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ANNUAL
REPORT



LÄNSIVOIMA OY



This publication is a translation of Financial Statements originally prepared and published in Finnish.

The consolidated financial statements of Länsivoima Group have been prepared according to Finnish accounting standards. The accounting principles used are specified in the Notes to the Financial Statements.

1995



ANNUAL REPORT



LÄNSIVOIMA OY

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Information for shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of Länsivoima Oy was held on Thursday, March 21, 1996, at the Rantasipi Hotel in Turku.

Financial information

Länsivoima will publish two interim reports in 1996:

June 17, 1996	January 1-April 30, 1996
October 21, 1996	January 1-August 31, 1996

Reports can be ordered from the following address:
Länsivoima Oy, PO Box 23, FIN-21531 Paimio, Finland
or by telephone at + 358-21-474 701

ABBREVIATIONS

Energy and power

1 TW(h)	terawatt (hour)	=	1,000,000,000 kW(h)
1 GW(h)	gigawatt (hour)	=	1,000,000 kW(h)
1 MW(h)	megawatt (hour)	=	1,000 kW(h)

I = current, unit A = ampere

U = potential, unit V = volt



REVIEW BY THE MANAGING DIRECTOR



1995 - A Year of Change

Significant changes took place during the past year in the Länsivoima Group; operations were expanded through three key acquisitions. At the end of January the City of Hanko's electrical utility was acquired, in April the majority holding in Jyllinkosken Sähkö Oy was acquired and in December a large number of high-voltage transmission networks were acquired in the Satakunta and Pirkanmaa regions. In conjunction with the network acquisitions, Länsivoima and Pohjolan Voima agreed to combine the know-how in building and upkeep of different networks and electric substations into a joint contracting company that will commence operations in spring 1996.

The merger of Jyllinkosken Sähkö Oy with the Länsivoima Group was a strategically significant step; it increased the proportion of the total electricity need met by Länsivoima's own productivity and by the associated companies from one per cent into nearly 25 per cent. Measured in annual electricity sales, the volume of operations, together with electricity distribution in the Hanko region, increased by some 40 per cent to three billion kilowatt hours.

Group operations concentrated on core areas - acquisition of electricity, supply and distributions business. Combining technical network resources and competence will provide the contracting company owned together with Teollisuuden Voimansiirto Oy, which is part of Pohjolan Voima Group, with adequate volume and good prospects for competing successfully.

As Group operations have also expanded rapidly into a wider area in Western Finland, it was considered necessary to find a name for the Group that would reflect the new situation more accurately. At the beginning of September, the name of the Parent Company was changed to Länsivoima Oy and that of the Group to Länsivoima Group.

Financial performance constant

Consolidated net profit reached the level of the previous year and can be regarded as satisfactory, considering that the financial results of Jyllinkosken Sähkö

Oy in the consolidated financial statements are for eight months and those of Hanerga Oy are for eleven. Financial performance was affected adversely by unusually warm periods at the beginning of 1995 and in the autumn, which significantly reduced sales of electricity. Moreover, it must also be noted that the results include compensation paid on the basis of a court ruling on environmental protection of the River Kyrönjoki legislation, which contributed approximately FIM 10 million to the net profit. Both the net profit and the return on capital are expected to grow in 1996.

Challenges in 1996

The Electricity Markets Act, which took effect at the beginning of June, and deregulation of electricity transmission for customers whose power demand is more than 500 kW, which took effect on November 1, 1995, introduced competition to the electricity sector.

Preparations for the advent of competition were made by the Group in good time. Group electricity acquisition and competitive bidding for major customers were concentrated in the Parent Company. Regional sales of electricity, customer service and electricity distribution were handled by efficient regional subsidiaries. The internal division of responsibility was further specified by delegating the Group's responsibility for the electricity trade and network operations to the deputy managing directors.

A good start was made in 1996. Favourable conditions in early winter - a crucial period for the entire year's financial results - together with a good rate of electricity consumption by industry have increased electricity sales during the first two months by a good 17 per cent on the comparable figures for the previous financial year. Rapid change in the structure of acquisition and successful optimization of purchasing have had a positive effect on the acquisition costs of electricity.

Competition on the Finnish electricity market made a slow start. Many large-scale electricity consumers requested bids from several sellers, although to date there has not been any significant switching of suppliers. Experience in similar situations abroad suggests that

despite the cautious beginning, major changes on the electricity market are likely before the end of the year. Länsivoima's market share has been increasing gradually.

Competition in electricity sales will expand at the beginning of 1997. When the 500 kW limit stipulated by the Electricity Markets Act is removed, all users of electricity will be able to buy the energy they need from the supplier of their choice. Länsivoima's main objective is to ensure that it prospers as the competition intensifies.

Rapid growth in the volume of operations and regional expansion provide opportunities to achieve significant benefits and cost savings in both network operations and the electricity trade. Measures aiming at more effective use of expertise and competence in the units will be continued during the current year.

Strategy

Structural change is expected to continue during the next few years. The new competitive situation poses a considerable challenge to electric companies and owners should also be

involved in meeting them. Länsivoima seeks a presence in efforts which will strengthen the market position and potential of the Group and which are expected to benefit owners and customers alike.

Rapid change in the competition situation on both the electricity acquisition and sales markets has demonstrated the positive effects of our own energy generation. Länsivoima is prepared for any increase in its share of power generation. Its natural partners in this respect are the affiliated companies Kymppivoima Oy and Etelä-Pohjanmaa Voima Oy.

Operations as a listed company

Länsivoima seeks to be a good, long-term investment for both present shareholders and new investors. The proposal by the Board of Directors for a dividend of FIM 2.80 is consistent with the previous years' policy of conforming to financial performance.

Growth in share prices and in corporate worth will permit use of a growing range of instruments in meeting any future financial needs.

I would like to express my gratitude to our customers and suppliers for their part in our successful working relationship and to our owners for their commitment in developing Länsivoima and securing its future. I would also like to thank personnel for their professional input, which has been essential to the implementation of structural change and the resulting adjustments during the past year.

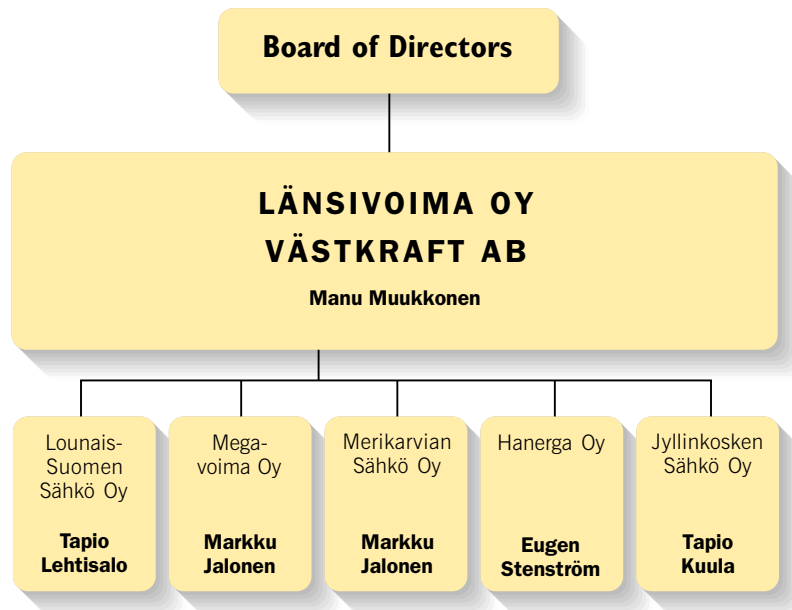
With the help of these constituencies, we have reached a point from which future Group-level achievement will be possible.

Paimio, February 29, 1996



Manu Muukkonen
Managing Director

CORPORATE STRUCTURE OF LÄNSIVOIMA GROUP



GROUP MANAGEMENT IN LÄNSIVOIMA



FINANCIAL TRENDS AND KEY FIGURES

LÄNSIVOIMA GROUP (FIM 1000)

	1991	1992	1993	1994	1995
Turnover	448 074	501 167	584 891	685 038	922 596
Operating Profit	49 688	65 110	85 580	91 286	105 799
Operating Profit, % of turnover	11.1 %	13.0 %	14.6 %	13.3 %	11.5 %
Profit before extraordinary items, reserves and taxes	45 849	60 655	79 988	87 033	90 007
Profit before extraordinary items, reserves and taxes, % of turnover	10.2 %	12.1 %	13.7 %	12.7 %	9.8 %
Profit before reserves and taxes	45 849	54 783	42 160	87 033	90 007
Profit before reserves and taxes, % of turnover	10.2 %	10.9 %	7.2 %	12.7 %	9.8 %
Return on equity, %	10.5 %	11.8 %	13.5 %	12.7 %	9.1 %
Return on investment, %	11.3 %	13.2 %	13.6 %	12.1 %	10.4 %
Equity ratio	42.3 %	44.4 %	39.9 %	44.8 %	41.9 %
Gross investment	144 893	108 382	372 193	244 525	760 543
Gross investment, % of turnover	32.3 %	21.6 %	63.6 %	35.7 %	82.4 %
Balance sheet total	1 010 397	1 063 444	1 351 693	1 528 598	2 325 793
Number of personnel	436	428	487	474	673

CONSOLIDATED TURNOVER AND OPERATING PROFIT 1994 AND 1995

(FIM million)

	1995		1994	
	Turnover	Operating profit	Turnover	Operating profit
Länsivoima Oy	586.6	75.2	527.6	87.4
Lounais-Suomen Sähkö Oy ¹⁾	228.5	14.8		
Paimionjoki Oy ²⁾	152.7	31.4		
Megavoima Oy	134.8	-0.6	119.4	2.3
Hanerga Oy ³⁾	36.1	0.7		
Merikarvian Sähkö Oy	11.8	2.4	10.9	2.4
Verkonrakennus Oy	44.5	1.1	43.3	0.8
Lounais-Suomen Lämpö Oy	0.1		0.1	
Total	1 195.1	125.0	701.3	92.9
Group eliminations	-272.5	-19.2	-16.3	-1.6
Total	922.6	105.8	685.0	91.3

1) Aug. 14 - Dec. 31, 1995

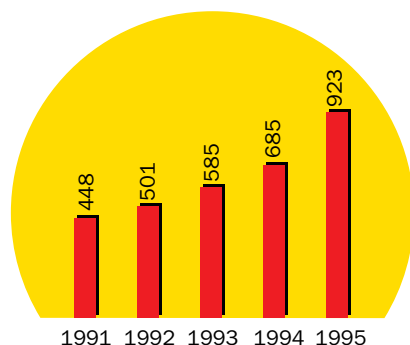
2) The former Jyllinkosken Sähkö Oy, included in the consolidated figures from May 1 to Dec. 31, 1995.

