PVO GROUP

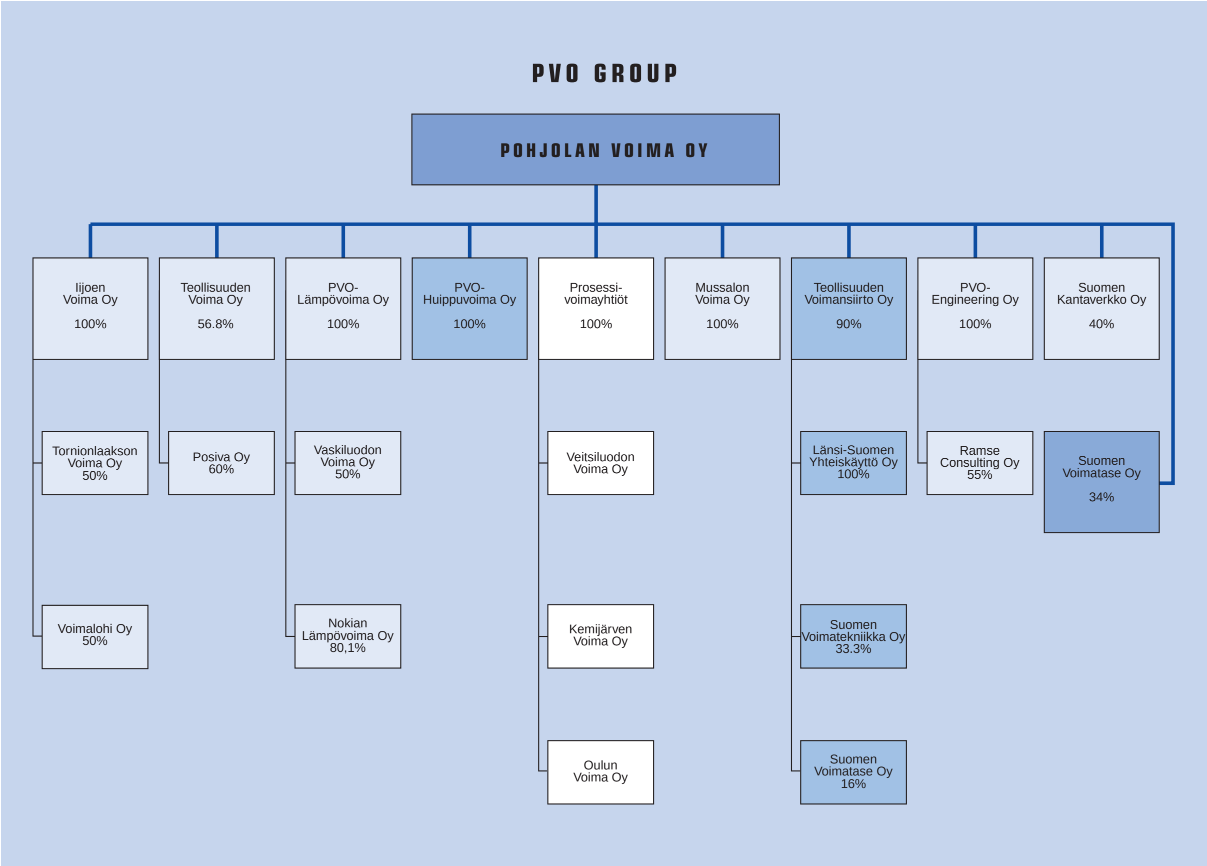
ANNUAL REPORT 1996

The PVO Group (PVO) is an energy firm owned by the Finnish export industry and its domestic, local-level cooperation partners.

PVO energy procurement is based on various and diversified energy sources. Hydro and nuclear power play a central role in electricity production, but also coal, gas and biomass, peat and oil are used as power production fuels.

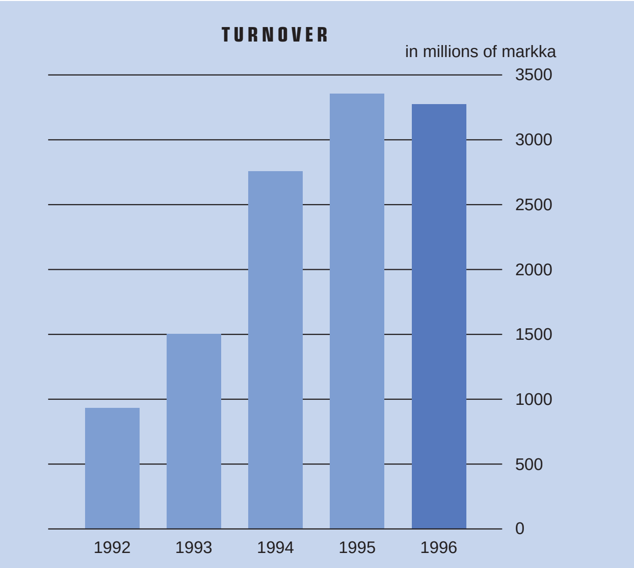
PVO is in charge of technical design of its own power plants and grids, and is also engaged in production machinery control and grid supervision, as well as in energy-related operating centre services. PVO also provides these services to outside clients.

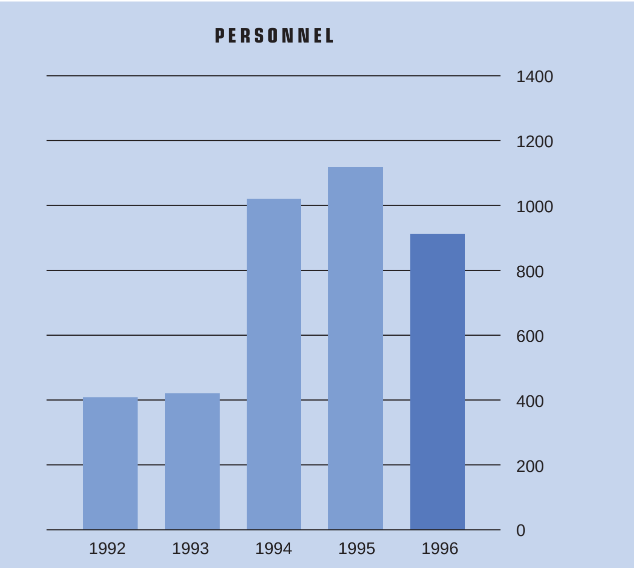
Continuous maintenance, top-level expertise and technology guarantee high plant utilization rates and low environmental impact.

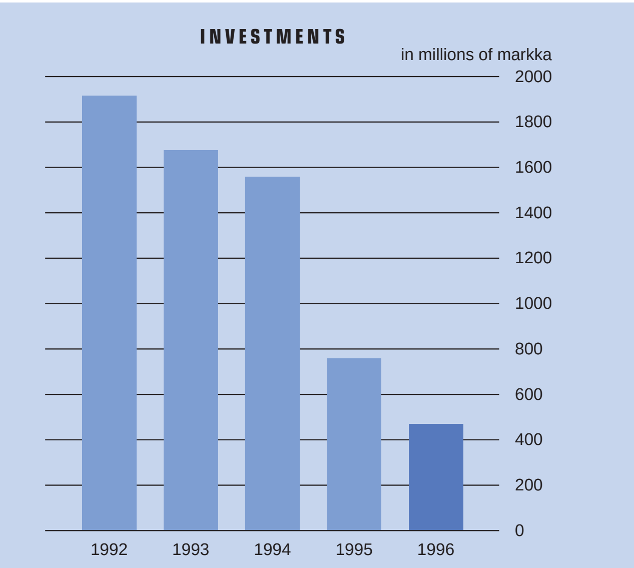


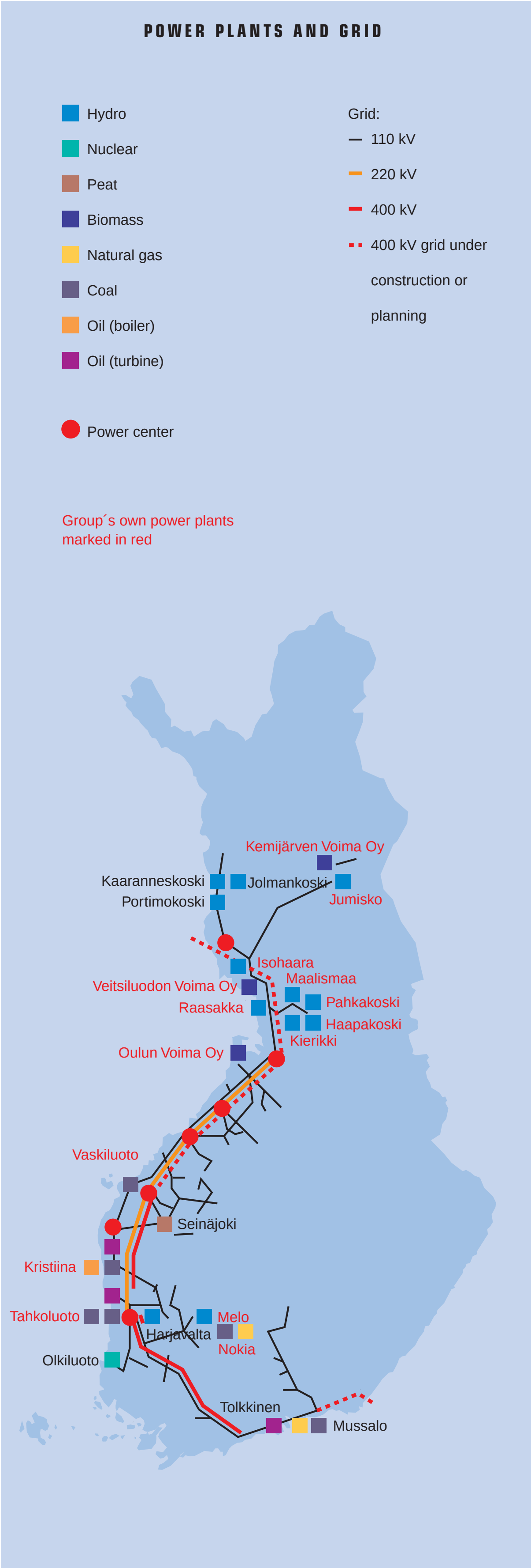
		1996	1995	1994
Turnover	in millions of Finnish markka	3 281	3 341	2 760
Growth	%	-2	21	84
Operating margin	in millions of Finnish markka	478	595	409
as percentage of turnover	%	15	18	15
Operating profit	in millions of Finnish markka	235	324	123
Net financial expenses	in millions of Finnish markka	-170	-279	-259
as percentage of turnover	%	5	8	9
Net liabilities subject to interest	in millions of Finnish markka	3 311	3 314	3 284*)
as percentage of turnover	%	101	99	119
Equity ratio	%	50	47	46
Balance Sheet total	in millions of Finnish markka	9 157	9 528	9 875
Investments	in millions of Finnish markka	472	753	1 550
as percentage of turnover	%	14	24	56
Personnel, average		915	1 189	1 022
Production	GWh	15 282	13 746	12 152

*) These figures do not include the ownership arrangements which were made at the end of the financial year and which had no effect on the turnover.

