A reliable partner. Day and night.

Espoon Sähkö Annual Report 2000

Espoon Sähkö provides comprehensive energy services for the needs of its customers. The company produces, purchases and sells electricity, district heat and natural gas. Espoon Sähkö Group consists of Espoon Sähkö Plc and Joensuun Energia Oy.

Business concept

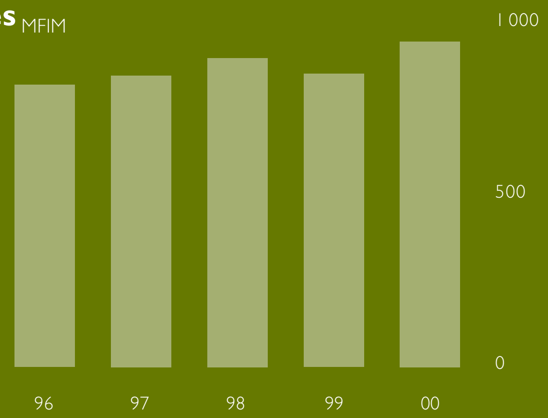
• We provide comprehensive energy services for the needs of our customers.

Vision

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

Key Indicators 2000	2000	1999	Change, %
Electricity sales, GWh	2 673	2 270	17.8
Heat sales, GWh	2 004	1 718	16.6
Net sales, MFIM	933.0	840.3	11.0
Profit before taxes, MFIM	87.0	195.3	–55.5
Return on investment (ROI), %	9.4	19.8	–52.5
Solvency ratio, %	43.5	51.0	–14.7
Full-time employees on 31 December	491	387	26.9

Net sales MFIM



Business Sector and the Environment

Business Operations

Financial Statements

From the Chief Executive

The YK2 problem for information systems, which had required extensive preparations during the previous year, caused no disruptions at all in energy production or distribution, and the year 2000 got off to a smooth start. In other respects this was a very eventful year for the energy sector. In the fuel markets, the price of oil fluctuated vigorously and the prices of natural gas and coal rose sharply. Hydroelectricity generation in the Nordic countries was exceptionally high thanks to an abundance of rain, and this kept prices on the Nord Pool electricity exchange very low. Prices on the wholesale market in Finland rose by about 9 per cent in the price area, mainly because of capacity restrictions in trunk network transmission.

The year was warmer than normal and this significantly reduced consumption of district heat and electricity. Several other exceptional external factors had a negative impact on the Group's performance, and in consequence all the business units experienced a decline in their results from the previous year. Because of the warm weather, volumes of district heat and electricity supplied failed to grow as predicted. The price of coal had dropped to a record low level in the previous year, and so Espoon Sähkö lowered the price of its district heat at the beginning of 2000. During the review year the prices of all the fuels used in energy production rose considerably. Transmission tariffs for electricity were also reduced at the start of the year to keep the relative profitability of network operations at the same level. However, the smaller than predicted growth in transmission volumes reduced profitability.

In the current year many positive factors are having an impact on Espoon Sähkö's performance. The extensive new building going on in the company's area of operations will significantly boost the volume of electricity transmitted, electricity sales and sales of district heat. The company raised the prices of its district heat at the start of the year. This was to match the rise in production costs caused by the rise in fuel prices during the previous year. The rise in market prices for electricity will bring a significant improvement in the level of profit for electricity trading this year. The company is looking into ways of creating a more stable performance in its profitability in future, for example concerning major price fluctuations in the fuel markets.

The transfer of the shares of Joensuun Energia Oy by the City of Joensuu to Espoon Sähkö was finally completed in February of the review year, and since then Joensuu Energia has been a fully owned subsidiary of the group. The first step was to start the integration of the companies' operations in the areas of electricity trading and financial control. During 2001 the integration process will expand to cover key information systems and the management systems for all business areas. These actions aim to create the right conditions for obtaining synergy benefits from this year onwards.

Consolidation and international growth continue to be powerful trends in the energy sector. The increasing difficulty in maintaining a balance in capacity in the Nordic electricity markets has already started to affect wholesale electricity prices. Prices tend to fluctuate more easily and prices quoted for the next few years have been rising. The rise in market prices for electricity creates better conditions for investments in cogeneration of electricity and district heat. In Espoo the rapid level of building means that the need for district heating is constantly growing, and so the company is considering building a new power plant in Vermo or Suomenoja. The decision on investing in power plant capacity depends mainly on trends in electricity prices. The company has already obtained the permits for a natural gas fired power plant in Vermo. The final decision on the investment to expand capacity will be based on an assessment of long-term market price trends for electricity and on growth prospects for district heat. Marketing, new services, expertise in electricity trading and competitiveness also play a key role in success in the energy sector. These are also areas of focus in developing the operations of Espoon Sähkö.

I would like to express my thanks to our customers for their long-term partnership in the rapidly changing energy field. Thanks are also due to our personnel, who have demonstrated great determination and the desire to build and develop outstanding services and an excellent competitive position to face the future.

Espoo, March 2001

Matti Manninen
President and CEO

Both in the home and at work the demand is for ever better quality electricity. Quality comprises consistent electricity and a reliable supply. These call for continuous monitoring of quality and maintenance of the transmission network. Responsibility is a fundamental principle for Espoon Sähkö's operations.

Kimmo Vainiola, Power Quality Officer

The Energy Sector in 2000

Growth in electricity usage despite mild weather

Electricity usage in Finland during 2000 grew by 1.7% compared to the previous year to 79.1 billion kWh. Overall consumption for the year rose as electricity demand from industry and the service sector increased by almost 3% on the previous year. Conversely, the mild weather at the end of the year reduced households' demand for electricity by 1.7%. Electricity usage in Sweden and Norway also rose by appreciably less than the 3–4% rate of growth normal in the Nordic countries.

Less than 1% more electricity was generated in Finland than the previous year. Finland's self-sufficiency in electricity procurement declined for the fourth consecutive year. Net imports of electricity grew by 0.7 percentage points to reach 15% of Finland's total electricity consumption.

District heat sales declined by over 5% compared to the previous year due to the warm weather, and amounted to 25.5 billion kWh. Four billion cubic metres of natural gas were sold, some 2.5% more than in 1999.

Disjointed price trend on the energy market

The system price of electricity on the Nordic power exchange, Nord Pool, rose by some 5.5%, although the Nordic countries generated appreciably more hydroelectric power than a normal year's volume. In Finland the average price of electric power bought on the exchange rose by about 9%.

The overall price, including taxes, of electric power bought by electricity users fell by an average 1.1% in 2000. The price to households declined by 0.7% and to medium-sized industrial users by around 1.2%. The overall price includes the electric energy and transmission of the electricity. The list prices applied by electricity suppliers fell by an average 2.3%, while the transmission charges levied by distribution network operators decreased by an average 0.1%.

Crude oil prices tripled over a short period of time, peaked, and then settled at a slightly lower level. The rise in crude oil prices has also pushed up the prices of natural gas and coal. The average price for district heat in Finland rose by an average 3.8%.

Energy sector monitored

In August 2000, the Electricity Market Authority, established in 1995 to monitor Finland's electricity market, was renamed the Energy Market Authority. The Natural Gas Act entered into force at the beginning of August, in accordance with the EU directive on natural gas. The Act deregulates the sale and distribution of natural gas with effect from spring 2001.

The first cases defining the reasonable pricing for and income from network services were settled during the review period. The Finnish Competition Authority has also made proposals for preventing abuse of a dominant market position to companies in the energy sector. The working group's proposal to hive off energy companies' network operations into separate firms became a government bill by year's end.

Energy production in the future

Energy companies across Finland have drawn up plans for constructing power plants fuelled by natural gas and bio-fuels and for building wind-powered generators at sea. There have been very few decisions to start building such plants, however, in relation to growth in energy consumption.

In November Teollisuuden Voima Oy (TVO) submitted an application for a decision in principle from the Council of State on the construction of a new nuclear power station. TVO considers that a new nuclear plant would produce electricity at a competitive price, contribute to meeting Finland's obligations under her treaties on climate change, reduce dependency on imports and facilitate preparations for closing down ageing power plants.

Energy sector and the environment

Enhanced efficiency in the production and consumption of energy combined with the use of renewable sources of energy instead of fossil fuels will reduce emissions of greenhouse gases. Voluntary energy-conservation agreements between organizations in the energy sector and the Ministry of Trade and Industry now cover almost 90% of electricity generation, some 70% of electricity distribution and around 70% of district heat sales in Finland.

Progress in national strategy for controlling climate change

The sixth meeting of the parties to the Kyoto Protocol held in The Hague in November 2000 did not reach agreement on the regulations for the flexible mechanisms to be applied in meeting the obligations. The main stumbling blocks in finding agreement were the role of "sinks" – such as the biomass of forests – in absorbing greenhouse gases, the methods of calculation to be applied and the definitions to be used. Discussions will continue to prepare for the next conference, which is scheduled for the autumn.

Six ministries compiled reports during 2000 that will serve as the basis for Finland's national strategy for controlling climate change. The objective of the strategy is to define the measures that will meet Finland's obligations under the Kyoto Protocol without impairing growth in the country's economy or employment. At the beginning of 2001, the reports for specific sectors were collated into a framework document. The government plans to use this document as the basis for the strategy it will present to parliament for discussion later in the spring.

Espoon Sähkö and the Environment

Espoon Sähkö is developing its environmental management system (EMS) to the international ISO 14001 standard. EMS is part of the management protocol and a management tool to ensure that Espoon Sähkö's environmental activities are effective and are continually improving. The management protocol also includes quality functions and risk management. The EMS will be introduced during 2001.

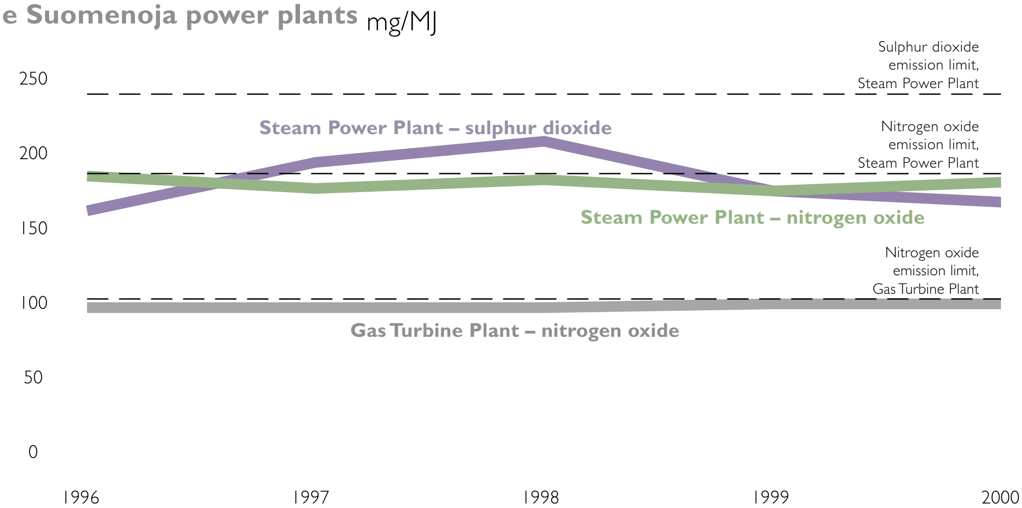
This section gives a brief picture of how Espoon Sähkö implemented its environmental programme in 2000. The company publishes an environmental report on its home pages at www.espoonsahko.fi/ymparisto.

