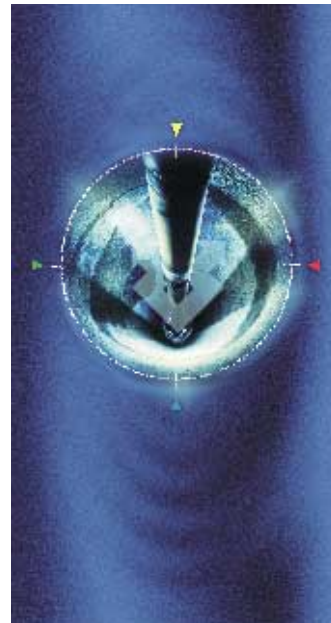
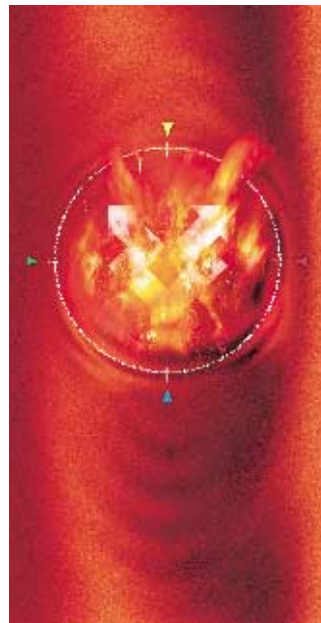
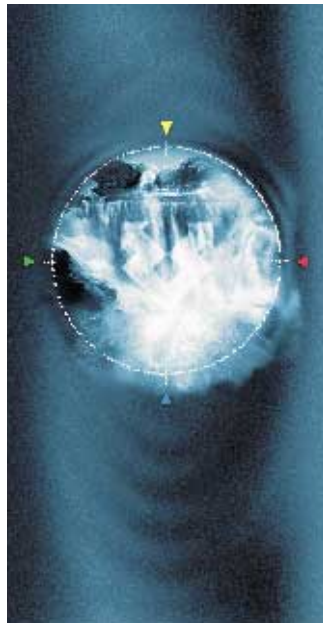


# POHJOLAN VOIMA

## Annual Report 1999



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## The Annual General Meeting

The Annual General Meeting of Pohjolan Voima Oy will be held on Thursday, 27 April 2000 at 10 am in Mikonkatu 15A, 00100 Helsinki.



## CHANGE IS AN OPPORTUNITY. CHANGING IS ESSENTIAL.

### **OPERATING IDEA**

The Pohjolan Voima Group is a privately-owned group of energy sector companies, which generates and purchases power and heat for the shareholders. It also provides services within its sector for European clients, primarily in Finland and its neighbouring regions.

Ability and long-term commitment are required to ensure future operating conditions in the energy field.

In 1999, Pohjolan Voima's energy generating operations and service operations in the energy sector, were divided into separate business areas. This established good conditions for continuous improvement in the cost-effectiveness of production, for developing expertise and for motivating the personnel. Growth prospects in both business areas are favourable.

Co-operation began between Pohjolan Voima and TXU Europe. This opens up significant new opportunities in the Nordic countries and in the evolving European Union energy market.

As a whole, Pohjolan Voima will be developed into an international operator, able to offer its shareholders and other customers competitive energy solutions, through a wide range of power sources.

We seek to provide energetic people with opportunities to develop, to grow, and to forge diversified careers.

# KEY FIGURES 1999

|                                     | 1999    | 1998    | 1997    | 1996    |
|-------------------------------------|---------|---------|---------|---------|
| Turnover M€                         | 518,5   | 568,1   | 583,3   | 679,0   |
| Operating profit M€                 | 65,9    | 89,5    | 76,9    | 112,7   |
| Net interest bearing liabilities M€ | 758,2   | 873,6   | 942,2   | 1 006,3 |
| As percentage of turnover %         | 146     | 154     | 162     | 148     |
| Equity to assets ratio %            | 49      | 46      | 42      | 40      |
| Total assets M€                     | 2 220,0 | 2 300,7 | 2 346,7 | 2 422,4 |
| Investments M€                      | 36,8    | 74,7    | 233,8   | 123,6   |
| Personnel, average                  | 1 454   | 1 421   | 1 419   | 1 397   |

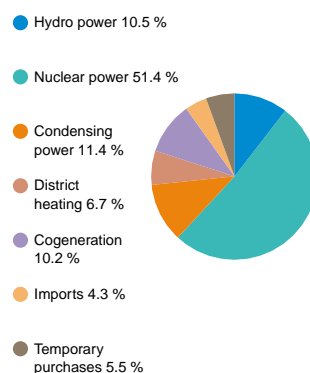
## POWER PLANTS

- Hydro power plant
- Nuclear power plant
- Peat-fired power plant
- Biofuel-fired power plant
- Natural gas-fired power plant
- Coal-fired power plant
- Oil-fired power plant (boiler)

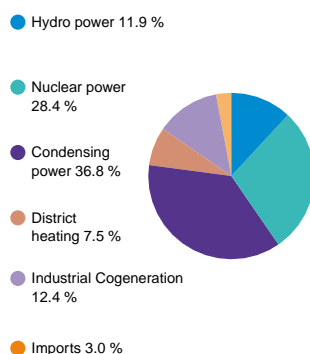
PVO's own power plants are marked in red



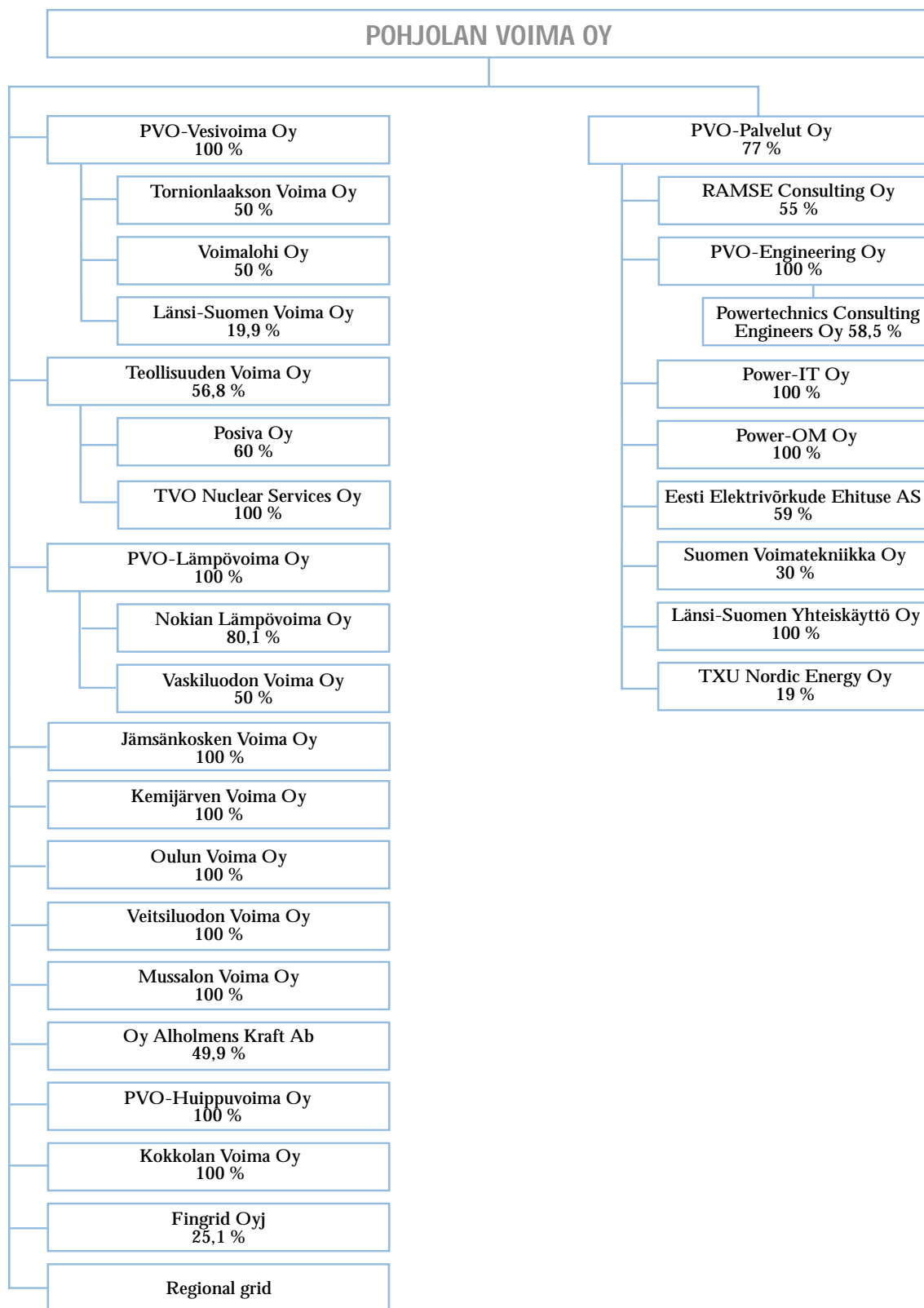
## POHJOLAN VOIMA ELECTRICITY SUPPLY 1999 – 15 716 GWh



## POHJOLAN VOIMA GENERATING CAPACITY 1999 – 3 360 MW



# COMPANY STRUCTURE 1.4.2000



# PRODUCTION AND SERVICES

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## HYDRO POWER



Pohjolan Voima uses its own hydro power generating capacity to meet daily variations in electricity needs and to balance other production capacity. The status of hydro power in harmonising production and consumption is important. This regulating function is increasingly important under current electricity market conditions.

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## NUCLEAR POWER



Nuclear power is used to satisfy a continual and stable demand for electricity. The fixed costs of nuclear power are high but its variable costs are low.

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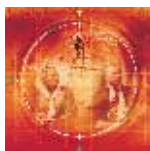
## THERMAL ENERGY



Thermal energy production uses fuel efficiently in the cogeneration of heat and electricity and in separate condensing power production. Electricity is generated for the use of communities while producing steam for industrial processes or thermal energy for district heating. Large scale, high-efficiency condensation power plants meet Nordic energy needs and ensure efficient operation of the deregulated electricity market under all conditions.

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## SPOT TRADING AND IMPORT OF ELECTRICITY



Supply and demand for generating capacity on the deregulated electricity market are governed by the market price. It is the market price which dictates operating arrangements at production units. Spot and derivatives trading occur on the Nordic Nord Pool electricity market. The electricity market influences the power procurement options available to Pohjolan Voima. The Group makes efficient use of the products on the market to optimise its own production.

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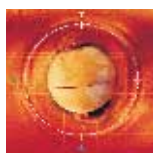
## POWER TRANSMISSION



The objective of Pohjolan Voima regional grid operations is to control the transmission lines of the Group's power plants and to transfer electricity for customers connected to the regional grid onto the national grid.

---

## CONSULTING



Demand for the consulting services of Finland's globalising industry is growing rapidly and the areas of consultation are changing. As a result of acquisitions and mergers, business operations are being divided in new ways, and companies are seeking greater profitability by making their operations more efficient.

---

## ENGINEERING



The engineering activities provide all the planning, consulting and implementation services needed for power plant projects and transmission technology. The newest operating area is Environment and Renewable Energy. By combining the expertise of the Group companies and by seeking partners to supplement our own abilities, we shall create better opportunities to compete on the international market and to bring about new growth.

---

## ELECTRICITY SALES SERVICES



Recent developments in the electricity market have led to the need to develop new electricity trading services and products. There have been changes in the actual electricity deliveries and particularly in derivatives trading. The electricity trade is also expanding as deals are made with an increasing number of foreign participants. This development imposes new demands not only on the staff but also on available data systems.

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## INFORMATION SYSTEMS



Changes in the energy sector and increasingly strict efficiency requirements are strengthening demand for information system services. New applications of information technology make it possible to develop service concepts which can be rapidly implemented.

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## OPERATION AND MAINTENANCE



Operation and maintenance functions are developed as part of the process of improving the efficiency of energy production to meet the cost-effectiveness and availability demands imposed by the owners. Implementation of services is based on clients' needs and opportunities for co-operation.

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## CONTRACTING AND INSTALLATION



Transmission, distribution and telecommunications lines, and the construction and maintenance of electricity substations enable PVO-Palvelut Oy to serve its customers, particularly in turnkey deliveries. Extensive grid expertise ensures the ability to provide the customer with customised solutions and comprehensive cost-effective deliveries.

# REVIEW BY THE PRESIDENT



The ability of Pohjolan Voima to respond to rapid changes in its operating environment and in the electricity market was further reinforced in 1999. The Group strategy was consistently developed and actively implemented, in association with the owners, to keep pace with the changing operating environment. Management of change is based on operating principles of a long-term, reliable and responsible character.

The Nordic electricity market prices remained at an unhealthy level in 1999. With a persistently low market price for electricity, there is currently no financial justification for investing in generating capacity to cover any increase in demand. The price level is so low that there are no guarantees that decommissioned generating capacity will be replaced. The price of electricity has not been based on the long-term capital risks involved in providing electricity supplies and ensuring adequate generating capacity.

Ability and long-term commitment are required to ensure future operating conditions in the energy field.

## ORGANISATION AND STRATEGY

Some important and far-sighted reorganisations were implemented in Group operations. Energy generating operations and service operations in the energy sector were divided into separate business areas. This establishes good conditions for continued im-

provement in the cost-effectiveness of production, for developing expertise and for motivating the personnel. Growth prospects in both business areas are favourable. The service sector is forecast to double its turnover in the foreseeable future.

Another important reorganisation affected the electricity operations of Pohjolan Voima's industrial shareholders. A share deal transferred primary responsibility for electricity sales to TXU Nordic Energy Oy, a joint venture owned by Pohjolan Voima and TXU Europe, which also became the third largest owner of Pohjolan Voima. Co-operation between Pohjolan Voima and TXU opens up significant new opportunities in the Nordic countries and in the evolving European Union energy market.

## CLIMATE POLICY DIRECTS THE ENERGY POLICY OF FINLAND AND THE EUROPEAN UNION

The main thrust of Pohjolan Voima's R&D work focussed on power generating solutions based on renewable biofuels and the development of nuclear power. This is justified as we prepare intelligently for possible greenhouse gas emission restriction requirements based on the Kyoto protocol.

The Finnish government is committed to compiling a climate policy implementation plan. The European Union has stated that it will seek to ratify the Kyoto protocol



in 2002. Efforts will be made to reach an international understanding on interpreting the protocol during that year. Factors accelerating the progress of the Kyoto process include research and development of renewable energy sources, improved energy efficiency, development projects to reduce other emissions and the application of market mechanisms to these aspects.

#### FUELS

The world-class expertise of Pohjolan Voima's shareholders in the industrial use of wood and an effective basic logistic infrastructure create excellent conditions for exploiting wood-based fuels. During the operating year, construction work was begun at the Alholmen power plant site in Pietarsaari and preliminary decisions were made on biofuel-fired power plant investments in Kokkolan Voima Oy and Jämsänkosken Voima Oy.

Maintaining a diversified generating structure and the broad range of fuels which this requires is important to Pohjolan Voima. Fuels must be readily available and their prices must be genuine and based on free market forces. Natural gas has not met these criteria. The internal market directive for gas will probably not be implemented in Finland to any significant extent. Compared to the proposal of the gas market working group, the bill on the Gas Market Act which has been submitted to the Finnish Parliament has been watered down in a manner which will con-

tinue to require gas users to exercise restraint in committing themselves to further use of natural gas. As a private energy sector operator, we intend to monitor the development of the natural gas market closely and to resort to alternative solutions where necessary.

The operational and financial objectives set for 1999 were achieved throughout the Group. I would like to thank the Group's staff, owners and partners for a successful year.

*Timo Rajala*  
*President & CEO*

# REVIEW BY THE PRESIDENT PVO-PALVELUT OY

Last year Pohjolan Voima made the important decision to separate the Group's production and service functions into different companies. PVO-Palvelut Oy was a result of this structural clarification. The separation provides a broader and firmer basis for responding to the variable and novel challenges of the energy sector. The most important objective is to create added value, not only for customers but also for the owners through profitable growth and more efficient operations.

## EMPOWER – THE SIGN OF NEW SERVICE

Developing service functions has been a time-consuming and demanding undertaking. The key staff of the service group companies assessed the market the expertise and the points of development of various business areas, and defined a strategy for each service business. Alongside this process the mission, vision and values were determined. The main policies were finalised in early 2000. We are now focusing on growth and globalisation in association with selected partners.

A new organisation is ushering in the new millennium, involving eight service companies, most of which are subsidiaries. We are now operating under the Empower trademark. The name is well-suited to our objectives, as we bring novel and different functions onto the energy market.

## THE CHALLENGE OF DEVELOPING STAFF

Our greatest challenge is that of how we manage staff training and expertise development, and acquire new skills for international projects as well. We seek to provide energetic people with opportunities to develop, grow and forge diversified careers. It will now be even more important for us to hire talented people.

There is a high standard of energy sector expertise in Finland. We also have special skills enabling us to succeed effectively on a broader global platform. This was shown by the energy group report of the Research Institute of the Finnish Economy, ETLA. Change will also provide us with new opportunities.

Networking - finding partners - is an important aspect of the Empower way of working. The rapid globalisation of our sector also requires us to find new partners. Alone we simply are too small.

The development work of the Empower companies which began last year has made a good start and I would like to express my thanks to the staff of all of the service companies for the work which has been done so far. The year 2000 will demand the same kind of enthusiasm and determination to carry matters forward.

*Aappo Kontu*  
*President*







## “THE VIEW THROUGH THE WINDSHIELD IS DIFFERENT FROM THE VIEW THROUGH THE SIDE WINDOW”

### PLANNING SYSTEM AND SCENARIOS FOR THE FUTURE

Pohjolan Voima has a planning and control system developed for the needs of the group, which was designed and introduced over a three-year period. The system serves as a management instrument, both at the strategic level and also in annual planning and directing operations.

The changes implemented in the operations of Pohjolan Voima in 1999, were based on a long-term development. The Pohjolan Voima Group is a privately-owned group of energy sector companies, which generates and purchases power and heat for the shareholders. It also provides services within its sector

for European clients, primarily in Finland and its neighbouring regions.

### THE TWO GROUPS OF POHJOLAN VOIMA

Two significant reforms in the operating model of Pohjolan Voima were implemented. The Group's operations were divided into two parts so that the production companies owned by the parent company engage primarily in electricity production. This operation will continue to face challenging efficiency demands in order to provide customers with the most cost-effective and competitive electricity available.

All of the service functions of PohjolanVoima were assigned to the sub-Group. The objective of this Group is to reinforce its market position and achieve profitability targets based on requirements for return on investment. The service Group will pay particular attention to improving its earnings in the external market.

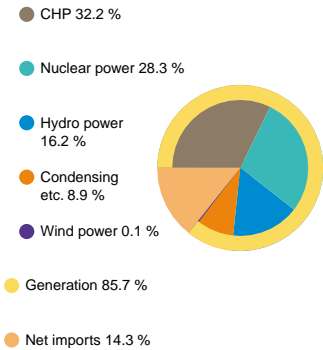
Pohjolan Voima is developing plans for important strategic projects to promote the internationalisation of the Group in the Nordic countries and the Baltic region.



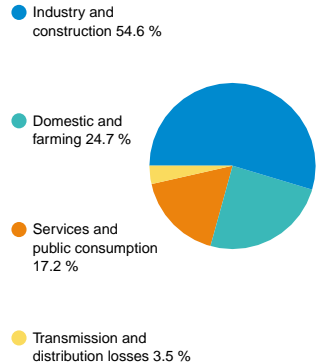
*\*Mr Tauno Matomäki, Chairman of the Board of Pohjolan Voima Oy, evaluates industrial energy consumption and the changing operating environment in his speech on the PVO Energy Day on 2 November 1999.*

During the current year Pohjolan Voima will continue developing its strategy on the basis of scenarios compiled. The system used for managing operational risks will also be further developed. A characteristic feature of the group as a whole in the current year will be full utilisation of its new business dimensions and the controlled operational development which this demands.

