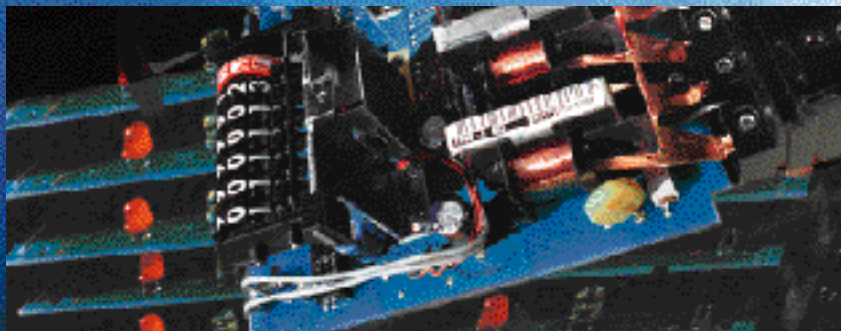
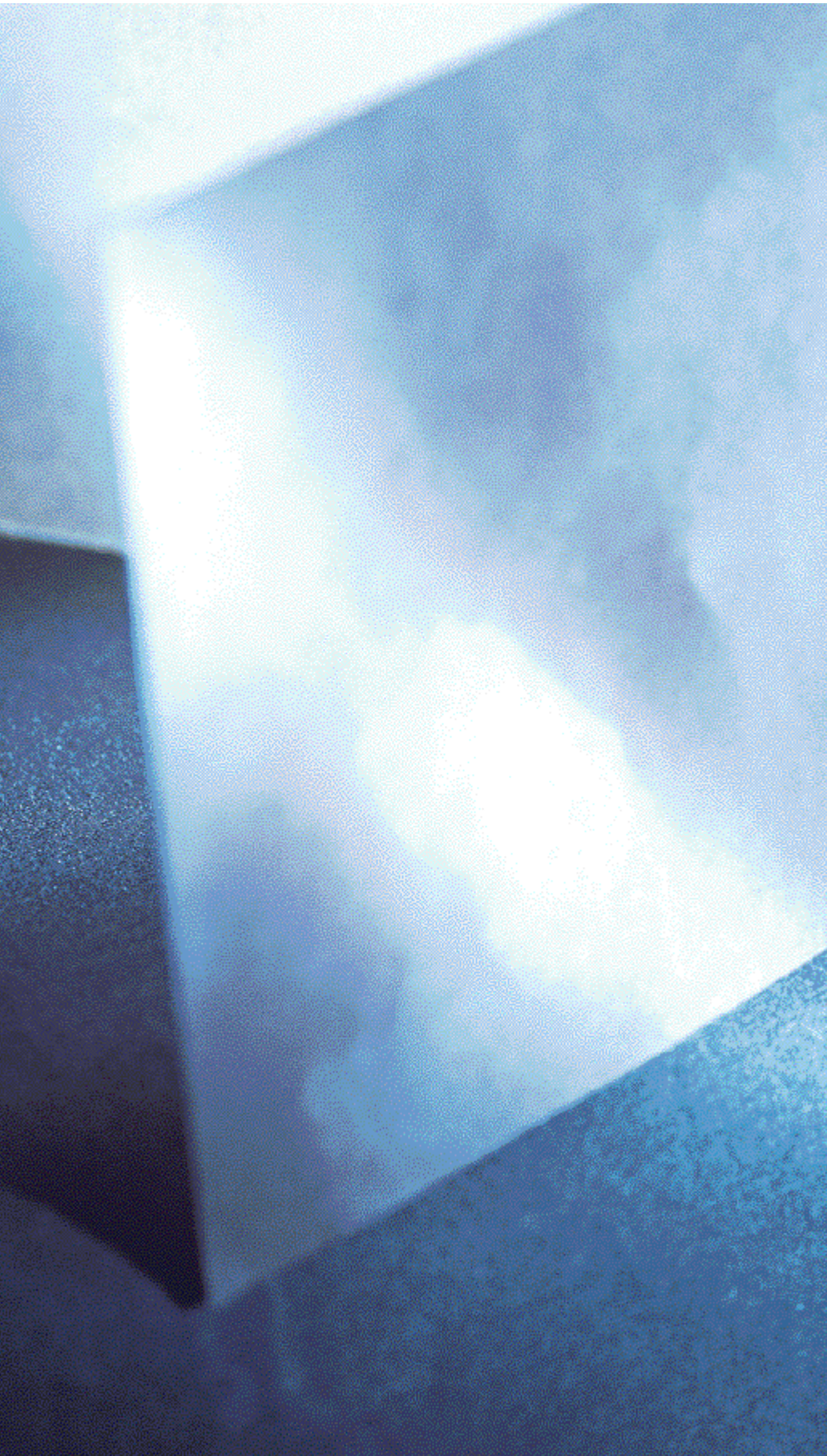


ANNUAL REPORT
1996



IVO
GROUP



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ANNUAL GENERAL MEETING

The Annual General Meeting of Imatran Voima Oy will take place on May 29, 1997 at 11.00 a.m. at the head office of the company, Malminkatu 16, Helsinki.

ANNUAL REPORT AND INTERIM REPORTS

Imatran Voima Oy's Annual Report and Interim Reports are published in Finnish, Swedish and English. The Interim Reports are planned to be published in week 34/1997 starting on August 18, 1997 (January - June) and in week 46/1997 starting on November 10, 1997 (January - September). Publications are available from: IVO Group, Group Communications, Malminkatu 16 (street address), 00019 IVO, Finland (mailing address), tel. +358 9 85 611, fax +358 9 694 4481.

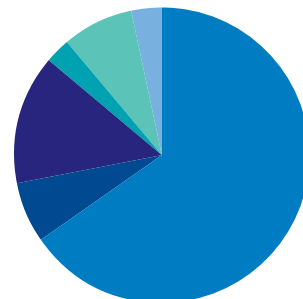
ENVIRONMENTAL REPORT

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

IVO GROUP IN 1996

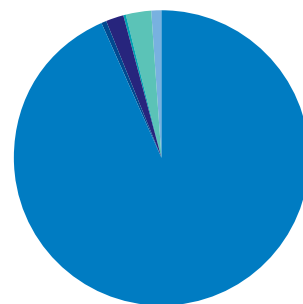
- Group profit, at more than FIM 1.7 billion, showed an increase of FIM 0.6 billion on the previous year. Turnover, at more than FIM 12 billion, increased by 51%, primarily as a result of acquisitions.
- Profit in all business units improved over 1995.
- The IVO Group became the second-largest power company in the Nordic domestic market and now accounts for 12% of the electricity trade in the area.
- The most significant growth was in Sweden where IVO acquired control of a major power company, Gullspångs Kraftaktiebolag. Gullspång subsequently extended its operations significantly by acquiring AB Skandinaviska Elverk. IVO Energi AB, established in April 1996, provides services for power generation and electricity trade in the Swedish market.
- Group solvency continued to be satisfactory, despite the fact that investment in major acquisitions decreased the equity/total capital ratio from 47% to 38%.
- Finnish Power Grid Ltd, a nationwide power transmission company, was established in November. IVO and IVO Transmission Services Ltd will sell their grids, including the cross-border lines, to the new company during 1997. IVO will have voting rights of 33% and 25% of the shares in the new company.

TURNOVER BY BUSINESS UNIT*



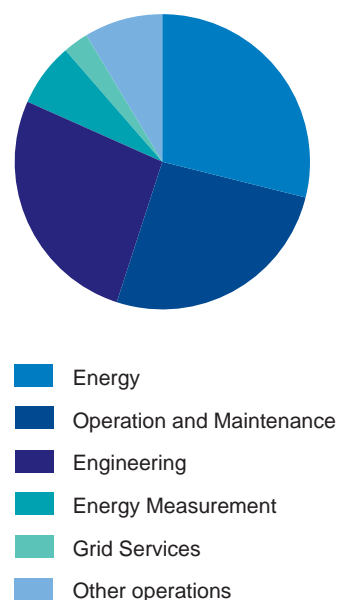
* Turnover generated from the trade between business units has not been eliminated.

INVESTMENTS BY BUSINESS UNIT



GROUP KEY FIGURES	1996	1995	Change %
Turnover, FIM million	12,140	8,055	+ 51
Operating profit			
FIM million	2,042	1,337	+ 53
% of turnover	17	17	..
Profit before extraordinary items			
FIM million	1,736	1,129	+ 54
% of turnover	14	14	..
Return on equity %	12.8	9.4	..
Return on capital employed %	13.5	12.5	..
Equity/total capital %	38	47	..
Investments, FIM million	4,555	878	+ 419
Employees as at December 31	7,942	5,439	+ 46

EMPLOYEES BY BUSINESS UNIT AS AT DECEMBER 31



I V O G R O U P

IVO Group is an international company which has expertise in all aspects of the energy chain offering power and heat for the energy market and turnkey supplies and expert services for their production, transmission and distribution. We have worked in more than 100 countries.

IVO is the second-largest power company in the Nordic domestic market and among the 15 largest in Europe. We are established independent power producers and operation and maintenance experts in the UK and South East Asia. We are also involved in central Europe, Russia and China.

IVO's expertise in all the energy services gives us a strong advantage in the world's increasingly competitive and deregulated energy markets. Our expertise covers the design and construction of power plants and transmission systems; capital investments; construction management; fuel procurement; operation and maintenance; distribution and supply of power and heat; and energy measurement.

Significant added value derives from the synergy between the business units and from investments in quality. Our strengths include flexible and customised energy technologies, which are independent of equipment manufacturers; efficiency, economy and effective environmental management.

We continually improve our environmental expertise to meet changing requirements and provide our customers with efficient and environmentally-friendly research, product development, testing and expert services.



B U S I N E S S U N I T S



ENERGY

The Energy business comprises power and heat generation, power trading and electricity distribution and supply. Power and heat generation and power trading provide their customers with partnership in power plant operation, process steam, district heat, electricity, marketing services and expert advice on the efficient use of energy. Electricity distribution and supply produces regional and local electricity transmission and distribution network services on equal terms to all customers. It also markets electricity to small companies and households and heat at a local level.

The total electricity procurement capacity of the IVO Group is 10,100 MW, 8,600 MW of which comes from wholly- or partly-owned power plants. Heat generation capacity totals 2,500 MW.

Our power and heat generation uses hydro and nuclear power, coal, natural gas, peat, bio-fuels and, to a minor extent, oil. The potential for using solar and wind power is being researched at our experimental power plants.

The majority of our power is sold through long-term contracts in the Nordic domestic market, to customers which include electricity distributors, energy-intensive industries and other end-users of electricity. Electricity is also sold in spot markets and district heat and process steam are sold locally. We serve almost 700,000 small customers.

Power plant projects developed and implemented in co-operation with customers and partners provide the potential for growth in this business in the Nordic domestic market, the UK, central Europe and South East Asia.

Turnover of the Energy business for the year was FIM 9,140 million. The business is operated by Imatran Voima Oy and, in Sweden mainly by Gullspång Group.



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 operates and maintains one third of Finland's power generation capacity. It has four operation and maintenance contracts with power plants in the UK, two in Indonesia and one in Malaysia. We continue to seek growth outside the Finnish market.

IVO Service provides demanding maintenance services for turbine, boiler, switchgear and transformer plants, as well as turnkey and long-term maintenance contracts to industry. In Finland and Sweden, our current target markets, the business has a strong position and, in Hungary, promising growth potential.

Turnover of the Operation and Maintenance business totalled FIM 930 million, more than 10% of which came from exports and overseas operations. The business is operated by IVO Generation Services Group.



ENGINEERING

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

Power plant engineering is focused on the co-generation of power and heat, automation and electrification, refurbishment, and environmental protection technology. Expertise is marketed in Finland and the nearby areas, with increasing efforts being made elsewhere in Europe, South East Asia and China.

Power transmission engineering offers design, construction and maintenance of transmission lines, substations, distribution networks, and telecommunication systems and power system control. IVO's Engineering business is the market leader in the Nordic countries in railway electrification and telemast projects. Marketing efforts for power transmission engineering are focused on the Nordic countries and on the development aid projects financed by these countries.

The business unit also covers nuclear and hydropower engineering.

Turnover of the Engineering business, which is operated by IVO Power Engineering Group (up to December 31, 1996, IVO International Group), was FIM 1,974 million, more than half of which came from exports and overseas operations.



ENERGY MEASUREMENT

The Energy Measurement business develops, manufactures and markets equipment, systems and services for energy measurement and control of electricity use. It offers a product range, from individual apparatuses to extensive system solutions, which has been developed for the increasingly deregulated electricity market.

This business unit has manufacturing facilities in Finland, Sweden, Germany, Switzerland, Australia and New Zealand. The main markets for the products are the Nordic countries, central Europe, Australia and New Zealand. Ripple control systems have also been sold in Asia and Africa.

The Energy Measurement business is operated by Enermet Group, the turnover of which totalled FIM 386 million, more than 80% of which came from exports and overseas operations.



GRID SERVICES

The Grid Services business offers services to all Finnish electricity companies. It covers about 90% of Finland's grid, including cross-border lines. Its turnover totalled FIM 1,101 million.

After negotiations lasting more than a year, the Ministry of Trade and Industry, IVO and Pohjolan Voima Oy (Northern Power Company Ltd), established a new

nationwide grid company, Finnish Power Grid Ltd, in November. IVO and IVO Transmission Services Ltd will sell their grid and cross-border lines to the new company during 1997. IVO will own 33% of voting rights and 25% of shares in this company.

IVO GROUP REVIEW BY THE PRESIDENT



There are several reasons why 1996 should be considered to be particularly successful for the IVO Group. Group turnover increased by more than 50% and the balance sheet almost doubled. Most of the growth resulted from acquisitions and from the consequent significant expansion of our business operations, particularly in Sweden. Group solvency remained satisfactory, despite major investments being made. The business units all recorded improved results over the previous year and the Group result was good.

THE NORDIC DOMESTIC MARKET

We expanded our operations in Sweden according to plan. In the spring, we acquired control of Gullspångs Kraftaktiebolag, which, in turn, later acquired AB Skandinaviska Elverk. These acquisitions resulted in the formation of Sweden's third-largest power company. The development of that company as an independent part of the IVO Group began at full capacity at the end of the year.

We further strengthened our position in the Nordic energy market when we signed a co-operation contract with Stockholm

Energi AB and established Birka Kraft AB, which is 50/50 owned by IVO and Stockholm Energi. Birka Kraft's subsidiaries work in operation and maintenance and engineering businesses. In addition, we established a new subsidiary, IVO Energi AB, in Stockholm to offer a wide range of energy services to the Swedish market.

As a result of these acquisitions and business reorganisations, the IVO Group became the second-largest power company in the Nordic countries and we are justified in regarding the Nordic countries as our domestic market.

NEW STRATEGY FOR FUTURE

Negotiations on the establishment of Finnish Power Grid Ltd continued throughout 1996 and were concluded at the very end of the year. The establishment of this new company means that we will have to relinquish the most profitable part of our business and it is, therefore, necessary to develop new business which will bring benefits for the Group; the acquisition of Gullspång is an example of this strategy.

It seems that the most promising new sectors will be those involved in electricity distribution and supply and investments in co-generation of power and heat. This strategy made determined progress at the beginning of 1997, as we acquired the majority of the shares of Länsivoima Oy.

Our operations also developed favourably in the other target markets. In the UK, a milestone was reached with the completion of financing for the second stage of the Humber gas-fired power plant together with the start of construction. In the Czech Republic, we signed a contract to build the Olomouc power plant and, in Hin Krut, Thailand, we are developing a major coal-fired power plant project. In addition to these extensive projects, we have a number of others planned or under construction in our target markets.

PROFIT THROUGH EXPERTISE

IVO Group's expertise in all aspects of energy services, its core strength, is a powerful attribute both inside and outside our

Nordic domestic market. Synergy between the Energy, Operation and Maintenance, and Engineering businesses, combined with Technology, delivers good results in the highly competitive energy markets. Our Energy Measurement business makes an important contribution to this synergy. This is evidenced by the growth and increased profit in all our business units.

The gradual liberalisation of Europe's energy markets provides us with further business opportunities and means that the period of strong growth we have experienced can be expected to continue. We keep a watchful eye on any changes in the market around us and will seize any opportunities for profit without hesitation.

ENERGY POLICY IN LINE WITH THE MARKET

Energy policy in Finland created a problem for the Government, as it became necessary to reform the tax system. The formation of the Nordic market and electricity exchanges, together with decisions made by the EU, have made it difficult for Finland to pursue an individual energy policy. Electricity is finally becoming a standard commodity.

Nor does it seem that the Government will be able to avoid political issues concerning energy in 1997. A problem with carbon dioxide emissions has revived the question over nuclear power. We believe that it is right for the negative decision on nuclear power to be reconsidered in Parliament. Nuclear power as an option is needed in the planning of future energy solutions and power plant investments in the Nordic countries.

INTERNATIONAL TEAMWORK

Today, around 3,000 IVO Group employees work outside Finland. This creates new challenges for communication and co-operation. Since the beginning of 1997, IVO Group's monthly staff bulletin is being published in Finnish and also in English.

A Finnish working group has prepared a model for co-operation between management and employees working in IVO

Group in Europe. Negotiations on this issue have already started and we aim to begin this co-operation during 1997.

FLOTATION SPEEDS UP THE BUSINESS

Negotiations to extend the shareholder base of the business have been continuing with our principal shareholder. Wider ownership will increase our opportunities to develop our business in many ways and will also enable us to create stronger links with our partners.

After 40 years of working for the IVO Group, it gives me great pleasure to be able to hand over to my successors a company which has recognised expertise in power and which is now a force in international markets. I extend my warmest thanks to the employees of the Group for their hard work, to the Board of Directors and the owners for their confidence, and to our customers and partners for their co-operation over the past years.

Helsinki, March 7, 1997



Kalevi Numminen
President,
Chairman of the Board of Directors



ADMINISTRATION AS AT JANUARY 1, 1997

Imatran Voima Oy's administrative bodies comprise the Supervisory Board, the Board of Directors and the President.

The Annual General Meeting appoints the Supervisory Board, which then appoints the members of the Board of Directors, the President and the Executive Vice Presidents.

The other duties of the Supervisory Board include the supervision of the management of the company, operated by the Board of Directors and the President. The Supervisory Board also makes decisions on any large reduction in, or extension of, the company's operations, or any substantial change in the company's organisation. It may also give the Board of Directors instructions in fundamentally important matters or those which have major implications.

The Executive Board comprises the full-time members of the Board of Directors of Imatran Voima Oy.

SUPERVISORY BOARD

Membership spanning the period between Annual General Meetings

Kimmo Sasi, Chairman	1996-1999
Mikko Rönholm, Deputy Chairman ¹⁾	1995-1998
Markku Autti	1996-1999
Rose-Marie Björkenheim	1995-1998
Gunnar Graeffe	1994-1997
Elina Lehto	1995-1998
Ismo Partanen	1994-1997
Pekka Tuomisto	1994-1997
Taisto Turunen, Representative of the Ministry of Trade and Industry	1995-1998
Esko Vainionpää	1994-1997

¹⁾ Resigned on January 31, 1997.

Employee Representatives

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

EXECUTIVE BOARD AND BUSINESS RESPONSIBILITIES

Kalevi Numminen, President and CEO up to March 31, 1997.

Heikki Marttinen, Chairman and CEO as of April 1, 1997.

Anders Palmgren

Kari Huopalahti

Kalervo Nurmimäki

Tapio Kuula
member of the Board of Directors
as of April 1, 1997

Technology

Power and Heat Generation

Power Trading

Distribution

Engineering
Operation and Maintenance
Nuclear Technology
Loviisa Power Plant
Research and Development
Environment

Holding of Power Plants
Energy Production
Fuels
Project Development
Energy sales to project customers
Investments in Generation

Power procurement
- System Control Centre
Power sales
- Power exchange
Grid Services

Electricity Distribution and Supply
Heat Supply
Related acquisitions
Energy Measurement

BOARD OF DIRECTORS

Kalevi Numminen

DTech hc. Born 1932, President and Chairman of the Board of Directors since 1982, member of the Board since 1975. Mr Numminen joined IVO in 1957. He retires on March 31, 1997.



Heikki Marttinen

MSc (Econ). Born 1946, Executive Vice President, member of the Board of Directors since 1993, Chairman and CEO from April 1, 1997. Mr Marttinen joined IVO in 1993.



Kalervo Nurmimäki

MSc (Eng). Born 1937, Executive Vice President, Deputy Chairman of the Board of Directors since 1993, member of the Board since 1983. Mr Nurmimäki joined IVO in 1961.



Anders Palmgren

DTech. Born 1940, Executive Vice President since 1993, member of the Board of Directors since 1982. Dr Palmgren joined IVO in 1971.



Kari Huopalahti

MSc (Eng). Born 1947, Executive Vice President, member of the Board of Directors since 1987. Mr Huopalahti joined IVO in 1973.



Gerhard Wendt

PhD. Born 1934, he has been employed with Kone Corporation since 1970 and retired as President at the end of 1994. Member of the Board of Directors since 1994.



Harri Piehl

MSc (Eng). Born 1940, President of JP Operations Management Ltd Oy since 1996. Member of the Board of Directors since 1997.



Mr Juhani Santaholma, Director, Legal Affairs acts as Secretary to the Supervisory Board, Board of Directors and the Executive Board.



ENERGY

The Energy business comprises power and heat generation, power trading, and electricity distribution and supply. Power and heat generation provides its customers with power plant co-operation, process steam and district heat; power trading offers electricity, marketing services and expertise relating to the efficient use of energy. The customers include energy-intensive industries and suppliers of electricity and heat. Electricity distribution and supply produces regional and local electricity transmission and distribution services on equal terms to all customers. It also markets customised electricity and, on a local level, heat to companies and households.

During the past few years, this business has been significantly extended through acquisitions. IVO Group is the second-largest power company in the Nordic domestic market. We have been operating in the UK market since it was deregulated and, in the emerging markets of Malaysia and Thailand, we produce and sell power and heat in co-operation with the local and other international companies. The business is operated by Imatran Voima Oy, and in Sweden mainly by Gullspång Group.