Increased demand for eco-friendly electricity

A considerable share of the electricity purchased by the company from power exchanges is Nordic hydroelectricity. In addition, during the review year Espoon Sähkö purchased a total of 8.1 GWh of electricity generated with renewable energy sources for its customers, about one per cent of the company's output. Demand was 2.6 times as high as in the previous year, as 215 customers bought nearly 4.2 GWh of electricity produced with wind power, hydropower or bio-gas.

Espoon Sähkö's share of the annual output of Hyötytuuli Oy's windpark in Pori was 2.2 GWh in 2000. The amount of electricity sold by Espoon Sähkö under the Hyötytuuli (Efficient Wind) label doubled and the number of customers almost tripled to 119. During the year Espoon Sähkö purchased a total of 3.0 GWh of electricity produced with bio-gas from the waste treatment plant

Specific emissions from the Suomenoja power plants



of Espoo Water Utility, and nearly 0.8 GWh of this was sold as bio-electricity to 95 customers. Espoon Sähkö sold most of the 2.9 GWh output of its small hydroelectricity station in Jokioinen to a local industrial company.

During 2001 the company is supporting the environmental restoration of the Kelinsuo marshland in the Nuuksio National Park with the income from the sale of Hyötytuuli electricity and bio-electricity to customers.

Results from boosting the efficiency of energy usage

Espoon Sähkö joined the energy savings agreement for the power plant sector signed by Finergy (the Finnish Energy Industries Federation) and the Ministry for Trade and Industry already in November 1997. The agreement aims to promote energy efficiency and reduce adverse environmental impact. During the review period an alteration was made to the flue cleaning system for the boiler at the Suomenoja steam power plant. It is estimated that this will reduce the annual fuel consumption at the plant by 0.2 per cent, the equivalent of 500 tonnes of coal. Another alteration, from a personnel initiative, carried out at the natural gas fired turbine plant will save heat that it would take 1,700 tonnes of heavy fuel oil to produce.

Espoon Sähkö Plc and Joensuun Energia Oy signed energy conservation agreements concerning district heat and the transmission and distribution of electricity. During 2001 the companies will carry out the analyses and draw up the plans needed to increase efficiency in the use of energy.

Emissions from energy production under control

Flue gas emissions from energy production came within the limits set by the authorities in 2000 as in other years. Specific emissions of sulphur dioxide from the steam power plant were 162 mg/MJ, or 70 per cent of the limit. Nitrogen oxide emissions from the steam power plant were 174 mg/MJ or 97 per cent of the permitted level and from the gas-fired turbine plant they were 97 mg/MJ or 97 per cent of the permitted level.

During the review period Espoon Sähkö supplied 40 per cent of the by-products from firing coal – such as fly ash and the end product from the desulphurization process – for reuse by the building materials industry and civil engineering project and 45 per cent for mine fill. To improve the waste processing of by-products and promote their reuse, Espoon Sähkö and other energy companies in the Helsinki area started a project preparing to purchase a piece of land where the by-products can be processed and disposed of. A study into the environmental impact of the alternative sites was ready at the end of 2000.

Every day is unique in customer service. Spontaneous situations, reaching a common understanding on issues, and meeting people make the work enjoyable and create enthusiasm for it.

Heli Siponen, Customer Services Manager

Espoon Sähkö

The Espoon Sähkö Group comprises Espoon Sähkö Plc and Joensuun Energia Oy. The Group sells electricity everywhere in Finland and is responsible for distributing electricity and heat in the cities of Espoo, Kauniainen and Joensuu as well as in the municipality of Kirkkonummi.

Espoon Sähkö Plc cogenerates most of its electricity and heat, thereby conserving fuels, reducing environmental impact and saving costs. The company's cogeneration plants at Suomenoja in Espoo include a coal-fired steam power plant, a gas turbine plant fuelled by natural gas and a fluidized bed boiler that produces only heat. The company also has district heating plants located in Espoo and Kirkkonummi. The Suomenoja units produced 94% of the company's total heat output in 2000, of which 84% was cogenerated.

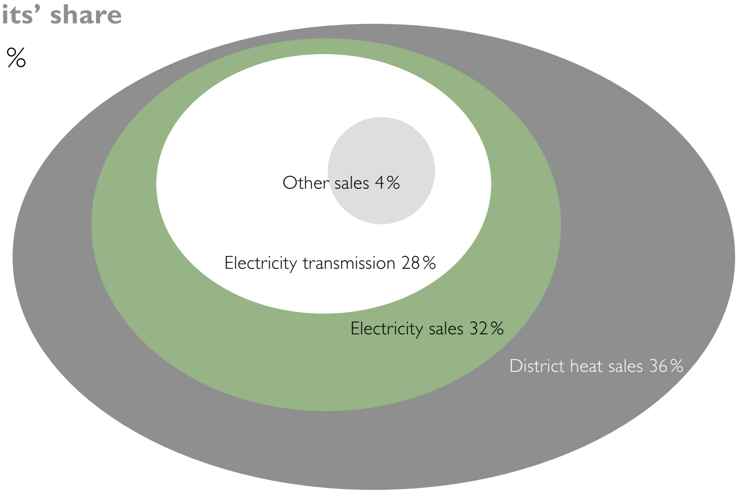
Joensuun Energia does not have its own power plant, but instead buys heat from Fortum Corporation's Kontiosuo power plant. The power plant cogenerated 77% of the district heat needed by Joensuun Energia in 2000.

The Espoon Sähkö Group produced about one-third of the electricity it sold during the review period, bought about one-third from other electricity producers under bilateral agreements and purchased one-third on the Nord Pool Nordic Power Exchange.

Espoon Sähkö also sells natural gas in Espoo and Kirkkonummi. 46 GWh of natural gas were sold during the review period, broadly about the same amount as the previous year.

The Network Unit is responsible for distributing electricity to customers in both Espoo and Joensuu. The District Heating Unit sells the heat that the company produces and also sells natural gas. The Contracting Unit in Espoo specializes in building and servicing street lighting, road lighting and electrical networks.

Business units' share of net sales %



Electricity

Wholesale price of electricity remained low

The volume of hydroelectric power produced in Norway and Sweden reached a record high level due to exceedingly heavy rainfall, depressing the wholesale price of electricity particularly in Norway.

The price level in Finland remained higher than in neighbouring countries since the technical restrictions of transmission lines made transferring the desired amount of electricity to Finland impossible. Competition on the retail market for electricity was more intense than ever, especially for large-scale electricity users.

Espoon Sähkö Finland's first market maker

The Nordic Power Exchange, Nord Pool, introduced a regional price product towards the end of the year that enables traders on the power market to hedge against a price difference. A market maker, on the other hand, guarantees that there are bids for purchases and sales on the power exchange for that product. Espoon Sähkö was the first company in Finland to become a market maker on Nord Pool. This places the company in a position to deepen its knowledge of Nordic markets thereby enhancing its expertise in electricity trading.

In Finland, most of the traditional five- or ten-year electricity wholesale contracts ended in autumn 2000. This was reflected in higher volumes of trading on the power exchange, which for Espoon Sähkö reached record levels. Financial trades in electricity rose to an aggregate of some 85 terawatt-hours. The termination of long-term electricity wholesale contracts enabled Joensuun Energia to reduce prices for small-scale customers by about 10 per cent in line with market trends as from 1 November 2000.

The Group's sales of electricity amounted to 2.7 terawatt-hours, slightly higher than the previous year's figure. The Group had 149,000 electricity customers at the end of the year, of whom 121,300 were Espoon Sähkö's and 27,700 were Joensuun Energia's.

Electricity agreement by Internet

Espoon Sähkö was the first electricity seller in Finland to develop and market a method for making an electricity agreement via the Internet. This was made possible by the use of an electronic identification code, as used by the banking sector.

According to a customer satisfaction survey conducted by Taloustutkimus in autumn 2000, the features that customers expect of an electricity seller are reasonable pricing of electricity, ease in making an electricity agreement, effective customer service and prompt notification of changes. The survey indicates that Espoon Sähkö has succeeded well in all these aspects.

Network

Cabling improves quality of electricity transmission

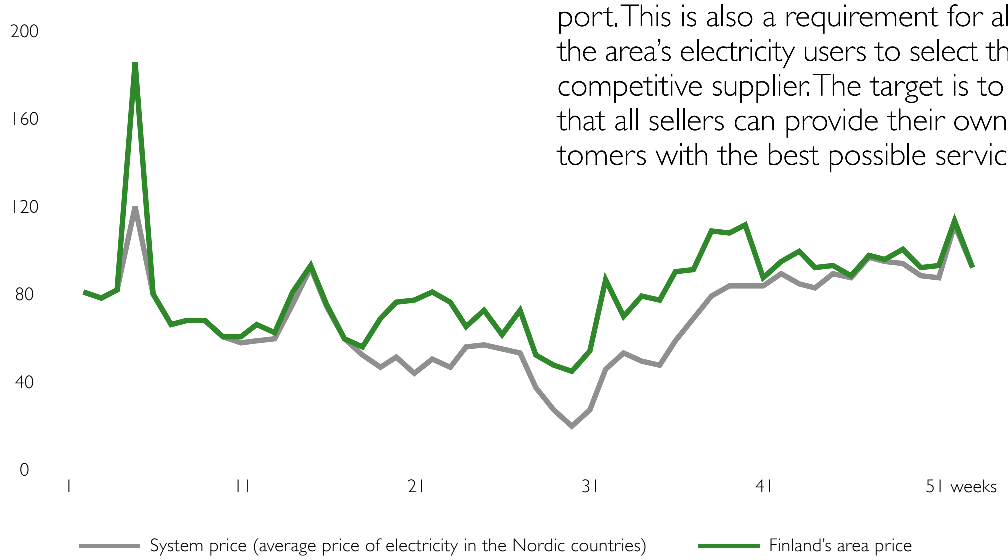
Construction activity continued to be brisk in Espoon Sähkö's operating area, especially in Espoo. Over 1,000 new properties were connected to the company's network during the review period. This contributed to an increase of 3,500 in the number of transmission customers, representing growth of 3,0%. These figures are appreciably higher than average growth figures in Finland.

The volume of electricity transmitted did not grow as expected because both the beginning and the end of the year were appreciably warmer than average. Electricity transmission in the areas for which Espoon Sähkö and Joensuun Energia are responsible totalled 2,214 GWh, an increase of 2.5% on the previous year. In a year of normal weather conditions, the increase would have been double that figure. In Finland as a whole, electricity usage grew by only 1.7%, and electricity usage by households actually declined.

The company achieved its quality targets very well, since the weather during the review period had hardly any adverse impact on the quality of electricity transmission. Outage times in the transmission of electricity to customers were appreciably reduced compared to the previous year, owing to the favourable weather conditions. Cabled electric lines are less susceptible to weather fluctuations and other factors disrupting the transmission of electricity. Espoon Sähkö is increasing its investment in cabling to improve transmission quality. The Network Unit's total capital expenditure rose to FIM 67 million during the review period.