3) Feb. 1 to Dec. 31, 1995

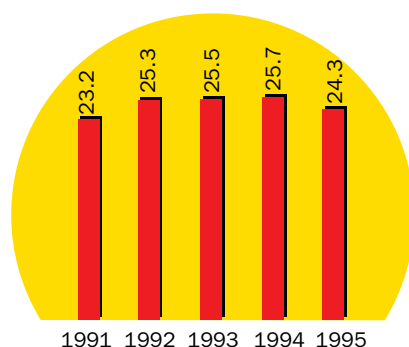


REPORT BY THE BOARD OF DIRECTORS

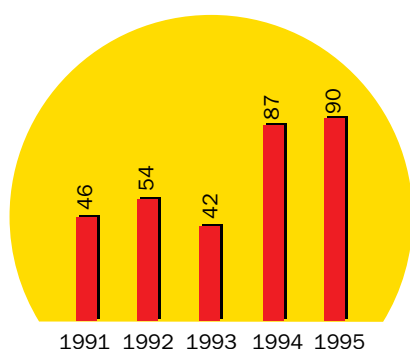
**Consolidated turnover in 1991–1995,
FIM mill.**



Consolidated operating margin, %, in 1991–1995



Consolidated profit before appropriations and taxes, FIM mill.



Significant change in the operating environment during the past financial year

Enactment of the Electricity Markets Act meant essential changes in electricity sales and network operations. The Act took effect on June 1, 1995. For the sector, the key change was the deregulation of sales for customers with power needs of 500 kilowatts or more. Electricity sales will probably be completely deregulated on January 1, 1997, when the above limit is removed.

Significant changes also took place in the structures of the sector. Länsivoima acquired the electricity sales and transmission network operations of the Hanko region, Jyllinkosken Sähkö Oy in Western Finland and the 110 kV regional transmission network in the Satakunta and Pirkanmaa regions.

The structure and operating mode of the Länsivoima Group were adapted to the changes in the environment. Group operations are now clearly divided into network, energy, and financial and personnel management. Conventional sales of electricity on the local level and network operations are handled by efficient regional subsidiaries and competitive bidding by the Parent Company. All Group electricity acquisition is concentrated in the Parent Company. A concerted effort will be made to strengthen resources for sales and marketing.

The financial year

The Group's financial year is the calendar year.

Changes in the corporate structure

The name of the Parent Company, Lounais-Suomen Sähkö Oy, was changed to Länsivoima Oy in accordance with the decision of the Extraordinary General Meeting on May 22, 1995. The sales and distribution of Länsivoima Oy were transferred to Lounais-Suomen Sähkö Oy, a new subsidiary wholly owned by Länsivoima Oy that commenced operations at the same time. Within the Group, the division of labour was altered so that on January 1, 1996 Länsivoima Oy took responsible for Group electricity purchases and sales to markets outside the Group's distribution area and for

major customers seeking individual contracts in the Group's operating area. As a rule, the Parent Company owns the Group's network. Subsidiaries engaged in network operations lease the networks in their area.

Group sales and network operations were expanded three times during the financial year. At the end of January, Länsivoima Oy acquired the electricity sales and network operations in the Hanko region. The seller was the City of Hanko. The business operations acquired were transferred immediately after the transaction to Hanerga Oy, founded to continue operations and wholly owned by Länsivoima Oy.

On April 26, Länsivoima Oy acquired a majority holding in Jyllinkosken Sähkö Oy through four separate transactions. The sellers were the Cities of Kurikka and Närpiö, the Municipality of Kauhajoki and Etelä-Pohjanmaan Alueverkko Oy. In accordance with section 11 of the articles of association of Jyllinkosken Sähkö Oy, Länsivoima Oy incurred the obligation to redeem the shares whose redemption was demanded by a shareholder of Jyllinkosken Sähkö Oy. When the deadline for redemption expired on June 27, 1995, Länsivoima Oy owned 94% of the shares and votes of Jyllinkosken Sähkö Oy. Since its holding exceeded the 2/3 limit, Länsivoima Oy made a public bid, as specified by the Securities Marketing Act, on June 29, 1995 to the shareholders of Jyllinkosken Sähkö Oy. The deadline for the bid was December 15, 1995.

The merger of Jyllinkosken Sähkö Oy with Länsivoima Oy was decided at an Extraordinary General Meeting Länsivoima Oy on July 21, 1995 and at an Extraordinary General meeting of Jyllinkosken Sähkö Oy on July 24, 1995. The name of the company was changed at a meeting of shareholders on December 14, 1995 to Paimionjoki Oy. The merger was entered in the trade register on December 29, 1995. A new wholly owned subsidiary, Jyllinkosken Sähkö Oy, was founded for Länsivoima Oy, and the electricity sales and distribution of the merged company were transferred to it. The company was entered in the trade register on December 29, 1995.

In December, Länsivoima Oy acquired a regional transmission network of approximately 440 kilometres, mainly 110 kV, including the electric stations and switching substation, from companies in the Pohjolan Voima Group. The lines acquired are in Satakunta and Pirkanmaa and will strengthen the Group's regional network operations. Title to the network was transferred to Länsivoima Oy on December 29, 1995.

Co-operation between companies in the Länsivoima Group and Pohjolan Voima was established at the same time as the regional network transaction. According to the agreement, the construction and maintenance know-how for the electrical power systems of both groups were combined in a company owned on a 50/50 basis. The agreement provides for Länsivoima Oy to sell its shares in Verkonrakennus Oy to TVS Tekniikka Oy and for Teollisuuden Voima-siirto Oy to sell its 50% holding in TVS Tekniikka Oy to Länsivoima Oy. The transactions were completed on January 31, 1996. The operations of TVS Tekniikka Oy and Verkonrakennus Oy are to be combined under joint management on March 1, 1996. The electric station groups of the companies belonging to the Länsivoima Group will be transferred to TVS Tekniikka Oy at the same time. TVS Tekniikka Oy was previously responsible for the construction and maintenance of the networks of the Pohjolan Voima companies. The name of the company will be changed to reflect the new situation.

In conjunction with these arrangements, ABB Installaatiot Oy sold its 35% holding in Verkonrakennus Oy to Länsivoima Oy. Verkonrakennus Oy became a wholly owned subsidiary of Länsivoima Oy.

Kymppivoima Oy became an associated company of the Länsivoima Group after Länsivoima Oy had acquired a majority of Jyllinkosken Sähkö Oy.

Rapid expansion of the Group and changes in the Group structure hamper comparison of the consolidated income statement and balance sheet. Sales of electricity and network operations in the Hanko region are included in the income statement from February 1, 1995 and sales of electricity and network operations of Jyllinkosken Sähkö Oy as

of May 1, 1995, both in proportion to the holding. The regional network sale concluded with the Pohjolan Voima companies at the end of the financial year was too late to have an impact on the results for the financial year. However, the arrangements explained above were taken into account in the consolidated balance sheet as realized.

Changes in the Group's internal division of business operations as of September 1, 1995 hamper comparison of the income statements for 1994 and 1995 of the Parent Company.

Turnover and financial performance

Financial performance was adversely affected by temperatures in January, February, March and October which were above both those of the previous year and also the long-term means. Cold spells in November and December were unable to offset the lag in sales that occurred in the early part of the year. Corrected for the temperature changes, the growth in electricity purchases from the previous year does, however, indicate that industrial consumption of electricity is still on the rise.

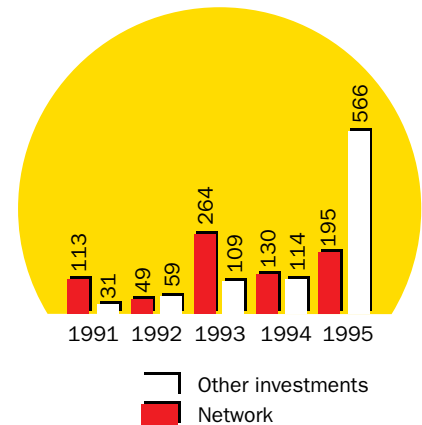
Compensation of FIM 13.6 million related to an environmental protection ruling on the River Kyrönjoki was credited to the financial results for the merged company Paimionjoki Oy. The ruling is based on section 5 of the act on the protection of the River Kyrönjoki. Capitalized expenditure of FIM 2.9 million for planning of hydro power generation was deducted as part of operating costs.

Consolidated turnover amounted to FIM 922.6 million. The growth from the FIM 685.0 million of the previous year was FIM 237.6 million (34.7%). Most of the consolidated turnover (94.1%) came from sales of electricity.

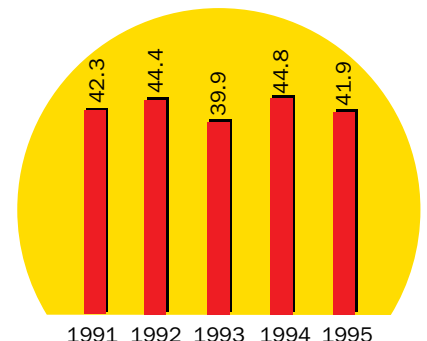
The consolidated operating margin was FIM 224.1 million or a good FIM 47.8 million more than that of the previous financial year. The operating margin percentage of 24.3% was 1.4 percentage points smaller than that of the previous financial year.

The consolidated net profit before extraordinary items, reserves and taxes was FIM 90.0 million. The net profit increased from the FIM 87.1 million of the previous year by FIM 2.9 million.

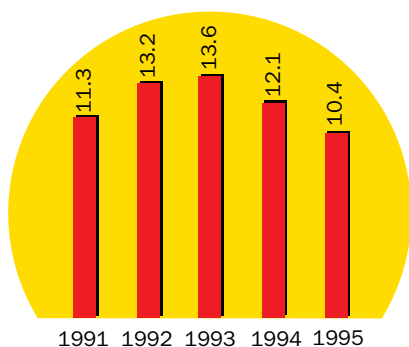
Consolidated investments in 1991–1995, FIM mill.



