POHJOLAN VOIMA GROUP

POHJOLAN VOIMA GROUP Annual Report 2001

ANNUAL REPORT 2001

Pohjolan Voima produces energy for Finnish industry, towns and built-up areas.

CONTENTS

ACCOUNTS FOR 2001

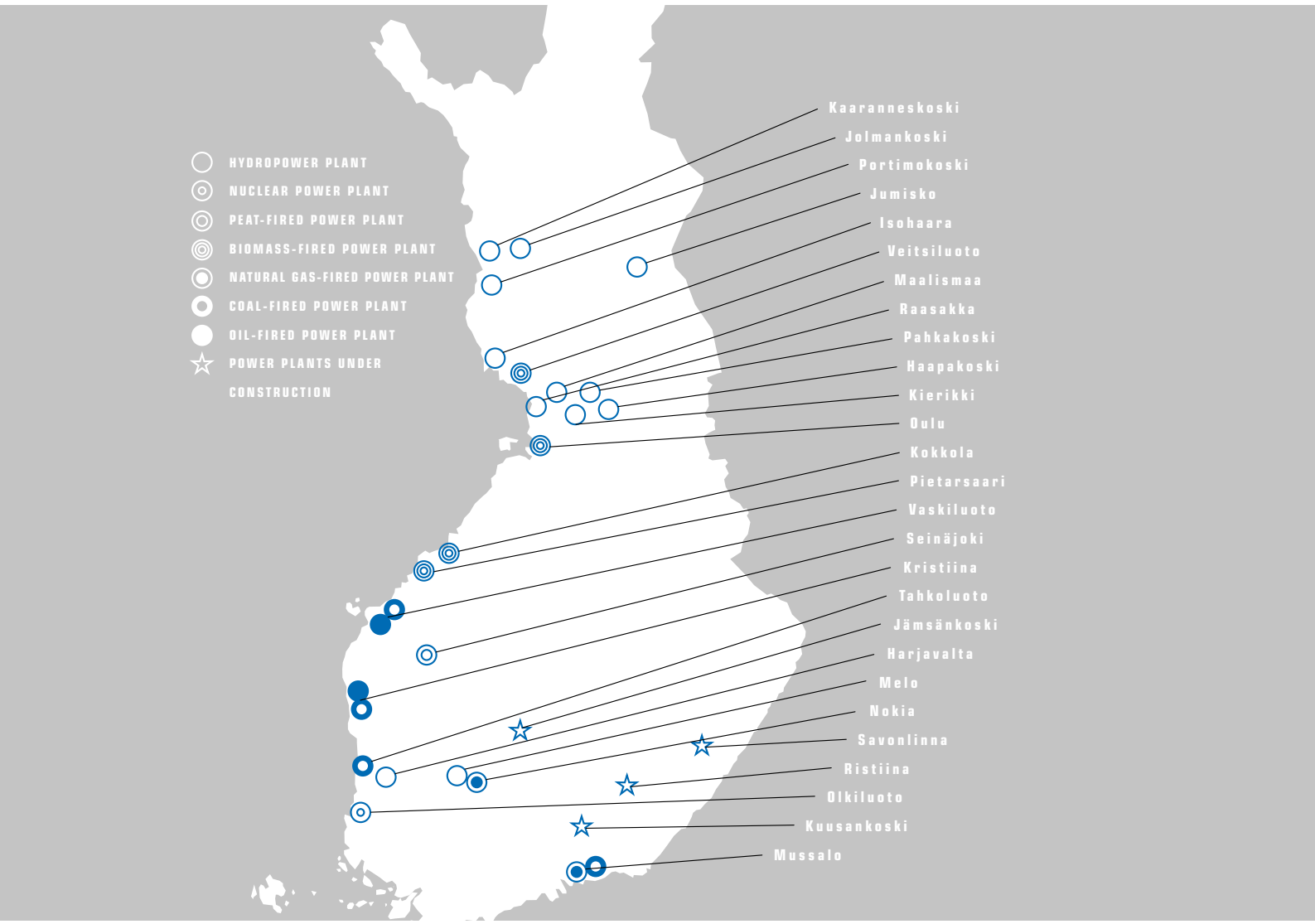
Annual General Meeting

The Annual General Meeting of Pohjolan Voima Oy was held on Thursday, 21 March 2002 at 1 pm at Töölönkatu 4, 00100 Helsinki.

KEY FIGURES

		2001	2000	1999	1998	1997
Turnover	€ million	570	508	519	568	583
Operating profit	€ million	33	26	66	90	77
Net interest-bearing liabilities	€ million	780	705	758	874	943
As percentage of turnover	%	137	139	146	154	162
Equity-to-assets ratio	%	49	51	49	46	42
Total assets	€ million	2 310	2 160	2 220	2 301	2 346
Investments	€ million	182	55	37	75	234
Personnel		784				
Personnel, service companies		1 545				
Personnel, total		2 329	1 855	1 454	1 421	1 419

Power plants wholly or partially owned by the Pohjolan Voima Group.



HIGHLIGHTS IN 2001

Supply record
Pohjolan Voima's electricity supply totalled nearly 20 TWh, and on 5 February 2001 the peak output was 3 500 MW.

Power plants in Pietarsaari and Kokkola completed
Oy Alholmens Kraft Ab's biomass-fired power plant completed in Pietarsaari is the largest plant of its kind in the world. The power plant is capable of generating electricity of a power of 240 MW and heat of a power of 160 MW. The electrical output of Kokkolan Voima Oy's power plant is 20 MW and the district heat output 50 MW.

Powest became the owner of Empower
In May, the name of the Service Group's parent company, Empower Oy, was changed to Powest Oy. At the same time, a new company named Empower Oy was established, to which Powest transferred some of its holdings in the Service Group companies while remaining, however, the majority shareholder in Länsi-Suomen Yhteiskäyttö Oy and Power-OM Oy, and the minority shareholder in Power-IT Oy.

Final disposal of spent nuclear fuel resolved
On 18 May 2001, the Finnish Parliament ratified the decision in principle concerning the construction of a final disposal facility for spent nuclear fuel at Olkiluoto in Eurajoki.

Imports of electricity from Russia increased
Pohjolan Voima increased the power of electricity imported from Russia from 100 MW to 400 MW from the beginning of 2001.

An honourable mention for energy conservation
On 4 October 2001, Motiva Oy awarded Pohjolan Voima Oy an honourable mention of the power plant sector for energy conservation. The Tahkoluoto power plant has acted as a pilot plant in developing energy analysis methods for the power plant sector.

Transmission line from Jumisko to Pirttikoski completed
Pohjolan Voima's 110 kV transmission line from Jumisko to Pirttikoski was completed in spring 2001. The line is 40 kilometres long.

EIA procedure for wind power established
On 15 January 2001, the Ministry of the Environment decided that an environmental impact assessment (EIA) procedure should be established concerning Pohjolan Voima's offshore wind power project. On completion, this will be the first EIA procedure for wind power implemented in Finland.

POHJOLAN VOIMA GROUP

Business idea

Pohjolan Voima is a privately owned group of companies in the energy sector, which produces and supplies electricity and heat for its shareholders. The Group also offers services in its sector to European customers, primarily in Finland and neighbouring areas.

POHJOLAN VOIMA OY

- PVO-VESIVOIMA OY
  - TORNIONLAAKSON VOIMA OY
  - LÄNSI-SUOMEN VOIMA OY
  - VOIMALOHI OY
- TEOLLISUUDEN VOIMA OY
  - POSIVA OY
  - TVO NUCLEAR SERVICES OY
- PVO-LÄMPÖVOIMA OY
  - NOKIAN LÄMPÖVOIMA OY
  - VASKILUODON VOIMA OY
- VEITSILUODON VOIMA OY
- OULUN VOIMA OY
- JÄMSÄNKOSKEN VOIMA OY
- MUSSALON VOIMA OY
- OY ALHOLMENS KRAFT AB
- KYMIN VOIMA OY
- JÄRVI-SUOMEN VOIMA OY
- PVO-HUIPPUVOIMA OY
- PVO-INNOPOWER OY
- KOKKOLAN VOIMA OY
- VIESKAN VOIMA OY

- PVO-POOL OY
- FINGRID OYJ

- POWEST OY
  - TXU NORDIC ENERGY OY
  - WINWIND OY
  - POWER-DERIVA OY
  - EMPOWER OY
    - RAMSE CONSULTING OY
    - PVO-ENGINEERING OY
    - POWER-IT OY
  - POWER-OM OY
  - LÄNSI-SUOMEN YHTEISKÄYTTÖ OY
  - SUOMEN VOIMATEKNIIKKA OY
  - EESTI ELEKTRIVõRKUDE EHITUSE AS

Pohjolan Voima's subsidiaries and associated companies, and other holdings.

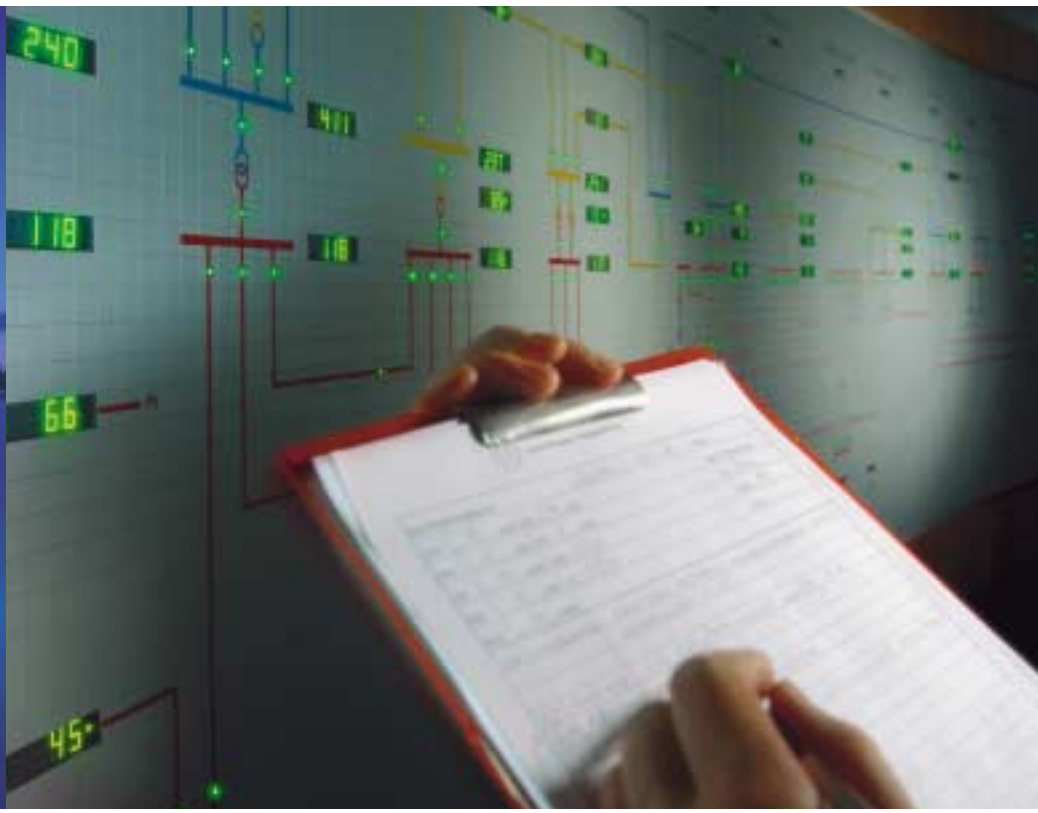
POHJOLAN VOIMA AND SOCIETY

Pohjolan Voima plays a significant role in the production chain of large Finnish companies in the export industry. Furthermore, the Group is an important electricity supplier to the towns and municipal energy companies that are its shareholders. Pohjolan Voima further pursues long-range operations in the deregulated electricity markets as well. The Group aims to reliably supply its shareholders with competitively priced energy that has been generated by environmentally acceptable means.

Uninterrupted energy supply is necessary to maintain the basic functions of society. The issue of energy supply continues to arouse interest in society. The debate has shifted from the availability of energy to climate change and environmental issues linked with energy generation. Pohjolan Voima has set the target to integrate the increasing electricity requirement with a reduction in greenhouse gas emissions.

In the deregulated electricity market the price varies in accordance with supply and demand. An insufficiency in supply, or even an expectation of this, raises the price of electricity substantially. Pohjolan Voima seeks to safeguard a steady energy price for its shareholders.

The efficiency of Pohjolan Voima's energy supply is based on overall optimization of the use of the Group's own and the shareholders' production resources. This operation model has also functioned well in the deregulated electricity markets. The Group's biggest electricity producer, Teollisuuden Voima Oy's Olkiluoto Power Plant has been granted a WEC Award for the best nuclear power plant in the world. In thermal power production, a wide range of energy sources, combined heat and power production (CHP), and optimization of the electricity supply increase competitiveness. These forms of production combined with hydropower production, which can be easily regulated, and with the electricity import contract form an effective part of the Nordic electricity markets.



The Ministry of Trade and Industry and the Finnish Energy Industries Federation FINERGY have assessed that, despite conservation measures, the annual electricity demand in Finland will rise to some 90 TWh by 2010. In recent years, the imports of electricity have been considerable. When rainfall levels are normal in Sweden and Norway, there is not enough electricity to export, and imports from Russia cannot be increased without compromising the principles of risk management. Pohjolan Voima aims to safeguard the versatile supply structure in the future as well by building new power plants.

