



ENSOON SÄHKÖ

Annual Report 1999



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Espoon Sähkö's

Business Concept

- We provide comprehensive energy services for the needs of our customers.
- Our electricity sales and purchasing operations cover the Nordic countries.

Vision

- We are the most efficient and customer-driven energy company.
- We are the preferred energy services provider of our customers.

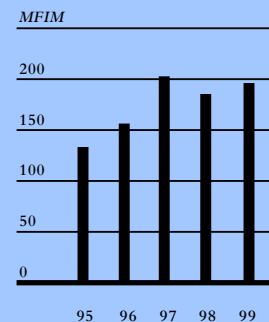
Highlights in 1999

- Espoon Sähkö Oyj acquired the share capital of Joensuun Energia Oy under an agreement concluded with the city of Joensuu on 14 January 1999. The transaction was legally endorsed in February 2000, after which Joensuu Energia became a wholly-owned subsidiary of Espoon Sähkö.
- Espoon Sähkö Oyj, Helsingin Energia and Vantaan Energia Oy signed an agreement on 24 June 1999 to evaluate the feasibility of cooperation. The evaluation process is still under way.
- The Jokioinen hydroelectric plant began electricity generation in July.
- Urbaanituuli Oy, a Pori-based wind power generation company owned by Espoon Sähkö and nine other energy companies, began production in July.
- Espoon Sähkö acquired the share capital and heat unit of Koskelon Lämpö Oy, Espoo, in August.

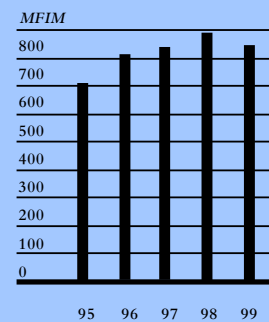
Key Indicators 1999

	1999	1998	Change,%
Net sales, MFIM	840.3	885.9	-5.1
Operating profit, MFIM	183.2	167.8	9.2
Profit before taxes, MFIM	195.3	183.2	6.6
Earnings per share (EPS), FIM	8.67	8.32	4.2
Return on investment (ROI), %	19.8	19.9	-0.5
Solvency ratio, %	51.0	51.7	-1.4
Full-time employees on 31 December	387	388	-0.3

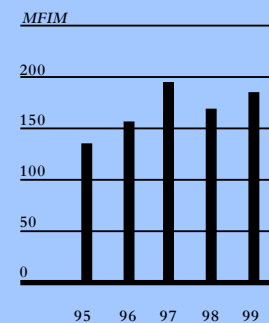
Profit before taxes



Net sales



Operating profit



Units

Electricity

The Electricity Unit sells electricity to companies and households. Its traditional operating area comprises Espoo, Kauniainen and Kirkkonummi. Since deregulation, however, its market area for electricity sales has covered the whole of Finland while for electricity trading it now includes all the Nordic countries. Around one-third of the electricity sold by the company is produced by Espoon Sähkö. The remaining two-thirds is purchased from elsewhere, of which one-third is procured on the NordPool power exchange. **More information on the Electricity Unit on page 11.**

Generation

The Generation Unit produces electricity and district heat for Espoon Sähkö's other units, and purchases district heat from other energy companies when necessary. The Generation Unit has sole responsibility for procuring the fuels needed by the company; that is, the fuels needed for generating energy as well as natural gas, which is retailed. **More information on the Generation Unit on page 13.**

District Heating

The District Heating Unit is responsible for designing, constructing and maintaining the district heating network. It also handles customer-related activities, including sales, marketing, the inspection of customer plans and installations, technical advice and invoicing. The Unit additionally distributes natural gas for heating and industrial processes directly to properties and companies that are not on the district heating network. **More information on the District Heating Unit on page 15.**

Network

The Network Unit is responsible for the distribution of electricity to all electricity consumers in Espoo, Kauniainen and Kirkkonummi. To do this, the Unit builds and maintains the region's electricity network and connects all new customers to this network. **More information on the Network Unit on page 18.**

Contracting

The Contracting Unit specializes in building and servicing street lighting, road lighting and electrical networks. The Unit's key customers include the Finnish National Road Administration, local authorities and power supply companies. The Unit also installs transformer substations and main distribution boards, carries out renovations and worksite electrification, lays medium- and high-voltage cabling, and performs other skilled work for commercial enterprises and the construction industry. **More information on the Contracting Unit on page 19.**



From the Chief Executive

The competitive environment in the energy sector continued to undergo change during 1999. Corporate acquisitions and divestments were common and preparations for new alliances made progress. International corporations raised their investments in Finnish energy companies substantially. A prominent feature of regulation in the electricity market was the reasonableness of the pricing of electricity network services and the income recorded by municipal utilities. The solutions to these questions, and their impact on the sector, will become clearer once the final decisions are made.

Fluctuations in the prices of fuels for energy generation were both severe and uneven during the last year. The price of coal fell 3–8 % depending on the fuel tax concerned during the year while the price of oil in Finland rose by over 50 %, depending on the grade. Oil accounts for only 6 % of the fuel used by Espoon Sähkö. The price of oil will push up the price of natural gas in long-term purchasing contracts. Overall, the cost of fuel used in Espoon Sähkö's power plants for energy production declined. Heat production costs for separate heating plants, on the other hand, rose.

Espoon Sähkö's profit before taxes for 1999 was FIM 12 million higher than in the previous year. This improvement was due above all to the success of the Electricity Unit's operations. This, in turn, was the result of efficiency, especially in electricity purchasing and trading. We were also successful in attracting new customers during the year: the number of the Espoon Sähkö's customers rose by 3,000 in 1999. Other positive features were lively growth in electricity distribution volume and reduced energy generation costs owing to lower prices of fuel for Espoon Sähkö's coal-fired power plant.

The stock transaction between Espoon Sähkö and Joensuun Energia Oy in January 1999 was legally endorsed at the start of 2000, making Joensuun Energia a subsidiary of Espoon Sähkö. Joensuun Energia will boost the Group's net sales by just one-fifth.

The group structure of Espoon Sähkö changed at the beginning of the year when Kirkkonummen Lämpö Oy was merged with Espoon Sähkö. This completed a long-term process that began in the 1960s to build an integrated energy company covering Espoon Sähkö's present operating area.

The company's ownership structure changed as well. The ownership of Espoon Sähkö became considerably more concentrated in February 1999 when Länsivoima Oy acquired 26.4 % of Espoon Sähkö's stock. Ownership of the company's shares is now highly concentrated; its two largest shareholders hold 95,7 % of the company's entire stock between them. Consequently share liquidity has been extremely low. The change in ownership has not had any impact on Espoon Sähkö's business operations. The company has continued to implement its business strategy and to develop its operations as before.

**Espoon Sähkö gained
3,000 new electricity
customers during 1999.**

Change in the energy sector has been rapid in recent years, and these changes are still by no means over. Consolidation, internationalization, diversification of competition and clearer regulation in the sector will continue to be driving forces in the future. Espoon Sähkö aims to grow both organically and by means of alliances and affiliations. Enhancing customer service, boosting efficiency and achieving economies of scale are our key processes for meeting the challenges posed by fiercer competition.

I would like to thank our personnel for our successful operational and financial performance and for their enthusiastic input. Such commitment is essential given the rapid changes taking place in our sector. So far we have done well. We base our business operations on the experience we have accumulated and on the new values we have adopted – taking pleasure in our work, enthusiasm, responsibility and success. Good customer service and innovative product development are targets that are more tangible and more imperative for all of us.

Matti Manninen
President and CEO

Energy Sector Consolidates and Internationalizes

Deregulation of competition has changed the energy sector during the last few years. There has been considerable restructuring. Markets and competition have become more international and even global. Industrial corporations and the public sector throughout Europe are disposing of their holdings in energy production and electricity sales as the risks facing these segments grow. Energy companies are now striving to form corporate entities of adequate size and focusing on their efficient and well-managed operation. Environmental issues are of increasing importance to the sector and to how it develops.

Energy consumption in Finland increased

Electricity usage in Finland grew more slowly in 1999 than in the previous year, increasing by 1.6 % to a total of 77.9 billion kWh. Growth was fairly evenly spread between the different groups of users. Production of electricity in Finland fell by just under one percentage point as the depressed price level on the Nordic electricity markets boosted electricity imports by a fifth. Upgraded nuclear capacity and high uptime contributed to achieving a new production record. The production of wind-generated electricity more than doubled as new facilities came on stream, and accounted for 0.1 % of the electricity supplied.

Some 26.2 billion kWh of district heat were sold, almost five per cent less than in the previous year owing to the unusually warm weather. Over half of the district heat was used to heat residential buildings. Around 3.9 billion cubic metres of natural gas were used, a rise of 0.2 % against 1998. Industry used slightly over half the natural gas while around 40 % went in the cogeneration of heat and electricity.

Energy markets operate well

The International Energy Agency (IEA) reviews the energy policies of member countries every four years. The report it issued on Finland in the spring of 1999 noted that Finnish energy markets operated well and

systematically. The IEA did, however, make some recommendations to ensure that markets continued to operate well. The Agency suggested that the ownership of the national grid should be broadened. The recommendation also proposed that the division of work and cooperation between the Electricity Market Authority, which monitors the electricity markets, and the Finnish Competition Authority, should be confirmed so that the concentration of market forces and cross-subsidies can be effectively monitored.

The Electricity Market Authority issued its first ruling on the reasonableness of the pricing of the network services. The case is still being processed.

In October the Finnish government submitted a proposal to parliament for an Act concerning the natural gas market. The Act, which is intended to enter into force no later than in August 2000, would broaden the operations of the Electricity Market Authority to include regulation of the natural gas market, whereupon its name would be changed to the Energy Market Authority.

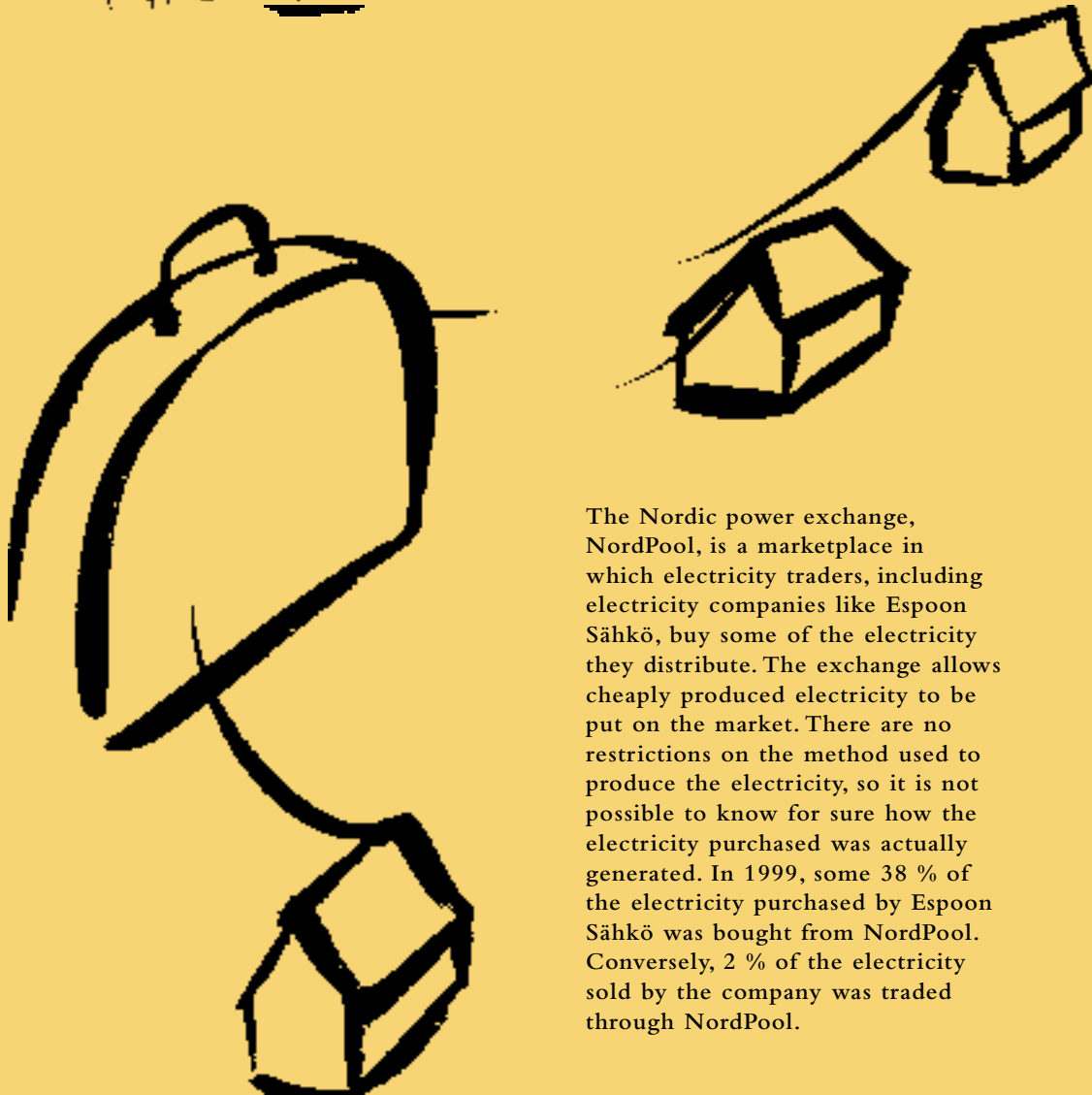
Concentration of ownership continues

The concentration in ownership of energy companies continued during the year under review. Companies used corporate acquisitions and alliances to retain and enlarge their ownership and market share. The trend in the restructuring of the energy sector is towards a clearer split between the production, transmission and selling of energy, and related construction and maintenance operations.

Feasibility studies were conducted in various parts of Finland during 1999 to evaluate potential alliances. One of these is the plan by nine municipal energy companies to form a joint company specializing in electricity purchasing and sales. Espoon Sähkö and other energy companies in the Helsinki Metropolitan Area have reviewed and identified the opportunities for joint action in different sectors.

The generation, transmission and sale of energy, along with related construction and maintenance operations are becoming increasingly differentiated.

WHAT IS
THE POWER EXCHANGE?



The Nordic power exchange, NordPool, is a marketplace in which electricity traders, including electricity companies like Espoon Sähkö, buy some of the electricity they distribute. The exchange allows cheaply produced electricity to be put on the market. There are no restrictions on the method used to produce the electricity, so it is not possible to know for sure how the electricity purchased was actually generated. In 1999, some 38 % of the electricity purchased by Espoon Sähkö was bought from NordPool. Conversely, 2 % of the electricity sold by the company was traded through NordPool.

Competition was finally opened to all electricity consumers in Finland in the autumn of 1998. Since then, less than two per cent of customers have changed their electricity supplier. The deregulation of competition has lowered the tariff prices of electricity by an average of 12–16 % since the beginning of 1998.

Many energy companies have demerged their network construction and maintenance operations. Some have also looked for synergies in partnerships with companies in the telecommunications sector.

Ownership also concentrating in energy production

The market price of electricity is low compared to the costs of new power plant capacity, resulting in the postponement of many investment plans. During 1999, some of the larger industrial corporations decided to dispose of part of their holdings in production capacity and electricity wholesaling. This may be partially due to the trust placed in the smooth functioning of the Nordic electricity markets. TXU Nordic Energy, an Anglo-American company, acquired certain coal-fired generating operations of Pohjolan Voima Oy and a majority shareholding in Teollisuuden Sähkönyynti Oy from companies in the forest industry sector. In January 2000, Stora Enso signed a letter of intent to sell most of its power plants in Finland and Sweden to Fortum Plc.