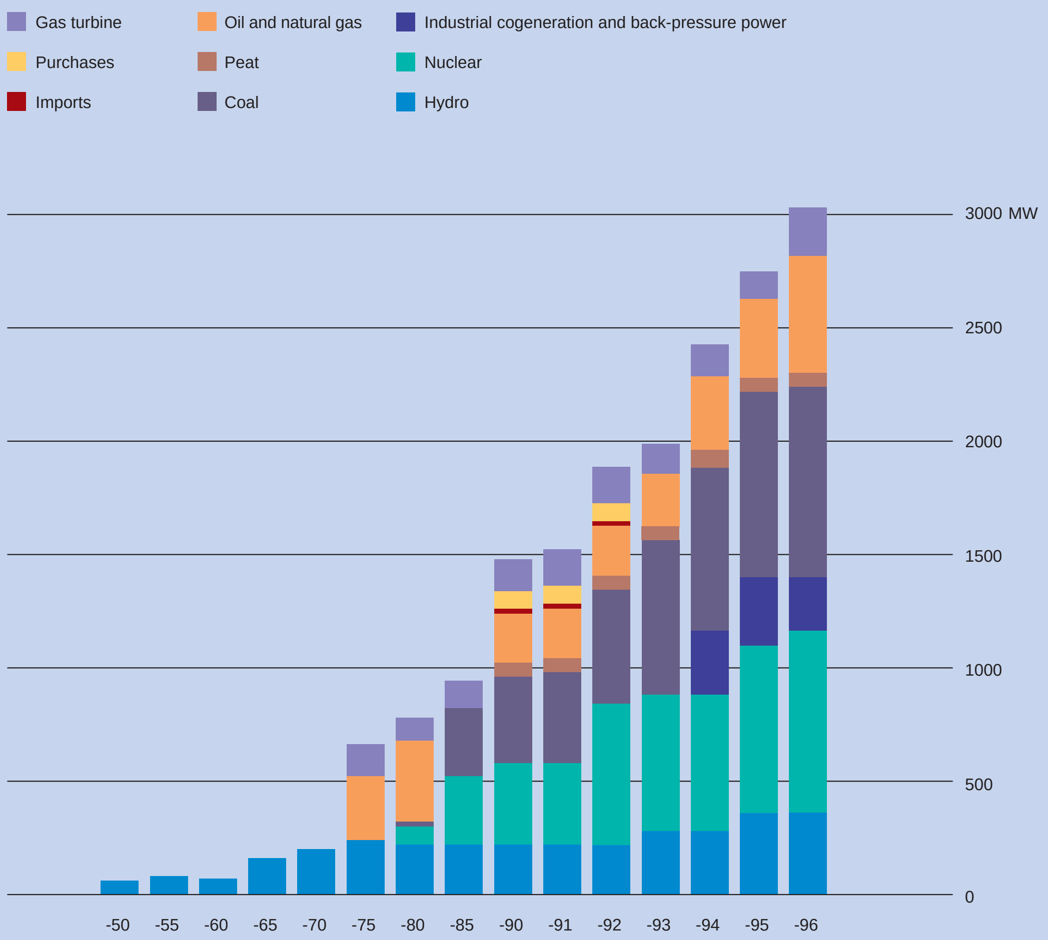

TURNOVER
in millions of markka
3500
3000
2500
2000
1500
1000
500
0
1992
1993
1994
1995
1996


PERSONNEL
1400
1200
1000
800
600
400
200
0
1992
1993
1994
1995
1996


INVESTMENTS
in millions of markka
2000
1800
1600
1400
1200
1000
800
600
400
200
0
1992
1993
1994
1995
1996

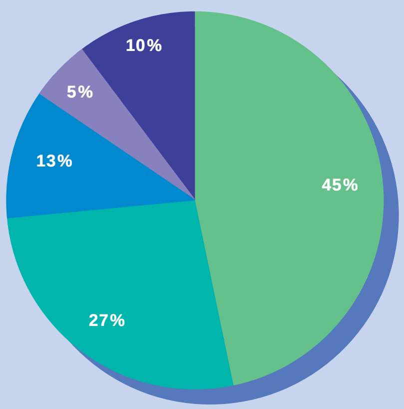

POWER PLANTS AND GRID
Hydro
Nuclear
Peat
Biomass
Natural gas
Coal
Oil (boiler)
Oil (turbine)
Power center
Grid:
110 kV
220 kV
400 kV
400 kV grid under construction or planning
Group´s own power plants marked in red
Kemijärven Voima Oy
Kaaranneskoski
Jolmankoski
Portimokoski
Jumisko
Isohaara
Maalismaa
Veitsiluodon Voima Oy
Pahkakoski
Raasakka
Haapakoski
Kierikki
Oulun Voima Oy
Vaskiluoto
Seinäjoki
Kristiina
Tahkoluoto
Melo
Harjavalta
Nokia
Olkiluoto
Tolkkinen
Mussalo

CAPACITY



CAPACITY 1996 3033 MW

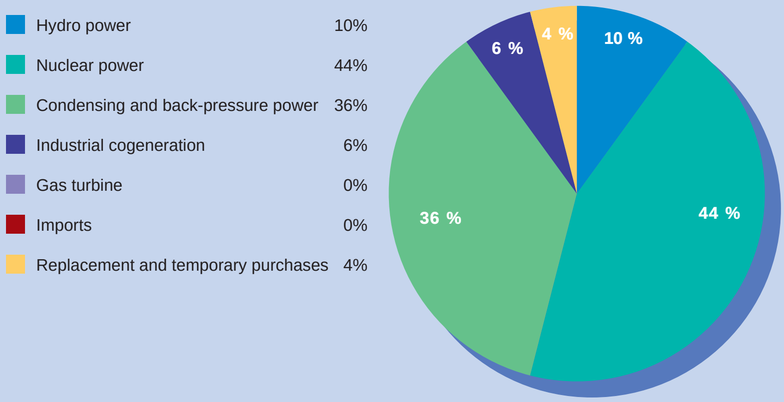
Condensing and back-pressure power	45%
Nuclear	27%
Hydro	13%
Gas turbine	5%
Industrial cogeneration	10%



POHJOLAN VOIMA OY SHAREHOLDERS AND DISTRIBUTION OF SHARES ON FEBRUARY 1, 1997 IN PERCENTAGE

Shareholders	A	B	C	D	E	H	Total %
Ahlstrom Energy Ltd					3.63		0.50
Enso Oy	20.55	13.83	16.04	100.00	28.51	0.04	20.26
Etelä-Pohjanmaan Voima Oy	5.19	3.49	4.70		1.49	20.71	4.27
City of Helsinki					10.60		1.47
Pension Insurance Company Ilmarinen Ltd			18.04				4.47
Kemira Oy + Neliapila S.R.	8.40	5.65	6.43		0.52	6.42	6.14
City of Kokkola	1.98	1.33	2.01		0.30	10.35	1.66
Kotkan Energia Oy					9.97		1.38
Kymppivoima Oy			8.23		0.40	8.23	2.15
Oy Kyro Ab			0.74			0.74	0.19
Oy Metsä-Botnia Ab	2.86	1.93	2.30		0.18	2.30	2.12
Metsä-Serla Oy		12.77			0.27		2.52
Myllykoski Oy					9.98		1.38
Perhonjoki Oy	1.98	1.33	1.79		0.26	20.54	1.68
City of Pori			4.42		0.38	4.42	1.18
Päijät-Hämeen Voima Oy			1.02		6.12	25.00	1.29
UPM-Kymmene Oy	59.04	59.67	34.28		23.47	1.25	46.80
Vantaan Energia Oy					3.92		0.54
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

POWER PROCUREMENT 1996 15282 GWh



FACING NEW CHALLENGES

Pohjolan Voima has performed a substantial and laborious company arrangement which has given birth to the PVO Group. Focusing on power production and procurement, the company now has sufficient resources, expertise and competitiveness to meet the newly liberalized market. The PVO Group started to prepare itself for the new situation by intensifying all aspects of its operation in due time in the beginning of the 1990s.

The Finnish Parliament's negative decision on nuclear power in 1993 led to a difficult reconsideration related to large-scale power plant construction. From the environmental point of view, it is difficult, if not impossible, to find a fuel that would be more rational than nuclear power. The realistic remaining alternatives were the modernization of existing power plants and the preparation of coal and gas-fueled power plant construction. To meet the increasing demand for electricity, the PVO Group continues to implement its major investment program to ensure the supply of secure and stable-priced electricity.

By the end of this decade, almost all complementary investments in existing power plants will be made whereafter the PVO Group intends to start new large-scale power plant construction. The new power plants are needed because the annual aging rate of the existing power plants is over hundred power plant years, and at the same time electricity consumption is increasing as power plant technology is developing. The possibility of increasing electricity imports to some extent by imports always involves a certain price and availability risk.

While large-scale power plant solutions may be the most profitable, they involve the largest risks at the company level. The major economic risk in power plants is constituted by taxation, which has varied depending on the currents in politics and financial needs of governments. In 1996, Finnish energy taxes were not based on the origination principle, nor have they had any environmentally-relevant effect on the orientation of electricity production. In the early 1990's Finland levied extremely severe environmental taxes, one of the justifications being that Finland wanted to constitute an example in environmental taxation. In its policy, Finland was left alone, followed only by countries which had electricity production based on either hydro or nuclear power. Finland did not become a global trailblazer. The tax experiment did not have any effect other than the economic damage caused to the energy business.

For electricity producers, the 1997 energy tax solution represents a return to the former practice. The new taxation method strengthens the competitiveness of Finnish production to the level of foreign producers. However, the energy tax load levied on Finnish industry remains higher than in competitor countries. It is to be hoped that in the future Finnish energy taxation will be harmonized with the EU and competitor countries in order not to give a competitive edge to industry operating in other countries.

Towards the end of 1996, the long negotiations conducted with the Ministry of Trade and Industry and Imatran Voima Oy on the establishment of Suomen Kantaverkko Oy were finalized. Once realized, the national grid will give all parties equal electricity import and export opportunities. The new arrangement would mean the materialization of a long-term pursuit of power transmission liberalization, and it would also involve the elimination of a major friction factor and a historical set-up in Finland.

While Scandinavian electricity market continue to become more open, operations tend to be centralized in large state-owned companies which has a decreasing effect on competition for the consumer's point of view. The Swedish and Norwegian national grid operations, not organized in corporate form, are under strong state supervision which tends to blur the operations in market terms. In this respect the development does not seem favorable, and the eventual Swedish nuclear energy decisions with the respective end conditions will further limit the market-determined operations.

The PVO Group operations reached the objectives which had been set. Our competent personnel and cooperation-minded interest groups deserve credit for this.

Timo Rajala

Front from the left: Heimo Karinen, Juhani Pohjolainen, Tauno Matomäki, Rauno Hakkila.
Back from the left: Timo Rajala, Sven Sohlström, Timo Poranen, Kalervo Koukkari (secretary of the board of directors).

ORDINARY MEMBERS

Tauno Matomäki
Chairman of the Board

Jukka Härmälä
Chief Executive Officer, Vice Chairman of the Board

Rauno Hakkila
Chief Executive Officer

Heimo Karinen
President

Timo Poranen
Chief Executive Officer

Heikki Sara
Senior Vice President

Sven Sohlström
Chief Executive Officer

DEPUTY MEMBERS

Juha Niemelä
Chief Executive Officer

Juhani Pohjolainen
Deputy Chief Executive Officer

Mikko Lind
Chief Executive Officer

Esa Tirkkonen
Deputy Chief Executive Officer

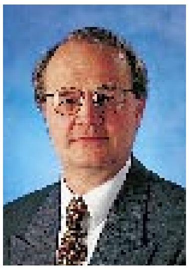
Juhani Yli-Paavola
Chief Executive Officer

Martin Granholm
Deputy Chief Executive Officer

Juhani Paananen
Director

AUDITOR

SVH Coopers & Lybrand Oy,
Authorized Public Accountants



Timo Rajala
M.Sc. (Eng.)

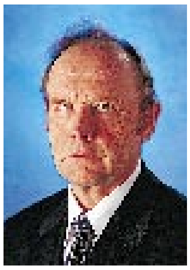
Matti Kaisjoki
M.Sc. (Eng.)