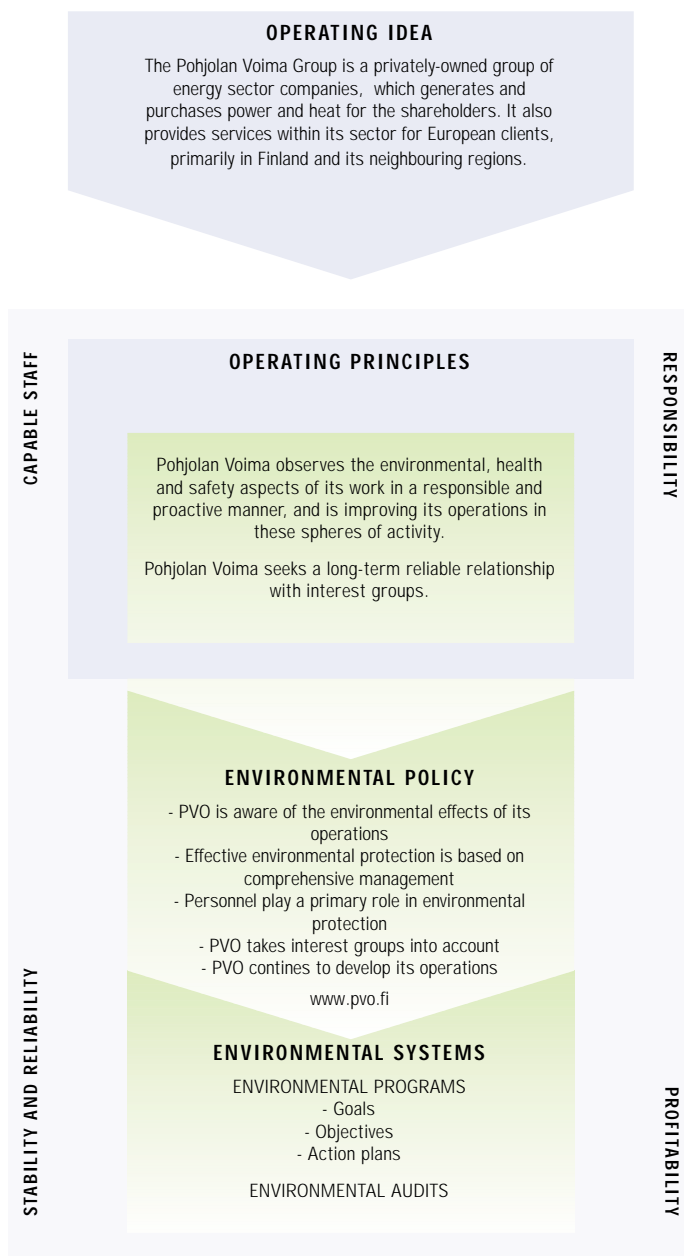
**ELECTRICITY SUPPLY IN FINLAND  
1999 – 77 890 GWh**



**ELECTRICITY CONSUMPTION 1999  
77 890 GWh**



# POHJOLAN VOIMA, ENVIRONMENT AND SOCIETY



*Environmental policy and environmental management are essential for the management of Pohjolan Voima. The system comprises the operating idea, operating principles, and the planning for implementing them. All functions comply with the values of Pohjolan Voima.*

When developing its operations, Pohjolan Voima always takes into account how acceptable any financially feasible mode of production is, as social values change. The Group monitors changes in its operating environment and allows for them in its work.

How socially acceptable various forms of electricity generation are, has varied considerably over the decades. Pohjolan Voima has always constructed electricity generating capacity which is consistent with prevailing social values and political decisions.

Investments in power plants are of considerable magnitude and the commissioned life span of such facilities is at least 30 to 40 years. The changing values of society over the decades are evident from the diversity of generating capacity construction at Pohjolan Voima. The Group takes into consideration how acceptable all financially feasible modes of production are, by developing its power plants and operating methods with a view to meeting contemporary standards at all times.

## POHJOLAN VOIMA BEARS SOCIAL, FINANCIAL AND ECOLOGICAL RESPONSIBILITY

Stability, responsibility and reliability are among the fundamental values of Pohjolan Voima. These values determine the Group's relationship with interest groups and with society at large.

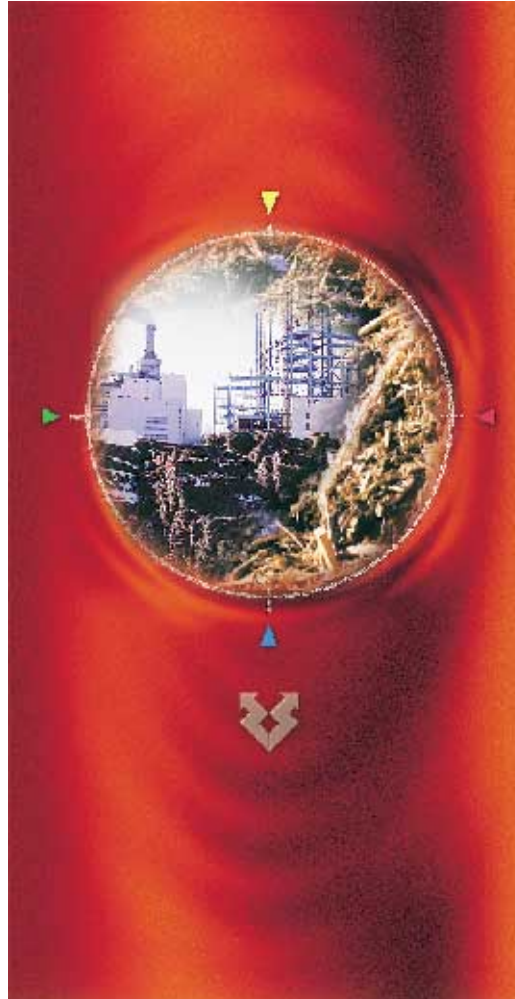
In accordance with the economic aspect of sustainable development, the operations of Pohjolan Voima are efficient and competitive. The more effectively the Group succeeds in this endeavour, the better it will support the competitiveness of the shareholders. Pohjolan Voima is able to respond to the changing needs of the electricity market and thereby to stabilise price levels.

Recognition of its social position and responsibilities has established the basis for improving the standard of environmental protection at Pohjolan Voima. The level of environmental pollution has declined, even though production has increased several times over. Pohjolan Voima has implemented an energy policy programme compiled in 1998 which seeks to harmonise the increased need for electricity with the limitation of carbon dioxide emissions.

## THE KYOTO PROTOCOL AFFECTS THE FUTURE

Following its 1998 technology strategy, Pohjolan Voima has launched several R&D projects seeking to increase the use of renewable energy sources. The power plant currently under construction in Pietarsaari, will be the world's largest biofuel-fired plant. A sizeable, diversified bioenergy programme has been started to acquire fuel for the plant. A major study has also been launched, on the feasibility of using marine wind power as an energy source.

Energy efficiency is vital in order to implement the UN Framework Convention on Climate Change. Improving the efficiency of power plants is a fundamental aspect of maintaining the energy saving agreement and environmental systems. Pohjolan Voima will be well prepared to contribute to the use of the flexibility arrangements agreed in the Kyoto protocol if an international understanding can be reached on its interpretation.



## THE LATEST POWER PLANT PROJECTS OF POHJOLAN VOIMA

| Project                           | Fuel        | Location     | Electrical output MW | Commissioning |
|-----------------------------------|-------------|--------------|----------------------|---------------|
| Raasakka, 3rd machine unit        | water       | Iijoki       | 21                   | 1997          |
| Melo, renovation                  | water       | Kokemäenjoki | 7                    | 1999          |
| Veitsiluodon Voima                | wood, peat  | Kemi         | 93                   | 1996          |
| Oulun Voima                       | wood, peat  | Oulu         | 77                   | 1997          |
| Nokia, conversion                 | natural gas | Nokia        | 100                  | 1998          |
| Vaskiluoto, power upgrading       | coal        | Vaasa        | 35*                  | 1998          |
| Vaskiluoto, peak-load power plant | oil         | Vaasa        | 160                  | 1998          |
| Olkiluoto, modernisation          | nuclear     | Eurajoki     | 140*                 | 1998          |

\*PVO's share

*In recent years Pohjolan Voima has implemented several power plant projects promoting the principle of sustainable development. Investments which have been decided and those under preparation are continuing the same policy.*





## EVENTS IN 1999



*The "Favourable Winds" service development project was launched at the start of the year. The project ended with a cruise for everyone involved in the development work.*



*A new control centre for Länsi-Suomen Yhteiskäyttö Oy was officially opened in Harjavalta at the start of June; modern technology and a new working environment have improved the job satisfaction of the staff.*



*Wood will constitute more than half of the fuel for the world's largest biofuel power plant currently under construction in Pietarsaari in western Finland. Annual fuel consumption will be about 3.5 TWh. Wood residue from logging will be packaged into bales. The energy content of a single bale of 0.6 cubic metres is about 1.1 MWh. The following have a corresponding energy content:*

- 1.2 cubic metres of peat,
- 160 kg of coal,
- 100 kg of heavy fuel oil,
- 1100 cubic metres of birch wood trunks,
- 3.7 grams of uranium.



*PVO is a member of a Nordic consortium investigating the prospects for constructing a natural gas pipeline from Haltenbanken in Norway through Central Sweden to the west coast of Finland. The aim is to construct a gas network supplying the west coast, which will later be linked to a gas pipeline from Russia.*



*The Service group trademark, Empower, was launched at the Energy 99 fair*



*PVO Energy Day was a popular event; 300 leading figures in the energy sector attended.*

# HYDRO POWER

PVO-Vesivoima Oy is a company specialised in generating hydro power, which seeks to preserve and develop skills in maintaining hydro power operations and environmental management. Hydro power constitutes ten per cent of the electricity produced by Pohjolan Voima, which is approximately 15 per cent of total Finnish hydro power capacity.

The combined output of the hydro power plants at the end of 1999 was 410 MW and total production was 1653 GWh. While this was just under the output level for an average year, it fell 406 GWh short of the exceptionally wet preceding year.

## RENOVATIONS BRING GREATER RELIABILITY

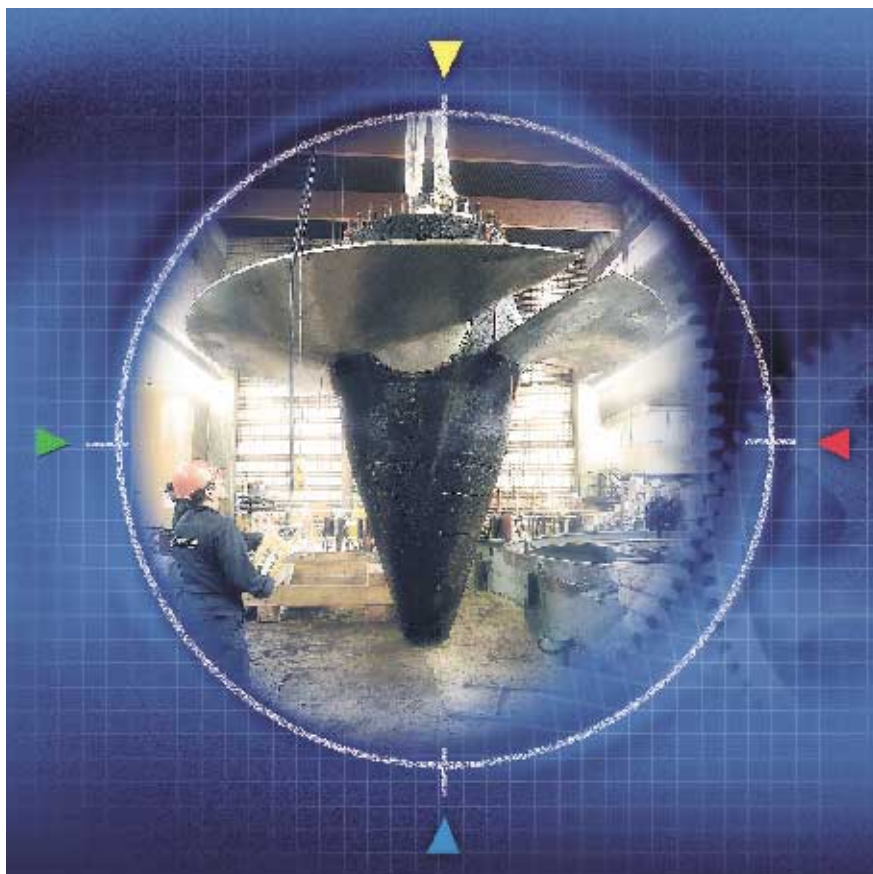
Although hydro power has become more popular as a clean mode of energy production, there are really no prospects for constructing new hydro power capacity in Finland. Some increases in capacity have been realised by renovating existing power plants. Renovation of both installations at the Melo power plant on the Nokianvirta watercourse was completed during 1999. This renovation work increased output by 7 MW to 67 MW.

Repair and maintenance work to one of the installations at the Pahkakoski power plant on the Iijoki river began in January 2000. As a result of replacing the turbines, output increased by 2 MW to 35 MW.

## EXPERIENCED HYDRO POWER STAFF

PVO-Vesivoima employs about one hundred people; the company personnel have extensive experience of various aspects of hydro power generation. These skills are also in demand outside the Pohjolan Voima Group.

According to a service agreement concluded in May 1999, PVO-Vesivoima has assumed responsibility for operational maintenance of the Kokemäki river hydro power plants of Länsi-Suomen Voima Oy, Tyrvään Voimaosakeyhtiö and UPM-Kymmene Oyj, and at the Kokemäki River Regulating Company. In spring 2000 the financial and administrative functions of Länsi-Suomen



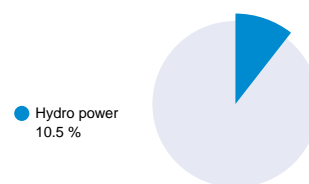
Voima Oy and the Kokemäki River Regulating Company were appended to this agreement.

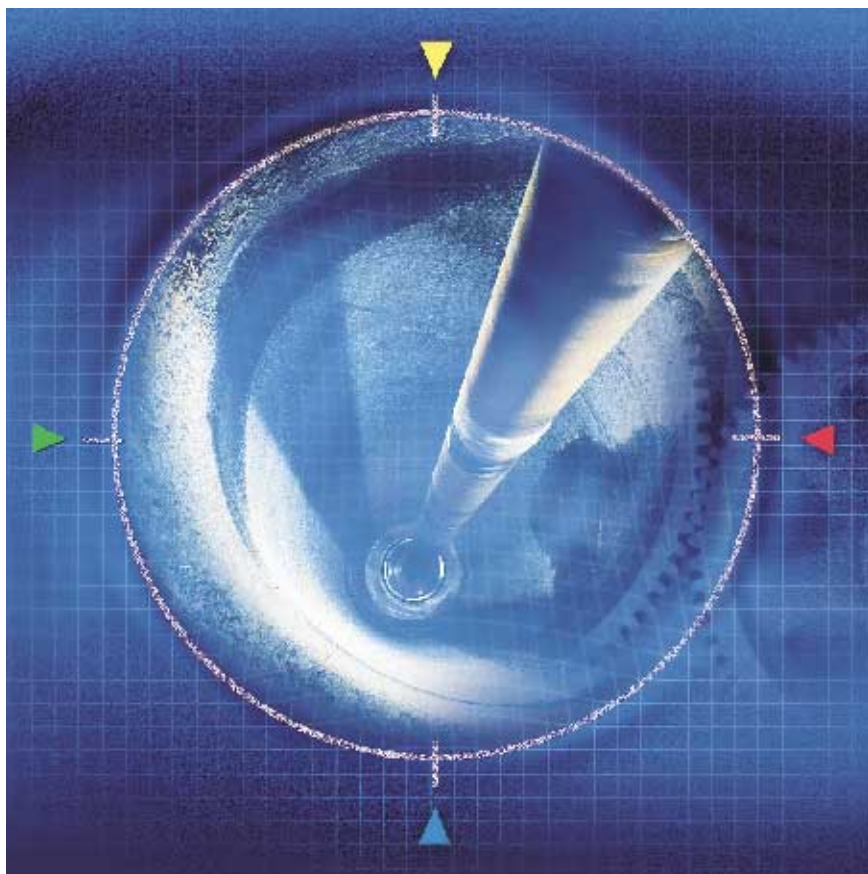
## ENVIRONMENTAL MANAGEMENT HAS MANY DIMENSIONS

In line with the active environmental policy of Pohjolan Voima, PVO-Vesivoima is working with local government and environment centres to conserve and improve river environments. The programme includes projects promoting versatile use of watercourses.

As part of its environmental management, PVO-Vesivoima is working through its associated company, Voimalohi Oy, to rectify problems caused by power plant construction and watercourse regulation to the fish stocks. Voimalohi released a total of 4.6 million young salmon, trout, whitefish and grayling on behalf of PVO-Vesivoima to the watercourses and sea areas of Kemijoki and Iijoki. Most of the young fish released by PVO-Vesivoima are bred at Voimalohi's own fish farms.

POHJOLAN VOIMA ELECTRICITY SUPPLY 1999 - 15 716 GWh





## NUCLEAR POWER

More than half of Pohjolan Voima's electricity supply comes from the Olkiluoto power plant owned by its subsidiary Teollisuuden Voima Oy. The output from Olkiluoto in 1999 reached a record 14,203 GWh, 768 GWh more than the preceding year. The output of the plants increased from 710 MW to 840 MW following completion of a modernisation project. The capacity factors were also high at 96.9 per cent for reactor one and 96.6 per cent for reactor two.

Nuclear energy continues to be highly competitive on the open electricity market as the units continue to be as good as new and production malfunctions are minimised.

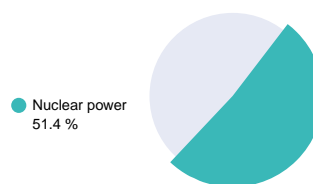
### MANAGEMENT OF SPENT FUEL

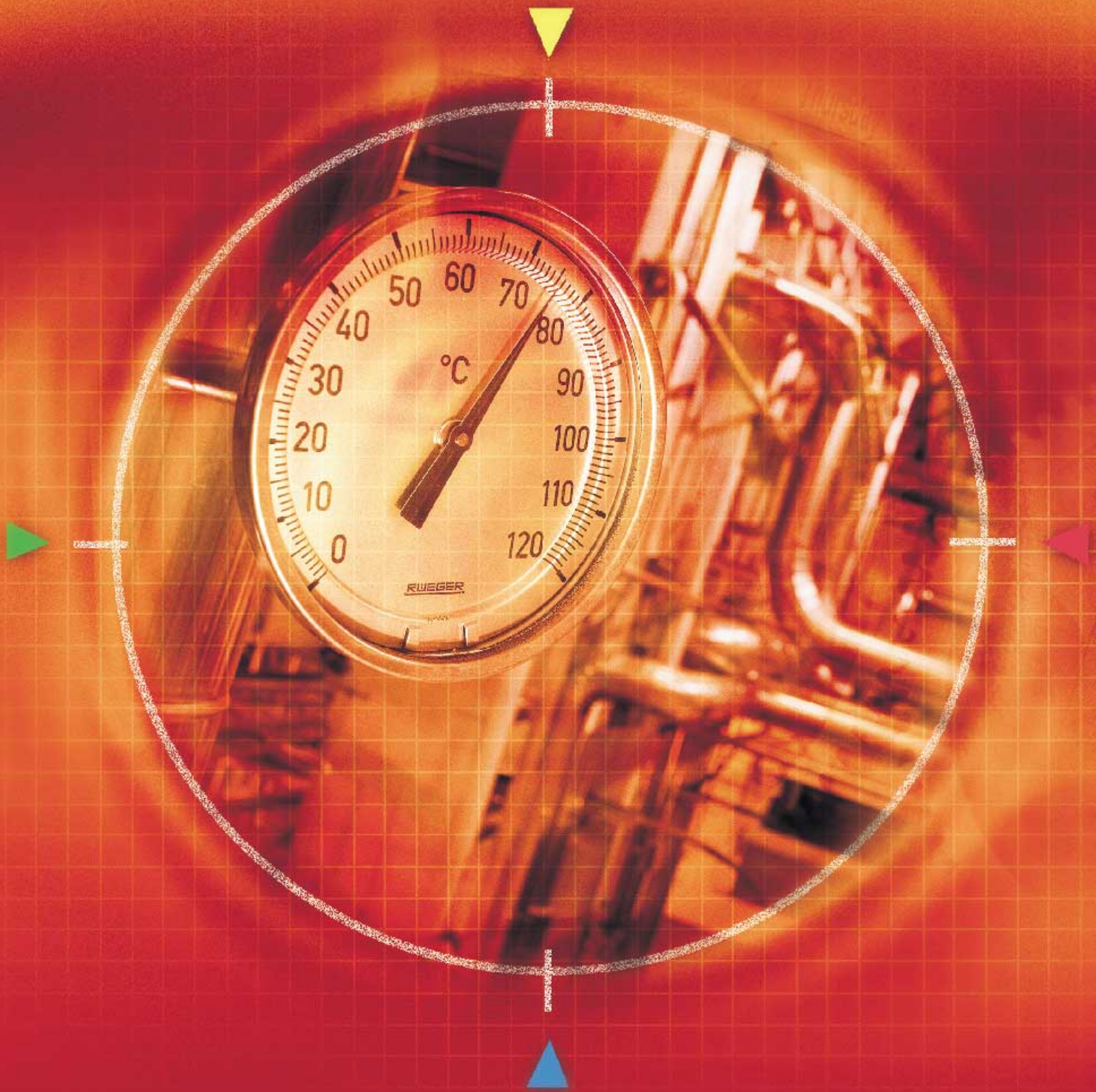
The Ministry of Trade and Industry confirmed Teollisuuden Voima's liability for nuclear waste management at FIM 3.8 billion. The company has already accumulated FIM 3.7 billion in its nuclear waste fund,

i.e. almost all of the required sum.