MARKET REVIEW

In the 1990s, the energy business has changed from traditional, and often national, public energy utilities towards competitive open markets. At the beginning of the decade, deregulation resulted in a significant development in the UK and Norwegian electricity markets and, a few years later, in those of Finland and Sweden.

In compliance with new regulations, the energy business has been divided into power generation, transmission, distribution and supply. Sellers of electricity compete for customers in the market place consisting of the grid and distribution network. The transmission and distribution remain, however, monopolies. There is also competition across national borders of Norway, Sweden and Finland.

In recent years, the concentration of ownership in power and electricity companies has continued rapidly in the UK, Sweden, Norway and Finland and has involved more intense competition. Major operators from central Europe have acquired interests

in the Nordic market, and US operators, among others, have entered the UK market. At the same time, the number of electricity companies has decreased.

The rearrangement of ownership aims to create competition, increase efficiency, find new sources of supply and create stronger market positions. This also involves the extension of companies' shareholder bases and the diversification of their financing options through privatisation. In addition to price, marketing and services are also gaining greater significance in competitive markets.

Elsewhere in Europe, the deregulation of the electricity market and the dissolution of monopolies is only beginning. The Council of the European Union approved the IEM directive on the gradual formation of a single European market for electricity. Compared with the Nordic and British development, however, the schedule is slow, and the degree of deregulation is small: after a transitional period of six years, only the largest users of electricity will be free to buy in the EU. It is possible, however, that individual EU countries may proceed more quickly. In addition to Denmark, there is increasing pressure towards deregulation in Germany and Holland, where the price of electricity is clearly higher than in the Nordic countries.

POWER AND HEAT GENERATION MARKETS

The total power generation capacity in the Nordic countries is almost 90,000 MW, with an estimated increase of about 1,000 MW each year. More than 47,000 MW of this is hydropower, more than 12,000 MW nuclear power, and nearly 30,000 MW other thermal power. In Norway, electricity is generated almost exclusively by hydropower; in Sweden mostly with hydro and nuclear power; and in Denmark with coal-fired thermal power. In Finland, nuclear and hydro power are used together with an extensive range of other fuels.

Finland is the world leader in the co-generation of power and heat, which has the undeniable benefit of high overall efficiency and low emissions. In Denmark, district heat is also, to a great extent, based on co-generation, but in Sweden there is con-

KEY FIGURES

	1996*	1995
Turnover, FIM million	9,140	5,952
Operating profit, FIM million	1,290	707
- % of turnover	14	12
Investments, FIM million	4,299	596
Number of employees as at December 31	2,309	765

* The figures include Gullspång Group from April 1 to December 31, 1996.

siderable potential for growth.

Industry produces most of the needed process steam itself, although, as companies have aimed at concentrating on their core businesses to develop a competitive edge, outside suppliers have recently increased their share of this business.

In the UK, total power generation capacity is at almost 70,000 MW, with a further 3,000 MW being constructed. A major part of this new capacity is gas-fired power, about 70% of which is in the hands of independent power producers.

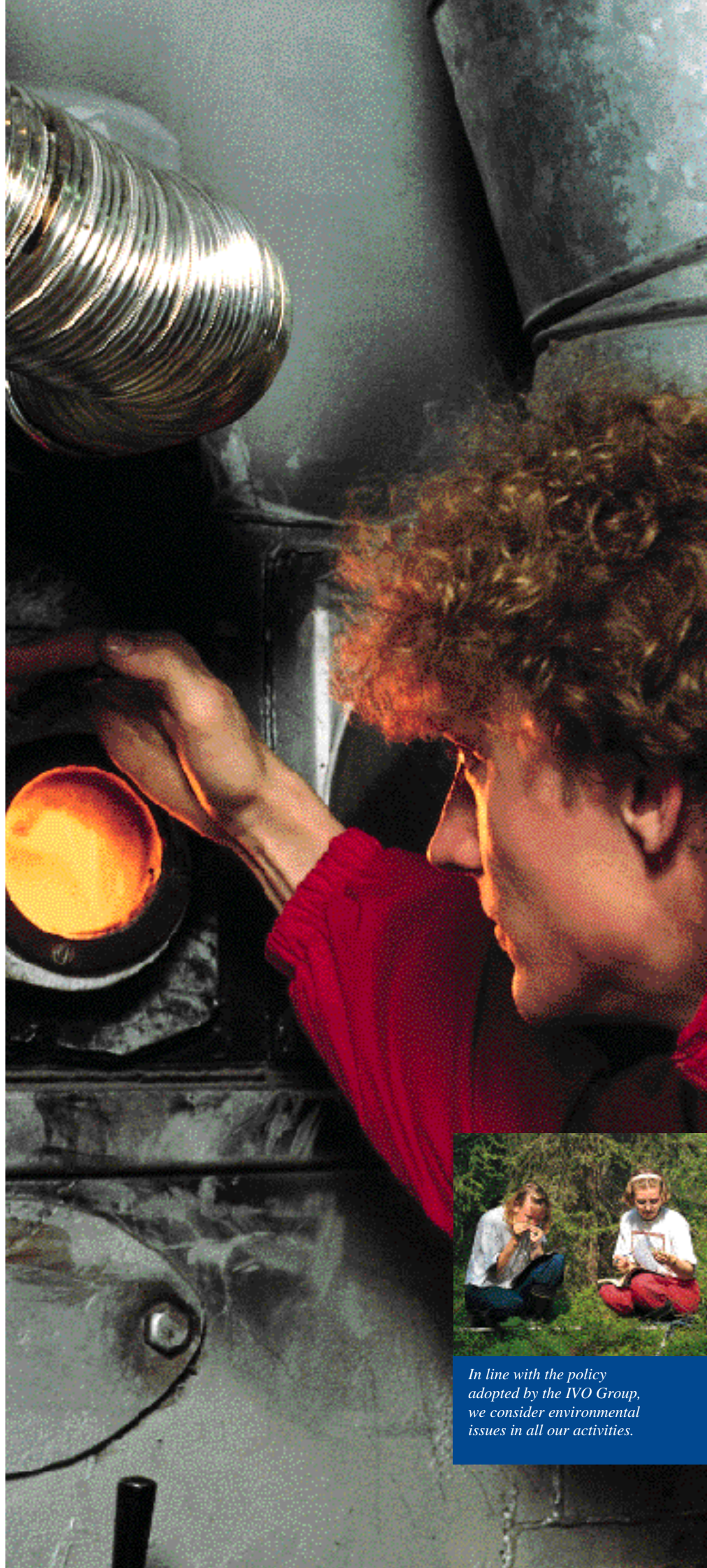
In South East Asia, the need for extra capacity continues to increase at an annual rate of more than 10%. The additional capacity required by 2005 is estimated to be 6,000 MW in Malaysia, 16,000 MW in Thailand, and 22,000 MW in Indonesia. This requires a massive construction programme throughout the area. Power generation has been opened up to international competition and, today, it is possible for independent power producers to invest. Further changes are expected in the structure and market position of the national power companies in these countries. In China, the required additional generation capacity is estimated to increase to more than 10,000 MW each year, which will raise the pressure to open the generation market to foreign investors.

IVO GROUP'S POWER AND HEAT GENERATION

IVO Group has a total of 8,500 MW of power generation and 2,500 MW of heat generation capacity in the Nordic countries. IVO Group accounts for almost 10% of the power generation capacity in this area.

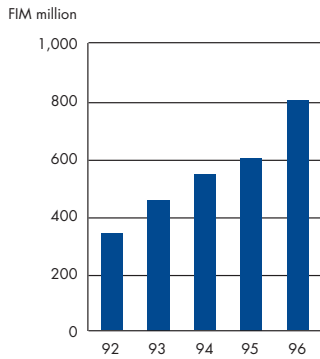
Hydro and nuclear power, coal, natural gas, peat, biofuels and, to a minor extent, oil are used for power and heat generation at IVO Group. The condition and availability of our power plants are high and the thermal power plants are equipped with modern cleaning technology to avoid air pollution.

Of the power plants being built in Finland, the largest include the Kirkniemi power plant, the third unit for the Pamilo power plant, and Vuosaari B, which is to be built for Helsingin Energia and in which IVO's share will be 150 MW at the beginning of production. In addition, a modern-

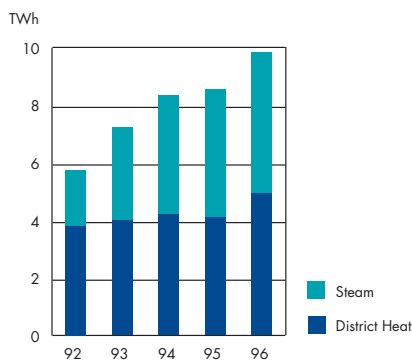


In line with the policy adopted by the IVO Group, we consider environmental issues in all our activities.

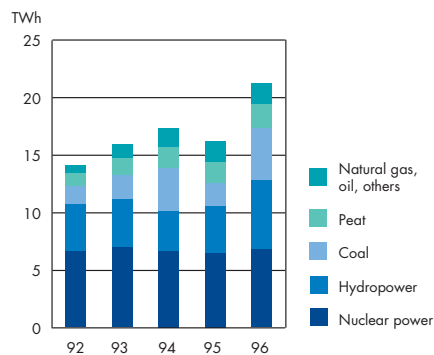
HEAT SALES TURNOVER



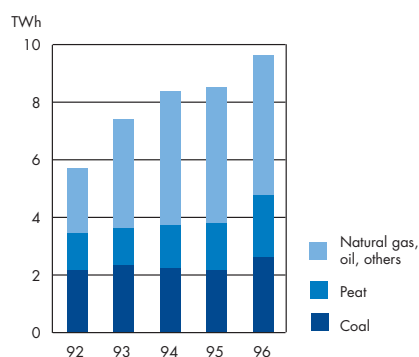
DISTRICT HEAT AND STEAM SALES



POWER GENERATION BY ENERGY SOURCE



HEAT GENERATION BY ENERGY SOURCE



sation and power uprating project is going on at the Loviisa power plant; this increases the power output of the plant by some 100 MW. Gullspång Group has a total power plant capacity of 50 MW under construction in Sweden.

In 1996, 9.8 TWh of heat was supplied, 13% more than in 1995, half of which was district heat, the other half process steam for industry. District heat and process steam are supplied to industry and energy companies locally from co-generation plants of power and heat and from heating plants. These contracts often also involve electricity supplies.

IVO has shareholdings of between 7% and 30% in power plant companies, in the UK, Malaysia and Thailand, which are operating or constructing more than 2,500 MW of power generation capacity and about 650 MW of heat generation capacity.

In the UK, Humber Power Limited's 750 MW power plant, of which IVO has a 220 MW share of the generation capacity, will be put into commercial operation in spring 1997. Towards the end of the year, a decision was made to extend the power plant by 510 MW. IVO was in charge of project development of this second stage, too, and, with a shareholding of 30%, is the largest shareholder in the company. IVO Energy Trading Ltd was established to resell the electricity contracts of IVO and other Humber shareholders.

In Thailand, IVO's associated company, The Cogeneration Public Company Limited, is building 60 MW of gas-fired power and has made a decision to build two 210 MW power plants. Towards the end of the year IVO, as a partner in an international consortium, signed a contract with EGAT, the national power company of Thailand, for the sale of 1,400 MW of electricity generated by a coal-fired power plant. The preparatory work for this project is expected to be completed during 1997, after which it will be possible to begin constructing the plant.

IVO's associated companies in Thailand and Malaysia were successfully listed on the stock exchanges of their respective countries, resulting in a very favourable increase in the value of the shares.

ENVIRONMENTAL PROTECTION

IVO Group aims at strengthening its environmental competitiveness through the systematic development of environmental issues. In Finland, it intends to obtain certification for its environmental management system in accordance with the ISO 14001 standard by the end of 1997.

The certification of our environmental system is a logical continuation of the development work which we have carried out for several years. The focal areas of this work include environmental audits of power plants, life-cycle assessments and environmental reporting.

Environmental audits were carried out at five power plant sites in Finland. Environmental impact assessments for the extension of the Naantali and Inkoo power plants, and the modernisation and power uprating of the Loviisa power plant were completed during the year.

A decision was made further to decrease nitrogen oxide and particle emissions at the Inkoo power plant. Subsequent to this, IVO's plants will be equipped with the best-available air pollution control technology and no further sizeable investments are anticipated in the near future. As a result of investing in air pollution control, sulphur and nitrogen emissions per produced energy unit have been falling consistently since the mid-1980s.

Sulphur emissions from IVO's power plants in Finland totalled 13,500 tonnes, nitrogen oxide emissions 14,300 tonnes, and carbon dioxide emissions 9 million tonnes. Total emissions increased from the previous year because of an increase in the use of coal. Information about power plant emissions is detailed in IVO Group's environmental report.

Most of the by-products of flue gas cleaning were recycled, as in the previous year. To improve recycling potential, a 12,000 m³ ash storage silo was built at the Naantali power plant.

Gullspång Group has chosen the EU's EMAS system as the basis for managing environmental issues. An environmental audit was carried out at Gullspång's hydropower plant in January 1997 and the plant will be registered under this system during the spring of 1997. Also during 1997, a corresponding audit will be arranged at five other power plants and, during 1999, it is intended to register the entire Group to the EMAS system.

THE POWER TRADING MARKET IN THE NORDIC COUNTRIES

The market value of the power trade in the Nordic countries' grid is somewhat more than FIM 70 billion and the use of power totals some 355 TWh. In Finland some 70 TWh of electricity is used each year, and the market value of power trade in the grid is about FIM 14 billion. The Nordic market is growing fairly slowly, at a rate of 1% to 2% each year.

A major part of the power trade continues to be based on contracts, albeit increasingly shorter ones, which are signed between generators and large-scale customers. In addition, 15% to 20% of the electricity produced in Sweden and Norway is sold in the Norwegian-Swedish electricity exchange, Nord Pool, where the market price of electricity is quoted on an hourly basis. In EL-EX, The Finnish Electricity Exchange, the private exchange established in Finland in August, business has so far been relatively slack.

The structure of energy taxation, which is important to the electricity spot markets and for cross-border trade, was made uniform in the Nordic countries when the Finnish parliament decided to shift the focus of energy taxation from electricity production to consumption. This change also offers Finnish players a competitive position which is equal to other Nordic generators.

The long dry season in Norway and Sweden resulted in a very exceptional situation in the Nordic countries and, from time to time, increased the market price of electricity quoted in Nord Pool to a record high. Much Danish and Finnish electricity was sold to the Norwegian-Swedish market.

POWER TRADING IN THE IVO GROUP

IVO Group supplies electricity to large customers from its own power plants and from shares, from other Nordic generators, from electricity spot markets and from Russia. Large customers include industry, electricity companies, purchasing consortia and electricity spot markets. IVO Group's total electricity procurement capacity in the Nordic countries is about 10,000 MW.

IVO Group sold a total of 42.8 TWh of electricity in the Nordic domestic market, 3.6 TWh of which was sold in the spot markets. Electricity sales increased by 41% on the previous year, with most of the

IVO GROUP'S POWER AND HEAT GENERATION CAPACITY AS AT DECEMBER 31, 1996

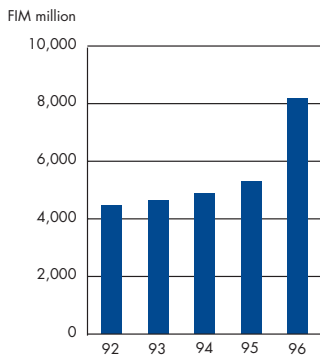
POWER PLANTS	MW ⁽¹⁾		
Hydropower, Finland	804	Sahanmäki	47/70
Imatra	170	Vanaja	60/95
Killin Voima	7	Peat, biofuels etc.	
Mustionjoki	7	Haapavesi	154
Myllykoski	1	Joensuu	56/125
Oulujoki	496	Kauttua	19/7/41
Palokki	7	Kirkniemi	25/30/125
Pamilo	57	Kokkola	184/82/106
Tainionkoski	60	Rauhalahti	87/140/65
Hydropower, Sweden	1,428	Riihimäki	5/40
Byälven	52	Savela	28/62/10
Faxälven	104	Toranki	6/20
Fjällsjöälven	29	Uimaharju	50/0/230
Gullspångsälven	119	Thermal power, Sweden	14/66
Indalsälven	71	Gas turbines and others	344
Klarälven	350	Huutokoski	176
Ljungan	44	Loviisa	40
Ljusnan	419	Naantali	39
Norsälven	117	Vanaja	47
Umeälven	7	Kopparnäs	0.1
Ångermanälven	80	Sweden, total	42
Other rivers	28	HEATING PLANTS	MW⁽²⁾
Thermal power, Finland	3,497/1,056/640	Finland	337/38
Nuclear power		Jyväskylä region	221
Loviisa 1, 2	920	Järvenpää	30
Coal		Kievari	15
Inkoo	1,070	Kouvola	46
Meri-Pori	565 ⁽³⁾	Lohja	18/38
Naantali 1	116	Uusikaupunki	7
Naantali 2, 3	160/300/60	Sweden	81
Natural gas		Arvika	6
Järvenpää	7/7	Hällefors	15
Kotka	79/15/140	Kristinehamn	40
Kouvola	46/70	Laxå	15
		Others	5

SHARES IN PARTLY OWNED POWER PLANTS	MW ⁽¹⁾	IVO Group's share MW ⁽¹⁾
Finland		
Helsingin Energia/Vuosaari A	165	110
Kemijoki Oy	822	352
Lahden Lämpövoima Oy	195	98
Lappeenrannan Lämpövoima Oy	190	95
Oulun Energia/Toppila 2	130	55
Teollisuuden Voima Oy/Olkiluoto	1,465	384
Fixed-term shares		77
Sweden		
AB Aroskraft/Aros	560	186
Karlshamsverkets Kraftgrupp AB/Karlshamn	996	179
Karskär Energi AB/Karskär	165	15
OKG AB/Oskarshamn	2,210	387
Mellansvensk Kraftgrupp AB/Forsmark	3,095	343
Fixed-term shares		120
United Kingdom		
Regional Power Generators Ltd/Brigg	240	60
Malaysia		
Powertek Bhd/Teluk Gong	440	31
Thailand		
The Cogeneration Public Company Limited/COCO I, II	300/-/385	33/-/43

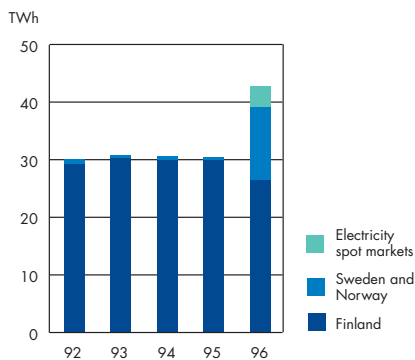
CAPACITY UNDER CONSTRUCTION	MW ⁽¹⁾	IVO Group's share MW ⁽¹⁾
Finland		
Helsingin Energia/Vuosaari B	450/410	decreasing output share 8 years
Kirkniemi	116/30/195	116/30/195
Pamilo Oy	27	27
Sweden, total	50	50
United Kingdom		
Humber Power Limited/South Humber Bank 1, 2	1,260	378
Thailand		
The Cogeneration Public Company Limited/COCO III	470/-/270	52/-/30

1) electricity/district heat/steam output 2) Teollisuuden Voima Oy holds an output share of 187 MW
3) district heat/steam output

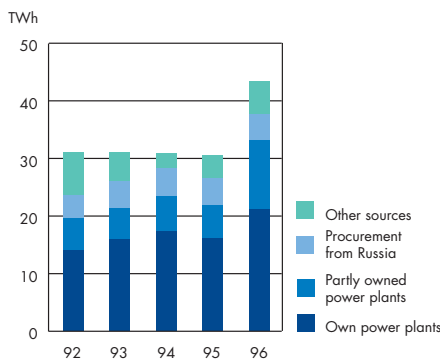
POWER SALES TURNOVER



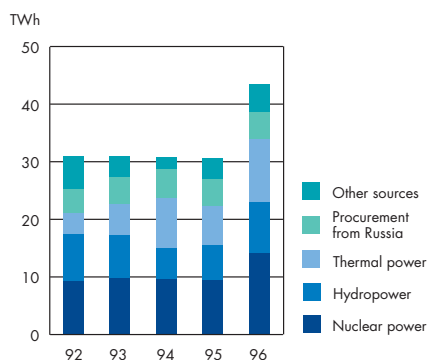
POWER SALES



POWER PROCUREMENT BY SOURCE



POWER PROCUREMENT BY ENERGY TYPE



growth coming from Sweden. Our market share of the Nordic countries' power trade is about 12%.

The exceptional diversity of our power procurement structure and our ability to use economical energy sources ensure stable prices and reliable supplies. This increases the Group's competitiveness in the extended and open markets. In Finland, IVO's System Control Centre is responsible for seeing that our customers have the electricity they need and that the Group procures electricity in the optimal way in each situation.

THE MARKET FOR ELECTRICITY DISTRIBUTION AND SUPPLY IN THE NORDIC COUNTRIES

The Nordic electricity companies sell a total of some 200 TWh of electricity, with a market value of around FIM 70 billion, each year to 14 million customers in small companies and households. There are about 700 electricity companies in the Nordic countries, the 15 largest of which cover a third of the market.

In Norway, Sweden and Finland, electricity market legislation has made it possible for all electricity users to ask generators to tender. In Sweden and Finland, however, an expensive meter which is able to measure energy on an hourly basis is a prerequisite for tendering and restricts competition among small consumers. This restriction will, however, be eliminated during 1998 when a system of consumption profiling will be used.

The customers who are already able to take advantage of competitive tendering have used this opportunity very actively. In Finland, for example, more than half of the customers have negotiated new electricity contracts, although most have signed a contract with their existing supplier.

In view of the extended competition, electricity companies have made significant investments in marketing, products and services. Increased competitiveness has also been sought by making acquisitions and entering into joint ventures. This has, in turn, increased company sizes and decreased the number of companies. The municipalities, in particular, have begun to reconsider their roles since it is clear that, in today's markets, energy business is no longer one of the municipalities' core operations and, in this situation, they are seeking to profit from their investments in energy.