Aappo Kontu
M.Sc. (Eng.)

Minna Korkeaoja
M.Sc. (Econ.)

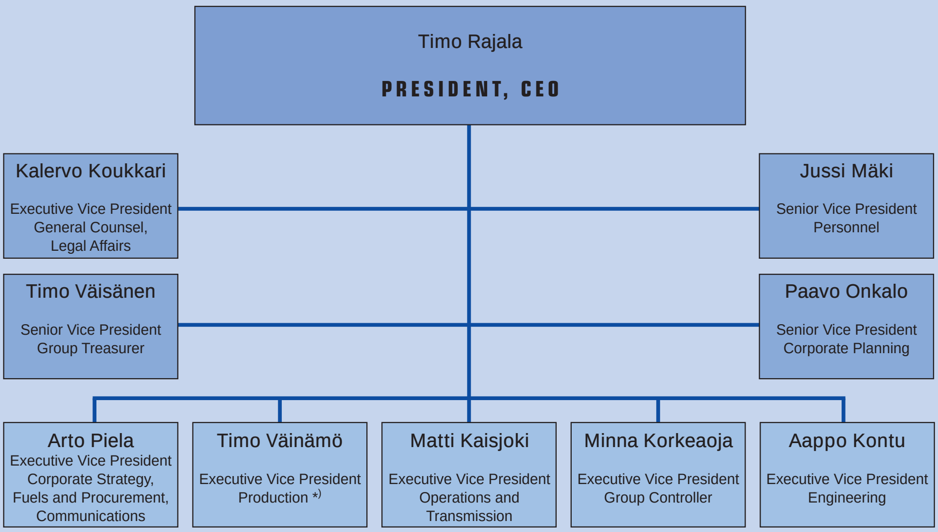
Kalervo Koukkari
LL.M.
Trained on the Bench

Arto Piela
Master of Laws



Timo Väinämö
M.Sc. (Eng.)

GROUP ADMINISTRATION



*) Nuclear power, Managing Director Mauno Paavola

OPERATIVE ENVIRONMENT AND THE OUTLOOK FOR THE NEAR FUTURE

In 1996 the Finnish consumption of electricity was 70 TWh, a 1.6 percent increase on the previous year. Industry and construction accounted for 37 TWh, or 54 percent, of total electricity consumption. Compared with 1995, industrial consumption remained at the same level.

The Pohjolan Voima Oy's electricity acquisition in 1996 was 15 TWh, representing a 12 percent increase on the previous year.

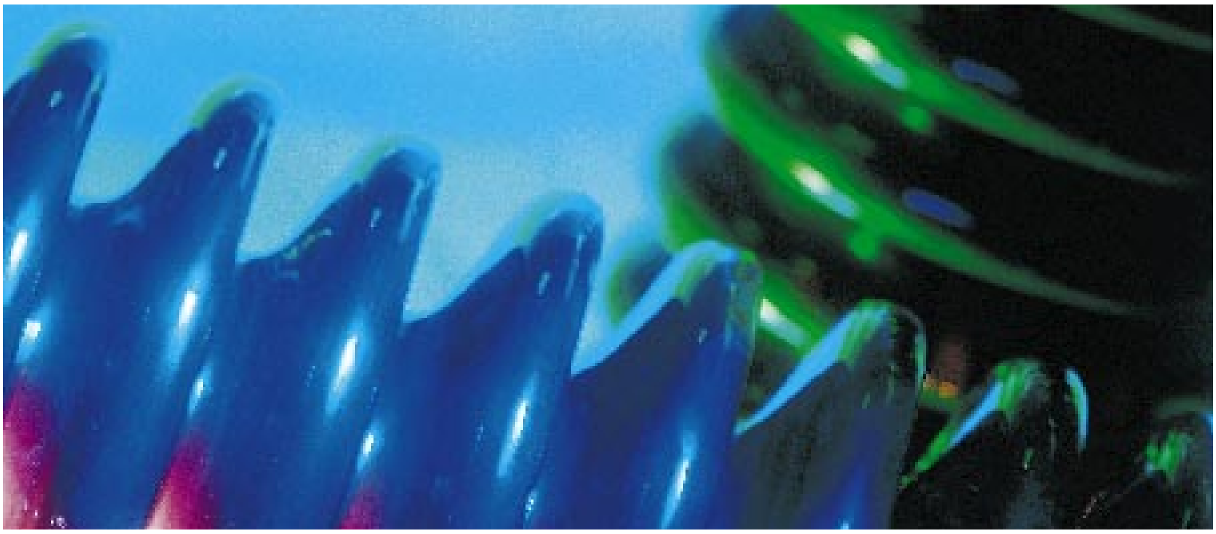
Finnish export industry's capacity utilization rate is expected to grow in 1997, and recovery of domestic industry is anticipated. It is estimated that industrial electricity consumption will increase.

CHANGES IN GROUP STRUCTURE

Finnish Government, Imatran Voima Oy and Pohjolan Voima Oy established the nationwide power transmission company Suomen Kantaverkko Oy. At the initial stage, Pohjolan Voima owns 40 % of the company's shares. Before the operation is launched, the ownership basis of the new company is going to be expanded by directing a shares issue to institutional investors. The deal for the national grid property and cross-border transmission lines will probably be finalized in the latter half of 1997. Property transfers can be made if taxation decisions and transmission conditions applied on the cross-border lines are satisfactory to all parties.

In the context of the transmission business arrangements, a decision was made at the beginning of 1997 to launch measures to merge the PVO Group regional grid companies and Teollisuuden Voimansiirto into Pohjolan Voima.

On January 2, 1996 Mussalon Voima Oy took over the Mussalo and Tolkkinen power plant business operations. Due to the application of new legislation related to business operation transfers and to the advance ruling requested from the central taxation committee, the share capital amounting to 243.6 million Finnish markka was subscribed as a net value non-cash issue and registered only towards the end of August.



Employment was good at PVO Engineering Oy, a company which started operations during the financial year. The company operations are divided in four sectors: power plant projects and technology as well as grid and information technology. The company has several hydro and thermal power plant projects as well as power grid projects under way.

PVO Engineering Oy bought the majority, or 55 percent, of the Ramse-Synton Oy shares, a company engaged in security and risk analyses, maintenance and operating systems as well as information management systems. Moreover, Ramse-Synton is a consultant involved in power plant annual maintenance systematics and environmental protection systems. As from the beginning of 1997, the company name was changed to Ramse Consulting Oy.

In December 1996, Teollisuuden Voimansiirto sold part of its Suomen Voimatekniikka Oy shares to Hämeen Sähkö Oy. After the transaction, Teollisuuden Voimansiirto owns 33 % of Suomen Voimatekniikka. The fact that the IVO Group took over the third owner, Länsivoima Oy, at the beginning of 1997 will probably lead to changes in the Suomen Voimatekniikka Oy ownership structure.

OTHER OPERATIONS

In May PVO signed a contract with RAO ESS Ross on electricity imports from Russia. The supply should start in late 1997. At first electricity will be imported at 150 MW capacity to the annual total of 1 TWh. After two years the imports will double. The seven-year contract is subject to a strengthening of the transmission grid, which involves certain factors of uncertainty.

In September the PVO shareholders made an electricity export contract with the Swedish companies Graningeverkens Ab and Skellefteå Kraft Ab. The power user services related to the exports were taken care of by Länsi-Suomen Yhteiskäyttö Oy. Towards the end of the year, Länsi-Suomen Yhteiskäyttö Oy became a member of the Norwegian-Swedish electricity exchange, Nord Pool ASA, and launched non-regular electricity sales on the exchange daily market. The arrangement improved acquisition optimization of PVO shareholders. However, the level of costs incurred for cross-border power transmission had a limiting effect on the electricity sales.

PENDING LEGAL ACTIONS

Towards the end of 1996 the PVO subsidiary Iijoen Voima Oy filed an action for damages against the Finnish Government due to a breach of contract related to the River Rapids Protection Act. The contract between Pohjolan Voima and the Finnish Government on the construction and regulation of the Iijoki River was signed in 1959. In Iijoen Voima's opinion, the Finnish Government violated the contract unilaterally by enacting the River Rapids Protection Act that took force in 1987.

Diverting from PVO's regular taxation for 1995, the Uusimaa county tax authority increased the company's taxable income because the tax authority considered part of the electricity distribution sales price to be goodwill. An appeal has been lodged against the tax authority decision. The appeal was approved at the end of February, and the decision is not legally final. However, the Financial Statements do not include the taxes for previous financial periods, which would have amounted to 14.0 million Finnish markka. For this financial period, 0.4 million Finnish markka worth of taxes have been entered, to be paid on the difference of the 1996 taxable income and the 1995 loss, to be confirmed.

PROMOTING THE SECTOR'S INTERESTS

In May, companies operative in the power and district heating business founded their joint central federation to promote the sector's interest in business and labor policy. Traditionally, the energy sector companies have been members of several associations and organizations in the field. The defined purpose of the new Energy Business Central Federation Finergy is to promote the business and labor market policy interests of its members, to develop power and thermal energy production and transmission, as well as to promote strategically important national energy production development.

FUTURE PROSPECTS

To satisfy the growing electricity needs of the PVO shareholders, the company is presently investigating the feasibility of either combined coal and gas-fueled or simple coal-fueled large-scale power plants. The alternative plant locations are the Finnish localities Mussalo, Kotka and Tahkoluoto, Pori as well as Kristiinankaupunki. No investment decision has yet been made but the evaluation procedure related to environmental impact of each project alternative has already been launched.

UPM-Kymmene Oy, Oy Katternö Ab, Graningeverkens Ab, Skellefteå Kraft Ab and PVO have decided to investigate the feasibility of a joint power plant operating on biomass, to be eventually constructed in Alholma, Pietarsaari. During the nearly two-year investigation phase, the project's environmental impacts will be evaluated, the necessary permits will be prepared and a technical-economical profitability analysis of the project will be made. In February 1997 a joint company, Oy Alholmens Kraft Ab, was founded for this purpose.

PRODUCTION

Pohjolan Voima supplies the electricity produced at the power plants of its subsidiaries and associated companies to its shareholders at cost, corresponding to their shares entitling them to the subsidiary and associated company production.

The breakdown of the Group electrical capacity and acquisition of electricity were as follows:

ELECTRICAL CAPACITY	Dec 31, 1996 MW	Share in %	Dec 31, 1995 MW	Share in %
Hydro power	382	13	382	13
Nuclear power	832	27	807	28
Condensing and back-pressure power	1 348	45	1 345	46
Industrial cogeneration	315	10	222	8
Gas turbine power	156	5	156	5
Total capacity	3 033	100	2 912	100

ACQUISITION OF ELECTRICITY	Dec 31, 1996 GWh	Share in %	Dec 31, 1995 GWh	Share in %
Hydro power	1 500	10	1 529	11
Nuclear power	6 725	44	6 313	46
Condensing and back-pressure power	5 511	36	3 946	29
Industrial cogeneration	968	6	1 340	10
Gas turbine power	1	0	2	0
Imports	0	0	0	0
Compensation and temporary purchases	577	4	616	4
Total	15 282	100	13 746	100

The PVO Group power plants worked uninterrupted, and power transmission using the company grid was without incident.

Procurement of nuclear power grew as the Olkiluoto number one unit started a long-term experiment in the summer with 105 percent capacity level in connection with the modernization project. Increase in thermal energy production grew because the entire production of the Etelä-Suomen Voima Oy plants, merged towards the end of 1995, was included in the production figures.

The amount of coal procured and stored to meet the needs of the various Group plants should be sufficient until May, 1997. Poland was the main source of coal. In order of volume, the other countries were Columbia, Russia and the United States.