Posiva Oy, a company owned jointly by Teollisuuden Voima Oy and Fortum Power and Heat Oy, is responsible for processing spent nuclear fuel. Posiva has submitted an application to the Finnish Council of State for a preliminary resolution on the construction of a long-term final repository site for spent nuclear fuel at Olkiluoto in Eurajoki. The local authority of Eurajoki municipality has issued a statement supporting this project. The Parliament of Finland is expected to make a decision on this application during spring 2000.

POHJOLAN VOIMA ELECTRICITY SUPPLY 1999 – 15 716 GWh





## THERMAL ENERGY

The Pohjolan Voima Group has a total electricity generating capacity of 1906 MW in its own thermal power plants. Thermal energy generated a total of 4457 GWh in 1999. These power plants are fired by coal, natural gas, peat and biofuel, as well as oil to a minor extent.

### INDUSTRIAL CO-GENERATION AND DISTRICT HEATING

More than half of the combined heat and power production arises while generating thermal energy for industrial processes. This production is the responsibility of separate industrial co-generation companies owned by Pohjolan Voima and the Nokia natural gas CHP plant. The thermal energy generated by the industrial co-generation plants is sold to local industry, while the electricity is supplied to the owners of the relevant series of shares.

Electricity generated in the course of community district heating is produced in Kotka, Nokia, Vaasa and Seinäjoki. These plants can also generate additional electricity independently of district heating deliveries.

About the same amount of electricity was generated at cogeneration plants as in the previous year. This constituted about 17 per cent of total electricity supply at Pohjolan Voima. The fuels used in co-generation of heat and electric power were peat, coal, natural gas and an increasing proportion of biofuel. The CHP plants were in operation for the entire year, excluding the annual maintenance period.

### CONDENSING POWER

Separate coal-fired steam production comprised 12 per cent of Pohjolan Voima electricity supply. The gas-fired power plant at Mussalo in Kotka was inoperative for al-

most the entire year.

Due to the situation in the Nordic electricity market, considerably less electricity was generated than forecast at coal-fired power plants. In spite of periods of cold weather these plants were shut down as early as the beginning of February. During these stoppage periods the manning shifts of these power plants were partly disbanded and the staff were assigned to maintenance work. Following annual maintenance production was restarted in August-September.

### COMPETITIVENESS OF FUEL

Due to the high price of fuel, natural gas-fired electricity generation continued to be uncompetitive. On the other hand, natural gas was used in combined heat and power generation. Pohjolan Voima has a natural gas-fired electricity generating capacity of 300 MW.

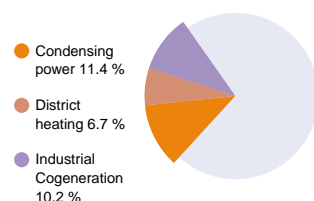
Coal continued to be a competitive fuel, even in the strongly fluctuating electricity market of the Nordic countries.

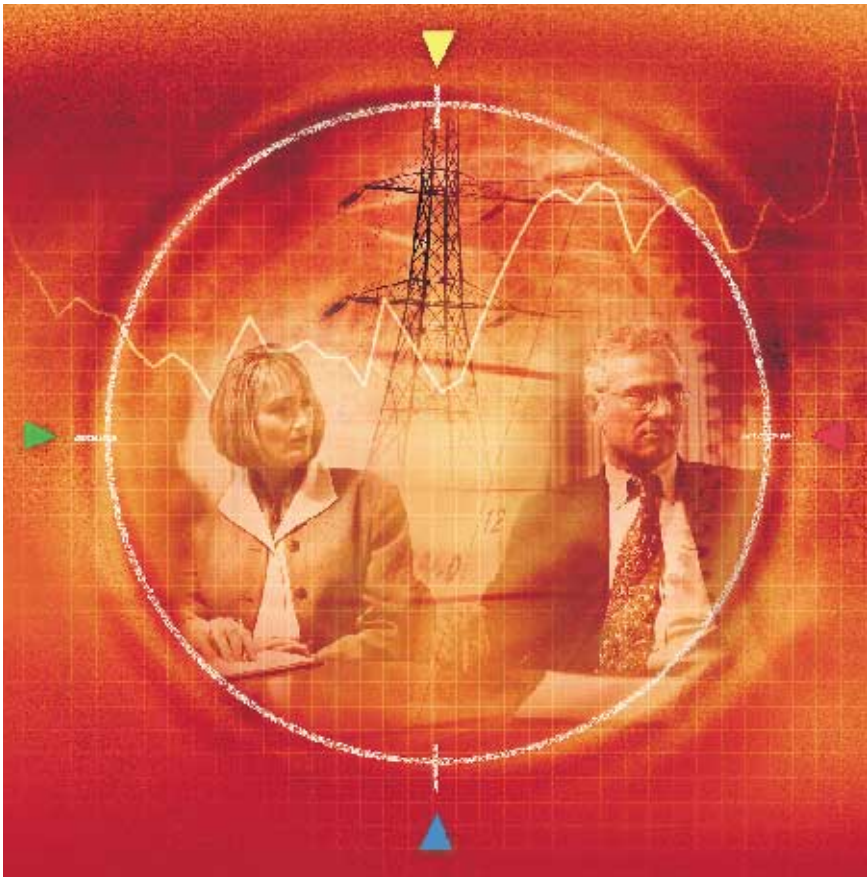
### PROMOTING USE OF ASH

The research initiated by Pohjolan Voima and other major power companies into the use of coal ash for earthworks was published by the Finnish Energy Industries Federation, Finergy, in the form of a guide to ash construction [Instructions for Ash Construction in Highways and Landscaping]). The guide covers planning, dimensioning and construction phases of ash construction.

All significant uses of ash continue to be subject to licensing. Because of this, the objective of ash producers is to establish a reliable and straightforward method of environmental impact assessment which could be used when applying for environmental permits. At the same time a quality control system is being developed. These investigations will be completed in spring 2000 and the results will be appended to the Finergy ash construction guide.

POHJOLAN VOIMA ELECTRICITY SUPPLY 1999 - 15 716 GWh





## SPOT TRADING AND ELECTRICITY IMPORT

The electricity market exerts a guiding influence on the electricity supply options available to Pohjolan Voima. The Group makes efficient use of the products on the market to optimise its own production.

### SPOT TRADING

About 30 per cent more electricity was procured, than in the preceding year, both through bilateral agreements and on the Nord Pool spot market. Spot trading comprised more than five per cent of total electricity supply.

The wet weather which continued throughout 1998 in the Nordic countries increased hydro power generation in Sweden and Norway, and the effects were still visible in the market at the start of 1999. It was possible to replace planned production of condensing power with more cost-effective electricity purchases. The situation changed after the summer. At the end of

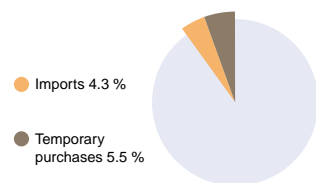
the year, the condensing power plants were all operating according to plan.

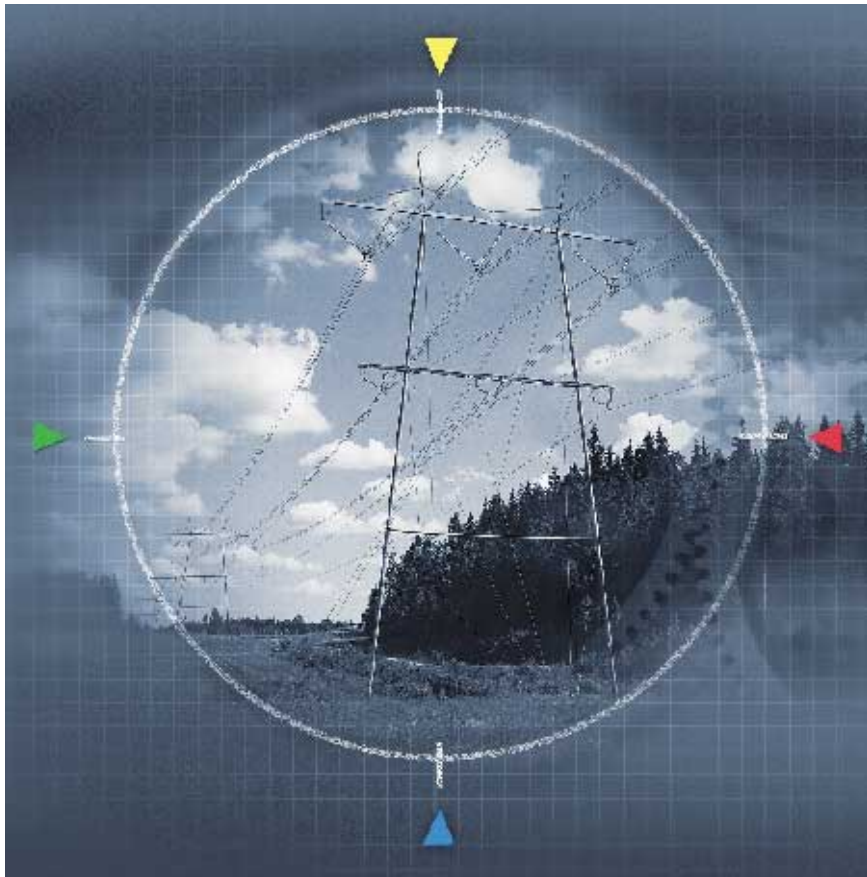
It is not sensible to generate thermal energy for short periods when the market fluctuates. Particularly difficult situations arise when limitations in the transmission networks of other countries exert a momentary effect on price levels in Finland. In addition to hydro power, future regulatory capacity will include an increasing proportion of special electricity market products.

### IMPORTS FROM RUSSIA

Some 670 GWh of electricity was imported from Russia at a capacity of 100 MW. Imports remained at the level of the previous year. This comprised some four per cent of the total electricity supply of Pohjolan Voima. At the end of the year a contract drawn up in 1996 was updated to correspond to the current electricity market and production capacity. The level of imported capacity will rise from 100 MW to 400 MW at the start of 2001.

POHJOLAN VOIMA ELECTRICITY SUPPLY 1999 – 15 716 GWh





## POWER TRANSMISSION

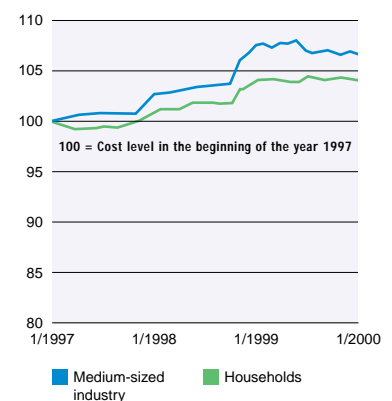
The volume of electricity transmitted in 1999 was 1.9 TWh, i.e. 20 per cent less than in the preceding year. The turnover of regional grid operations was EUR 3.3 million. Twenty kilometres of regional grid were sold during the year, together with an unfinished 400 kV transmission line project between Kymi and Vainikkala. The size of the grid at the end of the year was 250 kilometres.

A decision was made to change the structure of regional grid tariffs from the beginning of the year 2000. The revised tariffs corresponds more precisely to the regional grid cost structure and facilitate operational planning at power plants.

With a 25.1% holding, Pohjolan Voima is a significant owner of the Finnish national grid company, Fingrid Oyj. Fingrid reduced its tariffs by seven per cent as of the beginning of the year 2000. The effect of the reduction was transferred to regional grid tariffs.

A 110 kV transmission line some 160 kilometres in length from Jumisko to Taivalkoski will be replaced by a new line to Pirttikoski. The new line is 40 kilometres in length, some 30 kilometres of which will be constructed in the old transmission line route. Construction of the line is scheduled for the years 2000 and 2001. The total value of this investment is EUR 4 million.

THE DEVELOPMENT OF TRANSMISSION COSTS BEFORE TAXES



Source: Sähkömarkkinakeskus





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## PVO-PALVELUT OY

The Group provides value-added solutions and services for the production, use and procurement of energy, primarily for the energy sector and for energy-intensive industry.

The aim has been to create an operating environment which will guarantee a service framework meeting the challenges of the future for current and future customers of the group. The group companies have worked together to launch the Empower development program, seeking to design new service packages and utilise skills in a more customer-orientated manner. The globalisation of Pohjolan Voima's major shareholders through mergers and acquisitions has led to the development of the service activities.

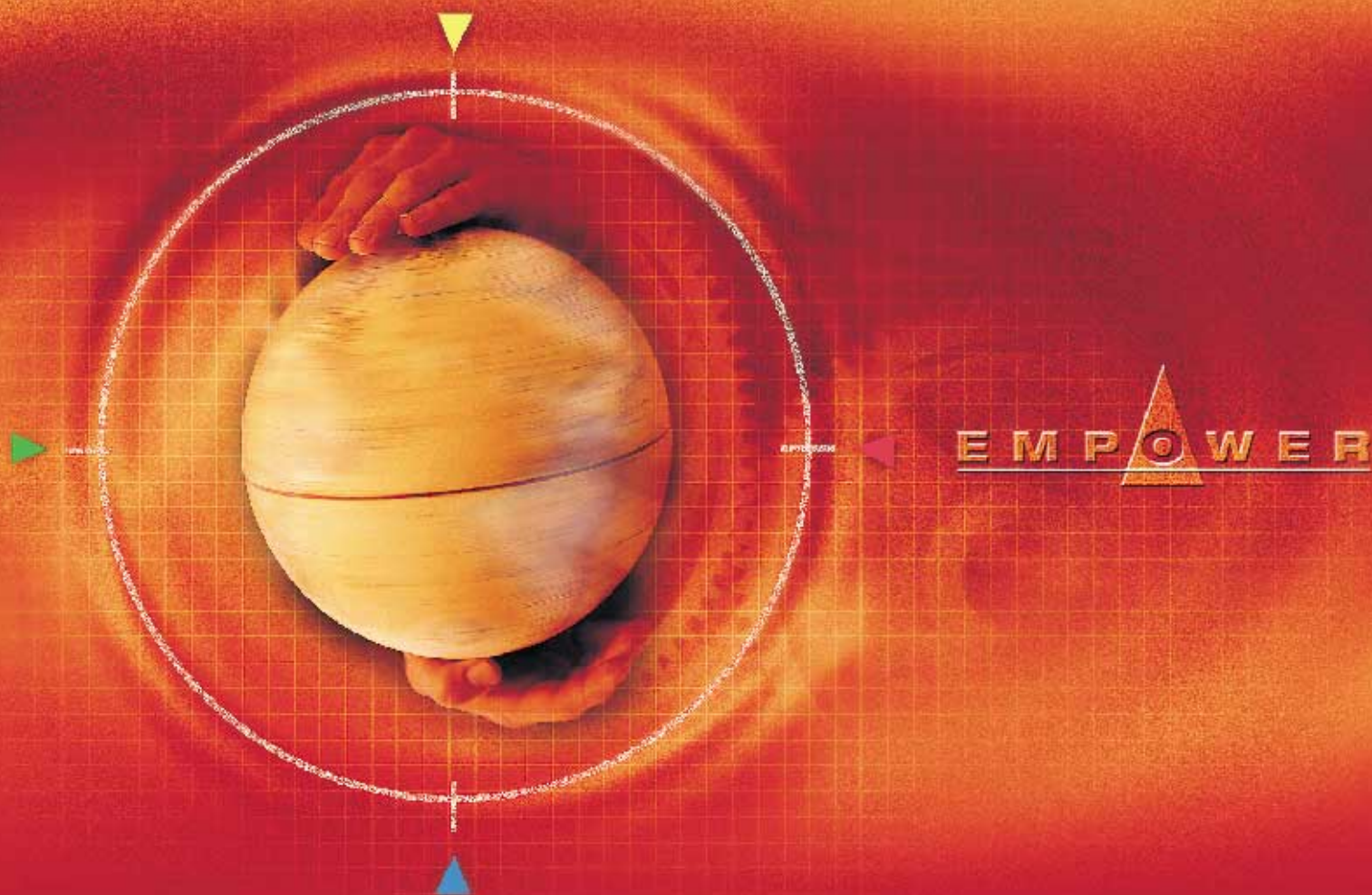
The ownership of PVO-Palvelut Oy was arranged at the end of 1999 so that, in addition to Pohjolan Voima, the owners of Pohjolan Voima would become owners of PVO-Palvelut Oy with their own share series. Two new companies were also established as part of the service function development process: Power- IT Oy and Power-OM Oy. Furthermore, the company purchased the majority of the shares of Powertechnics Consulting Engineers Oy.

The reorganisation also involved concentrating financial administration, marketing, real estate administration and personnel administration in a corporate service unit at group level.

The subsidiaries of the PVO-Palvelut Group include Ramse Consulting Oy, Länsi-Suomen Yhteiskäyttö Oy, Power-IT Oy, Power-OM Oy, PVO-Engineering Oy and its subsidiary Powertechnics Consulting Engineers Oy.

At the end of 1999 a total of 239 people worked in these companies. The turnover of the service group was EUR 40,4 million.

PVO-Palvelut Oy also owns shares in Suomen Voimatekniikka Oy, TXU Nordic Energy Oy and Fincopower Oy.



## CONSULTING

### CONSULTING IN TRANSITION PHASE

The electronic trading and transactions are expanding as the use of operational guidance systems is made more efficient. Risk management has become a new competitive factor. Responding to these development trends is a leading theme in developing consulting services.

The consulting services in corporate management are provided by Ramse Consulting Oy. These consulting skills comprise the improvement of the efficiency of commercial processes and operations, data administration, risk management and investment projects. The company is one of Finland's most progressive consulting agencies implementing teamwork and partnership action models. Ramse is a market leader in Finland in its own area of expertise. Its

turnover in 1999 was EUR 4.3 million, of which about one-quarter came from international business. The clientele are mainly from the energy and forestry sectors. The number of personnel at the end of the year was 35.

### COMPLETION OF EXTENSIVE PROJECTS

The past year was one of preparing major projects. A major information system project for Pohjolan Voima and UPM-Kymmene, in which Ramse served as a start-up consultant, was largely completed. A project in France to prepare the operating and maintenance of a new Norske Skog Golbey paper mill, and the introduction of its data system, were completed.

At the end of 1999, the ownership structure of Ramse Consulting Oy changed, as ABB Service Oy became a shareholder with a 43 per cent stake. This ownership

link will promote the development of new consulting services and concepts, such as the introduction of maintenance consulting in the forest industry.

Ramse is also making its operations increasingly international as its clientele and owners globalise.

## ENGINEERING

### NEW OPERATIONS, NEW FORMS OF PRODUCTION

The engineering operations of PVO-Palvelut Oy are the responsibility of PVO-Engineering Oy. This company is well established in Finland and is expanding its operations. Some of the most important changes in 1999 included the separation of information technology functions into Power-IT Oy. At the same time a new business area, Environment and Renewable Energy, was created to concentrate on the use of biofuels, wind power and small-scale hydro power and environmental services.

PVO-Engineering has secured a controlling interest in Powertechnics Consulting Engineers Oy. This company is specialised in thermal power processes and especially in power plant technology. The turnover of PVO-Engineering was EUR 15.7 million. At the end of the year, the company had 94 employees .