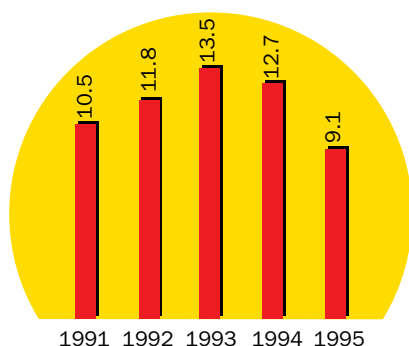
Consolidated equity ratio, %



Consolidated ROI, %, 1991–1995



Return on equity ROE, %



Länsivoima Oy's turnover for the 1995 financial year was FIM 586.6 million. Growth on the FIM 527.6 million turnover of the previous financial year was FIM 59.0 million (11.2%). The company's operating margin decreased to FIM 163.1 million from the FIM 168.7 million of the previous financial year and the profit before reserves and taxes increased to FIM 75.3 million from the FIM 87.5 million of the previous year.

Investments

Company acquisitions and expansion projects accounted for FIM 625.7 million out of investments totalling FIM 760.5 million. During the year electricity distribution in the Hanko area, the shares of Jyllinkosken Sähkö Oy, and a significant number of regional networks in the Satakunta and Pirkanmaa regions were acquired. These investments, which are large compared with the size of the company, have essentially increased the Group's self-sufficiency in electricity acquisition and expanded its network operations. Investment in regional networks will significantly expand and strengthen the Group's transmission operations.

Expenditure on renovation and expansion of the distribution network owned by the Group amounted to FIM 94.9 million. The most important projects were the Nakola substation completed in Salo and the Varila substation in Vammala. The combined value of these projects was FIM 12.4 million. Purchase and renovation of the Hanko facilities and expansion and modernization of the Raisio facilities accounted for a total of FIM 6.1 million, all of which was covered by transition reserves.

Kymppivoima Oy increased its share capital during the financial year. The funds obtained with the increase were used by the company to acquire shares in power production. Länsivoima Oy and Jyllinkosken Sähkö Oy subscribed a total of FIM 31.0 million of the increase, in proportion to their holdings. The shares of Kymppivoima Oy owned by Paimionjoki Oy (the former Jyllinkosken Sähkö Oy) were transferred to Länsivoima Oy in the merger.

Financing

Consolidated income financing of FIM 262.1 million increased by FIM 65.1 million from the FIM 197 million of the previous year. The group was able to finance normal maintenance and expansion of the Group's transmission and distribution network, payment of a dividend and repayment of loans in accordance with amortization schedules by income financing and new connection charges. Two directed share issues were effected to finance company acquisitions; they increased the company's equity by FIM 136.0 million and yielded FIM 250.0 million in new liabilities. Repayments of existing loans totalling FIM 57.8 million were made in accordance with amortization schedules.

The increase in interest-bearing liabilities and reductions in investments increased the consolidated net financial expenses from the FIM 4.2 million of the previous year to FIM 15.8 million. Growth was curbed by the general decline in interest rates during the financial year.

The consolidated equity ratio at year end was 41.9%. The equity ratio declined by 2.9 percentage points from that of the previous financial statements.

Personnel

The Group employed 660 persons on average during the 1995 financial year compared with 500 on average during the previous financial year. Länsivoima Oy employed an average of 275 persons during the 1995 financial year and an average of 370 during the 1994 financial year.

The Group had 673 permanent, full-time employees at the end of the financial year, 84 in the Parent Company and 589 in the subsidiaries. The Group had 37 part-time and temporary employees at the end of the year.

Accrued salaries for Group staff totalled FIM 104.7 million (76.9 million in the 1994 financial year), of which FIM 3.4 million (1994 FIM 2.1 million) were paid to members of the Boards of Directors, managing directors and deputy managing directors of Länsivoima Oy and the subsidiaries. Accrued salaries for Parent Company staff amounted to FIM 44.0 million (FIM 57.3 million) of which FIM 1.4 million (FIM 1.2 million) were paid to the Board of Directors, the

managing director and the deputy managing directors. Accrued salaries for Group staff rose by FIM 27.8 million from the FIM 76.9 million of the previous financial year and those of the Parent Company declined by FIM 13.3 million from FIM 57.3 million.

Litigation

Litigation initiated by Jyllinkosken Sähkö Oy and continued by Länsivoima Oy regarding the right to compensation connected with the special legislation for the protection of the River Kyrönjoki enacted in 1991 is under way in the Helsinki Court of Appeal. In 1974 the merged Paimionjoki Oy (the former Jyllinkosken Sähkö Oy) and the Finnish State concluded an agreement dividing responsibility concerning flood control on the River Kyrönjoki. This legislation, however, prevented implementation of power plant projects at Kirkkokoski and Kylänpää, Ylistaro. Both had been planned for a considerable period. Because of the legislation, Länsivoima Oy has demanded some FIM 165 million in compensation from the Finnish State for unilateral breach of contract. The Helsinki District Court rejected most of the claims made and since September 1994, the case has been before the Helsinki Court of Appeal.

On January 11, 1996, the Helsinki Court of Appeal ruled in a dispute between ABB Asea Skandia Oy and Länsivoima Oy concerning compensation to Länsivoima Oy for damage caused by the Spirelec insulators used in high-voltage lines. ABB Asea Skandia Oy was required to pay FIM 4.5 million in damages with 16% interest accumulating since December 28, 1992. The compensation was not included in the 1995 financial statement. Appeal to the Supreme Court will depend on its permission.

In January 1995 Länsivoima Oy requested permission to appeal a Provincial Court ruling decision concerning treatment of connection charges in calculating the amount of a tax-deductible merger loss.

Arbitration of a dispute between Länsivoima Oy and Vattenfall Ab concerning the amount of compensation to be paid to Vattenfall Ab in the redemption of Jyllinkosken Sähkö Oy

shares is underway. In its claim, Vattenfall Ab is demanding payment of an additional FIM 49.7 million for 584,271 Jyllinkosken Sähkö Oy shares owned by Vattenfall Ab and already redeemed by Länsivoima Oy. In announcing its acquisition of Jyllinkosken Sähkö Oy shares and in fulfilling its redemption obligation in accordance with the articles of association of Jyllinkosken Sähkö Oy, Länsivoima Oy has acted in accordance with the articles of association, the Companies Act and the Securities Market Act. Vattenfall Ab has been paid the redemption price required by the Jyllinkosken Sähkö Oy articles of association as have the other shareholders transferring their shares.

Prospects

In accordance with decisions made during the past financial year, the Group will focus more intensely on electricity sales and network operations. By concentrating our technical network expertise in a company owned jointly with the Pohjolan Voima companies, we will achieve an obvious competitive advantage in a narrow segment, where capacity for competitive bidding is crucial. Outsourcing and enhancement of network expertise combined with efficient use of growing resources will provide an advantage to Länsivoima Oy in the future, too.

Increasing the Group's self-sufficiency in electricity acquisition during the financial year from approximately one per cent to nearly 25% of the Group's total acquisition will provide new operational scope for the energy business. Expansion of regional network operations to Satakunta and Pirkanmaa will strengthen the Group's position in this sector.

A controlled response was made to the partial opening of the electricity market to competition during the financial year. Changes made in the Group structure and division of labour and enhancement of resources in the energy business provide a good foundation for the current financial year. The final deregulation of the electricity market will take place on January 1, 1997, when the 500 kW power limit in the Electricity Markets Act will be removed. From then on all consumers of electricity may choose their electricity supplier. Measurement of electricity

sales, which is considered a technical barrier to the electricity market, must be resolved before the end of the year. Preparation for changes in the competitive situation will have priority in Länsivoima operations during the financial year.

Reorganization of electricity sales and network operations continues. The Länsivoima Group is in a good position to play an active role in structural change in the electricity distribution sector. However, the measures carried out must strengthen the Group's operating conditions if participation is to take place. The Group's other strategic aim is to participate in power generation. This aspect of strategy will be realized either primarily by participating in the generation projects of Kymppivoima Oy and Etelä-Pohjanmaan Voima Oy or by acquiring holdings for the Group.

Consolidated turnover may increase during the 1996 financial year to a good FIM 1 billion and the net profit after reserves and taxes is expected to increase from the previous year. Länsivoima Oy's largest shareholder and affiliate, Suomen Sähköverkko Oy, was wound up in February. Shares in Länsivoima Oy owned by the company and other assets were divided among Suomen Sähköverkko Oy's owners. Länsivoima Oy obtained possession of 173,980 (2.67%) of its own shares. The effect of the winding up of Suomen Sähköverkko Oy on the net profit of the Länsivoima Group is negligible.

Share capital, shareholders and directors' interests

Share capital and shares

In accordance with Länsivoima Oy's articles of association, the minimum share capital is FIM 30,000,000 and the maximum FIM 120,000,000, within which limits the share capital can be increased or decreased without amending the articles of association. The regulations of the articles of association concerning the minimum and maximum capital were amended at the Extraordinary General Meeting held on May 22, 1995.

The nominal value of a share is FIM 10.

All shares are of the same type and carry equal entitlements.



The company's share capital entered in the trade register on December 31, 1995 amounted to FIM 65,248,380 and the number of shares was 6,524,838. All shares carry the same dividend entitlement for the 1995 financial year.

Company shares were transferred to the book-entry system on November 19, 1993.

Share quotation

Länsivoima Oy shares are quoted on the Helsinki Stock Exchange. The trading volume from January 1 to December 29, 1995 was 999,861 (16.1% of the company's shares after adjustment of the effects of the bonus issue). At their lowest, share issue-adjusted prices were FIM 115 per share and at their highest FIM 155.50. The trading price on December 29, 1995 was FIM 143.

Directors' interests

Members of Boards of Directors, managing directors and deputy managing directors of Länsivoima Oy and its subsidiaries owned a total of 8,716 (0.13%) company shares. Conversion rights under the terms of the convertible bond issued in 1994 carry the entitlement to subscribe a maximum of 4,516 new shares in Länsivoima Oy.

Convertible bond

In spring 1994, Länsivoima Oy issued a convertible bond with a nominal value of FIM 100.0 million. In conjunction with the rights issue carried out in December 1995, the Board of Directors of Länsivoima Oy amended the terms of the convertible bond so that a promissory note with a nominal value of FIM 1,000 can be converted annually during the conversion period into 4,516 Länsivoima Oy shares. Prior to the amendment, one promissory note could be exchanged for 2,258 Länsivoima Oy shares. The amendment to the terms is based on subparagraph 14 of the terms of the convertible bond. The number of shares can be increased by a maximum of 451,612, which is the equivalent of 6.9 per cent of the number of shares entered in the trade register on December 31, 1995.