Some 44 electricity sellers operate in Espoon Sähkö's area of responsibility. The quantity of electricity delivered by each seller must be accounted for hourly in the distribution network operator's balance report. This is also a requirement for allowing the area's electricity users to select the most competitive supplier. The target is to ensure that all sellers can provide their own customers with the best possible service.

System price and Finland's area price in 2000 Mk/MWh



District Heating

Continued brisk pace for construction of district heating network

The strong population growth in the Greater Helsinki area continued during the review period. This was reflected in increased construction of the district heating network and in growth in the number of new connections to the network. The contracted heat output increased by 32.2 megawatts on the previous year to 950 megawatts. The number of the Group's district heat customers rose to 6,375 during the year. Large office blocks and shopping centres built in Espoo made a major contribution to this rise in the Group's number of customers. Residential building, on the other hand, was focused mainly on detached housing, which raises the capital expenditure needed for each customer connection. Total sales of district heat amounted to 2,004 GWh, of which Espoon Sähkö supplied 1,647 GWh and Joensuun Energia 357 GWh.

The largest single construction project in Joensuu was connection of the Frontier Guard station in Pohjois-Karjala to the district heating network. The company branched into a new market area in constructing the street heating for a pedestrian precinct in Joensuu. Half this project was completed in summer 2000 and the remainder will be completed over the next two years.

As the number of users of the district heating network grows, it is becoming increasingly important to ensure that the company has adequate production capacity. To ensure adequate reserve capacity in Espoo, the company took the first steps towards acquiring extra capacity for the Tapiola district heating centre. Although an environmental permit was received for the project, the proceedings for obtaining building permission were postponed. The Group plans to build a new reserve district heating centre at Hasaniemi in Joensuu. The zoning plan for the area progressed during the review period and now looks likely to be implemented by 2005 at the latest.

Espoon Sähkö has collaborated with Sonera Corporation in developing a radio modem system for remotely reading thermometers. The modem sends the customer's meter readings directly to the customer's invoicing system. This eliminates misreading, keyboard errors and the need for customers to take the readings. Once the trials are satisfactorily completed, Espoon Sähkö will place the system into full commercial use.

Contracting

Electrified asphalt for Tapiola

Espoon Sähkö was the first Finnish company to import new technology from the USA for electrifying asphalt. The new method consists of low-voltage electric cables embedded in a conductive layer of asphalt and is used on bridges, at airports and in pavements and pedestrian subways to prevent freezing. The first system was deployed in Heikintori in Tapiola.

Fuels

Fuel prices started to rise

The main fuels used in Espoo are coal, 60 % of total fuel usage and natural gas, around 40 %.

During the review period Espoon Sähkö continued to buy coal on short-term contracts from a number of suppliers in Russia. The company buys natural gas from Gasum Oy under long-term contracts.

The price of coal climbed steeply during the year. This trend, combined with the rise in oil prices that started the previous year, also raised the price of gas. Although the price of coal rose more steeply than that of gas, coal continued to be cheaper than gas.

Finland's new Natural Gas Act entered into force at the beginning of August, bringing the country into line with the European Union's energy market directive. The Act makes natural gas operations subject to licence. The provisions of the Act also stipulate that natural gas business must be hived off from other business operations and that a separate pricing structure for distributing and selling natural gas must be created.

Espoon Sähkö reduced its energy charge for heat during the review period by 3.8 % because the company held large stocks of cheap coal. The price of fuel oil, however, climbed steeply during the year and pushed the prices of other fuels higher, forcing the company to raise its prices at the beginning of 2001.

In Joensuu, the energy charge for purchased district heat was raised by 3 % at the beginning of the review period. Joensuun Energia raised its energy charge by 2.1 % at the beginning of October after it had renewed its long-term heat purchasing contract with Fortum Corporation to bring its price into line with the price change in heat procurement.

In Kirkkonummi, heat procurement from Fortum Heat Oy is fully linked to the price of oil, so costs rose in line with the climbing price of oil. The company raised its energy charge twice during the review period, in total by 31,4 %. The price rises were not sufficient, however, to cover increased purchase costs. Espoon Sähkö completely restructured Kirkkonummi's price tariff last autumn to make prices correspond better to actual costs.

Financial performance 2000

The Electricity Unit's profit for the financial year declined significantly from the outstanding level of the previous year. The main reasons for this were intensified competition for large-scale consumers, a much higher regional price difference between Norway and Finland for wholesale electricity, and the net result of the year's electricity trading.

The Generation Unit's profit for the financial year was depressed by the low market prices of electricity and the rise in fuel prices.

The Network Unit is highly capital-intensive and therefore has a very fixed cost structure. Transmission revenues are dependent on the volumes transmitted, which were lower because of the mild winter. Consequently, the unit posted a lower profit than forecast.

The exceptionally warm winter in 2000 reduced the demand for heat in Espoo and in Joensuu by almost a fifth from the long-term average level. Sales of heat therefore remained below the previous year's figure. The Contracting Unit reported a rise in net sales. Demand for the construction of electricity and road lighting networks in the Greater Helsinki area was as buoyant as forecast.

Future prospects

The Electricity Unit's prospects for 2001 are better than last year despite the constantly intensifying competition in the electricity sector.

Demand for district heating in Espoo continues to be strong and will be boosted further by the high price of fuel oil. The key issue for the Generation Unit is when it will be economically viable for Espoon Sähkö to invest in a new electricity and heat cogeneration plant.

The company has acquired a site and obtained an environmental permit for building a new plant in Vermo, Espoo. The Suomenoja power plant will operate for some time yet, so the schedule for taking the decision to construct a new plant is not dictated by the need for capacity.

The price of coal is expected to remain stable despite the price climb during the review period. Changes in fuel taxation could have an impact on the comparative competitiveness of different fuels. The company is closely monitoring changes in the business environment and is prepared to react promptly and appropriately to any changes that occur.

The role of financial management has changed from producing figures to actively implementing strategy. Now the important thing is speed, flexibility and the ability to provide management with the information needed for analyzing and developing the company's competitiveness. Success comes from meeting shared goals.

Jaakko Linna, Financial Manager

Board of Directors' Report

Review of Group's business operations

Joensuun Energia Oy became a subsidiary of Espoon Sähkö Plc in February 2000. The figures for Joensuun Energia's performance in 2000 have been included in the consolidated financial statements as from 4 February 2000. For this reason the consolidated figures are not directly comparable with the previous financial year.

The Group's sales of electricity amounted to 2.7 TWh. Sales of electricity by the parent company Espoon Sähkö Plc grew by 5% to 2.4 (2.3) TWh. Sales of electricity by its subsidiary Joensuun Energia totalled 0.3 TWh. The Group had some 149,000 customers for electricity. The number of the parent company's customers rose by 3,000. Physical trading sales grew by 30%. The main focus of trading, however, was on financial sales.

The Group distributed 2.2 TWh of electricity during the year. The amount of electricity distributed in the parent company's operating area (Espoo, Kauniainen and Kirkkonummi) increased by 2.8% compared to the previous year and amounted to 1.8 TWh. Although higher than the national average, growth was less than forecast because of the exceptionally mild weather during the year. In the Joensuu area, the amount of electricity distributed rose by 1.4% to 0.4 TWh.

The company's own power plants in Espoo generated 0.8 TWh of electricity, broadly the same volume as the previous year. Electricity generated by the Group accounted for 28 (33)% of all electricity procurement during the year. Most electricity was purchased on the Nordic Power Exchange, Nord Pool. Espoon Sähkö also generated hydroelectric power in its Jokioinen power plant, purchased wind-generated electricity from its associated company Suomen Hyötytuuli Oy and procured bioelectricity from Espoon Vesi Oy.

The Group's sales of district heat amounted to 2.0 TWh. The exceptionally mild winter and warm autumn in 2000 reduced the year's demand by around 17% compared to an average year, depressing sales. Espoon Sähkö's sales of district heat fell by 4% compared to the previous year and amounted to 1.6 TWh. Joensuun Energia sold 0.4 TWh of district heat. The number of customers increased especially in the Espoo area where the pace of construction was brisk.

Sales

Espoon Sähkö's consolidated net sales amounted to FIM 933 (840) million. Some FIM 151 million of the subsidiary Joensuun Energia's net sales were included in the consolidated financial statements.

The Group's net sales of electricity declined by 2% to FIM 294 (300) million. Joensuun Energia's net sales of electricity generated FIM 41 million extra, but the decline in Espoon Sähkö's net sales of electricity (FIM 47 million) was greater compared to the previous year. The decrease in net sales of electricity was largely due to reductions in the retail price of electricity caused by intense competition.

The consolidated net sales generated by electricity transmission grew by 19% to FIM 263 (221) million. This growth is entirely attributable to the acquisition of Joensuun Energia. Electricity transmission generated FIM 219 (221) million of the parent company's net sales. Net sales declined by around one percentage point despite the higher quantity of electricity distributed because the company lowered its transmission prices at the beginning of 2000.

The Group's net sales of district heat grew by 17% on the previous year to FIM 336 (287) million. This growth also was attributable to the acquisition of Joensuun Energia. Joensuun Energia's net sales of district heat amounted to FIM 58 million. The parent company's net sales of district heat declined by FIM 10 million due partly to a reduction in the energy charge for district heat at the beginning of 2000 and partly to a decrease in the volume sold. The parent company's net sales of district heat amounted to FIM 277 million.

Other net sales, including the parent company's contracting operations and sales of natural gas, totalled FIM 40 (32) million.

Performance

The Group's operating profit amounted to FIM 95 (183) million and profit before taxes to FIM 87 (195) million. Earnings per share totalled FIM 3.56 (8.67).

The main reasons for the Group's diminished profit were the weaker profitability of electricity sales, a decline in profits from trading activities compared to the previous year, and lower sales volumes caused by reduced demand for heating.

The parent company's Electricity Unit posted an appreciably weaker profit compared to the previous year. Calculated separately, electricity sales generated a pretax profit of FIM 0.2 (57.6) million. The weaker result was caused by the tighter margins necessitated by stronger competition and an appreciably lower profit from trading activities. The result from Joensuun Energia's electricity sales was a loss of FIM 0.1 million (11 months).

The pretax profit posted by the parent company's Network Unit declined by 7% compared to the previous year and amounted to FIM 75.6 (81.1) million. This decline was the result of a reduction in transmission prices at the beginning of 2000 despite rising costs. The pretax profit posted by Joensuun Energia's Network Unit was FIM 9 million (11 months).

The profit generated by the District Heating Unit remained broadly the same as the previous year due to a reduction in selling prices and exceptionally low demand.

Capital expenditure

Investments in fixed assets amounted to FIM 360 (368) million in 2000. The largest single investment was the acquisition of Joensuun Energia's stock, of which FIM 220 million was allocated to 2000. Some FIM 67 million of investment was spent on the electricity network. Construction of the district heating network accounted for FIM 32 million of investment. Investment in production amounted to FIM 17 million.