There was progress during the review period in the preparations for building more nuclear power capacity in Finland. The environmental impact assessments for the planned nuclear power plants at Olkiluoto and Loviisa were submitted to the Ministry of Trade and Industry in August. Sweden, on the other hand, closed a reactor at its Barsebäck nuclear plant at the end of November following the decision made by the Swedish government in 1998. In Germany, the government and nuclear power plant owners have not yet reached agreement on the terms for phasing out nuclear power.

Internationalization, a global trend

The trend in the energy sector is concentration of electricity trading in companies that are competitive in the increasingly international markets. Corporate acquisitions and alliances offer one means to achieve a competitive edge in these conditions. The changing nature of electricity sales demands new skills of companies. In order to succeed, companies need to manage their risks as they engage in both physical and financial trading of electricity on power exchanges. Producing energy services to meet customers' needs calls for innovation, cooperation and the development of sales channels. The introduction of new technology will enhance the efficiency of business operations. Use of the Internet will increase and energy companies must be able to develop their range of services by incorporating other products and services needed by the customer, in addition to simply selling electricity.

The basic aims of the EU's energy policy are to ensure that energy is available and economically competitive. The intent of the Electricity Market Directive issued in 1997 is to deregulate European electricity markets. The Directive calls for at least 26 % of the market to be fully deregulated by February 1999 and at least one-third by February 2003. EU member countries have not kept pace with implementing the terms of the Directive. Germany has been quick to implement the Directive while France, for instance, has not opened its markets at all.

The Nordic countries were the first to follow Britain in opening up their electricity markets to competition, and swiftly formed the first transnational market area. The Nordic power exchange, NordPool, now has almost 280 participating companies in 7 countries. The volume of trading on NordPool doubled during 1999. Over one-fifth of all electricity consumed in the Nordic countries was traded through the exchange. Power exchanges have also been established elsewhere in

Producing energy services to meet customers' needs calls for innovation, cooperation and the development of sales channels.

Europe, including Amsterdam and Frankfurt. The price of electricity in Europe has fallen as competition has spread.

The Nordic countries' two largest energy corporations, Fortum and Vattenfall, have invested in a number of other countries as well, particularly in continental Europe. Many companies, including the French corporation Electricité de France and the American corporations TXU and Enron, are seeking to globalize their operations. The trend towards concentration in the sector is also reflected in countries outside Finland. The three largest energy producers in Sweden control over half the electricity retail market. The mergers under way in Germany are creating the biggest private energy companies in Europe. The pressures of competition are intensifying the interest shown towards multi-utility companies that produce electricity, distribute and sell electricity and gas, and also have water utility and telecom operations.

Energy sector and the environment

European energy companies must address environmental issues and apply the principles of sustainable development to their operations in line with the EU's environmental policy. Energy companies in Finland have joined voluntary energy conservation agreements between organizations in the energy sector and the Ministry of Trade and Industry. These agreements aim to promote energy efficiency and energy savings while reducing the environmental impact of energy consumption. Companies that have joined such agreements account for over 75 % of electricity generation, over one-half of electricity distribution and end consumers, and over 40 % of the district heat sold. In November 1997, Espoon Sähkö was the first company to enter an energy conservation agreement for the power plant sector. An increasing number of energy companies, including Espoon Sähkö, are incorporating environmental management as an integral element in their operational systems. Companies issue reports on their envi-

ronmental activities more extensively and more frequently. Espoon Sähkö will publish the third issue of its environmental report in the spring of 2000.

Progress in implementing Protocol on Climate Change

Conferences on climate change continue to be held and scheduled. A meeting in Bonn in October-November 1999 prepared the agenda for the conference scheduled in The Hague for November 2000 that plans to decide on the limits to emissions agreed in Kyoto. The EU stated that it was ready to ratify the Kyoto Protocol by the year 2002. The United States will endeavour to ratify it as soon as possible but has not committed itself to a target year.

Bio-fuels used more in Finland than in the rest of Europe

Energy companies have highlighted their use of environmentally-friendly renewable sources of energy in their marketing. Wood and other bio-fuels are used for energy production in Finland to a greater extent than in other EU countries. Bio-fuels now account for almost one-fifth of total energy production. In November, the Ministry of Trade and Industry unveiled a programme for promoting renewable energy sources. The programme aims to boost the amount of energy produced from renewable sources by 50 % on 1995 levels, which would reduce emissions of carbon dioxide by two million tonnes. In line with Finland's energy strategy, the programme focuses on increasing the role of wood as a source of energy and on wind-generated power.

Finland's wind-power capacity doubled in 1999. Some 50 GWh of electricity was generated from wind, representing less than 0.1 % of Finland's total electricity production.

WHY CAN
A PERSON IN ROVANIEMI
BUY ELECTRICITY FROM
AS FAR AWAY AS ESPOO?



All Finnish power plants feed the electricity they produce into the national grid, a network that covers the entire country. Electricity companies distribute the electricity from the national grid to their customers, electricity consumers. Although a person living in Rovaniemi orders his electricity from Espoon Sähkö, in fact the electricity he uses comes from the power plant nearest to his home. The companies actually selling the electricity have a national accounting system to keep track of who sells what.

Electricity and New Services

Electricity sales
of net sales



The Electricity Unit's operations comprise the marketing and retailing of electricity. Since August 1996 the Unit has also traded electricity, and was the first Finnish power company to do so. Electricity trading involves the buying and selling of electricity physically on the electricity market as well as the use of forward contracts and options on electricity which are settled financially. The risks attached to trading in electricity are managed by means of both physical and financial transactions.

Further decline in selling price of electricity

The deregulation of the electricity market has depressed electricity prices since 1995, when competition was opened up initially to large-scale consumers of electricity. Since the end of 1998, households, farms and small companies have also been able to ask for competitive bids for their electricity supply.

Prices continued to fall in 1999. Espoon Sähkö reduced the price of electricity for small-scale consumers twice during the review period; firstly at the beginning of the year, and later in the autumn. Espoon Sähkö endeavours to keep the public price of its electricity as low as possible so the consumer can enjoy a competitive price without the trouble of seeking more competitive bids. Most of Espoon Sähkö's contracts are based on public prices. The remainder are based on fixed prices and agreed periods. At the end of the year, the company's public prices for electricity sales were among the cheapest in Finland.

A sharp increase in electricity trading also reduced prices. Deregulation of the electricity markets started in Sweden and Norway at around the same time as in Finland, in the mid-1990s. Since then electricity trading and electricity wholesale markets have become increasingly pan-Nordic.

In recent years, the abundance of water resources in Norway and Sweden has lowered the pan-Nordic price of electricity. It rained so much in Norway and Sweden in

1999 that almost 20 terawatt-hours more electricity was generated than the normal annual average, increasing the hydroelectric power production of those countries by 10 %. Rainfall has such a powerful impact because almost all of the electricity produced in Norway, and around one-half of Sweden's electricity, is generated in hydroelectric plants. In Finland, under one-fifth of the country's electricity is generated from water power.

The price of electricity has continued to fall in the Nordic countries even though production capacity has not been increased to match the two per cent rise in annual consumption. At the current price level, the construction of additional production capacity is not economical.

Power exchange and trading of increasing importance

An increasing amount of the electricity produced in the Nordic countries is traded on NordPool, the Nordic power exchange. The exchange was introduced in 1993 and increased the number of its customers when the electricity markets in Finland and Sweden were deregulated in 1995. The volume traded on the NordPool exchange doubled during the past year. Around one-fifth of the electricity consumed in all the Nordic countries passes through NordPool. Finnish energy companies will probably increase their involvement in NordPool trading when most of the long-term wholesale electricity contracts signed at the beginning of the 1990s expire in the autumn of 2000.

Electricity also from wind and water power

Environmentally-aware consumers expect their electricity supplier to demonstrate concern for the environment as well. Espoon Sähkö has responded to the demand of its customers for electricity that is produced in a more environmentally-friendly way. The electricity produced by the company is cogenerated. The cogeneration process recovers and reuses the heat that is

produced in addition to electricity. Espoon Sähkö and the electricity producers of the larger cities in Finland have collaborated in marketing electricity produced by cogeneration under the brand name "Efficient Power".

In 1998 the company jointly established Urbaanituuli Oy (Urban Wind Ltd) in Pori, with eight other energy companies. From July 1999 Espoon Sähkö's customers have been able to buy electricity generated from wind power, marketed under the name "Efficient Windpower". Espoon Sähkö also generates electricity from water power at its hydroelectric plant in Jokioinen, near Forssa. Production started at the Jokioinen hydroelectric plant last July, after some modernizations were completed. Espoon Sähkö additionally offers bio-electricity produced from natural gas at Espoon Vesi's waste water treatment plant in Suomenoja. The company offers alternative forms of energy according to demand. About 0.6 per cent of all electricity produced by Espoon Sähkö is generated by such environmentally-friendly methods. So far this has been more than sufficient to meet demand.

Internet services diversified

In addition to low electricity prices, Espoon Sähkö offers its customers new services and develops its operations to meet its customers' expectations. During the review period, the company streamlined its tariff structure and the material it sends with offers while also simplifying and enhancing its customer service processes. The success of these improvements was seen in the reduction of telephone waiting times to an average of less than ten seconds.

Espoon Sähkö also developed its Internet services during the review period. Customers can now make or terminate their electricity contracts online via the Internet and, in future, will be able to access information about their electricity consumption. At the beginning of the year 2000, Espoon Sähkö was amongst

the first electricity companies to enable online payment by credit card or through online invoicing, both more modern options than conventional direct debiting.

Customers more critical

Since the deregulation of competition, customers have become more critical towards their electricity supplier. Despite this, a survey conducted by Taloustutkimus Oy indicates that Espoon Sähkö's customers are just as satisfied with Espoon Sähkö's operations as they were eighteen months ago, when the last survey was conducted.

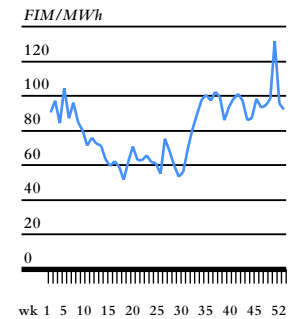
As electricity is increasingly bought and sold in a neutral marketplace, the corporate image of energy companies is growing in importance. Espoon Sähkö conducted a survey during the review period to identify the needs that existing and potential customers expected their electricity supplier to meet and to determine how customers perceived Espoon Sähkö. The survey will provide a basis for developing Espoon Sähkö's operations and for sharpening marketing focus.

Good result due to successful trading

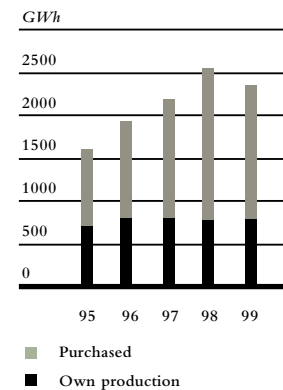
Over the last few years Espoon Sähkö formed alliances and expanded its operations to cover the whole of Finland. The Electricity Unit sold more electricity last year to both large-scale and small-scale consumers. The Unit had some 3,000 more customers at the end of the review period than a year earlier. Overall, some 118,000 companies and households buy their electricity from Espoon Sähkö. By the year end, Espoon Sähkö's share of the electricity market was about 5%.

The Electricity Unit sold approximately 2.3 terawatt-hours of electricity during the review period. Traditional electricity sales grew, although the volume of physical trading declined. Competition between Finnish energy companies will probably continue to focus on price, and electricity sellers are likely to form alliances and partnerships in response to intensified competition.

Elspot price in Finland in 1999



Electricity procurement



Cogeneration Raises Efficiency

Espoon Sähkö produces most of its district heat from coal and natural gas combustion at its Suomenoja cogeneration units. Minor quantities of fuel oil are also used in addition to these. The different production methods and fuels are utilized in a way that optimizes the economic efficiency of each. The electricity cogenerated with heat production is sold to the company's Electricity Unit. The exceptionally warm weather throughout the review period slightly reduced the demand for heat compared to the previous year. Nevertheless, the Unit produced 4 % more electricity than the previous year.

Espoon Sähkö produces most of its district heat from coal combustion. The company's second main fuel is natural gas. Small amounts of fuel oil are also used. The company purchases coal under short-term contracts on the world market, primarily from Russia. Natural gas, on the other hand, is purchased under long-term contracts from Gasum Oy, Finland's only sales company for natural gas.

The proportion of coal in the total amount of fuel used by the company to generate energy dropped from 59 % to 57 % due to lower demand for district heat. Conversely, the proportion of natural gas rose from 35 % to 37 %. This was partly because the annual servicing of the gas turbine plant took less time than usual, and partly because natural gas replaced oil to some extent towards the end of the year due to price considerations. Oil accounted for some 6 % of the total fuel used for generating energy. This was much the same level as the previous year because more oil was used early in the year than in the corresponding period of the previous year.

Quality in generation

The good financial performance of the Generation Unit derives from high efficiency, low-cost fuels and uninterrupted operation. The already high efficiency achieved in cogeneration during the previous year was

surpassed by 0.5 % in the Suomenoja plant.

The import price of Espoon Sähkö's main fuel, coal, fell to a record low despite the strengthening dollar during the review period. This offset the pressure to raise the price of gas that was caused by the rise in oil prices. The price of oil does not directly have much impact on the company's business operations since oil accounts for only a small proportion of the fuel used to generate energy. Improved operating procedures also kept malfunctions to a minimum. The cogeneration plants had an average of 80 hours of stoppages, an improvement of 40 % on the previous year.

Enhanced reliability in heat supply

Espoon Sähkö signed an agreement with Helsinki Energy at the beginning of the year to upgrade the capacity of the existing pipe connection for transferring heat between the two companies. Under the terms of the contract Helsinki Energy will supply Espoon Sähkö with heat within the limits set by the pipe connection when the operation of Espoon Sähkö's own production plants is disrupted. The higher capacity of the pipeline also opens up opportunities for the two companies to buy and sell heat more extensively than before.

A 40 MW peak power and reserve boiler unit adjoining Otaniemi power plant was completed to strengthen the reliability of south east Espoo's heat supply. A new 16 MW boiler plant powered by light fuel oil and natural gas was acquired to replace the smaller boiler currently in use for the separate Juvankmalmi district heating network in order to meet the growing demand for heat in the area. Dismantling of the obsolescent steam boiler that had already been taken out of service in the Tapiola power plant commenced during the review period. This will make room for a reserve boiler, should it be needed. The oil reservoir tank for the Kivenlahti heating plant and

the catchment basin for it were overhauled.

New booster stations were built in Olarinluoma and in Kivenlahti heating plant to ensure the continuing high quality of district heat. The booster stations will transfer heat more reliably to every part of the network. A new computerized process control system was commissioned at the Suomenoja power plant to replace the older IT system that was not Year 2000 compatible and was prone to malfunction. The remote control system for the heating plants and district heating network was also replaced, as it no longer had sufficient capacity to be upgraded.

Future prospects

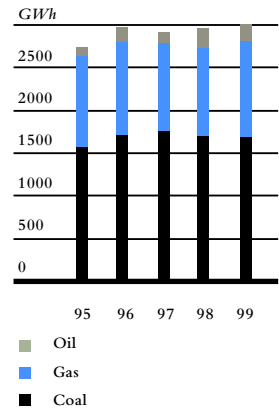
The company's generating operations are currently based on the combustion of both coal and natural gas. This allows better control of the risks attached to the availability and price of fuels than concentrating on a single primary fuel. The price of coal is expected to remain stable in the future. Nevertheless, there is the risk of an unfavourable change in the way heat genera-

tion is taxed that would weaken its competitiveness.