ENVIRONMENTAL ISSUES

Environmental legislation continues to be rapidly reformed. The basis of energy taxation was reformed, and the amendments of the Air Protection Act and Statute imposed an air permit obligation on power plants. New air quality standard values took force. The fundamental reform of the Environmental Protection Act took its final form. Moreover, a very important reform of the environmental permission system was prepared.

Production, processing and storing of by-products became subject to permissions on the basis of the Waste Act in force since 1994. Seven respective waste permit applications were submitted to the regional environment centers. There are several energy production related legislative projects being prepared within the EU. The preparation rate of international and national climate policy accelerated.

Due to the growing need for electricity, the production of fuel-based power increased, causing an increase in air emissions. However, sulfurous emissions remained at a level that corresponds to two-thirds of the approvable authorized emissions. Nitrogen oxide emissions were also below to the limits set. Particle emissions decreased by a fourth.

Group personnel continued to receive environmental training. The management environment day was organized for the third time. The environmental training program for power plant key persons was completed at the Seinäjoki, Tahkoluoto and Mussalo power plants, and a decision was made to implement a similar program in other plants.

Environmental management was developed in accordance with the ISO 14001 standard. Plant environmental audits were started. A separate environmental report was written on the environmental issues.

INVESTMENTS

PRODUCTION EQUIPMENT AND POWER TRANSMISSION GRID

Investments totaling 472.4 million Finnish markka were made in production equipment and power transmission.

Nokian Lämpövoima Oy's partly new and partly complementary investment, whereby the present plant will be transformed into a combined cycle natural gas-fueled plant, proceeded according to the timetables. By the end of the year, 89 percent of machinery acquisitions were made, and the construction work was completed, except for the finalizing work to be done in spring 1997. The plant will be completed in October 1997. The investment is financed principally through a leasing arrangement.

The Veitsiluodon Voima Oy new Kemi plant was commissioned in September. The so-called optimal technology solution will diminish the plant's particle emissions significantly, and other emissions will also be low. The corresponding Oulun Voima Oy investment will be completed in spring 1997.

The Iijoen Voima investment in a third unit in Raasakka has proceeded according to plan. The project is to be completed in the spring of 1997.

Teollisuuden Voimansiirto launched the Vaasa-Kokkola 400 kV power grid project by starting the work on the line from Tuovila to Ventusneva as well as from Kymi to Vainikkala on the Finnish eastern border. The Tuovila-Ventusneva line will be completed by the end of 1998. The Kymi-Vainikkala line is part of PVO's Russian electricity import contract.

ASSOCIATED COMPANIES

Vaskiluodon Voima Oy will expand the Vaasa power plant through the installation of a new 230 MW turbine. The present 160 MW turbine will be joined to the oil-fired boiler currently out of use, and the new turbine will be joined to a oil-fired boiler. The cost of the extension, to be completed in November 1998, is about 500 million Finnish markka. The old turbine and oil-fired boiler will be sold to PVO-Huippuvoima Oy, a company established by PVO during the financial year.

The modernization project launched during the previous year at the Teollisuuden Voima Olkiluoto power plant unit continued. The objective of the project is to monitor the plant safety level, to increase its production capacity and to ensure its long-term operation. One target of the modernization project, to be completed in 1998, is to increase the capacity of the Olkiluoto power plant by 250 MW.

ECONOMY

Group turnover was slightly lower than in the previous year. Electricity sales decreased because the distribution operations, formerly part of the Group, were sold towards the end of 1995 and because electricity cost diminished. Other sales increased as a result of the liberated electricity market, reflected in the increase in both Teollisuuden Voimansiirto and Länsi-Suomen Yhteiskäyttö turnover.

On December 31, new laws were issued on the amendment of the excise taxes on liquid fuels and on excise taxes levied on electricity and certain fuels. The Ministry of Trade and Industry also published its decision concerning the own use equipment of power plants. These laws meant a total reform of the Finnish energy taxation system. Taxes are no longer levied on energy sources but on the final product, or electricity. This legislative amendment will be clearly reflected in the decrease in the PVO Group turnover in 1997 since consumers will be charged with the electricity tax.

During the financial year, PVO sold the Tolkkinen steam power plant, acquired through the merger of Etelä-Suomen Voima Oy, to Porvoon Energia Oy, and the respective district heating operations in the Porvoo rural commune area to the Porvoo Energy subsidiary Porvoon Seudun Lämpö Oy.

Group liquidity was good, and its financial situation remained unchanged during the financial year. At the end of the financial year, net liabilities subject to interest were 3 310.8 million markka, 84.8 percent of which were Finnish markka loans and the rest foreign currency loans. Financial expenses decreased by 108.6 million markka from the previous year. This was a result of generally lower interest rates but also of the fact that the funds obtained for the sale of distribution operations at the end of 1995 were used for accelerated repayment of long-term loans. Realized exchange rate gains also contributed to the decrease. Long-term loans decreased by 320.5 million Finnish markka, bonds accounting for 30.0 million Finnish markka.

Equity ratio was 49.7 percent at the end of the financial year. The Group realized 15.1 million markka worth of exchange rate gains from its foreign currency loans. Unrealized foreign exchange gains, entered in the balance sheet valuation items, were 25.6 million markka.

SHAREHOLDERS' EQUITY AND SHARES

The following share issues were subscribed to during the financial year:

- establishing of the series H with 250,000 shares; a 2.5 million Finnish markka bonus issue directed to Enso Oy, Etelä-Pohjanmaan Voima Oy, Kemira Oy as well as to the pension fund Neliapila S.R., the City of Kokkola, Kymppivoima Oy, Oy Kyro Ab, Oy Metsä-Botnia Ab, Perhonjoki Oy, the City of Pori and UPM-Kymmene Oy.

In the bonus issue, the shareholders obtained new series H shares in proportion to the existing series C shares in their possession.

In December UMP-Kymmene sold 1.5 million series C shares to Eläkevakuutusyhtiö (Pension Insurance Company) Ilmarinen which became a new PVO shareholder with its 4.5 percent share. At the same time, UPM-Kymmene Oy's share decreased to 47.4 percent.

During the financial year, some transactions involving the series C and H shares were made among the shareholders. These transactions did not have any essential effect on the breakdown of PVO's owners.

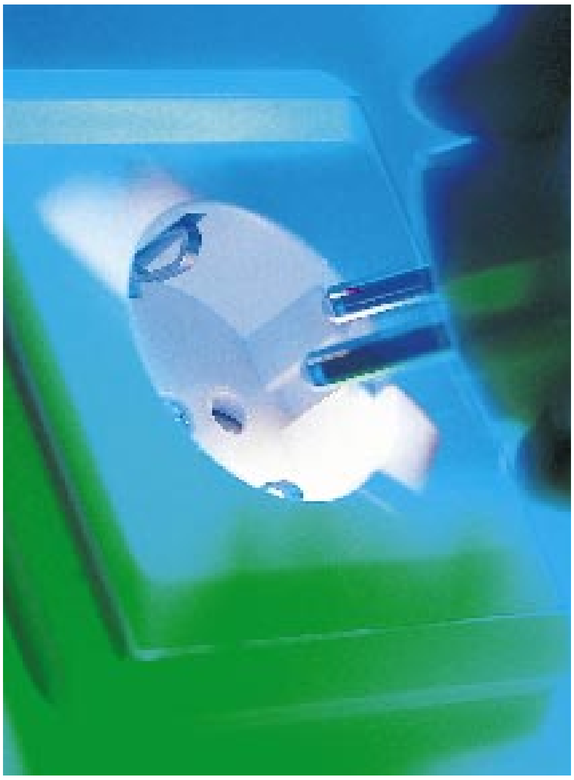
PERSONNEL

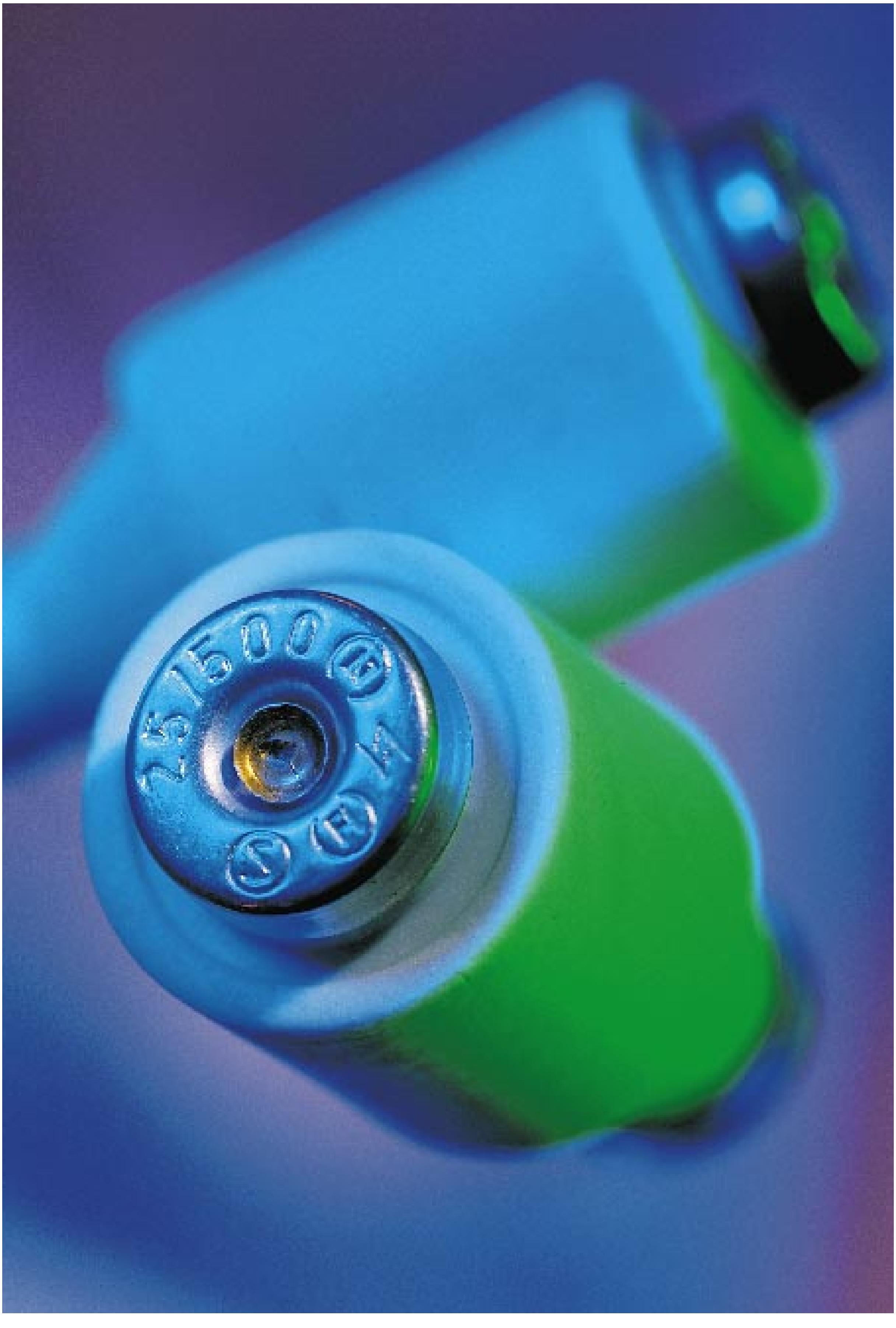
The Group employed an average of 915 persons, 492 of whom were salaried employees and 423 were wage-earners. For the parent company, an average of 94 persons were employed: 81 salaried employees and 13 wage-earners.