IVO GROUP'S ELECTRICITY DISTRIBUTION AND SUPPLY

Following acquisitions, the IVO Group became the second-largest player in the Nordic electricity distribution and supply market. Gullspångs Kraftaktiebolag, in Sweden, was acquired in spring 1996 and Länsivoima Oy, in Finland, in January 1997. The acquired companies, together with Uudenmaan Energia Oy and Uudenmaan Sähköverkko Oy, form a solid basis for our operations.

Gullspång Group has about 355,000 electricity customers, most of which are in central Sweden. Our operations in Finland focus on southern and western parts of the country, where our subsidiaries have a total of some 330,000 customers. IVO Group has about 5% of the Nordic market share, and its transmission and distribution network measures about 113,000 kilometres.

On a local level, we also sell heat to small companies and to households.

TURNOVER AND RESULT

The turnover of the Energy business, at more than FIM 9.1 billion, increased by almost FIM 3.2 billion. Turnover from power sales amounted to FIM 8.2 billion, up by 55%, and that from heat sales FIM 0.8 billion, up by a third.

Most of the growth in turnover came from increased electricity sales in Sweden and from the integration of Gullspång Group with the Energy business for the period from April to December. In addition, IVO sold electricity direct to new customers in Sweden. A year of exceptionally low rainfall in Norway and Sweden decreased power supplies in the Nordic countries, resulting in a marked increase in our power sales to the Norwegian-Swedish electricity spot market. Contracted electricity sales in Finland, however, decreased from 1995. The volume of heat sales was higher, owing to the exceptionally cold first part of the year and the sales of Gullspång Group.

The operating profit, at a little under FIM 1.3 billion, grew by FIM 0.6 billion. An increase in the profit of electricity sales resulted from continued buoyant sales on the Norwegian-Swedish spot market at a good price and from the higher prices for contracted sales in Finland. Gullspång Group's profit for April to December also contributed to the improvement in the Energy business's profit.

INVESTMENTS

The Energy business invested FIM 4.3 billion, most of which was in power and electricity companies. About FIM 2.8 billion was invested in shares in the Swedish company, Gullspångs Kraftaktiebolag, FIM 0.2 billion in the shares in AB Skandinaviska Elverk, and FIM 0.5 billion in shares in the Finnish company, Länsivoima Oy.

IVO gradually increased its shareholding in Länsivoima Oy, from 9.9% at the beginning of the year to 45.1% at the end. In addition, IVO increased its shareholding in Keuruun Sähkö Oy from 8% to 35%, and acquired an 8% holding in Imatran Seudun Sähkö Oy.

The co-operation contract between IVO and Vattenfall AB, concerning the Baltic countries, was cancelled. IVO acquired all the shares of Baltic Power Ltd Estonia and sold its shares in the jointly-owned companies in Latvia and Lithuania to Vattenfall AB.

We continued to expand our business in Hungary with an acquisition, as APV Rt., Hungarian Privatisation and State Holding Company, approved an offer submitted in the summer by IVO and a Japanese company, Tomen, for the shares of the Budapest power generation company. As a result, the offering consortium is allowed to buy about 74% of the shares of Budapesti Erömu Rt. The deal is expected to be finalised in March 1997.

RESEARCH AND DEVELOPMENT

The Energy business invested FIM 44 million in research and development during the year. The largest investments were made in developing new solutions in power plant technology. As a result of more efficient processes, larger fuel mix, more compatible operations and a shorter construction period, the economy of power plants can be improved and their environmental impact decreased. In addition, new industrial uses were developed for the by-products of flue gas cleaning.

Development in serving our energy customers creates new competitive services and model solutions for the use of electricity. The project, "Electrically heated houses of the millennium", monitored the use of energy in 100 electrically-heated houses, equipped with comprehensive meters, in various parts of Finland. A corresponding research programme which was completed on buildings in the service sector showed



IVO Group constantly develops new electricity products and energy services to meet customer needs.

that the energy requirement of new electrically-heated buildings is 10% to 20% lower than that of buildings using other heating. Important new reference orders were carried out for marketing electric glass, including the glass for part of the new Helsinki-Vantaa airport terminal.

Research into the environmentally-friendly operation of the Loviisa power plant continued together with our diversified co-operation network. The operation of, and new computer models for, the reactor and the containment area are the specific subjects of our research work. The models are needed for the extension of the operating licence in 1998, when the first phase of the plant modernisation will be completed.

Disposal of spent nuclear fuel was developed at Posiva Oy, a company which is 60% owned by Teollisuuden Voima Oy and 40% by IVO. During its first year of operation, Posiva prepared an outline programme aimed at selecting the final disposal site by the end of the year 2000.

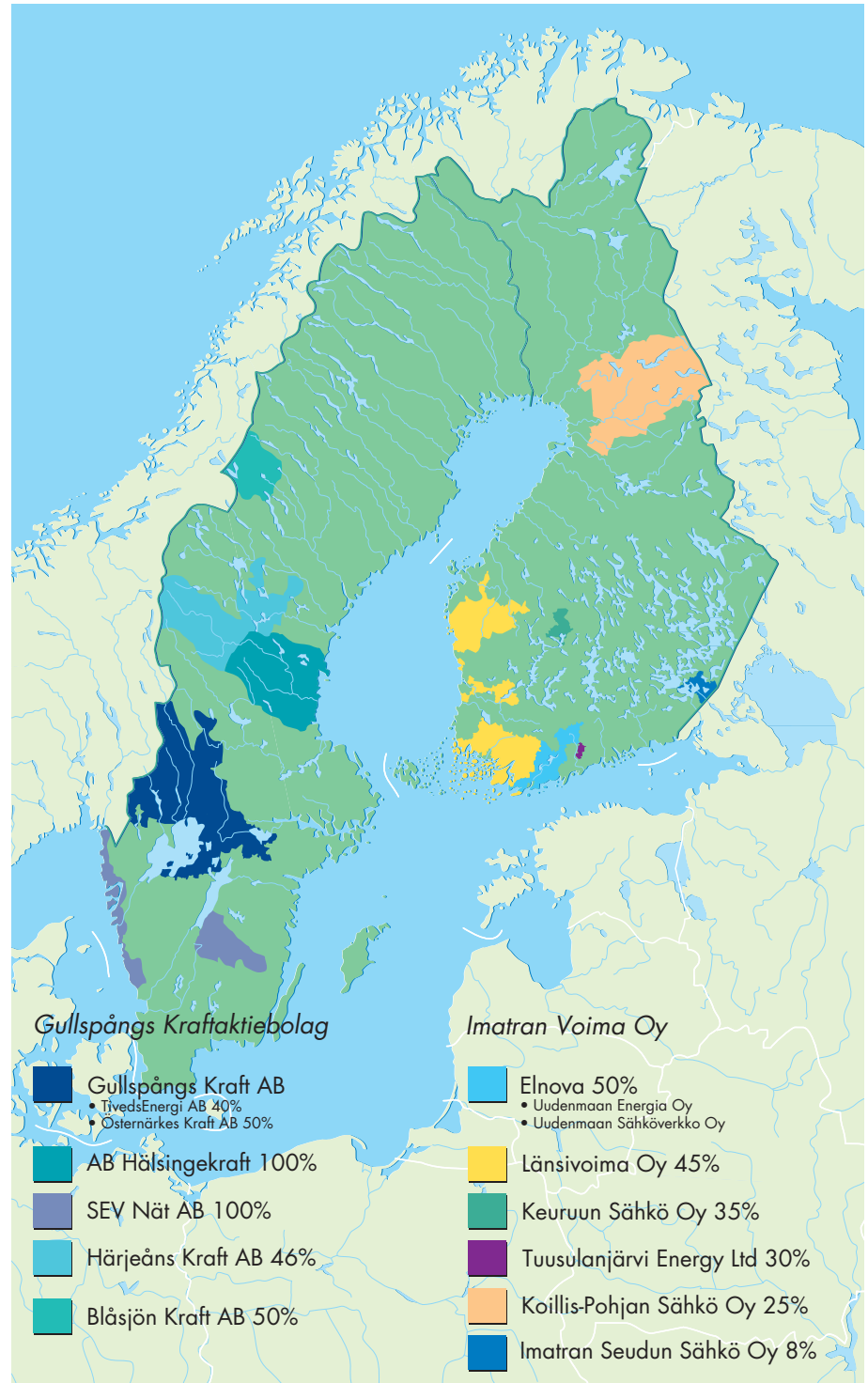
SHORT-TERM OUTLOOK

Electricity demand in the Nordic countries continues to grow slowly. The political decision made in Sweden to close the Barsebäck nuclear power plant will, if it is implemented, decrease the supply of inexpensive base-load capacity in the market. Transmission lines will be strengthened from the Nordic countries to central Europe, where the price of electricity is higher. These factors will all add pressure to increase electricity prices and to expedite the decision to build new capacity.

IVO Group is prepared to increase the generating capacity of the Naantali and Inkoo plants. The potential for constructing co-generation capacity of power and heat will not only increase in the Nordic domestic market, but also in the UK and Germany, as the trend towards outsourcing of power plant projects and ownership to energy experts, enabling companies to focus on their core businesses, gathers force. In South East Asia, independent power producers continue to create possibilities for investment. In the Nordic countries, the holding of electricity companies will continue to change and, in this respect, the municipalities, in particular, will pay increasing attention to the risks associated with ownership.

In the near future, competition for large customers will become keener and contract

IVO GROUP'S HOLDINGS IN ELECTRICITY COMPANIES AS AT DECEMBER 31, 1996



periods shorter. This will increase the pressure to reduce the price of electricity which, in turn, will affect profitability. Trading volumes in the electricity spot markets will grow while, at the same time, the price of electricity will fluctuate in response to the market situation.

As small customers start arranging tender competitions for electricity supply,

services and marketing, as well as price, will become important competitive factors. Sellers of electricity will launch new electricity products for small customers in order to maintain their market shares.

NUCLEAR POWER IN THE IVO GROUP

IVO owns the 920 MW Loviisa power plant. The two VVER-440 type pressurised water reactors were put into commercial operation in 1977 and 1981. Loviisa is the only VVER plant in the world designed and constructed to meet Western safety standards.

International comparison shows that the availability of the plant has been remarkably good. Since the beginning of commercial operations, the average load factor has been 83.0% at unit 1, and 86.6% at unit 2. In 1996, the load factor of unit 1 was 82.5% while that of unit 2 was 93.2%. With these load factors, the Loviisa power plant is among the most efficient nuclear power plants in the world.

The units are now being modernised in order to increase capacity by some 10% and to extend substantially the plant's operating life. During the refuelling outage, the reactor pressure vessel of unit 1 was annealed as part of a modernisation project. This project, begun in 1995, will be carried out during normal operation and is expected to be completed before the year 2000.

IVO owns an output share of 384 MW of the Olkiluoto nuclear power plant through its 26.6% shareholding in Teollisuuden Voima Oy. In addition, it owns an output share of 343 MW of the Forsmark nuclear power plant and an output share of 387 MW of the Oskarshamn nuclear power plant in Sweden through its subsidiaries.

Spent nuclear fuel from Loviisa was returned to Russia, as specified in the contracts, but from the beginning of 1997 it will be disposed of in Finland. After interim storage on site, it will be disposed of by Posiva Oy, a company owned jointly by Teollisuuden Voima Oy and IVO, in the Finnish bedrock. Site investigations for the final disposal have been carried out in bedrock at Eurajoki, Kuhmo and Äänekoski and, since the beginning of 1997, in Loviisa. The decision on which site to use will be made in the year 2000. Spent fuel in Sweden is disposed of by Svensk Kärnbränslehantering AB, which is also working on a site-selection programme.

In Finland, financial provision has been made for handling and disposing of nuclear waste since nuclear power was introduced. The cost is included in the price of nuclear electricity and is allocated to the Nuclear Waste Disposal Fund of Finland, which is supervised by the Ministry of Trade and Industry. In Sweden, the cost of future nuclear waste management is also included in the price of nuclear electricity.

On December 31, 1996, liability for the waste from Loviisa was confirmed by the Ministry of Trade and Industry at FIM 2,594.3 million, FIM 1,558.4 million of which was collected in the reserve fund by April 1, 1997. The shortfall is covered by securities. The fund is expected to cover the liability in the year 2001. Until then, it will be added to by an average of FIM 200 million each year, in addition to interest earned on the fund, with a concomitant reduction in securities. IVO is permitted to borrow 75% of the funded sum.



An extensive modernisation and power uprating project is being implemented at the Loviisa power plant.



OPERATION AND MAINTENANCE

The Operation and Maintenance business comprises the operation services of power plants (IVO O&M) and maintenance services (IVO Service). IVO O&M carries out long-term turnkey operation and maintenance at customers' power plants, enabling the customers to focus on the development of their core businesses. Maintenance services cover everything from a single operation to a contract for the maintenance of an entire plant or site.

Our customers include owners and operators of power plants, substations and industrial plants in Finland, the UK, Malaysia, Indonesia, Sweden and Hungary. Other target countries include Germany, China and Thailand.

The Operation and Maintenance business is operated by IVO Generation Services Group.

MARKET REVIEW

There is a clear trend among owners of power plants to focus on their core businesses and to outsource other operations to service companies. In Finland, industrial maintenance and energy services are also following this route.

There is an increasing need for much new energy generation in the rapidly-growing economies of South East Asia, which significantly expands our target markets particularly since several independent power producers are initiating power plant projects in the area.

IVO GROUP'S OPERATION AND MAINTENANCE

The market for power plant operations developed favourably in our target countries during the year. The Operation and Maintenance business increased its capacity by some 650 MW and now totals somewhat more than 6,300 MW. Our operation and maintenance contracts cover more than 3,800 MW in Finland and around 2,500 MW in our other target countries.

A long-term heat supply contract was signed with Schauman Wood Oy, in Finland, to construct a steam generation boiler for the company's veneer works, which are located in Jyväskylä. The boiler will be fired with the sawdust, bark and

grinding dust produced by the veneer works, and will begin to supply energy in summer 1997. The heating plant will be operated by remote control from the Rauhahti power plant. The project for Schauman Wood will use our new operating model, local heating services, in which energy supply contracts are tailored to customers' needs. In Valkeakoski, the Operation and Maintenance business obtained a contract for the power plant of Kemira Fibres Oy's Säteri mill.

Our power plant operation services were extended significantly in Sweden after Birka Service AB, a subsidiary of Birka Kraft AB, was given the responsibility for operating and maintaining Stockholm Energi AB's power plants and electricity distribution and district heating networks.

In the UK, we signed our fourth extensive operation and maintenance contract for the second phase of the Humber power plant. At the same time, the contract period of the first phase was extended by two years. The commissioning of the first phase began in November and the power plant will be put into commercial operation in spring 1997.

In March 1997, the Operation and Maintenance business signed a long-term contract for two power plants to be completed in Indonesia in 1999. In addition, a joint venture company was established in Indonesia with a local partner.

The outsourcing of services continued in the maintenance market. New comprehensive maintenance contracts were signed in Finland with Finnsementti Oy, in Parainen; Publishing Company Ltd Otava, in Keuruu; Valmet Corporation, in Pansio; and the industrial plants of Valio Finnish Co-operative Dairies' Association, in Lapinlahti and Varkaus. In addition, IVO Service signed a long-term contract for the maintenance of a significant share of the substations on the Finnish grid.

As in previous years, the number of IVO Service's turbine and transformer service contracts continued to increase, both in Finland and in Sweden. Montivo Kft. strengthened its position in the Hungarian maintenance market and an office was established in the town of Paks, primarily to maintain the Paks nuclear power plant and other industrial plants in the vicinity.

KEY FIGURES

	1996	1995
Turnover, FIM million	930	740
Operating profit, FIM million	92	49
- % of turnover	10	7
Investments, FIM million	21	15
Number of employees as at December 31	2,077	1,723

TURNOVER AND RESULT

Turnover of the Operation and Maintenance business increased to FIM 930 million, 26% up on the previous year. 34% of turnover came from outside the IVO Group. Profitability was good. In 1997, turnover is expected to grow as significantly as in the previous year.

RESEARCH AND DEVELOPMENT

FIM 6 million was invested in research and development. The development of operation and maintenance technologies and new operational concepts for power plants were the primary investments during the year.

A remote support service was developed, with the objective of assisting operation and maintenance personnel of power plants and of improving the potential for applying the expertise of IVO Group companies at power plants. In order to reduce costs, new applications were developed for refurbishments.

QUALITY AND ENVIRONMENTAL PROTECTION

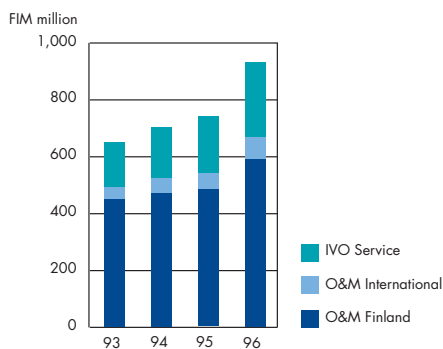
The assessment principles for the Finnish quality award were used to develop the business's quality and competitiveness. Power plant availability, which is one of the most important elements in assessing quality operations, could be further improved. Measured by international standards, the availability of the power plants has continued to be of the highest quality.

The Operation and Maintenance business, together with the Energy business, invests in the development of environmental management. An environmental audit was carried out at the Peterborough, UK, site in December with the result that environmental certificates to BS 7750 and ISO 14001 standards were granted for the operation of plant.



The trend for industries and power generators to focus on their core businesses creates opportunities for IVO Group to market its expertise in operation and maintenance.

OPERATION AND MAINTENANCE TURNOVER



OPERATION-TIME ENERGY AVAILABILITY OF POWER PLANTS*

%	1996	1995
Natural-gas-fired power plants	99.4	99.2
Peat and wood-fired power plants	99.2	98.9
Coal-fired power plants	97.5	92.7
Average	98.1	94.9

The average was 95.1% in 1996-92 and 94.1% in 1995-91.

OPERATION-TIME TIME AVAILABILITY OF POWER PLANTS*

%	1996	1995
Hydropower plants	99.0	99.8

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

NUMBER OF EMPLOYEES BY BUSINESS AREA AS AT DECEMBER 31

	1996	1995
O&M Finland	794	751
O&M International	127	88
IVO Service	1,156	884
Total	2,077	1,723



A partner which specialises in maintenance can make a significant difference to a customer's efficiency and competitiveness.

The quality system which had been certified at the Jyväskylä unit was supplemented to meet environmental standards and will be certified in the spring of 1997. Environmental management in our other Finnish units is being developed as part of the work relating to the quality system.

PERSONNEL

The expertise of our personnel was improved with "Expert-96" training. Maintenance and overseas operations of power plants are increasing rapidly and we believe it is particularly important to train experts to handle these services.

SHORT-TERM OUTLOOK

The market for power plant operation services is expanding in Finland and Sweden as well as in South East Asia. The growth of independent power plant projects in South East Asia is driving the industry.

Rapid growth in IVO Service is expected to continue as our comprehensive contracted maintenance model becomes more generally used. Rapid and profitable growth will, however, require us to develop service concepts which will enable us accurately to predict our customers' specific needs.

ENGINEERING

The Engineering business specialises in turnkey contracts for energy generation and transmission systems, and for railway electrification and antenna mast supplies. In addition, this business offers project management, design and consulting services. Our principal customers are in the power and electricity, railway and telecommunications industries.

The business is focused on Finland and the nearby areas of Sweden, Norway, Russia and the Baltic countries. We also target countries such as Poland, the Czech Republic and Hungary. In Germany, the UK, Malaysia, Thailand, Indonesia and China, we co-operate with other business units of IVO Group.

Our extensive expertise and experience of a wide range of power plants, transmission systems, district heating systems, nuclear power engineering, environmental protection, automation, electrification, telecommunication and information systems, and the conservation of energy have strengthened our position in the countries in which we operate. Other important factors in our success include our own development work for technology products, synergistic use of the expertise inherent in the IVO Group, alliances with significant partners which support our operations, and emphasis on local work. Our flexibility, creativity and expertise, combined with the fact that we are truly independent of manufacturers, give us a competitive edge.

The Engineering business is operated by IVO Power Engineering Group (up to December 31, 1996, IVO International Group), which is the largest player in this business in the Nordic countries.

MARKET REVIEW

Investment in new power plants has been very modest in the Nordic countries. Russia has a need to build new plants and to refurbish existing ones, but finance has to be arranged for major investments. In this situation, the demand is mostly for automation products. Discussions on how to meet future energy needs are taking place in the Baltic countries, and no major investments can be expected before these decisions have been made.

There are new power plant projects being planned in the Czech Republic and Poland, but the Polish market, in particular, is not yet sufficiently mature for decisions.

Refurbishment and environmental protection products continue, however, to be in great demand in both these countries. In South East Asia and China, most of the demand is for new power plants and China also has a growing market for environmental protection technologies.

The reorganisation of power transmission in the Nordic countries has restricted the level of investment, but the maintenance and refurbishment market for transmission networks is opening up for competition both in Finland and in the nearby areas. In developing countries, regional electrification projects are increasing, but their realisation will depend entirely on international development aid.

New high-speed railways in the Nordic countries and elsewhere in western Europe have resulted in a growth in the railway electrification market. Railway electrification and refurbishment projects in Russia, the Baltic countries and eastern areas of central Europe, are offering new opportunities. Increasing competition among mobile phone networks in, for example, the Nordic countries is creating a rapidly-growing market for antenna mast supplies.

Projects to improve the safety of nuclear power plants and to purify liquid nuclear waste continue in the CIS countries and in eastern areas of central Europe. The EU is playing a significant role in the financing of these projects.

Few new hydropower projects are initiated in Finland, but the refurbishment sector showed signs of revival.