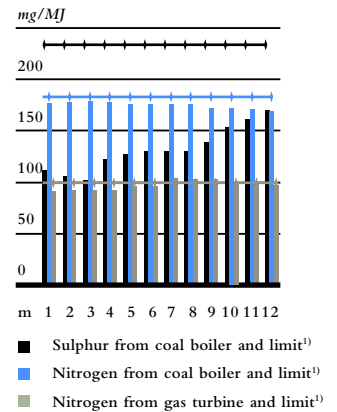
The company's distribution area is undergoing high population growth which is reflected in the steadily rising demand for heat. Espoon Sähkö must decide in the near future when the next power plant should be built and how big it should be. A combiplant powered by natural gas would substantially increase the amount of electricity produced by the company. It would also, however, increase the company's dependency on natural gas and step up the risk that is attached to a fuel imported only from Russia. The market price of electricity is a key factor in the profitability of such a venture. Price trends forecast for the near future do not encourage construction at this time.

If no steps are taken to increase the capacity for cogenerating heat and electricity, Espoon Sähkö will build new boilers just for producing district heat in order to safeguard its heat supply capabilities. Based on the areas of high consumption and available locations, the company has decided to situate the next units in vacant premises in the Tapiola power plant.

Fuel consumption



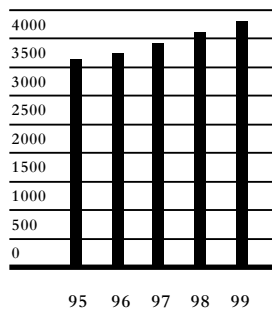
Monthly accumulated flue gas emissions of the Suomenoja power plant in 1999



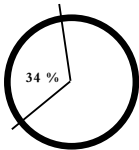
¹⁾ Annual average

From Local Heat to District Heat and District Cooling

Number of district heating customers



Heat sales of net sales



Thermal energy is distributed via the district heating network to commercial and residential buildings in Espoo, Kauniainen and Kirkkonummi. Kirkkonummen Lämpö Oy, which has been a wholly-owned subsidiary since 1997, was merged with Espoon Sähkö at the end of 1999.

The district heating and natural gas networks supplement each other in meeting the heating requirements of the area. Construction of the district heating network is a capital-intensive activity, and for this reason district heat is mainly used to warm densely built areas and large properties. The district heating network delivers thermal energy to customers as hot water. The network comprises a parallel pair of pipes, one for outgoing and one for return water. The natural gas network, on the other hand, is cheaper to lay and therefore ideal for residential areas consisting of single-family houses. A single plastic pipe delivers energy to consumers in the form of natural gas that can be burnt in the customer's own heating equipment. Natural gas is available to customers in Juvanmalmi, Espoo, in Kirkkonummi town centre and in Masala.

Construction at record levels

The Unit's operating area comprises a cluster of high-growth municipalities. District heating has been the natural choice in newbuilding wherever construction of the network is economically viable. Consequently, the number of district heating customers has also grown rapidly. Some 197 new customers were connected to the network during 1999. Residential construction nowadays includes a higher proportion of detached and semi-detached houses. As a consequence, the average length of new piping per customer has increased. Some 27.5 kilometres of district heating network was constructed during the review period, an increase of 23 % on the previous year. This called for extremely care-

ful management of both in-house and subcontractors' resources to ensure punctual delivery of heat supply at the time agreed. At the end of 1999, Espoon Sähkö had a total of 4,295 district heating customers who had signed contracts for 918 MW of energy.

The district heating network was also built outside Espoon Sähkö's operating area. The capacity of the district heating piping built in 1996 between Helsinki and Espoo was upgraded under an agreement made with Helsinki Energy, as the transfer capacity in Helsinki had become inadequate. Espoon Sähkö contributed towards the cost of a new pipeline from Lassila to Pitäjänmäki that was completed during the review period. The pipeline will ensure that reserve capacity can be obtained in Espoo from Helsinki in the event of damage to Espoo's network or equipment. It also improves the opportunities for increasing temporary trading of heat.

The natural gas network in Kirkkonummi was also extended and a total of 7 new customers were connected to it.

Warm autumn depressed sales

Measured in terms of heat demand, the year under review was 11.1 % warmer than the long-term average. Consequently, sales of heat were 1.3 % lower than in the previous year although total connection power increased. The total amount of heat sold, including the Kirkkonummi area, was 1,718 GWh while sales of natural gas totalled 47 GWh.

There was more network damage that caused interruptions in heat supply in 1999 than during the previous year, a total of 65 incidents. External water corrosion and the general ageing of the network were the main causes of damage. Swift repairs minimized the inconvenience to customers. The average duration of an interruption in heat supply caused by damage was approximately three hours.

HOW MUCH
HOT WATER
DOES ONE KILO
OF COAL GIVE?



In the cogeneration of electricity and heat using coal, one kilo produces 1.9 kWh (kilowatt hours) of electricity and 4.3 kWh of district heat. This amount of energy will run a 60 watt electric light bulb for 30 hours and heat 120 litres of water – enough for a ten-minute shower.

Portable heating plants

prepare the way for district heating

Espoon Sähkö had decided in 1998 to extend its district heating area to Juvanmalmi and Kalajärvi, both situated north of Ring Road III, by means of portable heating plants. These plants are used to supply temporary block heating for between 1 and 5 years in areas that cannot be immediately connected to the power plant network.

The entire stretch of Ring Road III is an area of rapid growth. When the heat load for the area has accumulated sufficiently, it is planned to lay a pipeline to connect it to the rest of the power plant network at the Espoo end of Ring Road III. The pipeline will be constructed when the criteria for optimizing the economic viability of energy production are met. To boost the heat load for the area, Espoon Sähkö acquired the block heating company Koskelon Lämpö Oy in August. The company is situated on Ring Road III in northern Espoo and has annual heat sales of some 4.5 GWh. Koskelon Lämpö will still operate as a separate company during 2000.

Local heating passes into history

In the mid-1980s, local heating was offered to large properties outside the reach of the district heating network by building oil-fired and electric boilers on the premises. Such boilers were remotely controlled from Espoon Sähkö's electricity control room so the tenants did not need to actually operate or maintain them. When the district heating network was expanded at the end of the 1990s, it became possible to connect locally-heated properties to the district heating network. The last remaining locally-heated sites were connected in the autumn of 1999.

District cooling under investigation

Construction output forecasts by local authorities indicate that the demand for district heat will continue to grow. Construction in the Greater Helsinki area is concentrated in the west. The ageing of the network, however, sets increasingly high demands on repairs and preventive maintenance.

The replacement of the IT system will enhance customer service during 2000, particularly by providing more opportunities for customers to use Internet applications. Meter readings can now be sent to the Unit's invoicing department via the Internet. It is also planned to conduct inspections of Hepac plans for consumers' equipment electronically. Remote meter reading, which at present is only available to service companies, will be extended to individual private customers.

The average prices of fuels for power plants fell during 1999. This enabled Espoon Sähkö to lower the energy fee for district heat by 3.8 % at the beginning of 2000, except in the Kirkkonummi area. Heat procurement for Kirkkonummi is based on natural gas, which is tied to the price of oil. Fluctuations in oil prices during the year allowed the energy fee also in Kirkkonummi to be lowered slightly from the beginning of July. The marked oil price rise in the summer and towards the end of 1999, however, forced an increase of around 24 % in the energy fee at the beginning of 2000.

During the autumn, new business opportunities offered by district cooling were jointly investigated with ABB Current Oy and VTT Energy. District cooling is based on an absorption heat pump that utilizes district heat. Cooling energy is led through a separate district cooling network to the equipment room in the building. Espoon Sähkö will decide this spring whether to introduce district cooling.

Vigorous Growth in Electricity Transmission

The number of customers receiving electricity supplied by Espoon Sähkö Oyj rose by 2.2 % and the amount of electricity distributed to them increased by 4.3 % compared to 1998. By the year's end Espoon Sähkö had supplied 115,137 customers with 1,791 GWh of electricity. The growth in population and employment in Espoon Sähkö's operating area was well above the national average. This growth is expected to continue in the future, which will boost the demand for electricity in Espoo, Kauniainen and Kirkkonummi.

High-quality electricity essential

Electricity is becoming an increasingly important commodity to the area's business community and households. An electricity supply of consistently high quality is essential to hi-tech industry and service companies – and is indeed expected as a matter of course. Outages and voltage disruptions can incur substantial costs in industrial and business processes. Households are also dependent on electricity. Developments in telecommunications and data transmission mean that work is often done at home, not only in factories and offices. Electricity has evolved from being simply a provider of light and heat into a power source for a wide range of quite complex automated applications in the home. Reliable distribution of electricity is absolutely essential to the smooth functioning of today's networked society.

Transmission tariffs at the beginning of 2000

The area's growth enhances the economic viability of Espoon Sähkö's operational framework, which is highly capital-intensive. The higher quantities of electricity supplied have improved Espoon Sähkö's capital efficiency and boosted its operational efficiency. This has allowed all the transmission tariffs for the area to be reduced by 4.3 % from the beginning of 2000. A survey of Finland's roughly 100 network companies places Espoon Sähkö well within the one-third of companies offering the lowest transmission prices.

Methodical approach boosted the efficiency of quality activities

The electricity network requires continuous upgrading to ensure that electricity is supplied both reliably and in an environmentally friendly manner. Towards this end, Espoon Sähkö is rapidly increasing the proportion of underground cables in its network while reducing the number of overhead lines. The company is also enhancing and diversifying the automation of the network. The largest single investment was the modernization of the operation monitoring system, which accounted for almost one quarter of the total sum invested during the year. The new system handles the control and messaging functions of an extensive network while meeting Espoon Sähkö's current quality requirements. The Network Unit's investments in 1999 were 21 % higher than in the previous year and amounted to FIM 53.2 million.

The principles for developing the distribution network were given a more precise focus during the year by defining the vision of the target network that Espoon Sähkö aims to design, construct, maintain and operate. The target network is an electricity distribution network that will meet the future needs of electricity consumers in both quality and quantity. The target network is based on forecasts of business and residential growth in the area. These forecasts, combined with stiffening quality requirements, will keep network investments at their current high level for several years to come.

In 1998, the company prepared an annual programme for developing the network that was also applied in measuring the quality of construction and maintenance processes. Storms put the reliability of electricity supply to the test during the review period. Harsh weather in February, July and at the very end of November and early December caused almost two-thirds of a normal year's outage within the space of ten days. The elements showed their overpowering force and demonstrated the impact they can have on the performance of the electri-

Network operations' share of net sales



city supply system. The understanding and assistance given by customers eased the work of the operative personnel locating and repairing faults.

The storms had most impact on overhead lines, which comprise some 63 % of Espoon Sähkö's network. Despite investments in underground cable, the proportion of overhead lines is declining so slowly that fast-acting remedies, such as widening overhead line clearings through forests, remain the most effective way of reducing disruptions caused by the weather.

Espoon Sähkö's operating area attracts competitors as well as new customers. Competition in the sale of electricity was particularly felt in the market for small-scale consumers, which underwent its first full year of

free competition. Customers' electricity supply contracts, metering arrangements and electricity balance management demanded a heavy commitment of resources. Espoon Sähkö responded by increasing the number of its customer service personnel during the year.

Operations prepared for the change of the millennium

The company made careful preparations for the change of the millennium. The Network Unit's IT systems were checked and upgraded to Y2K compliance in good time before the end of the year. The roll-over into the new millennium was uneventful thanks to the careful preparations.

Lighting the Way – and the Highway

The largest single project during the review period was building the road lighting for Highway 4 in pace with the rapid advance of the privately-funded highway construction project. Highway 4 between Lahti and Helsinki was completed roughly a year ahead of schedule, and so was the installation of road lighting and special lighting for the new highway. To speed up the project lampposts for the road lighting were even erected by helicopter, as well as by conventional truck lifters. The Contracting Unit installed the road lights for the highway and also did some of the design work.

Worksites in Greater Helsinki and its surrounds

One of the worksites in 1999 included Finland's largest: electrification of the Iso Omena shopping mall in Matinkylä and design of the street lighting for the Matinkyläntie and Olarinkatu streets leading to it. The

Contracting Unit also serviced the road lighting for the City of Espoo, and for the National Road Administration in Espoo, Kauniainen and Kirkkonummi, as well as the Helsinki-Lahti highway, during the review period.

Transformer substations were built or upgraded in Helsinki, Kirkkonummi town centre, and in the cities of Vantaa and Espoo.

Bright prospects for the future

The upswing in the Finnish economy stimulated construction, especially in Greater Helsinki, and substantially boosted demand for the electrification of projects during the review period. The regional concentration of this growth, however, intensified the prevailing competition.

Prospects for the coming year are bright as annual growth of 6 to 8 % is forecast in construction activity.

WHY ARE ELECTRICITY
AND HEAT
GENERATED TOGETHER?



Some power plants only generate electricity, while others also produce heat in addition. Recovering the heat produced in electricity generation for productive use almost doubles the efficiency of electricity generation. That saves fuel, reduces environmental impact and lowers costs.

Board of Directors' Report

Electricity consumption in Finland increased 1.6 % during 1999 and totalled 77.9 TWh (billion kWh). Growth was slower than in the previous year when electricity consumption rose 3.9 %.

Espoon Sähkö Oyj sold altogether 2.3 TWh of electricity during 1999, down 8 % on the previous year owing to a fall in trading volumes. On the other hand sales of electricity to end users outside the company's operating area increased. Comparisons of Espoon Sähkö's sales outside its operating area with sales by other companies within its operating area shows that Espoon Sähkö was again a net winner. The Company's own power plants generated roughly the same amount of electricity as in the previous year, 779 GWh, which represented 33 % (30 %) of the Company's total electricity purchases. Altogether 1,791 GWh of electricity was distributed within the Company's operating area, an increase of 4.3 %. Hence, growth by the Company in its own operating area was well above the national average.

Heat sales totalled 1,718 GWh in 1999, which was 1.3 % less than in the previous year. Heat consumption was approximately 11 % lower during an average year but almost as high as in 1998. The relatively rapid increase in the number of customers kept heat sales more or less unchanged. The number of properties connected to the Company's district heating network at the year end totalled 4,295, up approximately 5 %.

In January 1999 Espoon Sähkö Oyj and the city of Joensuu reached agreement on Espoon Sähkö Oyj's acquisition of the share capital of Joensuun Energia Oy for FIM 440 million. This transaction was legally endorsed on 4 February 2000, after which Joensuun Energia Oy became a wholly-owned subsidiary of Espoon Sähkö Oyj. Joensuun Energia Oy generated net sales of FIM 174.6 million in 1999 and a profit before appropriations and taxes totalling FIM 11.1 million. On 31 December 1999 its balance sheet totalled

FIM 334.4 million, liabilities were FIM 139 million and cash reserves were FIM 47 million.

In February 1999 Länsivoima Oyj acquired more than 1/5th of the Company's shares. Since April 1999 Länsivoima Oyj's holding in Espoon Sähkö Oyj has totalled 27.6 %. The city of Espoo did not sell any shares during 1999 and continues to be the Company's principal owner with a 68 % holding.

In June 1999 Helsingin Energia, Vantaan Energia Oy and Espoon Sähkö Oyj signed an agreement to evaluate the feasibility of cooperation. The purpose of the agreement is to identify and implement areas in which the parties could benefit from each other's expertise and resources. This process is still under way.

In August 1999 Espoon Sähkö acquired the shares of Koskelon Lämpö Oy together with its heating unit and equipment. Koskelon Lämpö produces 4.5 GWh of heat annually and has annual net sales of FIM 1 million.

The Company's subsidiary, Kirkkonummen Lämpö Oy, was merged with Espoon Sähkö on the balance sheet date.

The roll-over into the year 2000 proceeded with no disturbances to any of the Company's systems.

Sales

Espoon Sähkö Oyj's consolidated net sales decreased 5 % to FIM 840 (886) million. Electricity sales dropped 18 % to FIM 300 (368) million as a result of a decrease in the market price and reduced retail prices as well as lower trading volumes. The public electricity sales tariffs were reduced twice during 1999.