During the financial year, the following wages and salaries, including fringe benefits were paid:

(millions of Finnish markka)	Group	Parent company
Board and Managing Director	5 462 491	1 730 637
Other company employees	156 396 965	19 642 646

At the end of 1996 and in the beginning of 1997, the Group Helsinki offices were concentrated in the former UPM-Kymmene Oy Mikonlinna property at the Helsinki Railway Station Square.





in millions of Finnish markka		Jan 1 - Dec 31, 1996		Jan 1 - Dec 31, 1995	
Turnover	(1)		3 280.8		3 341.4
Increase (+) in inventories of finished goods			1.3		8.1
Production for own use			16.6		33.4
Other operating income	(5)		30.9		72.6
Expenses					
Energy purchases and transmission fees		- 1 639.2		- 1 654.5	
Share of results of associated companies	(3)	- 21.9		- 27.8	
Fuel purchases		- 597.3		- 588.1	
Materials, supplies and products		- 22.6		- 39.7	
Change in inventories		- 72.3		- 4.4	
Personnel expenses	(2)	- 219.7		- 264.4	
Rents and leases		- 78.6		- 89.2	
Real estate taxes		- 11.9		- 12.1	
Other expenses		- 188.5	- 2 852.0	- 180.4	- 2 860.6
Operating margin			477.6		594.9
Depreciation on fixed assets and other long-term expenses	(3)		- 242.3		- 271.0
Operating profit			235.3		323.9
Financial income and expenses	(4)				
Interest income		37.3		40.9	
Interest expenses		- 222.2		- 302.5	
Other financial expenses		14.8	- 170.1	- 17.1	- 278.7
Profit before extraordinary items, voluntary provisions and income taxes			65.2		45.2
Extraordinary income and expenses	(5)		-		0.0
Profit before voluntary provisions and income taxes			65.2		45.2
Difference between book and planned depreciation (+/-)	(3)		- 55.0		- 30.5
Income taxes			- 1.8		- 1.4
Profit for the period before minority share			8.4		13.3
Minority share of the result for the period			- 0.4		-
Profit for the period			8.0		13.3

ASSETS in millions of Finnish markka		Dec 31, 1996		Dec 31, 1995	
FIXED ASSETS AND OTHER LONG-TERM EXPENSES					
Intangible assets					
Intangible rights		0.3		0.3	
Other long-term expenses	(6)	122.6	122.9	120.2	120.5
Tangible assets					
Land and water areas	(6)	21.4		21.7	
Buildings and constructions	(6)	699.0		688.2	
Canals, dams, tunnels, basins harbors and waterways	(6)	1 353.6		1 366.7	
Machinery and equipment	(6)	3 272.1		3 213.9	
Advance payments and work in progress for own use		301.3	5 647.4	165.0	5 455.5
Securities included in fixed assets and other long-term investments					
Shares in associated companies		1 808.0		1 825.1	
Shares in other companies		207.5		207.5	
Other investments		6.7	2 022.2	6.6	2 039.2
VALUE ADJUSTMENTS	(8)		21.6		0.0
CURRENT ASSETS	(9)				
Inventories					
Raw materials and consumables		0.0		6.2	
Fuel		232.2		309.2	
Work in progress		8.9	241.1	11.4	326.8
Receivables					
Accounts receivable		426.6		451.0	
Loans receivable		450.2		462.5	
Share subscription receivables		0.0		26.0	
Deferred assets		64.8		22.0	
Other receivables		0.8	942.4	80.6	1 042.1
Cash in hand and at bank			159.5		543.5
TOTAL ASSETS			9 157.1		9 527.6

LIABILITIES in millions of Finnish markka		**Dec 31, 1996**		**Dec 31, 1995**	
SHAREHOLDERS' EQUITY	(10)				
Restricted equity					
Share capital		336.0		333.5	
Reserve fund		1 669.9		1 672.4	
Revaluation fund		1 300.0	3 305.9	1 300.0	3 305.9
Distributable equity					
Retained earnings/losses		10.4		- 2.9	
Profit for the period		8.0	18.4	13.3	10.4
MINORITY INTEREST			10.1		8.8
RESERVES					
Accumulated interest in excess of plan	(6)	1 169.4		1 116.3	
Voluntary reserves					
Other reserves		19.1	1 188.5	19.1	1 135.4
VALUE ADJUSTMENTS	(11)		25.6		27.6
OTHER CAPITAL ITEMS					
Preferred capital loans		5.0		5.0	
Connection fees		0.0	5.0	0.7	5.7
LIABILITIES	(12)				
Long-term					
Bonds		75.0		105.0	
Loans from financial institutions		1 853.7		2 324.3	
Other long-term liabilities		1 682.8	3 611.5	1 502.7	3 932.0
Current					
Current payments of loans		309.0		353.4	
Advances received		7.4		3.7	
Accounts payable		491.2		454.5	
Deferred liabilities		165.9		241.0	
Other short-term liabilities		18.6	992.1	49.2	1 101.8
			9 157.1		9 527.6

in millions of Finnish markka	1996	1995
Operating activities		
Internal financing		
Operating profit	235.3	323.9
One-off depreciation corresponding to profit from assignment	-	282.5
Depreciation on assets of associated companies	23.8	27.8
Depreciation	242.3	271.0
Financial income and expenses	- 170.1	- 278.7
Taxes	- 1.8	-
	329.5	626.5
Change in working capital		
Current assets, increase (-)/decrease (+)	85.6	- 1.5
Short-term accounts receivable, decrease (+)	99.8	37.9
Short-term interest-free liabilities, decrease (-)	- 109.5	- 242.5
	75.9	- 206.1
Cash flow from operating activities	**405.4**	**420.4**
Investments		
Net investments	- 445.4	105.4
Cash flow before financing	**- 40.0**	**525.8**
Financing		
Decrease (-) in long-term liabilities	- 320.5	- 86.1
Increase and decrease of share capital	-	175.2
Change in minority share	0.9	- 116.6
Change in value adjustments	- 23.7	10.3
Changes in other capital items	- 0.7	- 112.3
	- 344.0	- 129.5
Increase(+)/decrease (-) in liquid funds according to Funds Statement	**- 384.0**	**396.3**
Change in liquid funds according to Balance Sheet, increase (+)/decrease (-)	**- 384.0**	**396.3**

in millions of Finnish markka		Jan 1 - Dec 31, 1996		Jan 1 - Dec 31, 1995	
Turnover	(1)		2 850.6		2 739.1
Decrease in inventories of finished goods			0.0		- 2.3
Production for own use			2.2		0.4
Other operating income and expenses	(5)		- 23.1		0.5
Expenses					
Energy purchases and transmission fees		- 2 757.1		- 2 546.4	
Fuel purchases		- 2.1		- 14.2	
Change in inventories		- 5.6		- 5.1	
Personnel expenses	(2)	- 27.1		- 28.3	
Rents and leases		- 4.8		- 3.1	
Other expenses		- 28.9	- 2 825.6	- 17.0	- 2 614.1
Operating margin			4.1		123.6
Depreciation on fixed assets and other long-term expenses	(3)		- 5.9		- 8.4
Operating profit			- 1.8		115.2
Financial income and expenses	(4)				
Interest income on long-term investments		154.4		147.0	
Interest income on short-term investments		13.0		3.3	
Interest expenses		- 187.4		- 206.7	
Other financial expenses		12.2	- 7.8	5.2	- 51.2
Profit before extraordinary items, voluntary provisions and income taxes			- 9.6		64.0
Extraordinary income and expenses	(5)		-		0.0
Profit before voluntary provisions and income taxes			- 9.6		64.0
Difference between book and planned depreciation (+/-)	(3)		42.4		- 18.8
Income taxes			- 0.2		0.0
Profit for the period			32.6		45.2

ASSETS in millions of Finnish markka			**Dec 31, 1996**		**Dec 31, 1995**
FIXED ASSETS AND OTHER LONG-TERM EXPENSES					
Intangible assets					
Intangible rights		0.0		0.0	
Other long-term expenses	(6)	3.5	3.5	19.1	19.1
Tangible assets					
Land and water areas	(6)	1.0		5.2	
Buildings and constructions	(6)	2.5		59.6	
Canals, dams, tunnels, basins, harbors and waterways	(6)	0.0		9.8	
Machinery and equipment	(6)	3.7		876.8	
Advance payments and work in progress for own use		0.0	7.2	1.7	953.1
Securities included in fixed assets and other long-term investments					
Shares in subsidiaries		1 945.0		1 701.6	
Shares in associated companies		1 799.2		1 797.2	
Shares in other companies		3.0		3.0	
Loan receivables	(7)	2 381.6		2 192.6	
Other investments		5.6	6 134.4	5.5	5 699.9
CURRENT ASSETS	(9)				
Inventories					
Fuel			0.0		45.4
Receivables					
Accounts receivable		317.3		339.6	
Loans receivable		450.7		580.1	
Deferred assets		4.9		14.5	
Other receivables		2.6	775.5	0.1	934.3
Cash in hand and at bank			141.1		471.0
			7 061.7		8 122.8

LIABILITIES in millions of Finnish markka		Dec 31, 1996		Dec 31, 1995	
SHAREHOLDERS' EQUITY	(10)				
Restricted equity					
Share capital		336.0		333.5	
Reserve fund		1 649.2		1 651.7	
Revaluation fund		1 300.0	3 285.2	1 300.0	3 285.2
Distributable equity					
Retained earnings		123.2		78.0	
Profit for the period		32.6	155.8	45.2	123.2
RESERVES					
Accumulated depreciation in excess of plan	(6)	2.2		438.7	
Voluntary reserves					
Other reserves		12.2	14.4	12.2	450.9
VALUE ADJUSTMENTS	(11)		25.6		27.6
OTHER CAPITAL ITEMS					
Connection fees			0.0		0.7
LIABILITIES	(12)				
Long-term					
Bonds		75.0		105.0	
Loans from financial institutions		1 479.9		2 146.9	
Other long-term liabilities		1 243.6	2 798.5	1 158.4	3 410.3
Current					
Current payments of loans		245.0		302.0	
Accounts payable		403.7		306.9	
Deferred liabilities		75.2		151.8	
Other short-term liabilities		58.3	782.2	64.2	824.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			7 061.7		8 122.8

in millions of Finnish markka	**1996**	**1995**
Operating activities		
Internal financing		
Operating profit	- 1.8	115.1
One-off depreciation corresponding to profit from assignment	-	282.5
Depreciation	5.9	8.4
Financial income and expenses	- 7.8	- 51.2
Taxes	- 0.2	-
	- 3.9	354.8
Change in working capital		
Current assets, increase (-)/decrease (+)	45.4	- 43.1
Short-term accounts receivable, increase (-)/decrease (+)	158.8	- 286.6
Short-term interest-free liabilities, increase (+)/decrease (-)	- 42.7	49.0
	161.5	- 280.7
Cash flow from operating activities	**157.6**	**74.1**
Investments		
Net investments	316.0	- 634.1
Loan receivables from fixed assets	- 189.1	- 695.1
	126.9	- 1 329.2
Cash flow before financing	**284.5**	**- 1 255.1**
Financing		
Increase (+)/decrease (-) in long-term liabilities	- 611.7	1 331.8
Increase and decrease of share capital	-	235.0
Change in value adjustments	- 2.0	- 11.1
Changes in other capital items	- 0.7	0.7
	- 614.4	1 556.4
Increase (+)/decrease (-) in liquid funds according to Funds Statement	**- 329.9**	**301.3**
Merger-related liquid funds	-	167.5
Change in liquid funds according to Balance Sheet, increase (+)/decrease (-)	**- 329.9**	**468.8**

SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

These financial statements consolidate the parent company and all companies in which the parent company directly or indirectly holds more than half of all votes secured by the shares, or which it otherwise controls as referred to chapter 1, section 2 of the Companies Act.

