	1,774,847	1,938,949
Loans from financial institutions	104,917	266,166	36,882	242,661
Loans from pension institutions	970,567	1,010,198	880,124	904,812
Accounts payable	–	308	–	308
Advance payments received	6,206	–	–	–
Deferred tax provision (15)	1,761,066	1,669,279	–	–
Other long-term liabilities	1,428,739	1,367,623	1,427,822	1,283,933
	<u>6,046,342</u>	<u>6,258,523</u>	<u>4,119,675</u>	<u>4,370,663</u>
Current liabilities	(10)			
Loans from financial institutions	93,615	139,314	80,221	134,829
Loans from pension institutions	30,265	33,066	24,638	26,493
Advance payments received	130,611	81,270	1,004	1,045
Accounts payable	661,472	655,523	546,966	697,276
Accruals	951,646	793,633	648,461	500,307
Other current liabilities (16)	622,102	675,597	1,107,230	725,398
	<u>2,489,711</u>	<u>2,378,403</u>	<u>2,408,520</u>	<u>2,085,348</u>
Liabilities and shareholders' equity, total	16,167,103	15,701,925	15,578,984	15,175,878

CASH FLOW STATEMENTS

FIM million	Group		Parent company	
	1995	1994	1995	1994
Operating activities				
Cash flow from operations				
Operating profit before depreciation	2,132	1,518	1,523	1,098
Profit from disposal of fixed assets and associated companies' results included in the operating profit before depreciation	- 116	- 11	- 3	- 3
Extraordinary income and charges	0	3	5	- 3
Financing items	- 259	- 383	- 205	- 317
Tax	- 366	- 149	- 313	- 122
	1,391	978	1,007	653
Change in working capital				
Current assets (inventories) (increase -)	44	- 5	108	- 1
Short-term receivables (increase -)	- 240	- 226	- 231	8
Interest-free current liabilities (increase +)	378	93	140	- 30
	182	- 138	17	- 23
Cash flow from operating activities	1,573	840	1,024	630
Investing activities				
Gross investments	- 878	- 643	- 479	- 461
Income from disposal of fixed assets	570	587	227	858
	- 308	- 56	- 252	397
Cash flow before financing activities	1,265	784	772	1,027
Financing activities				
Increase (-) in loans receivable and securities	7	- 30	- 13	- 305
Increase (+) in long-term loans	323	208	196	164
Repayment of long-term loans (-)	- 941	-1,057	- 683	- 999
Increase (+) in interest-bearing current liabilities	9	3	375	- 65
Net profit transfer (from Group +)	-	-	17	88
Dividends and other profit allocation	- 110	- 110	- 110	- 110
Other financial items	56	0	0	0
	- 656	- 986	- 218	- 1,227
Change in cash as shown on Cash Flow Statement	609	- 202	554	- 200
Adjustment items	- 3	- 6	0	- 9
Increase (+), decrease (-) in cash as shown on Balance Sheets	606	- 208	554	- 209

NOTES TO THE FINANCIAL STATEMENTS

FIM million	Group		Parent company	
	1995	1994	1995	1994
(1) Effect on turnover of income from contracts in progress				
Turnover from contracts in progress entered as income according to percentage of completion				
For the financial year	346.6	615.5		
For previous financial years	268.0	268.3		
Total	614.6	883.8		
(2) Other operating income				
Profit from disposal of fixed assets	102.9	6.1	8.1	1.2
Other operating income	38.0	37.0	43.8	44.9
	140.9	43.1	51.9	46.1
Other operating income mainly consists of rental revenue.				
(3) Expenses				
Purchases of electricity and fuel, transmission charges	2,811.9	2,688.8	3,216.2	3,321.8
Other purchases during the financial year	748.7	979.5	97.2	117.7
Increase in inventories	19.6	43.1	35.7	65.6
External services	463.2	642.9	583.2	729.0
Staff costs	1,257.5	1,157.7	341.5	325.7
Rents	51.7	38.8	20.5	18.5
Other expenses	744.3	582.5	435.3	316.8
Total	6,096.9	6,133.3	4,729.6	4,895.1
Staff costs				
Wages	965.9	866.4	244.0	228.1
Pension costs	146.8	162.8	51.1	57.0
Other additional staff costs	144.8	128.5	46.4	40.6
Staff costs included in the profit and loss account	1,257.5	1,157.7	341.5	325.7
Fringe benefits	5.7	6.2	1.8	1.7
Total	1,263.2	1,163.9	343.3	327.4
Salaries and fees paid to members of the Supervisory Board and Boards of Directors, the President and managing directors	18.3	16.7	4.8	4.4
Other wages and salaries	968.3	891.2	238.0	227.1
Total paid	986.6	907.9	242.8	231.5
Average staff numbers	5,650	5,458	1,336	1,339
Staff numbers at year end	5,439	5,272	1,281	1,303
(4) Depreciation				
Depreciation according to plan				
Goodwill	3.2	–	–	–
Other long-term expenditure	55.7	57.0	34.1	37.8
Buildings and structures	178.0	167.3	167.8	156.5
Machinery and equipment	550.6	548.1	460.8	468.1
Total	787.5	772.4	662.7	662.4
Group goodwill	8.9	8.2	–	–
Income recognition of Group reserve	– 1.0	–	–	–
	795.4	780.6	662.7	662.4
Change in depreciation difference reserve, increase (+), decrease (-)				
Other long-term expenditure	49.4	7.9	41.4	– 2.2
Buildings and structures	– 25.6	20.0	– 24.9	5.8
Machinery and equipment	– 477.5	956.9	– 452.1	718.2
	– 453.7	984.8	– 435.6	721.8
(5) Financing income and expenses				
Dividend income	4.4	2.6	8.5	17.0
Interest income from long-term investments	14.0	4.1	78.1	55.6
Other interest income	103.7	86.2	97.0	82.7
Other financing income	20.6	4.6	22.8	7.2
Exchange differences	46.2	– 30.1	48.1	– 25.3
Share of associated companies' results	2.1	2.2	–	–
Interest expenses	– 373.5	– 434.4	– 385.0	– 442.5
Other financing expenses	– 25.0	– 13.2	– 20.3	– 9.8
Investment write-downs	–	– 12.6	– 0.1	– 12.6
	– 207.5	– 390.6	– 150.9	– 327.7
Net financing expenses, % of turnover	2.6	5.1	2.4	5.5
Net financing expenses, % of net liabilities	7.7	10.5	6.0	10.4