Financing

The company's financial position changed as a result of the acquisition of Joensuun Energia's stock and the inclusion of Joensuun Energia's assets and liabilities in the consolidated financial statements. The stock acquisition was financed by both borrowed capital and the company's own liquid assets. Interest-bearing liabilities at 31 December 2000 amounted to FIM 314 million and cash reserves totalled FIM 293 million. The company's solvency ratio at the end of 2000 was 44 (51)%.

Other key indicators describing the company's financial performance and information on the company's shares are given elsewhere in this Annual Report.

Personnel

The average number of personnel during the review period was 523 (424). The number of permanent employees at the end of the year was 486 (387), of whom 95 were employed by Joensuun Energia.

Company administration

The Annual General Meeting of Espoon Sähkö Plc was held on 6th April 2000.

The meeting appointed the firm of public accountants Arthur Andersen Oy as the company's auditors.

The Annual General Meeting authorized the Board of Directors to use distributable funds for one year to repurchase at most 680,000 of the company's own shares in order to strengthen the company's capital structure, provided that the total number of shares repurchased did not exceed five per cent of the total number of the company's shares. The shares were to be purchased at the market price on the Helsinki Exchanges during the normal course of public trading.

Based on this authorization, the company repurchased 6,311 of its shares on the Helsinki Exchanges between 1 January and 31 December 2000 at an average price of EUR 21.81 per share (equivalent to FIM 129.69 per share), totalling FIM 0.8 million. The shares owned by the company represent 0.7% of the total number of the company's shares. The company did not issue any bonds with warrants or convertible bonds during the review period. The Board of Directors has no authorization from the Annual General Meeting to issue shares.

Adoption of the euro

The Espoon Sähkö Group will adopt the euro at the beginning of 2002. The financial statements for 2001 will still be denominated in Finnish markka. A project team has been appointed within the Group to coordinate adoption of the euro. The team will issue instructions for the company's different activities according to the agreed schedule to ensure a smooth transition to full adoption of the euro. The company already issues and processes sales and purchase invoices denominated in euros if the customer or supplier so desires.

Environmental Report

Espoon Sähkö will publish its Environmental Report on the company's Internet website in March 2001. The report will describe the company's activities from the environmental perspective and provide information on the environmental impact of energy generation, transmission and consumption.

Prospects for 2001

The market price of electricity on the Nordic market has risen appreciably at the beginning of this year. This is mainly because water reserves in the Nordic countries have now returned to normal from last year's exceptionally high levels. The retail prices of electricity will probably follow this change in market price during the current year.

Espoon Sähkö's Electricity Unit aims to continue profitably increasing its market share of electricity end users. Due to the increase in the electricity market price, electricity trading has more favourable possibilities for success this year. Trading performance is forecast to be better this year provided that electricity market trends continue as expected. The value of the company's open position in electricity derivatives for 2001–2004, which stood at a loss of FIM 20 million at the closing date, represents some FIM 50 million profit as calculated at the beginning of March due to the increase in the market price of electricity. We forecast that the Electricity Unit is expected to report a clear improvement in its result in 2001 based on our understanding of current market price trends.

The Network and District Heating Units are forecast to increase their volume of sales in 2001 compared to the previous year because of favourable prospects of growth in the company's distribution area and because the weather in 2000 was exceptionally warm.

For the above reasons, Espoon Sähkö Group's result this year is expected to improve. However, this assessment is subject to a number of external factors, including the general development of the economy, the competitive environment and weather conditions.

Proposed distribution of dividend

The Board of Directors has decided to propose to the Annual General Meeting that a dividend of FIM 2.15 per share be paid for the financial period 1 January–31 December 2000, totalling FIM 33,601,345.95, and that the sum of FIM 745,653,983.74 be carried forward to the retained earnings account. The Board of Directors decided that the settlement date for the distribution of dividend shall be 10 April 2001 and the payment date shall be 20 April 2001.

Consolidated Income Statement

(FIM/EUR 1,000)	note	1 Jan.–31 Dec. 2000 FIM	EUR	%	1 Jan.–31 Dec. 2000 FIM	EUR	%
Net sales	2	933,017	156,922		840,262	141,322	
Other operating income	3	6,884	1,158		7,536	1,267	
Materials and services							
Energy and fuels	4						
Purchases during the year		477,596	80,326		355,915	59,861	
Change in fuel stocks		–9,354	–1,573		10,546	1,774	
Materials and supplies							
Purchases during the year		23,375	3,931		21,126	3,553	
Change in stocks		–1,143	–192		–1,280	–215	
External services		20,572	3,460		16,740	2,816	
Personnel expenses	5	125,494	21,107		109,152	18,358	
		–636,539	–107,058	68	–512,199	–86,146	61
Depreciation	6	–138,251	–23,252	15	–100,772	–16,949	12
Other operating expenses		–70,571	–11,869	8	–51,609	–8,680	6
Operating profit		94,540	15,900	10	183,218	30,815	22
Financial income and expenses	7						
Interest income		13,940	2,345		13,078	2,200	
Other financial income		5,264	885		3,690	621	
Interest expenses		–17,972	–3,023		–2,427	–408	
Other financial expenses		–8,757	–1,473		–2,221	–374	
		–7,525	–1,266		12,121	2,039	
Profit before taxes		87,015	14,635	9	195,339	32,854	23
Income taxes		–31,130	–5,236		–56,925	–9,574	
Change in deferred tax liability		151	25		–2,795	–470	
		–30,979	–5,210		–59,719	–10,044	
Net profit for the year		56,036	9,425	6	135,620	22,810	16

Consolidated Funds Statement

(FIM/EUR 1,000)	2000 FIM	2000 EUR	1999 FIM	1999 EUR
Cash flow from operating activities				
Operating profit	94,540	15,900	183,218	30,815
Adjustments to operating profit	138,251	23,252	100,772	16,949
Financial income and expenses	–7,525	–1,266	12,121	2,039
Taxes	–31,130	–5,236	–56,925	–9,574
Cash generated from operating activities, total	194,136	32,651	239,187	40,228
Increase (–) / decrease (+) in net working capital	–10,911	–1,835	2,400	404
Net cash from operating activities	183,225	30,816	241,586	40,632
Cash flow from investing activities				
Capital expenditure on fixed assets	360,495	60,631	367,935	61,882
Sale of fixed assets	–1,721	–289	–996	–168
Net cash used in investing activities, total	358,774	60,342	366,939	61,715
Cash flow before financing activities	–175,550	–29,525	–125,352	–21,083
Cash flow from financing activities				
Long-term loans, increase (+) / decrease (–)	65,933	11,089	22,303	3,751
Short-term loans, increase (+) / decrease (–)	118,456	19,923	57,259	9,630
Dividend distribution	–68,011	–11,439	–66,091	–11,116
Purchase of own shares	–818	–138	–13,084	–2,201
Net cash used in financing activities, total	115,560	19,436	386	65
Net decrease in cash reserves	–59,990	–10,090	–124,966	–21,018
Cash reserves on 1 Jan.	353,242	59,411	478,208	80,429
Cash reserves on 31 Dec.	293,252	49,321	353,242	59,411
	–59,990	–10,090	–124,966	–21,018

Consolidated Balance Sheet, assets

(FIM/EUR 1,000)	note	31 Dec. 2000 FIM	31 Dec. 2000 EUR	%	31 Dec. 1999 FIM	31 Dec. 1999 EUR	%
Fixed assets	8						
Intangible assets							
Intangible rights		23,096	3,884		13,015	2,189	
Group goodwill		256,967	43,219		5,205	875	
Other long-term expenses		15,325	2,578		14,708	2,474	
		295,388	49,681	13	32,927	5,538	2
Tangible assets							
Land and water		56,327	9,473		56,327	9,473	
Buildings and structures		284,733	47,889		271,538	45,669	
Power and district heat equipment		152,381	25,629		148,763	25,020	
Transmission and distribution network		476,336	80,114		331,282	55,718	
District heating network		327,403	55,065		201,341	33,863	
Machinery and equipment		32,559	5,476		27,092	4,557	
Other tangible assets		1,645	277		1,719	289	
Advance payments and work in progress		19,341	3,253		32,SS198	5,415	
		1,350,724	227,176	61	1,070,260	180,005	56
Investments							
Other shares and holdings		10,140	1,705		9,934	1,671	
Other long-term investments		330	56		227,370	38,241	
		10,470	1,761	0	237,304	39,912	13
Fixed assets, total		1,656,582	278,617	75	1,340,492	225,454	71
Current assets	9						
Inventories							
Materials and supplies		11,570	1,946		10,473	1,761	
Work in progress		2,420	407		703	118	
Fuels		74,670	12,559		62,961	10,589	
		88,661	14,912	4	74,137	12,469	4
Short-term receivables							
Accounts receivable		150,277	25,275		93,953	15,802	
Loans receivable		1,170	197		1,067	179	
Other receivables		13,214	2,222		25,968	4,368	
Prepaid expenses and accrued income		16,155	2,717		6,414	1,079	
		180,816	30,411	8	127,403	21,428	7
Financial assets							
Other securities		206,104	34,664	9	312,590	52,574	16
Cash in hand and at bank		87,149	14,657	4	40,652	6,837	2
Current assets, total		562,728	94,644	25	554,782	93,308	29
		2,219,311	373,261		1,895,273	318,762	

Consolidated Balance Sheet, shareholders' equity and liabilities

(FIM/EUR 1,000)	note	31 Dec. 2000 FIM	EUR	%	31 Dec. 1999 FIM	EUR	%
Shareholders' equity	10						
Shareholders' equity		31,472	5,293		31,472	5,293	
Share capital		141,453	23,791		141,453	23,791	
Retained earnings		723,219	121,637		656,411	110,400	
Net profit for the year		56,036	9,425		135,620	22,810	
Shareholders' equity, total		952,181	160,145	43	964,957	162,294	51
Liabilities	11						
Long-term liabilities							
Connection charges		634,597	106,732		585,707	98,509	
Loans from financial institutions		31,101	5,231		14,059	2,365	
Other long-term loans		88,450	14,876		50	8	
Deferred tax liability		154,836	26,042		147,837	24,864	
		908,984	152,880	41	747,653	125,746	39
Short-term liabilities							
Loans from financial institutions		183,372	30,841		64,915	10,918	
Advances received		29,456	4,954		1,482	249	
Accounts payable		64,968	10,927		57,326	9,642	
Accrued expenses and prepaid income		37,447	6,298		29,884	5,026	
Other current liabilities		42,903	7,216		29,056	4,887	
		358,146	60,236	16	182,664	30,722	10
Liabilities, total		1,267,130	213,116	57	930,317	156,468	49
		2,219,311	373,261		1,895,273	318,762	