### A YEAR OF MAJOR CONTRACTS

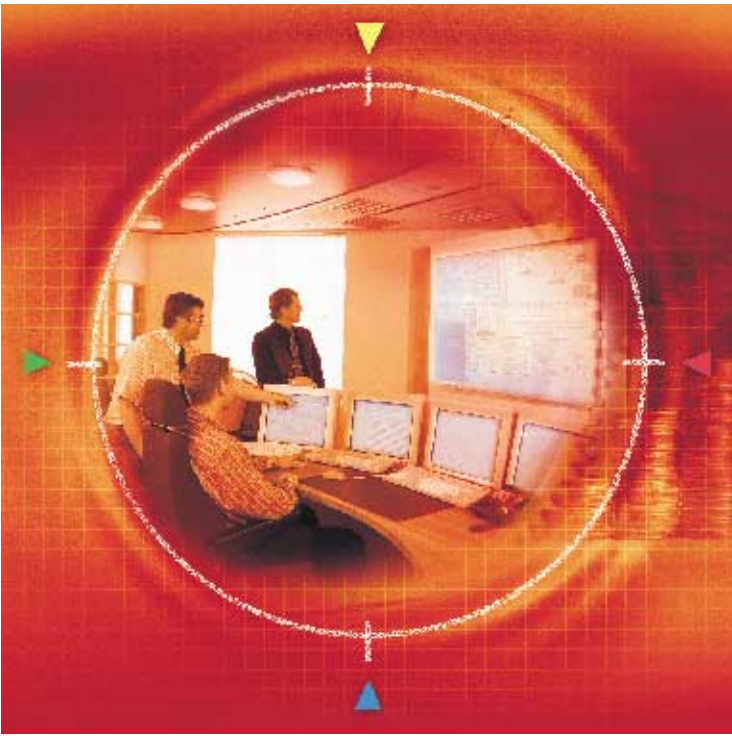
Several biofuel power plant projects are ongoing in Finland, and PVO-Engineering is involved in their preliminary planning. The company has primary responsibility for design and construction services and environmental studies for the multifuel power plant of Oy Alholmens Kraft Ab. The environmental studies and licensing required for the project have been managed in close co-op-

eration with Pohjolan Voima. This agreement also covers Balance of Plant equipment deliveries. PVO-Engineering secured a modification work contract from Fingrid Oyj, 400 kV Forssa transformer station, the value of which is some EUR 4.8 million. The company is also responsible for coordinating the most extensive marine wind power study in Finland launched by Pohjolan Voima, and for its technical and financial reporting. The environmental reports on the project will be produced in association with Insinööritoimisto Paavo Ristola Oy.

In 1999, an initial step was taken in the Latvian energy sector with a feasibility study into the construction of a district heating plant using wood-based fuel and peat at Valmiera in Latvia.

In Estonia, a consortium led by PVO-Engineering, was awarded a turnkey delivery contract worth nearly EUR 6.7 million for a 330 kV transmission line for state-owned Eesti Energia, following international competitive tendering.





## ELECTRICITY SALES SERVICES

### COMPREHENSIVE ENERGY SERVICES

Länsi-Suomen Yhteiskäyttö Oy is responsible for the energy trading services provided by the service group. In 1999, these services comprised the control of grid operations and power plants, as well as services sold to energy companies and industrial companies pertaining to electrical balance management, balance studies, reporting and invoicing. The company already has 50 customers in Finland.

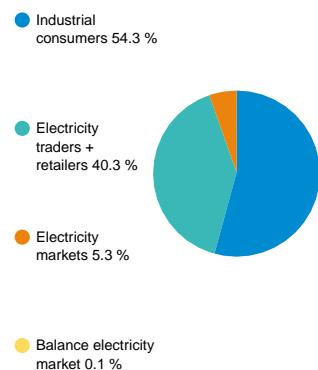
Länsi-Suomen Yhteiskäyttö Oy is a leading developer of energy service operations in Finland. Its responsibilities have long included services pertaining to control of the power plants of Pohjolan Voima and its shareholders, to the optimisation of electricity procurement costs and grid supervision. The company is responsible for operational planning at Pohjolan Voima power plants, and spot market and bilateral purchasing in order to optimise procurement. Services also include the operational activities required for electricity imports from Russia. In 1999, the turnover of Länsi-Suomen Yhteiskäyttö increased to EUR 22.5 million. An average of 72 staff was employed by the company was.

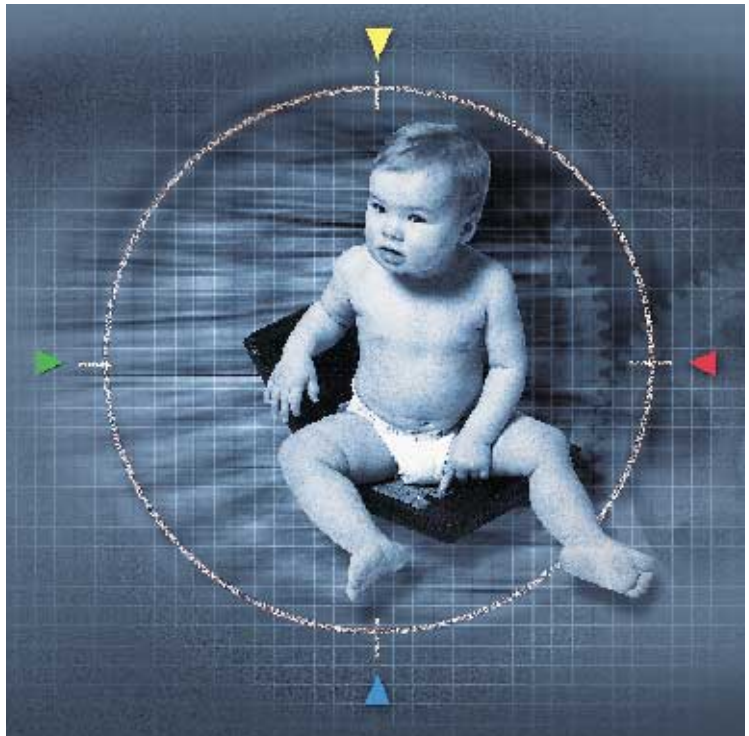
A new control centre in Harjavalta came into operation in the summer and a fully renovated operational control system was introduced in December. Three separate old systems were replaced by a single decentralised system enabling operational control services to be implemented flexibly from any of three control centres.

### INTERNATIONALISING OPERATIONS

Länsi-Suomen Yhteiskäyttö won an important new customer during the year, when TXU Nordic Energy Oy became an owner of Pohjolan Voima. Länsi-Suomen Yhteiskäyttö is responsible for the balance management and operations of TXU Nordic Energy.

PVO POOL POWER DELIVERIES 1999  
26 451 GWh





## INFORMATION SYSTEMS

### MATURE FOR ITS AGE

The service group has extensive energy information technology expertise. The information technology company Power-IT Oy was established in May 1999. Information technology was consolidated into a single company from the beginning of year 2000. Power-IT provides services for operational control, energy management and energy measurement, not only for Pohjolan Voima and its owners, but also for other companies in the sector.

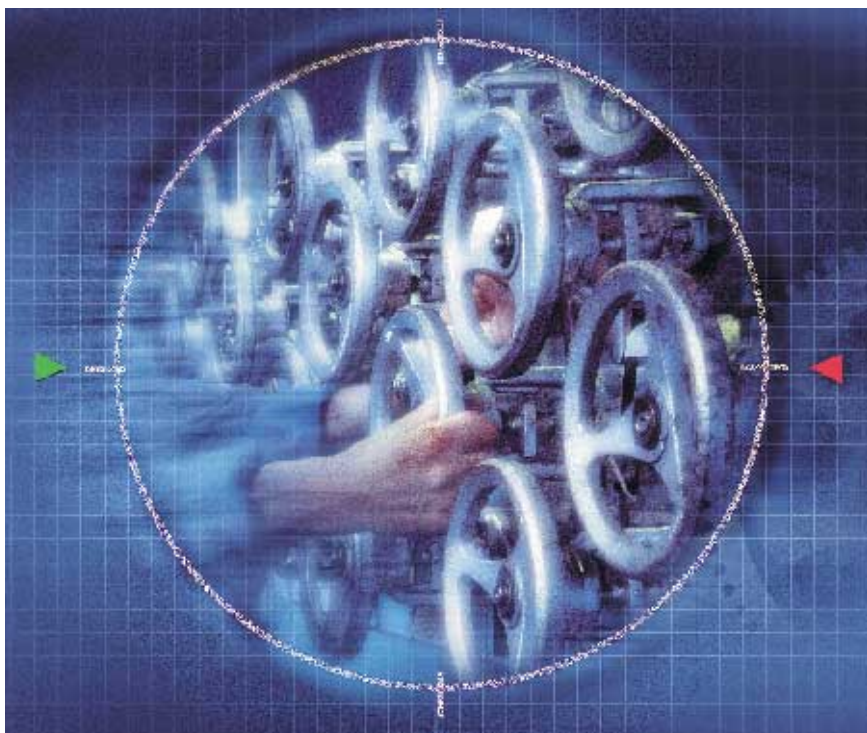
### PROJECTS IN FULL SWING

The Imppower project encompasses power generation and operational maintenance at Pohjolan Voima; Power-IT was responsible for the technical implementation of the system architecture, for training and for arranging user support. Implementation of the financial administration and office systems at Pohjolan Voima were managed in a similar manner.

A third major undertaking in 1999, KVJ 2000, concerned the operational control system of Länsi-Suomen Yhteiskäyttö Oy.

Power-IT had a staff of 57 at the start of the year 2000; 40 of these were transferred from Länsi-Suomen Yhteiskäyttö and 17 from PVO-Engineering.

Power-IT's inventory was purchased from PVO-Engineering, Länsi-Suomen Yhteiskäyttö and Pohjolan Voima.



## OPERATION AND MAINTENANCE

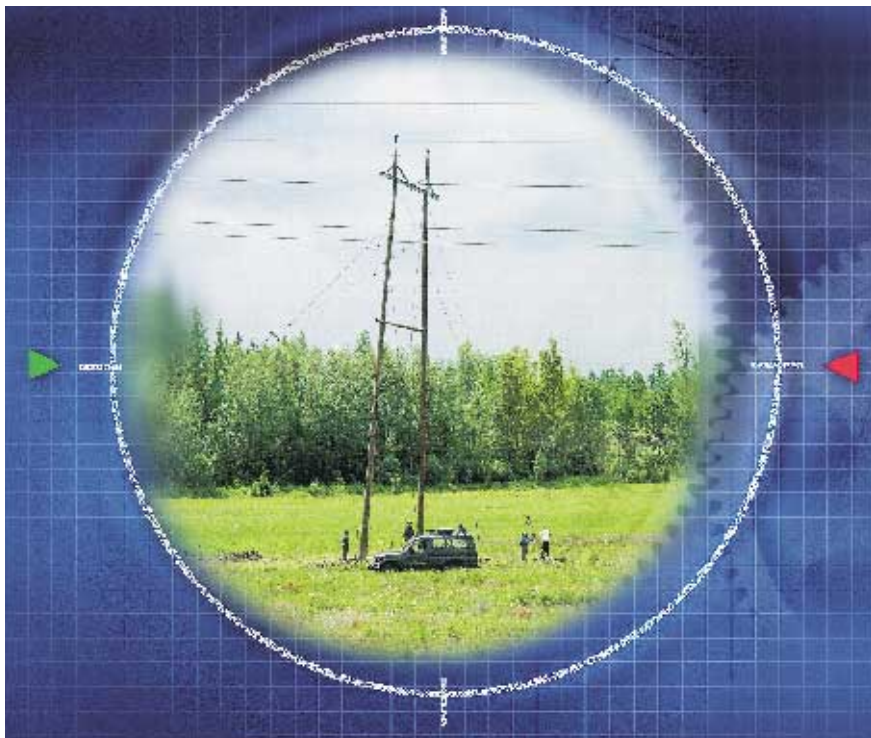
### KNOW-HOW AND INFORMATION MANAGEMENT IN MAINTENANCE

Low electricity prices resulting from the deregulated electricity market have also imposed pressure to modify production operations and improve efficiency. Responsibility for providing and developing operation and maintenance services within the service group lies in Power-OM Oy, a company set up in June 1999.

Operation and maintenance services enhance the efficiency of the customers' energy production. Power-OM develops, produces and applies solutions based on know-how and information management. This company attends to the development of production maintenance operations, primarily at Pohjolan Voima.

### CO-OPERATION AND NEW ACTIVITIES

An essential part of developing Power-OM is to form a co-operation network when providing customers with comprehensive maintenance services. The network will concern providers of the maintenance services as well as equipment suppliers.



## CONTRACTING AND INSTALLATION

### NEW PERSPECTIVES IN GRID CONSTRUCTION

The installation, contracting and maintenance operations of Suomen Voimatekniikka Oy, are divided into four business areas: Transmission Cables, Substations, Distribution Cables and Telecommunications Cables. The Telecommunications Cables business area, acquired most recently in 1999, was purchased from Porin Puhelin Oy and Lännen Puhelin Oy, bringing 45 new staff into the Group. The turnover of Suomen Voimatekniikka was FIM 113 million and its total staff numbered 230.

The Substations business area was involved in two major projects for Fingrid Oyj during 1999. In the Transmission Cables business area Suomen Voimatekniikka concluded a three-year maintenance agreement with Fingrid. Suomen Voimatekniikka is responsible for maintaining a total of 6,500 kilometres of transmission lines, of which just under one half are in the Fingrid network.

### GROWING MARKET

Some 30 per cent of the turnover arises from Distribution Networks. This is a growing market as energy companies are increasingly outsourcing the construction and maintenance of their distribution networks.

Growth is also expected in the Telecommunications Cables business area, as the telephone companies are also outsourcing their network construction to an increasing degree.

### CROSS-BORDER SERVICE

PVO-Palvelut expanded its operations to the Baltic States and purchased the majority of shares (59 per cent) in Eesti Elektrivõrkude Ehituse AS with a contract signed on 28 March 2000. This is Estonia's largest company specialising in transmission cable and telecommunications network construction. The acquisition is in line with the objectives of internationalisation in selected areas.

# THE ENVIRONMENTAL YEAR 1999



Pohjolan Voima made good progress in its environmental protection work. Atmospheric emissions continued to fall and reconditioning work on water environments continued. The power plant organisations completed their environmental management system and were awarded certificates.

## KYOTO DOMINATED THE HEADLINES

During the Finnish Presidency, the European Union announced its intention to seek ratification of the Kyoto Protocol in 2002. Several practical issues have yet to be resolved. Progress will depend, to a large measure, on the outcome of the Hague follow-up conference in 2000.

A commitment to compile a national action plan was included in the programme of the new Finnish government. Coordinated by the Ministry of Trade and Industry, the various ministries began to prepare sectoral programmes.

## A NEW ENVIRONMENTAL PROTECTION ACT WAS PREPARED

The reform of environmental legislation prepared in 1994 was completed. This reform is based on the European Union's IPPC Directive, which requires an integrated review of the impact of various environmental elements when considering environmental permits. All of the permit provisions governing emissions are now included in the new Environmental Protection Act. The Water Courts will cease to exist and their functions will be transferred to three new environmental permit authorities. The Regional Environment Centres and local authorities will continue to serve as permit authorities. The main principle in licensing is known as the one window principle.

## POHJOLAN VOIMA GROUP CERTIFICATES COVER 30 PER CENT OF FINLAND'S ELECTRICITY GENERATING CAPACITY

The environmental management systems of Pohjolan Voima were completed according to the objective imposed in 1997. DNV Certification OY/AB awarded certificates to PVO-Vesivoima Oy and PVO-Lämpövoima Oy for compliance with an ISO 14001 standard environmental programme. Nokian Lämpövoima Oy was also awarded a sepa-

rate certificate. It is important from the point of view of commitment that it was the power plant organisations themselves which created their programmes. As Teollisuuden Voima, a subsidiary of Pohjolan Voima, also received its own certificate, the entire production capacity of the Pohjolan Voima Group now complies with a certified environmental programme.

The environmental programmes of the plants comprise the objectives and policies of Pohjolan Voima at Group level and the goals and objectives of each plant, based on a review of significant environmental aspects. Implementation and maintenance of the environmental programmes is ensured using environmental reviews conducted at various levels. Continual improvement is required to ensure the continued validity of the certificates.

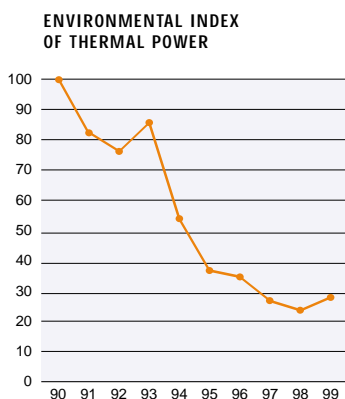
## A GOOD YEAR FOR THE ENVIRONMENT

From the environmental point of view, 1999 was a good year in Pohjolan Voima. Atmospheric emissions fell again slightly by comparison with the preceding year and were, on average, nearly 60 per cent lower than in 1996-1997.

For the second year in a row it was possible to avoid the use of fossil fuels in the Group's own power generation by replacing a considerable proportion of planned condensing power generation with electricity purchased on the open market.

The problems which arose in utilising fly ash increased the amount of ash which was delivered to landfills. This led to a slight reversal of the long-sustained positive trend in the environmental index for thermal energy production.

Reconditioning of the water environment continued according to plan in areas affected by hydro power production. This work was largely conducted in association with the Regional Environment Centres. A shortfall in the fish restocking obligation remaining from the preceding year was rectified. The Kemijokisuu fishing tourism centre began operating on premises rented from PVO-Vesivoima Oy.



*Lämpövoiman tuotannon ympäristöindeksi sisältää hiilidioksidin, rikkidioksidin, typen oksidien ja hiukkasten ominaispäästöt sekä läjitettyjen sivutuotteiden määrän, kaikki samalla painoarvolla.*



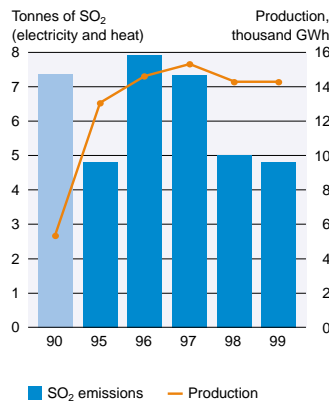
## RESEARCH INTO RENEWABLE ENERGY SOURCES

Strenuous efforts are being made to promote the use of renewable energy sources, both at European Union and at national level.

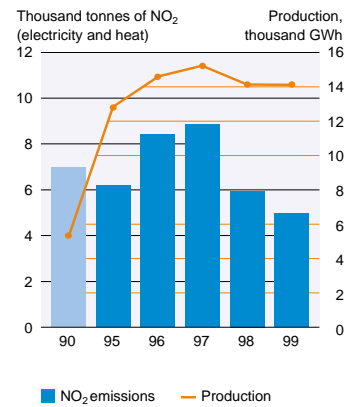
Pohjolan Voima decided to improve its ability to increase the use of renewable energy sources by launching two major study programmes. The objective of the bioenergy programme is to improve the competitiveness of bioenergy and to ensure its technical feasibility. The project is studying the regional potential, alternative harvesting methods, development of harvesting technology, fuel reception systems at power plants and issues pertaining to combustion technology for fresh wood chips.

The project to study the prospects for utilising marine wind power is examining the judicial, environmental, technical and financial conditions for wind power facilities on an industrial scale (100 - 400 MW). The aim is to achieve applicable results for evaluating the construction feasibility of marine wind power facilities. Pohjolan Voima is also developing wind power technology in a separate project.