FIM million	Group		Parent company	
	1995	1994	1995	1994
Intra-Group financing income and expenses				
Financing income from Group companies				
Dividend income			0.4	12.0
Interest income from long-term investments			66.1	51.5
Other interest income			3.0	1.7
Other financing income			1.3	5.7
			<u>70.8</u>	<u>70.9</u>
Financing expenses paid to Group companies				
Interest expenses			25.5	20.8
Other financing expenses			–	0.1
			<u>25.5</u>	<u>20.9</u>
(6) Extraordinary income and charges				
Extraordinary income				
Profit from disposal of fixed assets	40.7	276.9	47.3	547.7
Profit transfer from Group	–	–	332.8	64.3
Adoption of depreciation according to plan in associated companies and acquired subsidiaries	10.3	57.4	–	–
Gains from mergers	–	–	1.9	–
	<u>51.0</u>	<u>334.3</u>	<u>382.0</u>	<u>612.0</u>
Extraordinary charges				
Losses from disposal of fixed assets	0.8	–	217.4	3.2
Profit transfer to Group	–	–	33.8	22.6
Losses from mergers	–	–	0.1	7.2
	<u>0.8</u>	<u>–</u>	<u>251.3</u>	<u>33.0</u>
Extraordinary income and charges	50.2	334.3	130.7	579.0
(7) Direct tax				
For the financial year	– 366.0	– 147.2	– 312.2	– 121.6
For previous financial years	– 0.1	– 1.5	– 0.7	– 0.1
	<u>– 366.1</u>	<u>– 148.7</u>	<u>– 312.9</u>	<u>– 121.7</u>
(8) Change in deferred tax provision				
For voluntary reserves	– 88.8	– 118.9		
Change in tax refund claim	– 3.0	148.6		
	<u>– 91.8</u>	<u>29.7</u>		
(9) Fixed assets and other long-term investments				
Intangible and tangible assets				
Goodwill				
At cost Jan 1	–	–		
Additions	66.6	–		
Accumulated depreciation according to plan	– 3.2	–		
Balance sheet value Dec 31	<u>63.4</u>	<u>–</u>		
Group goodwill				
At cost Jan 1	196.8	195.5		
Additions	17.0	1.8		
Deductions	– 107.8	– 0.5		
Accumulated depreciation according to plan	– 35.2	– 42.4		
Balance sheet value Dec 31	<u>70.8</u>	<u>154.4</u>		
Group reserve				
At cost Jan 1	9.6	8.9		
Additions	0.3	0.7		
Accumulated depreciation according to plan	– 1.1	– 0.2		
Balance sheet value Dec 31	<u>8.8</u>	<u>9.4</u>		
Group goodwill in the balance sheet	62.0	145.0		

FIM million	Group		Parent company	
	1995	1994	1995	1994
Other long-term expenditure				
At cost Jan 1	937.2	942.1	736.3	803.5
Exchange differences on translation	0.0	– 3.3	–	–
Additions	221.3	142.3	175.5	8.0
Sales and other deductions	– 68.4	– 143.9	– 3.6	– 75.2
Accumulated depreciation according to plan	– 566.9	– 518.8	– 506.9	– 474.6
Balance sheet value Dec 31	523.2	418.4	401.3	261.7
Land and water areas				
At cost Jan 1	654.0	653.7	542.8	542.7
Exchange differences on translation	0.0	– 0.1	–	–
Additions	4.8	1.3	2.5	0.4
Sales and other deductions	– 0.5	– 0.9	– 0.4	– 0.3
Balance sheet value Dec 31	658.3	654.0	544.9	542.8
Revaluations included in land and water areas Jan 1 and Dec 31	66.3	66.3	10.0	10.0
Buildings and structures				
At cost Jan 1	3,954.1	3,925.4	3,695.7	3,636.3
Exchange differences on translation	0.0	– 2.1	–	–
Additions	161.8	62.8	45.9	66.4
Sales and other deductions	– 170.6	– 32.0	– 137.6	– 7.0
Accumulated depreciation according to plan	– 1,914.7	– 1,825.7	– 1,862.8	– 1,757.1
Balance sheet value Dec 31	2,030.6	2,128.4	1,741.2	1,938.6
Revaluations included in acquisition cost of buildings Jan 1 and Dec 31	199.2	199.2	199.2	199.2
Machinery and equipment				
At cost Jan 1	13,071.2	12,742.0	12,103.8	11,886.8
Exchange differences on translation	– 0.1	– 1.1	–	–
Additions	561.3	911.5	116.2	769.2
Sales and other deductions	– 746.4	– 581.2	– 497.3	– 552.2
Accumulated depreciation according to plan	– 6,448.2	– 6,081.1	– 6,039.7	– 5,776.0
Balance sheet value Dec 31	6,437.8	6,990.1	5,683.0	6,327.8
Share of book value Dec 31 attributable to machinery and equipment	5,165.5	5,715.8	4,750.3	5,302.0
Other tangible assets				
At cost Jan 1	36.5	37.9	15.6	15.6
Additions	0.2	0.3	0.2	–
Sales and other deductions	– 0.4	– 1.7	– 0.4	–
Accumulated depreciation according to plan	– 13.9	– 13.0	0.0	0.0
Balance sheet value Dec 31	22.4	23.5	15.4	15.6
Taxation values of fixed assets				
Land and water areas	561.5	609.2	499.8	550.1
Buildings and structures	3,496.2	3,576.7	3,133.4	3,312.7
Shares and holdings				
Shares in subsidiaries	–	–	773.5	545.4
Other shares and holdings	680.0	651.5	554.2	571.7
	4,737.7	4,837.4	4,960.9	4,979.9
If taxation value has not been available, book value has been presented.				
Long-term investments in Group and associated companies				
Group companies				
Shares			941.3	921.9
Loans receivable			570.8	731.9
			1,512.1	1,653.8
Associated companies				
Shares			904.6	862.9
Loans receivable			15.0	15.9
			919.6	878.8