The maturity of the convertible bond is seven years and the interest 7.425 per cent per annum. The conversion period is from January 2 to May 31 annually and from January 1 to March 21 in 2001. New shares entitle holders to their first dividend for the financial year in which the conversion takes place. No promissory notes had been exchanged for shares of Länsivoima Oy by February 29, 1996.

Share issues and the authority to allot shares

The Board of Directors carried out a share issue to the City of Hanko on January 31, 1995 on the basis of authorization granted by the Annual General Meeting on April 28, 1994. In the share issue the City of Hanko was offered 36,450 shares at a subscription price of FIM 301.04 per share. The shares issued amounted to 1.3% of the share capital after the issue. The share issue was used to pay FIM 11 million of the price of the electricity utility acquired from the City of Hanko. The share issue was entered in the trade register on February 15, 1995.

A total of 318,232 shares of the 400,000 included in the authorization were not issued.

The Länsivoima Oy Annual General Meeting held on March 29, 1995 authorized the Board of Directors to raise the company share capital. In accordance with the authorization, the Board of Directors can, within one year of the entry of the authorization in the trade register, decide to increase the share capital with a rights issue and/or convertible bond and/or warrant bond in one or more instalments, however, so that the share capital can be increased by a maximum of FIM 5,000,000 on the basis of a rights issue, convertible bonds or warrant bonds so that the Board of Directors can, at the subscription prices it has set or on other terms determined by it, offer a maximum of 500,000 new shares with a nominal value of ten (10) marks. An exception can be made to shareholders' pre-emption subscription rights to facilitate the use of various financing options in conjunction with company acquisitions. The Board of Directors was also authorized to decide on an increase in the share capital

against property given as subscription in kind or otherwise on certain terms.

The share issue authorization will be in effect for one year after its entry in the trade register. The authorization was entered in the trade register on April 5, 1995.

The Board of Directors exercised its entire authorization on April 27, 1995 in an issue of 500,000 shares to the Cities of Kurikka and Närpiö and the Municipality of Kauhajoki. The subscription price of a share was FIM 250.0 and the shares issued amounted to 13.7% of the share capital after the issue. The increase in share capital was entered in the trade register on May 10, 1995. Acquisition of Jyllinkosken Sähkö Oy shares was financed with FIM 125.0 million of the issue.

Both issues were effected in the manner approved by the Annual General Meeting for the financing of company acquisitions through an exception to the shareholders' pre-emptive subscription rights. In the issue directed to the City of Hanko, the price was the weighted average price of shares traded on the Helsinki Stock Exchange on the ten trading days preceding the issue. Pricing of the issue to the Cities of Kurikka and Närpiö and the Municipality of Kauhajoki was based on the public quotations for shares of Jyllinkosken Sähkö Oy and Länsivoima Oy immediately before the transactions and directed issue with Jyllinkosken Sähkö Oy shares and on the talks held.

The extraordinary meeting of Länsivoima Oy shareholders held on December 8, 1995 decided on a bonus issue in which one new share with a nominal value of FIM 10 could be acquired with one old share. The purpose of the issue was to bring the share capital into line with the substantial increase in the balance sheet that occurred during the financial year and to increase trading in the share. The bonus issue was entered in the trade register on December 14, 1995.

The shares carry entitlement to a full dividend for the 1995 financial year.

The company has not made, nor is it aware of, any shareholder commitments referring to company shares or other commitments concerning company ownership or voting rights.

Key share figures

	1991	1992	1993	1994	1995
Adjusted earnings per share, FIM	8.95	12.39	11.79	14.58	12.19
Equity per share, FIM	88.35	97.39	102.87	127.87	156.93
Share issue-adjusted dividend per share, FIM	1.20	1.34	1.58	1.90	2.94
Dividend per earnings, %	13.4 %	10.8 %	13.4 %	11.9 %	20.3 %
Effective dividend yield, %	1.8 %	2.1 %	1.0 %	1.3 %	2.0 %
Price per earnings	7.5	5.2	12.8	9.8	11.7
Trend in share price, FIM					
- minimum	67.18	45.59	61.91	132.50	115.00
- maximum	81.58	68.62	167.96	206.35	155.50
Share capital market value, FIM million	371.0	324.6	308.4	776.5	933.1
Trend in shares traded					
- number of shares	24 430	303 174	864 944	875 916	999 861
- per cent	0.5 %	6.3 %	17.2 %	16.5 %	16.1 %
Adjusted number of shares, end of financial year	4 832 578	4 832 539	5 023 094	5 448 852	6 524 838
Adjusted average number of shares, end of financial year	4 832 538	4 832 538	5 027 582	5 318 974	6 203 762

The market value of the company's share capital was FIM 933.1 million on December 31, 1995.

The key figures were calculated as required by the Financial Supervision Authority.

Increases in share capital

	Terms of subscription	Subscription price	New shares	Share capital after increase
1990 Directed issue (Varsinais-Suomen Sähkö Oy shareholders)	1:20	325	7 820	23 122 860
1990 Directed issue (Halikon Sähkö Oy shareholders)	1:5	260	6 705	23 189 910
1993 Directed issue (Oy Terrasilvana Ab shareholders)	k 7:4 e 5:2	306 306	78 489	23 974 800
1993 Directed issue (Vihdin Sähkö Oy shareholders)	1:7	306	15 106	24 125 860
1994 Rights issue	9:1	230	268 065	26 806 510
1994 Directed issue (Oy Nokia Ab)	1:6	296.97	43 775	27 244 260
1995 Directed issue (Leppäkosken Sähkö Oy, Vakka-Suomen Voima Oy and Sallilan Sähkö Oy shareholders)		270	1 453	27 258 790
1995 Directed issue (City of Hanko)		301.04	36 540	27 624 190
1995 Directed issue (Cities of Kurikka and Närpiö, Municipality of Kauhajoki)	1:1	250	500 000	32 624 190
1995 Bonus issue	1:1		3 262 419	65 248 380

According to the book-entry securities register, the company had 3998 shareholders on December 29, 1995.

Ownership according to the book-entry securities register was as follows:

Group	1-100	101-1 000	1 001-10 000	10 001-
Number of shareholders	1 625	1 812	493	68
Shareholders, %	40.65	45.32	12.33	1.70
Number of shares	67 960	659 716	1 207 948	4 516 216
Shares, %	1.04	10.11	18.51	69.21

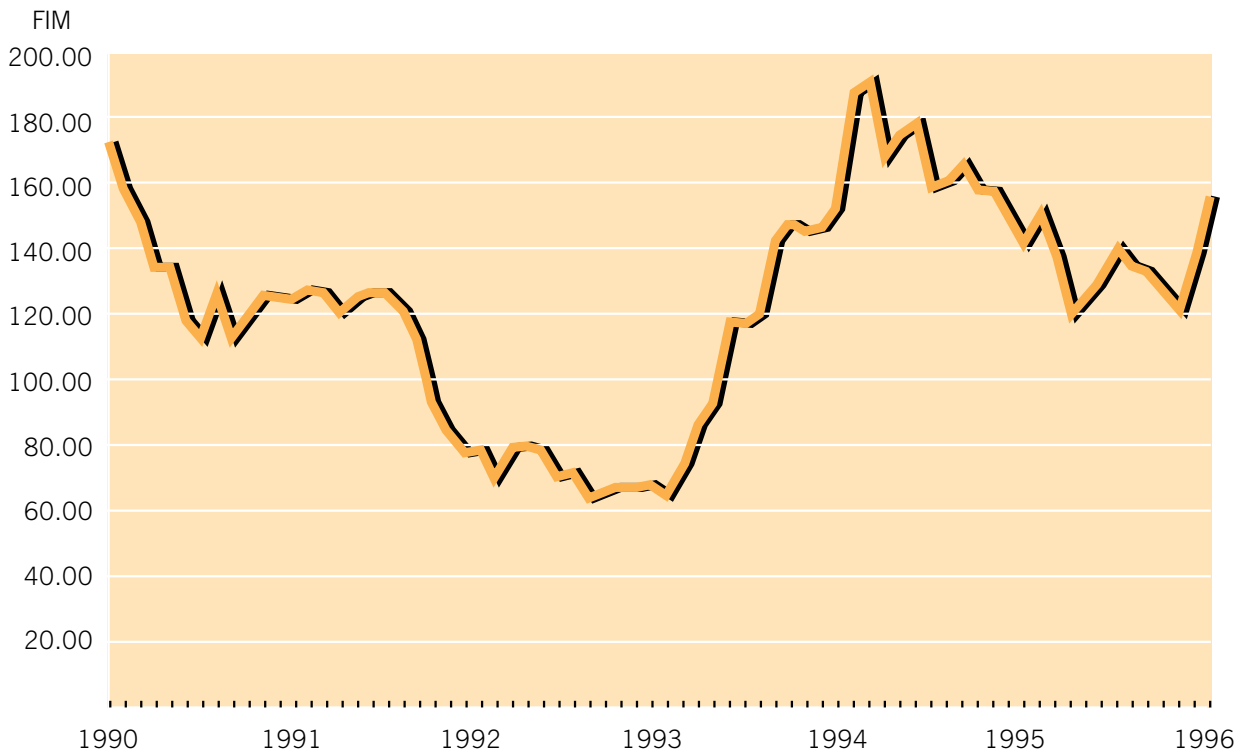
Largest shareholders, February 27, 1996

	Number of shares	%
Imatran Voima Oy	644 495	9.88
City of Kurikka	620 350	9.51
City of Närpiö	265 826	4.07
Pension Varma	239 097	3.66
Merita Bank Ltd	145 706	2.23
Oy Rosaco Ab	142 974	2.19
Industrial Mutual Insurance Company	128 242	1.97
Mutual Insurance Company Tapiola	126 998	1.95
Insurance Company Yritys-Sampo	121 649	1.86
Municipality of Kauhajoki	113 824	1.74