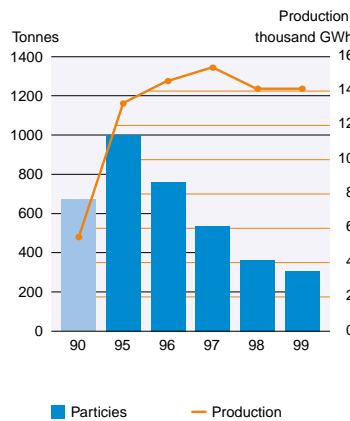
PVO'S SULPHUR DIOXIDE EMISSIONS



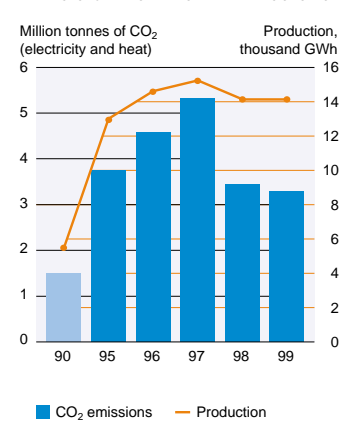
PVO'S NITROGEN OXIDE EMISSIONS



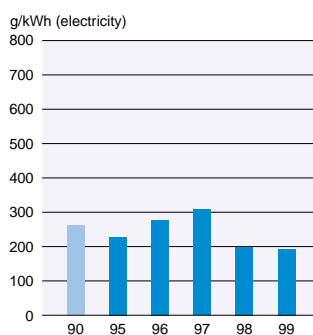
PVO'S PARTICLE EMISSIONS



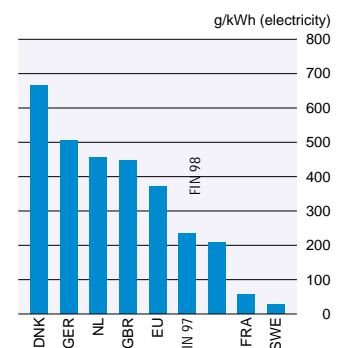
PVO'S CARBON DIOXIDE EMISSIONS



PVO'S SPECIFIC EMISSIONS OF CARBON DIOXIDE



SPECIFIC EMISSIONS OF CARBON DIOXIDE IN 1997



Source: Eurlectric Unipede: Eurprog Report



Pohjolan Voima publishes a separate environmental report. ([www.pvo.fi](http://www.pvo.fi))

## BOARD OF DIRECTORS



*Back, from left: Timo Rajala (President), Erkki Varis, Juhani Pohjolainen, Rauno Hakkila, Arto Piela (Secretary of the Board of Directors), Esa Tirkkonen. Front, from left: Sven Sohlström, Tauno Matomäki, Martin Stanley.*

### MEMBERS

**Tauno Matomäki**  
*Chairman*  
Chairman of the Board  
UPM-Kymmene Oyj

**Jukka Härmälä**  
*Deputy Chairman*  
CEO  
Stora Enso Oyj

**Rauno Hakkila**  
CEO  
Etelä-Pohjanmaan Voima Oy

**Heimo Karinen**  
President  
Kemira Oyj

**Antti Oksanen**  
President  
Metsäliitto-Yhtymä

**Heikki Sara**  
Senior Vice President  
UPM-Kymmene Oyj

**Sven Sohlström**  
CEO  
Perhonjoki Oy

**Martin Stanley**  
President  
TXU Europe Energy Trading

### DEPUTY MEMBERS

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President and CEO  
UPM-Kymmene Oyj

**Juhani Pohjolainen**  
M.Sc. (eng.)  
Stora Enso Oyj

**Veikko Leivonniemi**  
CEO  
Vaasan Sähkö Oy

**Esa Tirkkonen**  
Deputy CEO  
Kemira Oyj

**Erkki Varis**  
CEO  
Oy Metsä-Botnia Ab

**Martin Granholm**  
Executive Vice President  
UPM-Kymmene Oyj

**Juhani Paananen**  
Director  
Kokkolan Energialaitos

**Richard Mair**  
Managing Director  
TXU Nordic Energy Oy

### AUDITORS

SVH Pricewaterhouse Coopers Oy  
Authorised Public Accountants

## EXECUTIVE OFFICERS



*Back, from left: Mauno Paavola, Jukka Kiviluoto, Aappo Kontu, Minna Korkeaoja, Arto Piela, Jussi Kivimäki (Secretary of the Executive Team). Front, from left: Matti Kaisjoki, Timo Rajala.*

### MEMBERS

**Timo Rajala**

President and CEO  
Pohjolan Voima Oy

**Matti Kaisjoki**

Executive Vice President  
Power Procurement, Thermal Power  
Production

**Jukka Kiviluoto**

President  
PVO-Vesivoima Oy

**Aappo Kontu**

Executive Vice President  
Services and Technology

**Minna Korkeaoja**

Executive Vice President  
Group Controller

**Arto Piela**

Executive Vice President  
Corporate Strategy, Legal and  
Environmental Affairs, Communications,  
Procurement

**Mauno Paavola**

President and CEO  
Teollisuuden Voima Oy

### DEPUTY MEMBERS

**Risto Vesala**

Senior Vice President  
Transmission, IT Systems

**Paavo Onkalo**

Senior Vice President  
Corporate Planning

**Risto Mäkinen**

Senior Vice President  
Russia and Baltic Region

**Timo Väisänen**

Senior Vice President  
Group Treasurer

**Kauko Relander**

Senior Vice President  
Fuels and Procurement,  
Corporate Relations

## OPERATING ENVIRONMENT AND SHORT-TERM OUTLOOK

In 1999, Finnish electricity consumption totalled 77.9 TWh, representing a 1.6 per cent increase on the previous year. Industry and construction accounted for 42.5 TWh, or 54.6 per cent of total electricity consumption. Industrial consumption grew by two per cent.

The electricity acquisition of the Pohjolan Voima Group during the year under review amounted to 22.2 TWh, or about one third of total Finnish electricity consumption. Pohjolan Voima Oy supplied its shareholders with 15.7 TWh of electricity and Teollisuuden Voima Oy supplied its shareholders, excluding Pohjolan Voima, with 6.5 TWh. Group electricity acquisitions in 1998 amounted to 21.6 TWh, and 15.5 TWh was supplied to shareholders.

Rising demand is accelerating the growth of industrial production and exports. The electricity needs of industry are forecast to increase by 3 per cent in the year 2000, while growth in demand in the forest industry will rise by 3.5 per cent.

## CHANGES IN BUSINESS OPERATIONS AND GROUP STRUCTURE

PVO-Palvelut Oy began operating at the start of the year. All of the shares of the Pohjolan Voima Group, other than those in power generation and transmission, were transferred to the ownership of PVO-Palvelut. PVO-Palvelut incorporated its information technology operations in Power-IT Oy, which began operating at the start of 2000. Some 60 Group staff were transferred to the new company. PVO-Palvelut also established a separate maintenance company, Power-OM Oy.

In March, PVO-Engineering Oy purchased a controlling interest in the energy sector planning company Powertechnics Consulting Engineers Oy.

In August, Pohjolan Voima established the industrial co-generation company Jämsänkosken Voima Oy.

## GROUP R&D PROJECTS

Several R&D projects in line with technology strategy were initiated in 1999. Financing for development work was secured from the European Union, the Ministry of Trade and Industry and the National Technology Agency.

The most important project developing generating capacity is the bioenergy programme. This programme aims to improve the competitiveness of bioenergy and to ensure the technical conditions for its use.

Pohjolan Voima launched a study of the feasibility of marine wind power. The results of this study will enable evaluation of the conditions for wind power construction. Wind power technology is being developed as a separate project.

A modernisation project for operational maintenance data systems in thermal and hydro power plants was completed.

Preparations for potential problems in computerised systems, due to the year 2000, were made by updating and replacing the necessary elements of information systems. The staff of production units and control centres were on full alert at the turn of the year. There were no problems in automation and data systems.

## LEGAL ACTIONS PENDING

Consideration of the action for damages filed by PVO-Vesivoima Oy against the Finnish Government continued at the District Court of Helsinki. The action claims compensation for lost electricity sales revenue due to the prevention of further construction at the Iijoki site.

On 1 March 2000, the Supreme Court of Finland awarded damages of some FIM 100 million to PVO-Vesivoima in its action against the Finnish government seeking compensation for investments rendered worthless due to the enactment of the River Rapids Act.

The appeals filed by PVO-Vesivoima and PVO-Lämpövoima Oy concerning the Natura decision of the Council of State are pending at the Supreme Administrative Court of Finland.

## FUTURE DEVELOPMENT PROJECTS

The projects decided and prepared in recent years are all in line with the principles of sustainable development and the UN Framework Convention on Climate Change.

The construction of a power plant principally fired by wood, bark, forest residue and peat at the Pietarsaari site of UPM-Kymmene Oyj continues. The project is being implemented by Oy Alholmens Kraft Ab. The power plant is due for completion in October 2001.

The feasibility study conducted in collaboration with Rautaruukki Oyj concerning a planned power plant at the Rautaruukki Raahe site was concluded and no investment was begun.

A district heating and electricity co-generation plant planned by Kokkolan Voima Oy awaits an investment decision. The plant would be fired by domestic biofuel, forest residue and peat.

UPM-Kymmene and Pohjolan Voima have planned an investment in the expansion of the Jämsänkoski power generation facilities. The new power plant would be fuelled by bark, forest residue, peat and biosludge. The electricity output would be 52 MW and it would also generate 185 MW of district heating. The plant would be completed in autumn 2002. The investment would be implemented by Jämsänkosken Voima Oy.

In June Kouvola Seudun Sähkö Oy, Kuusankosken Aluelämmitys

Oy, Pohjolan Voima, UPM-Kymmene and the district heating company owned by the city of Kouvola, concluded an agreement on development work for a planned power plant at Kuusankoski. The new plant would generate 80 MW of electricity, 100–150 MW of industrial steam, and 60–70 MW of district heating. The main fuel would be biofuel from factories, forest residue and peat. Commercial use of the plant could begin at the end of 2002.

The Estlink project to combine the Estonian and Finnish grids through a direct current power link has continued. The project involves Eesti Energia, Helsingin Energia and Gränseverken AB (publ). The study will be completed in spring 2000.

Posiva Oy, a subsidiary of Teollisuuden Voima, has filed an application at the Council of State for an initial decision on final repository site for spent nuclear fuel to be constructed at Olkiluoto in Eurajoki. The municipal council in Eurajoki has issued a favourable statement on the project.

Teollisuuden Voima is prepared to initiate permit application proceedings for a new nuclear power plant unit. The possible environmental impact of a third nuclear power plant unit to be constructed at Olkiluoto have been assessed. The Ministry of Trade and Industry issued a statement on the EIA report in February 2000.

## PRODUCTION

Electricity generation fell by just under one per cent in Finland during the year under review. This was because of the availability of cheaper foreign electricity on the market. Net imports of electricity increased by nearly 20 per cent.

The Olkiluoto nuclear power plant completed its first full operating year at an increased capacity and a record output was achieved. Due to the rainy weather at the start of year and the low market price of electricity, the output of condensing power plants was lower than in the preceding year.

In coal procurement, the aim was to ensure adequate stocks over the winter 2000. Due to a lower level of demand than usual, the need for procurement was only 0.5 million tonnes, compared to 1.3 million tonnes in 1998. The cost of coal during the summer months of the year under review fell temporarily to a low level. Purchases were made mainly from Russia and also from South Africa and Poland. Coal stocks were on target at the end of the year.

The environmental systems for all production operations were certified in accordance with the assigned objective.

No significant deviations from permit conditions occurred. Emissions from condensing power plants fell slightly by comparison with the preceding year. Specific emission levels also fell. Actual recorded emissions were between 20 and 75 per cent of permitted levels. On European emission standards, Pohjolan Voima's generation does

well.

Pohjolan Voima publishes a separate environmental report on production and its development. Teollisuuden Voima will produce its own environmental report with respect to nuclear power generation.

Pohjolan Voima and its subsidiaries and associated companies have no known environmental liabilities which have not been covered.

## INVESTMENTS

### GROUP COMPANIES

Investments by the Pohjolan Voima Group totalled EUR 36.8 million. These were mainly investments in repairs and renovation.

In January, PVO-Lämpövoima Oy and Mussalon Voima Oy sold the gas turbines at Tahkoluoto, Kristinankaupunki and Tolkkinen to Fingrid Varavoima Oy. A 400 kV transmission line from Kymi to Vainikkala was sold to Fingrid Oyj before its completion.

### ASSOCIATED COMPANIES

Acceptance of the new turbine plant at Vaskiluodon Voima Oy was delayed. The turbine delivery does not meet the efficiency guarantees and exceeds the warranty levels for sound and consumption ratio. The generator also has vibration problems. Negotiations with the supplier are continuing.

## ECONOMY AND FINANCE

Group turnover was nearly nine per cent lower than in the preceding year, while the amount of energy supplied to the shareholders rose by three per cent. As the Group operates at cost in energy production, a simultaneous rise in supplies and fall in turnover means a fall in the unit price of the product.

Group liquidity remained good. Net interest-bearing liabilities fell by EUR 115.4 million to stand at EUR 758.2 million at the end of the year; 99.5 per cent of this sum was valued in euros and the remainder in foreign currencies. Interest expenses fell by EUR 24.3 million compared to the previous year due to a reduction in net liabilities and a fall in interest rates. Interest income and exchange rate gains fell by EUR 1.6 million.

For liquidity management the Group had domestic CP programmes for a total of EUR 233 million and an ECP programme of USD 100 million. Available revolving credit facilities at the end of the year amounted to USD 230 million and DEM 50 million.

The Group equity to assets ratio at the end of the year was 49.2 per cent. Deferred tax liability is not included in the calculation of the equity to assets ratio, as this is not expected to be realised.

## SHAREHOLDERS' EQUITY AND SHARE ISSUES

The following issues were subscribed during the financial year:

- An increase in the G series capital stock (28 Apr 1999) of 29,940 shares at a total subscription price of FIM 9.98 million (EUR 1.68 million) was directed at UPM-Kymmene Oyj, Perhonjoki Oy, the City of Kokkola and Päijät-Hämeen Voima Oy.

The holding of UPM-Kymmene Oyj in Pohjolan Voima continued at 46.1 per cent. Following the share issue, this company owns 55.9 per cent of the G series shares, compared to 0 per cent before the issue.

The holding of Perhonjoki Oy in Pohjolan Voima continued at 1.7 per cent. Following the share issue, this company owns 36.6 per cent of the G series shares, compared to 0 per cent before the issue.

The holding of the City of Kokkola in Pohjolan Voima continued at 2.0 per cent. Following the share issue, this company owns 3.8 per cent of the G series shares, compared to 0 per cent before the issue.

The holding of Päijät-Hämeen Voima Oy in Pohjolan Voima continued at 1.3 per cent. Following the share issue, this company owns 1.3 per cent of the G series shares, compared to 0 per cent before the issue.

• A D7 share series was established (15 Dec 1999) with 60,000 shares at a total subscription price of FIM 20.0 million (EUR 3.36 million) directed at UPM-Kymmene Oyj. Following the share issue, UPM-Kymmene owned 42.2 per cent of the total capital stock of Pohjolan Voima and 100 per cent of the D7 share series, compared to ownership of 46.1 per cent and 0 per cent respectively before the issue.

- An increase in the capital stock of the G share series (15 Dec 1999) by 59,880 shares at a total subscription price of FIM 19.96 million (EUR 3.36 million) was directed at UPM-Kymmene Oyj, Perhonjoki Oy, the City of Kokkola and Päijät-Hämeen Voima Oy.

The holding of UPM-Kymmene Oyj in Pohjolan Voima continued at 46.1 per cent with 55.9 per cent of the G series shares.

The holding of Perhonjoki Oy in Pohjolan Voima continued at 1.7 per cent with 36.6 per cent of the G series shares.

The holding of the City of Kokkola in Pohjolan Voima was 2.0 per cent before the share issue and 2.1 per cent thereafter. Its ownership of the G series shares continued at 3.8 per cent.

The holding of Päijät-Hämeen Voima Oy in Pohjolan Voima continued at 1.3 per cent with 1.3 per cent of the G series shares.

In September, the following shareholders in Pohjolan Voima: UPM-Kymmene Oyj, Stora Enso Oyj, Kemira Oyj and its pension fund Neliapila, Etelä-Pohjanmaan Voima Oy, and Oy Metsä-Botnia Ab, sold their holdings (81 per cent) in Teollisuuden Sähkömyynti Oy to Eastern Group plc (now TXU Europe plc) and at the same time relinquished their electricity contract sales. The sales were assigned to Teollisuuden Sähkömyynti, which had previously served as a sales agent. As part of the arrangement, Teollisuuden Sähkömyynti purchased shares in the C series of Pohjolan Voima from the above shareholders. Following the deal TXU Nordic Energy Oy (previously Teollisuuden Sähkömyynti Oy) holds a 14.7 per cent holding in Pohjolan Voima.

The Swedish Gränseverken AB (publ) purchased Ahlström Energia Oy. This change in ownership obliged Ahlström Energia Oy to offer its shares in Pohjolan Voima for redemption by the other shareholders. The Board of Directors of Pohjolan Voima determined the redemption price in July. Oy Metsä-Botnia Ab, Metsä-Serla Oy, Myllykoski Oyj and UPM-Kymmene Oyj redeemed the shares and registered their ownership in November.

## PERSONNEL

Introductory courses in environmental affairs for the entire production staff had been completed in 1998. In 1999, in-depth training in the method required for compiling and introducing systems was provided. For this, 740 man days were used.

During the year the Group installed new data systems into use for financial administration and operational maintenance of power plants, and revised its office software. A total of 2,000 man days of user training was provided.

A change workshop project was implemented at PVO-Vesivoima as part of introducing the operational maintenance data system. This project made the introduction of the new system more customer-orientated.

With the structural changes which continue to occur within the Group, it is important to develop a good working atmosphere and a sense of teamwork. Three skills management projects were implemented last year with a view to helping the personnel to deal with change.

The average number of personnel working for the Group over the year was 1,454 (1,421); 1,215 of these worked in production companies and the remaining 239 in the Service Group.

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

|   | Note  | Jan 1 – Dec 31, 1999<br>1,000 € | Jan 1 – Dec 31, 1998<br>1,000 € |
|---|-------|---------------------------------|---------------------------------|
| <b>TURNOVER</b>                         | ( 1 ) | <b>518,502</b>                  | 568,094                         |
| Change in inventories of finished goods |       | -1,406                          | -15                             |
| Production for own use                  |       | -66                             | 1,581                           |
| Other operating income                  | ( 2 ) | 21,103                          | 2,994                           |
| Raw materials and services              | ( 3 ) | -212,228                        | -211,962                        |
| Personnel expenses                      | ( 4 ) | -65,680                         | -64,243                         |
| Depreciation and value adjustments      | ( 5 ) | -101,491                        | -88,915                         |
| Other costs and expenses                | ( 6 ) | -92,794                         | -118,005                        |
| <b>OPERATING PROFIT</b>                 |       | <b>65,940</b>                   | 89,529                          |
| Financial income and expenses           | ( 7 ) | -37,798                         | -53,138                         |
| <b>PROFIT BEFORE TAXES</b>              |       | <b>28,142</b>                   | 36,391                          |
| Income taxes                            | ( 8 ) | -10,513                         | -9,345                          |
| Minority interest                       |       | -2,393                          | -9,796                          |
| <b>PROFIT FOR THE FINANCIAL PERIOD</b>  |       | <b>15,236</b>                   | 17,250                          |

# CONSOLIDATED BALANCE SHEET

| ASSETS                             | Note   | Dec 31, 1999<br>1,000€ | Dec 31, 1998<br>1,000€ |
|------------------------------------|--------|------------------------|------------------------|
| <b>FIXED ASSETS</b>                |        |                        |                        |
| Intangible assets                  | ( 9 )  | 59,721                 | 64,910                 |
| Tangible assets                    | ( 10 ) | 1,517,707              | 1,590,359              |
| Investments                        | ( 11 ) | 280,659                | 254,549                |
|                                    |        | <b>1,858,087</b>       | <b>1,909,818</b>       |
| <b>CURRENT ASSETS</b>              |        |                        |                        |
| Inventories                        | ( 12 ) | 207,367                | 231,148                |
| Non-current receivables            | ( 13 ) | 37,968                 | 39,735                 |
| Current receivables                | ( 14 ) | 93,264                 | 81,769                 |
| Cash in hand and at bank           | ( 15 ) | 23,334                 | 38,275                 |
|                                    |        | <b>361,933</b>         | <b>390,927</b>         |
|                                    |        | <b>2,220,020</b>       | <b>2,300,745</b>       |
| <b>EQUITY AND LIABILITIES</b>      |        |                        |                        |
| <b>SHAREHOLDERS' EQUITY ( 16 )</b> |        |                        |                        |
| Share capital                      |        | 57,379                 | 57,106                 |
| Share issue                        |        | 6,721                  | 16,429                 |
| Share premium reserve              |        | 306,120                | 287,126                |
| Revaluation reserve                |        | 218,644                | 218,644                |
| Retained earnings                  |        | 160,909                | 143,659                |
| Profit for the financial period    |        | 15,236                 | 17,250                 |
|                                    |        | <b>765,009</b>         | <b>740,214</b>         |
|                                    |        | <b>164,088</b>         | <b>160,198</b>         |
| <b>LIABILITIES</b>                 |        |                        |                        |
| Deferred tax liability             | ( 17 ) | 162,132                | 151,635                |
| Non-current liabilities            | ( 18 ) | 887,365                | 1,040,364              |
| Current liabilities                | ( 19 ) | 241,426                | 208,334                |
|                                    |        | <b>1,290,923</b>       | <b>1,400,333</b>       |
|                                    |        | <b>2,220,020</b>       | <b>2,300,745</b>       |