The consolidated financial statements include the present associated company Suomen Voimatekniikka Oy (former name TVS-Tekniikka Oy) for the two first months of the year in which that company was still a subsidiary. Ouko Oy, the company merged during the financial year is included in the consolidated financial statements until the date of the merger. Ramse Consulting Oy is included in the consolidated financial statements as from the date of its acquisition.

The group subsidiaries and associated companies are listed under section 15 of the Notes to the Financial statements

ACCOUNTING PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

MUTUAL SHARE OWNERSHIP

The consolidated financial statements have been compiled according to the past equity method. The price in excess of the equity of the subsidiary has been capitalized in full. This consolidation difference will be depreciated in accordance with the depreciation plan of the said fixed asset item. The depreciation of the consolidation difference, changed into merger-related losses during the financial period, was continued according to the original depreciation plan.

INTERNAL TRANSACTIONS AND MARGINS

The group's internal transactions, group receivables and liabilities and margins on internal services have been eliminated.

MINORITY INTERESTS

Minority interests have been excluded from the consolidated shareholders' equity, and they are presented as a separate balance sheet item.

ASSOCIATED COMPANIES

Associated companies have been consolidated according to the equity method.

ITEMS IN FOREIGN CURRENCIES

The value of the foreign currency debts and receivables as well as liability engagements has been adjusted to the Bank of Finland exchange rate quoted on the date of the financial statements. Part of the non-realized exchange rate differences have been entered in the Value Adjustments of the balance sheet.

INVENTORIES

According to the FIFO principle, the value of inventories has been adjusted to correspond to the direct acquisition cost.

FIXED ASSETS

The fixed assets have been recorded in the balance sheet at their original acquisition cost value less the planned depreciation. The revaluations of fixed assets are included in the balance sheet values.

Planned depreciation is calculated according to estimated economic life. Economic lifetimes have been defined as follows:

- hydro power plants	40 - 50 years
- thermal power plants	25 years
- cogeneration power plants	4 - 25 years
- power grids	30 - 40 years
- other fixed assets	5 - 15 years

In implementing the depreciation plan, the annual utilization of each plant has also been accounted for.

in millions of Finnish markka	Group 1996	Group 1995	Parent company 1996	Parent company 1995
(1) TURNOVER				
Sales of electricity	2 556.4	2 783.2	2 555.7	2 425.2
Sales of heat	328.8	368.0	273.9	301.4
Other sales	395.6	190.2	21.0	12.5
	3 280.8	3 341.4	2 850.6	2 739.1
(2) PERSONNEL COSTS				
Wages and salaries	169.5	195.1	20.4	20.8
Pension costs	31.2	36.2	5.0	4.6
Other indirect employee costs [1]	19.0	33.1	1.7	2.9
Personnel costs in Income Statement	219.7	264.4	27.1	28.3
Fringe benefits	1.2	1.4	0.6	0.5
Total personnel costs	220.9	265.8	27.7	28.8

[1] Reference figures have been changed. Only statutory costs are included in other indirect employee costs. See Annual Report for management salaries.

(3) DEPRECIATION				
Planned depreciation				
Other long-term expenses	12.3	20.8	0.9	0.8
Buildings and constructions	17.3	18.8	0.3	0.4
Canals, dams, basins, etc.	5.7	6.2	0.2	0.1
Machinery and equipment [2]	201.4	223.0	1.8	6.9
Securities included in fixed assets	5.4	2.2	2.7	0.2
Value adjustments	0.2	-	-	-
	242.3	271.0	5.9	8.4

[2] Reference figures have been changed. Depreciation on consolidation difference (asset) of associated companies are in Income Statement under “Share in results of associated companies”

Change in depreciation difference				
Other long-term expenses	0.9	2.0	0.3	- 0.3
Buildings and constructions	- 2.2	- 6.7	- 2.6	- 0.2
Canals, dams, basins, etc	- 3.1	1.3	- 4.8	- 0.1
Machinery and equipment [3]	64.5	32.3	- 33.1	17.8
Securities included in fixed assets	- 5.1	1.6	- 2.3	1.6
	55.0	30.5	- 42.5	18.8

[3] In 1994 part of the increase in depreciation difference was recorded as an increase of consolidated unrestricted equity. In 1996, this recording has been partly adjusted.

(4) GROUP INTERNAL FINANCIAL INCOME				
Net financial income from group companies				
Net interest income from long-term investments			133.0	117.3
Net interest income from short-term investments			1.2	0.1
Financial expenses paid to group companies				
Interest expenses			4.8	3.9
(5) OTHER OPERATING INCOME AND EXPENSES				
Other operating income	30.9	15.9	- 23.1	0.5
Gains from sales of fixed assets	-	339.2	-	282.5
One-off depreciation corresponding to profit from assignment	-	- 282.5	-	- 282.5
	-	56.7	-	0.0
Total other operating income and expenses	30.9	72.6	- 23.1	0.5

Reference figures have been changed. The sales of fixed assets included in extraordinary items in the previous year’s financial statements are now included in other operating income.

in millions of Finnish markka

(6) TANGIBLE AND INTANGIBLE ASSETS	Land and water areas	Other long-term expenses	Buildings and con-structions	Canals, dams, tunnels, harbors and waterways	Machinery and equipment
GROUP					
Acquisition cost on Jan 1	21.7	163.9	743.7	1 386.2	3 714.7
Increases	3.9	14.9	32.8	0.8	318.8
Decreases	- 4.2	0.0	- 5.5	- 8.2	- 30.8
Acquisition cost on Dec 31	21.4	178.8	771.0	1 378.8	4 002.7
Accumulated depreciation difference according to plan on Dec 31	-	- 56.2	- 72.0	- 25.2	- 730.6
Book value on Dec 31, 1996	21.4	122.6	699.0	1 353.6	3 272.1
Book value on Dec 31, 1995	21.7	120.2	688.2	1 366.7	3 213.9
Accumulated difference between total and planned depreciation on Jan 1	-	57.5	33.6	18.7	1 002.9
Increase in depreciation difference	-	2.8	1.8	1.6	143.7
Decrease in depreciation difference	-	- 1.8	- 4.0	- 4.8	- 79.2
Accumulated difference between total and planned depreciation on Dec 31	-	58.5	31.4	15.5	1 067.4
Revaluations included in the acquisition cost on Dec 31			394.2	1 182.3	
Production machinery and equipment on Dec 31					3 191.7
PARENT COMPANY					
Acquisition cost on Jan 1	5.2	21.5	61.1	9.8	884.6
Increases		3.3			2.6
Decreases in business transfer	- 3.0	- 17.9	- 51.3	- 1.4	- 839.5
Other decreases	- 1.2	0.0	- 5.5	- 8.1	- 34.5
Acquisition cost on Dec 31	1.0	6.9	4.3	0.3	13.2
Accumulated depreciation according to plan on Dec 31		- 3.4	- 1.8	- 0.3	- 9.5
Book value on Dec 31, 1996	1.0	3.5	2.5	0.0	3.7
Book value on Dec 31, 1995	5.2	19.1	59.6	9.8	876.8
Accumulated difference between total and planned depreciation on Jan 1		13.7	11.5	5.0	404.0
Increase in depreciation difference		0.3			
Decrease in depreciation difference in business transfer		- 13.6	- 9.5	- 0.2	- 370.7
Other decrease in depreciation difference		0.0	- 2.6	- 4.8	- 33.1
Accumulated difference between total and planned depreciation on Dec 31		0.4	-0.6	0.0	0.2
Production machinery and equipment on Dec 31					2.9

in millions of Finnish markka	Group 1996	Group 1995	Parent company 1996	Parent company 1995
TAXABLE VALUES OF FIXED ASSETS				
Taxable value of fixed assets				
Real estate	1 339.9	1 274.9	5.4	30.9
Shares and shares in associated companies	344.8	272.4	1 237.4	689.6
	1 684.7	1 547.3	1 242.8	720.5
(7) LONG-TERM LOAN RECEIVABLES				
Group companies				
Loan receivables			2 336.6	2 147.6
Capital loans			45.0	45.0
(8) VALUE ADJUSTMENTS				
Exchange rate losses on Jan 1	-	21.4	-	-
Increase from Jan 1 to Dec 31	-	-	-	-
Decreases from Jan 1 to Dec 31	-	- 21.4	-	-
Exchange rate losses on Dec 31	-	0.0	-	-
Interests during construction	-	-		
Increases from Jan 1 to Dec 31	21.8	-		
Decreases from Jan 1 to Dec 31	- 0.2	-		
Interests during construction on Dec 31	21.6	-		
(9) CURRENT ASSETS				
Receivables falling due within one year or later				
Loan receivables	450.2	462.2	450.7	462.2
Receivables and debts/group companies and associated companies				
Sales receivables/group companies	-	-	7.6	18.6
Sales receivables/associated companies	2.2	7.7	0.9	0.7
Loan receivables/group companies	-	-	0.6	-
Loan receivables/associated companies	6.5	6.5	6.5	-
Deferred assets/group companies	-	-	2.4	-
Other receivables/group companies	-	-	2.2	-
Short-term accounts payable/group companies	-	-	148.1	8.8
Short-term accounts payable/associated companies	265.6	232.7	251.6	227.8
Deferred liabilities/group companies	-	-	1.6	0.9
Other short-term liabilities/group companies	-	-	58.3	29.1
Other short-term liabilities/associated companies	0.2	47.6	-	35.0
(10) SHAREHOLDERS' EQUITY				
RESTRICTED EQUITY				
Share capital on Jan 1	333.5	315.0	333.5	315.0
Transfer from share issues	-	19.5	-	19.5
Bonus issue	2.5	-	2.5	-
Decrease of share capital	-	- 1.0	-	- 1.0
Share capital on Dec 31	336.0	333.5	336.0	333.5

in millions of Finnish markka	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Share issue on Jan 1	0.0	0.0	0.0	0.0
Transfer to share capital	-	- 19.5	-	- 19.5
Transfer to reserve fund	-	- 225.5	-	- 225.5
Share issues during financial period	-	245.0	-	245.0
Share issue on Dec 31	0.0	0.0	0.0	0.0
Reserve fund on Jan 1	1 672.4	1 515.6	1 651.7	1 435.2
Issue gain from share issues	-	246.3	-	225.5
Decrease of reserve fund	-	- 9.0	-	- 9.0
Bonus issue	- 2.5	-	- 2.5	-
Adjustments related to merger [4)]	-	- 80.5	-	-
Reserve fund on Dec 31	1 669.9	1 672.4	1 649.2	1 651.7
Revaluation fund on Jan 1	1 300.0	1 300.0	1 300.0	1 300.0
Revaluation fund on Dec 31	1 300.0	1 300.0	1 300.0	1 300.0
DISTRIBUTABLE EQUITY				
Distributable equity on Jan 1	10.4	14.1	123.2	78.0
Adjustments related to merger [4)]	-	- 16.4	-	-
Group elimintions	-	- 0.6	-	-
Result for the financial period	8.0	13.3	32.6	45.2
Distributable equity on Dec 31	18.4	10.4	155.8	123.2

[4)] Reserve fund adjustments related to merger were caused by the elimination of the share issue gains from the issues directed to minority shareholders. In distributable equity, the adjustment item is a consequence of the cumulative depreciation of the consolidation difference (asset) of the subgroup.

The Group distributable equity includes 201.3 million markka (276.7 million markka) worth of accumulated depreciation difference between total and planned depreciation. The 78.3 million markka (92.2 million markka) deferred tax liability is not included in the consolidated Balance Sheet.