FIM million	Group		Parent company	
	1995	1994	1995	1994
(10) Current assets (inventories and monetary)				
Receivables falling due after one year or more				
Accounts receivable	9.4	8.6	9.4	8.6
Prepayments and accrued income	25.6	28.9	25.6	28.9
	<u>35.0</u>	<u>37.5</u>	<u>35.0</u>	<u>37.5</u>
Receivables from Group companies				
Accounts receivable			263.2	70.4
Loans receivable			279.2	121.6
Prepayments and accrued income			345.5	52.5
Other receivables			0.4	0.3
			<u>888.3</u>	<u>244.8</u>
Receivables from associated companies				
Accounts receivable			29.9	49.5
Loans receivable			1.3	0.7
			<u>31.2</u>	<u>50.2</u>
Treatment of balance sheet items relating to income from contracts in progress				
The net amount on a project basis of contracts in progress, advance payments made and prepayments and accrued income, and advance payments received and accruals, relating to income from contracts in progress, is included in the appropriate balance sheet item.				
The following items are deducted on the balance sheet:				
Contracts in progress included in current assets (inventories)	7.4	16.3		
Advance payments for current assets (inventories)	160.7	301.2		
Prepayments and accrued income	431.6	720.0		
Deductions in current assets (inventories and monetary)	<u>599.7</u>	<u>1,037.5</u>		
Advance payments received	545.4	820.8		
Accruals	54.3	216.7		
Deductions in liabilities	<u>599.7</u>	<u>1,037.5</u>		
(11) Shareholders' equity				
Restricted equity				
Share capital Jan 1 and Dec 31	911.9	911.9	911.9	911.9
Reserve fund Jan 1	44.0	44.0	44.0	44.0
Increase	30.0	–	–	–
Reserve fund Dec 31	<u>74.0</u>	<u>44.0</u>	<u>44.0</u>	<u>44.0</u>
Other restricted equity Jan 1	2.5	3.1	–	–
Decrease	0.0	0.6	–	–
Other restricted equity Dec 31	<u>2.5</u>	<u>2.5</u>	<u>–</u>	<u>–</u>
Exchange differences on translation Jan 1	– 3.7	9.1	–	–
Change	– 5.4	– 12.8	–	–
Exchange differences on translation Dec 31	<u>– 9.1</u>	<u>– 3.7</u>	<u>–</u>	<u>–</u>
Restricted equity Dec 31	979.3	954.7	955.9	955.9
Unrestricted equity				
Retained profit Jan 1	5,821.3	5,374.6	919.8	681.6
Dividend paid	– 109.4	– 109.4	– 109.4	– 109.4
Donations and other contributions	– 0.9	– 0.9	– 0.8	– 0.8
Exchange differences on translation of subsidiaries' unrestricted equity	– 2.2	– 5.1	–	–
Transfer from restricted equity	–	0.6	–	–
Other change due to change in the Group structure	–	2.0	–	–
Profit for the financial year	713.7	559.5	973.0	348.4
Unrestricted equity Dec 31	<u>6,422.5</u>	<u>5,821.3</u>	<u>1,782.6</u>	<u>919.8</u>
Shareholders' equity Dec 31	7,401.9	6,776.1	2,738.5	1,875.7
Distributable funds included in unrestricted equity	1,525.1	374.0	1,525.1	374.0
Share capital by share classification				
Preferred shares	1,106,583	FIM 10.00 each	11,065,830.00	
Ordinary shares	90,082,159	FIM 10.00 each	900,821,590.00	

FIM million	Group		Parent company	
	1995	1994	1995	1994
(12) Accumulated depreciation difference reserve and voluntary reserves				
Accumulated depreciation in excess of plan				
Other long-term expenditure	191.5	142.0	154.7	113.3
Buildings	398.8	424.4	339.7	364.6
Machinery and equipment	5,694.1	6,171.7	5,237.8	5,689.9
	<u>6,284.4</u>	<u>6,738.1</u>	<u>5,732.2</u>	<u>6,167.8</u>
Investment reserve Jan 1	–	504.5	–	504.5
Change	–	– 504.5	–	– 504.5
Investment reserve Dec 31	–	0.0	–	0.0
Other voluntary reserves Jan 1	532.3	534.0	453.6	453.6
Change	– 7.7	– 1.7	– 9.4	–
Other voluntary reserves Dec 31	<u>524.6</u>	<u>532.3</u>	<u>444.2</u>	<u>453.6</u>
In the Group, voluntary reserves and accumulated depreciation difference reserve are divided between shareholders' equity and deferred tax provision.				
(13) Valuation items				
Exchange gains Jan 1	218.0	15.0	218.3	15.0
Change	– 85.0	203.0	– 82.4	203.3
Exchange gains Dec 31	<u>133.0</u>	<u>218.0</u>	<u>135.9</u>	<u>218.3</u>
(14) Liabilities				
Liabilities falling due after five years or more				
Bonds	1,533.6	1,555.7	1,533.6	1,555.7
Loans from financial institutions	9.8	8.3	0.0	7.3
Loans from pension institutions	844.6	893.2	797.7	816.1
Other long-term liabilities	1,382.7	1,367.9	1,382.7	1,193.4
	<u>3,770.7</u>	<u>3,825.1</u>	<u>3,714.0</u>	<u>3,572.5</u>
Bonds, debentures and other notes				
	Capital Dec 31, 1995 local currency units, million	Annual instalment local currency units, million	Capital Dec 31, 1995 local currency units, million	Annual instalment local currency units, million
1986-92/96	DEM 33.3	25.0	33.3	25.0
1987-96/97	CHF 34.8	20.0	34.8	20.0
1988-98	DEM 50.0	bullet loan	50.0	bullet loan
1991-2001	USD 35.0	bullet loan	35.0	bullet loan
1991-2002/11	USD 80.0	8.0	80.0	8.0
1991-2011	USD 35.0	bullet loan	35.0	bullet loan
1992-2002	USD 50.0	bullet loan	50.0	bullet loan
1992-2005	USD 45.0	bullet loan	45.0	bullet loan
1992-2007	USD 60.0	bullet loan	60.0	bullet loan
1992-97	FIM 6.0	6.0		
Liabilities in respect of Group companies				
Advance payments			0.4	0.2
Other long-term liabilities			1.3	1.3
Accounts payable			176.1	195.8
Accruals			39.2	25.6
Other current liabilities			658.4	286.3
			<u>875.4</u>	<u>509.2</u>
Liabilities in respect of associated companies				
Other long-term liabilities			538.0	489.0
Accounts payable			72.3	108.3
Accruals			39.1	34.8
Other current liabilities			0.8	0.0
			<u>650.2</u>	<u>632.1</u>
Interest-bearing liabilities				
Loans in Finnish marks	2,812.1	Share 61% 2,902.7	Share 57% 3,294.5	Share 64% 3,045.2
Foreign currency loans	1,821.8	39% 2,157.3	43% 1,813.9	36% 2,144.9
	<u>4,633.9</u>	5,060.0	<u>5,108.4</u>	<u>5,190.1</u>