# CONSOLIDATED CASH FLOW STATEMENT

|   | 1999           | 1998    |
|---|----------------|---------|
|   | 1,000 €        | 1,000 € |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                                  |                |         |
| Operating profit  | 65,940         | 89,529  |
| Adjustments to operating profit <sup>1</sup>                                | 58,122         | 74,572  |
| Change in net working capital <sup>2</sup>                                  | 2,380          | -6,571  |
| Interest  | -38,009        | -56,045 |
| Dividends received  | 273            | 180     |
| Other financial income and expenses   | -62            | 2,726   |
| Direct taxes paid   | -16            | -1,345  |
| Net cash from operating activities  | <b>88,628</b>  | 103,046 |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                                  |                |         |
| Investments in shares   | -6,876         | -19     |
| Purchases of tangible and intangible assets                                 | -29,967        | -66,056 |
| Proceeds from sale of shares  | 2,882          | 1,651   |
| Proceeds from sale of tangible and intangible assets                        | 28,595         | 7,143   |
| Acquisition of Group companies  | 7,698          | -       |
| Increase in non-current receivables   | -7,225         | -12,277 |
| Net cash used in investing activities                                       | <b>-4,893</b>  | -69,558 |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                                  |                |         |
| Increase in long-term liabilities   | 7,159          | 21,778  |
| Decrease in long-term liabilities   | -135,281       | -98,610 |
| Increase (-) or decrease (+) in interest-bearing receivables                | 1,767          | 362     |
| Increase (+) or decrease (-) in current interest-bearing liabilities        | 18,120         | -9,962  |
| Share issue   | 9,559          | 23,291  |
| Net cash used in financing activities                                       | <b>-98,676</b> | -63,141 |
| Net increase (+) or decrease (-) in cash and cash equivalents               | -14,941        | -29,653 |
| Cash and cash equivalents at 1 Jan.   | 38,275         | 67,928  |
| Cash and cash equivalents at 31 Dec.  | <b>23,334</b>  | 38,275  |
| <br>  |                |         |
| <sup>1</sup> Adjustments to operating profit                                |                |         |
| Depreciation and value adjustments  | 101,491        | 88,915  |
| Gains (-) or losses (+) on sale of fixed assets                             | -18,500        | -866    |
| Share of results of associated companies                                    | -24,869        | -13,477 |
|   | <b>58,122</b>  | 74,572  |
| <sup>2</sup> Change in working capital                                      |                |         |
| Increase (-) or decrease (+) in inventories                                 | 23,781         | 2,731   |
| Increase (-) or decrease (+) in non-interest-bearing receivables            | -11,496        | 6,724   |
| Increase (+) or decrease (-) in short-term non-interest-bearing liabilities | -9,905         | -16,026 |
|   | <b>2,380</b>   | -6,571  |

# PROFIT AND LOSS ACCOUNT OF PARENT COMPANY

|   | Note | Jan 1 – Dec 31, 1999<br>1,000 € | Jan 1 – Dec 31, 1998<br>1,000 € |
|---|------|---------------------------------|---------------------------------|
| <b>TURNOVER</b>                                   | (1)  | <b>358,806</b>                  | 406,483                         |
| Other operating income                            | (2)  | 5,587                           | 1,354                           |
| Raw materials and services                        | (3)  | -139,093                        | -163,728                        |
| Personnel expenses                                | (4)  | -4,182                          | -4,119                          |
| Depreciation and value adjustments                | (5)  | -1,737                          | -1,617                          |
| Other costs and expenses                          | (6)  | -221,844                        | -235,242                        |
| <b>OPERATING LOSS (-PROFIT)</b>                   |      | <b>-2,463</b>                   | 3,131                           |
| Financial income and expenses                     | (7)  | 2,960                           | -573                            |
| <b>PROFIT BEFORE APPROPRIATIONS<br/>AND TAXES</b> |      | <b>497</b>                      | 2,558                           |
| Appropriations                                    |      |                                 |                                 |
| Decrease in accumulated depreciation difference   |      | 815                             | 1,724                           |
| Income taxes                                      | (8)  | -549                            | -1,637                          |
| <b>PROFIT FOR THE FINANCIAL PERIOD</b>            |      | <b>763</b>                      | 2,645                           |

# PARENT COMPANY BALANCE SHEET

| ASSETS                              | Note   | Dec 31, 1999<br>1,000 € | Dec 31, 1998<br>1,000 € |
|-------------------------------------|--------|-------------------------|-------------------------|
| <b>NON-CURRENT ASSETS</b>           |        |                         |                         |
| Intangible assets                   | ( 9 )  | 1,105                   | 1,576                   |
| Tangible assets                     | ( 10 ) | 7,858                   | 11,512                  |
| Investments                         | ( 11 ) |                         |                         |
| Holdings in Group companies         |        | 647,232                 | 631,905                 |
| Other investments                   |        | 287,030                 | 336,602                 |
|                                     |        | <b>943,225</b>          | <b>981,595</b>          |
| <b>CURRENT ASSETS</b>               |        |                         |                         |
| Non-current receivables             | ( 13 ) | 35,479                  | 39,443                  |
| Current receivables                 | ( 14 ) | 47,581                  | 47,058                  |
| Cash in hand and at banks           |        | 17,362                  | 35,230                  |
|                                     |        | <b>100,422</b>          | <b>121,731</b>          |
|                                     |        | <b>1,043,647</b>        | <b>1,103,326</b>        |
| <b>EQUITY AND LIABILITIES</b>       |        |                         |                         |
| <b>SHAREHOLDERS' EQUITY</b>         |        |                         |                         |
|                                     | ( 16 ) |                         |                         |
| Share capital                       |        | 57,379                  | 57,106                  |
| Share issue                         |        | 6,721                   | 16,429                  |
| Share premium reserve               |        | 301,491                 | 283,656                 |
| Revaluation reserve                 |        | 218,644                 | 218,644                 |
| Retained earnings                   |        | 35,739                  | 33,094                  |
| Profit for the financial period     |        | 763                     | 2,645                   |
|                                     |        | <b>620,737</b>          | <b>611,574</b>          |
| <b>APPROPRIATIONS</b>               |        |                         |                         |
| Accumulated depreciation difference |        | <b>4,899</b>            | 5,715                   |
| <b>LIABILITIES</b>                  |        |                         |                         |
| Non-current liabilities             | ( 17 ) | 294,570                 | 402,746                 |
| Current liabilities                 | ( 18 ) | 123,441                 | 83,291                  |
|                                     |        | <b>418,011</b>          | <b>486,037</b>          |
|                                     |        | <b>1,043,647</b>        | <b>1,103,326</b>        |

# PARENT COMPANY CASH FLOW STATEMENT

|   | <b>1999</b>    | 1998    |
|---|----------------|---------|
|   | 1,000 €        | 1,000 € |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                                  |                |         |
| Operating profit  | -2,465         | 3,133   |
| Adjustments to operating profit <sup>1</sup>                                | -2,603         | 1,040   |
| Change in net working capital <sup>2</sup>                                  | 618            | -27,754 |
| Interest  | 1,143          | -3,994  |
| Dividends received  | 2,531          | 3,050   |
| Other financial income and expenses   | -714           | 371     |
| Direct taxes paid   | -549           | -1,637  |
| Net cash from operating activities  | <b>-2,039</b>  | -25,791 |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                                  |                |         |
| Investments in shares   | -18,364        | -8,573  |
| Purchases of tangible and intangible assets                                 | -957           | -839    |
| Proceeds from sale of shares  | 5,651          | 1,095   |
| Proceeds from sale of tangible and intangible assets                        | 4,573          | 1,734   |
| Increase in non-current receivables   | -3,740         | -6,085  |
| Decrease in non-current receivables   | 53,811         | 19,315  |
| Net cash used in investing activities                                       | <b>40,974</b>  | 6,647   |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                                  |                |         |
| Increase in long-term liabilities   | 12,175         | 14,417  |
| Decrease in long-term liabilities   | -81,179        | -53,966 |
| Increase (-) or decrease (+) in interest-bearing receivables                | 3,964          | 2       |
| Increase (+) or decrease (-) in current interest-bearing liabilities        | -162           | -5,883  |
| Share issue   | 8,399          | 23,291  |
| Net cash used in financing activities                                       | <b>-56,803</b> | -22,139 |
| Net increase (+) or decrease (-) in cash and cash equivalents               | -17,868        | -41,283 |
| Cash and cash equivalents at 1 Jan.   | 35,230         | 76,513  |
| Cash and cash equivalents at 31 Dec.  | <b>17,362</b>  | 35,230  |
| <br><sup>1</sup> Adjustments to operating profit                            |                |         |
| Depreciation and value adjustments  | 1,737          | 1,617   |
| Gains (-) or losses (+) on sale of fixed assets                             | -4,340         | -556    |
|   | <b>-2,603</b>  | 1,061   |
| <br><sup>2</sup> Change in working capital                                  |                |         |
| Increase (-) or decrease (+) in non-interest-bearing receivables            | -523           | -6,378  |
| Increase (+) or decrease (-) in short-term non-interest-bearing liabilities | 1,141          | -21,376 |
|   | <b>618</b>     | -27,754 |

## CHANGES IN ACCOUNTING POLICIES

The consolidated financial statements have been compiled in accordance with the revised Finnish Bookkeeping Act. The manner of presentation of the profit and loss account, balance sheet and notes to the accounts differs from that of the preceding year. The comparability data have been adjusted accordingly.

## PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the parent company, together with those companies in which the parent company holds more than half of the voting rights, either directly or indirectly, or in which it otherwise has a controlling interest according to section 3 of chapter 1 of the Companies Act.

Subsidiaries acquired during the financial year are included in the financial statements from the time of acquisition, while those sold during the year are included up to their date of sale.

## ACCOUNTING PRINCIPLES IN THE CONSOLIDATED FINANCIAL STATEMENTS

### MUTUAL SHAREHOLDINGS

The consolidated financial statements have been compiled according to the purchase method. The price in excess of the equity of the subsidiary has been capitalised in full. This consolidation difference is depreciated according to the depreciation plan of the said fixed asset item.

### INTER-COMPANY TRANSACTIONS AND MARGINS

All internal transactions, group receivables and liabilities and margins on internal services within the Group have been eliminated.

### MINORITY INTERESTS

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

### ASSOCIATED COMPANIES

Associated companies have been consolidated using the equity method. The profit and loss account includes a portion, corresponding to the shareholding of the Group, of the result and change in depreciation difference minus tax liability of associated companies. The value of shares shown in the balance sheet is the proportion of the shareholders' equity and accumulated depreciation difference minus tax liability.

The result of associated companies is shown in other operating expenses.

## ITEMS IN FOREIGN CURRENCIES

The value of debts, receivables and liability commitments valued in foreign currencies has been adjusted to the exchange rate quoted by the Bank of Finland or contract rate on the date of the financial statements. Exchange rate gains or losses from the conversion of

debts and receivables have been entered in the profit and loss account as exchange rate differences.

## TANGIBLE AND INTANGIBLE ASSETS

Non-current assets have been entered in the balance sheet at their original acquisition cost minus depreciation according to plan.

Revaluations of hydropower constructions and dams are included in the balance sheet values.

Depreciation according to plan is calculated according to expected useful life. Useful lives have been defined as follows:

|                             |             |
|-----------------------------|-------------|
| • hydropower plants         | 40–50 years |
| • nuclear power plants      | 10–41 years |
| • condensing power plants   | 25 years    |
| • cogeneration power plants | 4–40 years  |
| • power grids               | 30 years    |
| • other fixed assets        | 5–15 years  |

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

## INVENTORIES

Current assets have been valued at their original acquisition cost according to the FIFO principle. Where the probable acquisition cost of current assets is less than the original acquisition cost on the date of the financial statements, the difference is not recorded as an expense due to the break-even cost principle.

## VOLUNTARY PROVISIONS

Voluntary provisions, including accumulated depreciation difference, have been divided between unrestricted shareholders' equity and deferred tax liability. The change in voluntary provisions during the financial year has been divided between the result for the period and change in deferred tax liability.

## TURNOVER

When calculating turnover, indirect taxes and allowed discounts are deducted from sales revenues. Sales revenues are recorded as income at the time of delivery.

## PENSION ARRANGEMENTS

Pension coverage in Group companies is arranged with Finnish insurance companies.

## INCOME TAX

Taxes recorded include the estimated taxes corresponding to the results of Group companies for the financial year or the taxes determined on the basis of dividend distributions, adjustments to taxes in earlier financial years and change in deferred tax liability. Deferred tax liability is calculated using the tax base for following years confirmed on the day of the financial statements. Company tax credits based on internal dividend distribution have been eliminated from direct taxes.

|  | <b>Group</b>   |         | <b>Parent company</b> |         |
|--|----------------|---------|-----------------------|---------|
|  | <b>1999</b>    | 1998    | <b>1999</b>           | 1998    |
|  | 1,000 €        | 1,000 € | 1,000 €               | 1,000 € |
| <b>(1) TURNOVER</b>  |                |         |                       |         |
| Sales of electricity   | 402,508        | 464,134 | 304,306               | 351,120 |
| Sales of heat  | 55,952         | 56,567  | 45,760                | 46,142  |
| Other sales  | 60,042         | 47,393  | 8,740                 | 9,221   |
|  | <b>518,502</b> | 568,094 | <b>358,806</b>        | 406,483 |
| <b>(2) OTHER OPERATING INCOME</b>  |                |         |                       |         |
| Gains on sales of fixed assets   | 18,500         | 866     | 4,396                 | 577     |
| Income from rents  | 1,082          | 1,728   | 892                   | 931     |
| Other income and expenditure   | 1,521          | 400     | 299                   | -154    |
|  | <b>21,103</b>  | 2,994   | <b>5,587</b>          | 1,354   |
| <b>(3) RAW MATERIALS AND SERVICES</b>  |                |         |                       |         |
| Fuel   | 129,618        | 124,938 | -                     | -       |
| Other materials, consumables and goods   | 32,353         | 64,742  | 136,347               | 163,187 |
| Purchased during the period  | 161,971        | 189,680 | 136,347               | 163,187 |
| Change in inventories  | 22,308         | 482     | -                     | -       |
| External services  | 27,949         | 21,800  | 2,746                 | 541     |
|  | <b>212,228</b> | 211,962 | <b>139,093</b>        | 163,728 |
| <b>(4) PERSONNEL EXPENSES</b>  |                |         |                       |         |
| Salaries and fees  |                |         |                       |         |
| Salaries of boards of directors<br>and managing directors                        | 1,061          | 1,093   | 361                   | 322     |
| Other salaries   | 51,960         | 50,854  | 3,194                 | 3,133   |
|  | 53,021         | 51,947  | 3,555                 | 3,455   |
| Pension expenses   | 7,687          | 7,115   | 359                   | 502     |
| Other indirect employee costs  | 4,972          | 5,181   | 268                   | 162     |
|  | 12,659         | 12,296  | 627                   | 664     |
| Total personnel expenses   | <b>65,680</b>  | 64,243  | <b>4,182</b>          | 4,119   |
| Personnel (average)  |                |         |                       |         |
| Salaried employees   | 936            | 678     | 71                    | 75      |
| Wage-earners   | 518            | 743     | 7                     | 12      |
| Total  | <b>1,454</b>   | 1,421   | <b>78</b>             | 87      |
| The retirement age for the Managing Directors of Group companies is 60–65 years. |                |         |                       |         |
| <b>(5) DEPRECIATION</b>  |                |         |                       |         |
| Depreciation according to plan   |                |         |                       |         |
| Formation expenses   | 6,125          | 1,409   | -                     | -       |
| Other capitalised expenditure  | 4,305          | 3,805   | 427                   | 370     |
| Buildings and constructions  | 10,406         | 9,402   | 224                   | 112     |
| Machinery and equipment  | 78,542         | 72,802  | 639                   | 688     |
| Other tangible assets  | 2,113          | 1,497   | -                     | -       |
| Investments  | -              | -       | 447                   | 447     |
|  | <b>101,491</b> | 88,915  | <b>1,737</b>          | 1,617   |

|  | Group          |                | Parent company |                |
|--|----------------|----------------|----------------|----------------|
|  | 1999           | 1998           | 1999           | 1998           |
|  | 1,000 €        | 1,000 €        | 1,000 €        | 1,000 €        |
| <b>(6) OTHER COSTS AND EXPENSES</b>                    |                |                |                |                |
| Energy purchases                                       | 24,998         | 28,062         | 214,208        | 227,159        |
| Share of profits of associated companies               | -24,869        | -13,477        | -              | -              |
| Rents and leases                                       | 11,625         | 9,664          | 1,799          | 1,418          |
| Real estate taxes                                      | 5,376          | 4,781          | 9              | 9              |
| Other expenses   | 75,664         | 88,975         | 5,828          | 6,656          |
|  | <b>92,794</b>  | <b>118,005</b> | <b>221,844</b> | <b>235,242</b> |
| <b>(7) FINANCIAL INCOME AND EXPENSES</b>               |                |                |                |                |
| Dividend income  |                |                |                |                |
| From Group companies                                   | -              | -              | -              | 865            |
| From associated companies                              | -              | -              | 2,529          | 2,137          |
| From other companies                                   | 273            | 180            | 2              | 48             |
|  | <b>273</b>     | <b>180</b>     | <b>2,531</b>   | <b>3,050</b>   |
| Interest income on non-current investments             |                |                |                |                |
| From Group companies                                   | -              | -              | 14,886         | 19,437         |
| From other companies                                   | 7,953          | 12,102         | 1,289          | 1,469          |
|  | <b>7,953</b>   | <b>12,102</b>  | <b>16,175</b>  | <b>20,906</b>  |
| Other interest and financial income                    |                |                |                |                |
| From Group companies                                   | -              | -              | 174            | 107            |
| From other companies                                   | 1,366          | 6,254          | 242            | 2,821          |
|  | <b>1,366</b>   | <b>6,254</b>   | <b>416</b>     | <b>2,928</b>   |
| <b>Total interest income</b>                           | <b>9,319</b>   | <b>18,356</b>  | <b>16,591</b>  | <b>23,834</b>  |
| Interest and financial expenses                        |                |                |                |                |
| To Group companies                                     | -              | -              | -9,469         | -1,019         |
| To other companies                                     | -47,390        | -71,674        | -6,693         | -26,438        |
|  | <b>-47,390</b> | <b>-71,674</b> | <b>-16,162</b> | <b>-27,457</b> |
| <b>Total financial income and expenses</b>             | <b>-37,798</b> | <b>-53,138</b> | <b>2,960</b>   | <b>-573</b>    |
| Total interest income includes net exchange rate gains | -62            | 2,726          | -666           | -371           |
| <b>(8) INCOME TAXES</b>                                |                |                |                |                |
| Taxes for the financial period                         | 51             | 1,057          | 584            | 1,349          |
| Taxes from previous periods                            | -35            | 288            | -35            | 288            |
| Change in deferred tax liability                       | 10,497         | 8,000          | -              | -              |
|  | <b>10,513</b>  | <b>9,345</b>   | <b>549</b>     | <b>1,637</b>   |

# NOTES TO THE BALANCE SHEET

## (9) INTANGIBLE ASSETS

1,000€

| GROUP                                 | Formation expenses | Intangible rights | Other capitalised expenditure | Advance payments | Total         |
|---------------------------------------|--------------------|-------------------|-------------------------------|------------------|---------------|
| Acquisition cost at 1 Jan.            | 58,106             | 106               | 56,377                        | 0                | 114,589       |
| Increases                             | 10                 | 2                 | 5,693                         | 681              | 6,386         |
| Decreases                             | -                  | -                 | -662                          | -600             | -1,262        |
| Acquisition cost at 31 Dec.           | 58,116             | 108               | 61,408                        | 81               | 119,713       |
| Accumulated depreciation at 1 Jan.    | -27,426            | -28               | -22,100                       | -                | -49,554       |
| Accumulated depreciation on decreases | -                  | -                 | -299                          | -                | -299          |
| Depreciation for the period           | -6,153             | -11               | -3,975                        | -                | -10,139       |
| Accumulated depreciation at 31 Dec.   | -33,579            | -39               | -26,374                       | -                | -59,992       |
| <b>Book value at 31 Dec. 1999</b>     | <b>24,537</b>      | <b>69</b>         | <b>35,034</b>                 | <b>81</b>        | <b>59,721</b> |
| Book value at 31 Dec. 1998            | 30,680             | 78                | 34,152                        | -                | 64,910        |
| <b>PARENT COMPANY</b>                 |                    |                   |                               |                  |               |
| Acquisition cost at 1 Jan.            | -                  | 6                 | 2,084                         | -                | 2,090         |
| Increases                             | -                  | -                 | 451                           | -                | 451           |
| Decreases                             | -                  | -                 | -650                          | -                | -650          |
| Acquisition cost at 31 Dec.           | -                  | 6                 | 1,885                         | -                | 1,891         |
| Accumulated depreciation at 1 Jan.    | -                  | -                 | -514                          | -                | -514          |
| Depreciation for the period           | -                  | -                 | -272                          | -                | -272          |
| Accumulated depreciation at 31 Dec.   | -                  | -                 | -786                          | -                | -786          |
| <b>Book value at 31 Dec. 1999</b>     | <b>-</b>           | <b>6</b>          | <b>1,099</b>                  | <b>-</b>         | <b>1,105</b>  |
| Book value at 31 Dec. 1998            | -                  | 6                 | 1,570                         | -                | 1,576         |