SHARE CAPITAL DIVIDED BY SERIES OF SHARES

	shares	à markka	markka
Series A	13 350 077	10.00	133 500 770
Series B	6 534 572	10.00	65 345 720
Series C	8 314 455	10.00	83 144 550
Series D	500 000	10.00	5 000 000
Series E	4 654 743	10.00	46 547 430
Series H	250 000	10.00	2 500 000
			336 038 470

(11) VALUE ADJUSTMENTS

	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Exchange rate gains on Jan 1	27.6	38.7	27.6	38.7
Increases from Jan 1 to Dec 31	13.1	-	13.1	-
Decreases from Jan 1 to Dec 31	- 15.1	- 11.1	- 15.1	- 11.1
Exchange rate gains on Dec 31	25.6	27.6	25.6	27.6

(12) LIABILITIES

	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Debts maturing after five or more years				
Loans from financial institutions	470.4	425.6	196.6	425.6
Other long-term loans	1 450.5	1 273.6	1 242.4	1 157.1
Capital loan	5.0	5.0	-	-
Total	1 925.9	1 704.2	1 439.0	1 582.7

in millions of Finnish markka	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Bonds				
Bond Dec 29, 1992; maturity in 2000	75.0	75.0	75.0	75.0
Bond Jan 02, 1992; maturity in 1998	-	30.0	-	30.0
Bond Dec 10, 1986; maturity in 1996	-	5.5	-	5.5
Bond Dec 09, 1986; maturity in 1996	-	6.3	-	6.3
Total	75.0	116.8	75.0	116.8
Current payments of loans				
Bonds	-	11.8	-	11.8
Loans from financial institutions	249.3	243.6	245.0	243.5
Pension fund loans	-	59.3	-	46.7
Other long-term liabilities	59.7	38.7	-	-
Total	309.0	353.4	245.0	302.0

(13) COLLATERAL AND LIABILITY ENGAGEMENTS

	Group 1996	Group 1995	Parent company 1996	Parent company 1995
On corporate debt				
Shares pledged as collateral	190.2	251.0	190.2	251.0
Mortgages	434.2	717.6	-	306.9
	624.4	968.6	190.2	557.9
On Group company debt				
Guarantees			-	21.6
			-	21.6
On associated company debt				
Guarantees	263.6	287.2	263.6	287.2
Guarantee in virtue of section 44 of the Nuclear Energy Act	426.1	858.5	426.1	858.5
	689.7	1 145.7	689.7	1 145.7
For others				
Shares pledged as collateral	-	0.0	-	-
Mortgages	-	0.0	-	-
Guarantees	4.8	4.2	4.8	4.2
	4.8	4.2	4.8	4.2
Other own engagements				
Leasing and repurchase engagements [5]	133.0	196.0	34.3	34.6
Other engagements	3.5	0.3	2.7	0.0
[5] payments for 1-2 years	136.5	196.3	37.0	34.6
Total				
Shares pledged as collateral	190.2	251.0	190.2	251.0
Mortgages	434.2	717.6	-	306.9
Guarantees	694.5	1 149.9	694.5	1 171.5
Leasing engagements	133.0	196.0	34.3	34.6
Other engagements	3.5	0.3	2.7	0.0
	1 455.4	2 314.8	921.7	1 764.0

(14) DERIVATIVE CONTRACTS

The capital values of the off-balance sheet derivative contracts related to hedging against exchange rate and interest rate risks were the following:

	Group 1996	Group 1995	Parent company 1996	Parent company 1995
Foreign currency forward contracts	20.1	68.3	20.1	68.3
Foreign currency contracts	950.2	968.2	950.2	968.2
Interest swap contracts	792.4	396.4	792.4	396.4
Total	1 762.7	1 432.9	1 762.7	1 432.9

(15) SHAREHOLDINGS	Ownership share %	Share of votes %	Share of equity in thousands markka	Shares: Number	Shares: Nominal value in thousands markka	Shares: Book value in thousands markka	Profit/loss according to the latest financial statements
SHARES OF SUBSIDIARIES							
Owned by the parent company:							
Iijoen Voima Oy	100.0	100.0	1 585 698	1 000 000	10 000	1 586 483	155
Kemijärven Voima Oy	100.0	100.0	9 561	10 000	10 000	10 000	- 390
Mussalon Voima Oy	100.0	100.0	243 607	243 607	243 607	243 607	0
Oulun Voima Oy	100.0	100.0	19 203	20 000	20 000	20 000	285
PVO-Engineering Oy	100.0	100.0	3 215	2 000	2 000	2 000	1 215
PVO-Huippuvoima Oy	100.0	100.0	13	15	15	15	- 2
PVO-Lämpövoima Oy	100.0	100.0	- 93 574	1 000 000	10 000	10 000	36 404
PVO-Prosessivoima Oy	100.0	100.0	15	15	15	15	0
PVO-Voimaverkko Oy	100.0	100.0	15	15	15	15	0
Teollisuuden Voimansiirto Oy	90.0	90.0	22 113	18 000	18 000	28 828	38
Veitsiluodon Voima Oy	100.0	100.0	39 145	40 000	40 000	40 000	0
Housing and real estate companies						4 071	
						1 945 034	
Owned by the subsidiaries:							
Länsi-Suomen Alueverkko Oy	100.0	100.0	3 157	2 000	1 200	3 000	0
Länsi-Suomen Yhteiskäyttö Oy	100.0	100.0	2 048	1 500	1 500	1 957	13
Nokian Lämpövoima Oy	80.1	80.1	21 663	80 100	801	18 257	- 16
Pohjanmaan Alueverkko Oy	100.0	100.0	3 289	2 000	1 200	3 000	1
Ramse Consulting Oy	55.0	55.0	1 395	550	550	2 034	1 407
Rouhialan Voimansiirto Oy	100.0	100.0	5	150	15	15	0
Housing and real estate companies						1	
						28 264	
ASSOCIATED COMPANIES							
Owned by the parent company:							
Suomen Kantaverkko Oy	40.0	40.0	4 000	40	4 000	4 000	0
Suomen Voimatase Oy	34.0	34.0	680	340	340	680	- 6
Teollisuuden Voima Oy	56.8	50.0	443 681	405 691 729	405 692	1 730 716	
						1 735 396	
Owned by the subsidiaries:							
Suomen Voimatekniikka Oy	33.0	33.0	7 216	1 800	1 800	5 400	2 657
Suomen Voimatase Oy	16.0	16.0	320	160	160	320	- 6
Tornionlaakson Voima Oy	50.0	50.0	556	500	500	500	- 1
Vaskiluodon Voima Oy	50.0	50.0	8 000	300	3 000	5 042	6 000
Voimalohi Oy	50.0	50.0	1 052	1 000	1 000	1 000	30
						12 262	

The financial statements of all associated companies were made on Dec 31, 1996 and their financial period is 12 months.

OTHER SHAREHOLDINGS	Ownership share %	Number	Nominal value in thousands markka	Book value in thousands markka
Länsi-Suomen Voima Oy	19.9	3 980	3 980	200 283
Tahkoluodon Polttoöljy Oy	32.0	640	640	643
Teollisuuden Sähkönmyynti Oy	19.0	285	143	534
Tietoniitty Oy	40.0	252	126	126
Housing and real estate companies				4 869
Others				1 004
				207 459

OTHER INVESTMENTS				
Merita Pankki Oy, series A shares	-	340 500	3 405	6 601
Finnish Government bond	-	-	100	105
				6 706

PROPOSAL OF THE BOARD OF DIRECTORS CONCERNING THE FINANCIAL RESULT

The distributable equity of the PVO group is 18,383,596.21 markka. The income statement of the parent company Pohjolan Voima shows a profit of 32,638,954.72 markka, and the distributable equity totals 155,822,208.87 markka. The Board of Directors propose to the Annual General Meeting that the profit be transferred to retained earnings and no dividend be distributed.

Helsinki, March 18, 1997

Tauno Matomäki Chairman	Jukka Härmälä Deputy Chairman	Rauno Hakkila	Heimo Karinen
Timo Poranen	Heikki Sara	Sven Sohlström	Timo Rajala President and CEO

AUDITORS´ REPORT

To the shareholders of Pohjolan Voima Oy

We have audited the Pohjolan Voima Oy bookkeeping, financial statements and management for the financial period from Jan 1 to Dec 31, 1996. The financial statements compiled by the Board of Directors and the President include the annual report as well as the consolidated and parent company income statements, balance sheets and notes to the financial statements. On the basis of the audit, we present the following report on the financial statements and management.

The audit has been conducted in accordance with generally accepted auditing standards. Bookkeeping and the principles, contents and presentation of the financial statements have been examined sufficiently to obtain reasonable assurance about whether the financial statements are free of material misstatement. In the management audit, the legality of the actions by the Board members and the President has been examined in view of the stipulations of the Companies Act.

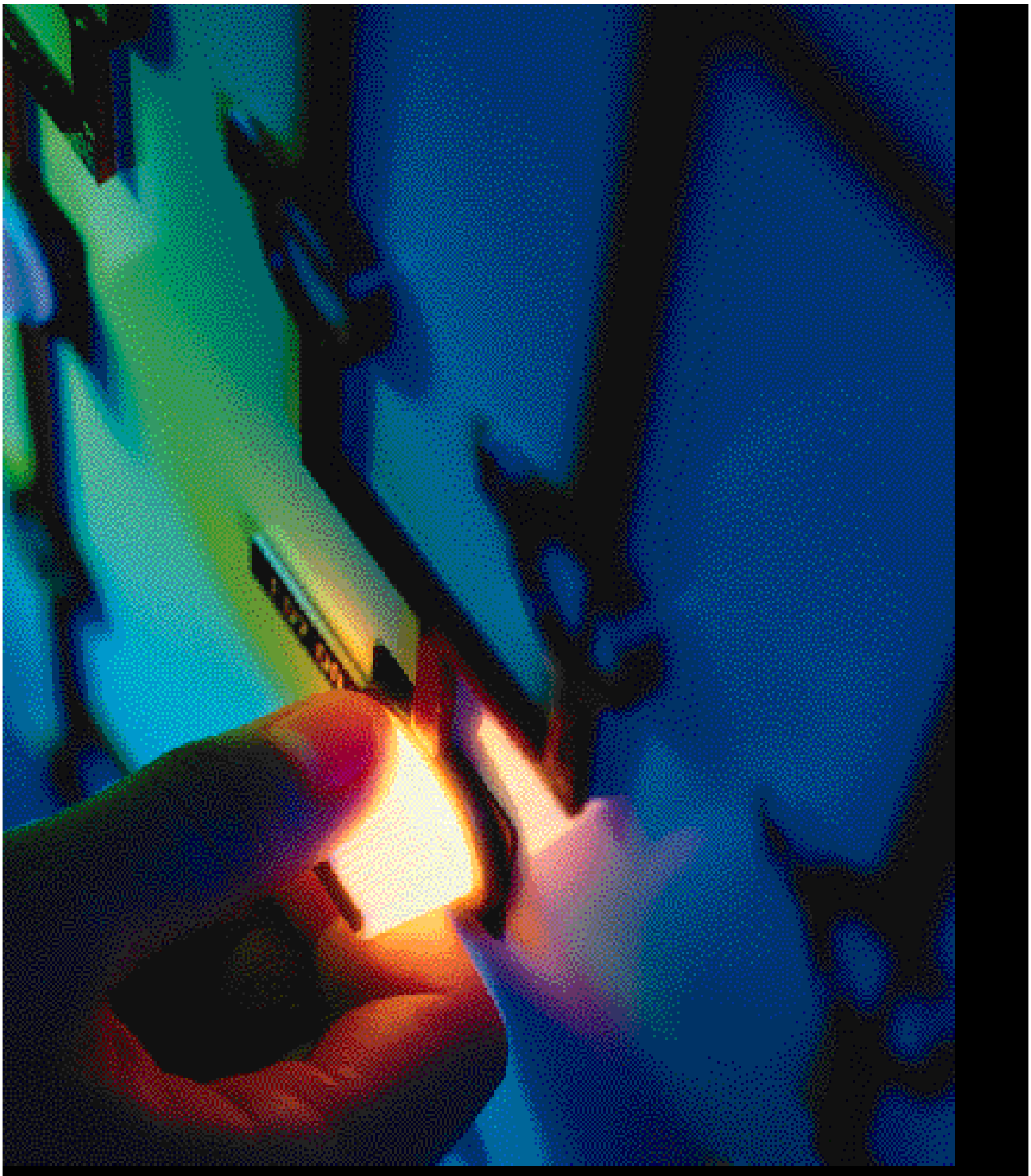
As our report, we state that the financial statements have been prepared in accordance with the Bookkeeping Act and the stipulations an orders concerning the financial statements. The financial statements present, in a manner referred to in the Bookkeeping Act, the true and fair view of the result and financial status of the group and parent company.