FIM million	Group			Parent company	
	1995	1994		1995	1994
(15) Deferred tax provision					
Tax liabilities for voluntary reserves and accumulated depreciation difference reserve	1,906.7	1,817.8			
Imputed tax refund claim	<u>- 145.6</u>	<u>- 148.5</u>			
	1,761.1	1,669.3			
(16) Other current liabilities					
Annual instalments	238.6	472.7		217.2	364.9
Other interest-bearing current liabilities	33.6	24.8		676.6	303.5
Other current liabilities	<u>349.9</u>	<u>178.1</u>		<u>213.4</u>	<u>57.0</u>
	622.1	675.6		1,107.2	725.4
Capital					
			Change		Change
Net working capital	680	856	- 176	625	664
Fixed assets and long-term investments	<u>11,447</u>	<u>11,762</u>	- 315	<u>10,618</u>	<u>11,198</u>
Restricted capital	<u>12,127</u>	12,618	- 491	<u>11,243</u>	<u>11,862</u>
Net liabilities	2,749	3,905	- 1,156	2,192	3,147
Deferred tax provision	1,761	1,669	92	1,729	1,655
Shareholders' equity	<u>7,617</u>	<u>7,044</u>	573	<u>7,322</u>	<u>7,060</u>
Liabilities and shareholders' equity	12,127	12,618	- 491	11,243	11,862
Net interest-bearing liabilities	2,697	3,711	- 1,014	2,500	3,149
Net interest-bearing liabilities as % of turnover	33	49		40	53
In this summary, shareholders' equity includes also in the parent company reserves and accumulated depreciation difference reserve minus deferred tax provision. Exchange gains capitalised as liabilities in the balance sheet are included in shareholders' equity in the year in which the exchange rate changes.					
Obligations					
For own liabilities					
Pledged shares					
Kemijoki Oy's shares (book value) as security for the loan (FIM 816.5 million)					
from the Nuclear Waste Disposal Fund of Finland	2.6	2.1		2.6	2.1
Other	17.2	10.1		9.0	9.0
Mortgages on land areas and buildings					
Mortgages issued to the State of Finland as security for payment of nuclear waste disposal fee					
	2,115.0	920.0		2,115.0	920.0
Other mortgages on land areas and buildings	285.6	689.7		276.9	668.9
Other mortgages	7.9	7.6		-	-
Group companies' liabilities					
Guarantees	675.9	665.0		662.1	886.6
On behalf of associated companies					
Guarantee on behalf of Teollisuuden Voima Oy to the Nuclear Waste Disposal Fund					
	401.8	446.2		401.8	446.2
Guarantees on behalf of other associated companies	10.6	22.3		10.6	22.3
On behalf of others					
Guarantees	382.1	404.7		360.5	366.9
Other obligations	76.6	1.5		20.8	1.4
Total					
Pledges	19.8	12.2		11.5	11.1
Mortgages	2,408.5	1,617.4		2,391.9	1,588.9
Guarantees	1,470.4	1,538.2		1,435.0	1,722.0
Other liabilities	76.6	1.5		20.8	1.4
Liability for nuclear waste disposal	2,486.4	2,954.9		2,486.4	2,954.9
Liability covered					
Mortgages	- 2,115.0	- 920.0		- 2,115.0	- 920.0
Share of reserve in the Nuclear Waste Disposal Fund	- 1,163.6	- 956.5		- 1,163.6	- 956.5
Excess of security given over obligations (-), obligations to be provided for separately (+)	<u>- 792.2</u>	<u>1,078.4</u>		<u>- 792.2</u>	<u>1,078.4</u>
Leasing obligations					
	Falling due in 1996	Falling due after 1996		Falling due in 1996	Falling due after 1996
	5.7	11.0		0.7	1.3
Management pension commitments					
The President of the parent company and other senior executives are eligible for retirement at the age of 60.					