ECONOMIC WELFARE OVER A WIDE AREA

Pohjolan Voima and its subgroups have power plants in 21 locations in Finland and, furthermore, they pursue other business operations in several locations. In 2001, the Group employed 2 329 people with employees residing in a total of 184 municipalities. The real estate taxes paid amounted to EUR 6 million. The indirect economic effects that are linked with the domestic energy sources – hydropower, wood and peat – are particularly important to the Finnish economy.

The power plants of the Pohjolan Voima Group's subsidiaries and associated companies supplied district heat to the towns of Kokkola, Kotka, Nokia, Pietarsaari, Seinäjoki, Vaasa and Ylivieska. On completion of the power plants that are under construction, heat deliveries will also begin for the towns of Jämsänkoski, Kouvola and Kuusankoski.

RESPONSIBLE OPERATIONS THROUGHOUT THE CHAIN

Pohjolan Voima's shareholders have committed themselves to sustainable development programmes, energy conservation and good environmental practice. Pohjolan Voima has committed itself to good management of environmental issues and continuous improvement of its operations.

"Uninterrupted energy supply is necessary to maintain the basic functions of society. The issue of energy supply continues to arouse interest in society."

"Society's serious attitude towards the prevention of climate change has been detectable for years now, although no binding legislation exists so far. Pohjolan Voima has taken this issue into account in its investments and R&D operations."

Nuclear power is an essential element in Pohjolan Voima's electricity supply. In the Group's view, nuclear power is in harmony with the operating principles that emphasize carefulness and responsibility. The risk of accidents has been minimized by multiple safety systems. Permanent systems have been built for the final disposal of nuclear waste and decommissioning of the power plants, and money is being collected all the time in the price of nuclear electricity for the implementation of nuclear waste management.

Owing to the obligations imposed by the Kyoto Protocol, Pohjolan Voima considers it impossible to generate the amount of electricity equivalent to nuclear power by new power plants that use fossil fuels. Besides nuclear power, full-scale utilization of biomass and investment in other renewable energy sources are necessary.

STAKEHOLDERS AFFECT THE OPERATIONS

Pohjolan Voima closely monitors changes in the operating environment, which can often be foreseen through the views of stakeholders. Society's serious attitude towards the prevention of climate change has been detectable for years now, although no binding legislation exists so far. Pohjolan Voima has taken this issue into account in its investments and R&D operations. The planned investments – particularly the nuclear power and biomass-fired power plants – are a natural continuation in this development.

With regard to enhancement of the production operations, the local stakeholder groups of power plants are important. Co-operation with stakeholders has formed a significant part of the Group's operations for a long time, and interaction with the different stakeholder groups continues to increase. The Finnish Energy Industries Federation FINERGY has published a manual concerning social responsibility; Pohjolan Voima was also involved in preparing the manual.

In accordance with its operating principles, Pohjolan Voima values competent personnel, to whom it offers challenging jobs and creates the scope for development. The personnel have been involved in developing new operation models that increase adaptability of the organizations and profitability of the operations.

REVIEW BY THE PRESIDENT

In the energy sector, 2001 was a period of setting the sights on the future, at both the international and national levels. Awareness of the approaching commitment period specified in the Kyoto Protocol stimulated efforts to build strategies for energy policy and climate policy, and to integrate them. A number of issues emerged that may have a far-reaching effect on the operating environment in which also Pohjolan Voima has to operate in the future.

In the industrialized countries, there were growing efforts in the past decade aimed at liberalizing competition in the energy sector. The degrees of implementation vary. The electricity markets have been in the vanguard of this trend, and deregulation of the gas market has come next. At the EU level, the process has continued to progress, although behind the targets set. In the Nordic countries, the electricity markets have been completely deregulated. This is the operating environment in which Pohjolan Voima operates.

In the electricity market, power plants compete with each other. For the greater part of the year, the electricity production capacity exceeds the electricity demand. For energy companies, reserve and peak-load power have become a cost that decreases competitiveness, and as a result some of this capacity has been taken out of use. The construction of new power plants has not been attractive and, indeed, energy companies have preferred to invest in company acquisitions. The implemented investments in power plants have mainly concerned small plants that require little capital but operate at high fuel costs, such as natural gas-fired power plants. Under these conditions, the construction of base-load power has been small.

This trend threatens to lead to situations in which the safe and uninterrupted availability of electricity is no longer secured. The difficulties encountered in California and Brazil have been a foretaste of what may come. A halt in economic growth and the surprisingly favourable weather saved the United States from getting into more situations of similar gravity. Even in the Nordic countries, corresponding factors hid the growing problem.

However, the difficulties experienced have already been sufficient warnings to the industrialized countries, which consequently require consideration being given to safeguarding a reliable supply by official control and steering methods. On the other hand, such trends may bring a risk of drifting into a situation in which the market is deregulated at one end whilst simultaneously becoming centrally controlled by the government at the other. The obligations imposed with a view to combating climate change may bring an additional turn to these circumstances. In accordance with the EU's proposal for a directive concerning carbon dioxide emissions trading, the result may be centrally confirmed emission quotas, and the cost of exceeding these quotas would be heavy. The functioning of a market economy would be disturbed in a questionable manner, if in

this way society defined the limits of company-specific operations and growth. By its own measures, the EU would increase the competitive edge that the United States seeks to gain by refusing to fulfil the obligations imposed by the Kyoto Protocol.

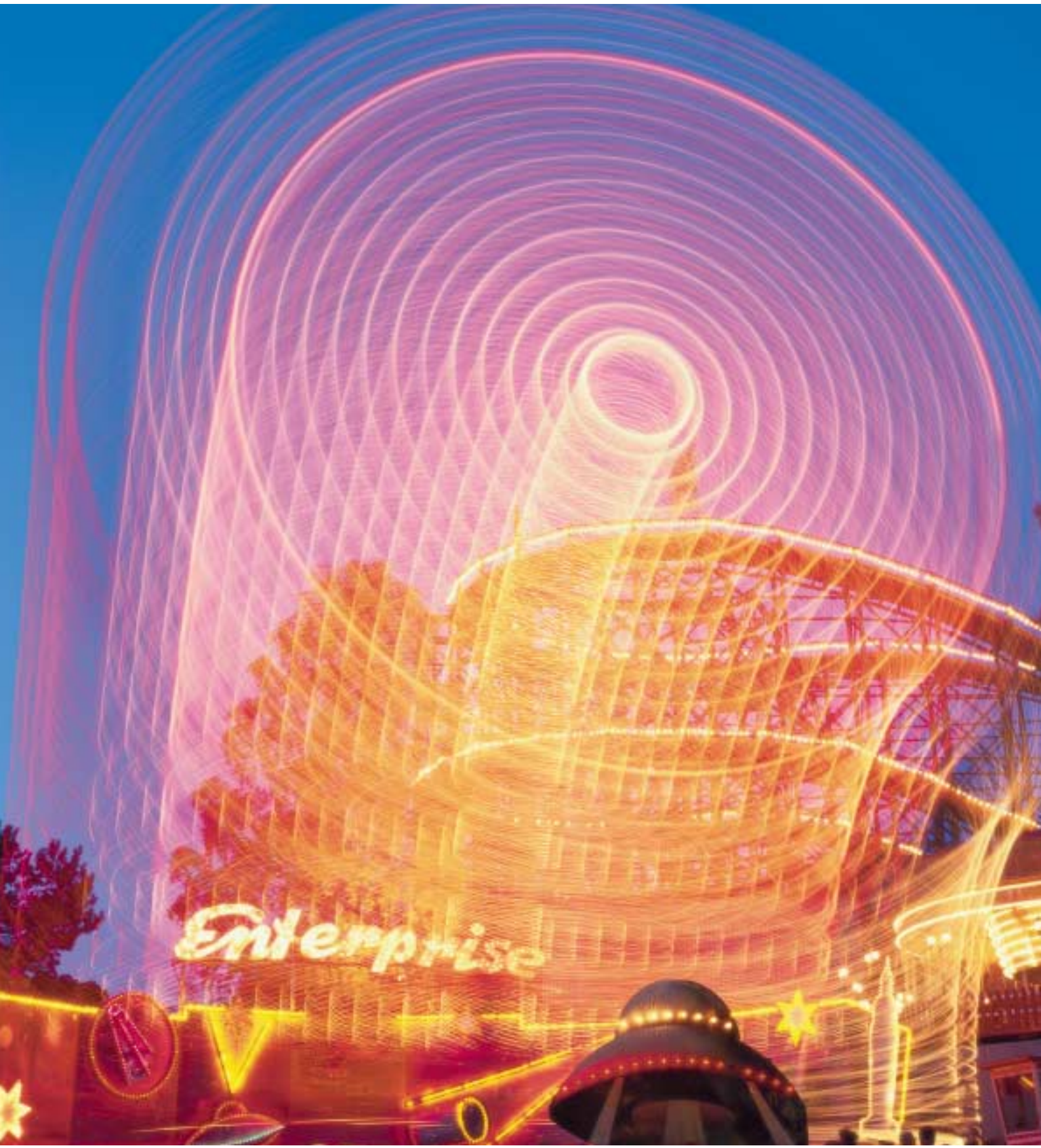
Owing to its function and structure, Pohjolan Voima has good opportunities to serve its shareholders and therefore Finnish society as a whole. The shareholders have been able to satisfy their electricity and heat requirements in a competitive manner through Pohjolan Voima. For more than ten years, the Group has continued to be the largest investor in additional capacity in the Nordic countries. A new investment in nuclear power would form part of our established operations. It has appeared that even companies outside the present partners have shown keen interest in participation. The construction programme of six new biomass-fired power plants is a continuation of the implementation of Pohjolan Voima's operation model. At the same time, the Group continues to utilize all the available options for building new capacity.

The Green Paper on the security of energy supply published by the EU provoked a lively pan-European debate. The dependence on imports of natural gas and oil is foreseen to gradually become alarmingly high, which makes it necessary to invest in all available forms of energy production, particularly carbon-dioxide-free renewable energy sources and nuclear power. When dealing with the Paper, the European Parliament has also stated these facts, and this is exactly the way in which Pohjolan Voima operates. It is implementing the largest construction programme for biomass-fired power plants in the Nordic countries. The approval of a new nuclear power plant has been submitted for political consideration fixed by law.

When discussing the climate strategy, the Finnish Government and Parliament wanted to include an alternative to nuclear power, proposing that the use of natural gas could be increased substantially. It is to be hoped that we will not have to pay an exorbitant price for this political choice. In-depth examination of the market outlook for natural gas and the ever-fiercer price trend that is inevitably within view prove that natural gas is not a real alternative in separate electricity generation.

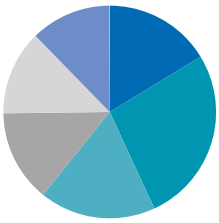
In spring 2002, Parliament will take an important decision on its strategy for energy policy when it decides whether to opt for additional nuclear power. Pohjolan Voima expects a responsible decision and, as a company in the energy sector, it is ready to contribute to meeting future challenges. I would like to thank the personnel, shareholders and co-operation partners for sharing the responsibility.

Timo Rajala
President and CEO


Enterprise

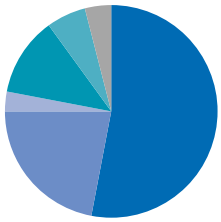
"In 2001, electricity consumption in Finland amounted to 81.6 TWh. This is 3.1%, or 2.4 TWh, higher than in the previous year."

ELECTRICITY SUPPLY IN FINLAND IN 2001 *81.6 TWh*



- *16.3% Hydropower*
- *26.8% Nuclear power*
- *17.7% CHP, district heat*
- *14.0% Industrial CHP*
- *12.9% Condensing power*
- *12.2% Net imports*
- *0.1% Wind power*

ELECTRICITY CONSUMPTION IN FINLAND IN 2001 *81.6 TWh*



- *53% Industry*
- *22% Households*
- *3% Farming*
- *12% Services*
- *6% Public*
- *4% Losses*

ELECTRICITY MARKET AND OPERATING ENVIRONMENT IN 2001

In the Nord Pool electricity exchange, the regional price in Finland rose by a good 50% in 2001. Sweden was capable of slightly increasing its hydropower production, whereas in Norway the imports of electricity were higher than electricity exports. Imports of electricity from Sweden and Norway to Finland totalled 4.1 TWh, and 7.7 TWh of electricity was imported from Russia.

The largest power plant completed in the Nordic countries in 2001 was Alholmens Kraft's biomass-fired power plant with an electrical output of 240 MW.

In 2001, electricity consumption in Finland amounted to 81.6 TWh. This is 3.1%, or 2.4 TWh, higher than in the previous year. The consumption of electricity in households and farming increased by 9%. On the other hand, electricity consumption in industry and construction was reduced by a good 1%.

FROM KYOTO TO MARRAKECH

The Conference of the Parties to the Climate Convention held in Marrakech agreed on the implementation principles of the Kyoto Protocol. Measures to ratify the Protocol have been launched in the different countries involved, but the United States has announced not to ratify the Protocol.

The prepared directives concerning the prevention of climate change have been gathered in the EU's Climate Change Programme. The directives that are being prepared pertain, for instance, to the emissions trading of greenhouse gases, the promotion of renewable energy sources, and combined heat and power production. On the basis of the Emissions Trading Directive, emission quotas would be fixed for industrial and energy production plants. Exceeding the quota would require a plant to buy emission allowances and, correspondingly, remaining below the quota would enable the plant to sell them. At worst, emissions trading would cause additional costs for efficient companies, whereas other companies could sell their emission allowances saved by minor investments in increased efficiency.