IVO GROUP'S ENGINEERING OPERATIONS

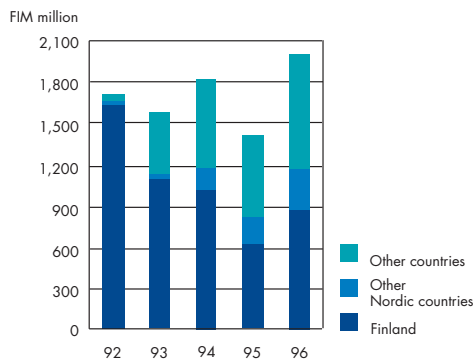
During 1996, new orders worth some FIM 1.6 billion were received. The operations focused primarily on Finland and the adjacent areas, but we also carried out projects in eastern areas of central Europe and, as part of Nordic development aid projects, in Africa. In the Middle East, we concentrated on completing existing projects.

The most important power plant project in Finland, the Kirkiemi plant for Metsä-Serla Corporation's paper mill, which IVO is building in partnership with Metsä-Serla, was topped-out at the end of the year. This turnkey contract, worth more than FIM 300 million, is due for completion in October 1997.



KEY FIGURES	1996	1995
Turnover, FIM million	1,974	1,405
Operating profit, FIM million	29	13
- % of turnover	1	1
Investments, FIM million	90	31
Order book, FIM billion	2.4	2.7
Number of employees as at December 31	2,107	1,464

ENGINEERING TURNOVER



TURNOVER BY BUSINESS AREA

FIM million	1996	1995
Power plant engineering	932	588
Power transmission engineering	909	730
Nuclear power engineering	137	98
Hydropower engineering	41	27
Others	-	8
Sales between business units	- 45	- 46
Total	1,974	1,405

OUTSTANDING ORDERS AS AT DECEMBER 31

FIM million	1996	1995
Finland	675	842
Other Nordic countries	162	153
Other countries	1,580	1,726
Total	2,417	2,721

NUMBER OF EMPLOYEES BY BUSINESS AREA AS AT DECEMBER 31

	1996	1995
Power plant engineering	1,032	480
Power transmission engineering	909	809
Nuclear power engineering	118	118
Hydropower engineering	25	23
Corporate staff	23	34
Total	2,107	1,464

Kotkan Energia Oy ordered a partial delivery, worth about FIM 70 million, for the natural-gas-fired power plant, expected to begin commercial operation in the autumn of 1997. The project, worth about FIM 60 million, to extend the Pamilo hydropower plant with the addition of a third unit is due for completion in October 1997. Among the largest power transmission orders received were those for the Pyhänselkä transformer station, which will be constructed for IVO Transmission Services Ltd, and a transmission line contract for Helsingin Energia.

In St Petersburg, Russia, the construction of a large-scale power plant, which was started at the end of 1994, continued. The main contractor for the project is the Russian foreign trade company, Technopromexport, but IVO's Engineering business leads the consortium which is implementing the parts of the project awarded to companies in the west. The total value of the consortium's deliveries is some FIM 2 billion, about half of which will be payable to IVO. The plant is designed to output 900 MW of power and 800 MW of district heat.

A second extensive turnkey contract was obtained in the Czech Republic. The Engineering business is leading a consortium which is constructing a plant in Olomouc for a Czech power company to generate electricity, district heat and process steam. The project, due for completion in November 1998, is worth more than FIM 300 million. A new contract for low-NO_x burners, together with the conversion of the combustion technology of two boilers, was signed with the Jaworzno III power plant in Poland, on completion of an existing project. Deliveries are scheduled for 1997-98. In addition, significant design and project management contracts were signed in the UK, Germany, Indonesia and Thailand.

An additional order was obtained for a cable project, which is continuing in Abu Dhabi while, at the same time, the implementation schedule for the project was extended by six months. The project is due for completion at the end of October 1998.

Purification of liquid nuclear waste was started at the Murmansk maintenance dockyard for nuclear-powered vessels: around 300 cubic metres of primary-circuit cooling waters from the reactors of the ice-breaker fleet will be purified. The successful purification work carried out in 1995 at Paldisk, Estonia, contributed to our obtaining the contract. The Russian main contractor is being consulted in a project to construct a

VVER nuclear power plant in China. Selion Oy obtained its first contract in the US during the year, for the supply of CsTreat ion exchange material for the Callaway nuclear power plant.

Electric Rails Ltd continued the electrification of railways in Finland and, in Sweden, began the railway electrification project of Svealandsbanan, for Banverket, and completed the Östra Station electrification project, for SL Bansystem AB. Transmast Ltd continued to deliver masts for Telecom Finland Ltd and obtained new orders from Russia and Sweden. Transelectric AB of Sweden and AS Linjebygg of Norway both had significant projects in Africa.

TURNOVER AND RESULT

Turnover of the Engineering business was FIM 1,974 million, about 40% higher than in the previous year. More than half of this growth came from exports and overseas operations, accounting for almost 60% of turnover.

Operating profit totalled FIM 29 million, FIM 16 million higher than in 1995. Profit before extraordinary items and tax was FIM 23 million, up from FIM 7 million in the previous year, primarily as a result of the profitable operation of our subsidiaries.

At the end of the year, the order book stood at FIM 2.4 billion, more than 70% of which was orders from outside Finland.

INVESTMENTS

During the year we invested FIM 90 million in the business. The major part of these investments was made to acquire subsidiaries, associated companies and businesses.

At the beginning of 1996, we acquired a 75% share of ETV-Erötörvt Rt., the largest engineering company in the Hungarian energy sector, which has designed most of the country's power plants and transmission systems. This strengthens the position of the IVO Group in the emerging energy market in Hungary and the adjacent areas.

In Finland, we acquired a 50% share of Verkonrakentaja Wire Oy, a company which specialises in the construction and maintenance of distribution networks and road lighting systems. Selion Oy, which manufactures ion exchange materials for the purification of radioactive water, began operating at the beginning of May.

The Engineering business gained a new foothold in the Swedish market when Transelectric acquired ABB Electrotec's power transmission business.

RESEARCH AND DEVELOPMENT

A total of about FIM 24 million was invested in research and development. Products were specially developed in power plant technology, flue gas cleaning, automation and information systems.

Technologies for the co-generation of power and heat systems have been the focus for R&D in thermal power engineering. The development of a bed-mixing dryer, which improves the profitability of fuels with a high moisture content, was completed and the first contract for delivery to a customer has already been signed. The automation business completed modules for thermal condition monitoring and production planning to improve the use of power plants; they can be combined for various automation and information systems.

Numerical model calculation is part of IVO Group's key technology in the development of power plants. We developed new flow-calculation software to create the opportunity to design controlled burning in low-NO_x combustion and heat transfer in a power plant boiler. The software has been enhanced to enable it to be used in the improvement of multi-fuel and mixed-fuel technologies. These solutions are of particular interest to customers which produce waste or by-products which are suitable for burning.

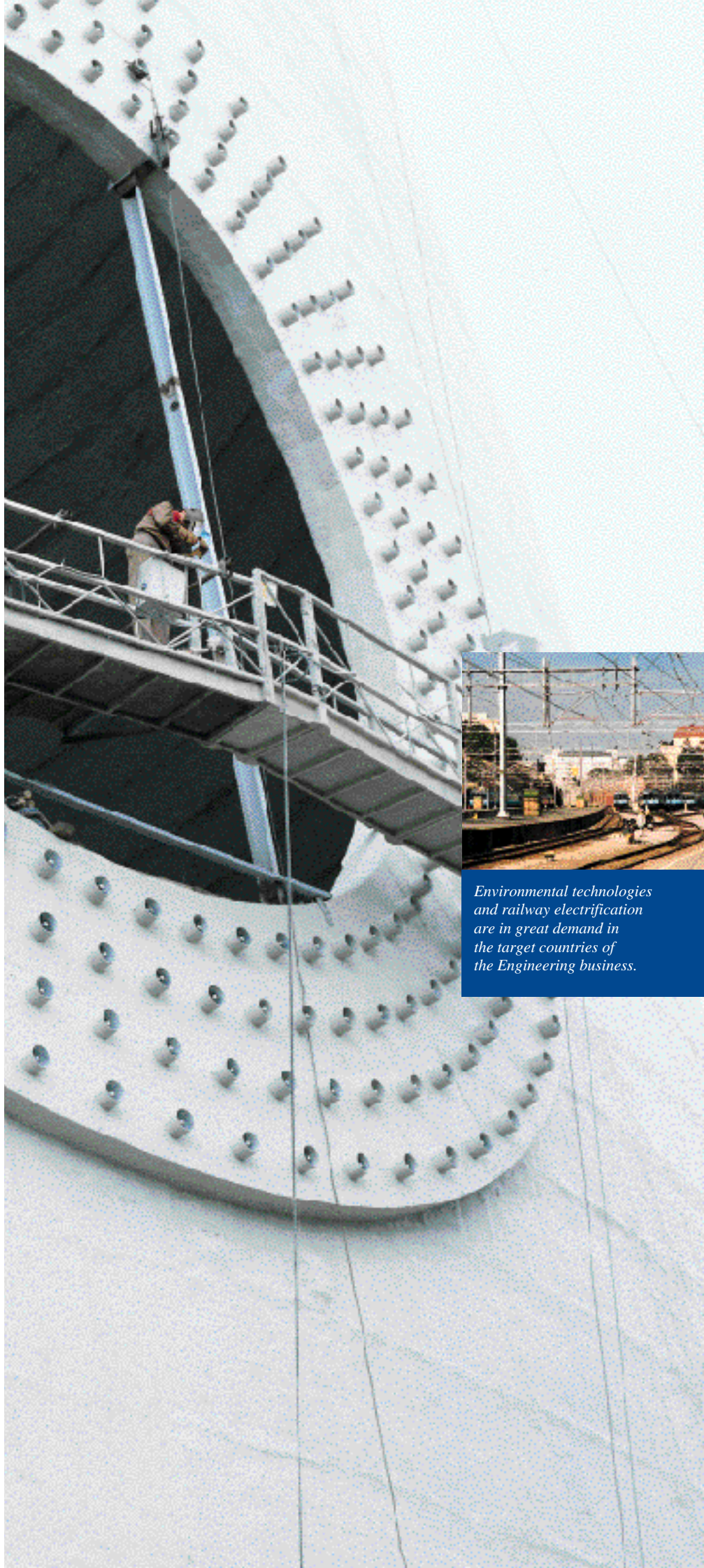
The power transmission business began a research and development programme for distribution. It includes automation, integration of information systems and new methods for operation and maintenance.

SHORT-TERM OUTLOOK

Investments in energy are expected to remain at a modest level in Finland. However, liberalisation of the electricity markets and changes in the ownership of electricity companies create new potential for the Engineering business in Finland and the other target countries.

In the Nordic countries, investments in the rail network involve electrification as an essential component in increasing the speed of trains. The construction of mobile phone networks will continue for some years to come and the expertise inherent in the Nordic countries will enable us to find new markets throughout the world.

The development of our network of overseas subsidiaries, together with strong alliances with local partners and IVO Group's synergetic expertise, enable this business to strengthen its market position further in the targeted countries.



Environmental technologies and railway electrification are in great demand in the target countries of the Engineering business.



ENERGY MEASUREMENT

The Energy Measurement business develops, manufactures and markets equipment, systems and services for energy metering, and load control for power and electricity companies and industry.

The product range, from single apparatus to extensive system solutions, meets the needs of customers of various sizes which operate in different markets. State-of-the-art technology is used to communicate solutions to customers in the transmission mode they need. The systems focus on remote measurement of energy, and measurement and load control. The company's principal markets are the Nordic countries, central Europe, Australia and New Zealand.

The Energy Measurement business is operated by Enermet Group, which has operations in Finland, Australia, Denmark, Germany, the Netherlands, New Zealand, Norway, Sweden and Switzerland.

MARKET REVIEW

The energy measurement business is focusing its operations on the business of large global companies. Acquisitions and various consortia result in business structures in which local manufacturers increasingly become part of strong global company networks.

Economic growth has made the Far East a significant growth area for the energy measurement business and it is expected that the major energy measurement companies will soon be investing in countries such as Malaysia, Indonesia and Thailand.

In the Nordic countries, the business's focus has shifted clearly from single apparatus to overall systems. In central Europe, the trend is towards versatile measuring systems. The competitive nature of these markets makes continuous development of new technologies a must.

IVO GROUP'S ENERGY MEASUREMENT OPERATIONS

The Energy Measurement business has grown and expanded at a rapid pace. Developments, strategic acquisitions and advanced products have created a strong base for this rapid growth and have changed the nature of the company's operations and product development. Originally a Nordic

meter supplier, it is now an international company offering products, overall systems and services, particularly for the energy and electricity markets; it meets its customers' changing needs by providing the best overall systems available.

The business strengthened its market position during the year, particularly in the Nordic countries and central Europe. The development of a new terminal unit for the ripple control system and the launch of this equipment in Australia and New Zealand created the opportunity to establish the company more firmly in these new markets.

The new static meter family was complemented with a single-phase kWh meter for households and with a special meter which is suitable for industry; both these products have good prospects in the market. The central European market is particularly promising and static meters are expected to gain a firm foothold in the area in the next few years.

TURNOVER, RESULT AND INVESTMENTS

Turnover of the Energy Measurement business was FIM 386 million, 17% higher than in the previous year. The share of exports and overseas operations increased to 81% of turnover.

Operating profit increased to FIM 34 million, up from FIM 22 million for 1995. This is a good performance in view of the profitability of the energy measurement sector.

The profitable growth of this business has shown that our strategy and choice of target markets were both successful. The central Europe and new Far Eastern markets are expected to provide the most significant growth.

PRODUCT DEVELOPMENT

During the year, FIM 29 million, 8% of turnover, was invested in product development and research. The most significant investments were in the development of new-generation ripple control receivers; of measuring terminal units; and of a new overall system. In addition, we invested in research to meet customer needs in the rapidly changing market.

KEY FIGURES

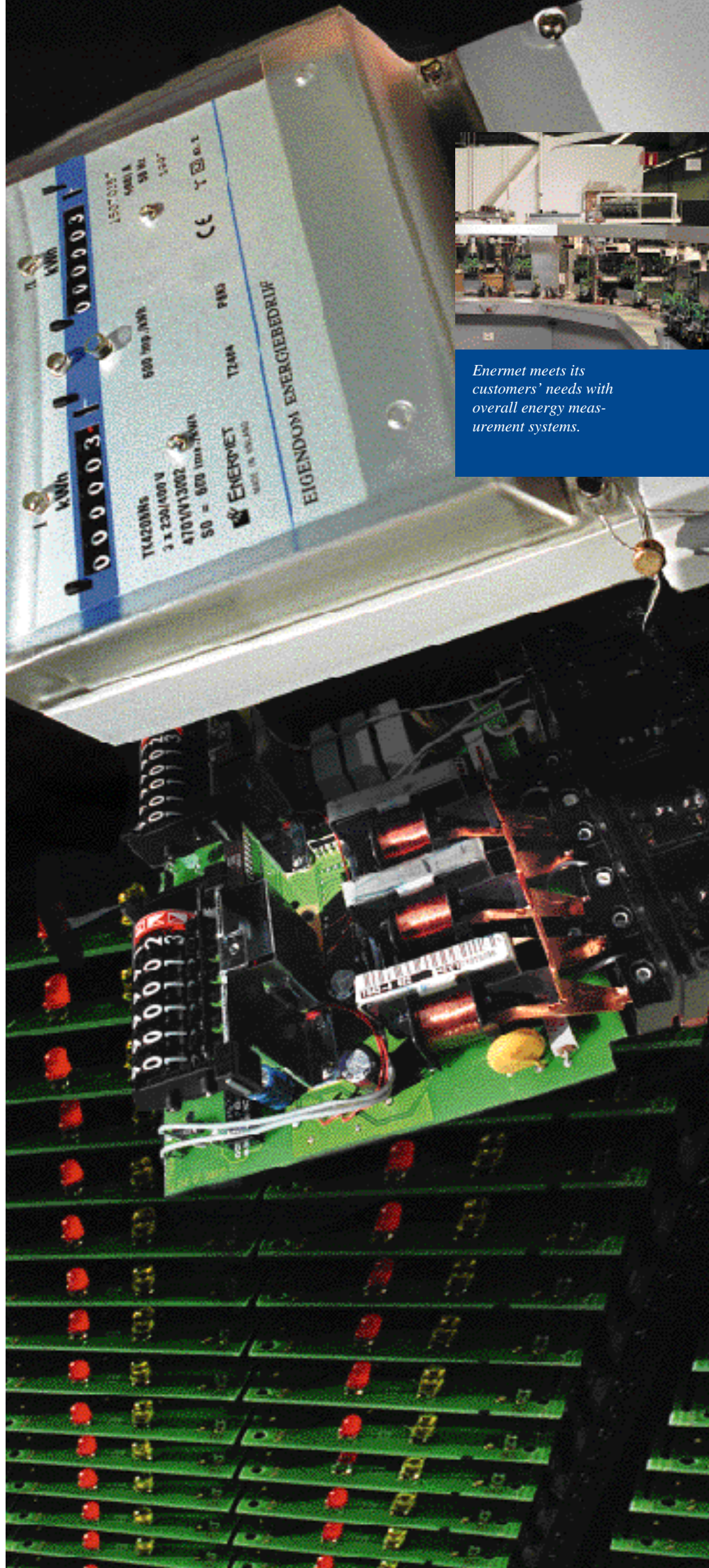
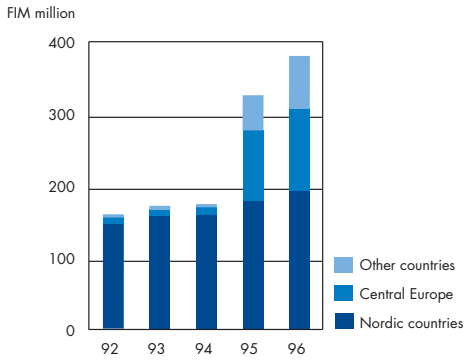
	1996	1995
Turnover, FIM million	386	330
Operating profit, FIM million	34	22
- % of turnover	9	7
Investments, FIM million	19	90
Number of employees as at December 31	550	517

SHORT-TERM OUTLOOK

Changing energy markets create opportunities to introduce new technologies. The Energy Measurement business also makes significant investments in new market areas. Competitive pricing demands that we pay extra attention to product development and cost-effectiveness of production.

Changes in energy markets in the Nordic countries and in central Europe give us reason to expect a continuation of the favourable trend of sales and in the strengthening of our market position. We expect our result for 1997 to be on a par with that of 1996, provided that there are no unexpected changes in price structure.

ENERGY MEASUREMENT TURNOVER



Enermet meets its customers' needs with overall energy measurement systems.



GRID SERVICES

The Grid Services business controls around 90% of the Finnish grid. IVO Transmission Services Ltd (IVS) is responsible for the grid within Finland and the alternating current connections from northern Finland to Sweden and Norway, while Imatran Voima Oy is responsible for other cross-border lines.

Grid Services comprises transmission business, which offers services to all partners in the electricity trade; transmission technologies, which designs, contracts and maintains the network; and network operation, which is responsible for the reliability of the power system and for network operations.

IVO was a pioneer in Europe: it demerged grid services within Finland into a separate company as early as 1992. IVS transmits more than 80% of the 50 TWh in the Finnish grid.

MARKET REVIEW

Power transmission, which has been demerged as a separate business in Norway, Sweden and Finland, contributes to creating the necessary environment for a joint Nordic electricity market. Transmission tariffs on cross-border lines, which were a deterrent to the development of joint markets, have been eliminated between Norway and Sweden and the lines from northern Finland to Sweden and Norway are now available to all power transmission customers on equal terms. Today, the energy-based transmission charges complicate power trade between Finland and Sweden.

In most EU countries, power transmission is still an integral part of power companies, but the trend, albeit slow, is towards demerger.

IVO GROUP'S GRID SERVICES

IVS's new grid services system, based on uniform point pricing, has been in operation for more than a year and has made the grid in Finland available on equal terms to all customers. Grid services' impact on the price of electricity is about 2 Finnish pennies per kWh.

A working group, representing the various parties in the market and set up by the Ministry of Trade and Industry, analysed the

needs to develop the point pricing system and concluded that there is no need for change during the existing three-year contract period.

In October, the Electricity Market Authority granted IVS a licence to operate the grid referred to in the Electricity Market Act. The Authority also decided that IVS, together with Teollisuuden Voimansiirto Oy (Industrial Power Transmission Company), will take the system responsibility.

The companies responsible for the system shall ensure that the electricity generation and transmission system is maintained and used appropriately while also ensuring that the related technologies and technical procedures are compatible with those applied in the other Nordic countries. System responsibility covers the control of grid operation, power balance, i.e. frequency between production and consumption in the whole of Finland, and disturbances.

The positive trend in the operation of the grid continued. In the first part of the year, heavy snowfalls caused breaks in lightning conductors and created unusual problems. Despite these, the Grid Services business succeeded in improving its highly-reliable power transmission service. The average length of interruptions in customers' electricity supply was reduced from three minutes to less than two. The new operational control system was introduced at 28 substations at the end of the year and got off to a good start.

Maintenance costs were controlled and a three-year contract was signed with suppliers for the basic maintenance of the substations and inspection of the lines.

TURNOVER AND RESULT

Grid Services' turnover totalled FIM 1,101 million, up from FIM 1,001 million. Most of this growth was a result of the changes made to compensate for transmission losses. Until the beginning of November 1995, customers were compensated in kind for grid transmission losses, but compensation is now included in transmission prices. The new point pricing system, which is adjusted to account for transmission losses, is generally more beneficial for the customer.

KEY FIGURES

	1996	1995
Turnover, FIM million	1,101	1,001
Operating profit, FIM million	610	590
- % of turnover	55	59
Investments, FIM million	122	84
Number of employees as at December 31	232	236

Considerable savings were achieved in procuring electricity to compensate for transmission losses; in addition, power transmission in the north-south axis of the grid was smaller than expected and also reduced costs. Our efficient technical systems contributed to the improvement in maintenance costs.

Operating profit increased to FIM 610 million, against FIM 590 million in the previous year. Besides cost savings, more active electricity sales in the Nordic market also resulted in increased profit of this business.