SHAREHOLDINGS AS AT DECEMBER 31, 1995

GROUP COMPANIES	Size of Group share-holding %	Size of parent company share-holding %	Group share of shareholders' equity ¹⁾ FIM 1,000	Number of shares	Nominal value FIM 1,000/ currency	Book value FIM 1,000	Profit+/- loss- in the latest financial statements ²⁾ FIM 1,000
POWER AND HEAT							
IVO Energy Limited, England	100.0	100.0	8,606	5,382,000	GBP 5,382	42,713	-18,614
CLB Limited, England	100.0		0	719,000	GBP 719	0	678
CLB Transducers Limited, England	100.0		-	2	GBP 2	0	-
Sparrowhawk Services Ltd, England	100.0		-	2	GBP 2	0	-
Imatran Voima Holding B.V., Holland	100.0	100.0	40,610	43	NLG 43	23,159	13,899
Imatran Voima Properties B.V., Holland	100.0		15,603	41	NLG 41	14,408	- 5
Imatran Voima Malaysia B.V., Holland	100.0	100.0	56,618	13,454	NLG 13,454	61,218	217
IVO Australia Pty Ltd, Australia	100.0	100.0	-	12	AUD 0	3	0
Imatran Voima Australia Pty Ltd, Australia	100.0	100.0	-	12	AUD 0	3	0
IVO Energieanlagen GmbH, Germany	100.0	100.0	1,120	4	DEM 600	1,839	- 593
Jyväskylän Energiantuotanto Oy ³⁾	60.0	60.0	30,640	600	600	600	67
Killin Voima Oy	60.0	60.0	2,314	660	660	660	- 201
Pamilo Oy	51.0	51.0	29,576	276,420	27,642	148,436	- 544
IVO Energi AB, Sweden	100.0	100.0		100	SEK 100	61	-
GRID SERVICES							
IVO Transmission Ltd	100.0	100.0	377,050	5,000	50,000	50,000	70,574
ENGINEERING							
IVO International Ltd	100.0	100.0	162,543	11,000	110,000	111,350	13,754
IVO-EKO s.r.o., Czech Republic	51.0		2	51	CSK 51	10	- 8
IVO Polska Sp. zo.o., Poland	100.0		- 30	447	PLZ 45	83	- 30
AO Enecon, Russia	90.0		39	90	RUR 14,990	199	8
AS Estivo, Estonia	100.0		371	100	EEK 1,000	429	2
Finnish Railway Engineering Ltd	100.0		818	125	1,250	625	0
IS-Plan Oy	91.0		470	273	273	277	7
Insinööritoimisto Niilo Liukkonen Oy	64.6		120	310	78	1,263	19
AS Linjebygg, Norway	57.1		20,002	7,667	NOK 2,492	10,585	6,337
Hallingdal Linjebygg AS, Norway	57.1		82	10	NOK 100	138	101
Impregnerbygg AS, Norway	57.1		52	51	NOK 51	35	3
Linjebygg Centroamerica, Costa Rica	57.1		12	10	-	3	1,850
Vestneslinjer AS, Norway	57.1		508	8,000	NOK 800	891	57
Sähköradat Oy (Electric Rails Ltd)	100.0		7,003	150	1,500	1,536	1,920
Transelectric AB, Sweden	100.0		5,691	3,000	SEK 3,000	3,967	1,362
Transmast Ltd	60.0		7,920	180	1,800	1,829	10,064
Transmast SPb, Russia	54.0		89	-	RUR 1,476	81	72
IVO International (UK) Limited, England ⁴⁾	100.0		26	100	GBP 0	1	25
IVO CM Services Ltd, England ⁴⁾	100.0		678	2	GBP 2	0	455
OPERATION AND MAINTENANCE							
IVO Generation Services Ltd	100.0	100.0	78,318	5,000	50,000	50,000	- 480
IH-Kunnossapito Oy	100.0		9,417	4,000	4,000	6,604	1,853
Hämeen Kunnossapito Oy	55.0		1,288	1,650	165	312	1,215
Keski-Suomen Kunnossapito Oy	100.0		824	3,000	300	582	- 66
Kymenseudun Kunnossapito Oy	100.0		17	180	18	18	0
Lohjan Kunnossapito Oy	100.0		782	4,000	400	1	1,230
Pohjanmaan Kunnossapito Oy	100.0		17	180	18	18	0
Pohjolan Kunnossapito Oy	100.0		17	180	18	18	0
Raaseporin Kunnossapito Oy	61.0		2,280	1,830	183	348	678
Salpaus-Kunnossapito Oy	100.0		590	3,000	300	300	- 27
Satakunnan Kunnossapito Oy	100.0		17	180	18	18	0
Uudenmaan Kunnossapito Oy	60.0		776	1,800	180	342	780
Varsinais-Suomen Kunnossapito Oy	100.0		618	2,000	200	569	- 13
Länsi-Suomen Käynnissäpito Oy	100.0		532	10	100	102	- 27
Montivo Kft, Hungary	51.0		543	1,020	HUF 10,200	447	426
IVO Generation Services (UK) Ltd, England ⁴⁾	100.0		11,993	50,000	GBP 50	398	7,149
Sendi Prima Sdn Bhd, Malaysia ⁴⁾	100.0		668	2	MYR 0	0	668
ELECTRICITY DISTRIBUTION							
Uudenmaan Energia Oy ⁵⁾	50.0	50.0	4,916	2,500	5,000	5,000	- 168
ENERGY MEASUREMENT							
Enermet Oy	100.0	100.0	129,788	300,000	30,000	136,628	547
Enermet A/S Danmark, Denmark	100.0		1,205	500	DKK 500	182	616
Enermet B.V., Holland	100.0		446	40	NLG 40	97	201
Enermet AS Norge, Norway	100.0		940	500	NOK 500	31	111
Enermet Sverige AB, Sweden	100.0		8,836	10,000	SEK 1,000	1,736	5,438
Enermet AG, Switzerland	100.0		15,426	100	CHF 100	18,535	- 3,516
Enermet GmbH, Germany	100.0		6,556	1	DEM 2,000	6,083	469
Enermet Ltd, New Zealand	100.0		12,319	600,000	NZD 600	21,625	2,573
Enermet Pty. Ltd, Australia	100.0		10,088	626,750	AUD 1,253	13,861	1,179

1) Includes shareholders' equity and voluntary reserves and accumulated depreciation difference reserve minus deferred tax provision.

2) Profit before reserves and tax minus direct tax and change in deferred tax provision.

3) The first financial year will end at December 31, 1996; the result is based on interim financial statements at December 31, 1995.

4) Parent company IVO Energy Limited.

5) The first financial year will end at December 31, 1996; the result is based on interim financial statements at December 31, 1995. Imatran Voima Oy's shareholding is 50% but, in accordance with the shareholder agreement, Imatran Voima is entitled to half the members of the Board of Directors and permanent chairmanship.

GROUP COMPANIES	Size of Group shareholding %	Size of parent company shareholding %	Group share of shareholders' equity ¹⁾ FIM 1,000	Number of shares	Nominal value FIM 1,000/ currency	Book value FIM 1,000	Profit+/loss- in the latest financial statements ²⁾ FIM 1,000
OTHER OPERATIONS							
Energistit Oy	90.4	90.4	8	705	14	0	0
Finervo Oy	100.0	100.0	12	15	15	15	- 3
Infrarödteknik AB, Sweden	100.0	100.0	5,247	25,000	SEK 2,500	21,000	858
IRT Finland Oy	100.0		732	-	100	82	449
Institutet för Materialutveckling AB, Sweden	100.0		-	500	SEK 50	32	-
IRT Prozesswärmetechnik GmbH, Germany	100.0		1,505	-	DEM 200	481	90
IRT France SARL, France	100.0		65	-	FRF 250	235	- 89
Voimayhtiö Oulujoki Oy	100.0	100.0	9	15	15	15	- 1
Lohjan Sähkö Oy - Lojo El Ab ⁶⁾	100.0	100.0	9,051	5,000	5,000	5,000	- 67,531
Tekivo Finance Oy	100.0	100.0	11	15	15	15	0
Telivo Ltd	100.0	100.0	20,338	5,000	5,000	8,000	4,993
Ve-Ki Oy	100.0	100.0	4,810	800	800	5,701	65
Vihdin Sähkö Oy ⁶⁾	98.9	79.9	121,052	42,748	4,275	106,382	72,456
Kiinteistö Oy IVOn Vanhakaupunki	100.0	100.0	71,367	1,600	16,000	64,000	741
Osakeyhtiö Malminkatu 16	100.0	100.0	10,937	1,600	160	115,780	672
Other housing and real estate companies			-	-	-	5,561	-

1) Includes shareholders' equity and voluntary reserves and accumulated depreciation difference reserve minus deferred tax provision.