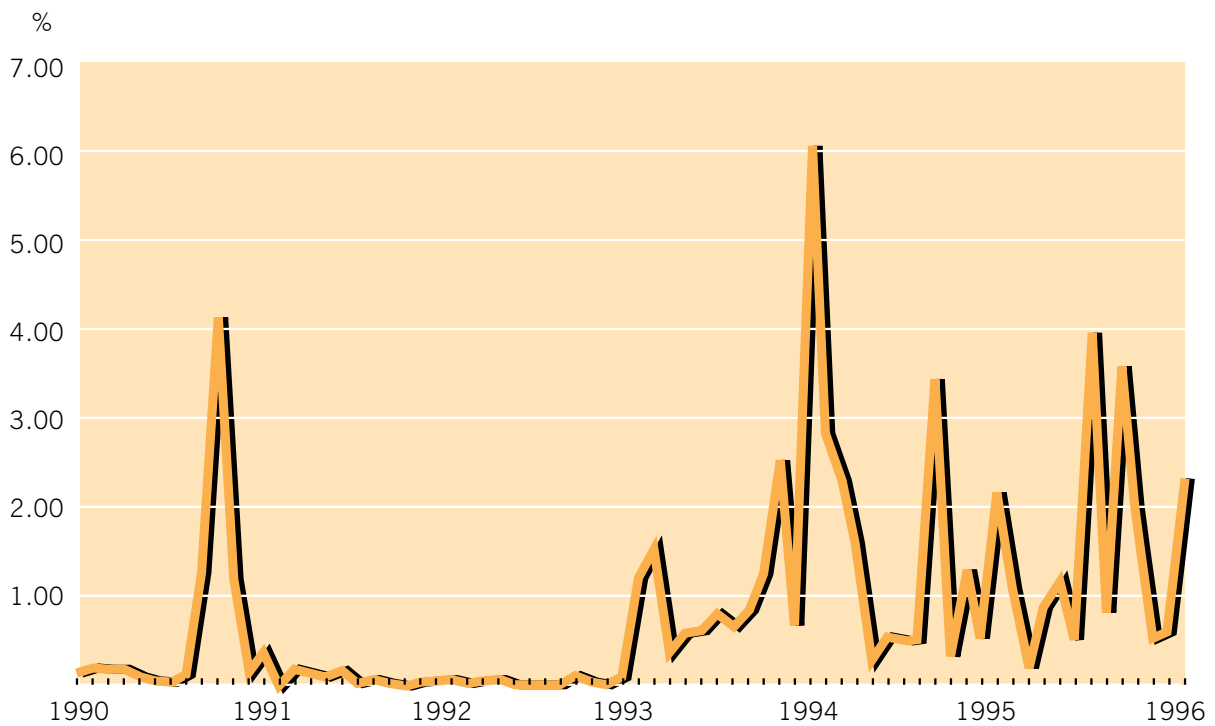
Länsivoima Oy holds 173,980 (2.67 %) of its own shares.



Average trading-weighted price



Percentages of shares traded monthly



CONSOLIDATED INCOME STATEMENT

(FIM 1000)	Jan. 1-Dec. 31, 1995	Jan. 1-Dec. 31, 1994
Turnover (1)	922 596	685 038
Production for own use	92 400	69 140
Other operating income	17 518	2 585
Share of net profit in associated companies	-5 758	536
Expenses:		
Materials, supplies and goods:		
Purchases during financial year	582 664	396 904
Increase -/decrease + in inventories	-5 053	+10 947
External services	42 799	38 940
Staff expenses (2)	138 561	103 824
Rents	2 298	2 654
Other expenses	41 364	27 786
	802 633	581 055
Operating margin	224 123	176 244
Depreciation (3)		
Fixed assets and other capitalized expenditure	-117 653	-84 290
Goodwill on consolidation	-671	-668
	-118 324	-84 958
Operating profit	105 799	91 286
Financial income and expenses (5):		
Interest income	8 176	10 352
Dividend income	106	906
Other financial income	2 345	
Interest expenses	-23 916	-14 888
Other financial expenses	-2 505	-623
	-15 793	-4 253
Profit before reserves and taxes	90 006	87 033
Increase in accelerated depreciation (-) (4)	-47 273	-36 971
Decrease in voluntary reserves (+)	+11 906	
Income tax (6)	-14 395	-9 395
Profit for financial year before minority interest	40 244	40 667
Minority interest		-145
Consolidated net profit for financial year	40 244	40 522

The figures in brackets refer to the Notes to the Income Statement and Balance Sheet.



CONSOLIDATED BALANCE SHEET

(FIM 1000)

December 31, 1995

December 31, 1994

ASSETS**FIXED ASSETS AND OTHER
NON-CURRENT INVESTMENTS**

Intangible assets				
Goodwill (8)	388 611		22 047	
Goodwill on consolidation (9)	9 815		9 309	
Other capitalized expenditure (10)	98 650		31 247	
Advance payments	<u> </u>	497 076	<u>400</u>	63 003
Tangible assets				
Land and water (11, 16)	23 046		15 898	
Buildings and structures (12, 16)	96 284		71 979	
Power plants (13)	12 158			
Transmission and distribution networks (15)	1 157 369		862 188	
Machinery and equipment (14)	66 354		46 004	
Advance payments and work in progress	10 498		3 763	
Materials and supplies	<u>12 618</u>	1 378 327	<u>5 546</u>	1 005 378
Non-current investments (7, 16)				
Associated company shares	128 999		91 062	
Other shares	56 848		37 708	
Other non-current investments	<u>338</u>	186 185	<u> </u>	128 770
CURRENT ASSETS				
Inventories				
Materials and supplies	199		2 906	
Work in progress	<u>1 341</u>	1 540	<u>2 430</u>	5 336
Receivables				
Trade receivables	193 627		119 482	
Connection charges	2 456		1 342	
Loan receivables (17)	12 627		14 276	
Prepaid expenses and accrued incomet	<u>23 093</u>	231 803	<u>12 299</u>	147 399
Cash and bank		<u>30 862</u>		<u>178 712</u>
		<u>2 325 793</u>		<u><u>1 528 598</u></u>

The figures in brackets refer to the Notes to the Income Statement and Balance Sheet.



CONSOLIDATED BALANCE SHEET

(FIM 1000)	December 31, 1995	December 31, 1994
SHAREHOLDER'S EQUITY AND LIABILITIES		
SHAREHOLDER'S EQUITY		
Restricted equity		
Share capital (19)	65 248	27 244
Share issue (20)		392
Reserve funds (21)	221 571	122 583
Revaluation fund (22)	286 819	600
		150 819
Non-restricted equity		
Contingency reserve fund (24)	3 900	3 900
Tax fund (23)	1 000	1 000
Retained earnings (25)	24 615	10 773
Net profit for the year (25)	69 759	40 522
		56 195
Total shareholder's equity	356 578	207 014
MINORITY INTERESTS		854
RESERVES		
Accelerated depreciation	596 848	449 765
Voluntary reserves		
Investment reserves	2 826	
Other reserves	17 307	24 837
	616 981	474 602
LIABILITIES		
Connection charges	622 273	459 278
Non-current (26)		
Convertible debentures	100 000	100 000
Loans from credit institutions	228 629	35 857
Pension loans	60 193	50 899
Other non-current loans	392 914	8 000
		194 756
Current		
Loans from credit institutions	63 551	32 864
Pension loans	4 504	3 845
Other non-current loans	4 000	4 000
Advances received	497	3 754
Trade payables	99 577	49 771
Accrued liabilities and deferred income	79 117	84 786
Other current loans	337 047	13 074
		192 094
Total liabilities	1 352 234	846 128
	2 325 793	1 528 598

The figures in brackets refer to the Notes to the Income Statement and Balance Sheet.



STATEMENT OF CASH FLOWS

(FIM 1000)

	Group Dec. 31, 1995		Group Dec. 31, 1994		Parent Company Dec. 31, 1995		Parent Company Dec. 31, 1994	
Operating margin	224 123		176 243		163 186		168 687	
Interest, dividend and other financial income	10 628		11 258		6 700		10 385	
Proceeds from sale of fixed assets	27 383		9 464		27 119		9 494	
Other financing from operations (net)	38 011		20 722		16 500	50 319		19 879
Financing from operations	262 134		196 965		213 505		188 566	
Distribution of profit								
Interest paid of and other expenses	-26 420		-15 511		-34 430		-18 236	
Income tax	-14 396		-9 395		-5 446		-9 884	
Dividends	-10 428	-51 244	-7 962	-32 868	-10 358	-50 234	-7 962	-36 082
Financing from operations after distribution of profit	210 890		164 097		163 271		152 484	
Investments	-744 957		-238 132		-717 247		-235 758	
Change in corporate structure	160 886		-7 075		-389 088			
Effect of merger	-174 011				-125 535			
Restructuring of assets	-17 253				-8 632			
Effect of associated companies	14 792	-760 543	682	-244 525		-1240 502		-235 758
Share issue and group dividends								
Share issue	136 000		75 047		136 000		75 047	
Group/associated company dividends					11 319		8 281	
Minority interest		136 000	145	75 192		147 319		83 328
Capital financing								
Increase +/decrease - in connection charges	22 710		19 129				16 265	
Decrease -/increase + in non-current liabilities	185 964		69 070		587 875		69 946	
Decrease -/increase + in current liabilities	79 549	288 223	-55 868	32 331	32 779	620 654	-50 789	35 422
Current assets								
Increase -/decrease + in inventories	3 994		25 511		2 890		8 630	
Increase -/decrease + in current assets	-26 413	-22 419	-432	25 079	147 577	150 467	8 759	17 389
Change in liquid assets	-147 849		52 174		-158 791		52 865	
Cash and bank, Jan. 1	178 712		126 538		168 580		115 715	
Cash and bank, Dec. 31	30 863		178 712		9 789		168 580	

I N C O M E S T A T E M E N T

(FIM 1000)	Jan. 1-Dec. 31, 1995	Jan. 1-Dec. 31, 1994
Turnover (1)	586 632	527 606
Production for own use	47 256	62 418
Other operating income	6 470	29 002
Expenses:		
Materials, supplies and goods:		
Purchases during financial year	361 709	305 197
Increase (-)/decrease (+) in inventories	+7 027	+8 224
External services	29 674	35 723
Staff expenses (2)	60 608	78 058
Rents	847	1 950
Other expenses	17 307	21 186
	477 172	450 338
Operating margin	163 186	168 688
Depreciation from fixed assets and other capitalized expenditure (3)	-87 934	-81 287
Operating profit	75 252	87 401
Financial income and expenses (5):		
Interest income	6 597	9 478
Dividend income	11 422	9 187
Interest expenses	-31 966	-17 721
Other financial expenses	-2 464	-515
	-16 411	429
Profit before extraordinary items, reserves and taxes	58 841	87 830
Received group contribution	16 500	
Profit before, reserves and taxes	75 341	87 830
Increase in accelerated depreciation (-) (4)	-27 029	-36 020
Decrease in voluntary reserves (+)	+7 747	
Income tax (6)	-5 446	-9 885
Profit for financial year	50 613	41 925

The figures in brackets refer to the Notes to the Income Statement and Balance Sheet.