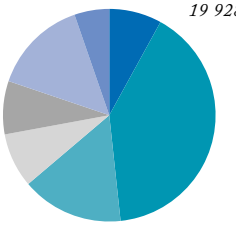
Parliament discussed Finland's climate strategy in spring 2001. The strategy scenarios considered the effects of energy conservation, increased use of renewable energy sources, and increased use of nuclear power and natural gas on carbon dioxide emissions. Integration of the EU's Emissions Trading Directive and the national climate strategy continues to be obviously difficult.

The Large Combustion Plants Directive, which had been prepared for several years, was approved in 2001. In the final preparation stages, the most difficult problem to arise was the reduction of nitrogen oxide emissions from the plants that are currently being operated.

The debate about social responsibility became livelier. An Ethical Forum was established in Finland to promote discussion between civic organizations, the authorities and businesses. The Confederation of Finnish Industry and Employers drew up a manual that clarified social responsibility for companies, and the Finnish Energy Industries Federation FINERGY published a manual aimed at energy companies. The European Commission published the Green Paper on this issue, and numerous other international measures are being planned.

POHJOLAN VOIMA'S FORMS OF ENERGY SUPPLY

POHJOLAN VOIMA'S ELECTRICITY SUPPLY IN 2001



- 8.0% *Hydropower*
- 40.3% *Nuclear power*
- 15.5% *Condensing power*
- 8.3% *CHP, district heat*
- 8.1% *Industrial CHP*
- 14.5% *Imports*
- 5.3% *Market electricity*

Pohjolan Voima's electricity supply structure is versatile. In the Group's production machinery, each form of production has a specific function. The wide range of energy sources, the different properties of the power plants, electricity imports and utilization of the electricity market make it possible to optimize the production in each load situation and thus achieve the most economical combination of electricity supply.

Nuclear power

Nuclear power satisfies the continuous and consistent need for electricity, known as the base load. In the cost structure of nuclear power, variable costs are small, and it is therefore economical to operate the plants as much as possible.

Combined heat and power production

In the co-generation of electricity and heat, the energy contained in fuels is converted into electricity and heat at a high efficiency. The use of power plants is mainly determined on the basis of the heat requirement. The fuels used include coal, peat, natural gas and wood.

Hydropower

Hydropower plants can be stopped, started and regulated more easily than other power plants. Plenty of hydropower is thus generated when the consumption and price are high.

Condensing power
At condensing power plants, as high a proportion of the fuel as possible is converted into electricity. The generated heat cannot usually be utilized owing to the lack of heat demand. Condensing power plants complement other production capacity and ensure the effective functioning of the Group's electricity supply under all conditions. Coal is the main fuel used. In the price of electricity, the proportion of fuel costs is high.

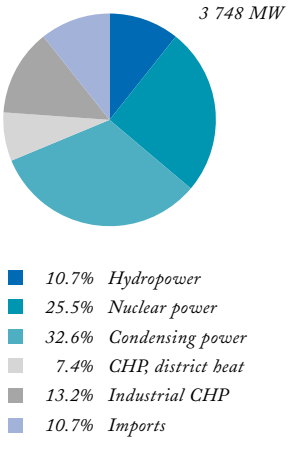
Reserve and peak-load power
Reserve and peak-load power plants are gas and oil-fired condensing power plants. Their variable costs are high, and they are used in disturbance and peak-load situations.

Electricity imports
The imports of electricity are based on a long-term contract with a Russian supplier.

Market electricity
The electricity markets are utilized effectively to optimize operation of the power plants as a whole. The Group can operate its power plants at the best possible efficiency by trading in the electricity markets.

Electricity transmission
Fingrid Oyj, in which Pohjolan Voima is a shareholder, is in charge of the electricity transmission in the Finnish grid. Pohjolan Voima owns about 126 kilometres of transmission lines, along which electricity is transmitted from the power plants to the grid.

POHJOLAN VOIMA'S ELECTRICITY SUPPLY CAPACITY IN 2001



POHJOLAN VOIMA'S SUPPLY OF ELECTRICITY, HEAT AND FUELS

In 2001, Pohjolan Voima generated a total of 15 985 GWh of electricity, which accounted for 22% of the electricity produced in Finland. Pohjolan Voima's electricity supply totalled 19 928 GWh. The supply was 14% higher than in the previous year and represented about 25% of the entire consumption in Finland.

In early 2001, the rainfall levels were normal on the Kemijoki and Iijoki Rivers, but the end of the year was drier than usual. On the Kokemäenjoki River, water was abundant except in the summer. The production of hydropower, 1 604 GWh, was slightly below the average and as much as 20% below the production in 2000.

2001 was a very good year for Teollisuuden Voima. The company generated 14 152 GWh of electricity at the Olkiluoto nuclear power plants. This amount made up 20% of the electricity generated in Finland. In accordance with its shareholding, Pohjolan Voima obtained 8 028 GWh of the electricity generated at the Olkiluoto power plant units. The combined load factor of the plant units, 96.3%, continued to be among the top figures in the world.

Thermal power generation amounted to 6 353 GWh, of which condensing power accounted for 3 086 GWh. The production of thermal power increased by 24%.

In 2001, electricity was imported from Russia at a capacity of 400 MW, while the previous import capacity was 100 MW. The Group purchased a total of 2 887 GWh of electricity from Russia, making Pohjolan Voima the largest importer of Russian electricity in the EU. Purchases from the Nordic electricity markets amounted to 1 057 GWh.

At the end of 2001, Pohjolan Voima's electricity supply capacity was 3 748 MW. The increase in capacity was due to the quadrupled imports from Russia and the completed power plants.

ELECTRICITY TRANSMISSION

Pohjolan Voima owns 25.1% of the Finnish grid company, Fingrid Oyj. Fingrid continued to keep its tariffs at the 2000 level. The amount

of electricity transmitted in Pohjolan Voima's regional grid was 2 040 GWh. The turnover of regional grid operations was EUR 3.4 million. At the end of the year, the size of the grid was 126 kilometres. The 110 kV transmission line, stretching about 160 kilometres from Jumisko to Taivalkoski, was replaced by a new line to Pirttikoski. The length of the line is 40 kilometres, some 30 kilometres of which was constructed along the old transmission line route and 10 kilometres beside another transmission line. The total value of the investment, including connections, is EUR 4 million.

FUEL ACQUISITIONS INCREASED

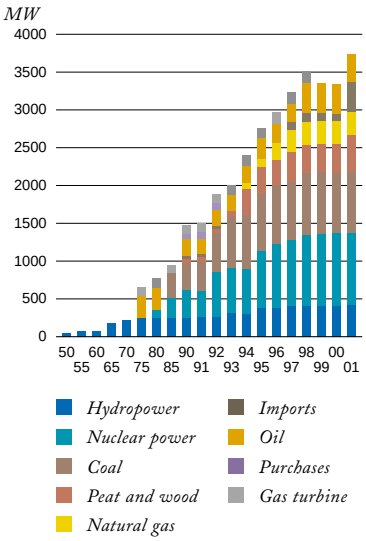
The demand for coal was greater than expected. Indeed, all spring and early summer, the Group had to repeatedly raise its estimated amounts required and quantities delivered. The acquisitions totalled some 1.6 million tonnes. The supply sources were, in order of magnitude, Russia, Poland, the island of Spitsbergen (Norway), Indonesia, China and Kazakhstan.

In 2001, the use of peat totalled 3.1 TWh and the use of wood 1.6 TWh. Bark was the most important wood-based fuel. Logging residue and other wood fuels available in the neighbourhood were also used at the Kokkola, Pietarsaari and Seinäjoki power plants. In 2002, the new power plants will increase the use of biomass to 7 TWh.

SYSTEMATIC MAINTENANCE

Pohjolan Voima aims to achieve good availability of the power plants. To this end, the power plants are maintained and repaired according to systematic long-term programmes. In addition to normal annual outages, more extensive repair work included replacing and repairing the main transformers of PVO-Vesivoima Oy's power plants, which was completed in May, and renovating the 2nd machinery of the Raasakka hydropower plant. Periodic maintenance of the steam turbine of the Kristiina coal-fired power plant was on the repair programme of the thermal power plants in 2001.

POHJOLAN VOIMA'S ELECTRICITY GENERATION CAPACITY



POHJOLAN VOIMA'S INVESTMENT PROGRAMME

In the past decade, Pohjolan Voima was the largest investor in energy production in the Nordic countries. In 2000-2001, the Group took decisions to invest in five biomass-fired power plants to be built for the subsidiaries and associated companies, and launched an extensive research and development programme. The value of the power plant investments totals EUR 420 million. The Ministry of Trade and Industry has granted Pohjolan Voima's subsidiaries and associated companies an investment subsidy for the Pietarsaari, Jämsänkoski, Kuusankoski, Ristiina and Savonlinna biomass-fired power plants and for the two wind power plants planned for construction in Kokkola.

NEW POWER PLANTS COMPLETED IN PIETARSAARI AND KOKKOLA

Alholmens Kraft's power plant in Pietarsaari was completed in the autumn of 2001. The power plant's electrical output is 240 MW. The plant, which has a total thermal output of 160 MW, generates steam for UPM-Kymmene Corporation's Pietarsaari mills and district heat for the town of Pietarsaari. A target has been set to cover at least half the fuel requirement of the plant by wood energy. Peat will be used as the secondary fuel, and coal as an additional fuel. The plant is owned by Oy Alholmens Kraft Ab, of which Pohjolan Voima's share ownership is 49.9%. Pohjolan Voima carried out the construction project of the power plant.

The new power plant of Pohjolan Voima Oy's subsidiary, Kokkolan Voima Oy, was commissioned in autumn 2001. The power plant generates an output of 20 MW of electricity and 50 MW of district heat for the town of Kokkola. The plant uses wood and peat as fuels.

THE JÄMSÄNKOSKI, KUUSANKOSKI AND RISTIINA POWER PLANTS NEARING COMPLETION

A power plant with an electrical output of 76 MW is being built in Kuusankoski. The plant will also generate an output of 180 MW of heat. The heat will be supplied in the form of steam and industrial district heat to the paper mill of Kymi Paper Oy, which is part of the UPM-Kymmene Group, and in the form of district heat to the towns of Kouvola and Kuusankoski. The plant's primary energy sources will be wood fuels, mainly bark, sawdust and logging residue produced by the forest industry in the area. Peat and natural gas will be used as additional fuels. The plant is owned by Kymin Voima Oy, of which Pohjolan Voima's share ownership is 76%. The other shareholder is Kouvolan Seudun Sähkö Oy. The plant will be completed in the summer of 2002.

The new power plant in Jämsänkoski will be built as part of UPM-Kymmene's Jämsänkoski mills. The plant will generate an output of 46 MW of electricity and 130 MW of steam for the paper mill. The power plant will also supply district heat to the town of Jämsänkoski. Wood-based fuels and peat will be used as fuels. The plant is owned by Jämsänkosken Voima Oy, which is a wholly owned subsidiary of Pohjolan Voima. The plant will be completed in spring 2002.

A new power plant will be built in Ristiina as part of the mills of Schauman Wood Oy, which is part of the UPM-Kymmene Group. The plant will generate an output of 10 MW of electricity and 65 MW of process steam for the plywood mill. The plant's primary fuels will be wood-based by-products from the mills. The power plant is owned by Järvi-Suomen Voima Oy, of which Pohjolan Voima's share ownership is 69%. The other shareholder is Suur-Savon Sähkö Oy. The plant will be completed in the spring of 2002.

Järvi-Suomen Voima will begin construction of the Savonlinna power plant in 2002. The power plant will be built as part of Schauman Wood Oy's mills. It will generate an output of 17 MW of electricity, 33 MW of district heat, and 20 MW of process steam. The plant's primary fuels will be by-products from the wood-processing industry. The plant is scheduled for completion in the autumn of 2003.

In autumn 2001, Vieskan Voima Oy, a wholly owned subsidiary of Pohjolan Voima, purchased the Ylivieska power plant, whose electrical output is 6 MW and district heat output 17 MW. The power plant's primary fuels are wood and peat.

WIND POWER PLANTS TO BE BUILT IN THE AREA OF THE KOKKOLA DEEP-WATER HARBOUR

The Group's wind power company, PVO-Innopower Oy, is planning to build two wind power plants in the area of the Kokkola deep-water harbour. The objective is that the Kokkola wind power plants will begin generating electricity towards the end of 2002. Besides Kokkola, PVO-Innopower Oy aims to build wind power plants in the Kristiinankaupunki power plant area and at Riutunkari in Oulunsalo.

"The R&D projects are primarily based on the Kyoto Protocol, which has a particular effect on the use of fossil fuels for condensing power production."

POHJOLAN VOIMA'S RESEARCH AND DEVELOPMENT PROJECTS

The objective of Pohjolan Voima's technology programme is to increase scope for its energy production. The R&D projects are primarily based on the Kyoto Protocol, which has a particular effect on the use of fossil fuels for condensing power production. We aim, for instance, to investigate feasible technical systems with a view to controlling carbon dioxide emissions from energy generation in order to maintain the current production level and to increase production in the future.

GASIFICATION OF REFUSE-DERIVED FUEL

Studies were conducted into the production of clean power plant fuel from refuse-derived fuel through gasification. The results of the tests commissioned from the Technical Research Centre of Finland VTT encouraged us to build a 1 MW pilot gasifier, on which the first series of tests was carried out in 2001. The tests will continue in 2002. The next step is to begin the design of a production-scale installation. The clean gas can replace the use of coal in energy generation and cut methane emissions that originate from waste.