INVESTMENTS

FIM 122 million was invested in the business. The largest projects in Finland included the 400 kV line between Korja and Kymi and the 110 kV line between Vihtavuori and Kauppila. In addition, several projects relating to cross-border power transmission were prepared and initiated, the most important of which aims to increase transmission capacity between Finland and Sweden.

RESEARCH AND DEVELOPMENT

FIM 4 million was invested in research and development, and this work focused on condition monitoring and control, environmental projects and improving the use of the grid. Projects relating to the use of the new operational control system were also initiated.

Real-time corona measurements began to be used in order to optimise the procurement of electricity to compensate losses. This system reduces costs significantly.

A continuously operating system, which monitors the condition of transformer oil, was being tested at the Tammissuubi substation. On the basis of the results, it was decided to equip all the major transformers with the system, making it possible to adopt condition-based, instead of time-based maintenance.

ENVIRONMENT

Grid Services' environmental policy is to make those parts of the grid which have a significant impact on the landscape more acceptable to the general public. The tan-

gible measures completed included EIA procedure for the 400 kV transmission line project between Pyhänselkä and Pikkarala. In addition, EIA reports on line arrangements at the Rauma substation and the 400 kV transmission line project between Naantali and Lieto were completed. Environmental audits were carried out at four substations.

IVS commissioned the University of Helsinki to carry out an extensive survey on the risk of birds flying into transmission lines. Three years of research into the use of areas around power lines for feeding game was initiated with the Finnish Forest Research Institute.

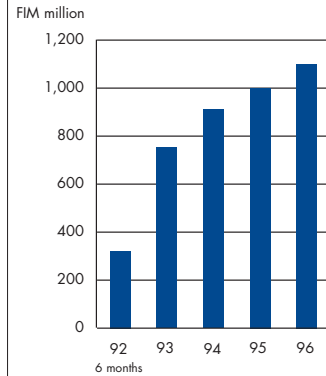
Landscaping of power line areas continued, and new warning spheres were installed in those transmission lines which have proved to be dangerous for birds. A tower erected at Virkkala is a new addition to the landscape tower family.

SHORT-TERM OUTLOOK

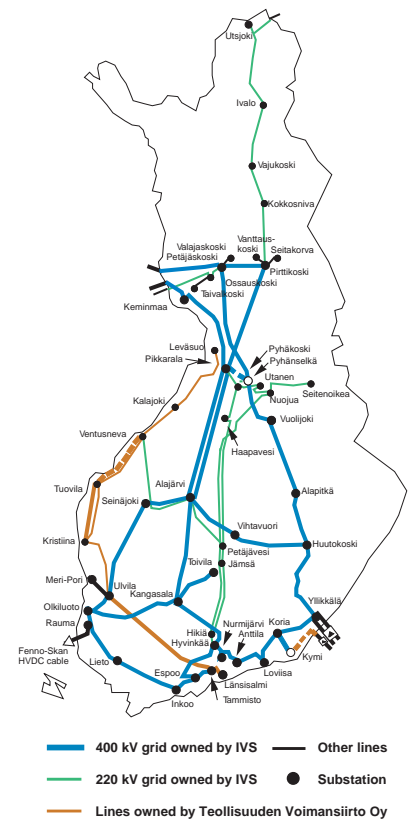
Towards the end of the year, the Ministry of Trade and Industry, IVO and Pohjolan Voima Oy (Northern Power Company Ltd) established a new grid company, Finnish Power Grid Ltd, which will buy IVS's and IVO's grids during 1997. IVO will own 33% of the voting rights and 25% of the shares in the new company.

The new grid company is to reduce the power transmission tariffs by 15% before the year 2001. These measures will be made to increase the efficiency of grid services.

GRID SERVICES TURNOVER



400 kV AND 220 kV GRID IN FINLAND



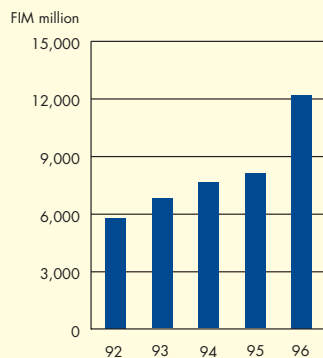
GRID OWNED BY IVS AND IVO AS AT DECEMBER 31, 1996

Lines	
400 kV	3,298 km
220 kV	2,016 km
110 kV	5,303 km
Fenno Skan submarine cable	100 km
DC overhead line	33 km
Substations	71

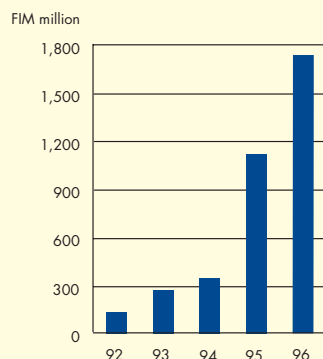
IMATRAN VOIMA OY

BOARD OF DIRECTORS' REPORT

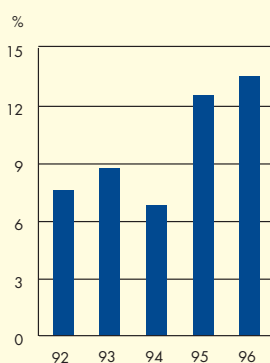
GROUP TURNOVER



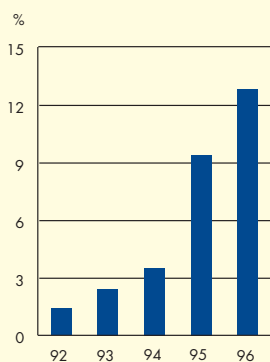
PROFIT BEFORE EXTRAORDINARY ITEMS



RETURN ON CAPITAL EMPLOYED



RETURN ON EQUITY



In the Nordic countries, the IVO Group's domestic market, this was an exceptional year, as a result of low rainfall in Norway and Sweden. The high price of electricity in the Norwegian-Swedish electricity spot market increased sales of electricity from Denmark and Finland to Norway and Sweden.

IVO Group's market position strengthened significantly in the Nordic countries where, following acquisitions, it became the second-largest power company. The Group's business also progressed in its other market areas as planned.

The Group's business developed well during the year and the result was good.

TURNOVER

Group turnover totalled FIM 12,140 million, up 51% on the previous year. The major part of this growth came from the significant expansion of our operations in Sweden and buoyant sales to the Norwegian-Swedish electricity spot market. 78% of the growth was generated in the Energy business, but the turnover of all the other business units also increased significantly. The Engineering business increased its turnover by 41% on 1995.

TURNOVER BY BUSINESS UNIT

FIM million	1996	1995	Change	Change
				%
Energy*	9,140	5,952	+ 3,188	+ 54
Grid Services	1,101	1,001	+ 100	+ 10
Engineering	1,974	1,405	+ 569	+ 41
Operation and Maintenance	930	740	+ 190	+ 26
Energy Measurement	386	330	+ 56	+ 17
Other operations**	432	320	+ 112	+ 35
Business between business units	- 1,823	- 1,693	- 130	-
Total	12,140	8,055	+ 4,085	+ 51

*The figures of the Gullspång Group have been included in Group figures for the period April 1 - December 31, 1996.

**Other operations include Infrarödteknik Group, corporate-level research and development, environmental protection, corporate services and staff operations. In addition, Telivo Ltd is included for the period January 1 - September 30, 1996.

Turnover from electricity sales increased by 55%, to FIM 8,193 million, rep-

resenting 67% of Group turnover. 60%, FIM 4,879 million, of the turnover from electricity sales, came from Finland, 8% less than in the previous year as a result of the loss of some contracts with large customers. In Sweden and Norway, electricity worth a total of FIM 3,314 million was sold.

Turnover from heat sales increased by 33%, to FIM 808 million, principally as a result of the exceptionally cold weather at the beginning of the year and the inclusion of the heat sales of the Gullspång Group.

Turnover of our exports and overseas operations, which grew to FIM 5,050 million, up from FIM 1,214 million, accounted for 42% of Group turnover, against 15% in the previous year. A total of 32% of Group turnover came from Sweden and Norway.

TURNOVER BY MARKET AREA

FIM million	1996	1995	Change	Change
				%
Finland	7,090	6,841	+ 249	+ 4
Other Nordic countries	3,849	365	+ 3,484	+ 955
Russia and eastern Europe	515	332	+ 183	+ 55
Western Europe	302	208	+ 94	+ 45
Other market areas	384	309	+ 75	+ 24
Total	12,140	8,055	+ 4,085	+ 51

RESULT

Operating profit improved by FIM 705 million, to FIM 2,042 million. All the business units improved their results. A total of FIM 583 million, or 83%, came from the Energy business. Gullspång Group's profit for the period April - December and a high level of electricity sales to the Norwegian-Swedish markets were the most important contributors to this positive result.

Higher prices than in the previous year resulted in increased profits from contracted sales in Finland, but this was counteracted by a decrease in the volume of contracted sales and the replacement of hydropower and advantageous temporary procurement with condensing power.

Profit from the sale of Telivo Ltd's shares contributed to an improvement in the result of the other operations.

OPERATING PROFIT BY BUSINESS UNIT

FIM million	1996	1995	Change
Energy*	1,290	707	+ 583
Grid Services	610	590	+ 20
Engineering	29	13	+ 16
Operation and Maintenance	92	49	+ 43
Energy Measurement	34	22	+ 12
Other operations and internal items**	- 13	- 44	+ 31
Total	2,042	1,337	+ 705

*Operating profit of Gullspång Group has been included in Group figures for the period April 1 - December 31, 1996.

**Includes other operations and eliminations from the operating profit.

Major investments resulted in an increase of 47%, to FIM 306 million, in net financing expenses. Profit before extraordinary items, minority interests and tax totalled FIM 1,736 million, FIM 607 million more than in 1995. As in the previous year, the profit margin was 14% of turnover.

Group profitability improved markedly. Return on capital employed was 13.5%, 1.0 percentage point higher than in the previous year. Net profit was FIM 1,168 million, an improvement of FIM 497 million, 74%, on 1995. Profit/share increased to FIM 11.54, up from FIM 7.28, and return on equity grew to 12.8%, against 9.4% in the previous year. An increase in the company tax rate in Finland reduced return on equity by 2.5 percentage points in 1995.

FINANCING

Cash flow from operating activities, FIM 2,369 million, increased by FIM 796 million on the previous year, and net interest expenses grew by FIM 177 million, to FIM 433 million, following a number of exceptionally large investments. FIM 92 million of exchange gains, twice the figure of the previous year, was included in the profit. Exchange gains, FIM 197 million, against FIM 133 million in 1995, on long-term loans have been entered in the balance sheet.

Following the acquisitions made during the year, the Group's interest-bearing net liabilities increased by FIM 6.7 billion, to FIM 9.4 billion. Major factors behind this increase were the acquisition of shares in Gullspångs Kraftaktiebolag and the FIM 2.7 billion loan portfolio taken by Gullspång in

connection with the acquisition of AB Skandinaviska Elverk. Part of the financing requirement was covered with a short-term loan. The debt/equity ratio increased from 36% to 87%. The total of the consolidated balance sheet grew by around FIM 12 billion, to somewhat more than FIM 28 billion. Equity/total capital ratio decreased by 9 percentage points, to 38%.

INVESTMENTS

Group gross investments, 94% of which was made by the Energy business, grew to FIM 4,555 million, against FIM 878 million in 1995. FIM 1.1 billion was invested in the Energy business in Finland and FIM 3.2 billion in Sweden.

The largest investments in Finland included the Kirkniemi power plant, Vuosaari B plant, a joint project with Helsingin Energia, and a minority share in Länsivoima Oy. Gullspångs Kraftaktiebolag's shares, worth FIM 2.8 billion, were acquired in Sweden and, in addition, Gullspång acquired all the shares of Skandinaviska Elverk at a cost of FIM 195 million.

Fixed assets totalling FIM 262 million were sold, resulting in a net investment figure of FIM 4,293 million.

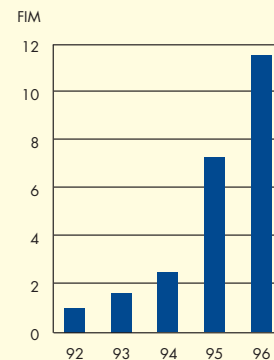
INVESTMENTS BY BUSINESS UNIT

FIM million	1996	1995	Change
Energy	4,299	596	+ 3,703
Grid Services	122	84	+ 38
Engineering	90	31	+ 59
Operation and Maintenance	21	15	+ 6
Energy Measurement	19	90	- 71
Other operations	48	46	+ 2
Business between business units	- 44	16	- 60
Gross investments total	4,555	878	+ 3,677
Sales	- 262	- 570	+ 308
Net investments total	4,293	308	+ 3,985

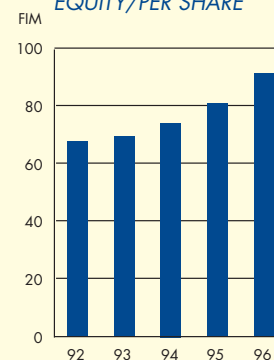
DIVIDEND

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

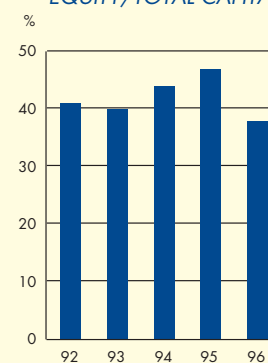
PROFIT/SHARE



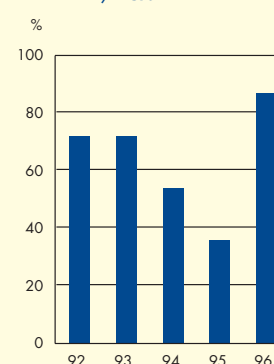
SHAREHOLDERS' EQUITY/PER SHARE



EQUITY/TOTAL CAPITAL



DEBT/EQUITY



Insurance Institution. The proposed dividend of FIM 210 million is 20% of net profit of the Group less minority interests and 23% of the share capital.

REORGANISATION OF THE BUSINESS OPERATIONS

IVO Group expanded its operations substantially in the Nordic domestic market. In the spring, the company acquired control in Gullspångs Kraftaktiebolag, the fourth-largest power company in Sweden and, at the end of the year, owned 44.07% of the company's shares and 51.55% of the voting rights. In July, Gullspång acquired the entire share capital of AB Skandinaviska Elverk, increasing its annual turnover to around FIM 4 billion and its customers to around 355,000. In addition, IVO established a subsidiary, IVO Energi AB, in Sweden, which sells electricity to Swedish customers and trades in Nord Pool, the Norwegian-Swedish electricity exchange.

In August, IVO and the Swedish company, Stockholm Energi AB, established a 50/50 joint venture, Birka Kraft AB, which began operating early in 1997. The company has two subsidiaries: Birka Service AB is an operation and maintenance company, Birka Teknik & Miljö AB is an engineering company.

At the beginning of the year, business activities in Hungary were expanded by the acquisition of 75% of the shares of the largest engineering company in the Hungarian energy sector, ETV-Eröterv Rt. In addition, IVO and the Japanese company Tomen offered to buy approximately 74% of the shares of Budapesti Erömü Rt., a Budapest power company. The Hungarian Privatisation and State Holding Company APV Rt. accepted the offer, and the deal is scheduled to be implemented in March 1997.

In September, IVO sold a 75% share of Telivo Ltd, a telecommunications company established in 1989, to Swedish Telia AB. IVO retained part ownership of Telivo, together with the fibre-optic cable network and its terminal equipment, which was built in conjunction with lightning conductors for the power transmission network. A long-term leasing contract has been signed for the network. Telivo's turnover was FIM 130 million.

By the end of the year, IVO's shareholding in Länsivoima Oy, Finland's second-largest distribution company, had risen from 9.9% in the previous year to 45.1%. Following the redemption process early in 1997, IVO's shareholding in the group,

which had a FIM 1.1 billion turnover, increased to 65.1%. In Finland, an 8% shareholding was acquired in Imatran Seudun Sähkö Oy while ownership in Keuruun Sähkö Oy was increased from 8% to 35%.

In November, the Supervisory Board accepted the establishment of a new grid company. It also accepted IVO's participation in the new company together with the State of Finland and Pohjolan Voima Oy (Northern Power Company Ltd), on condition that the financial terms of the deal are met. In compliance with the outline agreement signed at the end of 1995, an independent grid company, Finnish Power Grid Ltd, was established in Finland and will begin operating during 1997; this new company will buy the grids owned by IVO and Pohjolan Voima and the cross-border lines owned by IVO. The deal will bring IVO FIM 5.35 billion.

RESEARCH AND DEVELOPMENT

Investment in research and development totalled FIM 170 million, representing 1.4% of turnover.

The Research and Development Division was reorganised into IVO Technology Centre, which began operations at the beginning of 1997. The Centre, which develops products for international markets, comprises four business divisions: Power Plant Technologies, Energy Systems, Energy Measurement Services and Technology Products. It employs 270 people.

IVO's research and development focused on fuel management, drying and combustion as well as flue gas cleaning and materials flow management of power plants. Other areas included the development of power plant operation and maintenance, the reduction of energy production costs and the improvement in the use of electricity and heat.

ENVIRONMENTAL PROTECTION

The significance of environmental protection continues to grow in the IVO Group. During the year, the Group's environmental policy was revised to meet the changes in the operating climate. The policy is based on the systematic management of environmental issues in all activities and on the application of the best-available technology at power plants.

The launching of the procedure to certify the environmental systems of the Group's various businesses in Finland, Sweden and the UK to comply with standard require-

ments, was a continuation of the development work carried out for several years previously. The Inkoo power plant decided to make additional reductions in nitrogen oxide and particle emissions. Subsequent to this, IVO's power plants will be equipped with the best-available environmental technology.

GROUP MANAGEMENT

At its December meeting, the Supervisory Board elected new members for the Imatran Voima Oy Board of Directors for the term 1997-2000. The newly-elected members of the Board are Kalevi Numminen (64), who will be President and CEO until March 31, 1997; Kalervo Nurmi (59), Executive Vice President; Anders Palmgren (56), Executive Vice President; Kari Huopalahti (50), Executive Vice President; Heikki Marttinen (50), Executive Vice President; Gerhard Wendt, PhD, (63); and Harri Piehl (57), President of JP Operations Management Ltd Oy, who joined the Board to replace Ingmar Häggblom, Msc (Eng), who was 65 last autumn. When Mr Numminen retires, Director Tapio Kuula (39) will become a new Board member on April 1, 1997.

Mr Numminen will be President, CEO and Chairman of the Board until March 31, 1997. On his retirement, Executive Vice President Heikki Marttinen will become Chairman of the Board of Directors and CEO.

EMPLOYEES

The acquisition of Gullspång and Skandinaviska Elverk, in Sweden, and ETV-Eröterv, in Hungary, resulted in increases in the number of employees. At the year end, the average number of employees in the Group was 7,421, including those on fixed-term contracts, against the previous year's figure of 5,650.

The average number of staff in the parent company was 1,352; the corresponding figure for 1995 was 1,336.

AVERAGE NUMBER OF EMPLOYEES BY BUSINESS UNIT

	1996	1995
Energy	1,775	925
Grid Services	238	239
Operation and Maintenance	2,097	1,771
Engineering	2,012	1,474
Energy Measurement	544	511
Other operations	755	730
Total	7,421	5,650

FIM 1,346 million was paid in wages and salaries to Group employees. Of this, FIM 27 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 253 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 for 1996 totalling FIM 17 million will be made to the Imatran Voima personnel fund.

An increasingly competitive environment and expansion and internationalisation of our operations make new demands on our employees. The parent company, together with the major subsidiaries, has paid increasing attention to management systems, human resource planning and the development of our people, in line with our stated objectives.

The system for co-operation with the personnel was developed to meet the demands of the changed Group structure, and preparations were begun for intra-Group co-operation on a Europe-wide scale.

SHORT-TERM OUTLOOK

Fluctuations in the price of electricity in the deregulated Nordic market seem set to continue. In the early part of 1997, the price of electricity in the spot markets dropped to less than half that of the autumn 1996. IVO

Group's sales of electricity to the Norwegian-Swedish electricity spot market will probably be smaller than in 1996.

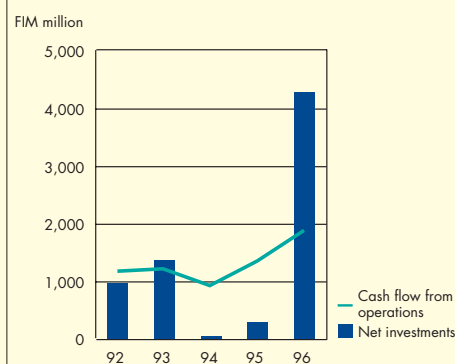
It will become increasingly difficult to predict the price of electricity even in Finland owing, on one hand, to the large proportion of hydropower used in power generation in Sweden and Norway and, on the other, to the joint Nordic power market. New power plants and the uprating of nuclear power plants will keep the capacity situation buoyant in Finland in the next few years.

Opportunities to build co-generation capacity for power and heat and an increase in the demand for independent power production are expected in the Nordic domestic market and in the UK, Germany and South East Asia. The outlook for operation and maintenance in these markets is good.

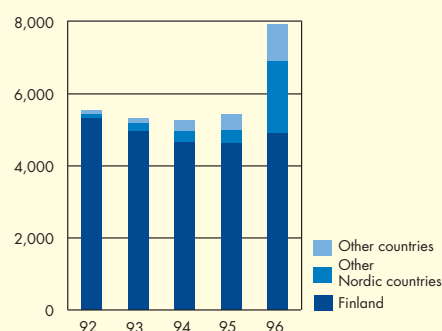
Changes in electricity company ownership continue, particularly as municipalities reconsider their ownership role in the light of the deregulated electricity markets. As small customers begin to organise tenders for sellers of electricity, various services, marketing and new electricity products, in addition to price, will become crucial factors.

Operating profit for 1997 is expected to increase, since the figures of Gullspång and Länsivoima will be included for the whole year. The Group result is, however, expected to be somewhat lower, as the indebtedness will increase financing costs.