Electricity distribution sales rose 8 % to FIM 221 (204) million.

District heat sales remained roughly similar to the previous year's level totalling FIM 287 (288) million. Sales from other operations – construction and maintenance of external lighting, and sales of local heat and natural gas – amounted to FIM 32 (25) million.

The Company's operating expenses totalled FIM 563 (618). Energy expenses decreased 14 % to FIM 366 million, principally due to lower electricity purchases and price decreases. Lower coal prices also reduced fuel costs.

Operating expenses other than energy expenses amounted to FIM 197 (189) million. The 4 % increase was caused by higher personnel expenses and greater use of external services.

Performance

The Company's operating profit rose 9 % to FIM 183 (168) million and the profit before taxes increased 7 % to FIM 195 (183) million. Earnings per share totalled FIM 8.67 (8.32).

The main reasons underlying the Group's improved result were the continued success of its electricity trading activity and control of energy costs.

The Electricity Division was extremely successful during 1999. The pretax profit from electricity sales, net of the profit from network operations, remained good, totalling FIM 57.6 (56.7) million. This was the result of favourable electricity trading and success against intensifying competition.

The Network Division's pretax profit fell 6 % to FIM 81.1 (85.7) million. This was because increases in grid fees were not transferred in their entirety to tariffs.

Investments

FIM 368 (104) million was invested in fixed assets during 1999. The major investment of the year was the acquisition of Joensuu Energia for FIM 220 million. FIM 44 million of capital expenditure covered electricity network investments and FIM 40 million was invested in construction of the district heating network. Production investments totalled FIM 26 million.

Financing

The Company's financial position is strong. On 31 December 1999 interest-bearing debt totalled FIM 78 million while financial assets amounted to FIM 353 million. The solvency ratio was 51 % (52 %) at the end of the period. Financial income exceeded financial expenses by FIM 12 (15) million.

Other key indicators describing the Company's financial performance and information on the Company's shares are given elsewhere in this annual report.

Personnel

Personnel averaged 424 (416) during the year. The company had 387 (388) full-time employees at the year end..

Company administration

The Annual General Meeting of Espoon Sähkö Oyj was held on 8 April 1999.

The Meeting appointed the firm of public accountants Arthur Andersen Oy as the Company's auditors.

The Annual General Meeting authorized the Board of Directors for one year to repurchase at most 786,796 of the Company's own shares at their market value in public trading on the Helsinki Exchanges using distributable funds in order to strengthen the Company's capital structure.

Based on this authorization, the Company repurchased 101,086 Espoon Sähkö Oyj shares on the Helsinki Exchanges between 30 April and 31 December 1999 for an average price of EUR 21.77 per share (FIM 129.44 per share), totalling FIM 13.1 million. The shares owned by the Company represent 0.6 % of the total number of shares.

The Annual General Meeting approved amendments to the Articles of Association affecting the company's share capital and total number of shares as follows:

The Company's minimum share capital is EUR 3,400,000 and the maximum share capital is EUR 13,600,000. Within these limits the share capital may be raised or lowered without amending the Articles of Association. The Company shall have at least 10,000,000 and at most 40,000,000 shares.

The Annual General Meeting elected the following to the Supervisory Board for the next two-year term of office: Keijo Alho, Tuula Antola, Jukka Erävuori, Timo Haapaniemi, Taina Halonen, Erkki Hatakka, Sirpa Hertell, Matti Kaseva, Hans Korsbäck, Martti Merra, Leena Rehn and Pentti Rissanen.

The Supervisory Board elected Erkki Hatakka as its chairman and Martti Merra as the deputy chairman.

The Supervisory Board appointed the following to the Board of Directors for the next two-year term of office: Ulf Johansson, Martti Kaasinen, Anne Leppälä-Nilsson, Heidi Mikkola, Olli Männikkö, Marja Rahkonen, Yrjö Rossi and Jukka Uosukainen.

The Board of Directors elected Olli Männikkö as its chairman and Martti Kaasinen as the deputy chairman.

The Company issued no bonds with warrants or convertible bonds during the year. The Board of Directors has no authorization to issue shares.

Adoption of the euro

Espoon Sähkö Oyj will adopt the euro at the beginning of 2002. The Company is already prepared to handle sales invoicing and purchasing invoices in euro if customers or suppliers so request.

Insider guidelines

From March 2000 Espoon Sähkö has applied the insider guidelines issued by the Helsinki Exchanges on 28 October 1999.

Environmental report

Espoon Sähkö will publish a separate Environmental Report in March 2000. This will describe the Company's activities from the environmental perspective and provide information on the environmental impacts of energy generation, transmission and consumption.

Prospects for 2000

Electricity market prices are forecast to remain low in the Nordic electricity markets. This forecast is subject to a number of factors including the amounts of rainfall in the Nordic countries during the spring and summer. Electricity price margins are likely to get tighter in the future.

In its electricity business Espoon Sähkö Oyj will seek to increase its share of electricity end users. Nevertheless, the Electricity Unit is forecast to post a clearly lower profit this year owing to price trends and lower trading volume. The Network and District Heating units are forecast to increase sales volumes during 2000 as a result of growth prospects in the Company's own operating area.

Joensuun Energia Oy is forecast to return a slightly better result this year thanks to lower costs and benefits gained from synergies.

For the above reasons, Espoon Sähkö Group's result this year is expected to decline in the current period although this forecast depends on a number of external factors including how the Finnish economy and competitive environment develop.

Consolidated Income Statement 1 January–31 December

FIM/EUR 1 000	note	1999			1998		
		FIM	EUR	%	FIM	EUR	%
Net sales	1	840,262	141,322		885,869	148,993	
Other operating income	2	7,536	1,267		4,287	721	
Materials and services							
Energy and fuels	3						
Purchases during the year		355,915	59,861		411,168	69,153	
Change in fuel stocks		10,546	1,774		17,333	2,915	
Materials and supplies							
Purchases during the year		21,126	3,553		17,075	2,872	
Change in stocks		-1,280	-215		1,680	283	
External services		16,740	2,816		14,799	2,489	
Personnel expenses	4	109,152	18,358		105,977	17,824	
		-512,199	-86,146	61	-568,032	-95,536	64
Depreciation	5	-100,772	-16,949	12	-104,607	-17,594	12
Other operating expenses		-51,609	-8,680	6	-49,730	-8,364	6
Operating profit		183,218	30,815	22	167,787	28,220	19
Financial income and expenses	6						
Interest income		13,078	2,200		19,298	3,246	
Other financial income		3,690	621		1,271	214	
Interest expenses		-2,427	-408		-1,967	-331	
Other financial expenses		-2,221	-374		-3,211	-540	
		12,121	2,039		15,390	2,588	
Profit before taxes		195,339	32,854	23	183,177	30,808	21
Income taxes		-56,925	-9,574		-52,301	-8,796	
Change in deferred tax liability		-2,795	-470		216	36	
		-59,719	-10,044		-52,085	-8,760	
Net profit for the year		135,620	22,810	16	131,092	22,048	15

Consolidated Funds Statement 1 January–31 December

<i>FIM/EUR 1 000</i>	note	1999		1998	
		FIM	EUR	FIM	EUR
Cash flow from operating activities					
Operating profit		183,218	30,815	167,787	28,220
Adjustments to operating profit		100,772	16,949	104,607	17,594
Financial income and expenses		12,121	2,039	15,390	2,588
Taxes		-56,925	-9,574	-52,301	-8,796
Cash generated from operating activities, total		239,187	40,228	235,483	39,605
Increase (-) / decrease (+) in net working capital		2,400	404	-27,104	-4,559
Net cash from operating activities		241,586	40,632	208,379	35,047
Cash flow from investing activities					
Capital expenditure on fixed assets		367,935	61,882	103,456	17,400
Sale of fixed assets		-996	-168	-145	-24
Net cash used in investing activities, total		366,939	61,715	103,311	17,376
Cash flow before financing activities		-125,352	-21,083	105,068	17,671
Cash flow from financing activities					
Long-term loans, increase (+) / decrease (-)		22,303	3,751	18,053	3,036
Short-term loans, increase (+) / decrease (-)		57,259	9,630	-68,902	-11,588
Dividend distribution		-66,091	-11,116	-59,797	-10,057
Purchase of own shares		-13,084	-2,201	0	
Net cash used in financing activities, total		386	65	-110,646	-18,609
Net decrease in cash reserves		-124,966	-21,018	-5,578	-938
Cash reserves on 1 Jan.		478,208	80,429	483,786	81,367
Cash reserves on 31 Dec.		353,242	59,411	478,208	80,429
		-124,966	-21,018	-5,578	-938

Consolidated Balance Sheet

Assets FIM/EUR 1 000	note	31 Dec. 1999			31 Dec. 1998		
		FIM	EUR	%	FIM	EUR	%
Fixed assets	7						
Intangible assets							
Intangible rights		18,219	3,064		18,301	3,078	
Other long-term expenses		14,708	2,474		15,785	2,655	
		32,927	5,538	2	34,086	5,733	2
Tangible assets							
Land and water		56,327	9,473		54,513	9,168	
Buildings and structures		271,538	45,669		258,239	43,433	
Power and district heat equipment		148,763	25,020		153,716	25,853	
Transmission and distribution network		331,282	55,718		327,814	55,134	
District heating network		201,341	33,863		188,321	31,673	
Machinery and equipment		27,092	4,557		26,245	4,414	
Other tangible assets		1,719	289		1,346	226	
Advance payments and work in progress		32,198	5,415		23,116	3,888	
		1,070,260	180,005	56	1,033,311	173,790	59
Investments							
Other shares and holdings		9,934	1,671		6,505	1,094	
Other long-term investments		227,370	38,241		424	71	
		237,304	39,912	13	6,929	1,165	0
Fixed assets, total		1,340,492	225,455	71	1,074,325	180,689	61
Current assets	8						
Inventories							
Materials and supplies		10,473	1,761		8,001	1,346	
Work in progress		703	118		1,895	319	
Fuels		62,961	10,589		73,507	12,363	
		74,137	12,469	4	83,403	14,027	5
Receivables							
Accounts receivable		93,953	15,802		114,819	19,311	
Loans receivable		1,067	179		50	8	
Other receivables		25,968	4,368		0	0	
Prepaid expenses and accrued income		6,414	1,079		12,324	2,073	
		127,403	21,428	7	127,192	21,392	7
Financial assets							
Other securities		312,590	52,574	16	456,302	76,744	26
Cash in hand and at bank		40,652	6,837	2	21,906	3,684	1
Current assets, total		554,782	93,308	29	688,803	115,848	39
		1,895,273	318,762		1,763,128	296,537	

Consolidated Balance Sheet

Shareholders' equity and liabilities <i>FIM/EUR 1 000</i>	note	31 Dec. 1999			31 Dec. 1998		
		FIM	EUR	%	FIM	EUR	%
Shareholders' equity and liabilities	9						
Shareholders' equity		31,472	5,293		31,472	5,293	
Share capital		141,453	23,791		141,453	23,791	
Share premium fund		656,411	110,400		604,495	101,669	
Net profit for the year		135,620	22,810		131,092	22,048	
Shareholders' equity, total		964,957	162,294	51	908,512	152,801	52
Liabilities	10						
Long-term liabilities							
Connection charges		585,707	98,509		557,946	93,840	
Loans from financial institutions		14,059	2,365		19,517	3,283	
Other long-term loans		50	8		50	8	
Deferred tax liability		147,837	24,864		145,043	24,394	
		747,653	125,746	39	722,555	121,525	41
Short-term liabilities							
Loans from financial institutions		64,915	10,918		7,657	1,288	
Advances received		1,482	249		6,804	1,144	
Accounts payable		57,326	9,642		57,363	9,648	
Accrued expenses and prepaid income		29,884	5,026		24,622	4,141	
Other current liabilities		29,056	4,887		35,615	5,990	
		182,664	30,722	10	132,061	22,211	7
Liabilities, total		930,317	156,468	49	854,616	143,736	48
		1,895,273	318,762		1,763,128	296,537	

Parent Company's Financial Statements

Income Statement 1 January–31 December

<i>FIM 1 000</i>	note	1999	%	1998	%
Net sales	1	827,145		873,661	
Other operating income	2	3,664		1,038	
Materials and services					
Energy and fuels	3				
Purchases during the year		346,387		401,542	
Change in fuel stocks		10,546		17,333	
Materials and supplies					
Purchases during the year		21,332		16,279	
Change in stocks		-1,280		1,680	
External services		16,740		14,799	
Personnel expenses	4	109,152		105,964	
		-502,877	61	-557,599	64
Depreciation	5	-96,478	12	-97,802	11
Other operating expenses		-52,501	6	-52,567	6
Operating profit		178,953	22	166,730	19
Financial income and expenses	6				
Interest income		13,737		20,120	
Other financial income		3,690		3,613	
Interest expenses		-2,443		-2,044	
Other financial expenses		-2,221		-1,940	
		12,763	2	19,749	2
Profit before appropriations and taxes		191,715	23	186,479	21
Appropriations					
Change in depreciation difference		8,735		1,397	
Income taxes		-56,286		-52,706	
Net profit for the year		144,183	17	135,171	15

Funds Statement

<i>FIM 1 000</i>	note	1999	1998
Cash flow from operating activities			
Operating profit		178,953	166,730
Adjustments to operating profit		96,478	97,802
Financial income and expenses		12,763	19,749
Taxes		-56,268	-52,706
Cash generated from operating activities, total		231,926	231,575
Increase (-) / decrease (+) in net working capital		-2,606	-27,806
Net cash from operating activities		229,320	203,769
Cash flow from investing activities			
Capital expenditure on fixed assets		365,394	101,848
Sale of fixed assets		-970	-146
Net cash used in investing activities, total		364,424	101,702
Cash flow before financing activities		-135,104	102,067
Cash flow from financing activities			
Long-term receivables, increase (-) / decrease (+)		2,695	775
Long-term loans, increase (+) / decrease (-)		36,038	17,478
Short-term loans, increase (+) / decrease (-)		57,259	-68,902
Dividend distribution		-66,091	-59,797
Purchase of own shares		-13,084	0
Net cash used in financing activities, total		16,816	-110,446
Net decrease in cash reserves		-118,287	-8,378
Cash reserves on 1 Jan.		469,144	477,522
Cash reserves on 31 Dec.		350,857	469,144
		-118,287	-8,378

Parent Company's Balance Sheet

Assets					Shareholders' equity and liabilities						
<i>FIM 1 000</i>	note	1999	%	1998	%	<i>FIM 1 000</i>	note	1999	%	1998	%
Fixed assets	7					Shareholders' equity	9				
Intangible assets						Share capital		31,472		31,472	
Intangible rights		13,031		11,253		Share premium fund		141,453		141,453	
Other long-term expenses		20,047		15,776		Retained earnings		288,254		232,258	
		33,077	2	27,029	2	Net profit for the year		144,183		135,171	
Tangible assets						Shareholders' equity, total		605,362	32	540,354	31
Land and water		34,703		32,220		Accumulated appropriations		506,066	27	513,849	29
Buildings and structures		189,827		172,365		Liabilities	10				
Power and district heat equipment		148,764		153,716		Long-term liabilities					
Transmission and distribution network		331,282		327,814		Connection charges		585,024		542,175	
District heating network		201,573		181,451		Loans from financial institutions		14,059		19,517	
Machinery and equipment		26,430		25,860		Other long-term loans		50		50	
Other tangible assets		1,676		1,315				599,133	32	561,742	32
Advance payments and work in progress		32,198		23,116		Short-term liabilities					
		966,453	51	917,857	53	Loans from financial institutions		64,915		7,657	
Investments						Advances received		1,482		6,804	
Shares in Group companies		83,057		92,865		Accounts payable		58,767		56,874	
Receivables from Group companies		22,059		25,433		Accounts payable to Group companies		757		427	
Other shares and holdings		9,917		6,505		Accrued expenses and prepaid income		29,647		24,688	
Other long-term investments		227,370		330		Other current liabilities		29,462		34,954	
		342,403	18	125,133	7			185,030	10	131,404	8
Fixed assets, total		1,341,933	71	1,070,020	61	Liabilities, total		784,162		693,147	
Current assets	8							1,895,590		1,747,350	
Inventories											
Materials and supplies		10,473		8,001							
Work in progress		703		1,895							
Fuels		62,961		73,507							
		74,137	4	83,403	5						
Long-term receivables		1,067		50							
Short-term receivables											
Accounts receivable		95,490		112,590							
Receivables from Group companies		168		0							
Other receivables		25,968		10							
Prepaid expenses and accrued income		5,970		12,134							
		127,596	7	124,733	7						
Financial assets											
Other securities		312,590	16	451,507	26						
Cash in hand and at bank		38,268	2	17,637	1						
Current assets, total		553,657	29	677,330	39						
		1,895,590		1,747,350							

Accounting Principles

Consolidation

The consolidated financial statements include the parent company, Espoon Sähkö Oyj, and the subsidiaries Kirkkonummen Lämpö Oy, Koskelon Lämpö Oy, Kiinteistö Oy Piispankylä 4, Kiinteistö Oy Espoon Energiatalo, Viikinki Energia Oy, Espower Ab and Espower As, which are fully owned by the parent company. The consolidated financial statements have been prepared by combining the income statements and balance sheets of the parent company and its subsidiaries using the purchase method. Intragroup income and expenses, mutual receivables and liabilities, internal margins and the internal distribution of profits have been eliminated.