Parent Company's Financial Statements

Income statement (FIM 1,000)	note	1.1.–31.12.00	%	1.1.–31.12.99	%
Net sales	2	813,511		827,145	
Other operating income	3	1,050		3,664	
Materials and services					
Energy and fuels	4				
Purchases during the year		424,081		346,387	
Change in fuel stocks		–9,878		10,546	
Materials and supplies					
Purchases during the year		19,816		21,332	
Change in stocks		–1,172		–1,280	
External services		18,032		16,740	
Personnel expenses	5	106,175		109,152	
		–557,053	68	–502,877	61
Depreciation	6	–103,785	13	–96,478	12
Other operating expenses		–63,600	8	–52,501	6
Operating profit		90,123	11	178,953	22
Financial income and expenses	7				
Interest income		14,161		13,737	
Other financial income		5,201		3,690	
Interest expenses		–9,331		–2,443	
Other financial expenses		–8,993		–2,221	
		1,038	0	12,763	2
Profit before appropriations and taxes		91,161	11	191,715	23
Appropriations					
Change in depreciation difference		9,396		8,735	
Income taxes		–30,894		–56,268	
Net profit for the year		69,662	9	144,183	17

Funds Statement (FIM 1,000)	2000	1999
Cash flow from operating activities		
Operating profit	90,123	178,953
Adjustments to operating profit	103,785	96,478
Financial income and expenses	1,038	12,763
Taxes	–30,894	–56,268
Cash generated from operating activities, total	164,052	231,926
Increase (–) / decrease (+) in net working capital	32,840	–2,606
Net cash from operating activities	196,892	229,320
Cash flow from investing activities		
Capital expenditure on fixed assets	345,995	365,394
Sale of fixed assets	–1,397	–970
Net cash used in investing activities, total	344,598	364,424
Cash flow before financing activities	–147,706	–135,104
Cash flow from financing activities		
Long-term receivables, increase (–) / decrease (+)	4,654	2,695
Long-term loans, increase (+) / decrease (–)	28,097	36,038
Short-term loans, increase (+) / decrease (–)	113,456	57,259
Dividend distribution	–68,011	–66,091
Purchase of own shares	–818	–13,084
Net cash used in financing activities, total	77,378	16,816
Net decrease in cash reserves	–70,329	–118,287
Cash reserves on 1 Jan.	350,857	469,144
Cash reserves on 31 Dec.	280,528	350,857
	–70,329	–118,287

Parent Company's Balance Sheet

Assets (FIM 1,000)	note	1.1.–31.12.00	%	1.1.–31.12.99	%
Fixed assets	8				
Intangible assets					
Intangible rights		21,832		13,031	
Other long-term expenses		17,493		20,047	
		39,325	2	33,077	2
Tangible assets					
Land and water		34,703		34,703	
Buildings and structures		193,672		189,827	
Power and district heat equipment		140,352		148,764	
Transmission and distribution network		351,688		331,282	
District heating network		203,695		201,573	
Machinery and equipment		26,051		26,430	
Other tangible assets		1,327		1,676	
Advance payments and work in progress		19,324		32,198	
		970,812	46	966,453	51
Investments					
Shares in Group companies		540,173		83,057	
Receivables from Group companies		17,405		22,059	
Other shares and holdings		10,064		9,917	
Other long-term investments		330		227,370	
		567,973	27	342,403	18
Fixed assets, total		1,578,110	75	1,341,933	71
Current assets	9				
Inventories					
Materials and supplies		9,928		10,473	
Work in progress		2,420		703	
Fuels		72,839		62,961	
		85,188	4	74,137	4
Long-term receivables		1,050		1,067	
Short-term receivables					
Accounts receivable		119,760		95,490	
Receivables from Group companies		5,125		168	
Other receivables		13,333		25,968	
Prepaid expenses and accrued income		15,894		5,970	
		154,112	7	127,596	7
Financial assets					
Other securities		206,104	10	312,590	16
Cash in hand and at bank		74,425	4	38,268	2
Current assets, total		520,878	25	553,657	29
		2,098,988		1,895,590	

Shareholders' equity and liabilities (FIM 1,000)	note	1.1.–31.12.00	%	1.1.–31.12.99	%
Shareholders' equity	10				
Share capital		31,472		31,472	
Share premium fund		141,453		141,453	
Retained earnings		363,624		288,254	
Net profit for the year		69,662		144,183	
Shareholders' equity, total		606,212	29	605,362	32
Accumulated appropriations		496,671	24	506,066	27
Liabilities	11				
Long-term liabilities					
Connection charges		618,629		585,024	
Loans from financial institutions		8,601		14,059	
Other long-term loans		0		50	
		627,230	30	599,133	32
Short-term liabilities					
Loans from financial institutions		178,372		64,915	
Advances received		29,456		1,482	
Accounts payable		57,136		58,767	
Accounts payable to Group companies		42,093		757	
Accrued expenses and prepaid income		32,141		29,647	
Other current liabilities		29,678		29,462	
		368,876	18	185,030	10
Liabilities, total		996,106		784,162	
		2,098,988		1,895,590	

Notes to the Financial Statements

1. Accounting Principles

Consolidation

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

Research and development expenses

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

Derivative financial instruments

To hedge electricity price risks the company uses electricity forward contracts, electricity future contracts and electricity options. The premiums on the options are treated as advance payments until they mature or otherwise expire. The result of derivative contracts is shown as income or expense when the corresponding income or expense is recognized.

Exchange rate differences for loans in foreign currencies

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

Extraordinary income and expenses

No extraordinary income or expenses were recorded during 2000.

Pension arrangements

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

Fixed assets and depreciation according to plan

Fixed assets are entered in the balance sheet at direct acquisition cost less depreciation according to plan. Buildings include revaluations allowed by the Accounting Act, which are itemized in the notes to the financial statements. Other long-term investments include the parent company's receivable in the subsidiary Kiinteistö Oy Espoon Energiatalo.

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

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

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

Direct taxes

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

Inventories

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

Work in progress related to contracting activities is booked under inventories.

Principles of separation

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

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

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

Electricity and heat prices are based on market and reference prices. From own cogeneration 764 GWh of electricity was transferred for sale at a price of FIM 85/MWh and 1,385 GWh of heat for FIM 109/MWh respectively.

	Group		Parent company	
(FIM 1,000)	2000	1999	2000	1999
2. Net sales				
Electricity sales	294,391	299,812	283,593	300,368
Electricity transmission	262,712	221,390	218,904	221,390
Heat	336,048	287,274	277,136	276,832
Other sales	39,866	31,786	33,878	28,554
Net sales, total	933,017	840,262	813,511	827,145
3. Other operating income				
Rents	4,852	3,879	400	417
Other income	2,032	3,657	650	3,247
Other operational income, total	6,884	7,536	1,050	3,664
4. Energy and fuels				
Purchasing of electricity	250,696	196,712	233,970	196,712
Purchasing of heat	50,153	8,298	16,127	390
Purchasing of fuels	176,747	150,905	173,984	149,285
Change in fuel stocks	–9,354	10,546	–9,878	10,546
Energy expenses, total	468,242	366,461	414,202	356,933
5. Personnel expenses				
Wages and salaries	97,181	82,936	82,783	82,925
Pension expenses	20,742	19,094	17,204	19,094
Other personnel expenses	7,571	7,122	6,188	7,133
Personnel expenses, total	125,494	109,152	106,175	109,152
Fees and other remuneration received by the members of the Board of Directors, the Supervisory Board and the President	1,476	1,014	1,048	1,003
Bonuses paid to management	0	150	0	150
Other remuneration	95,705	81,772	81,735	81,772
Remuneration, total	97,181	82,936	82,783	82,925

Pension commitments for employees have been taken care of through outside pension insurance. Pension liabilities for Board members and the President: The members of the Board of Directors and the President have pension benefits corresponding to those of other personnel.

Personnel on average				
Salaried employees	381	328	331	328
Wage earners	142	96	99	96
	523	424	430	424

Notes

(FIM 1,000)	Group 2000	Group 1999	Parent company 2000	Parent company 1999
6. Depreciation				
Depreciation according to plan				
Other intangible rights	4,327	3,025	3,905	2,836
Write-down of group goodwill	14,560	2,148	0	0
Other long-term expenditure	1,385	1,077	1,260	1,077
Buildings and structures	15,720	13,463	12,387	10,624
Power and district heat equipment	25,351	23,155	23,050	23,155
Transmission and distribution network	36,672	27,675	29,515	27,675
District heating network	30,825	22,943	23,056	21,377
Machines and equipment	8,953	6,878	7,507	6,675
Other tangible assets	457	408	445	399
Depreciation according to plan, total	138,251	100,772	101,125	93,817
Tax depreciation			91,729	85,082
Depreciation difference, total			–9,396	–8,735
Depreciation of merger loss			2,661	2,661
Depreciation difference 1 Jan.			506,066	514,801
Change in depreciation difference			–9,396	–8,735
Depreciation difference 31 Dec.			496,671	506,066
7. Financial income and expenses				
Interest income	13,940	13,078	14,161	13,737
Interest expenses	–17,972	–2,427	–9,331	–2,443
Net interest	–4,032	10,652	4,830	11,294
Exchange rate gains	4,906	3,608	4,906	3,608
Exchange rate losses	–6,780	–1,617	–6,775	–1,617
Exchange rate difference	–1,874	1,991	–1,869	1,991
Other financial income	358	83	294	83
Other financial expenses	–1,977	–604	–2,218	–604
Other financial income and expenses	–1,619	–522	–1,923	–522
Financial income and expenses, total	–7,525	12,121	1,038	12,763
Intragroup financial income and expenses				
Interest income from Group companies			819	926
Interest expenses to Group companies			1,172	17

(FIM 1,000)	Group 2000	Group 1999	Parent company 2000	Parent company 1999
8. Fixed assets				
Intangible rights				
Acquisition cost 1 Jan.	47,994	42,902	35,449	30,836
Increases 1 Jan.–31 Dec.	281,124	5,092	13,100	4,613
Decreases 1 Jan.–31 Dec.	394	0	394	0
Acquisition cost 31 Dec.	328,724	47,994	48,155	35,449
Accumulated planned depreciation 31 Dec.	48,662	29,774	26,323	22,418
Book value 31 Dec.	280,063	18,219	21,832	13,031
Other long-term expenditure				
Acquisition cost 1 Jan.	23,808	23,808	31,789	23,781
Increases 1 Jan.–31 Dec.	1,976	0	1,394	8,009
Decreases 1 Jan.–31 Dec.	27	0	27	0
Acquisition cost 31 Dec.	25,811	23,808	33,209	31,789
Accumulated planned depreciation 31 Dec.	10,485	9,100	15,663	11,743
Book value 31 Dec.	15,325	14,708	17,546	20,047
Land and water areas				
Acquisition cost 1 Jan.	56,327	54,513	34,703	32,220
Increases 1 Jan.–31 Dec.	0	1,814	0	2,482
Decreases 1 Jan.–31 Dec.	0	0	0	0
Acquisition cost 31 Dec.	56,327	56,327	34,703	34,703
Buildings and structures				
Acquisition cost 1 Jan.	443,159	416,396	337,417	309,331
Increases 1 Jan.–31 Dec.	29,293	26,764	16,609	28,087
Decreases 1 Jan.–31 Dec.	378	1	378	1
Acquisition cost 31 Dec.	472,074	443,159	353,648	337,417
Accumulated planned depreciation 31 Dec.	187,341	171,620	159,976	147,590
Book value 31 Dec.	284,733	271,538	193,672	189,827
Power and district heating equipment				
Acquisition cost 1 Jan.	538,071	519,869	537,639	519,437
Increases 1 Jan.–31 Dec.	28,969	18,262	14,639	18,263
Decreases 1 Jan.–31 Dec.	1	60	1	60
Acquisition cost 31 Dec.	567,040	538,071	552,278	537,639
Accumulated planned depreciation 31 Dec.	414,659	389,308	411,926	388,875
Book value 31 Dec.	152,381	148,763	140,352	148,764
Transmission and distribution network				
Acquisition cost 1 Jan.	718,910	687,766	718,910	687,766