BALANCE SHEET

(FIM 1000)

December 31, 1995

December 31, 1994

ASSETS**FIXED ASSETS AND OTHER
NON-CURRENT INVESTMENT**

Intangible assets				
Goodwill (8)	395 405		22 047	
Other capitalized expenditure (10)	96 395		30 976	
Advance payments		491 800	400	53 423
Tangible assets				
Land and water (11, 16)	22 861		15 713	
Buildings and structures (12, 16)	94 976		70 610	
Power plants (13)	12 158			
Transmission and distribution network (15)	1 148 058		851 665	
Machinery and equipment (14)	40 051		39 695	
Advance payments and work in progress	4 622		2 671	
Materials and supplies		1 322 726	4 336	984 690
Non-current investments (7, 16)				
Shares and holdings	218 005		144 788	
Loan receivables (18)	8 632			
Other investments	338	226 975		144 788
CURRENT ASSETS				
Inventories				
Materials and supplies		199		2 891
Receivables				
Trade receivables (18)	21 832		95 201	
Connection charges			1 342	
Loan receivables (17, 18)	7 511		14 397	
Deferred receivables	2 772		12 125	
Prepaid expenses and accrued income (18)	1 363	33 478		123 064
Cash and bank		9 789		168 580
		2 084 967		1 477 436



The figures in brackets refer to the Notes to the Income Statement and Balance Sheet.

BALANCE SHEET

(FIM 1000)

December 31, 1995

December 31, 1994

SHAREHOLDER'S EQUITY AND LIABILITIES

SHAREHOLDER'S EQUITY

Restricted equity				
Share capital (19)	65 248		27 244	
Share issue (20)			392	
Reserve funds (21)	221 571		122 583	
Revaluation fund (22)		286 819	600	150 819
Non-restricted equity				
Contingency reserve fund (24)	3 900		3 900	
Tax fund (23)	1 000		1 000	
Retained earnings (25)	38 270		6 703	
Net profit for the year (25)	50 613	93 783	41 925	53 528
Total shareholder's equity		380 602		204 347

RESERVES

Accelerated depreciation		581 702		438 944
Voluntary reserves				
Investment reserves		2 826		
Other reserves		15 568		21 814
		600 096		460 758

LIABILITIES

Connection charges				406 314
Non-current (26)				
Convertible debentures	100 000		100 000	
Loans from credit institutions	228 629		35 857	
Pension loans	59 119		48 760	
Group loans	472 807		72 035	
Other non-current loans	4 005	864 560	8 000	264 652
Current				
Loans from credit institutions	63 551		32 864	
Pension loans	4 504		3 684	
Other non-current liabilities	4 000		4 000	
Trade payables (18)	60 914		40 814	
Accrued liabilities and deferred income (18)	21 653		49 663	
Other current loans (18)	85 087	239 709	10 340	141 365
Total liabilities		1 104 269		812 331
		2 084 967		1 477 436

The figures in brackets refer to the Notes to the Income Statement and Balance Sheet.



NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

Income statement structure

The structure for the income statement has been changed so that production for own use appears as a separate item after turnover. The financial statements for 1994 have been adapted to make these aspects of the income statements comparable.

Consolidated financial statements

Companies significant for Group operations in which Länsivoima Oy held more than half of the votes on December 31, 1995 are included in the consolidated financial statements. A company acquired during the financial year is included in consolidated financial statements so that the goodwill on consolidation is calculated from the time the company becomes a part of the Group and the company's income statement is incorporated in the consolidated income statement only for the period of consolidation.

Intragroup receivables and liabilities, intragroup business transactions and the intragroup distribution of profit are eliminated from the consolidated financial statements. Intragroup ownership is eliminated using the acquisition cost method.

The price paid for subsidiaries' shares, in so far as it is higher or lower than shareholders' equity at the time of purchase, is allocated in full in the consolidated balance sheet to goodwill on consolidation, which is depreciated on a straight-line basis over 10-20 years. If the subsidiary is acquired during the financial year, the goodwill on consolidation is depreciated for the period of consolidation.

Associated companies in which the Group holds 20-50% of the voting rights are incorporated in the consolidated financial statements using the equity method. The share of profit in associated companies is calculated as the share of the profit of the company comparable to the Group holding in the said company. The calculation takes account of the depreciation on goodwill on consolidation generated in conjunction with the acquisitions. The Group share of equity accrued to the associated company after the acquisition less the depreciation on goodwill and the dividend obtained from the associated company is added in the consolidated balance sheet to the acquisition cost of the associated company shares and consolidated non-restricted equity. In the balance sheet notes the acquisition costs of the associated company shares are entered with the company holding the shares.

Inventories

Inventories are valued in the balance sheet at the lower of their direct manufacture or acquisition cost or probable sales price. The acquisition cost of materials and supplies is valued in the balance sheet according to the FIFO method.

Fixed assets and depreciation

The acquisition cost of fixed assets is entered at direct acquisition or manufacture cost. Losses due to company mergers are allocated to the asset considered to have caused the loss. Thus the merger loss is depreciated over the time required by the plan for that asset. The original acquisition time of the asset and an estimate of its technical life span are considered in determining the depreciation period for these items.

Fixed assets are valued in the balance sheet at their direct acquisition cost less depreciation according to plan. Fixed assets also include certain revaluations.

Depreciation according to plan is calculated on the historical cost or acquisition cost plus the merger loss on a straight-line basis according to the probable estimated useful economic life of the asset. Depreciation on the fixed assets of merged companies is made in accordance with the practice previously observed in the Group. Depreciation in Group subsidiaries is aligned with Group practice from the time of consolidation. Annual depreciation rates are as follows:

Buildings	2.5%	40 years
Transmission and distribution network	5-3.3%	20-30 years
Machinery and equipment	10%	10 years
Compensation for pylon access-ways	2%	50 years
Goodwill and other capitalized expenditure	7-25%	4-15 years

Planned depreciation is calculated from the beginning of the month following the month of acquisition. Sold or scrapped assets are depreciated according to plan up to the moment they are sold or scrapped. The difference between recorded depreciation and depreciation according to plan is entered in the income statement as a separate item.

Leasing

Leasing payments are treated as rentals. The Group has no significant leasing agreements.

Untaxed reserves

In the preparation of the consolidated financial statements, untaxed reserves and accelerated depreciation are entered as a gross sum, tax liabilities not being separated as liability from total untaxed reserves. Company management foresees no change in total reserves. In the calculation of the key figures, untaxed reserves are included in shareholders' equity in full.

Pension arrangements

In Länsivoima Oy and its subsidiaries, statutory and voluntary pension security is arranged in an independent and external pension insurance institution. The pension security of Group Board members and managing directors corresponds to that of other company employees.

Taxes

Taxes for the financial year are recorded according to the accrual convention. In the income statement, adjustments made in previous tax years are presented on the same lines as taxes for the financial year. They are specified in the Notes to the Income Statement.

The companies' accrued taxes, corresponding to the profit for the financial year, are the basis of taxes for the financial year in the consolidated income statement. In addition to the above, refunds obtained or additional taxes imposed from previous years are taken into account as a tax adjustment entry. Deductible depreciation in the taxation of consumable fixed assets is obtained by adding the accelerated depreciation entered as an expense in the income statement to depreciation according to plan. In addition to the above, refunds obtained and additional taxes imposed from previous financial years as well as the timing difference related to taxes in the consolidated financial statements are taken into account as a tax adjustment entry.

Liabilities denominated in foreign currencies

Loans and other liabilities and receivables denominated in foreign exchange are converted to Finnish markka so that gains or losses from exchange rate fluctuations are entered as income or expenses.

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

	Group 1995	Group 1994	Parent company 1995	Parent company 1994
1. Consolidated turnover				
Länsivoima Oy	586 632	527 606		
Lounais-Suomen Sähkö Oy	228 471			
Paimionjoki Oy	152 697			
Megavoima Oy	134 812	119 387		
Hanerga Oy	36 050			
Merikarvian Sähkö Oy	11 819	10 927		
Verkonrakennus Oy	44 473	43 299		
Lounais-Suomen Lämpö Oy	138	147		
Total	1 195 092	701 366		
Group eliminations	272 496	16 328		
Consolidated turnover	922 596	685 038		
2. Staff expenses				
Salaries	104 724	76 940	43 968	57 285
Fringe benefits	1 278	1 209	826	971
Pension expenses	19 437	14 313	8 707	10 892
Other staff expenses	14 400	12 571	7 932	9 881
Total	139 839	105 033	61 433	79 029
3. Depreciation according to plan				
Other capitalized expenditure	11 605	4 474	5 455	4 465
Buildings and structures	3 911	3 377	3 370	3 316
Machinery and equipment	12 096	10 924	8 455	9 499
Transmission and distribution network	72 062	60 739	65 877	59 231
Goodwill	17 979	4 776	4 777	4 776
Goodwill on consolidation	670	668		
Total	118 324	84 958	87 934	81 287
4. Change in accelerated depreciation				
Other capitalized expenditure	-3 847	2	97	
Buildings and structures	9 837	120	6 835	164
Machinery and equipment	2 319	1 773	-2 623	995
Transmission and distribution network	38 923	35 076	22 720	34 861
Goodwill	41			
Total	47 273	36 971	27 029	36 020
5. Intragroup financial income and expenses				
Financial income from Group companies				
Dividend income			7 760	4 528
Interest income on non-current loans			384	40
Financial expenses to Group companies				
Interest expenses			9 337	3 034
6. Income tax				
Tax for the financial year	13 993	11 286	5 247	11 775
Tax from previous financial years	403	-1 891	199	-1 891
Total income tax	14 396	9 395	5 446	9 884