Exchange rate differences for loans in foreign currencies

Exchange rate differences related to loans and payments in foreign currencies are recorded in the income statement.

Depreciation according to plan

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

- buildings 25–40 years
- electricity and district heat network 20–30 years
- machinery and equipment 5–20 years
- other tangible assets 3–30 years
- goodwill on consolidation 5 years.

The difference between booked and planned depreciation is shown in the income statement as a change in the depreciation difference. Accumulated depreciation in excess of plan is shown under accumulated appropriations in the parent company's balance sheet.

Research and development expenses

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

Research and development expenses are minor.

Pension arrangements

Pension coverage for the Group's personnel, the members of the Board of Directors, the chairman and vice-chairmen of the Supervisory Board, and the President of the company has been arranged through pension insurance.

Extraordinary income and expenses

No extraordinary income or expenses were recorded during 1999.

Direct taxes

In the income statement direct tax for the year is shown separately from tax for previous years. The taxes are calculated as paid. The change in deferred tax liability is shown in the consolidated income statement and the deferred tax liability is shown in the consolidated balance sheet as a separate item under long-term liabilities.

Fixed assets and other long-term investments

Fixed assets have been entered in the balance sheet at direct acquisition cost less depreciation according to plan. Buildings include revaluations allowed by the Accounting Act, which are itemized in the notes to the financial statements.

Other long-term investments include the parent company's receivable in the subsidiary Kiinteistö Oy Espoon Energiatalo.

Inventories

Supply stocks are valued at the average acquisition cost. Fuel stocks (coal and oil stocks) have been evaluated according to direct acquisition cost on a FIFO-basis. Work in progress is valued at acquisition cost.

Work in progress related to non-core activities is booked under inventories.

Notes to the Financial Statements

Notes to the Income Statement <i>FIM 1 000</i>	Group		Parent company	
	1999	1998	1999	1998
1. Net sales				
Electricity and transmission	521,203	572,272	521,758	572,989
Heat	287,274	288,296	276,832	278,209
Other sales	31,786	25,302	28,554	22,463
Net sales, total	840,262	885,869	827,145	873,661
2. Other operating income				
Rents	3,879	3,656	417	407
Other income	3,657	630	3,247	630
Other operational income, total	7,536	4,287	3,664	1,038
3. Energy and fuels				
Purchasing of electricity	196,712	236,589	196,712	236,593
Purchasing of heat	8,298	9,354	390	1,625
Purchasing of fuels	150,905	165,224	149,285	163,324
Change in fuel stocks	10,546	17,333	10,546	17,333
Energy expenses, total	366,461	428,501	356,933	418,876
4. Personnel expenses				
Wages and salaries	82,936	80,347	82,925	80,344
Pension expenses	19,094	18,787	19,094	18,745
Other personnel expenses	7,122	6,842	7,133	6,875
Personnel expenses, total	109,152	105,977	109,152	105,964
Fees and other remuneration received by the members of the Board of Directors, the Supervisory Board and the President	1,014	1,109	1,003	1,096
Bonuses paid to management	150	75	150	75
Other remuneration	81,772	79,163	81,772	79,173
Remuneration, total	82,936	80,347	82,925	80,344

Pension commitments for employees have been taken care of through outside pension insurance.

Pension liabilities for Board members and the President:

The members of the Board of Directors and the President have pension benefits corresponding to those of other personnel.

Personnel on average

Salaried employees	328	319	328	319
Wage earners	96	97	96	97
	424	416	424	416

Notes

<i>FIM 1 000</i>	Group		Parent company	
	1999	1998	1999	1998
5. Depreciation				
Depreciation according to plan				
Other intangible rights	5,173	4,646	2,836	2,392
Other long-term expenditure	1,077	1,069	1,077	1,069
Buildings and structures	13,463	12,790	10,624	9,951
Power and district heat equipment	23,155	30,711	23,155	30,711
Transmission and distribution network	27,675	27,174	27,675	27,174
District heating network	22,943	22,215	21,377	20,664
Machines and equipment	6,878	5,642	6,675	5,501
Other tangible assets	408	359	399	340
Depreciation according to plan, total	100,772	104,607	93,817	97,802
Tax depreciation			85,082	96,405
Depreciation difference, total			-8,735	-1,397
Depreciation difference 1 Jan.			514,801	515,247
Change in depreciation difference			-8,735	-1,397
Depreciation difference of merged subsidiary			0	952
Depreciation difference 31 Dec.			506,066	514,801
Depreciation of merger loss			2,661	0
6. Financial income and expenses				
Interest income	13,078	19,298	13,737	20,120
Interest expenses	-2,427	-1,967	-2,443	-2,044
Net interest	10,652	17,330	11,294	18,076
Exchange rate gains	3,608	1,258	3,608	1,258
Exchange rate losses	-1,617	-1,872	-1,617	-1,872
Exchange rate difference	1,991	-615	1,991	-615
Other financial income	83	13	83	3,613
Other financial expenses	-604	-1,339	-604	-1,326
Other financial income and expenses	-522	-1,326	-522	2,287
Financial income and expenses, total	12,121	15,390	12,763	19,749
Intragroup financial income and expenses				
Interest income from Group companies			926	1,025
Interest expenses to Group companies			17	100

Notes to the Balance Sheet <i>FIM 1 000</i>	Group		Parent company	
	1999	1998	1999	1998
7. Fixed assets				
Intangible rights:				
Acquisition cost 1 Jan.	42,902	38,897	30,836	26,857
Increases 1 Jan.–31 Dec.	5,092	4,005	4,613	3,978
Decreases 1 Jan.–31 Dec.	0	0	0	0
Acquisition cost 31 Dec.	47,994	42,902	35,449	30,836
Accumulated planned depreciation 31 Dec.	29,774	24,601	22,418	19,583
Book value 31 Dec.	18,219	18,301	13,031	11,253
Other long-term expenditure:				
Acquisition cost 1 Jan.	23,808	22,516	23,781	22,498
Increases 1 Jan.–31 Dec.	0	1,283	8,009	1,283
Decreases 1 Jan.–31 Dec.	0	9	0	0
Acquisition cost 31 Dec.	23,808	23,808	31,789	23,781
Accumulated planned depreciation 31 Dec.	9,100	8,023	11,743	8,005
Book value 31 Dec.	14,708	15,785	20,047	15,776
Land and water areas:				
Acquisition cost 1 Jan.	54,513	53,416	32,220	31,124
Increases 1 Jan.–31 Dec.	1,814	1,097	2,482	1,097
Decreases 1 Jan.–31 Dec.	0	0	0	0
Acquisition cost 31 Dec.	56,327	54,513	34,703	32,220
Buildings and structures:				
Acquisition cost 1 Jan.	416,396	405,818	309,331	299,814
Increases 1 Jan.–31 Dec.	26,764	10,578	28,087	9,517
Decreases 1 Jan.–31 Dec.	1	0	1	0
Acquisition cost 31 Dec.	443,159	416,396	337,417	309,331
Accumulated planned depreciation 31 Dec.	171,620	158,157	147,590	136,966
Book value 31 Dec.	271,538	258,239	189,827	172,365
Power and district heating equipment:				
Acquisition cost 1 Jan.	519,869	507,198	519,437	506,889
Increases 1 Jan.–31 Dec.	18 262	12,691	18,263	12,567
Decreases 1 Jan.–31 Dec.	60	20	60	20
Acquisition cost 31 Dec.	538,071	519,869	537,639	519,437
Accumulated planned depreciation 31 Dec.	389,308	366,154	388,875	365,721
Book value 31 Dec.	148,763	153,716	148,764	153,716

Notes

<i>FIM 1 000</i>	Group		Parent company	
	1999	1998	1999	1998
Transmission and distribution network:				
Acquisition cost 1 Jan.	687,766	657,499	687,766	657,499
Increases 1 Jan.–31 Dec.	31,498	30,369	31,498	30,369
Decreases 1 Jan.–31 Dec.	355	101	355	101
Acquisition cost 31 Dec.	718,910	687,766	718,910	687,766
Accumulated planned depreciation 31 Dec.	387,628	359,953	387,628	359,953
Book value 31 Dec.	331,282	327,814	331,282	327,814
District heating network:				
Acquisition cost 1 Jan.	479,670	459,257	469,998	449,772
Increases 1 Jan.–31 Dec.	36,000	20,413	41,536	20,226
Decreases 1 Jan.–31 Dec.	37	0	37	0
Acquisition cost 31 Dec.	515,632	479,670	511,497	469,998
Accumulated planned depreciation 31 Dec.	314,291	291,348	309,924	288,547
Book value 31 Dec.	201,341	188,321	201,573	181,451
Machinery and equipment:				
Acquisition cost 1 Jan.	123,589	108,686	122,962	108,545
Increases 1 Jan.–31 Dec.	7,840	14,937	7,360	14,450
Decreases 1 Jan.–31 Dec.	115	34	115	34
Acquisition cost 31 Dec.	131,314	123,589	130,207	122,962
Accumulated planned depreciation 31 Dec.	104,222	97,344	103,777	97,102
Book value 31 Dec.	27,092	26,245	26,430	25,860
Other tangible assets:				
Acquisition cost 1 Jan.	4,470	4,324	4,420	4,324
Increases 1 Jan.–31 Dec.	781	146	761	96
Decreases 1 Jan.–31 Dec.	0	0	0	0
Acquisition cost 31 Dec.	5,251	4,470	5,181	4,420
Accumulated planned depreciation 31 Dec.	3,533	3,124	3,504	3,105
Book value 31 Dec.	1,719	1,346	1,676	1,315
Group intangible rights include goodwill on consolidation totalling FIM 5.2 million.				
From fixed assets				
Machinery and equipment's share of book value 31 Dec.	309,257	313,933	309,257	313,739

Stocks and other long-term investments

Shares in subsidiaries:	Number of shares	Holding, %	Book value
Kiinteistö Oy Piispankylä 4, Espoo	217,000	100	21,709
Kiinteistö Oy Espoon Energiatalo, Espoo	200	100	60,000
Viikinki Energia Oy, Espoo	100	100	100
Koskelon Lämpö Oy, Espoo	1,500	100	1,104
Espower Ab, Stockholm		100	69
Espower As, Oslo		100	75
			83,057

	Shareholders' equity	Profit/loss for the year
Kiinteistö Oy Piispankylä 4	23,802	576
Kiinteistö Oy Espoon Energiatalo	56,723	179
Koskelon Lämpö Oy	14	-1

Shares in other companies:

	Number of shares	Book value
Asunto Oy Espoon Etelätie 41	115	395
HEX Ltd, Helsinki Securities and Derivatives Exchange, Clearing House	20 000	300
Helsingin Puhelin Oyj	1 630	90
Helsingin Seudun Lämpövoima Oy	115	575
Innopoli Oy	2 465	198
Kiinteistö Oy Irmelinpesä	75	288
Interkraft Trading ASA	9 000	6 510
Tapiolan monitoimiareena Oy	14	700
Urbaanituuli Oy	20	200
Other companies		661
		9 917
Other investments		
Advance payment for acquisition of Joensuun Energia Oy		220 000
Other investments		7 370
		227 370

FIM 1 000	Group		Parent company	
	1999	1998	1999	1998
8. Inventories				
Materials and supplies	10,473	8,001	10,473	8,001
Work in progress	703	1,895	703	1,895
Fuels:				
Coal stocks	39,888	55,807	39,888	55,807
Oil stocks	23,073	17,700	23,073	17,700
Fuel stocks, total	62,961	73,507	62,961	73,507
Inventories, total	74,137	83,403	74,137	83,403

Notes

<i>FIM 1 000</i>	Group		Parent company	
	1999	1998	1999	1998
9. Shareholders' equity				
Share capital 1 Jan.	31,472	31,472	31,472	31,472
Share capital 31 Dec.	31,472	31,472	31,472	31,472
Share premium fund 1 Jan.	141,453	141,453	141,453	141,453
Share premium fund 31 Dec.	141,453	141,453	141,453	141,453
Profit from previous years 1 Jan.	735,587	664,291	367,429	292,055
Dividends	-66,091	-59,797	-66,091	-59,797
Purchase of own shares	-13,084	0	-13,084	0
Profit from previous years 31 Dec.	656,411	604,495	288,254	232,258
Profit for the year	135,620	131,092	144,183	135,171
	792,031	735,587	432,436	367,429
Shareholders' equity, total	964,957	908,512	605,362	540,354
Distributable funds in shareholders' equity	430,085	362,620	432,436	367,429
Accumulated appropriations				
Accumulated depreciation difference			506,066	513,849
Transfer to shareholders' equity	361,946	372,967		
Deferred tax liability	147,837	145,043		
Booked depreciation difference	509,784	518,009		
Change affecting net profit	-11,020	-556		
Change in deferred tax liability	2,795	-216		
Change in booked depreciation difference	-8,226	-772		
10. Liabilities				
Long-term liabilities				
Connection charges				
Electricity connection charges 1 Jan.	258,877	247,952	258,877	247,952
Increase	12,438	10,925	12,438	10,925
Electricity connection charges 31 Dec.	271,315	258,877	271,315	258,877
Heat connection charges 1 Jan.	294,051	279,346	280,961	266,745
Increase	15,211	14,705	27,618	14,216
Heat connection charges 31 Dec.	309,262	294,051	308,579	280,961
Natural gas connection charges 1 Jan.	5,018	4,932	2,337	2,337
Increase	111	86	2,793	0
Natural gas connection charges 31 Dec.	5,129	5,018	5,129	2,337

<i>FIM 1 000</i>	Group		Parent company	
	1999	1998	1999	1998
Connection charges, total 31 Dec.	585,707	557,946	585,024	542,175
Other non-interest-bearing liabilities	147,837	145,043	0	0
Interest-bearing liabilities	14,059	19,567	14,059	19,567
Short-term liabilities				
Non-interest-bearing liabilities	117,748	124,404	91,606	123,321
Interest-bearing liabilities	64,158	7,657	64,915	8,083
Interest-bearing liabilities, total	78,217	27,224	78,974	27,650
Receivables from and payables to Group companies:				
Receivables from Group companies:				
Long-term receivables			22,059	25,433
Short-term receivables			169	164
Payables to Group companies:				
Accounts payable			757	740
Repayment schedule for long-term loans:				
		Bank loans	Other loans	Total
Repayments 2000		5,458	0	5,458
Repayments 2001		35,187	0	35,187
Repayments 2002		35,187	0	35,187
Repayments 2003		1,796	0	1,796
Repayments 2004		1,347	0	1,347
Repayments 2005–		0	50	50
Total 31 Dec. 1999		78,974	50	79,024
Other notes				
<i>FIM 1 000</i>	1999	1998	1999	1998
11. Pledges and contingent liabilities				
Bank loans	8,530	12,493	8,530	12,493
Mortgages as security for loans	47,000	47,000	47,000	47,000
Pledges	30,448	27,459	30,448	27,459
Other collateral				
Leasing commitments	3,845	2,047	3,845	2,047
Commitment to pay the balance of the Joensuun Energia Oy acquisition price when transaction legally endorsed	220,000	0	220,000	0
12. Derivative contracts				

The value of power exchange and bilateral derivative contracts maturing between 2000 and 2005 totalled FIM –33 million on 31 December 1999.