The environmental impact assessment procedure of a gasification plant was established at the Martinlaakso power plant of Vantaa Energy Ltd in 2001.

WIND POWER

Opportunities of using wind power on an industrial scale have been studied in the sea area off the town of Kokkola. The studies have provided insight into the technical, economic, environmental and administrative preconditions for a large wind farm. On the basis of the investigations, the Ministry of the Environment set up a working group to look into the licensing issues in particular.

THE RESIDUE BALE TECHNIQUE BEING APPLIED IN PRODUCTION

Under the biofuel programme, studies concerned the collection of biomass and its refining for use as biofuel, and the transport of fuel from forest to power plant.

The acquisition method of logging residue for the Pietarsaari power plant is based on what is called the 'residue bale technique'. The method was under joint development for two years by UPM-Kymmene Forest, Pohjolan Voima and the machine manufacturer, Timberjack. Towards the end of 2001, the largest site crusher in the Nordic countries was completed at the power plant. The equipment is specifically designed to crush oblong residue bales. The experience gained at the Pietarsaari plant is of primary importance in increasing the use of logging residue at other power plants as well. A large site crusher has been ordered for the Jämsänkoski power plant.

REED CANARY GRASS

Pohjolan Voima investigated the opportunities to grow reed canary grass (*Phalaris arundinacea*) in the neighbourhood of the towns of Seinäjoki, Pietarsaari and Kokkola. The target set for 2002 is to begin the cultivation of reed canary grass, and we aim to achieve a cultivated area of 4 000 hectares by 2005.

GAS STUDY

The Mid-Nordic Gas Pipeline Study concerned the technical feasibility of a natural gas pipeline from Norway to the western coast of Finland. The purpose of the study was to look for gas consumption points and to assess consumption volumes. The study will be completed in spring 2002. It has received financing from the TEN (Trans-European Networks) financial aid programme of the European Union.

ESTLINK

Preparations aimed to build a direct-current connection between Estonia and Finland continued throughout 2001. Studies of the land and sea cable routes have been completed, and technical readiness for implementation of the investment exists. This Estlink project would be implemented as a high-voltage direct-current connection between the Finnish and Estonian grids. The application for a permit for a cross-border line required by the Electricity Market Act was submitted to the Ministry of Trade and Industry in August 2001. The permit for a cross-border line was granted in February 2002. The application for a Water Court's permit was submitted in early 2002.

GREEN CERTIFICATES TRADING LEARNT

Pohjolan Voima has been involved in a development project initiated by the European RECS (Renewable Energy Certificate System) group. The aim of the project is to find a market-based mechanism for promoting the competitiveness of renewable energy sources.

CO-OPERATION WITH STAKEHOLDERS

Energy issues are being widely discussed in Finland. The players in the energy sector and their principal external stakeholder groups – civic organizations, authorities and political decision-makers – are well aware of each other's views. Pohjolan Voima considers it important that the stakeholders are well-informed about the necessity for the various forms of production.

The operating life of power plants is several decades. Experience shows that the values of society may greatly change over these years, and the social acceptability of the different forms of electricity generation may vary. The versatility of Pohjolan Voima's production structure reflects the changes in the values of society over the decades.

In hydropower production, several restoration measures of the aquatic environment are taken jointly with the Regional Environment Centres and municipalities. Voimalohi Oy, which is in charge of the fish stocking, continuously maintains active co-operation with the local fishery associations, research institutes and the fishing authorities both along the Kemijoki and Iijoki Rivers and in the sea area.

Teollisuuden Voima regularly informs the representatives of the municipality of Eurajoki and its neighbouring municipalities of its operations. Olkiluoto is a popular visiting site, and more than 15 000 people annually visit the exhibition at the Visitors Centre.

At the thermal power plants, the Group has informed the public of its operations by holding press conferences and arranging open house events for residents in the vicinity. The power plants have co-operated with municipalities and, for instance, with the Finnish Road Enterprise particularly in the utilization of fly ash.

Pohjolan Voima is actively involved in the operations of industry and organizations in the energy sector. The most important of these include the Finnish Energy Industries Federation FINERGY, the Energy Forum of Finland, EURELECTRIC, the co-operative organization of European electricity industry, and the Confederation of Finnish Industry and Employers (TT).

Pohjolan Voima informs its stakeholder groups of its operations and communicates regularly with them. With regard to communications, special emphasis has been placed on the development of network communications. The objective is that the stakeholders can easily obtain information on the Group's operations. The Group publishes several bulletins for stakeholders.

LONG-TERM PERSONNEL POLICY

In the midst of structural changes brought about at Pohjolan Voima, relations with the personnel are of vital importance. Co-operation has enabled the changes in personnel to be made in a controlled manner, and the personnel have been able to rely on the long-term planning of the personnel policy.

In the beginning of 2001, more than 400 people working in operation and maintenance transferred from PVO-Lämpövoima Oy to Power-OM Oy. The joint working groups of management and personnel created a basis for the smooth restructuring. As part of the reorganization of Empower Oy's ownership, 250 people transferred from Vattenfall to Suomen Voimatekniikka Oy. In addition, some 40 people transferred to other subsidiaries of Empower Oy. The reorganizations were implemented rapidly and with a fairly good understanding.

Activities aimed to promote the fitness for work organized by the labour protection committees boast a long tradition. In 1997, the working capacity promotion programme was chosen as one of the priorities in the Group strategy. In the next few years, attention will be focused on issues connected with workload management and the maintenance of working energy. In 2001, instructions for the monitoring of working hours were specified. Groups were set up in several locations across the subsidiary borders to discuss employees' welfare at work, as well as occupational health and safety.

The range of the training and development activities has been wide. Besides actual professional training, training has also been given in management skills, steering of development discussions, occupational health and safety, and environmental issues. In the Empower Group, training linked with marketing was a fairly important subject. Language training will be further continued. The training and its results will be monitored systematically. In the future, efforts will centre on the analysis of knowledge and the improvement of internal training activities.

CO-OPERATION

At the Group level, a Group meeting consisting of 20 members provides a forum for discussion and information exchange between the Group's top management and the representatives of the different personnel groups. Co-operation committees function at the local level. In accordance with the Act on Co-operation within Undertakings, the personnel have their representatives in the management groups of most Group companies. In almost all Group companies, the scope of the system used is much wider than required by law.

Up-to-date information is transmitted to the personnel electronically through the Group's intranet. In addition, the Group publishes personnel bulletins.

ENVIRONMENTAL MANAGEMENT

Pohjolan Voima's environmental policy is based on the operating principles, which emphasize environmental issues as a part of the personnel's work. Since 1999, the Group's entire production has been covered by the certified environmental management systems. The certificates of thermal power production were renewed in 2001. The Finnish Environment Institute entered Teollisuuden Voima Oy into the EMAS register. The registration was the 39th in Finland and the first in the electricity production sector.

Self-motivated development of the environmental programmes is in agreement with Pohjolan Voima's environmental policy and vital to the commitment of the organizations. The implementation of the environmental programmes is ensured with the aid of audits at different levels.

In 2001, there were no serious deviations from regulatory compliance of the production plants. In Seinäjoki, the authority filed a complaint about the dust nuisance caused by the utilization of fly ash. At Tahkoluoto in Pori, there was a defective oil delivery, and on Lake Pyhäjärvi of the Kokemäenjoki River, the permissible water level was exceeded owing to a storm. These incidents caused no damage.

Many licensing issues were pending, of which the following were the most important:

- *The West Finland Regional Environment Centre granted Alholmens Kraft a permit to build a disposal area for power plant ash in Pietarsaari. The company had to appeal against the decision, since in the company's opinion the requirements set in the permit for protective structures exceeded the level required by law.*
- *A permit was applied for to build an ash disposal area in Kristiinankaupunki as well.*
- *The South Savo Regional Environment Centre granted an environmental permit to build the Ristiina power plant of Järvi-Suomen Voima Oy.*
- *An environmental permit has been applied for for the Savonlinna power plant.*
- *The application submitted by Powest Oy and Vapo Oy for the construction of a gasification plant of refuse-derived fuel in Vantaa is under consideration by the Western Finland Environmental Permit Authority.*
- *The application concerning revision of the environmental permit for the Tahkoluoto power plant is under consideration by the Western Finland Environmental Permit Authority.*
- *The application concerning the sea cable planned between Finland and Estonia is under consideration by the Western Finland Environmental Permit Authority.*
- *The application for a permit in accordance with the Electricity Market Act for a cross-border line was under consideration in the Ministry of Trade and Industry.*
- *The whitefish stocking obligation concerning Lake Kostonjärvi, located in the upper reaches of the Iijoki River, was changed to a payment obligation by decision of the Northern Finland Environmental Permit Authority.*
- *The environmental impact assessment (EIA) procedure concerning the studies into offshore wind power in Kokkola is underway.*
- *The EIA procedure, in which Pohjolan Voima is the co-operation partner of Vantaa Energy Ltd, concerning the gasification of refuse-derived fuel will be completed in the early part of 2002.*

ENVIRONMENT AND ECONOMY

In Pohjolan Voima's hydropower production, the amount of environmental costs is significant, and the costs have been controlled systematically for a long time. A system for identifying and collecting the environmental costs of thermal power production was drawn up in 2000. PVO-Lämpövoima Oy introduced the system towards the end of 2001. Teollisuuden Voima uses its own environmental accounting system.

The environmental costs of hydropower production were slightly lower than in the previous year, amounting to EUR 3 million. The costs were EUR 1.85 per megawatt-hour generated. Most of the costs resulted from the fish stock management obligations. PVO-Vesivoima Oy has long been carrying out various voluntary restoration measures jointly with Regional Environment Centres and municipalities. The co-operation partners have provided financing worth EUR 3.35 million in all for this work since 1992. In 2001, their contribution was EUR 50 000.

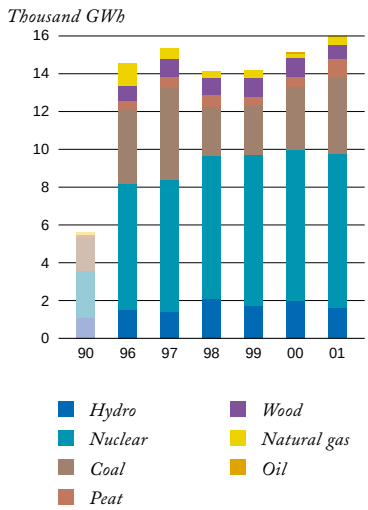
No coverable environmental damage was caused at the thermal power plants. Environmental income came from the sale of by-products, but the amount of income was small in comparison with the costs.

At Mussalo in Kotka, EUR 0.4 million was invested in the promotion of the use of ash. An ash disposal area will be constructed in Kristiinankaupunki in 2002. The cost of the first investment phase totals about EUR 4 million. In the next few years, it will also be necessary to construct an ash disposal site in Seinäjoki.

Flocculation and oxidation basins of seepage water were built at the Olkiluoto municipal waste dump. Teollisuuden Voima Oy paid EUR 9.7 million to the State Nuclear Waste Management Fund.

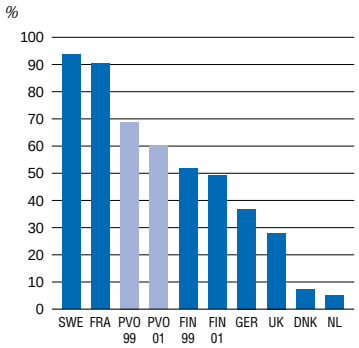
No such obligations have been imposed on the Group owing to which it would have been necessary to set aside reserves in the accounting.

ELECTRICITY GENERATION



ELECTRICITY GENERATION STRUCTURE

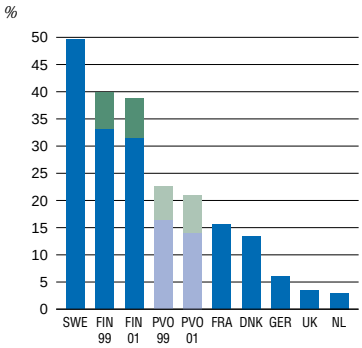
Emission-free (hydro, nuclear, wind etc.)



Source: Eurelectric, Eurprog 2001

ELECTRICITY GENERATION STRUCTURE

Renewables and peat

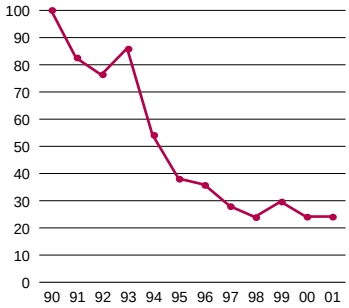


Hydro, wind, biofuels etc.

Peat

Source: Eurelectric, Eurprog 2001

ENVIRONMENTAL INDEX OF THERMAL POWER 1990 – 2001



The environmental index of thermal power includes the specific emissions of carbon dioxide, sulfur dioxide, nitrogen oxides and particles, and the volume of by-products stored in disposal areas. All factors carry the same weight.

ENVIRONMENTAL EFFECTS OF PRODUCTION

Pohjolan Voima defines the environmental parameters of the electricity generated for its shareholders per form of production. In addition to the wholly owned power plants, the reporting takes account of due proportions of the emissions from the Group's subsidiaries and associated companies. Purchased electricity is not included in the parameters, and it is not possible to define the exact origin and environmental quality parameters of this acquisition.