NET INVESTMENTS AND CASH FLOW FROM OPERATIONS



NUMBER OF EMPLOYEES BY AREA AS AT DECEMBER 31



BOARD OF DIRECTORS' PROPOSAL FOR ALLOCATION OF PROFIT

The consolidated balance sheet shows unrestricted equity of FIM 7,363,389,000, of which FIM 4,675,276,000 is voluntary reserves and accumulated depreciation difference reserve from which deferred tax provision has been deducted. Distributable unrestricted equity totals FIM 2,688,113,000.

The parent company's unrestricted equity totals FIM 2,817,479,781.93

The Board of Directors proposes the following to the General Meeting

- 23% dividend on share capital	FIM 209,734,106.60
- 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 2,604,995,675.33
The parent company's unrestricted equity as at December 31, 1996	FIM 2,817,479,781.93

Helsinki, March 7, 1997

Kalevi Numminen

Kalervo Nurmimäki
Kari Huopalahti
Gerhard Wendt

Anders Palmgren
Heikki Marttinen
Harri Piehl

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 up to the date of sale. 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 subsidiaries 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 acquisition cost of subsidiaries' shares has been eliminated against the shareholders' equities of the balance sheets at the time of acquisition. The consolidation difference asset generated in the elimination has been allocated to the subsidiary's fixed assets as far as the market value of the fixed assets exceeded the book value at the time of acquisition. The rest of the acquisition cost of the shares is entered as group goodwill in the consolidated balance sheets. 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 ten years.

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.

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, and the shares of the results for the financial year of other associated companies are included under financial items.

Deferred tax provision

The accumulated voluntary reserves and the depreciation difference reserve minus tax liabilities have been included in Group's unrestricted equity. 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. The tax rate of each country has been used in the calculation. Deferred tax provision is presented as a separate item under long-term liabilities.

Financial risk management and items denominated in foreign currency

The Group's financial risks result from cash flows denominated in foreign currencies, exchange rate and interest rate risks of loans and liquid funds, and from equity investments made in overseas subsidiaries and associated companies. The risks of cash flows denominated in foreign currencies are covered primarily with forward contracts. If necessary, the difference between loans and liquid funds denominated in foreign currencies is hedged with forward and option contracts, if the business operations do not form natural hedging. The interest rate risk of liquid funds and loans is managed with both fixed and floating rate instruments. If necessary, the loans and liquid funds are also hedged with forward rate agreements and bond forward contracts. Equity investments are partly hedged with

foreign currency loans. Counterpart risks are decreased so that only leading Finnish and foreign banks and financial institutions are accepted as partners.

Receivables and liabilities denominated in foreign currencies are translated to Finnish marks at the Bank of Finland's official exchange rates 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, made 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.

In the Group's financial statements, profit and loss accounts of overseas Group companies are translated to Finnish marks at the average rate of the financial year; the balance sheets are translated at the Bank of Finland's official exchange rates on the date of the financial statements. Exchange gains and losses arising from the elimination of the shareholders' equity are divided between unrestricted and restricted equity. Exchange gains and losses resulting from the loans that cover the currency risks of equity investments have been entered against the exchange differences on translation.

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.

The depreciation periods are as follows:	Years
Other long-term expenditure	3-10
Hydropower plant buildings and structures	40-50
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	5-50
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	5-10
Machinery and equipment	3-15
Group goodwill	5-20
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 have been included in the value of current inventory assets.

Cash and cash equivalents, current asset (monetary) investments

The cash and cash equivalents include cash in hand, bank accounts and liquid financing instruments. The current asset (monetary) investments include shares and holdings. Securities quoted in the market and comparable assets have been valued at the original acquisition price or at a lower probable sales price.

Income recognition of long-term projects

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

Research and development costs

Research and development costs are entered as annual expenses, excluding buildings used for the research and development operations.

Pension funding costs and pension liabilities

Pension liabilities are fully covered and entered as pension costs and as loans from pension funds.

P R O F I T A N D L O S S A C C O U N T S

FIM 1,000		Group		Parent company	
		Jan 1 - Dec 31, 1996	Jan 1 - Dec 31, 1995	Jan 1 - Dec 31, 1996	Jan 1 - Dec 31, 1995
Turnover	(1)	12,140,210	8,055,110	6,552,611	6,200,946
Other operating income	(2)	202,248	140,896	208,727	51,944
Share of associated companies' results		84,867	33,293	–	–
Expenses	(3)	– 9,403,147	– 6,096,929	– 5,040,079	– 4,729,557
Operating profit before depreciation		3,024,178	2,132,370	1,721,259	1,523,333
Depreciation	(4)	– 982,059	– 795,495	– 628,638	– 662,678
Operating profit		2,042,119	1,336,875	1,092,621	860,655
Financing income and expenses	(5)	– 305,931	– 207,510	– 85,028	– 150,930
Profit before extraordinary items, reserves and tax		1,736,188	1,129,365	1,007,593	709,725
Extraordinary income and charges	(6)	28,119	50,263	357,784	130,757
Profit before reserves and tax		1,764,307	1,179,628	1,365,377	840,482
Increase (-), decrease (+) in depreciation difference reserve		–	–	252,990	435,577
Decrease in voluntary reserves (+)		–	–	39,703	9,797
Direct tax	(7)	– 598,987	– 366,168	– 483,691	– 312,876
Change in deferred tax provision	(8)	31,071	– 91,766	–	–
Profit for the financial year before minority interests		1,196,391	721,694	–	–
Minority interest share of result		– 114,866	– 8,025	–	–
Profit for the financial year		1,081,525	713,669	1,174,379	972,980

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

BALANCE SHEETS

FIM 1,000	Group		Parent company	
Assets	Dec 31, 1996	Dec 31, 1995	Dec 31, 1996	Dec 31, 1995
Fixed assets and other long-term investments (9)				
Intangible assets				
Goodwill	53,866	63,403	-	-
Group goodwill	50,780	62,101	-	-
Other long-term expenditure	496,349	523,235	369,564	401,347
Advance payments	4,462	-	-	-
	<u>605,457</u>	<u>648,739</u>	<u>369,564</u>	<u>401,347</u>
Tangible assets				
Land and water areas	3,197,542	658,326	546,876	544,883
Buildings and structures	2,664,019	2,030,600	1,648,950	1,741,255
Machinery and equipment	10,679,272	6,437,798	5,395,452	5,683,019
Other tangible assets	22,977	22,422	15,692	15,494
Advance payments and contracts in progress	629,377	187,866	368,638	79,422
	<u>17,193,187</u>	<u>9,337,012</u>	<u>7,975,608</u>	<u>8,064,073</u>
Fixed asset investments and other long-term investments				
Shares and holdings in associated companies	2,491,551	1,022,476	1,498,599	904,646
Other shares and holdings	1,929,529	397,373	4,104,986	1,210,198
Loans receivable	469,192	37,528	1,226,804	612,358
Other investments	547,860	41,658	36,188	37,333
	<u>5,438,132</u>	<u>1,499,035</u>	<u>6,866,577</u>	<u>2,764,535</u>
Current assets (inventories and monetary) (10)				
Current assets (inventories)				
Fuels	827,613	817,718	767,941	791,644
Materials and supplies	178,290	178,750	71,855	80,480
Unfinished products	9,364	7,724	2,011	754
Finished products	25,430	21,835	659	208
Other current assets	116,977	62,972	-	-
Advance payments	30,461	28,105	17,850	19,592
	<u>1,188,135</u>	<u>1,117,104</u>	<u>860,316</u>	<u>892,678</u>
Receivables				
Accounts receivable	2,014,111	1,272,462	879,388	987,150
Loans receivable	11,464	28,245	683,531	299,244
Prepayments and accrued income	638,287	365,609	566,369	470,839
Other receivables	122,094	25,774	2,444	2,745
	<u>2,785,956</u>	<u>1,692,090</u>	<u>2,131,732</u>	<u>1,759,978</u>
Current assets (monetary) investments				
Shares and holdings	5,296	1,916	-	-
Cash and cash equivalents	958,704	1,871,207	415,867	1,696,373
Assets, total	28,174,867	16,167,103	18,619,664	15,578,984

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

FIM 1,000		Group		Parent company	
Liabilities and shareholders' equity	Dec 31, 1996	Dec 31, 1995	Dec 31, 1996	Dec 31, 1995	Dec 31, 1995
Shareholders' equity	(11)				
Restricted equity					
Share capital	911,887	911,887	911,887		911,887
Reserve fund	74,000	74,000	44,000		44,000
Other restricted equity	2,541	2,529	–		–
Exchange difference on translation	1,572	– 9,101	–		–
	<u>990,000</u>	<u>979,315</u>	<u>955,887</u>		<u>955,887</u>
Unrestricted equity					
Retained profit	6,281,864	5,708,866	1,643,101		809,654
Profit for the financial year	1,081,525	713,669	1,174,379		972,980
	<u>7,363,389</u>	<u>6,422,535</u>	<u>2,817,480</u>		<u>1,782,634</u>
Minority interests	2,393,949	82,181	–		–
Reserves					
Accumulated depreciation difference reserve (12)	–	–	5,479,758		5,732,202
Voluntary reserves (12)	–	–	409,367		444,180
Obligatory reserves	24,475	14,031	–		–
Valuation items	(13)				
Exchange gains	197,121	132,988	230,088		135,886
Liabilities	(14)				
Long-term liabilities					
Bonds	2,245,440	1,774,847	1,632,641		1,774,847
Loans from financial institutions	1,854,920	104,917	10,000		36,882
Loans from pension institutions	1,079,861	970,567	856,980		880,124
Advance payments received	–	6,206	–		–
Deferred tax provision (15)	2,724,583	1,761,066	–		–
Other long-term liabilities	1,798,628	1,428,739	1,612,865		1,427,822
	<u>9,703,432</u>	<u>6,046,342</u>	<u>4,112,486</u>		<u>4,119,675</u>
Current liabilities	(10)				
Loans from financial institutions	3,866,721	93,615	2,123,845		80,221
Loans from pension institutions	27,623	30,265	22,913		24,638
Advance payments received	161,596	130,611	1,241		1,004
Accounts payable	1,163,736	661,472	678,146		546,966
Accruals	1,664,830	951,646	974,216		648,461
Other current liabilities (16)	617,995	622,102	814,237		1,107,230
	<u>7,502,501</u>	<u>2,489,711</u>	<u>4,614,598</u>		<u>2,408,520</u>
Liabilities and shareholders' equity, total	28,174,867	16,167,103	18,619,664		15,578,984

CASH FLOW STATEMENTS

FIM million	Group		Parent company	
	1996	1995	1996	1995
Operating activities				
Cash flow from operations				
Operating profit before depreciation	3,024	2,132	1,721	1,523
Profit from disposal of fixed assets and associated companies' results included in the operating profit before depreciation	- 252	- 116	- 165	- 3
Extraordinary income and charges	0	0	1	5
Financing items	- 257	- 259	- 62	- 205
Tax	- 599	- 366	- 484	- 313
	1,916	1,391	1,011	1,007
Changes in working capital				
Current assets (inventories) (increase -)	- 34	44	32	108
Short-term receivables (increase -)	- 366	- 240	32	- 231
Interest-free current liabilities (increase +)	853	378	385	140
	453	182	449	17
Cash flow from operating activities	2,369	1,573	1,460	1,024
Investing activities				
Gross investments	- 4,555	- 878	- 4,033	- 479
Income from disposal of fixed assets	262	570	224	227
	- 4,293	- 308	- 3,809	- 252
Cash flow before financing activities	- 1,924	1,265	- 2,349	772
Financing activities				
Increase (-) in loans receivable and securities	- 136	7	- 998	- 13
Increase (+) in long-term loans	644	323	198	196
Repayment of long-term loans (-)	- 472	- 941	- 296	- 683
Increase (+) in interest-bearing current liabilities	1,206	9	2,000	375
Net profit transfer (from Group +)	-	-	299	17
Dividends and other profit allocation	- 229	- 110	- 140	- 110
Other financial items	0	56	0	0
Cash flow from financing activities	1,013	- 656	1,063	- 218
Increase (+), decrease (-) in cash as shown in Cash Flow Statement	- 911	609	- 1,286	554
Adjustment items	- 2	- 3	5	0
Increase (+), decrease (-) in cash as shown in Balance Sheets	- 913	606	- 1,281	554

The items of the cash flow statements cannot be calculated directly from the balance sheet items owing, among other conditions, to the acquisition of subsidiaries and changes in the exchange rate. Investments include the acquisition cost of shares in subsidiaries. Items after the date of acquisition only are included in the change in working capital and liabilities and loans receivable.

NOTES TO THE FINANCIAL STATEMENTS

FIM million	Group		Parent company	
	1996	1995	1996	1995
(1) Effect on turnover of income recognition from contracts in progress				
Turnover from contracts in progress entered as income according to the percentage of completion				
For the financial year	662.5	346.6		
For previous financial years	370.9	268.0		
Total	1,033.4	614.6		
(2) Other operating income				
Profit from disposal of fixed assets	169.5	102.9	164.9	8.1
Other operating income	32.7	38.0	43.8	43.8
	202.2	140.9	208.7	51.9
Other operating income mainly consists of rental revenue.				
(3) Expenses				
Purchases of electricity and fuel, transmission charges	5,183.4	2,811.9	3,461.4	3,216.2
Other purchases during the financial year	839.2	748.7	106.2	97.2
Increase in inventories (+)	68.6	19.6	30.6	35.7
External services	659.0	463.2	607.1	583.2
Staff costs	1,596.6	1,222.9	330.4	341.5
Rents	56.1	51.7	20.8	20.5
Other expenses	1,000.2	778.9	483.6	435.3
	9,403.1	6,096.9	5,040.1	4,729.6
Staff costs				
Wages	1,250.4	965.9	256.9	244.0
Pension costs	151.0	146.8	38.6	51.1
Other wage-related staff costs	195.2	110.2	34.9	46.4
Staff costs included in the profit and loss account	1,596.6	1,222.9	330.4	341.5
Fringe benefits	8.2	5.7	2.1	1.8
Total	1,604.8	1,228.6	332.5	343.3
Salaries and fees paid to members of the Supervisory Board and Boards of Directors, the President and managing directors	26.6	18.3	4.9	4.8
Other wages and salaries	1,319.5	968.3	247.8	238.0
Total paid	1,346.1	986.6	252.7	242.8
Average number of employees	7,421	5,650	1,352	1,336
Number of employees as at December 31	7,942	5,439	1,312	1,281
(4) Depreciation				
Depreciation according to plan				
Goodwill	10.3	3.2	–	–
Other long-term expenditure	54.7	55.7	36.3	34.1
Buildings and structures	198.3	178.0	154.2	167.8
Machinery and equipment	711.8	550.6	438.1	460.8
Total	975.1	787.5	628.6	662.7
Group goodwill	8.4	8.9	–	–
Income recognition of Group reserve	– 1.4	– 1.0	–	–
	982.1	795.4	628.6	662.7
Change in depreciation difference reserve, increase (+), decrease (-)				
Other long-term expenditure	2.6	49.4	16.4	41.4
Buildings and structures	19.5	– 25.6	22.6	– 24.9
Machinery and equipment	– 319.9	– 477.5	– 292.0	– 452.1
	– 297.8	– 453.7	– 253.0	– 435.6
(5) Financing income and expenses				
Dividend income	16.2	4.4	81.7	8.5
Interest income from long-term investments	35.1	14.0	73.2	78.1
Other interest income	95.5	103.7	74.0	97.0
Other financing income	23.6	20.6	22.9	22.8
Exchange differences	92.0	46.2	93.3	48.1
Share of associated companies' results	1.1	2.1	–	–
Interest expenses	– 564.2	– 373.5	– 425.4	– 385.0
Other financing expenses	– 5.2	– 25.0	– 4.7	– 20.3
Investment write-downs	–	–	–	– 0.1
	– 305.9	– 207.5	– 85.0	– 150.9
Net financing expenses, % of turnover	2.5	2.6	1.3	2.4

FIM million	1996	Group 1995	1996	Parent company 1995
Intra-Group financing income and expenses				
Financing income from Group companies				
Dividend income			69.3	0.4
Interest income from long-term investments			59.2	66.1
Other interest income			11.1	3.0
Other financing income			1.0	1.3
			140.6	70.8
Financing expenses paid to Group companies				
Interest expenses			29.2	25.5
(6) Extraordinary income and charges				
Extraordinary income				
Profit from disposal of fixed assets	28.1	40.7	15.6	47.3
Profit transfer from Group	-	-	352.2	332.8
Adoption of depreciation according to plan in associated companies and acquired subsidiaries	-	10.3	-	-
Other extraordinary income	-	-	7.3	1.9
	28.1	51.0	375.1	382.0
Extraordinary charges				
Losses from disposal of fixed assets	-	0.8	-	217.4
Profit transfer to Group	-	-	17.3	33.8
Other extraordinary charges	-	-	-	0.1
	-	0.8	17.3	251.3
Extraordinary income and charges	28.1	50.2	357.8	130.7
(7) Direct tax				
For the financial year	- 600.0	- 366.0	- 483.7	- 312.2
For previous financial years	1.0	0.1	-	0.7
	- 599.0	- 366.1	- 483.7	- 312.9
(8) Change in deferred tax provision				
For voluntary reserves	51.9	- 88.8		
Change in tax refund claim	- 20.8	- 3.0		
	31.1	- 91.8		
(9) Fixed assets and other long-term investments				
Intangible and tangible assets				
Goodwill				
At cost Jan 1	66.6	-		
Exchange difference on translation	- 2.8	-		
Additions	3.6	66.6		
Accumulated depreciation according to plan	- 13.5	- 3.2		
Balance sheet value Dec 31	53.9	63.4		
Group goodwill				
At cost Jan 1	106.1	196.8		
Additions	0.8	17.0		
Deductions	-	- 107.8		
Accumulated depreciation according to plan	- 43.5	- 35.2		
Balance sheet value Dec 31	63.4	70.8		
Group reserve				
At cost Jan 1	9.9	9.6		
Additions	5.3	0.3		
Accumulated depreciation according to plan	- 2.6	- 1.1		
Balance sheet value Dec 31	12.6	8.8		
Group goodwill in the balance sheet	50.8	62.0		
Other long-term expenditure				
At cost Jan 1	1,090.1	937.2	908.3	736.3
Exchange differences on translation	- 0.2	-	-	-
Additions	39.3	221.3	7.8	175.5
Sales and other deductions	- 17.2	- 68.4	- 6.3	- 3.6
Accumulated depreciation according to plan	- 615.6	- 566.9	- 540.2	- 506.9
Balance sheet value Dec 31	496.4	523.2	369.6	401.3

FIM million	Group		Parent company	
	1996	1995	1996	1995
Land and water areas				
At cost Jan 1	658.3	654.0	544.9	542.8
Exchange difference on translation	0.2	–	–	–
Additions	2,595.3	4.8	4.0	2.5
Sales and other deductions	– 33.4	– 0.5	– 2.0	– 0.4
Accumulated depreciation according to plan	– 22.9	–	–	–
Balance sheet value Dec 31	3,197.5	658.3	546.9	544.9
Revaluations included in land and water areas				
Jan 1	66.3	66.3	10.0	10.0
Addition	20.2	–	–	–
Dec 31	86.5	66.3	10.0	10.0
Buildings and structures				
At cost Jan 1	3,945.3	3,954.1	3,604.0	3,695.7
Exchange difference on translation	0.8	–	–	–
Additions	1,164.2	161.8	62.8	45.9
Sales and other deductions	– 36.6	– 170.6	– 3.6	– 137.6
Accumulated depreciation according to plan	– 2,409.7	– 1,914.7	– 2,014.3	– 1,862.8
Balance sheet value Dec 31	2,664.0	2,030.6	1,648.9	1,741.2
Revaluations included in acquisition cost of buildings				
Jan 1	199.2	199.2	199.2	199.2
Addition	19.2	–	–	–
Dec 31	218.4	199.2	199.2	199.2
Machinery and equipment				
At cost Jan 1	12,886.0	13,071.2	11,722.7	12,103.8
Exchange difference on translation	2.3	– 0.1	–	–
Additions	6,766.1	561.3	172.5	116.2
Sales and other deductions	– 413.5	– 746.4	– 184.4	– 497.3
Accumulated depreciation according to plan	– 8,561.6	– 6,448.2	– 6,315.4	– 6,039.7
Balance sheet value Dec 31	10,679.3	6,437.8	5,395.4	5,683.0
Share of book value Dec 31 attributable to machinery and equipment				
	4,940.5	5,165.5	4,534.4	4,750.3
Other tangible assets				
At cost Jan 1	36.3	36.5	15.4	15.6
Exchange difference on translation	0.5	–	–	–
Additions	1.9	0.2	0.5	0.2
Sales and other deductions	–	– 0.4	–	– 0.4
Accumulated depreciation according to plan	– 15.7	– 13.9	– 0.2	–
Balance sheet value Dec 31	23.0	22.4	15.7	15.4
The acquisition cost of fixed assets in the acquired companies is included in the Group's acquisition costs, and the accumulated depreciation is included in the Group's accumulated depreciation.				
Taxation values of fixed assets				
Land and water areas	2,596.0	561.5	466.4	499.8
Buildings and structures	4,432.1	3,496.2	3,026.3	3,133.4
Shares in subsidiaries			3,839.9	773.5
Other shares and holdings	3,448.2	680.0	1,390.7	554.2
	10,476.3	4,737.7	8,723.3	4,960.9
If taxation value has not been available, book value has been presented.				
Long-term investments in Group and associated companies				
Group companies				
Shares			3,987.2	941.3
Loans receivable			1,175.7	570.8
			5,162.9	1,512.1
Associated companies				
Shares			1,498.6	904.6
Loans receivable			23.3	15.0
			1,521.9	919.6