Notes

(FIM 1,000)	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Increases 1 Jan.–31 Dec.	182,087	31,498	50,232	31,498
Decreases 1 Jan.–31 Dec.	361	355	311	355
Acquisition cost 31 Dec.	900,636	718,910	768,831	718,910
Accumulated planned depreciation 31 Dec.	424,300	387,628	417,142	387,628
Book value 31 Dec.	476,336	331,282	351,688	331,282
District heating network				
Acquisition cost 1 Jan.	515,632	479,670	511,497	469,998
Increases 1 Jan–31 Dec.	156,891	36,000	25,182	41,536
Decreases 1 Jan.–31 Dec.	5	37	5	37
Acquisition cost 31 Dec.	672,519	515,632	536,675	511,497
Accumulated planned depreciation 31 Dec.	345,116	314,291	332,980	309,924
Book value 31 Dec.	327,403	201,341	203,695	201,573
Machinery and equipment				
Acquisition cost 1 Jan.	131,314	123,589	130,207	122,962
Increases 1 Jan–31 Dec.	14,994	7,840	7,344	7,360
Decreases 1 Jan.–31 Dec.	574	115	215	115
Acquisition cost 31 Dec.	145,734	131,314	137,336	130,207
Accumulated planned depreciation 31 Dec.	113,175	104,222	111,285	103,777
Book value 31 Dec.	32,559	27,092	26,051	26,430
Other tangible assets				
Acquisition cost 1 Jan.	5,251	4,470	5,181	4,420
Increases 1 Jan.–31 Dec.	426	781	96	761
Decreases 1 Jan.–31 Dec.	42	0	0	0
Acquisition cost 31 Dec.	5,634	5,251	5,276	5,181
Accumulated planned depreciation 31 Dec.	3,990	3,533	3,949	3,504
Book value 31 Dec.	1,645	1,719	1,327	1,676

Group intangible rights include goodwill on consolidation totalling FIM 257 million.

From fixed assets				
Machinery and equipment's share of book value 31 Dec.	323,489	309,257	307,626	309,257

Stocks and other long-term investments (FIM 1,000)

	Number of shares	Holding, %	Book value
Shares in subsidiaries			
Joensuun Energia Oy	60	100	457,116
Kiinteistö Oy Piispankylä 4, Espoo	217,000	100	21,709
Kiinteistö Oy Espoon Energiatalo, Espoo	200	100	60,000
Viikinki Energia Oy, Espoo	100	100	100
Koskelon Lämpö Oy, Espoo	500	100	1,104
Espower Ab, Stockholm		100	69
Espower As, Oslo		100	75
			540,173

	Shareholders' equity	Profit/loss for the year
Joensuun Energia Oy	171,494	–27
Kiinteistö Oy Piispankylä 4	24,381	579
Kiinteistö Oy Espoon Energiatalo	61,762	1,006
Koskelon Lämpö Oy	56	42

Shares in other companies	Number of shares	Book value
Interkraft Trading ASA	9,000	6,510
Tapiolan monitoimiareena Oy	14	700
Helsingin Seudun Lämpövoima Oy	115	575
Kobbholm Kraft As	2,250	534
Helsinki Exchanges Group Oyj	24,400	300
Kiinteistö Oy Irmelinpesä	75	288
Suomen Hyötytuuli Oy	20	200
Innopoli Oy	2,465	198
Pickala Golf Oy	1	122
Elisa Communications Oyj	1,630	90
Other companies		547
		10,064

Notes

(FIM 1,000)	Group 2000	Group 1999	Parent company 2000	Parent company 1999
9. Inventories				
Materials and supplies	11,570	10,473	9,928	10,473
Work in progress	2,420	703	2,420	703
Fuels:				
Coal stocks	50,510	39,888	50,510	39,888
Oil stocks	24,160	23,073	22,329	23,073
Fuel stocks, total	74,670	62,961	72,839	62,961
Inventories, total	88,661	74,137	85,188	74,137
10. Shareholders' equity				
Share capital 1 Jan.	31,472	31,472	31,472	31,472
Share capital 31 Dec.	31,472	31,472	31,472	31,472
Share premium fund 1 Jan.	141,453	141,453	141,453	141,453
Share premium fund 31 Dec.	141,453	141,453	141,453	141,453
Profit from previous years 1 Jan.	792,031	735,587	432,436	367,429
Dividends	–67,993	–66,091	–67,993	–66,091
Purchase of own shares	–818	–13,084	–818	–13,084
Profit from previous years 31 Dec.	723,219	656,411	363,624	288,254
Profit for the year	56,036	135,620	69,662	144,183
	779,255	792,031	433,286	432,436
Shareholders' equity, total	952,181	964,957	606,212	605,362
Distributable funds in shareholders' equity	417,678	430,085	433,286	432,436
Accumulated appropriations				
Accumulated depreciation difference			496,671	506,066
Transfer to shareholders' equity	361,578	361,946		
Deferred tax liability	154,836	147,837		
Booked depreciation difference	516,414	509,784		

(FIM 1,000)	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Change affecting net profit	369	11,020		
Change in deferred tax liability	151	–2,795		
Change in booked depreciation difference	520	8,226		

11. Liabilities

Long-term liabilities

	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Connection charges				
Electricity connection charges 1 Jan.	271,315	258,877	271,315	258,877
Increase	20,098	12,438	14,178	12,438
Electricity connection charges 31 Dec.	291,413	271,315	285,493	271,315
Heat connection charges 1 Jan.	309,262	294,051	308,579	280,961
Increase	28,779	15,211	19,414	27,618
Heat connection charges 31 Dec.	338,041	309,262	327,993	308,579
Natural gas connection charges 1 Jan.	5,129	5,018	5,129	2,337
Increase	14	111	14	2,793
Natural gas connection charges 31 Dec.	5,143	5,129	5,143	5,129
Connection charges, total 31 Dec.	634,597	585,707	618,629	585,024
Other non-interest-bearing liabilities	154,836	147,837	0	0
Interest-bearing liabilities	119,600	14,059	8,651	14,059

Short-term liabilities

	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Non-interest-bearing liabilities	174,774	117,748	144,616	91,606
Interest-bearing liabilities	194,815	64,158	224,390	64,915
Interest-bearing liabilities, total	314,415	78,217	233,041	78,974

Receivables from and payables to Group companies:

	2000	1999
Receivables from Group companies		
Long-term receivables	17,405	22,059
Short-term receivables	5,116	169
Payables to Group companies		
Accounts payable	40,093	757

Notes

Repayment schedule for long-term loans

	Bank loans	Other loans	Total
Repayments 2001	10,458	6,034	16,492
Repayments 2002	21,630	6,475	28,105
Repayments 2003	173,996	7,005	181,001
Repayments 2003	6,347	7,579	13,926
Repayments 2005	5,000	2,391	7,391
Repayments 2006–	2,500	65,000	67,500
Total 31 Dec. 2000	219,931	94,484	314,415

12. Pledges and contingent liabilities

	Group		Parent company	
(FIM 1,000)	2000	1999	2000	1999
Bank loans	38,234	12,080	10,734	12,080
Mortages as security for loans	97,000	47,000	47,000	47,000
Pledges	44,258	30,448	44,258	30,448
Other collateral				
Leasing commitments	3,721	3,845	3,350	3,845
Other financial commitments	6,006	220,000	0	220,000

13. Derivative contracts

Open position 31 Dec 2000

	GWh	FIM 1,000
Trading, internal contracts		
For sales	–1,535	–206
For production	1,170	–1,278
Total	–365	–1,484
Trading, external contracts		
Physical	–623	2,063
Future/Forward contracts	4,756	–9,247
Options	930	–10,676
Total	5,063	–17,860
Trading, total	4,698	–19,344

14. Principles of risk management

The main objective of Espoon Sähkö's risk management is to support the company in carrying out its business strategy. The main areas in risk management are risks in electricity trading, foreign exchange and interest-rate risk, and investment risks. The company seeks to reduce other major risks to its business operations by in an active and cost-effective manner.

The Board of Directors has defined the organization of electricity trading and responsibilities and approved the related risk management policy. Financial risk management is defined as part of the company's financial strategy. The main method of risk management used by the company is to reduce risks. In addition, the company benefits from the electricity markets by pursuing a policy of active business-oriented risk-taking using its expertise.

Electricity trading

The objective of electricity trading is to benefit from the wide selection of Nordic electricity markets, which as they develop continuously create business opportunities. To exploit these opportunities successfully requires a sophisticated level of risk management expertise. By taking controlled risks in the electricity markets and applying market expertise closely related to its business operations, the company aims to increase owner value.

The company's physical production of electricity along with its electricity sales and trading activities exposed it to electricity price risks. The company actively uses electricity forward contracts, electricity future contracts and electricity options to hedge the electricity price risk. The company systematically monitors the risk position arising from electricity trading and the risk position in derivatives. Limits have been set relating to electricity trading and they are monitored systematically. The company reacts immediately is these limits are exceeded, and corporate management is informed at once in such cases.

Foreign exchange and interest rate risks

The role of foreign exchange and interest rate derivative instruments is to help business operations function cost-effectively. The objective here is to actively reduce the level of risk exposure. Foreign exchange risks in Espoon Sähkö's business operations arise mainly from cash flows denominated in NOK and USD. The foreign exchange position consists of trading commitments and hedging of these commitments in each currency. Interest rate exposure derives from the interest-bearing loans and investments in the company's balance sheet. Counterparty risk is monitored in accordance with the criteria laid down in the financial strategy.

Investment operations and liquidity management

The objective of investment activities is to obtain a return that is comparable to the market return, taking into account the liquidity targets set out in the financial strategy. In its investment operations the company avoids taking risks that would have a significant impact on the company's business operations. Espoon Sähkö's liquidity is monitored using regular cash flow forecasts. Liquidity is assessed according to a defined level of liquid reserves including cash equivalents.

15. Official procedures

The Southern Customs District in Finland has passed a decision on tax reassessment requiring Espoon Sähkö Plc to pay additional tax on coal and a national emergency supply charge totalling FIM 5.2 million. The decision is based on an inspection carried out by the Southern Customs District. According to the officials who carried out the inspection, the excise duty was calculated incorrectly in certain aspects. Espoon Sähkö is appealing the decision in the Helsinki Administrative Court on the grounds that Espoon Sähkö has acted in accordance with the instructions given for calculating excise duty. The additional tax paid is recorded in the financial statements under prepaid expenses and accrued income.