THERMAL POWER

The growth in thermal power production increased total emissions. However, the environmental index that describes the environmental burden per production unit remained at the previous year's level.

Greenhouse gases

Pohjolan Voima's greenhouse gas emissions totalled 4.9 million tonnes, and they accounted for 6% of the total greenhouse gas emissions in Finland. The emissions grew by a third over the previous year. However, emissions calculated per production unit have continued to be reduced since 1997 owing to the increased overall efficiency. The improvement in the production structure, which began in the latter part of last decade, corresponds to an annual reduction of 1.5 million tonnes in emissions. The investments that are underway and being planned further continue this trend.

No legislation concerning greenhouse gas emissions yet exists. Pohjolan Voima is involved in preparation of the implementation of the Kyoto Protocol to the UN Framework Convention on Climate Change at both the national and international levels, and is making provision for the future situation. Pohjolan Voima considers it important that the necessary measures are taken cost-effectively from the point of view of society as a whole and that the steps taken by the Group are taken into account when imposing obligations.

Acidifying emissions

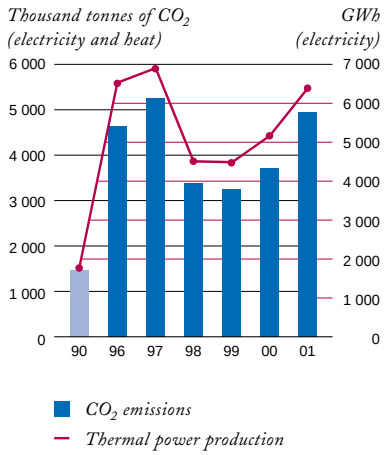
The increased use of fuels increased both sulfur and nitrogen oxide emissions. The sulfur emissions were 40% below the amounts allowed by the environmental permits. The nitrogen oxide emissions were 17% below the emissions allowed by the environmental permits. Pohjolan Voima accounted for a good 7% of the sulfur emissions in Finland and for not quite 4% of the nitrogen oxide emissions in Finland.

The choice of fuel, combustion technology and desulfurization plants contribute to cutting sulfur emissions. The emissions of nitrogen oxides are mainly reduced by combustion technology, since the bulk of the nitrogen originates from combustion air. In terms of the Finnish soil, Pohjolan Voima's acidifying emissions are of little importance.

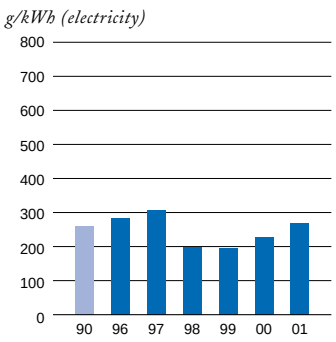
Health effects

Pohjolan Voima's particle emissions continued to be small, and despite the increased generation they remained at the previous year's level. The

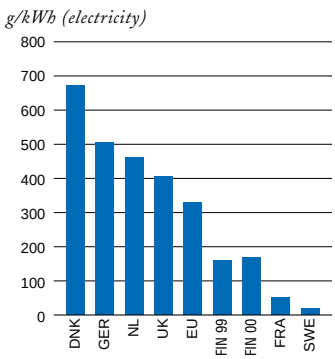
POHJOLAN VOIMA'S CARBON DIOXIDE EMISSIONS



POHJOLAN VOIMA'S SPECIFIC EMISSIONS OF CARBON DIOXIDE

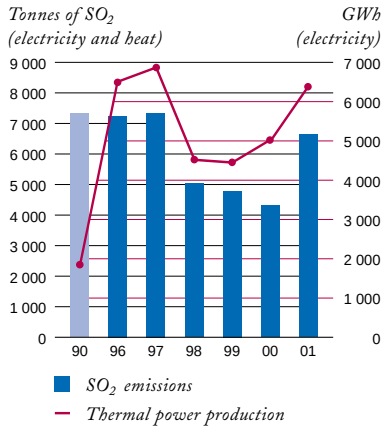


SPECIFIC EMISSIONS OF CARBON DIOXIDE

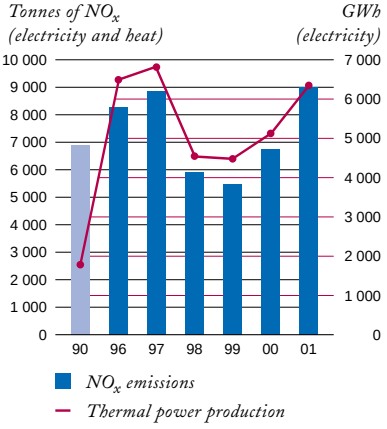


Source: Eurelectric, Eurprog 2001

POHJOLAN VOIMA'S SULFUR DIOXIDE EMISSIONS



POHJOLAN VOIMA'S NITROGEN OXIDE EMISSIONS



emissions during the year under review were about 80% below the amount allowed by the permits. Particle emissions are reduced with the aid of electrostatic precipitators and desulfurization plants. Power plants account for a small proportion of the particles and other impurities present in urban air. Pohjolan Voima monitors research into this subject and is involved in the joint studies carried out in this field.

A number of studies have been conducted at Pohjolan Voima's plants concerning the material flows of heavy metals. Measurements show that ash absorbs nearly all of the metals originating from fuels. The emissions into the air and water are therefore small.

By-products

The power plants produced a total of 350 000 tonnes of fly ash, bottom ash and desulfurization gypsum. Of this amount, 70% was utilized. The gypsum was used as a raw material in the manufacture of plasterboard. Fly ash and bottom ash were mainly used as a material for earth works.

The utilization of by-products for earth works is hampered by the obligation to obtain a permit. The Ministry of the Environment was in fact preparing a decree that would release power plant ash, under certain conditions, from this obligation. The decree is very important with a view to promoting the utilization of ash.

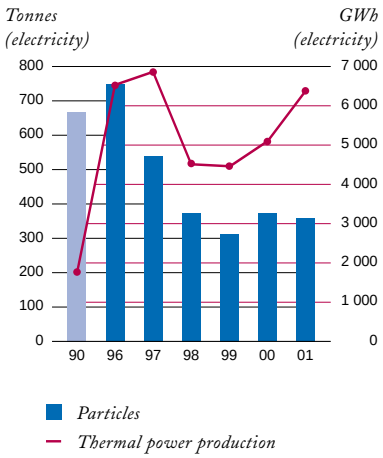
NUCLEAR POWER

The environmental effects of nuclear power production are small. The amounts of radioactive water released into the sea continued to be reduced, and represented only 0.29% of the amount permitted by the authorities. Radioactive releases into the air were also reduced. They accounted only for 0.0003% of the amounts allowed by the permits.

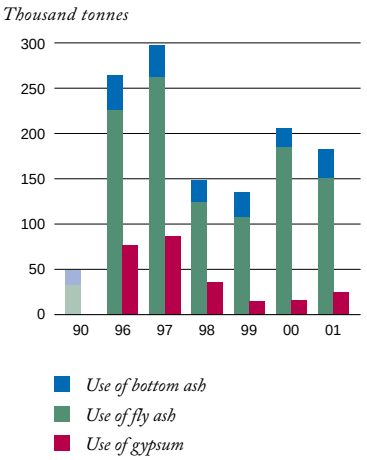
Even by international standards, the radiation doses received by the people working at the plant units were extremely low, 1.24 mSv on average. The official limit is 50.0 mSv. Despite the small doses, Teollisuuden Voima Oy launched a new project in 2001 with a view to further reducing the doses.

"Pohjolan Voima is involved in preparation of the implementation of the Kyoto Protocol to the UN Framework Convention on Climate Change at both the national and international levels."

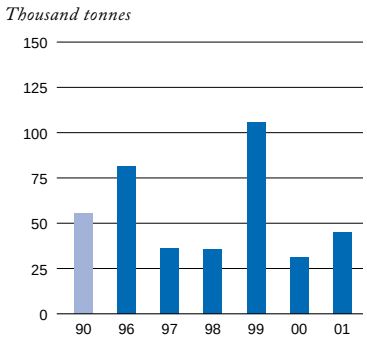
POHJOLAN VOIMA'S PARTICLE EMISSIONS



USE OF BY-PRODUCTS



DISPOSAL OF BY-PRODUCTS



Teollisuuden Voima has long-term contracts for the supply of uranium with an Australian and a Canadian supplier. Inspections carried out by expert groups have shown that the suppliers comply with both the international regulations and those imposed by legislation in the country concerned. Measurements have shown that the radiation doses received by the workers are small.

HYDROPOWER

The restoration and management of water systems continued in accordance with the currently in-force environmental management policy adopted in the 1980s. Two landscaping weirs, including the landscaping work, were completed in the drained riverbeds in the lower reaches of the Iijoki River. Up to now, 24 landscaping weirs have been completed in accordance with the programme launched in 1991. In addition, five landscaping weirs have been constructed in the regulated lakes located in the upper reaches of the Iijoki River in the 1990s. The last two landscaping weirs will be built in 2002. The programme is being carried out jointly with the North Ostrobothnia Regional Environment Centre and the municipality of Yli-Ii. The EU has granted financing for this work, which is completely voluntary.

Various measures relating to the clearing of shores, the building of boat-moving ramps, drainage arrangements, water supply management and landscaping were implemented in about 200 locations. Most of these measures concerned the protection of shores against erosion. We aim to bring the long restoration stage of environmental management to a conclusion in 2002.

PVO-Vesivoima Oy was also involved in the design and implementation of the environmental management programme for the Iijoki River co-ordinated by the North Ostrobothnia Regional Environment Centre. The programme rests on financing from the EU.

A good year for fish farming

Voimalohi Oy stocked a total of 3.4 million fry in the Kemijoki and Iijoki water systems and in the sea area. PVO-Vesivoima Oy covered the cost of the stocking. The age of the stocked salmon and sea trout fry was at least two years, while the whitefish, grayling and pikeperch fry were of the age of one summer. In addition, about 22 tonnes of rainbow trout of catchable size and large-sized trout were stocked in the river areas. Some 103 600 lamprey were transferred over dams. Voimalohi Oy reared about 80% of the salmonoid and about 75% of the one-summer-old fish to be stocked in the fish farms and the natural food ponds located in the areas of the Kemijoki and Iijoki Rivers.

Voimalohi Oy implemented the stocking required by the authorities according to plan, except for the transfer of lamprey over dams on the Iijoki River, which remained 30% behind the target. Indeed, the stocking balances of almost all species showed a surplus. The farming of grayling succeeded extremely well. In 2001, it was thus possible to make up the deficits in the stocking balance shown in previous years.

Pohjolan Voima reports on the social responsibility and the environment on its home pages www.pohjolanvoima.fi.

BOARD OF DIRECTORS

From the left: Tapani Sointu, Juhani Paananen, Arto Piela (Secretary of the Board of Directors), Mikko Kuumola, Juhani Pohjolainen, Esa Tirkkonen, Petri Heinonen, Heikki Sara and Timo Rajala (President).

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EXECUTIVE OFFICERS 1 JANUARY 2002

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Pohjolan Voima Oy

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MINNA KORKEAOJA
Executive Vice President
Group Controller

ARTO PIELA
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Corporate Strategy, Legal and Environmental Affairs, Communications, Corporate Relations and Procurement

JUKKA KIVILUOTO
President
PVO-Vesivoima Oy

MAUNO PAAVOLA
President and CEO
Teollisuuden Voima Oy

From the left: Matti Kaisjoki, Timo Rajala, Jukka Kiviluoto, Arto Piela, Mauno Paavola, Minna Korkeaoja and Jussi Kivimäki (Secretary of the Executive Team).

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TIMO VÄISÄNEN
Senior Vice President
Group Treasurer

OPERATING ENVIRONMENT

In 2001, the amount of electricity generated in Finland increased by 6.5% on the previous year. Net imports of electricity were reduced by 16.2%, accounting for 12.2% of the total consumption. In the Nord Pool, the regional price of electricity in Finland was EUR 22.83 per megawatt-hour, compared with EUR 14.88 in 2000.

In 2001, electricity consumption in Finland totalled 81.6 TWh, an increase of 3.1% on the previous year. Industry and construction accounted for 43.2 TWh, or 53.0% of the total electricity consumption. Industrial electricity consumption fell by 1.2%.

During the year under review, the electricity supply of the Pohjolan Voima Group amounted to 26.4 TWh. Pohjolan Voima Oy supplied 19.9 TWh of electricity to its shareholders, and Teollisuuden Voima Oy supplied 6.5 TWh to its shareholders, excluding Pohjolan Voima. In 2000, the Group's electricity supply totalled 24.0 TWh, and a total of 17.5 TWh was supplied to its shareholders.

CHANGES IN BUSINESS OPERATIONS AND GROUP STRUCTURE

In May, the name of the Service Group's parent company, Empower Oy, was changed to Powest Oy. At the same time, a new company named Empower Oy was established, to which Powest transferred some of its holdings in the Service Group companies while remaining, however, the majority shareholder in Länsi-Suomen Yhteiskäyttö Oy and Power-OM Oy, and the minority shareholder in Power-IT Oy. The reorganizations formed part of the merger of Empower's and Vattenfall Oy's service businesses. Powest sold a 35.3% share of Empower to Vattenfall Oy. The Empower Group companies purchased business operations from Vattenfall to the total value of EUR 9.9 million.

Powest has two series of shares: voting shares of Series K and shares of Series E entitled to dividend. Pohjolan Voima owns all the K series shares, but no E series shares. For this reason, a decision was taken to change the Group's accounting practice in such a manner that the Powest Group, including its subsidiaries, is not included in Pohjolan Voima's consolidated financial statements but it is treated as other investment.