FIM million	Group		Parent company	
	1996	1995	1996	1995
(10) Current assets (inventories and monetary)				
Receivables falling due after one year or more				
Accounts receivable	1.4	9.4	–	9.4
Prepayments and accrued income	83.5	25.6	83.5	25.6
	84.9	35.0	83.5	35.0
Receivables from Group companies				
Accounts receivable			164.1	263.2
Loans receivable			676.2	279.2
Prepayments and accrued income			362.7	345.5
Other receivables			2.1	0.4
			1,205.1	888.3
Receivables from associated companies				
Accounts receivable			36.6	29.9
Loans receivable			5.4	1.3
Prepayments and accrued income			0.9	–
			42.9	31.2
Treatment of balance sheet items relating to income from projects in progress				
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 balance sheet in prepayments and accrued income or in accruals separately for each project.				
Contracts in progress included in current assets (inventories)	3.8	7.4		
Advance payments for current assets (inventories)	285.6	160.7		
Prepayments and accrued income	767.3	431.6		
Deductions in current assets (inventories and monetary)	1,056.7	599.7		
Advance payments received	937.7	545.4		
Accruals	119.0	54.3		
Deductions in liabilities	1,056.7	599.7		
(11) Shareholders' equity				
Restricted equity				
Share capital Jan 1 and Dec 31	911.9	911.9	911.9	911.9
Reserve fund Jan 1	74.0	44.0	44.0	44.0
Increase	–	30.0	–	–
Reserve fund Dec 31	74.0	74.0	44.0	44.0
Other restricted equity Jan 1 and Dec 31	2.5	2.5	–	–
Exchange differences on translation Jan 1	– 9.1	– 3.7	–	–
Change	10.7	– 5.4	–	–
Exchange differences on translation Dec 31	1.6	– 9.1	–	–
Restricted equity Dec 31	990.0	979.3	955.9	955.9
Unrestricted equity				
Retained profit Jan 1	6,422.5	5,821.3	1,782.6	919.8
Dividend paid	– 136.8	– 109.4	– 136.8	– 109.4
Donations and other contributions	– 2.9	– 0.9	– 2.7	– 0.8
Exchange difference on translation of subsidiaries' unrestricted equity	– 1.0	– 2.2	–	–
Profit for the financial year	1,081.6	713.7	1,174.4	973.0
Unrestricted equity Dec 31	7,363.4	6,422.5	2,817.5	1,782.6
Shareholders' equity Dec 31	8,353.4	7,401.9	3,773.4	2,738.5
Distributable funds included in unrestricted equity	2,688.1	1,525.1	2,688.1	1,525.1
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	
(12) Accumulated depreciation difference reserve and voluntary reserves				
Accumulated depreciation in excess of plan				
Other long-term expenditure	192.5	191.5	171.2	154.7
Buildings and structures	647.0	398.8	362.7	339.7
Machinery and equipment	7,413.2	5,694.1	4,945.9	5,237.8
	8,252.7	6,284.4	5,479.8	5,732.2

FIM million	Group		Parent company	
	1996	1995	1996	1995
Other voluntary reserves Jan 1	524.6	532.3	444.2	453.6
Change	1,528.0	– 7.7	– 34.8	– 9.4
Other voluntary reserves Dec 31	2,052.6	524.6	409.4	444.2

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	133.0	218.0	135.9	218.3
Change	64.1	– 85.0	94.2	– 82.4
Exchange gains Dec 31	197.1	133.0	230.1	135.9

(14) Liabilities

Liabilities falling due after five years or more

Bonds	1,296.2	1,533.6	1,296.2	1,533.6
Loans from financial institutions	1,630.7	9.8	–	–
Loans from pension funds	850.5	844.6	780.3	797.7
Other long-term liabilities	1,600.8	1,382.7	1,573.6	1,382.7
	5,378.2	3,770.7	3,650.1	3,714.0

Bonds, debentures and other notes

		Capital Dec 31, 1996 local currency units, million	Annual instalment local currency units, million	Capital Dec 31, 1996 local currency units, million	Annual instalment local currency units, million
1987-96/97	CHF	20.0	20.0	20.0	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
1973-98	SEK	2.9	1.4		
1974-99	SEK	4.1	1.3		
1993-2003	SEK	300.0	no inst. in 1997		
1996-99	SEK	200.0	no inst. in 1997		
1996-2001	SEK	200.0	no inst. in 1997		
1996-99	SEK	200.0	no inst. in 1997		
1983-98	SEK	7.1	3.3		

Liabilities in respect of Group companies

Advance payments		1.2	0.4
Other long-term liabilities		1.3	1.3
Accounts payable		287.2	176.1
Accruals		26.8	39.2
Other current liabilities		543.8	658.4
		860.3	875.4

Liabilities in respect of associated companies

Other long-term liabilities		577.8	538.0
Accounts payable		105.9	72.3
Accruals		37.5	39.1
Other current liabilities		0.8	0.8
		722.0	650.2

Interest-bearing liabilities

	Share		Share		Share		Share
Loans in Finnish marks	26%	2,861.9	61%	3,065.1	44%	3,294.5	64%
Foreign currency loans	74%	7,977.9	39%	3,876.3	56%	1,813.9	36%
		10,839.8		6,941.4		5,108.4	

(15) Deferred tax provision

Tax liabilities for voluntary reserves and accumulated depreciation difference reserve	2,849.4	1,906.7
Imputed tax refund claim	– 124.8	– 145.6
	2,724.6	1,761.1

FIM million	Group			Parent company		
	1996	1995		1996	1995	
(16) Other current liabilities						
Annual instalments	113.4	238.6		110.9	217.2	
Other interest-bearing current liabilities	37.2	33.6		580.9	676.6	
Other current liabilities	467.4	349.9		122.4	213.4	
	<u>618.0</u>	<u>622.1</u>		<u>814.2</u>	<u>1,107.2</u>	
Capital						
Net working capital	482	680	Change – 198	198	625	Change – 427
Fixed assets and long-term investments	22,766	11,447	11,319	13,985	10,618	3,367
Restricted capital	23,248	12,127	11,121	14,183	11,243	2,940
Net liabilities	9,579	2,749	6,830	4,290	2,192	2,098
Deferred tax provision	2,725	1,761	964	1,649	1,729	– 80
Shareholders' equity	10,944	7,617	3,327	8,244	7,322	922
Liabilities and shareholders' equity	23,248	12,127	11,121	14,183	11,243	2,940
Net interest-bearing liabilities	9,400	2,697	6,703	4,615	2,500	2,115
Net interest-bearing liabilities as % of turnover	77	33		70	40	
In this summary, unrestricted 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 unrestricted equity in the year in which the exchange rate changes.						
Obligations						
For own liabilities						
Pledged shares						
Pledges for short-term financing of share acquisitions	1,975.9			1,975.9		
Kemijoki Oy's shares (book value) as security for the loan (FIM 972.3 mill) from the Nuclear Waste Disposal Fund of Finland	3.0	2.6		3.0	2.6	
Other pledged shares	9.2	17.2		7.2	9.0	
Mortgages on land areas and buildings						
Mortgages issued to the State of Finland as security for payment of the nuclear waste disposal fee						
	1,383.0	2,115.0		1,383.0	2,115.0	
Other mortgages on land areas and buildings	292.9	285.6		246.8	276.9	
Other mortgages	76.2	7.9		–	–	
Guarantees	24.1	21.8		23.2	20.8	
Other obligations	41.8	54.9		–	–	
For Group companies' liabilities						
Guarantees	710.2	675.9		693.6	662.1	
On behalf of associated companies						
Guarantee on behalf of Teollisuuden Voima Oy to the Nuclear Waste Disposal Fund						
	199.4	401.8		199.4	401.8	
Guarantees on behalf of other associated companies	36.4	10.6		7.3	10.6	
On behalf of others						
Pledges	9.5	–		–	–	
Mortgages on land areas and buildings	18.8	–		–	–	
Other mortgages	10.2	–		–	–	
Guarantees	1,068.2	382.1		305.0	360.5	
Total						
Pledges	1,997.6	19.8		1,986.1	11.6	
Mortgages	1,781.1	2,408.5		1,629.8	2,391.9	
Guarantees	2,038.3	1,492.2		1,228.5	1,455.8	
Other obligations	41.8	54.9		–	–	
Liability for nuclear waste disposal	2,594.3	2,486.4		2,594.3	2,486.4	
Liability covered						
Mortgages	– 1,383.0	– 2,115.0		– 1,383.0	– 2,115.0	
Share of reserve in the Nuclear Waste Disposal Fund	– 1,375.9	– 1,163.6		– 1,375.9	– 1,163.6	
Excess of security given over obligations (-), obligations to be provided for separately (+)	– 164.6	– 792.2		– 164.6	– 792.2	

FIM million	Group		Parent company	
	1996	1995	1996	1995
Leasing obligations				
Falling due in the year after the financial year	9.6	5.7	0.8	0.7
Falling due later	43.1	11.0	1.3	1.3

Management pension commitments

The President of the parent company and other senior executives are eligible for retirement at the age of 60.

Derivative instruments	Market value	Nominal value	Nominal value	Market value	Nominal value	Nominal value
	Dec 31, 96	Dec 31, 96	Dec 31, 95	Dec 31, 96	Dec 31, 96	Dec 31, 95
Interest rate derivatives						
Forward agreements	1			1		
Purchased		100	130		100	130
Sold		160	200		160	200
Interest rate swaps	- 111	2,324	2,045	- 110	2,301	2,045
Foreign exchange derivatives						
Forward agreements	76			75		
Purchased		744	716		1,065	1,186
Sold		935	490		989	545
Currency swaps*	- 67	1,850	2,045	- 67	1,850	2,045

* Includes agreements also given under interest rate swaps.

Valuation of derivatives

The values of the financing instruments alone cannot give a correct picture of the Group's risks. The derivatives are given at gross values and include closed agreements.

The interest rate forward agreements have been valued at market value at

the date of the financial statements and the interest rate swaps have been valued at the current value of the cash flows resulting from them.

The foreign exchange forward agreements have been valued at the forward rate at the date of the financial statements. The currency swaps concern loans of the IVO Group and have been valued at market price.

Information required by the Electricity Market Act on Imatran Voima Oy's grid operations

The specified financial statements include the company's grid operations in regional networks and the cross-border lines. Lines from northern Finland to Sweden and Norway were leased to IVO Transmission Services Ltd in the summer of 1996. On the basis of the decision made by the Electricity Market Authority, Imatran Voima Oy does not prepare any profit and loss account for electricity sales for 1996.

Allocation of overall costs

Overall costs have been allocated according to the matching principle. Capital structure of the initial balance sheet has been derived from the ratio of Imatran Voima Oy's shareholders' equity to long-term liabilities.

Valuation of fixed assets

Fixed assets have been valued in accordance with the principles followed in the IVO Group.

Employees

The grid operation has no employees. The necessary services have been bought-in.

Investments divided into balance sheet items

	FIM million
Intangible assets	
Other long-term expenditure	0.9
Tangible assets	
Transmission lines	2.0
Machinery and equipment	5.5
Total	8.4

BALANCE SHEET

FIM million	Grid operations
Assets	Dec 31, 1996
Fixed assets and other long-term investments	
Intangible assets	
Other long-term expenditure	3.8
Tangible assets	
Buildings and structures	16.4
Machinery and equipment	366.9
	387.1
Current assets (inventories and monetary)	
Accounts receivable	28.7
Cash and cash equivalents	83.1
	111.8
Assets, total	498.9

Return on capital employed, 25%

Return on capital employed % =

$$100 \times \frac{\text{profit before extraordinary items plus interest and other financial expenses}}{\text{capital employed (average for the year)}}$$

Capital employed = interest-bearing liabilities plus shareholders' equity plus reserves

PROFIT AND LOSS ACCOUNT

FIM million	Grid operations
	Jan 1 - Dec 31, 1996
Turnover	254.9
Other operating income	0.5
Expenses	122.1
Operating profit before depreciation	133.3
Depreciation	19.1
Operating profit	114.2
Financing income and expenses	- 0.2
Profit before extraordinary items, reserves and tax	114.0
Extraordinary income and charges	5.0
Profit before reserves and tax	119.0
Increase (-), decrease (+) in depreciation difference reserve	15.7
Direct tax	- 37.7
Profit for the financial year	97.0

FIM million	Grid operations
Liabilities and shareholders' equity	Dec 31, 1996
Shareholders' equity	
Calculated equity	25.1
Profit for the financial year	97.0
	122.1
Reserves	
Accumulated depreciation difference reserve	356.5
Liabilities	
Current liabilities	
Accounts payable	20.2
Other current liabilities	0.1
	20.3
Liabilities and shareholders' equity, total	498.9

SHAREHOLDINGS AS AT DECEMBER 31, 1996

SUBSIDIARIES

	Size of Group shareholding %	Size of Group voting right %	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
ENERGY								
Baltic Power Estonia Ltd, Estonia	100.0	100.0	100.0	194	100	EEK 1,000	545	- 5
Finervo Oy	100.0	100.0	100.0	6,229	450	450	6,220	12
Gullspångs Kraftaktiebolag, Sweden ³⁾	44.1	51.55	44.1	1,312,864	31,151,805	SEK 155,759	2,833,200	292,291
Arvika Fjärrvärme AB, Sweden	60.0	60.0			3,000	SEK 3,000	2,024	
Cajero AB, Sweden	100.0	100.0			500	SEK 50	34	
Gullspångs Värme AB, Sweden	100.0	100.0			2,000	SEK 2,000	1,350	
Gullspångs Kraft Elnät AB, Sweden	100.0	100.0			30		2,265	
Värmlandskraft AB, Sweden	100.0	100.0					0	
Hällefors Värmeproduktion AB, Sweden	95.0	95.0			950	SEK 1,070	722	
Hällefors Energiteknik AB, Sweden	95.0	95.0					0	
AB Hälsingekraft, Sweden	100.0	100.0				SEK 149,000	725,597	
AB Hälsingekraft Nät, Sweden	100.0	100.0					0	
Hudiksvalls Energiverk AB, Sweden	100.0	100.0					0	
AB Hudik Kraft, Sweden	100.0	100.0					0	
Hudiksvalls Energihandel AB, Sweden	100.0	100.0					0	
Karåsen Kraft AB, Sweden	100.0	100.0			816,000	SEK 81,600	90,414	
Mullhyttans Elektriska AB, Sweden	99.3	99.3			1,114	SEK 56	260	
Sundshagsfors Kraft AB, Sweden	100.0	100.0			5,700	SEK 5,700	6,890	
Uddeholm Kraft AB, Sweden	100.0	100.0			5,953,332	SEK 595,333	923,644	
Värmlandskraft - OKG-delägarna AB, Sweden	73.0	73.0					0	
VKAF Kraft AB, Sweden	100.0	100.0			50,000	SEK 50	34	
Värmlandsenergi AB, Sweden	100.0	100.0			53,613,270	SEK 536,133	740,379	
Värmlands Värme AB, Sweden	70.0	70.0			700	SEK 700	1,417	
Västkraft AB, Sweden	100.0	100.0			2,000	SEK 2,000	513,243	
Östernärkes Kraft AB, Sweden	46.9	50.3			3,297	SEK 330	7,396	
Östernärkes Kraftförsäljning AB, Sweden	46.9	50.3					0	
SEV Holding AB, Sweden	100.0	100.0			1,000	SEK 100	195,260	
SEV Nät AB, Sweden	100.0	100.0					0	
SEV Nät Småland AB, Sweden	100.0	100.0					0	
SEV Nät Yngeredsfors AB, Sweden	100.0	100.0					0	
AB Skandinaviska Elverk, Sweden	100.0	100.0					0	
SEV Kraft AB, Sweden	100.0	100.0					0	
Skandinavisk Eltrading AS, Norway	100.0	100.0					0	
Munkedals Energi AB, Sweden	100.0	100.0					0	
Nybroviken Kraft AB, Sweden	10.1	52.9					0	
Voxnan Kraft AB, Sweden	10.1	52.9					0	
Parteboda Kraft AB, Sweden	10.1	52.9					0	
Brännälven Kraft AB, Sweden	16.8	35.4					0	
NGI Naturgasinvest AB, Sweden	62.4	62.4			6,249	SEK 208	169	
Imatran Voima Australia Pty. Ltd, Australia	100.0	100.0	100.0	0	12	AUD 0	3	0
Imatran Voima Holding B.V., Holland	100.0	100.0	100.0	70,572	45	NLG 45	51,535	1,269
Imatran Voima Properties B.V., Holland	100.0	100.0		6,868	41	NLG 41	14,110	- 8,611
Imatran Voima Malaysia B.V., Holland	100.0	100.0	100.0	73,131	13,456	NLG 13,456	66,421	12,941
Imatrankosken Voima Oy	100.0	100.0	100.0	656	100	100	660	- 4
IVO Australia Pty. Ltd, Australia	100.0	100.0	100.0	0	12	AUD 0	3	0
IVO Cogen SDN BHD, Malaysia	70.0	70.0	70.0	0	70	MYR 70	0	0
IVO Energi AB, Sweden	100.0	100.0	100.0	199,379	100	SEK 50,000	156,101	35,648
IVO Energieanlagen GmbH, Germany	100.0	100.0	100.0	1,398	4	DEM 600	1,805	305
IVO Energy Limited, England	100.0	100.0	100.0	42,408	5,382,000	GBP 5,382	42,713	29,498
CLB Ltd, England	100.0	100.0		0	719,000	GBP 719	0	0
CLB Transducers, England	100.0	100.0		121	2	GBP 0	0	0
IVO Energy Trading Ltd, England	100.0	100.0		- 123	2	GBP 0	0	- 123
Jyväskylän Energiantuotanto Oy	60.0	60.0	60.0	30,600	600	600	600	0
Killin Voima Oy	60.0	60.0	60.0	2,382	660	660	660	112
Koskivo Oy	100.0	100.0	100.0	656	100	100	660	- 4
Linnankosken Voima Oy	100.0	100.0	100.0	655	100	100	660	- 5
Mansikkalan Voima Oy	100.0	100.0	100.0	656	100	100	660	- 4
Pamilo Oy	51.0	51.0	51.0	29,545	276,420	27,642	148,436	- 64
Rajapatsaan Voima Oy	100.0	100.0	100.0	656	100	100	660	- 4
Saimaanrannan Voima Oy	100.0	100.0	100.0	746	100	100	750	- 4
Tainionkosken Voima Oy	100.0	100.0	100.0	656	100	100	660	- 4
Uudenmaan Energia Oy ⁴⁾	50.0	50.0	50.0	7,502	2,500	5,000	5,000	5,172
Voimayhtiö Oulujoki Oy	100.0	100.0	100.0	9	15	15	15	0
Vuoksen Voima Oy	100.0	100.0	100.0	656	100	100	660	- 4

¹⁾ Includes shareholders' equity, 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⁾ Gullspångs Kraftaktiebolag does not publish the results of the subsidiaries.

⁴⁾ Imatran Voima Oy's ownership 50%, but the shareholder contract stipulates that Imatran Voima appoints half of the members of the Board of Directors and has permanent chairmanship in the Board.

SUBSIDIARIES

	Size of Group shareholding %	Size of Group voting right %	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
OPERATION AND MAINTENANCE								
IVO Generation Services Ltd	100.0	100.0	100.0	77,507	5,000	50,000	50,000	- 811
IVO Service Industry Ltd	100.0	100.0		18,436	4,000	4,000	6,604	1,473
Etelä-Hämeen Kunnossapito Oy	60.0	60.0		1,523	3,000	150	1,088	1,198
Hämeen Kunnossapito Oy	55.0	55.0		1,651	1,650	165	312	1,049
IVO Service Länsi-Suomi Oy	100.0	100.0		955	2,000	200	569	336
IVO Service Pirkanmaa Oy	100.0	100.0		52	3,000	300	300	53
Keski-Suomen Kunnossapito Oy	100.0	100.0		910	3,000	300	582	87
Kymenseudun Kunnossapito Oy	100.0	100.0		17	180	18	18	0
Lohjan Kunnossapito Oy	100.0	100.0		782	4,000	400	463	0
Pohjanmaan Kunnossapito Oy	100.0	100.0		17	180	18	18	0
Pohjolan Kunnossapito Oy	100.0	100.0		17	180	18	18	0
Raaseporin Kunnossapito Oy	74.0	74.0		2,917	2,220	222	841	716
Salpaus-Kunnossapito Oy	100.0	100.0		567	3,000	300	300	- 23
Uudenmaan Kunnossapito Oy	100.0	100.0		1,837	3,000	300	995	659
Länsi-Suomen Käynnissäpito Oy	100.0	100.0		100	10	100	102	0
Montivo Kft., Hungary	51.0	51.0		920	1,020	HUF 10,200	447	829
IVO Generation Services (UK) Ltd, England	100.0	100.0			50,000	GBP 50	393	
Imatran Voima IVO Sendi Prima Sdn Bhd, Malaysia	100.0	100.0			2	0	0	
ENGINEERING								
IVO Power Engineering Ltd (until December 31, 1996, IVO International Ltd)	100.0	100.0	100.0	159,828	11,000	110,000	111,350	- 2,715
AO Enecon, Russia	100.0	100.0		40	100	RUR 16,100	239	2
AS Estivo, Estonia	100.0	100.0		365	100	EEK 1,000	429	0
ETV Eröterv Rt., Hungary	75.0	75.0		20,723	48,465	HUF 485	15,873	1,744
ERBE Eröterv Kft., Hungary	75.0	75.0		26				- 1
ESBI ETV Kft., Hungary	75.0	75.0		304				180
Finnish Railway Engineering Ltd	100.0	100.0		870	125	1,250	625	52
Insinööritoimisto Niilo Liukkonen Oy	64.6	64.6		276	310	78	1,263	242
IS-Plan Oy	91.0	91.0		570	273	273	277	81
IVO-EKO s.r.o., Czech Republic	51.0	51.0		17	51	CSK 51	10	- 38
IVO Polska Sp.zo.o., Poland	100.0	100.0		30	447	PLZ 45	83	- 17
AS Linjebygg, Norway	57.1	57.1		24,215	7,667	NOK 2,492	10,585	7,063
Hallingdal Linjebygg AS, Norway	57.1	57.1		85	10	NOK 100		0
Impregnerbygg AS, Norway	57.1	57.1		56	51	NOK 51		3
Linjebygg Centroamerica, Costa Rica	57.1	57.1		- 220	10			- 404
Vestneslinjer AS, Norway	57.1	57.1		519	8,000	NOK 800		- 17
Selion Oy	100.0	100.0		1,935	2,000	2,000	2,000	- 65
Selion Technologies Inc, USA	100.0	100.0		486				- 25
Sähköradat Oy (Electric Rails Ltd)	100.0	100.0		8,161	150	1,500	1,536	1,158
Transelectric AB, Sweden	100.0	100.0		11,654	3,000	SEK 3,000	3,967	5,819
Kraftkonsult WSW, Sweden	100.0	100.0		78				12
Transmast Ltd	60.0	60.0		13,854	180	1,800	1,829	15,931
Transmast AB, Sweden	60.0	60.0		203				0
Transmast SPb, Russia	60.0	60.0		138		RUR 1,476		83
IVO Power Engineering (UK) Limited, England	100.0	100.0		218	100	GBP 0	1	171
IVO CM Services Ltd, England	100.0	100.0		2,514	2	GBP 2	0	1,570
ENERGY MEASUREMENT								
Enermet Oy	100.0	100.0	100.0	150,556	400,000	40,000	136,628	20,768
Enermet A/S, Denmark	100.0	100.0		1,024	500	DKK 500	182	379
Enermet B.V., Holland	100.0	100.0		2,050	40	NLG 40	97	1,651
Enermet AS, Norway	100.0	100.0		1,368	500	NOK 500	31	387
Enermet AB, Sweden	100.0	100.0		10,298	10,000	SEK 1,000	1,736	4,615
Enermet AG., Switzerland	100.0	100.0		13,908	5,000	CHF 5,000	18,535	- 104
Enermet GmbH, Germany	100.0	100.0		7,805	1	DEM 2,000	6,083	1,859
Enermet Ltd, New Zealand	100.0	100.0		13,980	600,000	NZD 600	21,625	1,394
Enermet Pty. Ltd, Australia	100.0	100.0		12,063	626,750	AUD 1,253	13,913	558
GRID SERVICES								
IVO Transmission Services Ltd	100.0	100.0	100.0	330,949	5,000	50,000	50,000	- 45,953
OTHER OPERATIONS								
Energistit Oy	91.7	91.7	91.7	8	715	14	1	0
Infrarödteknik Aktiefbolag, Sweden	100.0	100.0	100.0	8,546	25,000	SEK 2,500	21,000	1,780
Institutet för Materialutveckling AB, Sweden	100.0	100.0		-	500	SEK 50	32	-
IRT Finland Oy	100.0	100.0		907		100	545	171
IRT France SARL., France	100.0	100.0		- 174		FRF 250	235	- 239
IRT Prozesswärmetechnik GmbH, Germany	100.0	100.0		1,563		DEM 200	481	86
Tekivo Finance Oy	100.0	100.0	100.0	11	15	15	15	0
Ve-Ki Oy	100.0	100.0	100.0	4,878	800	800	5,701	68
Vihdin Sähkö Oy	99.2	99.2	99.2	120,683	42,872	4,287	106,710	- 744
Kiinteistö Oy IVO:n Vanhakaupunki	100.0	100.0	100.0	72,169	1,600	16,000	64,000	802
Osakeyhtiö Malminkatu 16	100.0	100.0	100.0	10,669	1,600	160	115,780	- 267

¹⁾ Includes shareholders' equity, 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.