7. Companies owned by the Group and parent company

	Group ownership, %	Group share of votes, %	Group share of equity, FIM	Parent company ownership, %	Shares, holdings owned by parent company			Profit in latest financial statements, FIM
					Number of shares	Nominal value, FIM	Book value	
Group companies								
Lounais-Suomen Sähkö Oy, Paimio	100.00	100.00	15 000	100.00	15	15 000	15 000.00	3 159 345.38
Jyllinkosken Sähkö Oy, Kurikka	100.00	100.00	50 000	100.00	50	50 000	50 000.00	
Megavoima Oy, Vammala	100.00	100.00	15 000	100.00	15	15 000	15 000.00	2 106 116.11
Merikarvian Sähkö Oy, Merikarvia	100.00	100.00	116 600	100.00	526	116 600	14 000 000.00	677 910.82
Verkonrakennus Oy, Paimio	100.00	100.00	2 000 000	100.00	1 000	2 000 000	3 230 400.00	1 065 582.54
Lounais-Suomen Lämpö Oy, Paimio	100.00	100.00	15 000	100.00	300	15 000	25 089.40	290.09
Hanerga Oy, Hanko	100.00	100.00	15 000	100.00	150	15 000	15 000.00	164 970.33
Oy Tersil Ab, Paimio	100.00	100.00	1 500 000	100.00	15 000	1 500 000	16 350 000.00	63 451.20
Oy Tertrade Ab, Paimio	100.00	100.00	1 500 000	100.00	15 000	1 500 000	14 419 500.00	55 760.40
Varsinais-Suomen Sähkö Oy, Paimio	100.00	100.00	21 200	100.00	212	21 200	38 491.00	-398.20
Hyperno Oy, Paimio	100.00	100.00	15 000	100.00	150	15 000	27 432.00	-398.20
Total							48 185 912.40	
Associated companies								
Paimion Lämpökeskus Oy, Paimio	50.00	50.00	325 000	50.00	650	325 000	325 008.00	463 098.82
Pöytyän Lämpökeskus Oy, Pöytyä	50.00	50.00	100 000	50.00	200	100 000	461 080.00	95 211.43
Suomen Sähköverkko Oy, Helsinki	24.08	24.08	15 092 000	24.08	15 092	15 092 000	35 085 662.00	2 547 665.30
Terki Oy, Helsinki	50.00	50.00	7 500 000	50.00	7 500	7 500 000	7 500 000.00	-139 244.14 ¹⁾
Sallilan Sähkölaitos Oy, Alastaro	46.02	46.02	1 362 192	18.01	10 643	532 150	18 117 826.34	1 106 354.22
Kymppivoima Oy, Helsinki	21.06	21.06	4 709 016	21.06	893	8 930 000	52 175 000.00	257 642.65
Etelä-Pohjanmaan Voima Oy, Vaasa	27.90	27.90	13 190 000	27.90	1 319	13 190 000	33 681 494.24	7 289.13
Total							147 346 070.58	

¹⁾ Group figure

The associated company financial statements were drawn up on December 31, 1995. The companies' financial year is 12 months.

Other parent company shares and holdings

	Ownership, %	Number of shares	Nominal value, FIM	Book value, FIM
Vakka-Suomen Voima Oy		14 188	212 820.00	13 804 264.41
Leppäkosken Sähkö Oy		701	7 010.00	880 822.69
Paneliankosken Voima Oy	1.53	660	19 800.00	339 117.20
Sampo Insurance Company		4 329		173 455.55
Helsingin Stock Exchange		20 000		150 000.00
Central Share Register of Finland Cooperative		1		70 000.00
Tietosavo Oy	3.65	13 500	135 000.00	354 535.80
Lounais-Suomen Puhelin Oy		115	34 500.00	194 370.62
Salon Seudun Puhelin Oy		59	29 500.00	131 877.00
Other telephone shares				254 703.45
KPPV-Sijoitus Oy	49.80	10 200		1 120 000.00
Jalasjärven Lämpö Oy		60		300 000.00
Kurikan Kaukolämpö Oy		75		375 000.00
Oy Kaskisten Lämpö – Kaskö Värme Ab		150		150 000.00
Kauhajoen Lämpöhuolto Oy		125		125 000.00
Kiint. Oy Alavuden Säästökeskus		327		1 029 907.12
Kiint. Oy Pentinlammi		60		500 000.00
Kiint. Oy Sähkökoto		60		62 041.00
Bostads Ab Brinkasgården		570	5 700.00	202 823.80
Bostads Ab Bankgården		161	1 610.00	497 840.00
Other housing shares				147 464.00
Oy Vesirakentaja Ab		47		371 856.00
Merita Bank Ltd		10 115		296 016.98
Other shares and holdings				941 538.90
Total				22 472 634.52

Intangible assets

	Group 1995	Group 1994	Parent company 1995	Parent company 1994
8. Goodwill				
Acquisition cost Jan. 1	45 110	45 110	45 110	45 110
Increase Jan. 1-Dec. 31	383 701		378 801	
Acquisition cost Dec. 31	428 811	45 110	423 911	45 110
Accumulated depreciation according to plan Dec. 31	40 200	23 063	28 506	23 063
Book value Dec. 31	388 611	22 047	395 405	22 047

Cumulative difference between total depreciation and depreciation according to plan Jan. 1

Increase in accelerated depreciation Jan. 1-Dec. 31 **41**

Cumulative difference between total depreciation and depreciation according to plan Dec. 31 **41**

	Group 1995	Group 1994	Parent company 1995	Parent company 1994
9. Goodwill on consolidation				
Acquisition cost Jan. 1.	10 204	10 204		
Increase Jan. 1-Dec. 31	1 177			
Acquisition cost Dec. 31	11 381	10 204		
Accumulated depreciation according to plan Dec. 31	1 566	895		
Book value Dec. 31	9 815	9 309		
10. Other capitalized expenditure				
Acquisition cost Jan. 1	42 363	22 343	41 956	21 940
Increase Jan. 1-Dec. 31	34 280	22 606	25 630	22 601
Decrease Jan. 1-Dec. 31		2 586		2 585
Effect of merger	95 951		95 951	
Acquisition cost Dec. 31	172 594	42 363	163 537	41 956
Accumulated depreciation according to plan Dec. 31	22 571	11 116	15 769	10 980
Effect of merger	51 373		51 373	
Book value Dec. 31	98 650	31 247	96 395	30 976
Cumulative difference between total depreciation and depreciation according to plan Jan. 1				
Increase in accelerated depreciation Jan. 1-Dec. 31	-4 111	6	97	
Decrease in accelerated depreciation Jan. 1-Dec. 31	-4	-4		
Effect of merger	2 929		2 929	
Cumulative difference between total depreciation and depreciation according to plan Dec. 31	-1 202	-16	3 026	
Tangible assets				
11. Land and water areas				
Acquisition cost Jan. 1	15 898	15 121	15 713	14 300
Increase Jan. 1-Dec. 31	1 558	1 498	1 558	1 498
Decrease Jan. 1-Dec. 31	4	85	4	85
Change in corporate structure		636		
Effect of merger	5 594		5 594	
Acquisition cost Dec. 31	23 046	15 898	22 861	15 713
Revaluation included in acquisition cost of land and water areas				
Revaluation Jan. 1 and Dec. 31	6 000	6 000	6 000	6 000
12. Buildings and structures				
Acquisition cost Jan. 1	101 695	109 370	99 959	100 395
Increase Jan. 1-Dec. 31	7 857	836	7 857	836
Decrease Jan. 1-Dec. 31	316	1 272	316	1 272
Change in corporate structure		-7 239		
Effect of merger	24 353		24 353	
Acquisition cost Dec. 31	133 589	101 695	131 853	99 959
Accumulated depreciation according to plan Dec. 31	33 147	29 716	32 719	29 349
Effect of merger	4 158		4 158	
Book value Dec. 31	96 284	71 979	94 976	70 610

	Group 1995	Group 1994	Parent company 1995	Parent company 1994
Cumulative difference between total depreciation and depreciation according to plan Jan. 1	18 913	18 943	17 772	17 608
Increase in accelerated depreciation Jan. 1-Dec. 31	7 685	475	7 685	475
Decrease in accelerated depreciation Jan. 1-Dec. 31	521	505	476	311
Effect of merger	7 920		7 920	
Cumulative difference between total depreciation and depreciation according to plan Dec. 31	33 997	18 913	32 901	17 772
Revaluation included in acquisition cost of buildings and structures				
Revaluation Jan. 1	169	169	169	169
Effect of merger	2 945		2 945	
Revaluation Dec. 31	3 114	169	3 114	169
13. Power plants				
Effect of merger	13 360		13 360	
Acquisition cost Dec. 31	13 360		13 360	
Accumulated depreciation according to plan Dec. 31				
Effect of merger	1 202		1 202	
Book value Dec. 31	12 158		12 158	
Cumulative difference between total depreciation and depreciation according to plan Jan. 1				
Effect of merger	4 019		4 019	
Cumulative difference between total depreciation and depreciation according to plan Dec. 31	4 019		4 019	
Revaluation included in acquisition cost of power plants				
Revaluation Jan. 1				
Effect of merger	6 000		6 000	
Revaluation Dec. 31	6 000		6 000	
14. Machinery and equipment				
Acquisition cost Jan. 1	163 500	152 381	148 189	139 011
Increase Jan. 1-Dec. 31	61 949	12 003	9 920	9 993
Decrease Jan. 1-Dec. 31	10 675	884	10 519	815
Effect of merger	18 868		18 868	
Acquisition cost Dec. 31	233 642	163 500	166 457	148 189
Accumulated depreciation according to plan Dec. 31				
Effect of merger	157 831	117 496	116 950	108 494
Effect of merger	9 457		9 457	
Book value Dec. 31	66 354	46 004	40 051	39 695
Cumulative difference between total depreciation and depreciation according to plan Jan. 1	19 826	18 100	17 704	16 709
Increase in accelerated depreciation Jan. 1-Dec. 31	8 330	1 722		995
Decrease in accelerated depreciation Jan. 1-Dec. 31	2 663		2 623	
From sale of equipment	-2 557	4	-2 557	
Effect of merger	5 167		5 167	
Cumulative difference between total depreciation and depreciation according to plan Dec. 31	28 103	19 826	17 691	17 704