16. Parent Company's separated financial statements

Separated Income Statements 1 January–31 December 2000

(FIM 1,000)	Electricity sales 2000	Electricity sales 1999	Network operations 2000	Network operations 1999
Net sales	303,711	316,790	225,535	227,785
Other income	74	304	172	189
Energy and fuels	272,550	235,281	48,351	50,454
Materials and supplies	–13	73	2,816	3,904
Personnel expenses	11,220	12,826	29,899	30,539
Depreciation	1,755	1,652	36,976	33,213
Other expenses	19,515	13,163	39,313	35,315
Expenses, total	305,027	262,994	157,355	153,425
Operating profit	–1,242	54,100	68,353	74,549
Share of financial income and expenses	1,404	3,474	8,093	6,564
Profit before taxes	162	57,574	76,446	81,113
Taxes	27	16,121	23,484	22,712
Profit after taxes	135	41,453	52,962	58,401

Network operation's balance sheet on 31 December 2000

Assets (FIM 1,000)	2000	1999
Fixed assets		
Intangible assets	17,017	9,870
Tangible assets		
Transmission and distribution network	351,688	331,282
Other tangible assets, total	100,887	100,927
Tangible assets, total	452,575	432,209
Fixed assets, total	69,592	442,079
Current assets		
Inventories	5,159	5,952
Receivables	47,821	25,246
Share of other cash reserves	162,569	199,182
Current assets, total	215,223	230,381
Total	684,815	672,460

Liabilities (FIM 1,000)	2000	1999
Share of shareholders' equity and capital	362,779	369,318
Connection charges	285,493	271,315
Share of current liabilities	36,544	31,827
Total	684,815	672,460

Key financial indicators for Network operations

(FIM 1,000)	2000	1999
Average personnel in network operations	185	174
Investments in distribution and transmission network, FIM	49,920	43,766
Other investments	14,568	9,438
Return on investment at balance sheet values, % (investment including connection charges)	11.9	12.8
Return on investment, %	6.6	6.7

(network valued at the technical current value and depreciation is calculated at the replacement price)

Principles of Calculation

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

Key Indicators in Finnish Markka

	1996	1997	1998	1999	2000
Net sales, MFIM	809.4	835.8	885.9	840.3	933.0
Operating profit, MFIM	155.3	195.4	167.8	183.2	94.5
% of net sales	19.2	23.4	18.9	21.8	10.1
Profit before extraordinary items, MFIM	155.7	202.7	183.2	195.3	87.0
% of net sales	19.2	24.2	20.7	23.2	9.3
Profit before taxes, MFIM	155.7	202.7	183.2	195.3	87.0
% of net sales	19.2	24.2	20.7	23.2	9.3
Balance sheet, main items					
Shareholders' equity, MFIM	726.2	837.2	908.5	965.0	952.2
Interest-bearing debt, MFIM	123.3	103.8	27.2	78.2	314.4
Interest-bearing debt/balance sheet total, %	7.6	5.9	1.5	2.0	14.2
Gross capital expenditure on fixed assests, MFIM	77.9	82.0	103.7	367.8	360.5
% of net sales	9.6	9.7	11.7	43.8	38.6
Balance sheet total, MFIM	1,630.0	1,770.9	1,763.1	1,895.3	2,219.3
Key figures					
Return on investment, %	19.8	23.6	19.9	19.8	9.4
Return on shareholders' equity, %	16.5	18.6	15.0	14.5	5.8
Solvency ratio, %	45.0	47.6	51.7	51.0	43.5
Gearing, %	–31.7	–45.4	–49.6	–28.5	2.2
Average personnel	413	412	416	424	523
Dividend, MFIM	34.6	59.8	66.1	68.0	33.6
Per share data					
Earnings per share, FIM	7.14	9.25	8.32	8.67	3.56
Dividend per share, FIM	2.20	3.80	4.20	4.35	2.15
Dividend payout ratio, %	30.8	41.1	50.5	50.1	60.0
Price/earnings ratio (P/E)	14.3	13.0	14.2	15.8	30.1
Shareholders' equity per share, FIM	46.15	53.20	57.73	61.72	60.51
Adjusted number of shares	15,735,930	15,735,930	15,735,930	15,735,930	15,735,930
Number of shares less shares owned by company	15,735,930	15,735,930	15,735,930	15,634,844	15,628,533
Dividend yield, %	2.2	3.2	3.6	3.2	2.0
Share price on 31 Dec.	102	120	118	137	107
Market capitalization, MFIM	1,605.1	1,888.3	1,856.8	2,138.1	1,684.1
Trading volume, 1,000	2,649	2,041	845	4,474	28
Trading volume, %	16.8	13.0	5.4	28.4	0.2

Key Indicators in Euro

	1996	1997	1998	1999	2000
Net sales, MEUR	136.1	140.6	149.0	141.3	156.9
Operating profit, MEUR	26.1	32.9	28.2	30.8	15.9
% of net sales	19.2	23.4	18.9	21.8	10.1
Profit before extraordinary items, MEUR	26.2	34.1	30.8	32.9	14.6
% of net sales	19.2	24.2	20.7	23.2	9.3
Profit before taxes, MEUR	26.2	34.1	30.8	32.9	14.6
% of net sales	19.2	24.2	20.7	23.2	9.3
Balance sheet items					
Shareholders' equity, MEUR	122.1	140.8	152.8	162.3	160.1
Interest-bearing debt, MEUR	20.7	17.5	4.6	13.2	52.9
Interest-bearing debt/balance sheet total, %	7.6	5.9	1.5	2.0	14.2
Gross capital expenditure on fixed assests, MEUR	13.1	13.8	17.4	61.9	60.6
% of net sales	9.6	9.7	11.7	43.8	38.6
Balance sheet total, MEUR	274.1	297.8	296.5	318.8	373.3
Key figures					
Return on investment, %	19.8	23.6	19.9	19.8	9.4
Return on shareholders' equity, %	16.5	18.6	15.0	14.5	5.8
Solvency ratio, %	45.0	47.6	51.7	51.0	43.5
Gearing, %	–31.7	–45.4	–49.6	–28.5	2.2
Average personnel	413	412	416	424	523
Dividend, MEUR	5.8	10.1	11.1	11.4	5.7
Per share data					
Earnings per share, EUR	1.2	1.6	1.4	1.5	0.6
Dividend per share, EUR	0.37	0.64	0.71	0.73	0.36
Dividend payout ratio, %	30.8	41.1	50.5	50.1	60.0
Price/earnings ratio (P/E)	14.3	13.0	14.2	15.8	30.1
Shareholders' equity per share, EUR	7.76	8.95	9.71	10.38	10.18
Adjusted number of shares	15,735,930	15,735,930	15,735,930	15,735,930	15,735,930
Number of shares owned by company	15,735,930	15,735,930	15,735,930	15,634,844	15,628,533
Dividend yield, %	2.2	3.2	3.6	3.2	2.0
Share price on 31 Dec.	17.2	20.2	19.8	23.0	18.0
Market capitalization, MEUR	270.0	317.6	312.3	359.6	283.2
Trading volume, 1,000	2,649	2,041	845	4,474	28
Trading volume, %	16.8	13.0	5.4	28.4	0.2

Shares and Shareholders

The company's registered and paid up share capital at the end of 2000 totalled FIM 31,471,860 and was divided into 15,735,930 shares. According to the Articles of Association the minimum share capital is EUR 3,400,000 and the maximum share capital is EUR 13,600,000 within which limits the share capital may be raised or lowered without amending the Articles of Association. The shares are all equal and each share entitles the holder to one vote at shareholders' meetings.

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

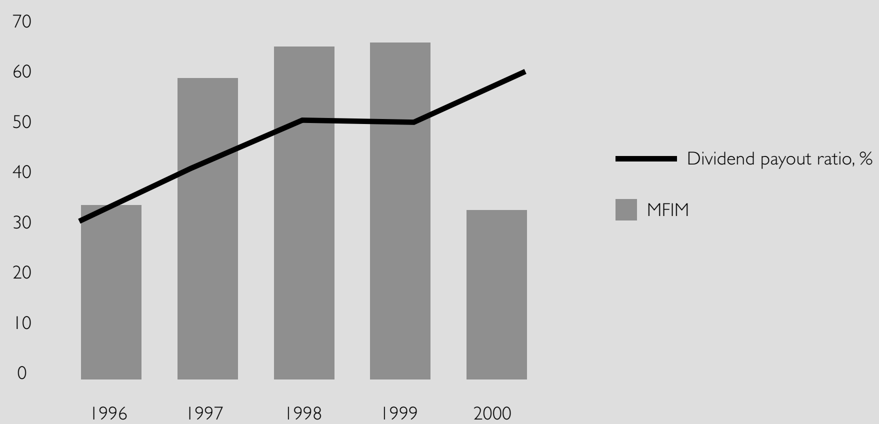
The Espoon Sähkö Plc share was listed on the Helsinki Exchanges on 24 November 1994. During 2000 altogether 27,505 shares (0.2 % of the share stock) were traded on the Helsinki Exchanges for a total value of FIM 575,039. The average quoted price was EUR 20.91 (FIM 124.31) per share. The highest quoted price during the year was EUR 24.00 (FIM 142.70) and the lowest quoted price was EUR 14 (FIM 83.24). The closing price quoted on the balance sheet date was EUR 18.00 (FIM 107.02), according to which the market capitalization was EUR 283 million (FIM 1,684 million).

The Annual General Meeting on 8 April 1999 authorized the Board of Directors to buy back at most 786,796 of the Company's own shares in public trading on the Helsinki Exchanges, and the Annual General Meeting on 6 April 2000 authorized the Board of Directors to buy back at most 680,000 of the Company's own shares in public trading on the Helsinki Exchanges. Between January and December 2000 the Company bought back altogether 6,311 of its own shares on the Helsinki Exchanges for FIM 0.8 million and at an average price of EUR 21.81 per share (FIM 129.69 per share). These shares carry no voting or dividend rights.

The company's Supervisory Board, the Board of Directors and the Managing Director together owned 900 Espoon Sähkö Plc shares, which represented 0.01 % of the total number of shares and voting rights.

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

Payment of dividend



Breakdown of share ownership on 31 December 2000

By shareholder category	Number of shareholders	% of shareholders	% of shares and votes
Companies	32	6.5	28.5
Financial and insurance institutions	3	0.6	0.0
Public entities	5	1.0	69.3
Non-profit organizations	13	2.6	0.3
Private households	439	88.9	0.6
Outside Finland [1]	2	0.4	1.3
	494	100.0	100.0
By number of shares owned			
1–100	274	55.5	0.1
101–1,000	186	37.6	0.5
1,001–10,000	27	5.5	0.6
10,001–100,000	3	0.6	1.2
100,001–1,000,000 [2]	2	0.4	2.0
1,000,001–	2	0.4	95.6
	494	100.0	100.0

Principal shareholders on 31 December 2000

	Number of shares	% of shares	% of votes
1. City of Espoo	10,703,717	68.0	68.5
2. Fortum Sähkönsiirto Oy	4,348,560	27.6	27.8
3. City of Helsinki	70,026	0.4	0.4
4. Municipality of Kirkkonummi	61,572	0.4	0.4
5. City of Kauniainen	60,417	0.4	0.4
6. Parish consortium of Turku and Kaarina	10,000	0.1	0.1
7. Central Fund of the Evangelical Lutheran Church of Finland	8,800	0.1	0.1
8. Scholarship fund of Helsinki University of Technology	7,200	0.0	0.0
9. Svenska Lantbrukproducenternas Centralförbund	7,000	0.0	0.0
10. Pemarstock Oy	6,300	0.0	0.0
Nominee-registered	204,950	1.3	1.3
Own shares owned by Company	107,397	0.7	
Principal shareholders, total	15,595,939	99.1	99.1

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

Board's Proposal on Distribution of Profit

The Group's non-restricted shareholders' equity according to the balance sheet on 31 December 2000 totalled FIM 779,255,329.69, which included distributable funds totalling FIM 417,677,741.11.