Principles of Separation

Electricity companies are required by the Electricity Market Act to separate electricity sales, network operations and electricity generation from each other and from other activities in their financial accounts. The income statements and balance sheets for electricity sales and network operations are public information.

The basis for separate accounting at Espoon Sähkö is its unit organization. The income and expenses of the units are booked as they occur. The corporate services unit, which provides administrative and financial services for the Group, has reorganized and priced its services as separate products. The divisions pay for these services as they are used. Management overheads are allocated to the units in proportion to number of personnel.

In the balance sheets intangible and tangible assets, financial assets and long-term investments, inventories, sales receivables and deferred charges, and accounts payable and deferred liabilities are allocated as they occur. Shareholders' equity, provisions and loans were allocated in proportion to items on the assets side when the separation was first performed.

Planned depreciation is as follows: on buildings 25–35 years; on the transmission and distribution network, 20–30 years; and on machinery and equipment, 5–10 years.

Electricity and heat prices are based on market and reference prices.

From own cogeneration 759 GWh of electricity was transferred for sale at a price of FIM 84/MWh and 1,420 GWh of heat for FIM 98/MWh respectively.

Key financial indicators for Network operations

	1999	1998
Average personnel in network operations	134	137
Investments in distribution and transmission network, FIM	43,766	35,933
Other investments, FIM 1,000	9,438	7,652
Return on investment at balance sheet values (investment including connection charges), %	12.8	13.7
Return on investment when the network is valued at its technical current value and depreciation is calculated from replacement prices, %	6.6	7.1

Separated Income Statements 1 January–31 December 1999

<i>FIM 1 000</i>	Electricity sales		Network operations	
	1999	1998	1999	1998
Net sales	316 790	386 913	227 785	212 094
Other income	304	7	189	322
Energy and fuels	235 281	302 013	50 454	38 661
Materials and supplies	73	55	3 904	2 851
Personnel expenses	12 826	11 899	30 539	28 185
Depreciation	1 652	1 337	33 213	31 982
Other expenses	13 163	16 434	35 315	33 980
Expenses, total	262 994	331 739	153 425	135 659
Operating profit	54 100	55 181	74 549	76 756
Share of financial income and expenses	3 474	1 550	6 564	8 911
Profit before taxes	57 574	56 732	81 113	85 668
Taxes	16 121	15 885	22 712	23 987
Profit after taxes	41 453	40 847	58 401	61 681

Network operation's balance sheet on 31 December 1999

<u>Assets (FIM 1 000)</u>	1999	1998
Fixed assets		
Intangible assets	9 870	10 518
Tangible assets		
Transmission and distribution network	331 282	327 814
Other tangible assets, total	100 927	84 156
Tangible assets, total	432 209	411 969
Fixed assets, total	442 079	422 487
Current assets		
Inventories	5 952	4 469
Receivables	25 246	30 462
Share of other cash reserves	199 182	203 471
Current assets, total	230 381	238 403
Total	672 460	660 890
<u>Liabilities (FIM 1 000)</u>	1999	1998
Share of shareholders' equity and capital	369 318	371 014
Connection charges	271 315	258 877
Share of long-term liabilities	0	0
Share of current liabilities	31 827	31 000
Total	672 460	660 890

Key Indicators in Finnish Markka

Group Financial Development

	1995	1996	1997	1998	1999
Net sales, MFIM	707.7	809.4	835.8	885.9	840.3
Operating profit, MFIM	137.6	155.3	195.4	167.8	183.2
% of net sales	19.4	19.2	23.4	18.9	21.8
Profit before extraordinary items, MFIM	131.3	155.7	202.7	183.2	195.3
% of net sales	18.6	19.2	24.2	20.7	23.2
Profit before taxes, MFIM	131.3	155.7	202.7	183.2	195.3
% of net sales	18.6	19.2	24.2	20.7	23.2

Balance sheet, main items

Shareholders' equity, MFIM	632.7	726.2	837.2	908.5	965.0
Interest-bearing debt, MFIM	254.8	123.3	103.8	27.2	78.2
Interest-bearing debt/balance sheet total, %	15.6	7.6	5.9	1.5	2.0
Gross capital expenditure on fixed assets, MFIM	77.2	77.9	82.0	103.7	367.8
% of net sales	10.9	9.6	9.7	11.7	43.8
Balance sheet total, MFIM	1,630.7	1,630.0	1,770.9	1,763.1	1,895.3

Key figures

Return on investment, %	17.5	19.8	23.6	19.9	19.8
Return on shareholders' equity, %	14.0	16.5	18.6	15.0	14.5
Solvency ratio, %	38.8	45.0	47.6	51.7	51.0
Gearing, %	-9.6	-31.7	-45.4	-49.6	-28.5
Average personnel	422	413	412	416	424
Dividend, MFIM	18.9	34.6	59.8	66.1	68.0

Per share data

Earnings per share, MFIM	5.29	7.14	9.25	8.32	8.67
Dividend per share, MFIM	1.20	2.20	3.80	4.20	4.35
Dividend payout ratio, %	22.7	30.8	41.1	50.5	50.1
Price/earnings ratio (P/E)	11.9	14.3	13.0	14.2	15.8
Shareholders' equity per share, FIM	40.21	46.15	53.20	57.73	61.72
Adjusted number of shares	15,735,930	15,735,930	15,735,930	15,735,930	15,735,930
Number of shares at 31 Dec. (exclud. own shares)	15,735,930	15,735,930	15,735,930	15,735,930	15,634,844
Dividend yield, %	1.9	2.2	3.2	3.6	3.2
Share price on 31 Dec., FIM	63	102	120	118	137
Market capitalization, MFIM	991.4	1,605.1	1,888.3	1,856.8	2,138.1
Trading volume, 1,000	2,047	2,649	2,041	845	4,474
Trading volume, %	13.0	16.8	13.0	5.4	28.4

Key Indicators in Euro

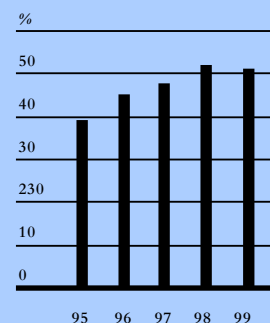
Group Financial Development

	1995	1996	1997	1998	1999
Net sales, MEUR	119.0	136.1	140.6	148.9	141.3
Operating profit, MEUR	23.1	26.1	32.9	28.2	30.8
% of net sales	19.4	19.2	23.4	18.9	21.8
Profit before extraordinary items, MEUR	22.1	26.2	34.1	30.8	32.9
% of net sales	18.6	19.2	24.2	20.7	23.2
Profit before taxes, MEUR	22.1	26.2	34.1	30.8	32.9
% of net sales	18.6	19.2	24.2	20.9	23.2
Balance sheet items					
Shareholders' equity, MEUR	106.4	122.1	140.8	152.8	162.3
Interest-bearing debt, MEUR	42.9	20.7	17.5	4.6	13.2
Interest-bearing debt/balance sheet total, %	15.6	7.6	5.9	1.5	2.0
Gross capital expenditure on fixed assets, MEUR	13.0	13.1	13.8	17.4	61.9
% of net sales	10.9	9.6	9.7	11.7	43.8
Balance sheet total, MEUR	274.3	274.1	297.8	296.5	318.8
Key figures					
Return on investment, %	17.5	19.8	23.6	19.9	19.8
Return on shareholders' equity, %	14.0	16.5	18.6	15.0	14.5
Solvency ratio, %	38.8	45.0	47.6	51.7	51.0
Gearing, %	-9.6	-31.7	-45.4	-49.6	-28.5
Average personnel	422	413	412	416	424
Dividend, MFIM	3.2	5.8	10.1	11.1	11.4
Per share data					
Earnings per share, EUR	0.89	1.20	1.56	1.40	1.46
Dividend per share, EUR	0.20	0.37	0.64	0.71	0.73
Dividend payout ratio, %	22.7	30.8	41.1	50.5	50.1
Price/earnings ratio (P/E)	11.9	14.3	13.0	14.2	15.8
Shareholders' equity per share, EUR	6.76	7.76	8.95	9.71	10.38
Adjusted number of shares	15,735,930	15,735,930	15,735,930	15,735,930	15,735,930
Number of shares at 31 Dec. (exclud. own shares)	15,735,930	15,735,930	15,735,930	15,735,930	15,634,844
Dividend yield, %	1.9	2.2	3.2	3.6	3.2
Share price on 31 Dec., MEUR	10.6	17.2	20.2	19.8	23.0
Market capitalization, MEUR	166.7	270.0	317.6	312.3	359.6
Trading volume, 1,000	2,047	2,649	2,041	845	4,474
Trading volume, %	13.0	16.8	13.0	5.4	28.4

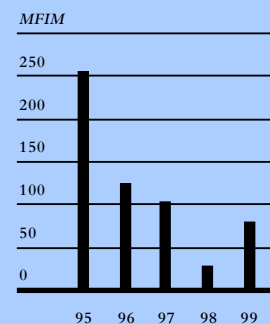
Principles of Calculation

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

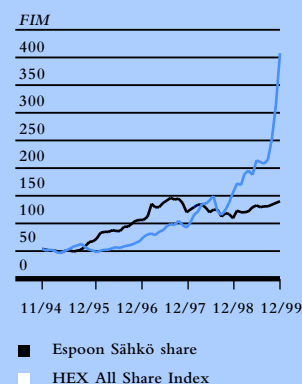
Solvency ratio



Interest-bearing liabilities

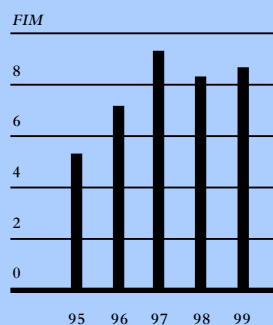


Share price

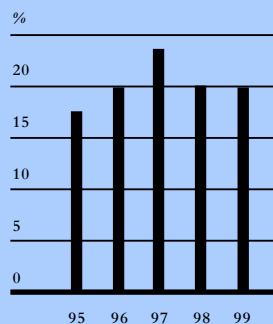


Shares and Shareholders

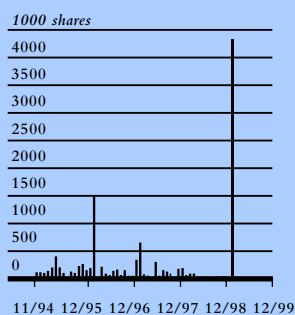
Earnings per share



Return on investment (ROI)



Trading



The company's registered and paid up share capital at the end of 1999 totalled FIM 31,471,860 and was divided into 15,735,930 shares. According to the Articles of Association the minimum share capital is EUR 3,400,000 and the maximum share capital is EUR 13,600,000 within which limits the share capital may be raised or lowered without amending the Articles of Association. The shares are all equal and each share entitles the holder to one vote at shareholders' meetings.

The shares are incorporated in the book-entry securities system maintained by the Finnish Central Securities Depository Ltd.

The Espoon Sähkö Oyj share was listed on the Helsinki Exchanges on 24 November 1994. During 1999 altogether 4,473,500 shares (28.4 % of the share stock) were traded on the Helsinki Exchanges for a total value of FIM 533,260,531. The average quoted price was EUR 20.05 (FIM 119.20) per share. The highest quoted price during the year was EUR 24.00 (FIM 142.70) and the lowest quoted price was EUR 19.29 (FIM 114.69). The closing price quoted on the balance sheet date was EUR 23.00 (FIM 136.75), according to which the market capitalization was EUR 360 million (FIM 2,138 million).

The Annual General Meeting on 8 April 1999 authorized the Board of Directors to buy back at most 786,796 of the Company's own shares in public trading on the Helsinki Exchanges. Between April and December the Company bought back altogether 101,086 of its own shares on the Helsinki Exchanges for FIM 13.1 million and at an average price of EUR 21.77 per share (FIM 129.44 per share). These shares carry no voting or dividend rights.

The company's Supervisory Board, the Board of Directors and the President together owned 1,000 Espoon Sähkö Oyj shares, which represented 0.01 % of the total number of shares and voting rights.

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

Shares and Shareholders

Shareholder groups on 31 December 1999

	Number of shareholders	% of shareholders	% of shares and votes
Companies	38	7.5	28.5
Financial and insurance institutions	1	0.2	0.0
Public entities	5	1.0	69.3
Non-profit organizations	14	2.8	0.3
Private households	446	88.1	0.6
Outside Finland ¹⁾	2	0.4	1.3
	506	100.0	100.0

¹⁾ Includes shares held in nominee accounts

Ownership distribution on 31 December 1999

	Number of shareholders	% of shareholders	% of shares and votes
1–100	277	54.8	0.1
101–1 000	195	38.5	0.5
1001–10 000	27	5.3	0.6
10001–100 000	3	0.6	1.2
10 0001–1 000 000 ¹⁾	2	0.4	1.9
1 000 001–	2	0.4	95.7
	506	100.0	100.0

¹⁾ Includes shares owned by Company and shares held in nominee accounts

Principal shareholders on 31 December 1999

	Number of shares	% of shares	% of votes
1. City of Espoo	10,703,717	68.0	68.5
2. Länsivoima Oyj	4,348,560	27.6	27.8
3. City of Helsinki	70,026	0.4	0.4
4. Municipality of Kirkkonummi	61,572	0.4	0.4
5. City of Kauniainen	60,417	0.4	0.4
6. Central Fund of the Evangelical Lutheran Church of Finland	10,000	0.1	0.1
7. Parish consortium of Turku and Kaarina	10,000	0.1	0.1
8. Pemarstock Oy	9,100	0.1	0.1
9. Scholarship fund of Helsinki University of Technology	7,200	0.0	0.0
10. Svenska Lantbrukproducenternas Centralförbund	7,000	0.0	0.0
Nominee-registered	204,950	1.3	1.3
Own shares owned by Company	101,086	0.6	
Principal shareholders, total	15,593,628	99.1	99.1

Board's Proposal on Distribution of Profit

The Group's non-restricted shareholders' equity according to the balance sheet on 31 December 1999 totalled FIM 792,031,255.98 which included distributable funds totalling FIM 430,084,858.81. Espoon Sähkö Oyj's non-restricted shareholders' equity was FIM 432,436,240.88, which included the profit for the year totalling FIM 144,182,528.56. The Board of Directors proposes to the Annual General Meeting that a dividend of FIM 4.35 per share totalling FIM 68,011,571.40 be distributed on the financial year 1 January – 31 December 1999 and that the sum of FIM 364,424,669.87 be carried forward to the retained earnings account.