In November, Pohjolan Voima formed the production company Vieskan Voima Oy, which purchased the biomass-fired power plant located in the town of Ylivieska.

PRODUCTION AND TURNOVER

The production of hydropower was 20% smaller than in the previous year, and was slightly below the production in a year of average precipitation. On the other hand, both imports from Russia and condensing power production based on coal and peat increased.

Production of the Olkiluoto nuclear power plant was higher than in 2000. At unit 1, the short refuelling and maintenance outage lasted eight days. The annual outage of unit 2 was longer, lasting for 15 days. The total length of the annual outages was five days shorter than in the previous year.

Group turnover totalled EUR 569.7 million, which was EUR 61.6 million higher than in 2000. The turnover from sales of electricity and heat increased by more than 19% and the amount of energy supplied to the shareholders by not quite 14%.

PERSONNEL

The average number of employees working for the Group was 784 (1 855) and for the parent company 71 (78). At the end of the year, the Group personnel numbered 728.

INVESTMENTS

Investments of the Pohjolan Voima Group totalled EUR 181.6 million. Investments in the biomass-fired power plants that are under construction totalled EUR 128.2 million. Teollisuuden Voima invested EUR 17.4 million in plant modifications and improvements as part of the annual outages. PVO-Vesivoima purchased some of the Isohaara power plant stock from the financing company to the value of EUR 15.7 million. Pohjolan Voima's regional grid operations invested EUR 1.8 million. The Group invested EUR 14.8 million in shares of the associated company Oy Alholmens Kraft Ab. The remaining investments were mainly in repairs and renovations. The sales of fixed assets totalled EUR 13.5 million.

Kokkolan Voima Oy's heating power plant and the 110 kV transmission line from Jumisko to Pirttikoski were completed during the financial period.

The biomass-fired power plant with an electrical output of 240 MW owned by the associated company Oy Alholmens Kraft Ab was completed in Pietarsaari in the autumn.

GROUP R&D PROJECTS

In addition to the construction of biomass-fired power plants, a number of research projects linked with biofuels is underway in the Pohjolan Voima Group. These projects pertain to logistics, combustion technology, the use of ash as a fertilizer and opportunities for the use of new fuels. The EU, the Ministry of Trade and Industry and Tekes, the National Technology Agency of Finland have provided financing for the projects.

Pohjolan Voima continued research into the feasibility of offshore wind power on an industrial scale and established an environmental impact assessment procedure. A licensing procedure in accordance with the valid legislation would not seem to be suitable for industrial-scale wind farms. The planning procedures in particular are more problematic than in the case of other power

plant construction of a similar scale in terms of energy generation.

Development of gasification technology with a view to producing clean gas from refuse-derived fuels continued jointly with Vapo Oy Biotech and VTT Energy. An 80 MW gasification plant is being planned at the Martinlaakso power plant of Vantaa Energy Ltd. The new plant's need for refuse-derived fuel would amount to some 120 000 tonnes per year. The environmental impact assessment procedure of the project was established in the summer.

Teollisuuden Voima's R&D operations centred on nuclear waste management. Posiva Oy continued studies into the final disposal of spent nuclear fuel. Teollisuuden Voima was involved in Finnish and international joint projects that dealt with the safety of nuclear power.

During the year under review, the Pohjolan Voima Group spent EUR 13.3 million on R&D operations.

ENVIRONMENT

Since operation of the Group's thermal power plants increased, the emissions of carbon dioxide, nitrogen oxides and sulfur dioxide also increased. Particle emissions remained at the previous year's level in spite of the increased production.

All power plants in the Pohjolan Voima Group have valid environmental permits. Regulatory compliance is dealt with as part of the certified environmental management systems. During the year under review, Teollisuuden Voima was registered in the environmental management and auditing system known as the EMAS system.

In May, Parliament ratified the decision in principle by the Council of State concerning the construction of a final disposal facility for spent nuclear fuel by Posiva Oy, a subsidiary of Teollisuuden Voima. The final disposal facility will be built at Olkiluoto in Eurajoki.

Pohjolan Voima does not publish a separate report on its social responsibility and the environment, but it forms part of the annual report. In the future, environmental information is available on Pohjolan Voima's home pages, www.pohjolanvoima.fi. Teollisuuden Voima draws up its own environmental report concerning nuclear power generation.

Pohjolan Voima and its subsidiaries and associated companies are not aware of any environmental liabilities that have not been covered. In 2001, no environmental accidents occurred and there were no serious deviations from regulatory compliance.

FINANCE

Group liquidity remained good. Owing to investments, net interest-bearing liabilities increased by EUR 74.2 million and totalled EUR 779.5 million at the end of the year. There were no liabilities in foreign currencies.

Japan Credit Rating Agency (JCR) gave Pohjolan Voima's long-term foreign currency loans a Double A rating, the second highest on a scale of ten.

For liquidity management, the Group was able to rely on domestic CP programmes of EUR 234 million. At the end of the year, the revolving credit facility amounted to EUR 366 million, of which EUR 235 million was available.

At the end of the year, the Group had an equity-to-assets ratio of 48.7% (50.7%). The deferred tax liability is not included in the figure, as it is not expected to be realized.

SHAREHOLDERS' EQUITY AND SHARE ISSUES

The following issues were subscribed during the year under review:

- An increase of a minimum of 4 000 and a maximum of 10 000 in the I series capital stock on 22 November 2000, in proportion to the overall ownership of Pohjolan Voima at a subscription price of FIM 330 per share. The subscription period expired on 15 February 2001. The subscribed shares numbered 4 696.
- An increase of 149 700 in the G series capital stock on 20 April 2001. The issue, directed at UPM-Kymmene Corporation, Perhonjoki Oy, City of Kokkola and Päijät-Hämeen Voima Oy, had a subscription price of FIM 49.9 million (EUR 8.4 million).
- An increase of 54 890 in the G series capital stock on 18 October 2001. The issue, directed at UPM-Kymmene Corporation, Perhonjoki Oy, City of Kokkola and Päijät-Hämeen Voima Oy, had a subscription price of FIM 18.0 million (EUR 3.0 million).
- An increase of 128 000 in the G2 series capital stock on 18 October 2001. The issue, directed at UPM-Kymmene Corporation, had a subscription price of FIM 41.8 million (EUR 7.0 million).
- An increase of 32 000 in the G3 series capital stock on 18 October 2001. The issue, directed at UPM-Kymmene Corporation, had a subscription price of FIM 10.4 million (EUR 1.7 million).
- An increase of 182 000 in the D7 series capital stock on 18 October 2001. The issue, directed at UPM-Kymmene Corporation, had a subscription price of FIM 59.5 million (EUR 10.0 million).
- An increase of 25 000 in the K2 series capital stock on 18 October 2001. The issue, directed at Perhonjoki Oy, had a subscription price of FIM 8.4 million (EUR 1.4 million).

The extraordinary meeting of shareholders held on 18 October 2001 took a decision to redeem the D5 series shares and invalidate them, and consequently to reduce the share capital. All the 100 000 D5 series shares were redeemed from Stora Enso Oyj at a redemption price of FIM 10.0 million. The redemption price was paid by transferring Kemijärven Voima Oy's entire capital stock to Stora Enso Oyj.

Shareholder	Holding % Dec 31, 2000	Holding % Dec 31, 2001
Etelä-Pohjanmaan Voima Oy	4.292	4.265
City of Helsinki	1.442	1.432
Ilmarinen Mutual Pension Insurance Company	4.381	4.353
Kemira Oyj + Eläkesäätiö Neliapila	4.482	4.454
City of Kokkola	2.048	2.147
Kotkan Energia Oy	1.355	1.347
Kymppivoima Oy	2.112	2.099
Kyro Corporation	0.186	0.185
Oy Metsä-Botnia Ab	1.533	1.523
M-real Corporation	2.479	2.464
Myllykoski Corporation	1.502	1.493
City of Oulu	0.112	0.112
Perhonjoki Oy	1.743	1.955
City of Pori	1.157	1.150
Päijät-Hämeen Voima Oy	1.273	1.288
Stora Enso Oyj	16.406	16.011
TXU Nordic Energy Oy	14.613	14.519
UPM-Kymmene Corporation	38.349	38.670
Vantaa Energy Ltd	0.533	0.531

The extraordinary meeting of shareholders held on 18 October 2001 took a decision to convert 949 133 E series shares into B series shares in proportion to the shareholding of the E series, and as a result 3 705 610 E series shares remain. The conversion was entered into the trade register on 2 January 2002.

COMPANY MANAGEMENT

The Annual General Meeting elected the following members to the Board of Directors: Petri Heinonen, CEO, of Etelä-Pohjanmaan Voima Oy; Richard Mair, Managing Director, of TXU Nordic Energy Oy; Juhani Paananen, Director, of Kokkolan Energia; Juhani Pohjolainen, M. Sc. (Eng.); Heikki Sara, Executive Vice President, of UPM-Kymmene Corporation; Tapani Sointu, Vice President, Corporate Structure, of UPM-Kymmene Corporation; Esa Tirkkonen, Executive Vice President and CFO, of Kemira Oyj; and Erkki Varis, CEO, of Oy Metsä-Botnia Ab. Heikki Sara was elected Chairman and Juhani Pohjolainen Deputy Chairman in the organization meeting of the Board of Directors.

The Managing Director of TXU Nordic Energy Oy changed, and the extraordinary meeting of shareholders elected Evan Edwards to take the place of Richard Mair.

LEGAL ACTIONS PENDING

In January 2002, the Helsinki District Court rejected the action for damages filed by PVO-Vesivoima Oy against the Finnish Government. The action claimed compensation for the lost economic benefit owing to protection of the Iijoki River. PVO-Vesivoima has registered its intent to appeal against the court's judgement. The time for appeal to the Helsinki Court of Appeal will expire on 6 May 2002.

SHORT-TERM OUTLOOK

Capacity utilization rates of the forest industry are expected to take an upturn towards the end of the year at the earliest. A rise in the forest industry capacity will also increase the consumption of electricity. Owing to the low capacity utilization rates of the early 2002, however, the electricity demand of industry is not likely to rise by the long-time average of 2%.

The Ministry of Trade and Industry and the National Emergency Supply Agency have jointly planned with the power companies an arrangement by means of which some of the electricity production reserve capacity would be shifted to the use of the National Emergency Supply Agency. With regard to Pohjolan Voima, such capacity would mainly be the oil-fired condensing power plants in Kristiinankaupunki and Vaasa.

In recent years, Pohjolan Voima has been the largest investor in electricity generation. The completed power plants and those that are being built are in line with the principle of sustainable development and the efforts to combat climate change.

In January 2002, Järvi-Suomen Voima Oy took a decision to build a power plant at the industrial site of Schauman Wood Oy in Savonlinna. The new co-generation power plant will produce 17 MW of electricity, 33 MW of district heat for Suur-Savon Sähkö Oy and 20 MW of process steam for Pohjolan Voima, which will further supply it to UPM-Kymmene Corporation. The power plant is scheduled for completion in autumn 2003.

In January 2002, PVO-Innopower Oy took a decision to build two 1 MW wind power plants in the Kokkola port area. The licensing procedure of the project and negotiations for equipment deliveries are underway. The Ministry of Trade and Industry granted an investment subsidy of 35% for the wind power plants.

The Estlink project aimed to combine the Estonian and Finnish grids through a direct-current connection continued. The Ministry of Trade and Industry granted the permit required by the Electricity Market Act for a cross-border line in February 2002. A decision on the implementation has further been delayed owing to the energy policy situation in Estonia. In addition to Pohjolan Voima, the project involves Eesti Energia, Helsinki Energy and Graninge AB, and Latvenergo, Statkraft SF and TXU Nordic Energy Oy, which joined the project in 2001. The project has been accepted into the TEN (Trans-European Networks) financial aid programme of the European Commission.