The financial statements and the consolidated financial statements can be approved and the parent company Board members and President can be discharged from liability for the financial period we have audited. The Board of Directors´ proposal for the treatment of the distributable equity shown in the balance sheet is in accordance with the Companies Act.

Helsinki, April 17, 1997

SVH Coopers & Lybrand Oy
Authorized Public Accountants

Pekka Nikula
Authorized Public Accountant



THIRD UNIT INSTALLED AT RAASAKKA

The installation of a third turbine and generator started at Raasakka, the lowest-stream power plant on the Iijoki River. The new 23 MW machinery will be implemented before this year's spring floods begin. With the increased Raasakka capacity, the Iijoki waters can now be utilized more optimally.

At the end of the financial year, the filling capacity of the regulation lakes in the Iijoen Voima area of operation corresponded to the respective long-term averages.

The company continued both the obligatory and voluntary environmental management work, the latter in collaboration with the local environment centers and municipalities. The landscape dam construction continued on the Iijoki River in collaboration with the North Ostrobothnia Regional Environment Center.

To meet the Iijoen Voima engagements related to the maintenance of the stock of fish in the Kemijoki and Iijoki main rivers as well as in the sea area and regulation lakes, Voimalohi planted a total of 3.3 million young salmon, trout, whitefish and graylings. In addition, 20,000 kg of full-size rainbow trout and larger-than-normal trout were stocked.

OLKILUOTO SETS NEW PRODUCTION RECORD

The Olkiluoto power plant set a new production record in 1996. A total of 11.85 TWh of nuclear energy was produced, Pohjolan Voima accounting for 6.7 TWh. The utilization capacity factor of the power plant unit was 93.8. %. The power plant modernization project, started in 1994, proceeded according to plan.

POWER PLANTS WERE MODERNIZED

In 1996, a completely new 93 MW power plant was completed in Veitsiluoto at the Enso paper mill. A 77 MW plant with a corresponding technical solution will be completed in the spring of the current year at the Enso Oulu plant. The plants are fueled by biomass and peat.

The transformation of the Nokia plant from coal to gas-fired continued. The new power plant produces electricity with a gas and steam turbine. The Nokia power plant also supplies steam and district heating. The power plant capacity is 67 MW.

The modernization of the Vaskiluoto power plant started in Vaasa. The thermal capacity of the plant coal boiler will be increased and a new 230 MW turbine will be installed. The present 160 MW turbine will be joined to the oil-fired boiler which has so far been unused. The oil-fired boiler will be used for peak power production. Vaskiluoto will also provide the city of Vaasa with district heating.

The power plants operated smoothly and with high production security. The desulfuration facilities installed at the Kristiina and Tahkoluoto plants operated according to plan. Power plant by-products found many uses; for example, the wallboard industry absorbed all by-product gypsum, and other by-products were used in earth construction.

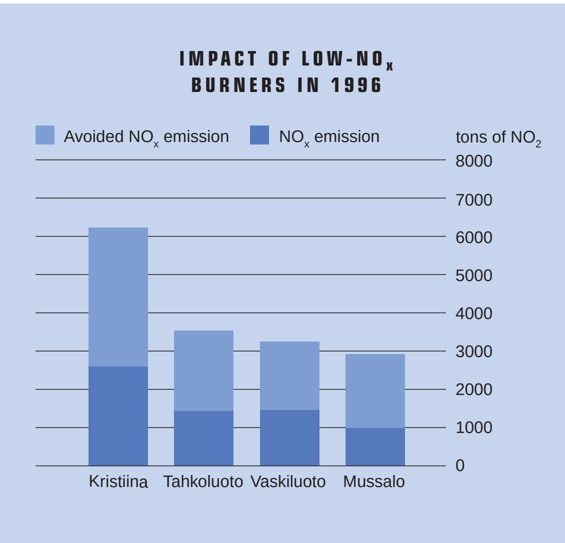
ENGINEERING IN STRONG DEMAND

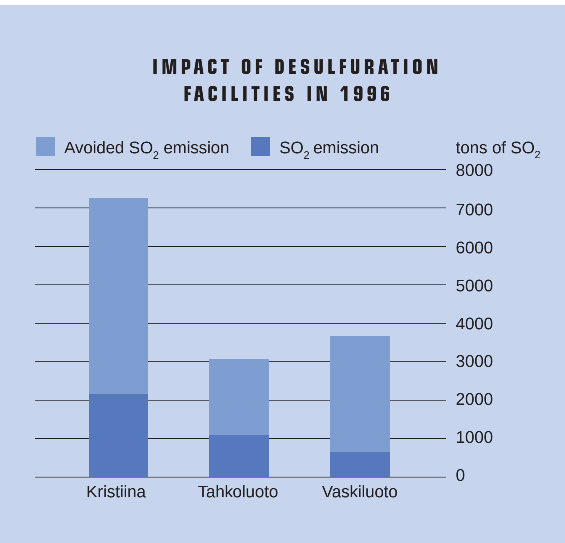
1996 was the first full year of PVO Engineering operations. The PVO Group design and constructing resources are now concentrated in one company with expertise in power plant projects and technology as well as grid and information technology.

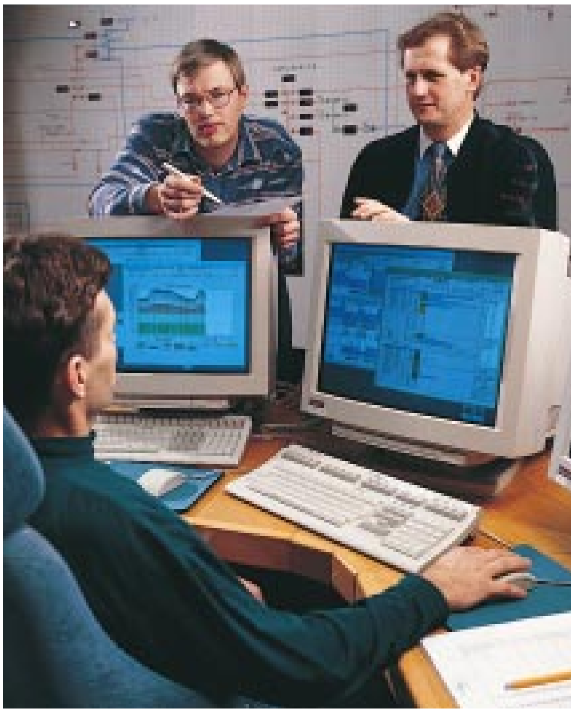
PVO Engineering was responsible for the design and project management of most hydro power plant projects implemented in Finland in 1996. The Äetsä, Myllykoski, Kyröskoski and Raasakka projects were the major hydro power plant projects. The thermal energy plant projects in which PVO Engineering was involved were the Nokia combined gas-fired power plant and the Vaskiluoto turbine plant project.

PVO-Engineering's expertise was also used for high-tension and power grid as well as power station design and project management. PVO Engineering was responsible for the design of the Tuovila-Ventusneva and Kymi-Vainikkala 400 kV transmission lines, as well as for the delivery of the Rauma 400 kV power station. The information technology business implemented and maintained the telecommunications and information systems needed within the Group. These services were also provided to companies engaged in telecommunications.

Important foreign operations were also launched.







Towards the end of the year, LSY expanded its operations to the Scandinavian electricity market. Early September saw the launching of operating services related to the exports to Sweden of electricity of the PVO shareholders. Later in the year, LSY became an operator in the Norwegian-Swedish electricity exchange (Nord Pool ASA), and started to trade in electricity on the Nord Pool daily market to optimize production. For the electricity trade, LSY signed transmission contracts related to the northern cross-border lines both with IVO Voimansiirto Oy and Svenska Kraftnät.

In Nepal, the company has a major grid technology consultation assignment. Designs have been made for a 330 kV and a 110 kV power station in Estonia and Latvia, respectively, and dozens of radio masts have already been delivered.

GROUP TAKES CARE OF ITS OWN OPERATING SERVICES

Länsi-Suomen Yhteiskäyttö Oy (LSY) is responsible for the optimization of the production at the PVO Group power plants as well as for the related electricity sales made on a non-regular basis. LSY monitors and controls the transmission grids in the PVO Group possession. Various measuring, energy survey and operating services needed on the power market constitute a significant part of LSY business operations. In addition to the PVO Group and Pohjolan Voima Oy shareholders, the LSY clients include several outside companies.

ADDRESSES

POHJOLAN VOIMA OY
Mikonkatu 15 A, P.O.Box 40
FIN-00101 HELSINKI
Tel. (int.) +358 9 693 061
Telefax (int.) +358 9 6930 6335

POHJOLAN VOIMA OY
Laakeritie 22
FIN-90630 OULU
Tel. (int.) +358 8 550 8011
Telefax (int.) +358 8 550 8380

PVO-ENGINEERING OY
Mikonkatu 15 A, P.O.Box 40
FIN-00101 HELSINKI
Tel. (int.) +358 9 693 061
Telefax (int.) +358 9 6930 6557

TEOLLISUUDEN VOIMANSIIRTO OY
Mikonkatu 15 A, P.O.Box 75
FIN-00101 HELSINKI
Tel. (int.) +358 9 693 0622
Telefax (int.) +358 9 6930 6333

LÄNSI-SUOMEN YHTEISKÄYTTÖ OY
P.O.Box 13
FIN-29201 HARJAVALTA
Tel. (int.) +358 2 535 5022
Telefax (int.) +358 2 535 5355

IIJOEN VOIMA OY
Virkkulantie 207
FIN-91100 II
Tel. (int.) +358 8 550 8033
Telefax (int.) +358 8 550 8616

PVO-LÄMPÖVOIMA OY
Fridlundintie 7
FIN-65170 VAASA
Tel. (int.) +358 6 323 4111
Telefax (int.) +358 6 323 4300

MUSSALON VOIMA OY
Jänskäntie 1, P.O.Box 108
FIN-48101 KOTKA
Tel. (int.) +358 5 229 9111
Telefax (int.) +358 5 229 9210

NOKIAN LÄMPÖVOIMA OY
Kerhokatu 10, P.O.Box 49
FIN-37101 NOKIA
Tel. (int.) +358 3 340 8700
Telefax (int.) +358 3 340 8552

OULUN VOIMA OY
P.O.Box 196
FIN-90101 OULU
Tel. (int.) +358 2046 124
Telefax (int.) +358 2046 33891

VEITSILUODON VOIMA OY
FIN-94830 KEMI
Tel. (int.) +358 2046 125
Telefax (int.) +358 2046 34403

KEMIJÄRVEN VOIMA OY
P.O.Box 100
FIN-98101 KEMIJÄRVI
Tel. (int.) +358 2046 126
Telefax (int.) +358 2046 35200

PVO GROUP