Espoo, 1 March 2000

Olli Männikkö
Ulf Johansson
Anne Leppälä-Nilsson
Yrjö Rossi
Matti Manninen
President and CEO

Martti Kaasinen
Heidi Mikkola
Marja Rahkonen
Jukka Uosukainen

Auditor's Report

We have audited the accounting records, the financial statements and the administration of Espoon Sähkö Oyj for the accounting period from 1 January to 31 December 1999. The financial statements prepared by the Board of Directors and the President provide a review of operations together with an income statement, balance sheet and notes for the Group and parent company. Based on our audit we express an opinion on these financial statements and on the company's administration.

We have conducted the audit in accordance with the Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. The purpose of our audit of administration is to establish that the Supervisory Board, the Board of Directors and the President have legally complied with the rules of the Finnish Companies Act.

In our opinion the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations and financial position. The financial statements can be approved and the members of the Supervisory Board, the Board of Directors and the President can be discharged from liability for the financial period audited by us. The proposal made by the Board of Directors for the distribution of profit is in compliance with the Finnish Companies Act.

We have reviewed the income statements, balance sheet and supplementary information for the separated operations in the notes to the financial statements. In our opinion they have been prepared in accordance with the Electricity Market Act and the regulations and stipulations required by it.

Espoo, 3 March 2000

Arthur Andersen Oy
Authorized Public Accountants

Jarmo Lohi
Authorized Public Accountant

Supervisory Board's Statement

The Supervisory Board of Espoon Sähkö Oyj has examined the report of the Board of Directors, the financial statements and the auditors' report for the Company and the Group in 1999. The Supervisory Board proposes that the financial statements for the Company and the Group be approved and that the profits be used in the manner proposed by the Board of Directors.

Espoo, 8. March 2000

Erkki Hatakka
Chairman

Martti Merra
Deputy Chairman

Keijo Alho
Tuula Antola
Jukka Erävuori
Timo Haapaniemi
Taina Halonen

Sirpa Hertell
Matti Kaseva
Hans Korsbäck
Leena Rehn
Pentti Rissanen

Group Management

Supervisory Board

Chairman

Leena Luhtanen, 59 (1997–8 April 1999)

MSc (Pol.Sc.),

Member of Parliament

Chairman

Erkki Hatakka, 62 (8 April 1999–)

MSc

Deputy Chairman

Martti Merra, 40 (1997–)

LLM

Members

Keijo Alho, 63 (1997–)

Technician

Tuula Antola, 31 (8 April 1999–)

MSc (Eng.)

Taina Halonen, 40 (8 April 1999–)

MSc

Sirpa Hertell, 44 (8 April 1999–)

Secretary General

Hannu Ervamaa, 53 (1997–8 April 1999)

LLM

Jukka Erävuori, 63 (1993–)

MSc (Pol.Sc.)

Timo Haapaniemi, 43 (1993–)

Managing Director

Juhani Kangas, 55 (1997–8 April 1999)

Planning Director

Matti Kaseva, 52 (1997–)

Managing Director

Hans Korsbäck, 68 (1997–)

MSc (Eng.)

Leena Rehn, 54 (1993–)

Secretary

Pentti Rissanen, 56 (1997–)

Attorney-at-law

Mika Salonoja, 35 (1993–8 April 1999)

MSc (Eng.)

Personnel Representatives on the Supervisory Board

Markku Onnela, 55 (1993–8 April 1999)

Shift supervisor

Aimo Piispanen, 54 (1997–8 April 1999)

District heating fitter

Olavi Lahtinen, 44 (8 April 1999–)

Control room technician

Raimo Mattsson, 53 (8 April 1999–)

Installation manager

Auditors

Arthur Andersen Oy

Authorized Public Accountants

Jarmo Lohi

Authorized Public Accountant

Board of Directors

Chairman

Olli Männikkö, 55 (1989–)

B.S. in Soc.

Deputy Chairman

Martti Kaasinen, 57 (1985–)

Deputy Director

Members

Ulf Johansson, 58 (1997–)

Editor-in-Chief

Anne Leppälä-Nilsson, 46 (1993–)

Director

Heidi Mikkola, 53 (1997–)

Lic.Phil.

Marja Rahkonen, 54 (1997–)

Journalist

Yrjö Rossi, 49 (1992–)

Managing Director

Jukka Uosukainen, 45 (1997–)

Director General



Reija Väätäinen, Mauri Hätönen, Matti Manninen



Matti Kuusisto, Erkki Ala-Risku



Launo Koskinen, Seppo Alanen

Operational management

Matti Manninen, 46 (1993–)
MSc (Eng.)
President and CEO

Seppo Alanen, 54 (1999–)
MSc (Eng.)
Director, District Heating Unit

Erkki Ala-Risku, 53 (1994–)
BSc (Eng.)
Director, Electricity Unit

Mauri Hätönen, 46 (1994–)
MSc (Eng.)
Director, Network Unit

Launo Koskinen, 54 (1994–)
BSc (Eng.)
Director, Contracting Unit

Matti Kuusisto, 53 (1994–)
MSc (Eng.)
Director, Generation Unit

Reija Väätäinen, 44 (1996–)
MSc (Econ.)
Chief Financial Officer

We Care about Tomorrow – Our Sights Are Set on the Future

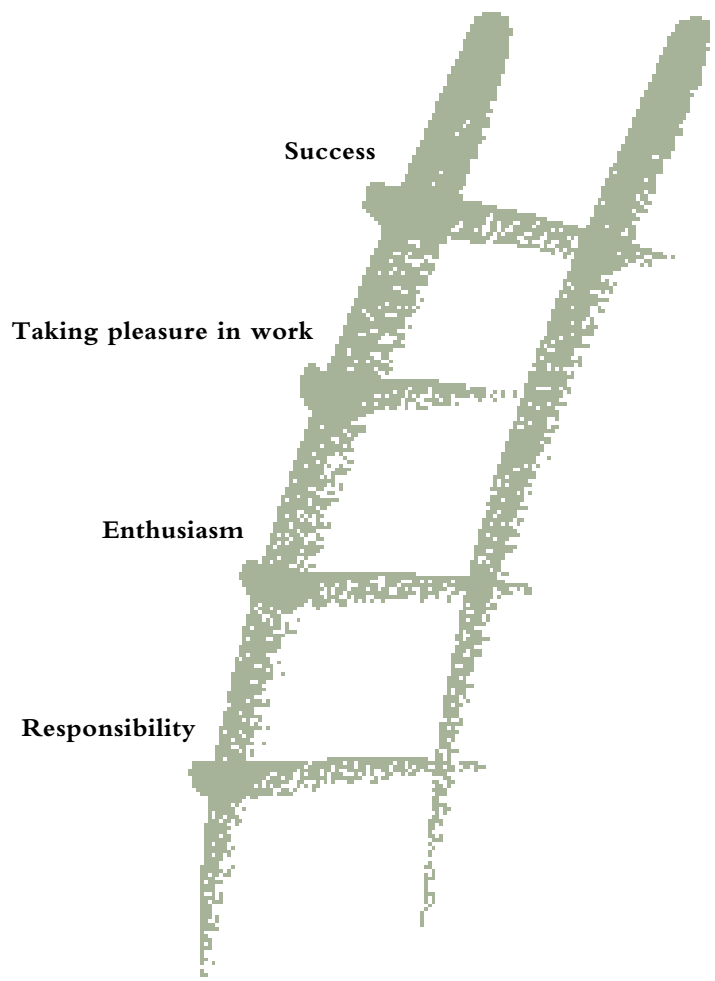
Espoon Sähkö's corporate values were first defined in 1994. In that year the company started a programme of action to renew its organization and operations in anticipation of the wide-ranging changes expected to take place in the energy sector. The programme placed high priority on sound performance, efficient business processes and customer service. The company's values were founded on these priorities and reflected the objectives of its management. The values were customer satisfaction, efficient operations, high quality, the company and its units will succeed together, and a spirit of enterprise.

The company's excellent financial performance and its pleasant working atmosphere gradually laid the groundwork for a new set of values. The process started with a seminar for personnel that reviewed the outlook in the sector, the company's strategies and its management policies. The company's personnel then met in smaller groups to consider what issues they felt would be important in the future. The material this process yielded was refined and summarized into a new set of values and its presentation. A major difference compared to the original values was the emphasis given to words describing the individual rather than terms reflecting the corporate and business goals. The company's new values – taking pleasure in work, enthusiasm, success and responsibility – demonstrate the genuine desire of our employees to contribute to making the company successful in an ever tougher business environment.

There were several reasons for this change and why it was possible. The company is financially sound and is well positioned for further success in the future. Its personnel are committed and motivated and work morale is high. Our business environment is becoming increasingly demanding, which further emphasizes the crucial importance of outstanding customer service. Changes in recent years within the company also provide a basis for reformulating our values. The number of employees has fallen by almost one quarter, profits have increased many times over, our productivity ratings are among the highest in our sector and our quality of operations has improved.

Not simply more and more intensively, but better! Through innovation, the joy of success, investing in our personal wellbeing and competences – these are the means that will enable us to maintain the spark of enthusiasm in our own teams and throughout the company.

Not simply more, or more
intensively – but better!



Matti Manninen

Personnel

The number of Espoon Sähkö's employees has remained fairly constant during the last few years. At the end of 1999, Espoon Sähkö's personnel totalled 424 people, of which 37 were in fixed-term employment. Some 76 people worked in supervisory or expert positions. Personnel turnover is typically low for the sector.

A survey of the atmosphere prevailing in the company was conducted for the fifth time. The survey ascertains the opinions of employees on the viability of the working community, the supervision and management in the company, and their level of job satisfaction. The response rate has always been good, and in 1999 it was 67 %. The results did not differ significantly from those for the previous year. Aspects that scored highly in the review included the clarity of objectives and values, the capability to respond to changes, customer-orientation and initiative. Room for improvement was perceived in management, decision-making and the bonus scheme. The supervisor training implemented within the company is expected to remodel management somewhat. More flexibility is also being built into the bonus system so that individual effort will be better rewarded. Improvement projects based on the results of the survey have been launched in the units and personnel will be informed of the progress of these projects in an internal publication issued every second week.

Apprentice training to improve professionalism

Espoon Sähkö has defined skilled personnel that actively participate in company activities as one of the key factors for its success. The rapid changes in the energy sector continuously set new requirements for the professional expertise of personnel and for the constant development of their expertise. Attracting skilled employees into the sector will also pose a considerable challenge over the next few years. One response to this challenge is apprentice training, which the company intends to increase in the near future. Six people started apprentice training as

electrical fitters during the review period. A skills survey of 65 power plant fitters was also conducted and the fitters have subsequently been provided with special courses to supplement their professional skills.

One consequence of rapid technical development is that a technician's qualification, although earlier well regarded, is no longer sufficient in working life. Eleven of Espoon Sähkö's technicians started a new form of training in the autumn in which they study for a BSc (Engineering) degree in addition to continuing their normal jobs. Some of the training is also done during normal working hours. A total of 30 technicians from different companies in the energy sector took part in the three-year pilot project. The training is linked as far as possible to the company's own projects so the company enjoys tangible benefits from the results and the training is practical and motivating.

Cooperative skills from management training

Personnel development is underpinned by annual development interviews with each employee. The personal interviews address targets, resources, professional development and training needs and also provide the employee and his/her superior with interactive feedback.

Management training for 70 supervisors and experts was completed in the spring. The training focused on enhancing customer orientation and cooperative skills while strengthening a unified method of management. The three-year course included a total of 9 training days and practical work-related tasks.

System work for developing training-related reporting procedures was started during the review period. The aim of reporting is primarily to make training more methodical and to assist supervisors in planning work and worksites by providing information about the personnel's skills. The new reporting system was introduced in January 2000. The total costs of personnel training in 1999 amounted to FIM 2.3 million. Each employee received an average of four days of training.

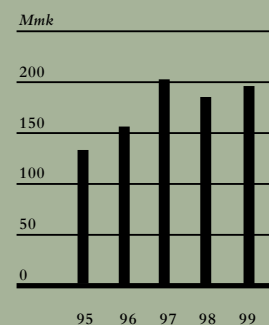
Händelser under året

- Esbo Elektriska Abp och Joensuu stad undertecknade den 14 januari 1999 ett avtal om köp av aktierna i Joensuun Energia Ab. Köpet trädde i kraft i februari 2000 och Joensuun Energia blev därmed ett helägt dotterbolag till Esbo Elektriska.
- Esbo Elektriska Abp, Helsingfors Energi och Vanda Energi Ab undertecknade den 24 juni 1999 ett avtal för att klargöra det inbördes samarbetet. Utredningsarbetet pågår fortfarande.
- Driftstart skedde i juli vid vattenkraftverket i Jockis.
- Vindkraftproduktionen vid Urbaanituuli Oy i Björneborg startade i juli. Esbo Elektriska äger bolaget tillsammans med nio andra energibolag.
- Esbo Elektriska köpte aktierna i Koskelon Lämpö Oy och en värmecentral i Esbo i augusti.

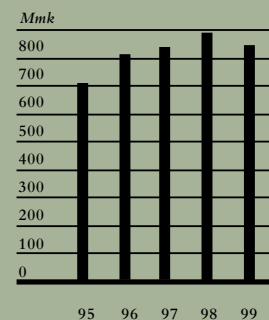
Nyckeltal 1999

	1999	1998	Förändring, %
Omsättning, Mmk	840,3	885,9	-5,1
Rörelsevinst, Mmk	183,2	167,8	9,2
Resultat före skatter, Mmk	195,3	183,2	6,6
Resultat per aktie (EPS), mk	8,67	8,32	4,2
Avkastning pp investerat kapital (ROI), %	19,8	19,9	-0,5
Soliditet, %	51,0	51,7	-1,4
Antal fast anställda per 31.12.	387	388	-0,3

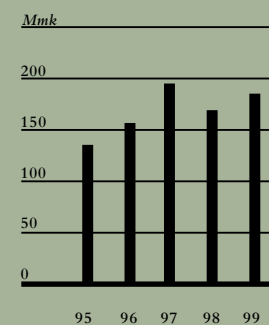
Resultat före skatter



Omsättning



Rörelsevinst



Verkställande direktörens översikt

Antalet kunder i företaget ökade med tretusen elköpare under året 1999.

Konkurrensläget inom energiområdet fortsatte att förändras under 1999. Ett flertal företagsförvärv genomfördes och allianser förbereddes. Internationella företag ökade märkbart sina investeringar i finländska energiföretag. När det gäller regleringen av elmarknaden var två frågor föremål för diskussion, nämligen en rimlig avkastning på överföring av el och nivån på redovisningen inom kommunala affärsverk. Lösningarna på dessa frågor och deras effekter på verksamheten i branschen börjar klara först när de slutliga besluten om dessa fattats.

Prisförändringarna för bränslen som används inom energiproduktionen var påfallande stora och oenhetliga under 1999. Priset på stenkol sjönk under året med cirka 3–8 procent beroende på hur stor andel som utgjordes av bränsleskatt, medan oljepriset i Finland steg med över 50 procent under samma period. Oljan står bara för omkring 6 procent av Esbo Elektriskas bränsleanvändning. Priset på olja medför dock att priset i långsiktiga inköpsavtal för naturgas drivs upp. I det stora hela bidrar prisförändringarna till att sänka bränslekostnaderna för energiproduktion vid Esbo Elektriskas kraftverk. Kostnaderna för värmeproduktion vid särskilda värmecentraler steg däremot.

Esbo Elektriska förbättrade sitt resultat före skatter med 12 miljoner mark från året innan. Det goda resultatet beror framför allt på att Affärsområde el hade ett framgångsrikt år, vilket i sin tur baserade sig på effektivitet inom främst elinköp och tradinghandel med el. Också kundanskaffningen gav resultat: antalet kunder i företaget ökade under räkenskapsåret med tretusen nya elköpare. Andra positiva faktorer var den snabba volymtillväxten i överföringen av el och de sjunkande produktionskostnaderna för energi, vilket berodde på att priset på bränsle för Esbo Elektriskas kolkraftverk gick ned.