In January 2002, the Council of State decided that the construction of a new nuclear power plant unit at either Loviisa or Olkiluoto, planned by Teollisuuden Voima, is in the overall interest of society. In accordance with the Nuclear Energy Act, the decision in principle went to readings in Parliament in February. Parliament is expected to take a decision during this spring.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Jan 1 – Dec 31, 2001 EUR 1 000	Jan 1 – Dec 31, 2000 EUR 1 000
TURNOVER	(1)	**569 695**	508 079
Change in inventories of finished and unfinished goods +/-		0	-1 828
Production for own use		382	387
Other operating income	(2)	19 570	23 334
Raw materials and services	(3)	-283 700	-227 305
Personnel expenses	(4)	-42 359	-73 257
Depreciation and value adjustments	(5)	-85 457	-93 277
Other costs and expenses	(6)	-145 260	-110 029
OPERATING PROFIT		**32 871**	26 104
Financial income and expenses	(7)	-32 681	-33 947
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**190**	-7 843
Income taxes	(8)	-613	1 407
Minority interest		-875	-4 340
LOSS FOR THE FINANCIAL YEAR		**-1 298**	-10 776

CONSOLIDATED BALANCE SHEET

		Dec 31, 2001 EUR 1 000	Dec 31, 2000 EUR 1 000
ASSETS			
FIXED ASSETS			
Intangible assets	(9)	39 818	53 855
Tangible assets	(10)	1 536 738	1 455 494
Investments	(11)	335 413	299 995
		1 911 969	1 809 344
CURRENT ASSETS			
Inventories	(12)	233 412	210 858
Non-current receivables	(13)	46 728	38 860
Current receivables	(14)	113 268	91 953
Cash in hand and at bank	(15)	4 555	8 980
		397 963	350 651
		2 309 932	2 159 995
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	(16)		
Share capital		57 955	57 580
Share issue		23 221	9 469
Share premium reserve		327 249	312 343
Revaluation reserve		218 644	218 644
Retained earnings		166 528	176 145
Loss for the financial year		-1 298	-10 776
		792 299	763 405
MINORITY INTEREST		**172 058**	170 337
LIABILITIES			
Deferred tax liability	(17)	159 803	160 045
Non-current liabilities	(18)	923 908	849 418
Current liabilities	(19)	261 864	216 790
		1 345 575	1 226 253
		2 309 932	2 159 995

CONSOLIDATED CASH FLOW STATEMENT

	2001 EUR 1 000	2000 EUR 1 000
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit	32 871	26 104
Adjustments to operating profit [1]	69 178	84 447
Change in net working capital [2]	-7 413	5 731
Interest	-35 542	-36 961
Dividends received	1 803	1 163
Other financial income and expenses	428	57
Direct taxes paid	-78	-565
Net cash from operating activities	**61 247**	79 976
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of Group companies	–	-850
Acquisition of associated companies	-14 771	-3 357
Investment in other shares	-12	-424
Purchases of tangible and intangible assets	-166 792	-51 681
Proceeds from sale of Group companies	2 562	–
Proceeds from sales of other shares	374	102
Proceeds from sales of tangible and intangible assets	11 125	34 624
Increase in non-current receivables	-17 009	-12 211
Net cash spent on investing activities	**-184 523**	-33 797
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in long-term liabilities	198 772	34 387
Decrease in long-term liabilities	-98 359	-97 642
Increase (-) or decrease (+) in interest-bearing receivables	-15 465	-891
Increase (+) or decrease (-) in current interest-bearing liabilities	-7 283	757
Share issue	38 191	2 856
Change in minority interest	2 995	-
Net cash spent on financing activities	**118 851**	-60 533
Net increase (+) or decrease(-) in cash and cash equivalents	-4 425	-14 354
Cash and cash equivalents, Jan 1	8 980	23 334
Cash and cash equivalents, Dec 31	**4 555**	8 980

[1] Adjustments to operating profit		
Depreciation and value adjustments	85 458	93 274
Gains (-) or losses (+) on sale of fixed assets	-10 356	-3 134
Share of associated companies' results	-5 924	-5 693
	69 178	84 447
[2] Change in working capital		
Increase (-) or decrease (+) in inventories	-22 554	-3 491
Increase (-) or decrease (+) in non-interest-bearing receivables	-10 693	8 195
Increase (+) or decrease (-) in short-term non-interest-bearing liabilities	25 834	1 027
	-7 413	5 731

PROFIT AND LOSS ACCOUNT OF PARENT COMPANY

		Jan 1 – Dec 31, 2001 EUR 1 000	Jan 1 – Dec 31, 2000 EUR 1 000
TURNOVER	(1)	**412 776**	328 542
Other operating income	(2)	4 545	1 685
Raw materials and services	(3)	-190 868	-144 585
Personnel expenses	(4)	-4 282	-4 225
Depreciation and value adjustments	(5)	-1 457	-1 445
Other costs and expenses	(6)	-219 987	-180 777
OPERATING PROFIT (LOSS)		**727**	-805
Financial income and expenses	(7)	1 541	2 669
PROFIT BEFORE APPROPRIATIONS AND TAXES		**2 268**	1 864
Appropriations			
Decrease (+) in accumulated depreciation difference		757	542
Income taxes	(8)	-981	-825
PROFIT FOR THE FINANCIAL YEAR		**2 044**	1 581

PARENT COMPANY BALANCE SHEET

		2001	2000
		EUR 1 000	EUR 1 000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	(9)	1 246	1 396
Tangible assets	(10)	9 659	8 030
Investments	(11)		
Holdings in Group companies		837 587	654 301
Other investments		233 108	264 592
		1 081 600	928 319
CURRENT ASSETS			
Non-current receivables	(13)	45 168	36 807
Current receivables	(14)	42 977	38 057
Cash in hand and at banks		6 968	6 070
		95 113	80 934
		1 176 713	1 009 253
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	(16)		
Share capital		57 955	57 580
Share issue		23 221	9 469
Share premium reserve		323 779	307 714
Revaluation reserve		218 644	218 644
Retained earnings		38 083	36 502
Profit for the financial year		2 044	1 581
		663 726	631 490
APPROPRIATIONS			
Accumulated depreciation difference		3 601	4 357
LIABILITIES			
Non-current liabilities	(17)	412 042	299 343
Current liabilities	(18)	97 344	74 063
		509 386	373 406
		1 176 713	1 009 253

PARENT COMPANY CASH FLOW STATEMENT

	2001 EUR 1 000	2000 EUR 1 000
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit	728	-806
Adjustments to operating profit [1]	-750	1 401
Change in net working capital [2]	6 656	-1 082
Interest paid	-13 784	-15 029
Interest received	13 327	12 983
Dividends received	2 565	2 529
Other financial income and expenses	1 219	658
Direct taxes paid	-754	-690
Net cash from operating activities	**9 207**	-36
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in shares	-202 068	-10 880
Purchases of tangible and intangible assets	-2 239	-1 500
Proceeds from sale of shares	2 042	2
Proceeds from sales of tangible and intangible assets	98	83
Loans granted	-5 600	-6 000
Repayments of loan receivables	40 580	32 573
Net cash spent on investing activities	**-167 187**	14 278
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in long-term liabilities	133 790	17 676
Decrease in long-term liabilities	-16 743	-51 463
Increase (-) or decrease (+) in interest-bearing receivables	4 613	-2 101
Increase (+) or decrease (-) in current interest-bearing liabilities	5 346	1 180
Share issue	31 874	9 173
Net cash spent on financing activities	**158 880**	-25 535
Net increase (+) or decrease (-) in cash and cash equivalents	900	-11 293
Cash and cash equivalents, Jan 1	6 069	17 362
Cash and cash equivalents, Dec 31	**6 969**	6 069

[1] Adjustments to operating profit		
Depreciation and value adjustments	1 457	1 445
Merger profit	-80	
Gains (-) or losses (+) on sales of fixed assets	-2 127	-44
	-750	1 401
[2] Change in working capital		
Increase (-) or decrease (+) in non-interest-bearing receivables	-5 371	10 149
Increase (-) or decrease (+) in short-term non-interest-bearing receivables	12 027	-11 231
	6 656	-1 082

CONSOLIDATION PRINCIPLES

The consolidated financial statements include, beside the Parent Company, the companies in which the Parent Company holds more than half of the voting rights, either directly or indirectly, or companies over which it otherwise exercises a dominant influence as prescribed in Chapter 1, Section 3 of the Companies Act.

The Powest Group (former Empower) is an exception to the above. It has not been included in the consolidated financial statements, since Pohjolan Voima owns only K series shares, which have no entitlement to dividend, in its Parent Company. The effect of this change on the results for the financial year was EUR 0.9 million. Information on the reference year has not been changed.

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

ACCOUNTING PRINCIPLES IN THE CONSOLIDATED FINANCIAL STATEMENTS

Mutual shareholdings

The consolidated financial statements have been compiled in accordance with the purchase method. The price paid for the energy-generating subsidiaries in excess of equity has been capitalized in full. This consolidation difference is depreciated according to the depreciation plan of the fixed asset item in question.

Inter-company transactions and margins

All internal transactions, internal receivables and liabilities, margins of internal services and internal profit distribution within the Group have been eliminated.

Minority interests

Minority interests have been excluded from the results for the financial year and the change in the depreciation difference, the consolidated shareholders' equity and the accumulated depreciation difference, and are shown as a separate item in the profit and loss account and the balance sheet.

Voluntary provisions

Voluntary provisions have been divided between unrestricted shareholders' equity and deferred tax liability. The change in voluntary provisions during the financial year has been divided between the results for the year and the change in deferred tax liability.

Associated companies

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

The result of the associated companies is shown in other cost and expenses.

ITEMS IN FOREIGN CURRENCIES

The value of debts and receivables, and contingent liabilities in foreign currencies have been adjusted to the exchange rate quoted by the Bank of Finland, or contract rate on the closing date. Exchange rate gains and losses from the conversion of debts and receivables have been entered in the profit and loss account as exchange rate differences.

TANGIBLE AND INTANGIBLE ASSETS

Non-current assets have been entered in the balance sheet at the original acquisition cost from which depreciation according to plan has been deducted. Revaluation of hydropower construction and dams are included in the balance sheet values.

Depreciation according to plan has been calculated according to the expected useful life. Useful life as been defined as follows:

• hydropower plants	40 – 50 years
• nuclear power plants	10 – 40 years
• condensing power plants	25 years
• co-generation power plants	4 – 40 years
• power grids	30 years
• other fixed assets	3 – 20 years

The depreciation plan also takes account of the annual utilization of each plant.

Interests amounting to EUR 1.0 million relating to the construction period of Kokkolan Voima Oy's and Järvi-Suomen Voima Oy's power plant investments have been capitalized during the financial year. The capitalization is included in the acquisition costs of fixed assets.

INVENTORIES

Current assets have been valued at the original acquisition cost according to the FIFO principle. If the probable acquisition cost is lower than the original acquisition cost on the closing date, the difference is not entered as an expense, due to the at-cost principle.

TURNOVER

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

PENSION ARRANGEMENTS

The pension schemes of the Group companies are run by a Finnish insurance company.

INCOME TAX

The estimated taxes corresponding to the results of Group companies for the financial year, the taxes determined on the basis of dividend distribution, adjustments to taxes in previous financial years, and the change in deferred tax liability are all entered as taxes. Deferred tax liability is calculated using the tax base set on the closing date.

	Group		Parent Company	
	2001 EUR 1 000	2000 EUR 1 000	**2001** EUR 1 000	2000 EUR 1 000
(1) TURNOVER				
Sales of electricity	459 908	368 743	365 374	272 213
Sales of heat	53 433	61 532	40 261	50 246
Other sales	56 354	77 804	7 141	6 083
	569 695	508 079	**412 776**	328 542
(2) OTHER OPERATING INCOME				
Gains on sales of fixed assets	10 356	3 134	2 127	46
Rental income	2 698	984	1 624	1 147
Other income and expenditure	6 516	19 216	794	492
	19 570	23 334	**4 545**	1 685
(3) RAW MATERIALS AND SERVICES				
Fuel	198 897	160 182	–	–
Other materials, consumables and goods	84 475	48 272	190 621	143 476
Purchases during the period	283 372	208 454	190 621	143 476
Change in inventories	-23 540	-3 792	–	–
External services	23 868	22 643	247	1 109
	283 700	227 305	**190 868**	144 585
(4) PERSONNEL EXPENSES				
Salaries and fees				
Salaries of the Boards of Directors and Managing Directors	781	1 246	399	321
Other salaries	33 046	57 557	3 168	3 267
	33 827	58 803	3 567	3 588
Pension expenses	5 473	8 951	432	314
Other indirect employee costs	3 059	5 503	283	323
	8 532	14 454	715	637
Total personnel expenses	**42 359**	73 257	**4 282**	4 225
Personnel (average)				
Salaried employees	585	1 342	66	71
Wage-earners	199	513	5	7
Total	**784**	1 855	**71**	78

Managing Directors of Group companies and some other staff members normally retire at the age of 60 – 65.