## (10) TANGIBLE ASSETS

1,000€

| GROUP   | Land and water areas | Buildings and constructions | Machinery and equipment | Other tangible assets | Advance payments | Total            |
|---|----------------------|-----------------------------|-------------------------|-----------------------|------------------|------------------|
| Acquisition cost at 1 Jan.                            | 39,479               | 351,934                     | 1,728,267               | 253,684               | 9,332            | 2,382,696        |
| Increases   | 209                  | 1,515                       | 25,674                  | 584                   | 2,272            | 30,254           |
| Decreases   | -149                 | -175                        | -4,833                  | -12                   | -10,336          | -15,505          |
| Acquisition cost at 31 Dec.                           | 39,539               | 353,274                     | 1,749,108               | 254,256               | 1,268            | 2,397,445        |
| Accumulated depreciation at 1 Jan.                    | -                    | -114,280                    | -664,752                | -13,308               | -                | -792,340         |
| Accumulated depreciation on decreases                 | -                    | 62                          | 3,590                   | 4                     | -                | 3,656            |
| Depreciation for the period                           | -                    | -10,365                     | -78,576                 | -2,113                | -                | -91,054          |
| Accumulated depreciation at 31 Dec.                   | -                    | -124,583                    | -739,738                | -15,417               | -                | -879,738         |
| <b>Book value at 31 Dec. 1999</b>                     | <b>39,539</b>        | <b>228,691</b>              | <b>1,009,370</b>        | <b>238,839</b>        | <b>1,268</b>     | <b>1,517,707</b> |
| Book value at 31 Dec. 1998                            | 39,480               | 237,654                     | 1,063,517               | 240,376               | 9,332            | 1,590,359        |
| Revaluations included in acquisition costs at 31 Dec. |                      | 66,296                      |                         | 198,849               |                  |                  |
| Production machinery and equipment at 31 Dec.         |                      |                             | 865,188                 |                       |                  |                  |



|   | Land and water areas | Buildings and constructions | Machinery and equipment | Other tangible assets | Advance payments | <b>Total</b> |
|---|----------------------|-----------------------------|-------------------------|-----------------------|------------------|--------------|
| <b>PARENT COMPANY</b>                         |                      |                             |                         |                       |                  |              |
| Acquisition cost at 1 Jan.                    | 171                  | 3,462                       | 6,498                   | -                     | 2,761            | 12,892       |
| Increases                                     | 0                    | 0                           | 310                     | -                     | 196              | 506          |
| Decreases                                     | -                    | -111                        | -455                    | -                     | -2,844           | -3,410       |
| Acquisition cost at 31 Dec.                   | 171                  | 3,351                       | 6,353                   | -                     | 113              | 9,988        |
| Accumulated depreciation at 1 Jan.            | -                    | -395                        | -985                    | -                     | -                | -1,380       |
| Accumulated depreciation on decreases         | -                    | -                           | -                       | -                     | -                | 0            |
| Depreciation for the period                   | -                    | -113                        | -638                    | -                     | -                | -751         |
| Accumulated depreciation at 31 Dec.           | -                    | -508                        | -1,623                  | -                     | -                | -2,131       |
| <b>Book value at 31 Dec. 1999</b>             | <b>171</b>           | <b>2,843</b>                | <b>4,730</b>            | <b>-</b>              | <b>113</b>       | <b>7,857</b> |
| Book value at 31 Dec. 1998                    | 171                  | 3,066                       | 5,513                   | -                     | 2,761            | 11,512       |
| Production machinery and equipment at 31 Dec. |                      |                             | 4,006                   |                       |                  |              |

## (11) INVESTMENTS

1,000 €

| <b>GROUP</b>                      | Shares in associated companies | Other shares and holdings | Other receivables | <b>Total</b>   |
|-----------------------------------|--------------------------------|---------------------------|-------------------|----------------|
| Acquisition cost at 1 Jan.        | 34,927                         | 36,827                    | 186,329           | 258,083        |
| Increases                         | 28,519                         | 1,504                     | 3,691             | 33,714         |
| Decreases                         | -10,694                        | -444                      |                   | -11,138        |
| Acquisition cost at 31 Dec.       | 52,752                         | 37,887                    | 190,020           | 280,659        |
| <b>Book value at 31 Dec. 1999</b> | <b>52,752</b>                  | <b>37,887</b>             | <b>190,020</b>    | <b>280,659</b> |
| Book value at 31 Dec. 1998        | 34,927                         | 36,827                    | 182,795           | 254,549        |

| <b>PARENT COMPANY</b>             | Shares in Group companies | Receivables from Group companies | Shares in associated companies | Other shares and holdings | <b>Total</b>   |
|-----------------------------------|---------------------------|----------------------------------|--------------------------------|---------------------------|----------------|
| Acquisition cost at 1 Jan.        | 631,905                   | 306,784                          | 29,031                         | 786                       | 968,507        |
| Increases                         | 16,440                    | 0                                | 1,931                          | 0                         | 18,371         |
| Decreases                         | -1,113                    | -50,071                          | -981                           | -450                      | -52,615        |
| Acquisition cost at 31 Dec.       | 647,232                   | 256,713                          | 29,981                         | 336                       | 934,263        |
| <b>Book value at 31 Dec. 1999</b> | <b>647,232</b>            | <b>256,713</b>                   | <b>29,981</b>                  | <b>336</b>                | <b>934,263</b> |
| Book value at 31 Dec. 1998        | 631,905                   | 306,784                          | 29,031                         | 787                       | 968,507        |

# NOTES TO THE BALANCE SHEET

|                                       | Group          |                | Parent company |               |
|---------------------------------------|----------------|----------------|----------------|---------------|
|                                       | 1999           | 1998           | 1999           | 1998          |
|                                       | 1,000 €        | 1,000 €        | 1,000 €        | 1,000 €       |
| <b>(12) INVENTORIES</b>               |                |                |                |               |
| Materials and supplies                | 2,919          | 2,817          |                |               |
| Fuel                                  | 203,162        | 225,639        |                |               |
| Work in progress                      | 1,286          | 2,692          |                |               |
|                                       | <b>207,367</b> | <b>231,148</b> |                |               |
| Fuel (coal and unrefined uranium)     |                |                |                |               |
| Replacement price                     | 57,892         | 65,729         |                |               |
| Book value                            | 32,448         | 78,104         |                |               |
|                                       | <b>25,444</b>  | <b>-12,375</b> |                |               |
| <b>(13) NON-CURRENT RECEIVABLES:</b>  |                |                |                |               |
| Accounts receivable                   | 279            | -              | -              | -             |
| Loan receivables                      | 4,051          | 6,071          | 1,841          | 5,778         |
| Capital loan receivables              | 33,638         | 33,664         | 33,638         | 33,665        |
|                                       | <b>37,968</b>  | <b>39,735</b>  | <b>35,479</b>  | <b>39,443</b> |
| Receivables from Group companies      |                |                |                |               |
| Capital loan receivables              |                |                | <b>1</b>       | <b>1</b>      |
| Receivables from associated companies |                |                |                |               |
| Loan receivables                      | 1,564          | 1,346          | 1,564          | 1,346         |
| Capital loan receivables              | 33,638         | 33,664         | 33,638         | 33,664        |
|                                       | <b>35,202</b>  | <b>35,010</b>  | <b>35,202</b>  | <b>35,010</b> |
| <b>(14) CURRENT RECEIVABLES:</b>      |                |                |                |               |
| Accounts receivable                   | 70,987         | 49,596         | 37,498         | 29,527        |
| Loan receivables                      | 505            | 59             | -              | -             |
| Share issue receivables               | 6,721          | 16,429         | 6,721          | 16,429        |
| Deferred assets                       | 12,739         | 15,289         | 3,320          | 899           |
| Other receivables                     | 2,312          | 396            | 42             | 203           |
|                                       | <b>93,264</b>  | <b>81,769</b>  | <b>47,581</b>  | <b>47,058</b> |
| Receivables from Group companies      |                |                |                |               |
| Accounts receivable                   | -              | -              | 1,431          | 2,861         |
| Other receivables                     | -              | -              | 23             | 169           |
|                                       | <b>0</b>       | <b>0</b>       | <b>1,454</b>   | <b>3,030</b>  |
| Receivables from associated companies |                |                |                |               |
| Accounts receivable                   | 2,136          | 1,463          | 117            | 779           |
| Deferred assets                       | 412            | -              | -              | -             |
| Other receivables                     | 564            | 2,153          | 20             | 6             |
|                                       | <b>3,112</b>   | <b>3,616</b>   | <b>137</b>     | <b>785</b>    |

|  | <b>Group</b>   |         | <b>Parent company</b> |         |
|--|----------------|---------|-----------------------|---------|
|  | <b>1999</b>    | 1998    | <b>1999</b>           | 1998    |
|  | 1,000 €        | 1,000 € | 1,000 €               | 1,000 € |
| Main items included in current deferred assets |                |         |                       |         |
| Personnel expenses                             | 127            | 188     | -                     | -       |
| Interest income                                | 6,747          | 11,019  | 250                   | 319     |
| Interest expenses                              | 743            | 798     | -                     | -       |
| Income taxes                                   | 513            | 32      | 132                   | 7       |
| Indirect taxes                                 | 161            | 236     | -                     | -       |
| Selling price receivable                       | 1,791          | -       | 1,791                 | -       |
| Others   | 2,657          | 3,016   | 1,147                 | 573     |
|  | <b>12,739</b>  | 15,289  | <b>3,320</b>          | 899     |
| Interest-bearing receivables                   |                |         |                       |         |
| Non-current assets                             | 190,020        | 216,460 | 256,713               | 307,625 |
| Current assets                                 | 61,527         | 44,405  | 52,842                | 73,833  |
|  | <b>251,547</b> | 260,865 | <b>309,555</b>        | 381,458 |

#### (15) CURRENT FINANCIAL ASSETS

|   |          |          |  |  |
|---|----------|----------|--|--|
| Current financial assets include mutual fund units. |          |          |  |  |
| Replacement price                                   | 114      | 259      |  |  |
| Book value  | 109      | 253      |  |  |
|   | <b>5</b> | <b>6</b> |  |  |

#### (16) SHAREHOLDERS' EQUITY

|  |                |         |                |         |
|--|----------------|---------|----------------|---------|
| Share capital at 1 Jan.                | 57,106         | 56,518  | 57,106         | 56,518  |
| Transfer from share issues             | 273            | 588     | 273            | 588     |
| Share capital at 31 Dec.               | <b>57,379</b>  | 57,106  | <b>57,379</b>  | 57,106  |
| Share issue at 1 Jan.                  | 16,429         | -       | 16,429         | -       |
| Transfer to share capital              | -273           | -588    | -273           | -588    |
| Transfer to share premium reserve      | -17,834        | -6,273  | -17,834        | -6,273  |
| Share issues during financial period   | 8,399          | 23,290  | 8,399          | 23,290  |
| Share issue at 31 Dec.                 | <b>6,721</b>   | 16,429  | <b>6,721</b>   | 16,429  |
| Share premium reserve at 1 Jan.        | 287,126        | 280,853 | 283,656        | 277,383 |
| Share issue premium                    | 18,994         | 6,273   | 17,835         | 6,273   |
| Share premium reserve at 31 Dec.       | <b>306,120</b> | 287,126 | <b>301,491</b> | 283,656 |
| Revaluation reserve at 1 Jan.          | 218,644        | 218,644 | 218,644        | 218,644 |
| Revaluation reserve at 31 Jan.         | <b>218,644</b> | 218,644 | <b>218,644</b> | 218,644 |
| Retained earnings at 1 Jan.            | 160,909        | 143,659 | 35,739         | 33,094  |
| Retained earnings at 31 Dec.           | <b>160,909</b> | 143,659 | <b>35,739</b>  | 33,094  |
| Profit for the financial period        | <b>15,236</b>  | 17,250  | <b>763</b>     | 2,645   |
| <b>Shareholders' equity at 31 Dec.</b> | <b>765,009</b> | 740,214 | <b>620,737</b> | 611,574 |

# NOTES TO THE BALANCE SHEET

|  | Group          |                | Parent company |               |
|--|----------------|----------------|----------------|---------------|
|  | 1999           | 1998           | 1999           | 1998          |
|  | 1,000 €        | 1,000 €        | 1,000 €        | 1,000 €       |
| Distributable funds at 31 Dec.   |                |                |                |               |
| Retained earnings  | 160,909        | 143,659        | 35,739         | 33,094        |
| Profit for the financial period  | 15,236         | 17,250         | 763            | 2,645         |
| • Capitalised formation expenses   | -24,517        | -30,635        | -              | -             |
| • Cost of acquisition of own shares  | -3             | -              | -              | -             |
| • Portion of accumulated depreciation difference transferred to shareholders' equity   | -172,216       | -166,026       | -              | -             |
|  | <b>-20,591</b> | <b>-35,752</b> | <b>36,502</b>  | <b>35,739</b> |
| • of which from share of results of associated companies arising from portion of accumulated depreciation difference transferred to shareholders' equity | -32,335        | -10,048        | -              | -             |
|  | <b>-52,926</b> | <b>-45,800</b> |                |               |
| <b>SHARE CAPITAL BY SHARE CATEGORY</b>   |                | no.            | á FIM          | 1,000 ¢       |
| Series A   |                | 13,350,077     | 10.00          | 22,454        |
| - entitling to electricity produced or acquired by PVO-Vesivoima Oy  |                |                |                |               |
| Series B   |                | 6,534,572      | 10.00          | 10,990        |
| - entitling to a 49.6% of Teollisuuden Voima Oy's production or acquisition  |                |                |                |               |
| Series C   |                | 8,314,455      | 10.00          | 13,984        |
| - entitling to electricity and heat produced or acquired by PVO-Lämpövoima Oy  |                |                |                |               |
| Series D3  |                | 100,000        | 10.00          | 168           |
| - entitling to electricity and heat produced by Kokkolan Voima Oy  |                |                |                |               |
| Series D4  |                | 232,000        | 10.00          | 390           |
| - entitling to electricity and heat produced by Veitsiluodon Voima Oy  |                |                |                |               |
| Series D5  |                | 100,000        | 10.00          | 168           |
| - entitling to electricity and heat produced by Kemijärven Voima Oy  |                |                |                |               |
| Series D6  |                | 300,000        | 10.00          | 505           |
| - entitling to electricity and heat produced by Oulun Voima Oy   |                |                |                |               |
| Series E   |                | 4,654,743      | 10.00          | 7,829         |
| - entitling to electricity and heat produced by Mussalon Voima Oy as well as to 7.2% of the production of Teollisuuden Voima Oy                          |                |                |                |               |
| Series G   |                | 29,940         | 10.00          | 50            |
| - entitling to electricity and heat produced by Oy Alholmens Kraft Ab  |                |                |                |               |
| Series H   |                | 500,000        | 10.00          | 841           |
| - entitling to electricity and heat produced by PVO-Huippuvoima Oy   |                |                |                |               |
|  |                |                |                | <b>57,379</b> |

The owners of each series of shares are responsible for the fixed costs of the series in question in proportion to shareholdings irrespective of use of the capacity or energy share, and for variable costs in proportion to the amount of energy received.

|   | <b>Group</b>   |            | <b>Parent company</b> |         |
|---|----------------|------------|-----------------------|---------|
|   | <b>1999</b>    | 1998       | <b>1999</b>           | 1998    |
|   | 1,000 €        | 1,000 €    | 1,000 €               | 1,000 € |
| <b>(17) DEFERRED TAX LIABILITY</b>                          |                |            |                       |         |
| Deferred tax liability                                      |                |            |                       |         |
| From appropriations   | <b>162,132</b> | 151,635    |                       |         |
| <b>(18) NON-CURRENT LIABILITIES</b>                         |                |            |                       |         |
| Bond loans  | 153,095        | 205,466    | -                     | -       |
| Loans from financial institutions                           | 282,097        | 388,249    | 44,295                | 164,647 |
| Pension fund loans  | 8,177          | 9,812      | -                     | -       |
| Other non-current liabilities                               | 443,996        | 436,837    | 250,275               | 238,099 |
|   | <b>887,365</b> | 1,040,364  | <b>294,570</b>        | 402,746 |
| Liabilities to Group companies                              |                |            |                       |         |
| Other non-current liabilities                               | -              | -          | <b>250,275</b>        | 237,877 |
| Repayment schedules for long-term loans<br>in 2005- (2004-) |                |            |                       |         |
| Loans from financial institutions                           | 59,080         | 86,503     | -                     | 20,670  |
| Pension fund loans  | 1,635          | 1,635      |                       |         |
| Liabilities to Group companies                              |                |            | -                     | 237,868 |
| Other non-current liabilities                               | 4,357          | 6,721      |                       |         |
|   | <b>65,072</b>  | 94,859     | -                     | 258,538 |
| Bond loans  | Initial loan   | Interest % |                       |         |
| 1992-1999   | DEM            | 8.375      | -                     | 51,129  |
| Schedule  |                |            | -                     | -51,129 |
| 1991-2001   | CHF            | 7.250      | 62,301                | 62,198  |
| 1993-2000   | JPY            | 5.100      | 48,671                | 37,649  |
| Schedule  |                |            | -48,671               | -       |
| 1993-2003   | JPY            | 5.300      | 97,343                | 75,298  |
| 1997-2004   | FIM            | 5.800      | 11,773                | 11,773  |
| 1990-2000   | USD            | 9.590      | 11,945                | 20,570  |
| Schedule  |                |            | -11,945               | -10,286 |
|   |                |            | <b>171,417</b>        | 197,202 |
| Adjustment of swap loans and receivables                    |                |            | -18,322               | 8,264   |
|   |                |            | <b>153,095</b>        | 205,466 |

# NOTES TO THE BALANCE SHEET

|   | Group           |                  | Parent company  |                 |
|---|-----------------|------------------|-----------------|-----------------|
|   | 1999<br>1,000 € | 1998<br>1,000 €  | 1999<br>1,000 € | 1998<br>1,000 € |
| <b>(19) CURRENT LIABILITIES</b>                     |                 |                  |                 |                 |
| Bonds   | 52,372          | 61,165           | -               | -               |
| Loans from financial institutions                   | 62,272          | 23,977           | 51,463          | 12,290          |
| Pension fund loans                                  | 1,635           | 1,635            | -               | -               |
| Other non-current liabilities                       | 1,104           | 5,727            | -               | -               |
| Advances received                                   | 669             | 1,812            | -               | -               |
| Accounts payable                                    | 38,708          | 35,605           | 50,878          | 37,934          |
| Deferred liabilities                                | 57,639          | 69,504           | 12,806          | 22,619          |
| Other short-term liabilities                        | 27,027          | 8,909            | 8,294           | 10,448          |
|   | <b>241,426</b>  | <b>208,334</b>   | <b>123,441</b>  | <b>83,291</b>   |
| To Group companies                                  |                 |                  |                 |                 |
| Accounts payable                                    |                 |                  | 48,362          | 36,161          |
| Deferred liabilities                                |                 |                  | 8,774           | 14,007          |
| Other short-term liabilities                        |                 |                  | 2,700           | 5,803           |
|   |                 |                  | <b>59,836</b>   | <b>55,971</b>   |
| To associated companies                             |                 |                  |                 |                 |
| Advances received                                   | -               | 1,737            | -               | -               |
| Accounts payable                                    | 2,266           | 2,001            | 656             | 320             |
| Deferred liabilities                                | 463             | 120              | -               | -               |
|   | <b>2,729</b>    | <b>3,858</b>     | <b>656</b>      | <b>320</b>      |
| Main items included in current deferred liabilities |                 |                  |                 |                 |
| Personnel expenses                                  | 9,774           | 10,499           | 509             | 676             |
| Interest expenses                                   | 23,071          | 38,706           | 11,941          | 20,264          |
| Income taxes  | 14              | 346              | -               | -               |
| Indirect taxes                                      | 159             | 1,111            | 155             | 22              |
| Others  | 24,621          | 18,842           | 201             | 1,657           |
|   | <b>57,639</b>   | <b>69,504</b>    | <b>12,806</b>   | <b>22,619</b>   |
| Interest-free and interest-bearing liabilities      |                 |                  |                 |                 |
| Non-current   |                 |                  |                 |                 |
| Interest-bearing                                    | 887,365         | 1,040,364        | 294,570         | 402,746         |
|   | <b>887,365</b>  | <b>1,040,364</b> | <b>294,570</b>  | <b>402,746</b>  |
| Current   |                 |                  |                 |                 |
| Interest-free                                       | 119,085         | 114,294          | 64,321          | 63,180          |
| Interest-bearing                                    | 122,341         | 94,040           | 59,120          | 20,111          |
|   | <b>241,426</b>  | <b>208,334</b>   | <b>123,441</b>  | <b>83,291</b>   |

|  | <b>Group</b>   |         | <b>Parent company</b> |         |
|--|----------------|---------|-----------------------|---------|
|  | <b>1999</b>    | 1998    | <b>1999</b>           | 1998    |
|  | 1,000 €        | 1,000 € | 1,000 €               | 1,000 € |
| <b>(20) CONTINGENT LIABILITIES</b>   |                |         |                       |         |
| Mortgages  |                |         |                       |         |
| As security against own debt   | <b>62,401</b>  | 65,225  |                       |         |
| Guarantees   |                |         |                       |         |
| Guarantees for loans   |                |         |                       |         |
| On behalf of associated companies  | 80,318         | 60,986  | 80,121                | 60,775  |
| On behalf of others  | 699            | 729     | 699                   | 729     |
| Other guarantees   |                |         |                       |         |
| On own commitments   | 193            | 193     | 5,359                 | -       |
| On behalf of Group companies   | -              | -       | 44,707                | 42,045  |
|  | <b>81,210</b>  | 61,908  | <b>130,886</b>        | 103,549 |
| Leasing commitments  |                |         |                       |         |
| Commitments for 2000 / 1999  | 8,193          | 8,764   |                       |         |
| Commitments for subsequent years   | 122,672        | 139,313 |                       |         |
|  | <b>130,865</b> | 148,077 |                       |         |
| Other commitments  | <b>604</b>     | 1,140   | <b>336</b>            | 336     |
| Nuclear waste management liabilities   |                |         |                       |         |
| Nuclear waste management liability   | 645,404        | 627,005 |                       | -       |
| Assets in nuclear waste management fund (31 Mar.)  | 623,304        | 587,060 |                       | -       |
| Guarantee under section 44 of the Nuclear Energy Act                                     | 104,144        | 111,559 | 59,150                | 63,362  |
| Nuclear waste management receivables pledged to government nuclear waste management fund | 190,020        | 180,609 |                       | -       |