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
ENERGY								
Birka Kraft AB, Sweden	50.0		19,569	6,500	SEK 6,500	19,569	0	Dec 31, 96/12 mths
Gullspångs Kraftaktiebolag, Sweden ³⁾								
AB Aroskraft, Sweden	39.2			17,638	SEK 17,638	74,422		Dec 31, 96/12 mths
Blåsjöns Kraft AB, Sweden	50.0			6,000	SEK 6,000	124,583		Dec 31, 96/12 mths
Frostvikenkraft AB, Sweden	50.0			500	SEK 50	34		Dec 31, 96/12 mths
Gulsele AB, Sweden	50.0			120,000	SEK 120,000	207,770		Dec 31, 96/12 mths
Härjeåns Kraft AB, Sweden	46.2			31,558	SEK 3,156	44,375		Dec 31, 96/12 mths
Kraftdata AB, Sweden	37.5			3,750	SEK 38	1,012		Dec 31, 96/12 mths
AB Ljusnans Samköping, Sweden	40.0			20	SEK 20	13		Dec 31, 96/12 mths
Stensjöns Kraft AB, Sweden	50.0			220,000	SEK 11,000	263,398		Dec 31, 96/12 mths
TivedsEnergi AB, Sweden	40.0			40	SEK 400	270		Dec 31, 96/12 mths
Vänerenergi AB, Sweden	40.0			8,000	SEK 800	540		Dec 31, 96/12 mths
Ångefallens Kraft AB, Sweden	50.0			5,000	SEK 500	52,710		Dec 31, 96/12 mths
Helsingin Seudun Lämpövoima Oy	50.0	50.0	2,846	500	2,500	2,500	36	
Humber Power Ltd, England ⁴⁾	30.0		291	189,509	GBP 190	1,491	- 1,614	Mar 31, 96/12 mths
Inerkol Oy	22.2	22.2	92	100	100	100		Dec 31, 96/12 mths
Keuruun Sähkö Oy	34.7	34.7	5,657	1,737	17	14,471	1,507	Dec 31, 96/12 mths
Koillis-Pohjan Sähkö Oy	25.0	25.0	11,728	10,890	1,089	109	5,252	Dec 31, 96/12 mths
Lahden Lämpövoima Oy	50.0	50.0	60,835	800	8,000	8,000	- 2,911	Dec 31, 96/12 mths
Lappeenrannan Lämpövoima Oy	50.0	50.0	27,194	1,800	18,000	18,000	- 1,016	Dec 31, 96/12 mths
ZAO Leivo, Russia	50.0	50.0	5,580	55	RUR 5,830,000	5,580	0	Dec 31, 96/12 mths
Oy Lovlämpö - Lovvärme Ab	20.0	20.0	163	6	0	0	1	Dec 31, 96/12 mths
Länsi-Suomen Polttoöljy Oy	22.2	22.2	274	1,200	120	932	0	May 31, 96/12 mths
Länsivoima Oy	45.1	45.1	401,036	2,942,800	29,428	604,706	106,494	Dec 31, 96/12 mths
Nordisk Gaskraft Aktiebolag, Sweden	50.0	50.0	1,787	2,400	SEK 2,400	1,568	129	Dec 31, 95/12 mths
Olkiluodon Vesi Oy	50.0	50.0	82	50	50	50	64	Dec 31, 96/12 mths
Perusvoima Oy	50.0	50.0	29	3	30	30	0	Dec 31, 96/12 mths
Posiva Oy	40.0	40.0	4,000	4,000	4,000	4,000	0	Dec 31, 96/12 mths
Radtek Oy	30.0	30.0	590	30	30	900	- 130	Dec 31, 96/12 mths
Regional Power Generators, England ⁴⁾	25.0		9,057	2,500	GBP 3	20	42,113	Mar 31, 96/12 mths
Finnish Peatlands Information Centre Ltd	50.0	50.0	3,308	60	3,000	2,508	250	Dec 31, 96/12 mths
Finnish Power Balance Ltd ⁵⁾	50.0	34.0	997	340	500	1,000	- 6	Dec 31, 96/12 mths
Teollisuuden Voima Oy	26.6	26.6	509,525	189,877,285	189,877	741,166	215,229	Dec 31, 96/12 mths
Turun Seudun Kaukolämpö Oy	50.0	50.0	932	1,000	1,000	1,000	5	Dec 31, 96/12 mths
Tuusulanjärvi Energy Ltd	30.0	30.0	32,568	147,000	14,700	29,400	12,904	Dec 31, 96/12 mths
Uudenmaan Sähköverkko Oy	50.0	50.0	16,120	500,000	5,000	10,000	13,617	Dec 31, 96/12 mths
Vesivoimalaitosten Konehuolto Oy ⁶⁾	50.0	43.7	85	2,000	50	50	1	Dec 31, 96/12 mths
Winnington Combined Heat and Power Ltd, England ⁴⁾	33.3		- 5,186	1	0	0	- 1,908	
ZAO Vyborg TEC, Russia	20.0	20.0	0			10	0	Dec 31, 97/12 mths
						2,236,287		
OPERATION AND MAINTENANCE								
Kotkan Putkityö Oy	50.0		6,237	50	50	4,572	3,005	Dec 31, 96/10 mths
ENGINEERING								
Finnish Barents Group Oy	50.0		157	100	100	100	210	Dec 31, 96/12 mths
KWH-IVO China Holdings Limited, Malaysia ⁷⁾	33.3		3,436	740,000	USD 740	3,341	-	
Seesjärvi Oy, Russia	42.0		393	3,360	RUR 33,600	400	- 312	Dec 31, 96/12 mths
Unipole Orman Urünleri Ticaret AS, Turkey	33.1		233	90,552	TL 905,520	459	78	Dec 31, 96/12 mths
Wagner-Biro Kft., Hungary	37.5		139		HUF 5,500	158	86	Dec 31, 96/12 mths
Verkonrakentaja Wire Oy	50.0		1,355	50	250	1,819	192	Dec 31, 96/12 mths
						6,277		
GRID SERVICES								
Finnish Power Grid Ltd ⁸⁾	40.0	40.0	4,000	40	4,000	4,000	0	
OTHER OPERATIONS								
EGlas Oy	45.1	45.1	626	3,315	1,658	1,658	156	Dec 31, 96/12 mths
Haato-Varaajat Oy	35.0	35.0	0	1,085	1,085	513	0	Oct 31, 96/12 mths
Telivo Ltd	25.0	25.0	13,816	1,250	1,250	9,500	4,927	Dec 31, 96/12 mths
UVCC II Parallel Fund, L.P., USA	33.3	33.3	22,798		USD 4,832	19,549	- 373	Dec 31, 95/12 mths
Shares in housing and real estate companies						17,625		
						48,845		
Share of associated companies' cumulative results						191,570		
Total of associated companies in the Group balance sheet						2,491,551		

¹⁾ Includes shareholders' equity, 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⁾ Gullspångs Kraftaktiebolag does not publish the results of the associated companies.

⁴⁾ Consolidated with the Group by interim financial statements Jan 1 - Dec 31, 1996.

⁵⁾ Imatran Voima Oy's ownership 34%, and IVO Transmission Services Ltd's ownership 16%.

⁶⁾ Imatran Voima Oy's ownership 44% and IVO Power Engineering Ltd's ownership 6%.

⁷⁾ Consolidated with the Group by interim financial statements Aug 1 - Dec 31, 1996. Established in August 1996. The first financial year will end at December 31, 1997.

⁸⁾ Established in November 1996. The first financial year will end at December 31, 1997.

OTHER GROUP SHAREHOLDINGS

	Size of Group shareholding %	Size of parent company shareholding %	Number of shares		Nominal value FIM 1,000/currency	Book value FIM 1,000
ENERGY						
Cogeneration Company Ltd, Thailand	11.1		29,645,000	NLG	19,566	52,795
Gullspångs Kraftaktiebolag, Sweden						
Arendals Fossekompagni AS, Norway	1.1		28,367	NOK	284	5,002
Karlshamnsverkets Kraftgrupp AB, Sweden	18.0		27,000	SEK	2,700	153,978
Karskär Energi AB, Sweden	8.9		2,670	SEK	27	3,346
Korselbränna AB, Sweden	16.2		51,840	SEK	5,184	116,019
Mellansvensk Kraftgrupp AB, Sweden ¹⁾	28.2		20,006	SEK	20,006	376,839
Ockelbo Kraft AB, Sweden	14.8		4,434			2,699
OKG AB, Sweden	19.6		56,250	SEK	5,625	928,993
Värmlandskraft-Forsmarksdelägarna AB, Sweden	10.6		24	SEK	24	25,175
Älvkraft i Värmland AB, Sweden	23.8		750,000	SEK	75,000	50,610
Imatran Seudun Sähkö Oy	8.4		4,889		73	8,503
Kemijoki Oy	16.1	16.1	393,002		39,300	71,261
Ab Korsnäs Vindkraftpark - Korsnäs in Tuulivoimapuisto Oy	8.0	8.0	1,100		550	550
Lenenergo, Russia	1.0	1.0	9,120,000			11,385
Powertek Berhad, Malaysia	6.7		15,367,600		15,368	63,378
Oy Radiolinja Ab	0.1	0.1	62		305	305
Union Power Development Co. Ltd, Thailand	12.0		103,200	THB	10,320	2,183
						1,873,021
OPERATION AND MAINTENANCE						
Polartest Oy	14.6		750		188	386
ENGINEERING						
Are Oy	10.7		80		800	4,500
Fintherm Praha AS, Czech Republic	12.0		600	CSK	6,000	1,156
ZAO Peterpipe SP, Russia	7.0		175	RUR	1,750	2
						5,658
OTHER OPERATIONS						
Oy Datatie Ab	1.7	1.7	20		100	305
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 Teknologia kylä 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
Innoli Oy	3.6	3.6	33,000		3,300	3,550
Kiinteistö sijoitus Oy Citycon	9.7	9.7	947,700		9,477	4,739
Merita Bank Ltd	0.0	0.0	23,649		236	233
Oulu Technopolis Ltd	0.6	0.6	3,380		169	199
Sampo Insurance Company Ltd	0.4	0.4	66,627		1,332	1,657
Suomen Imsveto Oy	10.9	2.9	12		36	78
UPM-Kymmene Oy	0.5	0.5	1,269,989		12,700	35,946
Housing and real estate companies						25,979
Shares and shareholdings in telephone companies						2,478
Other shares and shareholdings						9,720
						86,652
Other shares and shareholdings, and shares in other investments, total						1,965,717

¹⁾ The company owns shares entitling it to part of the electricity generated by the Forsmark nuclear power plant in Sweden. According to the Articles of Association, the purpose of this company is not to yield profit; it sells the received electricity on to its shareholders at a price that covers the company's costs. The ownership share of Gullspångs Kraftaktiebolag is 24% and that of IVO Energi AB 4%.

GROUP KEY FIGURES IN 1992 - 1996

		1992	1993	1994	1995	1996
Scope of operations						
Turnover	FIM million	5,747	6,744	7,602	8,055	12,140
- change	%	5	15	11	6	51
Exports and overseas operations	FIM million	337	766	1,148	1,214	5,050
- of turnover	%	6	11	15	15	42
Capital employed at December 31	FIM million	12,486	12,558	12,104	12,251	21,784
Investments, gross	FIM million	1,030	1,432	643	878	4,555
- of turnover	%	18	21	8	11	38
Research and development expenses	FIM million	156	131	128	146	170
- of turnover	%	3	2	2	2	1
Average number of employees		5,731	5,556	5,458	5,650	7,421
Profitability						
Operating profit	FIM million	755	923	737	1,337	2,042
- of turnover	%	13	14	10	17	17
Profit before extraordinary items and tax	FIM million	137	284	347	1,129	1,736
- of turnover	%	2	4	5	14	14
Profit before tax	FIM million	131	401	681	1,180	1,764
- of turnover	%	2	6	9	15	15
Net profit	FIM million	84	149	230	671	1,167
- of turnover	%	1	2	3	8	10
Return on capital employed	%	7.6	8.7	6.8	12.5	13.5
Return on equity	%	1.4	2.4	3.5	9.4	12.8
Financing and economic position						
Liabilities	FIM million	7,765	7,953	7,206	6,922	14,703
Net interest-bearing liabilities	FIM million	4,508	4,622	3,711	2,697	9,400
- of turnover	%	78	69	49	33	77
Net financing expenses	FIM million	618	640	390	208	306
- of turnover	%	10.8	9.5	5.1	2.6	2.5
Net interest expenses	FIM million	301	380	344	256	433
- of turnover	%	5.2	5.6	4.5	3.2	3.6
Share capital	FIM million	912	912	912	912	912
Other shareholders' equity and minority interests	FIM million	5,312	5,482	5,915	6,572	9,835
Equity/total capital	%	41	40	44	47	38
Debt/equity	%	72	72	54	36	87
Cash flow from operations	FIM million	1,112	1,256	978	1,390	1,916
Cash flow from operating activities	FIM million	973	1,556	840	1,573	2,369
Cash flow before financing activities	FIM million	- 9	178	784	1,265	- 1,924
Dividends	FIM million	109	109	109	137	210 ¹⁾
Key figures per share						
Profit/share	FIM	1.01	1.65	2.49	7.28	11.54
Shareholders' equity/share	FIM	67.88	69.57	74.31	81.17	91.61
Dividend/share	FIM	1.20	1.20	1.20	1.50	2.30 ¹⁾
- dividend on the basis of the profit	%	119	73	48	21	20
Number of shares as 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 deferred tax provision	
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			
Return on capital employed %	=	$\frac{\text{profit before extraordinary items plus interest and other financial expenses}}{\text{balance sheet total less interest-free liabilities (average for the year)}}$	x100
Return on equity %	=	$\frac{\text{profit before extraordinary items less tax for the financial year, plus/minus}}{\text{shareholders' equity plus minority interests (average for the year)}}$	x100
Equity/total capital %	=	$\frac{\text{shareholders' equity plus minority interests}}{\text{balance sheet total less advance payments received}}$	x100
Debt/equity %	=	$\frac{\text{net interest-bearing liabilities}}{\text{shareholders' equity plus minority interests}}$	x100
Profit/share FIM	=	$\frac{\text{profit before extraordinary items plus/minus minority interests less}}{\text{tax for the financial year plus/minus change in deferred tax provision}} \\ \text{number of shares}$	
Shareholders' equity/share FIM	=	$\frac{\text{shareholders' equity}}{\text{number of shares}}$	
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 1996 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 and imperfections. 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 the Electricity Market 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 the legislation and regulations. The profit of the parent company for the 1996 financial year is FIM 1,174,378,649 and the profit of the Group FIM 1,081,525,000. 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 10, 1997

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, the Board of Directors' report, the consolidated financial statements and the auditors' report for 1996. 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 members Gunnar Graeffe, Ismo Partanen, Pekka Tuomisto and Esko Vainionpää are due to expire and, in addition, Mikko Rönholm, Deputy Chairman of the Supervisory Board, resigned from the Supervisory Board on January 31, 1997.

Helsinki, March 13, 1997

Kimmo Sasi

Rose-Marie Björkhenheim

Elina Lehto

Pekka Tuomisto

Esko Vainionpää

Markku Autti

Gunnar Graeffe

Ismo Partanen

Taisto Turunen

MANAGEMENT OF THE BUSINESS UNITS

ENERGY

IMATRAN VOIMA OY

Power and Heat Generation
Risto Mäntynen

Generation Unit
Antti Autio

Power Trading
Rauno Kallonen

Electricity Procurement
Kauko Montonen

Strategy Planning
Heikki Haavisto

Loviisa power plant
Jussi Helske

GULLSPÅNGS KRAFT AB, Sweden

Olof G. Wikström

IVO ENERGI AB, Sweden

Gösta Lindh

IVO ENERGIA AS, Estonia

Are Veski

IVO ENERGY LIMITED, England

John Deane

IVO ENERGIEANLAGEN GMBH, Germany

Matti Nikkanen, Pekka Vainikka

LÄNSIVOIMA OY

Manu Muukkonen

UUDENMAAN ENERGIA OY

Jarmo Kurikka

OPERATION AND MAINTENANCE

IVO GENERATION SERVICES LTD

Pekka Päätiläinen
Esa Lecklin

IVO GENERATION SERVICES (UK) LTD,

England
Pekka Österlund

MONTIVO KFT., Hungary

Tibor Gálos

ENGINEERING

IVO POWER ENGINEERING LTD

Jaakko J. Laine
Jorma Karppinen
Heikki Lamminaho

ETV-ERÖTERV RT., Hungary

Pal Zarándy

AS LINJEBYGG, Norway

Bjarne Hammer

ELECTRIC RAILS LTD

Pekka Salo

TRANSELECTRIC AB, Sweden

Martin Dahlgren

TRANSMAST LTD

Heikki Miettinen

ENERGY MEASUREMENT

ENERMET OY

Esa Pennanen

POWER TRANSMISSION

IVO TRANSMISSION SERVICES LTD

Lasse Aarnio

OTHER BUSINESS SECTORS

INFRAFÖDTEKNIK AB, Sweden

Staffan Ekelund

BUSINESS SUPPORT

IMATRAN VOIMA OY

IVO Technology Centre
Pekka Salminen

Environmental Protection
Heikki Niininen

Corporate Services
Eero Maijala

CORPORATE STAFF

IMATRAN VOIMA OY

Energy Policy
Jouko Mikola

Corporate Human Resources
Antti Aho

Legal Affairs
Juhani Santaholma

Group Treasury
Kaj Lindström

Internal Auditing
Jarmo Uusitalo

Finance
Irja Vekkilä

Group Communications
Antti Ruuskanen

Corporate Planning
Jaakko Väisänen, until April 30, 1997
Pekka Leskelä, as of May 1, 1997

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FINLAND

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Enermet Oy
IRT Finland Oy
IVO Power Engineering Ltd
Selion Oy
Electric Rails Ltd
Transmast Ltd
IVO Generation Services Ltd
IVO Transmission Services Ltd
Jyväskylän Energiantuotanto Oy
Killin Voima Oy
Länsivoima Oy
Pamilo Oy
Uudenmaan Energia Oy

SWEDEN

Enermet AB
Gullspångs Kraft AB
Gullspångs Nät AB
Infrarödteknik AB
IVO Energi AB
Transelectric AB
Transmast AB

NORWAY

Enermet AS
AS Linjebygg

DENMARK

Enermet A/S

UNITED KINGDOM

IVO Energy Limited
IVO CM Services Ltd
IVO Generation Services (UK) Ltd
IVO Power Engineering (UK) Ltd

HOLLAND

Enermet B.V.

LATVIA

IVO Group, Riga office

POLAND

IVO Polska Sp. zo.o.

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IRT France SARL.

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Enermet GmbH
IRT Prozesswärmetechnik GmbH
IVO Energieanlagen GmbH

SWITZERLAND

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