2) Profit before reserves and tax minus direct tax and change in deferred tax provision.

6) Company business sold in October 1995.

SHAREHOLDINGS IN ASSOCIATED COMPANIES	Size of Group shareholding %	Size of parent company shareholding %	Group share of shareholders' equity ¹⁾ FIM 1,000	Number of shares	Nominal value FIM 1,000/ currency	Book value FIM 1,000	Profit+/loss-in the latest financial statements ²⁾ FIM 1,000	Date of financial statements/ length of financial year
POWER AND HEAT								
Baltic Power Ltd Estonia, Estonia	50.0	50.0	101	50	EEK 500	224	- 8	12.95 /12mths
Baltic Power Ltd Latvia, Latvia	50.0	50.0	141	50	USD 25	137	- 56	12.95 /12mths
Baltic Power Ltd Lithuania, Lithuania	50.0	50.0	111	50	LIT 100	135	6	12.95 /12mths
Helsingin Seudun Lämpövoima Oy	50.0	50.0	2,828	500	2,500	2,500	24	12.95 /12mths
Humber Power Ltd, England ³⁾	30.0		0	120,060	GBP 120	808	0	Mar 31, 95/6mths
Inerkol Oy	22.2	22.2	92	100	100	100	15	12.95 /12mths
Lahden Lämpövoima Oy	50.0	50.0	63,746	800	8,000	8,000	-13,994	12.95 /12mths
Lappeenrannan Lämpövoima Oy	50.0	50.0	28,211	1,800	18,000	18,000	- 2,909	12.95 /12mths
AO Leivo, Russia	50.0	50.0	0		RUR 550	44	100	12.95/12mths
Oy Lovlämpö - Lovvärme Ab	20.0	20.0	162	6	0	0	- 18	12.95 /12mths
Länsi-Suomen Polttoöljy Oy	22.2	22.2	274	1,200	120	932	0	May 31, 95/12mths
Nordisk Gaskraft Aktiebolag, Sweden	50.0	50.0	1,564	2,400	SEK 2,400	1,568	0	12.95 /12mths
Olkiluodon Vesi Oy	50.0	50.0	50	50	50	50	0	12.95 /12mths
Perusvoima Oy	50.0	50.0	29	3	30	30	- 3	12.95 /12mths
Posiva Oy	40.0	40.0	4,000	4,000	4,000	4,000		founded 10.95
Radtek Oy	30.0	30.0	629	30	30	900	- 904	12.95/17mths
Regional Power Generators Ltd, England ³⁾	25.0		18,005	2,500	GBP 3	20	36,880	Mar 31, 95/12mths
Finnish Peatlands Information Centre Ltd	50.0	50.0	3,183	60	3,000	2,508	349	12.95 /12mths
Finnish Power Balance Ltd	50.0	34.0	700	500	500	1,000	-	founded 12.95
Teollisuuden Voima Oy (Industrial Power Company)	26.6	26.6	452,274	189,877,285	189,877	741,166	187,388	12.95 /12mths
Turun Seudun Kaukolämpö Oy	50.0	50.0	929	1,000	1,000	1,000	0	12.95 /12mths
Vesivoimalaitosten Konehuolto Oy	50.0	43.8	88	2,000	50	50	0	12.95 /12mths
Winnington Combined Heat and Power Ltd, England ⁴⁾	33.3		-	1	0	0	-11,534	founded 4.95
						783,172		
ENGINEERING								
Finnish Barents Group Oy	50.0		52	100	100	100	- 96	Dec 31, 95/12mths
Seesjärvi Oy, Russia	42.0		590	3,360	RUR 33,600	606	- 40	Dec 31, 95/12mths
Transelectric Yemen Ltd, Yemen	49.0		-	-	-	0	-	Dec 31, 95/12mths
Unipole Orman Urünleri Ticaret AS, Turkey	33.1		330	90,552	TL 905,520	459	- 125	Dec 31, 95/12mths
						1,164		
OPERATION AND MAINTENANCE								
Etelä-Hämeen Kunnossapito Oy	30.0		614	1,500	150	150	644	Dec 31, 95/12mths
Kotkan Putkityö Oy	50.0		4,325	50	50	4,572	1,600	Feb 28, 95/12mths
						4,722		
ELECTRICITY DISTRIBUTION								
Koillis-Pohjan Sähkö Oy	25.0	25.0	10,415	10,890	109	109	- 9,021	12.95 /12mths
Suomen Sähköverkko Oy	33.6	33.6	45,718	21,059	21,059	44,856	2,548	12.95 /12mths
Tuusulanjärvi Energy Ltd	30.0	30.0	28,697	147,000	14,700	29,400	- 2,344	12.95/9mths
Uudenmaan Sähköverkko Oy ⁵⁾	50.0	50.0	9,311	500,000	5,000	10,000	- 1,379	founded 9.95
						84,365		
OTHER OPERATIONS								
EGlas Oy	24.5	24.5	2	490	245	245	- 532	12.95 /12mths
Haato-Varaajat Oy	35.0	35.0	0	1,085	1,085	513	- 1,847	Oct 31, 95/12mths
UVCC II Parallel Fund, L.P., USA	33.0	33.0	21,816	-	USD 4,832	19,619	2,290	12.94 /12mths
Shares in housing and real estate companies						17,887		
						38,264		
Share of associated companies' cumulative results						110,789		
Total of associated companies in the Group balance sheet						1,022,476		

1) Includes shareholders' equity and voluntary reserves and accumulated depreciation difference reserve minus deferred tax provision.

2) Profit before reserves and tax minus direct tax and change in deferred tax provision.

3) Merged with the Group by interim financial statements Jan 1 - Dec 31, 1995.

4) Merged with the Group by interim financial statements Apr 1 - Dec 31, 1995.

5) The first financial year will end at December 31, 1996; merged with the Group by interim financial statements Jan 1 - Dec 31, 1995.