Espoon Sähkö Plc's non-restricted shareholders' equity was FIM 433,286,440.35, which included the profit for the year totalling FIM 69,662,120.73.

The Board of Directors proposes to the Annual General Meeting that a dividend of FIM 2.15 per share, totalling FIM 33,601,345.95, be distributed on the financial year 1 January–31 December 2000 and that the sum of FIM 745,653,983.74 be carried forward to the retained earnings account.

Espoo, 6 March 2001

Olli Männikkö
Chairman

Martti Kaasinen
Deputy Chairman

Ulf Johansson
Anne Leppälä-Nilsson
Yrjö Rossi

Heidi Mikkola
Marja Rahkonen
Jukka Uosukainen

Matti Manninen
President and CEO

Auditor's Report

We have audited the accounting records, the financial statements and the administration of Espoon Sähkö Oyj for the accounting period from 1 January to 31 December 2000. The financial statements prepared by the Board of Directors and the President provide a review of operations together with an income statement, balance sheet and notes for the Group and parent company. Based on our audit we express an opinion on these financial statements and on the company's administration.

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

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

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

Espoo, 12 March 2001

Arthur Andersen Oy
Authorized Public Accountants

Jarmo Lohi
Authorized Public Accountant

Supervisory Board's Statement

The Supervisory Board of Espoon Sähkö Oyj has examined the report of the Board of Directors, the financial statements and the auditors' report for the Company and the Group in 2000. The Supervisory Board proposes that the financial statements for the Company and the Group be approved and that the profits be used in the manner proposed by the Board of Directors.

Espoo, 13 March 2001

Erkki Hatakka
Chairman

Martti Merra
Deputy Chairman

Keijo Alho
Tuula Antola
Timo Haapaniemi
Taina Halonen
Sirpa Hertell

Matti Kaseva
Hans Korsbäck
Leena Rehn
Pentti Rissanen

Reija Väätäinen, Erkki Ala-Risku, Matti Manninen, Mauri Hätönen.

Group Management

Supervisory Board

Chairman
Erkki Hatakka, 63 (1999–)
M.Sc.

Deputy Chairman
Martti Merra, 41 (1997–)
LLM

Members

Keijo Alho, 64 (1997–)
Technician

Tuula Antola, 32 (1999–)
M.Sc. (Eng.)

Taina Halonen, 41 (1999–)
M.Sc.

Sirpa Hertell, 45 (1999–)
Secretary General

Jukka Erävuori, 63 (1993–7 June 2000 †)
M.Sc. (Pol.Sc.)

Timo Haapaniemi, 44 (1993–)
Managing Director

Matti Kaseva, 53 (1997–)
Managing Director

Hans Korsbäck, 69 (1997–)
M.Sc. (Eng.)

Leena Rehn, 55 (1993–)
Secretary

Pentti Rissanen, 57 (1997–)
Attorney-at-law

Personnel Representatives on the Supervisory Board

Olavi Lahtinen, 45 (1999–)
Control room technician

Raimo Mattsson, 54 (1999–)
Installation manager

Markku Ryymin, Launo Koskinen, Seppo Alanen, Matti Kuusisto.

Board of Directors

Chairman
Olli Männikkö, 56 (1989–)
B.S. in Soc.

Deputy Chairman
Martti Kaasinen, 58 (1985–)
Deputy Director

Members

Ulf Johansson, 59 (1997–)
Editor-in-Chief

Anne Leppälä-Nilsson, 47 (1993–)
Director

Heidi Mikkola, 54 (1997–)
Lic.Phil.

Marja Rahkonen, 55 (1997–)
Journalist

Yrjö Rossi, 50 (1992–)
Managing Director

Jukka Uosukainen, 46 (1997–)
Director General

Operational management

Matti Manninen, 47 (1993–)
M.Sc. (Eng.)
President and CEO

Seppo Alanen, 55 (1999–)
M.Sc. (Eng.)
Director, District Heating Unit

Erkki Ala-Risku, 54 (1994–)
B.Sc. (Eng.)
Director, Electricity Unit

Mauri Hätönen, 47 (1994–)
M.Sc. (Eng.)
Director, Network Unit

Launo Koskinen, 55 (1994–)
B.Sc. (Eng.)
Director, Contracting Unit

Matti Kuusisto, 54 (1994–)
M.Sc. (Eng.)
Director, Generation Unit

Reija Väätäinen, 45 (1996–)
M.Sc. (Econ.)
Chief Financial Officer

Markku Ryymin, 49 (1996–)
M.Soc.Sc.
President, Joensuun Energia Oy

Auditors

Arthur Andersen Oy
Authorized Public Accountants

Jarmo Lohi
Authorized Public Accountant

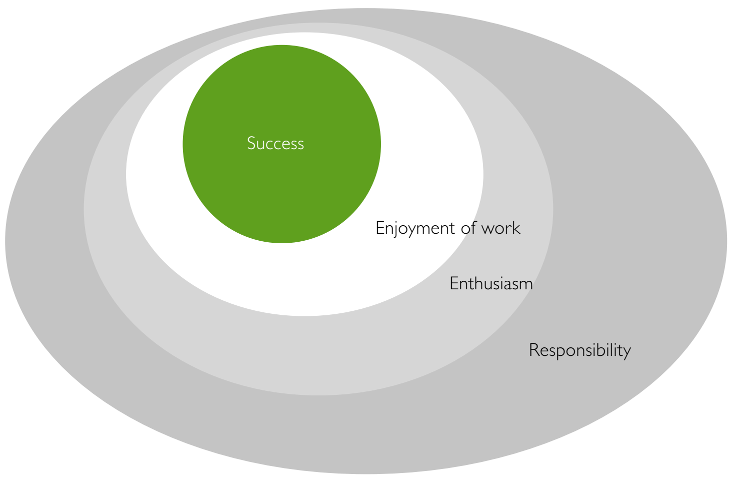
Personnel

The number of Espoon Sähkö Group's personnel increased by some 100 hundred people when the company acquired Joensuun Energia Oy at the beginning of February 2000. The Group employs some 500 people, of whom 400 work in the parent company and 95 in Joensuun Energia.

Espoon Sähkö conducted a survey of the prevailing atmosphere in the company for the sixth time, simultaneously in both Espoo and Joensuu. In Espoo, 73% responded to the survey, compared to 67% the previous year. Joensuun Energia's response rate was a record 94%. Aspects that scored highly in the survey were the clarity of objectives and values, the efficient running of the organization and the effective cooperation within the company. The respondents indicated a need for more detailed information about the company's strategy and for further development of both procedures and human resources. The company's strategy has, in fact, been presented

Espoon Sähkö's values

Espoon Sähkö's core values success, enjoyment of work, enthusiasm and responsibility underline the individual's responsibility for creating success in an ever tougher business environment. They also express the mutual pleasure we take in our work and in our primary aim of satisfying our customers' needs.



in detail to in-house teams and a number of development projects have streamlined procedures. The company's personal development plan is updated each year with the results of each person's development interviews.

Supervisors hold development interviews with their subordinates regularly, and at least once a year. The interviews focus on monitoring the individual's targets and results, personal skills and career development needs while also providing a two-way channel for feedback.

The greatest challenge in the energy sector is the ageing of existing personnel and the need to attract skilled new personnel into the industry. Around one-quarter of Espoon Sähkö's personnel will reach pensionable age towards the end of this decade. The company's skills survey determines the skills an individual needs in his/her job, the capabilities of the individual and what the individual needs to learn. The results of the skills survey have been applied to a number of training programmes. The largest single project was the training for technicians launched in autumn 1999 in cooperation with the Espoo-Vantaa Institute of Technology. The programme provides for 30 technicians from different companies in the energy sector to study for three years to obtain a BSc qualification. Ten technicians from Espoon Sähkö are participating in the programme.

A training simulator is due to be completed at the Suomenoja power plant in Espoo in spring 2001. The simulator will be used for teaching new employees how to operate the power plant. The company has an apprenticeship training scheme aimed at enhancing the expertise and cross-discipline skills of electrical fitters. A new group of electrical fitters started a one-year course of study at the beginning of 2001 with a view to acquiring more advanced qualifications.

Changing jobs, ageing, shift-work and working outdoors make great demands on personnel. Espoon Sähkö has implemented a number of projects to promote working stamina and job comfort. Various training events have addressed problem-solving and interactive skills, while team motivation and development sessions have examined ways to enhance personnel's physical and mental resources. The company also subsidizes a wide range of keep-fit activities to promote the wellbeing of its personnel.

The Group's training costs in 2000, excluding payroll costs, amounted to some FIM 3 million, representing a slight increase on the previous year.

Information for shareholders

Shareholders' meeting

The Annual General Meeting of Espoon Sähkö Plc will be held on Thursday 5 April 2001, beginning at 3.00 pm at the Company's head office, Piispanportti 10, Espoo, Finland.

To be entitled to attend the Annual General Meeting, shareholders must be registered in the Company's list of shareholders maintained by the Finnish Central Securities Depository no later than 26 March 2001. Shareholders whose shares have not yet been transferred to book-entry accounts are also entitled to attend the Meeting provided they were registered in the Company's share register before 30 September 1994. In this case shareholders must present their share certificates or other evidence that the right to shares has not been transferred to a book-entry account.

Shareholders wishing to attend the Annual General Meeting must notify the Company by 3.00 pm (Finnish time) on 3 April 2001 either in writing to Espoon Sähkö Plc, Share Register, P.O. Box 109, FIN-02201 Espoo, Finland; or by telephone to +358 205 205 901. Shareholders wishing to vote at the meeting by proxy are kindly requested to ensure that the Company receives their letters of authorization before the period of notification expires.

Payment of dividends

The Board of Directors will propose to the Annual General Meeting that a dividend of FIM 2.15 per share be distributed for the financial year 2000. The record date for dividend payment will be 10 April 2001 and the payment date will be 19 April 2001, if the Board's proposal is approved.

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

Financial publications in 2001

Espoon Sähkö Plc will publish interim reports on the first three months of the year on 10 May 2001, on the first six months of the year on 9 August 2001 and on the first nine months of the year on 8 November 2001.

To receive these publications, please contact the Company:
Espoon Sähkö Plc, Piispanportti 10, P.O.Box 109, FIN-02201 Espoo, Finland.
Phone +358 205 2050, and fax +358 205 205 888. They may also be ordered on the Internet by filling out the return coupon at http://www.espoonsahko.fi/.

Contact information

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Tel. +358 205 2050, fax +358 205 5888, www.espoonsahko.fi
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Espoon Sähkö.
Comprehensive energy services for the needs of our customers.

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