Aktieaffären mellan Esbo Elektriska och Joensuu stad i januari 1999 slutfördes i början av innevarande år, när Joensuun Energia blev ett dotterbolag till Esbo Elektriska. Joensuun Energia bidrar till att öka koncernens omsättning med en femtedel.

Det skedde en förändring i Esbo Elektriskas koncernstruktur vid årsskiftet, när Kirkkonummen Lämpö Oy Ab fusionerades med Esbo Elektriska. I och med detta slutfördes en lång process som startade redan på 1960-talet och syftade till att bygga upp ett integrerat energibolag som omfattar Esbo Elektriskas nuvarande verksamhetsområde.

Även bolagets ägarstruktur har förändrats. Ägandet blev i hög grad koncentrerat i februari 1999 när Länsivoima Oyj köpte 26,4 procent av aktiestocken i Esbo Elektriska. Aktieinnehavet i bolaget är nu starkt koncentrerat till de två största ägarna, vilka tillsammans innehar 95,7 procent av samtliga aktier. Aktiens likviditet har därför varit mycket låg. Ombildningen av ägarbasen har inte påverkat Esbo Elektriskas verksamhet, utan företaget har fortsatt att genomföra sin affärsstrategi och att utveckla sin verksamhet utifrån tidigare förutsättningar.

Det har skett snabba förändringar på energiområdet under de senaste åren och dessa pågår fortfarande. Företagskoncentration, internationalisering, en bredare konkurrens och en närmare precisering av den reglering som gäller branschen kommer att vara starka drivkrafter också framöver. Esbo Elektriska har som mål att växa såväl organiskt som genom allianser och förvärv av ägarandelar. Det är främst genom förbättrad kundservice, effektivitet och ett utnyttjande av stordriftsfördelar som vi kan möta de utmaningar som en hårdnande konkurrens medför.

Jag vill framföra mitt tack till våra medarbetare för ett gott operativt och ekonomiskt resultat samt engagerade arbetsinsatser. Eftersom vår bransch förändras snabbt är det nödvändigt att ha denna attityd. Vi har hittills lyckats bra. Vi bygger vår verksamhet på den erfarenhet som vi förvärvat och på de värden som vi omformulerat till: arbetsglädje, entusiasm, ansvar och framgång. Kunderna skall få en god service av hög kvalitet och vi skall ha en innovativ produktutveckling. Dessa mål är konkretare och mer förpliktande än tidigare för oss alla.

Matti Manninen, verkställande direktör

Styrelsens verksamhetsberättelse

Verksamhetsberättelse för koncernen

Elförbrukningen växte i Finland med 1,6 % under 1999 till totalt 77,9 TWh. Ökningen var långsammare än året innan; under 1998 steg konsumtionen av el med 3,9 %.

Esbo Elektriska Abp:s elförsäljning under 1999 uppgick till totalt 2,3 TWh, vilket var en nedgång med 8 % jämfört med föregående år. Detta berodde på minskade volymer för tradinghandeln med el. Antalet slutanvändare utanför eget koncessionsområde ökade. När man jämför Esbo Elektriskas försäljningsvolymer utanför eget område med andra företags försäljningsvolymer inom vårt område, kan vi konstatera att vi fortfarande är nettovinnare. Den el som producerades vid företagets egna anläggningar var av samma storleksordning som året innan och utgjorde 779 GWh. Egen elproduktion stod för 33 % (30 %) av den totala elanskaffningen. Överföringen av el inom eget koncessionsområde uppgick till 1 791 GWh, en ökning med 4,3 %. Tillväxten inom eget koncessionsområde är alltså klart större än riksgenomsnittet

Försäljningen av fjärrvärme under 1999 utgjorde totalt 1 718 GWh, vilket var en minskning med 1,3 % jämfört med året innan. Behovet av uppvärmning var 11 procent lägre på helårsbasis än under ett genomsnittsår, men nästan lika stort som föregående år. Den relativt snabba ökningen av antalet kunder gjorde att försäljningsvolymen låg kvar på så gott som samma nivå som året innan. Antalet fastigheter som anslutits till fjärrvärm nätet uppgick till 4 295 i slutet av året, vilket var en ökning med cirka fem procent.

Esbo Elektriska Abp och Joensuu stad undertecknade i januari 1999 ett avtal, enligt vilket hela aktiestocken i Joensuu Energia Oy såldes till Esbo Elektriska Abp. Köpeskillingen för aktierna var 440 milj. mark. Köpet trädde i kraft den 4 februari 2000, när Joensuun Energia Oy blev ett dotterbolag till Esbo Elektriska Abp. Joensuun Energia hade en omsättning på 174,6 milj. mark under 1999 och en vinst före bokslutsdispositioner och skatter på 11,1 milj. mark. Balansomslutningen per 31 december 1999

uppgick till 334,4 milj. mark, skulderna till 139 milj. mark och de likvida medlen till 47 milj. mark.

I februari 1999 förvärvade Länsivoima Oyj mer än en femtedel av bolagets aktier. Länsivoimas ägarandel har sedan april 1999 varit 27,6 %. Esbo stad avyttrade inga aktier under 1999 och är fortsättningsvis huvudägare i bolaget med ett innehav på 68 %.

I juni undertecknade Helsingfors Energi, Vanda Energi Ab och Esbo Elektriska Abp ett avtal för att klargöra det inbördes samarbetet. Avsikten med detta avtal är att försöka finna och bygga upp sådana samarbetsmodeller och verksamhetsformer där man kan ta tillvara parternas kunskaper och resurser. Utredningsarbetet pågår fortfarande.

Esbo Elektriska förvärvade i augusti aktierna i Koskelon Lämpö Oy och den värmecentral och annan utrustning som är i verksamhet inom koncessionsområdet. Koskelon Lämpö har en värmeförsäljning på 4,5 GWh per år och en omsättning på en miljon mark.

Kyrksläatts Värme Ab som ägs av Esbo Elektriska Abp hade på bokslutsdagen blivit fusionerat med bolaget.

Övergången till år 2000 skedde utan problem för något av bolagets system.

Försäljningsutveckling

Koncernen Esbo Elektriskas omsättning minskade med 5 % till 840 (886) milj. mark. Omsättningen för Affärsområde el gick ned med 18 % till 300 (368) milj. mark. Orsaken till den minskade elförsäljningen var att volymen för tradinghandeln gick ned och att marknadspriset sjönk samt att rabatter beviljades inom minut-handeln. De officiella eltarifferna sänktes två gånger under 1999 på grund av konkurrensläget.

Omsättningen för elöverföring växte med 8 % till 221 (204) milj. mark.

Omsättningen för fjärrvärme låg kvar på samma nivå som föregående år och utgjorde 287 (288) milj. mark. Omsättningen för övrig verksamhet som består av anläggande och underhåll av utomhusbelysning samt

försäljning av närvärme och naturgas uppgick totalt till 32 (25) milj. mark.

Koncernens kostnader uppgick totalt till 563 (618) milj. mark. Kostnaderna för energi sjönk med 14 % jämfört med året innan till 366 milj. mark. Den främsta orsaken till nedgången var att volymen för inköpt el minskade och att priset sjönk jämfört med föregående år. Även bränslekostnaderna för egen energiproduktion gick ned till följd av ett fördelaktigare pris.

Andra kostnader än energikostnader uppgick totalt till 197 (189) milj. mark. Till ökningen på fyra procent bidrog dels högre personalkostnader, dels en ökad användning av externa tjänster.

Resultatutveckling

Koncernens rörelsevinst steg med 9 % till 183 milj. mark och koncernens resultat före skatter ökade med 7 % till 195 (183) milj. mark. Resultatet per aktie var 8,67 (8,32) mark.

Resultatförbättringen för koncernen berodde främst på den fortsatta framgången inom elhandeln och kontroll av energikostnaderna.

Affärsområde el hade ett mycket framgångsrikt år. Resultatet före skatter för renodlad elförsäljning låg kvar på samma goda nivå som året innan och uppgick till 57,6 (56,7) milj. mark. Den fortsatt goda resultatnivån var en följd av en lyckad tradinghandel med el och en framgångsrik verksamhet trots ett hårdare konkurrensläge.

Affärsområde nät redovisade ett resultat före skatter som var 6 % lägre än föregående år och det uppgick till 81,1 (85,7) milj. mark. Detta berodde på att de höjda avgifterna för stamnät inte kunde kompenseras fullt ut genom högre tariffer.

Investeringar

Investeringarna i anläggningstillgångar uppgick totalt till 368 (104) milj. mark under 1999. Den mest betydande investeringen var köpet av aktierna i Joensuu Energia, av

vilket 220 milj. mark hänfördes till 1999. Av investeringarna användes 44 milj. mark till investeringar i elnät. I anläggning av fjärrvärmenät investerades 40 milj. mark. De produktiva investeringarna uppgick totalt till 26 milj. mark.

Finansiering

Koncernen hade en god finansiell ställning. De räntebärande nettoskuldena per 31 december 1999 uppgick till 78 milj. mark och de likvida medlen till 353 milj. mark. Soliditeten uppgick i slutet av 1999 till 51 % (52) %. Koncernens finansiella intäkter översteg de finansiella kostnaderna med 12 (15) miljoner mark.

Övriga nyckeltal som beskriver bolagets ekonomiska utveckling och aktiespecifika nyckeltal finns på ett annat ställe i denna årsredovisning.

Personal

Antalet anställda uppgick i medeltal till 424 (416) under verksamhetsåret. Fast anställda i slutet av året var 387 (388) personer.

Företagets förvaltning

Esbo Elektriska Abp:s ordinarie bolagsstämma hölls den 8 april 1999.

Stämman valde CGR-samfundet Arthur Andersen Oy till revisor.

Bolagsstämman gav styrelsen bemyndigande att under ett år förvärva högst 786 796 stycken egna aktier med bolagets utdelningsbara medel till dagens kurs genom offentlig handel på Helsingfors Börs i avsikt att utveckla bolagets kapitalstruktur.

Enligt bolagsstämmans beslut förvärvade bolaget 101 086 egna aktier via Helsingfors Börs under perioden 30 april–31 december 1999 till en medelkurs av 21,77 euro per aktie (129,44 mk per aktie) eller för sammanlagt 13,1 miljoner mark. Bolagets innehav av egna aktier motsvarar 0,6 procent av aktiestocken.

Vid ordinarie bolagsstämman företogs vissa ändringar av bolagsordningen i fråga om aktiekapitalets

Styrelsens verksamhetsberättelse

storlek och antalet aktier enligt följande: Bolags aktiekapital skall utgöra lägst 3 400 000 euro och högst 13 600 000 euro. Aktiekapitalet kan inom dessa gränser ökas eller nedsättas utan ändring av bolagsordningen. Antalet aktier uppgår till lägst 10 000 000 och högst 40 000 000 stycken.

Följande personer valdes till medlemmar av förvaltningsrådet för nästa mandatperiod på två år: maskintekniker Keijo Alho, diplomingenjör Tuula Antola, politices magister Jukka Erävuori, verkställande direktör Timo Haapaniemi, politices magister Taina Halonen, politices magister Erkki Hatakka, generalsekreterare Sirpa Hertell, verkställande direktör Matti Kaseva, diplomingenjör Hans Korsbäck, vicehäradshövding Martti Merra, arbetsmarknadsekreteraren Leena Rehn och vicehäradshövding Pentti Rissanen.

Förvaltningsrådet utsåg politices magister Erkki Hatakka till ordförande och vicehäradshövding Martti Merra till vice ordförande.

Förvaltningsrådet valde följande personer till styrelsemedlemmar för nästa mandatperiod på två år: chefredaktör Ulf Johansson, biträdande direktör Martti Kaasinen, direktör Anne Leppälä-Nilsson, filosofie licentiat Heidi Mikkola, socionom Olli Männikkö, redaktör Marja Rahkonen, verkställande direktör Yrjö Rossi och diplomingenjör Jukka Uosukainen.

Styrelsen utsåg socionom Olli Männikkö till ordförande och biträdande direktör Martti Kaasinen till vice ordförande.

Bolaget har inte emitterat optionsbevis eller konvertibla skuldebrevslån. Styrelsen har inget emissionsbemyndigande av bolagsstämman.

Övergången till euro

Koncernen Esbo Elektriska kommer att övergå till euro från början av år 2002. Kundfakturering och betalning av inköpsfakturor kan redan nu ske i euro om kunden eller leverantören så önskar.

Insiderregler

Esbo Elektriska följer från den 1 mars 2000 de insiderregler för personer med insynställning som Helsingfors Börs utfärdade den 28 oktober 1999.

Miljöredovisning

Esbo Elektriska ger ut en separat miljöredovisning i mars 2000. Den beskriver företagets miljöarbete och innehåller data om miljöpåverkan av produktion, överföring och användning av energi.

Utsikter för år 2000

Prognosen tyder på ett lågt marknadspris på el i Norden. Bland annat regnmängderna i de nordiska länderna under nästa vår och sommar är av stor betydelse när det gäller förändringar av prisprognosema. Prismarginalerna inom elhandeln kommer sannolikt att fortsätta att krympa.

När det gäller Affärsområde el har Esbo Elektriska Abp som mål att öka försäljningen framför allt till slutkunder och därmed öka marknadsandelen inom detta segment. Resultatet för Affärsområde el kommer på grund av prisutvecklingen och den minskade tradinghandeln att bli klart lägre under innevarande år än 1999. Försäljningsvolymerna för Affärsområde nät och enheten värme förutspås öka under år 2000 jämfört med förra året till följd av tillväxtutsikterna för vårt distributionsområde.

Resultatnivån för Joensuun Energia förutses stiga något jämfört med året innan som följd av lägre kostnader och möjligheterna att ta tillvara synergifördelar.

På grund av nämnda omständigheter väntas koncernen Esbo Elektriska uppvisa ett resultat för innevarande räkenskapsår som ligger under nivån för 1999. Utfallet beror dock på många utomstående faktorer såsom den allmänna konjunkturutvecklingen och hur konkurrensläget utvecklas.

Information for Shareholders

Shareholders' meeting

The Annual General Meeting of Espoon Sähkö Oyj will be held on Thursday 6 April 2000, beginning at 3.00 pm at the Company's head office, Piispanportti 10, Espoo, Finland.

To be entitled to attend the Annual General Meeting, shareholders must be registered in the Company's list of shareholders maintained by the Finnish Central Securities Depository no later than 31 March 2000. Shareholders whose shares have not yet been transferred to book-entry accounts are also entitled to attend the Meeting provided they were registered in the Company's share register before 30 September 1994. In this case shareholders must present their share certificates or other evidence that the right to shares has not been transferred to a book-entry account.

Shareholders wishing to attend the Annual General Meeting must notify the Company by 3.00 pm (Finnish time) on 4 April 2000 either in writing to Espoon Sähkö Oyj, Share Register, P.O. Box 109, FIN-02201 Espoo, Finland; or by telephone to +358 205 205 901. Shareholders wishing to vote at the meeting by proxy are kindly requested to ensure that the Company receives their letters of authorization before the period of notification expires.

Payment of dividends

The Board of Directors will propose to the Annual General Meeting that a dividend of FIM 4.35 per share be distributed for the financial year 1999. The record date for dividend payment will be 11 April 2000 and the payment date will be 18 April 2000.

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

Financial publications in 2000

The annual report is also available in English and Finnish in pdf-format on the Company's Internet pages.

Espoon Sähkö Oyj will publish interim reports on the first four months of the year on 8 June 2000 and on the first eight months of the year on 12 October 2000.

To receive the Company's financial reports, please contact: Espoon Sähkö Oyj, Piispanportti 10, P.O.Box 109, FIN-02201 Espoo, Finland. Phone +358 205 2050, fax +358 205 205 888, Internet address: <http://www.esoy.fi/> feedback.

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