	Group 1995	Group 1994	Parent company 1995	Parent company 1994
Revaluation included in acquisition cost of machinery and equipment Revaluations Jan. 1 and Dec. 31	227	227	227	227
Contribution of machinery and equipment to book value Dec. 31	59 718	41 644	36 045	35 725
15. Transmission and distribution network				
Acquisition cost Jan. 1	1 323 611	1 201 094	1 308 316	1 186 618
Increase Jan. 1-Dec. 31	214 751	122 924	214 088	122 105
Decrease Jan. 1-Dec. 31	8 121	407	8 121	407
Effect of merger	207 842		207 842	
Acquisition cost Dec. 31	1 738 083	1 323 611	1 722 126	1 308 316
Accumulated depreciation according to plan Dec. 31	529 175	461 423	522 528	456 651
Effect of merger	51 539		51 539	
Book value Dec. 31	1 157 369	862 188	1 148 058	851 665
Cumulative difference between total depreciation and depreciation according to plan Jan. 1	411 042	375 915	403 468	368 607
Increase in accelerated depreciation Jan. 1-Dec. 31	22 970	35 127	22 720	34 861
Effect of merger	97 877		97 877	
Cumulative difference between total depreciation and depreciation according to plan Dec. 31	531 889	411 042	524 065	403 468
Revaluation included in acquisition cost of transmission and distribution network Revaluations Jan. 1 and Dec. 31	11 874	11 874	11 874	11 874
16. Values in taxation				
Real estate	63 215	64 087	62 387	63 202
Real estate from the Paimionjoki merger	44 673		44 673	
Shares and holdings	90 507	67 894	90 118	60 266
Shares and holdings from the Paimionjoki merger	17 618		17 618	
Total	216 013	131 981	214 796	123 468
17. Receivables falling due after at least one year				
Loan receivables	9 135	5 532	6 154	4 473
Total	9 135	5 532	6 154	4 473
18. Receivables and payables from Group and associated companies				
Trade receivable/Group companies				1 067
Trade receivable/associated companies			447	
Other receivable/Group companies			8 632	835
Other receivable/associated companies			1 363	
Loan receivable/associated companies			3 600	1 110

	Group 1995	Group 1994	Parent company 1995	Parent company 1994
Non-current loan receivable/associated companies			2 411	810
Current trade payables/Group companies				873
Current trade payables/associated companies			54 833	74
Other payables/Group companies			472 807	72 035
Other current payables/associated companies			367	
Shareholders' equity				
19. Share capital Jan. 1	27 244	24 126	27 244	24 126
Rights issue March 18, 1994, reg. June 1, 1994		2 681		2 681
Directed issue Nov. 30, 1994, reg. Dec. 14, 1994		437		437
Rights issue Jan. 2, 1995, reg. Jan. 18, 1995	15		15	
Rights issue Feb. 1, 1995, reg. Feb. 15, 1995	365		365	
Rights issue Apr. 11, 1995, reg. May 10, 1995	5 000		5 000	
Bonus issue Dec. 8, 1995, reg. Dec. 14, 1995	32 624		32 624	
Share capital Dec. 31	65 248	27 244	65 248	27 244
20. Share issue Jan. 1				
Directed issue Nov. 30, 1994		392		392
Share issue Dec. 31		392		392
21. Reserve fund Jan. 1	122 583	51 046	122 583	51 046
Issue premium from bonus issue		71 537		71 537
Issue premium Jan. 18, 1995	377		377	
Issue premium Feb. 15, 1995	10 635		10 635	
Issue premium May 10, 1995	120 000		120 000	
Transfer to share capital	32 024		32 024	
Reserve fund Dec. 31	221 571	122 583	221 571	122 583
22. Revaluation fund Jan. 1	600	600	600	600
Transfer to share capital	600		600	
Revaluation fund Dec. 31		600		600
23. Tax fund Jan. 1 and Dec. 31	1 000	1 000	1 000	1 000
24. Contingency reserve fund Jan. 1 and Dec. 31	3 900	3 900	3 900	3 900
25. Earnings Jan. 1	51 295	18 738	48 628	14 664
Profit distribution	-10 358	-7 961	-10 358	-7 961
Change in corporate structure	-16 322	-4		
Net profit for the year	40 244	40 522	50 613	41 925
Earnings Dec. 31	64 859	51 295	88 883	48 628
Distributable funds from non-restricted equity	69 759	56 195	93 783	53 528

	Group Dec. 31, 1995	In five years	Parent company Dec. 31, 1995	In five years
26. Liabilities				
Convertible debentures	100 000	100 000	100 000	100 000
Loans from credit institutions	228 629	94 428	228 629	94 428
Pension loans	60 193	44 830	59 119	44 026
Other non-current loans	4 092		4 005	
Total	392 914	239 258	391 753	238 454

Pledges given and contingent liabilities

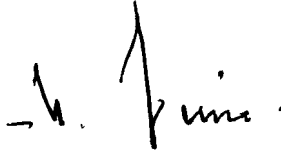
	Group 1995	Group 1994	Parent company 1995	Parent company 1994
a) for own loans				
Corporate mortgages	307 180	99 937	307 180	99 937
Land area and building mortgages	42 388	28 000	42 388	28 000
Pledged shares	93 969		93 969	
b) for Group company loans				
Guarantees			1 155	2 300
Predelivery and term guarantees			2 591	2 717
c) for associated company loans				
Guarantee	1 688	2 140	1 688	2 140
d) for others				
Guarantees	1 480	199	1 480	199
e) other contingencies				
Leasing contingencies	698	1 026	326	666
Other contingencies	346		346	
Pension contingencies	119	136	119	136
f) total				
Corporate mortgages	307 180	99 937	307 180	99 937
Land area and building mortgages	42 388	28 000	42 388	28 000
Pledged shares	93 969		93 969	
Guarantees	3 168	2 338	6 914	7 355
Other contingencies	1 163	1 162	793	802

Proposal by The Board of Directors for the disposal of retained earnings

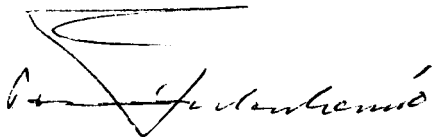
The Group's non-restricted equity is FIM 69,758,874.89 according to the consolidated balance sheet. The Parent Company's non-restricted equity is FIM 93,783,426.05.

The Board proposes that the earnings for the financial year of FIM 50,613,302.04 be disposed of as follows: FIM 2.80 per share as a dividend amounting to FIM 18,269,546.40 and FIM 32,343,755.64 to be left in the profit account.

Paimio, February 29, 1996



Heikki Leino,
Chairman



Pentti Tulenheimo,
Deputy Chairman



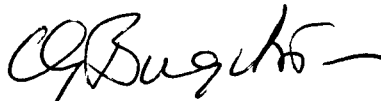
Hans Langh



Jouko Oksanen



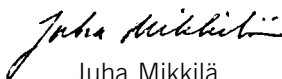
Matti Salminen



Carl-Gustaf Bergström



Rune Holmström



Juha Mikkilä



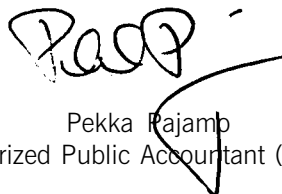
Manu Muukkonen,
member of the Board of Directors,
Managing Director

The above financial statements were drawn up in accordance with good accounting practice. A report on the audit conducted was given today.

Paimio, March 4, 1996



Thor Nyroos
Authorized Public Accountant (KPMG)



Pekka Rajamp
Authorized Public Accountant (KPMG)

KPMG WIDERI OY AB



Mikko Haavisto
Authorized Public Accountant

AUDITORS' REPORT (translation)

To the shareholders of Länsivoima Oy

We have audited the accounts, financial statements and the corporate governance of Länsivoima Oy for the financial year January 1-December 31, 1995. The financial statements, which include the report of the Board of Directors, the consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. On the basis of our audit, we express an opinion on these financial statements and on corporate governance.

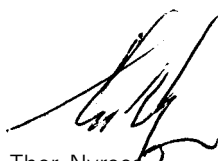
We conducted our audit in accordance with Finnish Standards on Auditing. These standards require that we plan and perform the audit in order to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examination, on a test basis, of evidence supporting the accounts and disclosures in the financial statements, an assessment of the accounting principles used and significant estimates made by the management, and an evaluation of the overall financial statement presentation. The purpose of our audit of the corporate governance was to establish that the Board of Directors and the Managing Director have complied with the rules of the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations and financial standing.

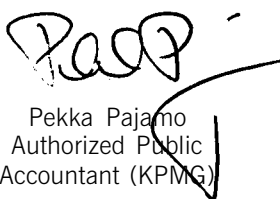
The financial statements, including the consolidated financial statements, can be adopted and the members of the Board of Directors and the Managing Director of the parent company be discharged from liability for the financial period audited by us. The proposal of the Board of Directors on how to deal with the profit for the year is in compliance with the Finnish Companies Act.

We have reviewed the interim report made public during the financial year. It is our understanding that the interim report statements have been prepared in accordance with the rules and regulations governing the preparation of such reports in Finland.

Paimio, March 4, 1996

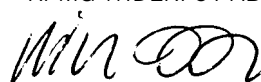


Thor Nyroos
Authorized Public
Accountant (KPMG)



Pekka Pajamo
Authorized Public
Accountant (KPMG)

KPMG WIDERI OY AB



Mikko Haavisto
Authorized Public
Accountant

CALCULATION PRINCIPLES FOR KEY FIGURES

The key figures have been calculated according to Financial Supervision Authority instructions, using the following formulas:

Key figures for financial trends

Return on equity (ROE) %	$\frac{\text{Profit before extraordinary items} - \text{taxes}}{\text{Shareholders' equity} + \text{minority share} + \text{reserves}} \times 100$ (average between beginning and end of year))
Return on investment (ROI) %	$\frac{\text{Profit before extraordinary items} + \text{interest and other financial expenses}}{\text{Balance sheet total} - \text{interest-free loans}} \times 100$ (average between beginning and end of year)
Equity ratio %	$\frac{\text{Shareholders' equity} + \text{minority share} + \text{reserves}}{\text{Balance sheet total} - \text{advances received}} \times 100$

Calculation principles for share-specific key figures

Earnings/share (EPS)	$\frac{\text{Profit before extraordinary items} + \text{/- minority share of profit for financial year} + \text{/- share of profit in associated companies} - \text{taxes}}{\text{Share issue-adjusted average number of shares for the financial year}}$
Shareholders' equity/share	$\frac{\text{Shareholders' equity} + \text{reserves}}{\text{Share issue-adjusted number of shares on the closing date}}$
Dividend/share	$\frac{\text{Dividend distributed for the financial year}}{\text{Share issue-adjusted number of shares on the closing date}}$
Dividend/earnings	$\frac{\text{Dividend distributed for the financial year}}{\text{Profit before extraordinary items}} \times 100$
Effective dividend yield	$\frac{\text{Dividend/share}}{\text{Final trading price for financial year}} \times 100$
Price/earnings ratio (P/E)	$\frac{\text{Share issue-adjusted final trading price for financial year}}{\text{Profit/share}}$
Market capitalization Dec. 31	Number of shares Dec. 31 x final trading price for financial year
Share issue-adjusted average price of shares	$\frac{\text{Total trading in FIM}}{\text{Weighted share issue-adjusted average number of shares traded during financial year}}$