<i>OTHER GROUP SHAREHOLDINGS</i>	Size of Group share-holding %	Size of parent company share-holding %	Number of shares	Nominal value FIM 1,000/ currency	Book value FIM 1,000
POWER AND HEAT					
The Cogeneration Public Company Limited, Thailand	11.1		29,645,000	NLG 19,566	53,908
Kemijoki Oy	17.2	17.2	393,002	39,300	71,261
Ab Korsnäs Vindkraftpark - Korsnäsins Tuulivoimapuisto Oy	8.0	8.0	1,100	550	550
Lenenergo, Russia	0.5	0.5	15,000	14	1,865
Mellansvensk Kraftgrupp AB, Sweden	3.8	3.8	2,888	SEK 2,888	105,888
Powertek Sdn Bhd, Malaysia	10.0		11,500,000	MYR 11,500	56,338
Oy Radiolinja Ab	0.1	0.1	62	305	305
					<u>290,115</u>
ENGINEERING					
Are Oy	10.7		80	10	4,500
Oy Datatie Ab	1.7	1.7	20	100	305
Envo Oy	10.0		120	1,200	6
Fintherm Praha AS, Czech Republic	12.0		432	CSK 4,320	872
					<u>5,683</u>
OPERATION AND MAINTENANCE					
Polartest Oy	15.0		750	188	386
					<u>386</u>
ELECTRICITY DISTRIBUTION					
Keuruun Sähkö Oy	8.2	8.2	410	4	3,416
Länsivoima Oy	6.2	6.2	401,722	4,017	55,377
					<u>58,793</u>
OTHER OPERATIONS					
Kiinteistösjointus Oy Citycon	9.7	9.7	947,700	9,477	4,738
Ekokem Oy Ab	0.1	0.1	16	32	32
Ety-Finance Oy	2.6	2.6	1,000	1,000	1,000
Haapavesi Science Park (Haapaveden Teknologiaakylä Oy)	0.7	0.7	20	20	20
Hadwaco Oy	8.0	8.0	160	160	656
Imatran Seudun Kehitysyhtiö Oy	0.0	0.0	6	60	60
Innopoli Oy	3.6	3.6	33,000	3,300	3,550
Kymmene Oy	1.1	1.1	907,151	18,143	35,947
Management Training Centre (Oy Liikkeenjohdon Koulutuskeskus Ab)	2.0	2.0	3	150	150
Merita Oy	0.0	0.0	23,649	236	233
Neste Oy	0.1	0.1	135,111	1,351	1,146
Oulu Technopolis Ltd (Oulun Teknologiaakylä Oy)	0.6	0.6	3,380	169	199
ZAO Peterpipe SP, Russia	7.0		175	RUR 1,750	2
Sampo Insurance Company Ltd	0.4	0.4	64,278	1,286	1,638
Suomen Imsveto Oy	8.8	2.9	6	60	54
Vihdin Yrityskeskus Oy	0.0	0.0	4	2	20
Housing and real estate companies					23,912
Shares and shareholdings in telephone companies					3,148
Other shares and shareholdings					<u>7,549</u>
					<u>84,054</u>
Other shares and shareholdings, and shares in other investments, total					439,031

KEY FIGURES SHOWING THE GROUP'S ECONOMIC DEVELOPMENT AND DEVELOPMENT OF THE RESULT PER SHARE IN 1991-1995

		1991	1992	1993	1994	1995
Scope of operations						
Turnover	FIM million	5,473	5,747	6,744	7,602	8,055
- change	%	2	5	15	11	6
Exports and operations outside Finland	FIM million	267	337	766	1,148	1,214
- of turnover	%	5	6	11	15	15
Capital employed at December 31	FIM million	11,388	12,486	12,558	12,104	12,251
Investments, gross	FIM million	1,425	1,030	1,432	643	878
- of turnover	%	26	18	21	8	11
Research and development expenses	FIM million	168	156	131	128	146
- of turnover	%	3	3	2	2	2
Average number of employees		5,770	5,731	5,556	5,458	5,650
Profitability						
Operating profit	FIM million	716	755	923	737	1,337
- of turnover	%	13	13	14	10	17
Profit before extraordinary items and tax	FIM million	408	137	284	347	1,129
- of turnover	%	7	2	4	5	14
Profit before tax	FIM million	421	131	401	681	1,180
- of turnover	%	8	2	6	9	15
Net profit	FIM million	266	84	149	230	671
- of turnover	%	5	1	2	3	8
Return on capital employed	%	7.8	7.6	8.7	6.8	12.5
Return on equity	%	4.3	1.4	2.4	3.5	9.4
Financing and economic position						
Liabilities	FIM million	6,673	7,765	7,953	7,206	6,922
Net interest-bearing liabilities	FIM million	3,931	4,508	4,622	3,711	2,697
- of turnover	%	72	78	69	49	33
Net financing expenses	FIM million	308	618	640	390	208
- of turnover	%	5.6	10.8	9.5	5.1	2.6
Net interest expenses	FIM million	236	301	380	344	256
- of turnover	%	4.3	5.2	5.6	4.5	3.2
Share capital	FIM million	912	912	912	912	912
Other shareholders' equity and minority interests	FIM million	5,334	5,312	5,482	5,915	6,572
Equity/total capital	%	43	41	40	44	47
Debt/equity	%	63	72	72	54	36
Cash flow from operations	FIM million	1,135	1,112	1,256	978	1,391
Cash flow from operating activities	FIM million	956	973	1,556	840	1,573
Cash flow before financing activities	FIM million	- 431	- 9	178	784	1,265
Dividends	FIM million	109	109	109	109	137¹⁾
Key figures per share						
Profit/share	FIM	2.92	1.01	1.65	2.49	7.28
Shareholders' equity/share	FIM	68.00	67.88	69.57	74.31	81.17
Dividend/share	FIM	1.20	1.20	1.20	1.20	1.50¹⁾
- dividend on the basis of the profit	%	41	119	73	48	21
Number of shares at December 31		91,188,742	91,188,742	91,188,742	91,188,742	91,188,742

¹⁾ Board of Directors' proposal to the Annual General Meeting

FORMULAE FOR KEY FIGURES

Capital employed	=	total assets less interest-free liabilities
Net profit	=	profit before extraordinary items less tax for the financial year, plus/minus change in imputed tax liability
Net interest-bearing liabilities	=	interest-bearing liabilities less interest-bearing current assets (monetary)