## (21) DERIVATIVES AGREEMENTS

The capital values of derivative contracts related to hedging against exchange rate risks were the following:

### Interest rate derivatives

#### Option agreements

|           |         |         |   |   |
|-----------|---------|---------|---|---|
| Purchased | 113,638 | 172,847 | - | - |
| Written   | 80,000  | 0       | - | - |

|                 |         |         |         |         |
|-----------------|---------|---------|---------|---------|
| Swap agreements | 285,166 | 397,901 | 119,322 | 126,141 |
|-----------------|---------|---------|---------|---------|

### Currency derivatives

|                   |         |         |        |         |
|-------------------|---------|---------|--------|---------|
| Forward contracts | 0       | 4,209   | -      | -       |
| Swap agreements   | 393,032 | 516,422 | 39,642 | 111,888 |

## GRID OPERATIONS

Grid business consists of the Pohjolan Voima Oy's regional grid operations.

### ALLOCATION OF JOINT ITEMS

The joint cost items have been allocated according to the matching principle. The capital structure of the balance sheet is derived from the equity to assets ratio requirements imposed by Pohjolan Voima on the Group companies.

### VALUATION OF FIXED ASSETS

Fixed assets have been valued according to the valuation principles used in the Group.

### RETURN ON INVESTMENT

The return on investment was 23 per cent.

ROI % =

$$100 \times \frac{\text{profit before extraordinary items} + \text{financial income and expenses}}{\text{capital invested (average for the year)}}$$

### PERSONNEL

An average of 0.5 employees worked in grid operations. All necessary maintenance services and some administrative services were purchased externally.

### INVESTMENTS

The investments in the grid amounted to 167 thousand euros.

## BALANCE SHEET

|                                       | Dec 31, 1999  | Dec 31, 1998  |
|---------------------------------------|---------------|---------------|
|                                       | 1,000 €       | 1,000 €       |
| <b>ASSETS</b>                         |               |               |
| <b>NON-CURRENT ASSETS</b>             |               |               |
| Intangible assets                     |               |               |
| Capitalised expenditure               | 893           | 1,144         |
| Tangible assets                       |               |               |
| Grid                                  | 3,659         | 4,423         |
| Advance payments and work in progress | 83            | 2,758         |
|                                       | 4,635         | 8,325         |
| <b>CURRENT ASSETS</b>                 |               |               |
| Current receivables                   |               |               |
| Accounts receivable                   | 649           | 858           |
| Deferred assets                       | 1,888         | 151           |
| Cash in hand and at banks             | 4,764         | 1,476         |
|                                       | 7,301         | 2,485         |
|                                       | <b>11,936</b> | <b>10,810</b> |

## PROFIT AND LOSS ACCOUNT

|   | 1999         | 1998    |
|---|--------------|---------|
| Jan 1 – Dec 31                                  | 1,000 €      | 1,000 € |
| Turnover  | <b>3,273</b> | 4,880   |
| Other operating income                          | 776          | -338    |
| Raw materials and services                      | -1,287       | -2,902  |
| Personnel expenses                              | -102         | -159    |
| Depreciation and value adjustments              | -492         | -586    |
| Other costs and expenses                        | -390         | -285    |
| Operating profit                                | <b>1,778</b> | 610     |
| Financial income and expenses                   | 92           | 78      |
| Profit before appropriations and taxes          | <b>1,870</b> | 688     |
| Appropriations                                  |              |         |
| Decrease in accumulated depreciation difference | 770          | 1,573   |
| Income taxes                                    | -739         | -635    |
| Profit for the financial period                 | <b>1,901</b> | 1,626   |

## BALANCE SHEET

|                                     | Dec 31, 1999  | Dec 31, 1998  |
|-------------------------------------|---------------|---------------|
|                                     | 1,000 €       | 1,000 €       |
| <b>EQUITY AND LIABILITIES</b>       |               |               |
| <b>SHAREHOLDERS' EQUITY</b>         |               |               |
| Calculated equity                   | 2,838         | 2,838         |
| Retained earnings                   | 1,989         | 363           |
| Profit for the financial period     | 1,901         | 1,626         |
|                                     | 6,728         | 4,827         |
| <b>APPROPRIATIONS</b>               |               |               |
| Accumulated depreciation difference | 3,659         | 4,423         |
| <b>LIABILITIES</b>                  |               |               |
| Current                             |               |               |
| Accounts payable                    | 608           | 219           |
| Deferred liabilities                | 941           | 1,341         |
|                                     | 1,549         | 1,560         |
|                                     | <b>11,936</b> | <b>10,810</b> |



# SHARES AND HOLDINGS

|                                       | Domicile | Ownership share, % | Share of votes, % | Book value in 1,000 € |
|---------------------------------------|----------|--------------------|-------------------|-----------------------|
| <b>SUBSIDIARY SHARES</b>              |          |                    |                   |                       |
| <b>OWNED BY THE PARENT COMPANY:</b>   |          |                    |                   |                       |
| Jämsänkosken Voima Oy                 | Helsinki | 100.0              | 100.0             | 8                     |
| Kemijärven Voima Oy                   | Helsinki | 100.0              | 100.0             | 1,682                 |
| Kokkolan Voima Oy                     | Helsinki | 100.0              | 100.0             | 3,364                 |
| Mussalon Voima Oy                     | Helsinki | 100.0              | 100.0             | 40,972                |
| Oulun Voima Oy                        | Helsinki | 100.0              | 100.0             | 15,810                |
| PVO-Huippuvoima Oy                    | Helsinki | 100.0              | 100.0             | 3,498                 |
| PVO-Lämpövoima Oy                     | Helsinki | 100.0              | 100.0             | 1,682                 |
| PVO-Palvelut Oy                       | Helsinki | 77.0               | 98.5              | 1,699                 |
| PVO-Vesivoima Oy                      | Helsinki | 100.0              | 100.0             | 266,827               |
| PVO-Voimaverkko Oy                    | Helsinki | 100.0              | 100.0             | 3                     |
| Raahen Voima Oy                       | Helsinki | 100.0              | 100.0             | 8                     |
| Rouhialan Voimansiirto Oy             | Helsinki | 100.0              | 100.0             | 3                     |
| Teollisuuden Voima Oy                 | Helsinki | 56.8               | 49.9              | 300,476               |
| Veitsiluodon Voima Oy                 | Helsinki | 100.0              | 100.0             | 10,710                |
| Others                                |          |                    |                   | 489                   |
|                                       |          |                    |                   | <b>647,231</b>        |
| <b>OWNED BY SUBSIDIARIES:</b>         |          |                    |                   |                       |
| Länsi-Suomen Yhteiskäyttö Oy          | Helsinki | 100.0              | 100.0             | 329                   |
| Nokian Lämpövoima Oy                  | Helsinki | 80.1               | 80.1              | 3,071                 |
| Posiva Oy                             | Helsinki | 60.0               | 60.0              | 1,009                 |
| Posivia Oy                            | Helsinki | 100.0              | 100.0             | 3                     |
| Power Contractor Oy                   | Espoo    | 100.0              | 100.0             | 8                     |
| Power-IT Oy                           | Helsinki | 100.0              | 100.0             | 1,000                 |
| Power-OM Oy                           | Helsinki | 100.0              | 100.0             | 100                   |
| Powertechnics Consulting Engineers Oy | Espoo    | 58.5               | 58.5              | 169                   |
| PVO-Engineering Ltd                   | Helsinki | 100.0              | 100.0             | 336                   |
| Ramse Consulting Oy                   | Helsinki | 55.0               | 55.0              | 357                   |
| Synton Oy                             | Helsinki | 100.0              | 100.0             | 3                     |
| TVO Nuclear Services Oy               | Eurajoki | 100.0              | 100.0             | 8                     |
|                                       |          |                    |                   | <b>6,393</b>          |
| <b>ASSOCIATED COMPANY SHARES</b>      |          |                    |                   |                       |
| <b>OWNED BY THE PARENT COMPANY:</b>   |          |                    |                   |                       |
| Fingrid Oyj                           |          | 25.1               | 33.4              | 28,054                |
| Oy Alholmens Kraft Ab                 |          | 49.9               | 49.9              | 1,795                 |
| Others                                |          |                    |                   | 132                   |
|                                       |          |                    |                   | <b>29,981</b>         |
| <b>OWNED BY SUBSIDIARIES:</b>         |          |                    |                   |                       |
| Tornionlaakson Voima Oy               |          | 50.0               | 50.0              | 84                    |
| Vaskiluodon Voima Oy                  |          | 50.0               | 50.0              | 848                   |
| Voimalohi Oy                          |          | 50.0               | 50.0              | 168                   |
| Suomen Voimatekniikka Oy              |          | 30.0               | 30.0              | 1,606                 |
| Others                                |          |                    |                   | 113                   |
|                                       |          |                    |                   | <b>2,819</b>          |
| <b>OTHER SHARES AND HOLDINGS</b>      |          |                    |                   |                       |
| Länsi-Suomen Voima Oy                 |          | 19.9               | 19.9              | 33,685                |
| Others                                |          |                    |                   | 4,316                 |
|                                       |          |                    |                   | <b>38,001</b>         |

## PROPOSAL OF THE BOARD OF DIRECTORS FOR RECORDING THE FINANCIAL RESULT

The Group has no distributable assets.

The profit and loss account of the parent company Pohjolan Voima shows a profit of EUR 763,187.64, and the distributable equity totals EUR 36,502,308.90.

The Board of Directors proposes to the Annual General Meeting that the profit be transferred to the retained earnings account and that no dividend be distributed.

Signed in Helsinki this 16 March 2000

Tauno Matomäki  
Chairman

Jukka Härmälä  
Deputy Chairman

Rauno Hakkila

Heimo Karinen

Antti Oksanen

Heikki Sara

Sven Sohlström

Martin Stanley

Timo Rajala  
Managing Director

## REPORT OF THE AUDITORS

To the shareholders of Pohjolan Voima Oy.

We have audited the accounts, the accounting records and the administration of Pohjolan Voima Oy for the financial year 1999. The accounts prepared by the Board of Directors and the Managing Director include, for both the group and the parent company, a report on operations, an income statement, a balance sheet and notes to the accounts. We provide our opinion on the accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. We have audited the accounting records, and the accounts, the disclosures and the presentation of information, including the accounting policies, to an extent sufficient to give us reasonable assurance that the financial accounts are free of material misstatement. The audit of the administration has included obtaining assurance that the actions of the members of the Board of Directors and the Managing Director have been in conformity with the regulations of the Companies' Act.

In our opinion the accounts the accounts have been prepared in accordance with the regulations of the Accounting Act and other legislation and regulations relevant to the preparation of the accounts, and give a true and fair view of the group's and the parent company's results from operations and financial position in accordance with such legislation and regulations. The accounts including the group accounts may be approved, and the members of the Board of Directors concerning the disposition of the distributable funds is in accordance with the Companies' Act.

Signed in Helsinki this 4 April 2000

SVH Pricewaterhouse Coopers Oy  
Authorised Public Accountants

Pekka Nikula  
Authorised Public Accountant

## SHAREHOLDERS AND DISTRIBUTION OF SHARES ON APRIL 1, 2000

|                                    |            |
|------------------------------------|------------|
| Etelä-Pohjanmaan Voima Oy          | 4,3        |
| Helsingin kaupunki                 | 1,4        |
| Eläkevakuutusyhtiö Ilmarinen       | 4,4        |
| Kemira Oyj + Eläkesäätiö Neliapila | 4,5        |
| Kokkolan kaupunki                  | 2,0        |
| Kotkan Energia Oy                  | 1,4        |
| Kymppivoima                        | 2,1        |
| Kyro Oyj Abp                       | 0,2        |
| Oy Metsä-Botnia Ab                 | 1,5        |
| Metsä-Serla Oyj                    | 2,5        |
| Myllykoski Oyj                     | 1,5        |
| Oulun kaupunki                     | 0,1        |
| Perhonjoki                         | 1,7        |
| Porin kaupunki                     | 1,2        |
| Päijät-Hämeen Voima Oy             | 1,3        |
| Stora Enso Oyj                     | 16,5       |
| TXU Nordic Energy Oy               | 14,7       |
| UPM-Kymmene Oyj                    | 38,2       |
| Vantaan Energia Oyj                | <u>0,5</u> |
| Yhteensä                           | 100        |

# MANAGEMENT

## POHJOLAN VOIMA OY

**Timo Rajala**  
President and CEO

Power Procurement and Thermal Power Production  
**Matti Kaisjoki**  
Executive Vice President

Services and Technology  
**Aappo Kontu**  
Executive Vice President

Accounting, Financial Control and Assessment  
**Minna Korkeaoja**  
Executive Vice President

Corporate Strategy, Legal and Environmental Affairs  
Communications, Procurement  
**Arto Piela**  
Executive Vice President

Personnel  
**Jussi Mäki**  
Senior Vice President

Corporate Planning  
**Paavo Onkalo**  
Senior Vice President

Transmission and IT Systems  
**Risto Vesala**  
Senior Vice President

Financing  
**Timo Väisänen**  
Senior Vice President

## PVO-VESIVOIMA OY

**Jukka Kiviluoto**  
President

Operation and Maintenance  
**Heikki Sylander**  
Manager

Environmental Affairs  
**Riku Oinonen**  
Manager

## PVO-LÄMPÖVOIMA OY

**Matti Kaisjoki**  
President

Production  
**Martti Talsio**  
Director

Administration and Finance  
**Aimo Tenkula**  
Manager

Kristiina Power Plant  
**Jari Grönvall**  
Plant Manager

Mussalo Power Plant  
**Pauli Ylinen**  
Plant Manager

Nokia Power Plant  
**Heikki Tuominen**  
Plant Manager

Seinäjoki Power Plant  
**Matti Tiilikka**  
Plant Manager

Tahkoluoto Power Plant  
**Jari Grönvall**  
Plant Manager

Vaskiluoto Power Plant  
**Mauri Blomberg**  
Plant Manager

## PVO-PALVELUT OY

**Aappo Kontu**  
President

Corporate Services  
**Reijo Tikkala**  
Director

Länsi-Suomen Yhteiskäyttö Oy  
**Orvo Laurila**  
Managing Director

Power-IT Oy  
**Antti Ruokonen**  
Managing Director

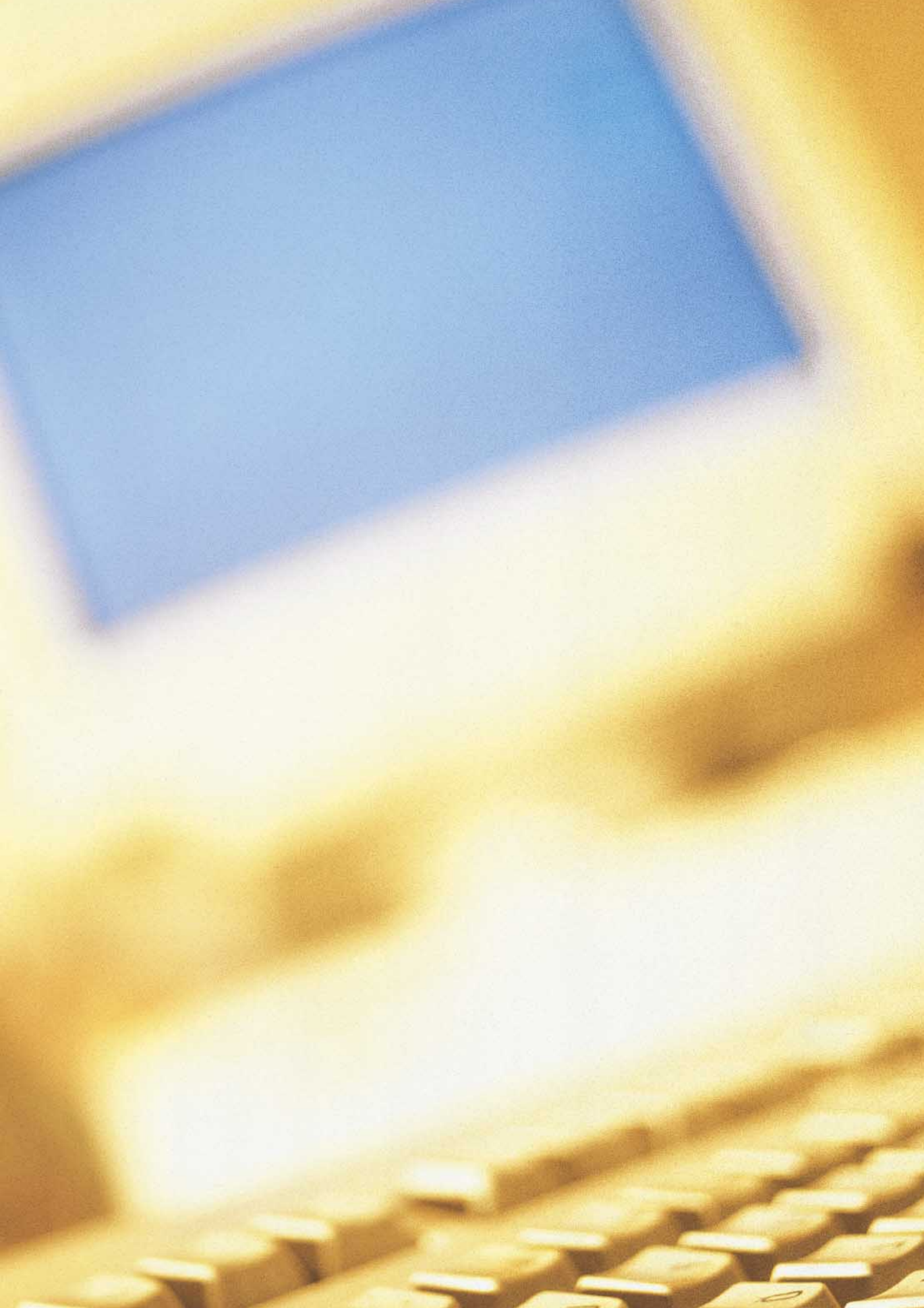
Power-OM Oy  
**Eero Hakala**  
Managing Director

Powertechnics Consulting Engineers Oy  
**Jukka Rahkonen**  
Managing Director

PVO-Engineering Ltd  
**Veli-Matti Jääskeläinen**  
Managing Director

Ramse Consulting Oy  
**Juhani Vanhala**  
Managing Director

Eesti Elektrivõrkude Ehituse AS  
**Andres Vainola**  
Managing Director



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