Cash flow from operations	}	The key figures have been calculated in the same way as in the cash flow statement
Cash flow from operating activities		
Cash flow before financing activities		

$$\text{Return on capital employed \%} = 100 \times \frac{\text{profit before extraordinary items plus interest and other financial expenses}}{\text{balance sheet total less interest-free liabilities (average for the year)}}$$

$$\text{Return on equity \%} = 100 \times \frac{\text{profit before extraordinary items less tax for the financial year, plus/minus change in imputed tax liability}}{\text{shareholders' equity plus minority interests (average for the year)}}$$

$$\text{Equity/total capital \%} = 100 \times \frac{\text{shareholders' equity plus minority interests}}{\text{balance sheet total less advance payments received}}$$

$$\text{Debt/equity \%} = 100 \times \frac{\text{net interest-bearing liabilities}}{\text{shareholders' equity plus minority interests}}$$

$$\text{Profit/share FIM} = \frac{\text{profit before extraordinary items plus/minus minority interests less tax for the financial year plus/minus change in deferred tax provision}}{\text{number of shares}}$$

$$\text{Shareholders' equity/ share FIM} = \frac{\text{shareholders' equity}}{\text{number of shares}}$$

$$\text{Dividend/share FIM} = \frac{\text{dividends distributed}}{\text{number of shares}}$$

REPORT OF THE AUDITOR

To the shareholders of Imatran Voima Oy

We have audited the accounts, the accounting records and the corporate governance of Imatran Voima Oy for the 1995 financial year. The accounts prepared by the Board of Directors and the President and CEO include, both for the Group and the parent company, a report on operations, a profit and loss account, a balance sheet and notes to the accounts. Based on our audit we express an opinion on these accounts and on corporate governance.

We have audited, in accordance with Finnish auditing standards, the accounting records, and the accounts, the disclosures and the presentation of information, including the accounting policies, in the accounts. The purpose of this audit is to obtain assurance about whether the accounts are free from material misstatements. The purpose of the audit of corporate governance is to examine that the Supervisory Board, the members of the Board of Directors and the President and CEO have legally complied with the rules of the Companies' Act.

In our opinion the accounts have been prepared in accordance with the regulations of the Accounting Act and other legislation and regulations relevant to the preparation of the accounts, and give a true and fair view of the parent company's and the Group's results from operations and financial position in accordance with such legislation and regulations. The profit of the parent company for the 1995 financial year is FIM 972,979,811.95 and the profit of the Group FIM 713,669,000.00. The accounts including the Group accounts may be approved, and the Supervisory Board, the members of the Board of Directors and the President and CEO of the parent company may be discharged from liability for the financial year examined by us. The proposal of the Board of Directors concerning the disposition of the unrestricted shareholders' equity according to the balance sheet is in accordance with the Companies' Act.

Helsinki, March 4, 1996

SVH Coopers & Lybrand Oy

Authorised Public Accountants

Pekka Kaasalainen

Authorised Public Accountant

STATEMENT OF THE SUPERVISORY BOARD

The Supervisory Board has examined Imatran Voima Oy's profit and loss account, balance sheets, notes to the financial statements, report on operations, the consolidated financial statements and the auditors' report. The Supervisory Board has no comments to make on these. The Supervisory Board recommends that the profit and loss account, the balance sheets, and the consolidated profit and loss account and balance sheets be adopted, and concurs with the Board of Directors' proposal for the allocation of profit.

The terms of office of Ilkka Kanerva, chairman of the Supervisory Board, and members Markku Autti, Mikael Ingberg and Risto Tuominen are due to expire.

Helsinki, March 7, 1996

Ilkka Kanerva
Markku Autti
Gunnar Graeffe
Elina Lehto
Risto Tuominen
Taisto Turunen

Mikko Rönholm
Rose-Marie Björkenheim
Mikael Ingberg
Ismo Partanen
Pekka Tuomisto
Esko Vainionpää

IVO GROUP

MANAGEMENT OF THE BUSINESS UNITS

POWER AND HEAT

IMATRAN VOIMA OY

Energy services, distributors
Rauno Kallonen

Energy services, industry
Teemu Järvenpää

Power supply
Kauko Montonen

Power and heat generation
Antti Autio

Strategy planning
Heikki Haavisto

Loviisa power plant
Jussi Helske

IVO Energy International
Risto Mäntynen

IVO ENERGI AB, Sweden

IVO ENERGY LIMITED, England
John Deane

IVO ENERGIEANLAGEN GMBH,
Germany
Matti Nikkanen, Pekka Vainikka

ENGINEERING

IVO INTERNATIONAL LTD

Jaakko J. Laine
Jorma Karppinen

AS ESTIVO, Estonia
Jüri Alasi

ETV-ERÖTERV RT., Hungary
Pal Zarándy, acting

AS LINJEBYGG, Norway
Bjarne Hammer

ELECTRIC RAILS LTD
Pekka Salo

TRANSELECTRIC AB, Sweden
Martin Dahlgren

TRANSMAST LTD
Heikki Miettinen

OPERATION AND MAINTENANCE

IVO GENERATION SERVICES LTD

Pekka Päättiläinen
Esa Lecklin

IH-KUNNOSSAPITO OY

Lars Klang

IVO GENERATION SERVICES (UK) LTD,

England
Pekka Österlund

LÄNSI-SUOMEN KÄYNNISSÄPITO OY

Jouko Latvakangas

MONTIVO KFT, Hungary

Tibor Gálos

GRID SERVICES

IVO TRANSMISSION SERVICES LTD

Timo Toivonen

ELECTRICITY DISTRIBUTION

UUDENMAAN ENERGIA OY

Jarmo Kurikka

ENERGY MEASUREMENT

ENERMET OY

Esa Pennanen

OTHER BUSINESS SECTORS

INFRARÖDTEKNIK AB, Sweden

Staffan Ekelund

TELIVO LTD

Seppo Summanen

BUSINESS SUPPORT

IMATRAN VOIMA OY

Research and development
Pekka Salminen

Environmental protection
Heikki Niininen

Corporate services
Eero Maijala

CORPORATE STAFF

IMATRAN VOIMA OY

Energy policy
Jouko Mikola

Personnel
Martti Talvitie

Legal affairs
Juhani Santaholma

Corporate planning
Jaakko Väisänen

Corporate treasury
Kaj Lindström

Internal auditing
Jarmo Uusitalo

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Jouko Nousiainen

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Antti Ruuskanen

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IVO INTERNATIONAL LTD

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