(5) DEPRECIATION				
Depreciation according to plan				
Formation expenses	6 137	6 137	–	–
Intangible assets	27	11	–	–
Other capitalized expenditure	2 599	4 105	260	288
Buildings and constructions	9 264	9 223	114	112
Machinery and equipment	65 943	71 353	636	598
Other tangible assets	1 480	2 428	–	–
Goodwill	7	20	–	–
Investments	–	–	447	447
	85 457	93 277	**1 457**	1 445

	Group		Parent Company	
	2001 EUR 1 000	2000 EUR 1 000	**2001** EUR 1 000	2000 EUR 1 000
(6) OTHER COSTS AND EXPENSES				
Energy purchases	39 797	21 336	210 667	172 828
Share of associated companies' profits	-5 925	-5 693	–	–
Repair and maintenance services	30 009	22 654	–	–
Rents and leases	14 740	12 880	1 795	1 729
Real estate taxes	6 070	5 206	63	31
Other expenses	60 569	53 646	7 462	6 189
	145 260	110 029	**219 987**	180 777
(7) FINANCIAL INCOME AND EXPENSES				
Dividend income				
From associated companies	–	–	2 564	2 528
From others	1 803	1 163	1	1
	1 803	1 163	**2 565**	2 529
Interest income from long-term investments				
From Group companies	–	–	10 312	11 933
From others	11 742	9 442	2 564	1 676
	11 742	9 442	**12 876**	13 609
Other interest and financial income				
From Group companies	–	–	755	591
From associated companies	–	–	54	–
From others	1 657	1 082	561	216
	1 657	1 082	**1 370**	807
Total interest income	**13 399**	10 524	**14 246**	14 416
Interest and financial expenses				
To Group companies	–	–	-12 537	-11 052
To associated companies	–	–	-53	–
To others	-47 883	-45 634	-2 680	-3 224
	-47 883	-45 634	**-15 270**	-14 276
Total financial income and expenses	**-32 681**	-33 947	**1 541**	2 669
Interest and financial income includes net exchange rate differences	1	-128	-1	-134
(8) INCOME TAXES				
Taxes for the financial year	699	703	981	850
Taxes from previous periods	0	-23	0	-25
Change in deferred tax liability	-86	-2 087	–	–
	613	-1 407	**981**	825

(9) INTANGIBLE ASSETS

EUR 1 000	Formation expences	Intangible rights	Other capitalized expenditure	Advance payments	Goodwill	**Total**
GROUP						
Acquisition cost, Jan 1	58 116	112	62 542	429	2 327	123 526
Increases	–	238	1 045	0	34	1 317
Decreases	–	-38	-9 506	-199	-2 327	-12 070
Acquisition cost, Dec 31	58 116	312	54 081	230	34	112 773
Accumulated depreciation, Jan 1	-39 717	-80	-29 602	–	466	-68 933
Accumulated depreciation on decreases	–	39	5 175	–	-466	4 748
Depreciation for the period	-6 137	-27	-2 599	–	-7	-8 770
Accumulated depreciation, Dec 31	-45 854	-68	-27 026	–	-7	-72 955
Book value, Dec 31, 2001	**12 262**	**244**	**27 055**	**230**	**27**	**39 818**
Book value, Dec 31, 2000	18 400	62	33 103	429	1 861	53 855
PARENT COMPANY						
Acquisition cost, Jan 1	–	6	2 438	–	–	2 444
Increases	–	5	111	–	–	116
Decreases	–	–	-7	–	–	-7
Acquisition cost, Dec 31	–	11	2 542	–	–	2 553
Accumulated depreciation, Jan 1	–	–	-1 047	–	–	-1 047
Depreciation for the period	–	–	-260	–	–	-260
Accumulated depreciation, Dec 31	–	–	-1 307	–	–	-1 307
Book value, Dec 31, 2001	**–**	**11**	**1 235**	**–**	**–**	**1 246**
Book value, Dec 31, 2000	–	6	1 390	–	–	1 396

(10) TANGIBLE ASSETS

EUR 1 000	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible payments	Advance payments	**Total**
GROUP						
Acquisition cost, Jan 1	41 511	358 193	1 713 349	254 849	29 207	2 397 111
Increases	1 302	7 974	61 007	2 175	134 775	207 232
Decreases	-170	-1 924	-27 720	-289	-36 880	-66 984
Acquisition cost, Dec 31	42 643	364 243	1 746 636	256 735	127 102	2 537 359
Accumulated depreciation, Jan 1	–	-133 620	-790 661	-17 913	–	-942 194
Accumulated depreciation on decreases	–	-16	18 136	140	–	18 260
Depreciation for the period	–	-9 264	-65 943	-1 480	–	-76 687
Accumulated depreciation, Dec 31	–	-142 900	-838 468	-19 253	–	-1 000 621
Book value, Dec 31, 2001	**42 643**	**221 343**	**908 168**	**237 482**	**127 102**	**1 536 738**
Book value, Dec 31, 2000	41 511	224 119	923 721	236 936	29 207	1 455 494
Revaluations included in acquisition cost, Dec 31		66 296		198 849		
Production machinery and equipment, Dec 31			790 717			

CAPITALIZED INTERESTS RELATING TO CONSTRUCTION PERIOD

	Formation expences	Other capitalized expenditure	Buildings and onstructions	Machinery and equipment	Other tangible assets	Advance payments	**Total**
GROUP							
Acquisition cost, Jan 1	11 601	3 530	31 133	112 781	2 609	5	161 659
Increases			102	534	31	284	951
Acquisition cost, Dec 31	11 601	3 530	31 235	113 315	2 640	289	162 610
Accumulated depreciation, Jan 1	-7 780	-1 260	-15 014	-53 726	-1 288	0	-79 068
Depreciation for the period	-1 274	-123	-822	-3 022	-67	0	-5 308
Accumulated depreciation, Dec 31	-9 054	-1 383	-15 836	-56 748	-1 355	0	-84 376
Book value, Dec 31, 2001	**2 547**	**2 147**	**15 399**	**56 567**	**1 285**	**289**	**78 234**
Book value, Dec 31, 2000	3 821	2 271	16 118	59 054	1 321	5	82 590

(10) TANGIBLE ASSETS

EUR 1 000	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments	**Total**
PARENT COMPANY						
Acquisition cost, Jan 1	171	3 351	6 603	–	746	10 872
Increases	27	352	2 740	–	1 846	4 965
Decreases	–	–	-49	–	-2 537	-2 587
Acquisition cost, Dec 31	198	3 703	9 294	–	55	13 250
Accumulated depreciation, Jan 1	–	-620	-2 222	–	–	-2 842
Depreciation for the period	–	-114	-636	–	–	-750
Accumulated depreciation, Dec 31	–	-734	-2 858	–	–	-3 592
Book value, Dec 31, 2001	**198**	**2 969**	**6 436**	**–**	**55**	**9 658**
Book value, Dec 31, 2000	171	2 731	4 382	–	746	8 030
Production machinery and equipment, Dec 31			5 833			

(11) INVESTMENTS

EUR 1 000	Shares in associated companies	Other shares and holdings	Other receivables	**Total**
GROUP				
Acquisition cost, Jan 1	60 257	37 506	202 232	299 995
Increases	19 162	1 701	17 009	37 872
Decreases	-1 787	-668	0	-2 455
Acquisition cost, Dec 31	77 632	38 539	219 241	335 412
Book value, Dec 31, 2001	**77 632**	**38 539**	**219 241**	**335 412**
Book value, Dec 31, 2000	60 257	37 506	202 232	299 995

	Shares in Group companies	Receivables from Group companies	Shares in associated companies	Other shares and holdings	**Total**
PARENT COMPANY					
Acquisition cost, Jan 1	654 301	230 914	33 337	341	918 893
Increases	187 296	–	14 771	19	202 086
Transfers between categories	-1 699	–	–	1 699	0
Decreases	-2 311	-47 955	–	-18	-50 284
Acquisition cost, Dec 31	837 587	182 959	48 108	2 041	1 070 695
Book value, Dec 31, 2001	**837 587**	**182 959**	**48 108**	**2 041**	**1 070 695**
Book value, Dec 31, 2000	654 301	230 914	33 337	341	918 893
Revaluations included in acquisition cost, Dec 31	218 644				

	Group		Parent Company	
	2001 EUR 1 000	2000 EUR 1 000	**2001** EUR 1 000	2000 EUR 1 000
(12) INVENTORIES				
Materials and supplies	2 993	3 705		
Fuel	230 419	206 589		
Work in progress	–	564		
	233 412	210 858		
Fuel (coal and unrefined uranium)				
Replacement price	89 985	73 765		
Book value	-97 933	-65 072		
Difference	**-7 948**	8 693		
(13) NON-CURRENT RECEIVABLES				
Loan receivables	13 090	5 054	11 530	3 169
Capital loan receivables	33 638	33 806	33 638	33 638
	46 728	38 860	**45 168**	36 807
Receivables from Group companies				
Capital loan receivables			1	1
Receivables from associated companies				
Loan receivables	2 765	2 925	2 765	2 925
Capital loan receivables	33 638	33 806	33 638	33 638
	36 403	36 731	**36 403**	36 563

	Group		Parent Company	
	2001 EUR 1 000	2000 EUR 1 000	**2001** EUR 1 000	2000 EUR 1 000
(14) CURRENT RECEIVABLES				
Accounts receivable	73 911	65 362	41 699	30 419
Loan receivables	1 177	–	–	–
Share issue receivables	–	6 317	–	5 853
Deferred assets	16 180	16 187	1 178	1 662
Other receivables	22 001	4 087	100	123
	113 269	91 953	**42 977**	38 057
Receivables from Group companies				
Accounts receivable			679	1 874
Deferred assets			212	
Other receivables			20	45
			911	1 919
Receivables from associated companies				
Accounts receivable	376	3 686	43	104
Deferred assets	–	1	–	59
Other receivables	1 453	1 008	–	-1
	1 829	4 695	**43**	162
Main items included in current deferred assets				
Personnel expenses	585	378	–	53
Interest income	9 178	8 160	424	875
Income taxes	–	411	7	7
Indirect taxes	71	380	–	–
Others	6 346	6 858	747	727
	16 180	16 187	**1 178**	1 662
Interest-bearing receivables				
Non-current assets	219 241	202 232	182 959	230 914
Current assets	63 629	47 839	52 136	42 876
	282 870	250 071	**235 095**	273 790

(15) CURRENT FINANCIAL ASSETS

Current financial assets (2000) include privatization vouchers of the Estonian subsidiary that can be used for purchasing land offered for sale as part of the country's privatization process.

Replacement price	–	58
Book value	–	-17
	–	41

	Group		Parent Company	
	2001 EUR 1 000	2000 EUR 1 000	**2001** EUR 1 000	2000 EUR 1 000
(16) SHAREHOLDERS' EQUITY				
Share capital, Jan 1	57 580	57 379	57 580	57 379
Invalidation of Series D5	-168	–	-168	–
Transfer from share issues	543	201	543	201
Share capital, Dec 31	**57 955**	57 580	**57 955**	57 580
Share issue, Jan 1	9 469	6 721	9 469	6 721
Transfer to share capital	-543	-201	-543	-201
Transfer to share premium reserve	-17 579	-6 223	-17 579	-6 223
Share issues during the period	31 874	9 172	31 874	9 172
Share issue, Dec 31	**23 221**	9 469	**23 221**	9 469
Share premium reserve, Jan 1	312 343	306 120	307 714	301 491
Change in Group structure*)	-1 160	–	–	–
Invalidation of Series D5	-1 514	–	-1 514	–
Share issue premium	17 580	6 223	17 579	6 223
Share premium reserve, Dec 31	**327 249**	312 343	**323 779**	307 714
Revaluation reserve, Jan 1	218 644	218 644	218 644	218 644
Revaluation reserve, Dec 31	**218 644**	218 644	**218 644**	218 644
Retained earnings, Jan 1	165 368	176 145	38 083	36 502
Change in Group structure*)	1 160	–	–	–
Retained earnings, Dec 31	**166 528**	176 145	**38 083**	36 502
Profit (loss) for the financial year	**-1 298**	-10 776	**2 044**	1 581
Total shareholders' equity	**792 299**	**763 405**	**663 726**	**631 490**

*) Effect of the Service Group separated from the Group during the period.

Distributable funds, Dec 31				
Retained earnings	166 528	176 145	38 083	36 502
Profit (loss) for the financial year	-1 298	-10 776	2 044	1 581
– Capitalized formation expenses	-12 262	-18 376	–	–
– Cost of acquisition of own shares	0	-3	–	–
– Portion of accumulated depreciation difference transferred to shareholders' equity	-160 358	-161 991	–	–
	-7 390	-15 002	40 127	38 083

	No.	à FIM	EUR 1 000
SHARE CAPITAL BY SHARE CATEGORY			
Series A	13 350 077	10.00	22 453
– entitling to electricity generated or acquired by PVO-Vesivoima Oy			
Series B	6 534 572	10.00	10 990
– entitling to 49.6% of electricity generated or acquired by Teollisuuden Voima Oy			
Series C	8 314 455	10.00	13 984
– entitling to electricity generated or acquired by PVO-Lämpövoima Oy			
Series D4	232 000	10.00	390
– entitling to electricity and heat generated by Veitsiluodon Voima Oy			
Series D6	300 000	10.00	505
– entitling to electricity and heat generated by Oulun Voima Oy			
Series D7	60 000	10.00	101
– entitling to electricity and heat generated by Jämsänkosken Voima Oy			
Series E	4 654 743	10.00	7 829
– entitling to electricity and heat generated by Mussalon Voima Oy and to 7.2% of electricity generated or acquired by Teollisuuden Voima Oy			
Series G	299 400	10.00	503
– entitling to 49.9% of electricity and heat generated by Oy Alholmens Kraft Ab			
Series G2	60 000	10.00	101
– entitling to 76% of electricity and heat generated by Kymin Voima Oy			
Series G3	18 720	10.00	31
– entitling to 69.3% of electricity and heat generated by Järvi-Suomen Voima Oy			
Series H	500 000	10.00	841
– entitling to electricity and heat generated by PVO-Huippuvoima Oy			
Series I	4 696	10.00	8
– entitling to 63.3% of electricity and heat generated or acquired by PVO-Innopower Oy			
Series K1	130 000	10.00	219
– entitling to electricity and heat generated or acquired by Kokkolan Voima Oy			
	34 458 663		57 955

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

	Group		Parent Company	
	2001 EUR 1 000	2000 EUR 1 000	**2001** EUR 1 000	2000 EUR 1 000
(17) DEFERRED TAX LIABILITY				
Deferred tax liability				
From appropriations	**159 803**	160 045		
(18) NON-CURRENT LIABILITIES				
Bond loans	93 307	93 307	–	–
Loans from financial institutions	324 675	271 186	65 738	31 392
Pension fund loans	4 906	6 541	–	–
Other non-current liabilities	501 020	478 384	346 304	267 951
	923 908	849 418	**412 042**	299 343
Liabilities to Group companies				
Other non-current liabilities			**346 304**	267 951
Repayment schedules for long-term loans, from 2007 (from 2006)				
Loans from financial institutions	117 777	61 391	4 843	708
Pension fund loans	0	1 635	–	–
Other non-current liabilities	3 177	4 357	–	–
	120 954	67 383	**4 843**	708

Bond loans	Currency	%		
1991–2001	CHF	7.250	–	65 651
Repayments			–	-65 651
1993–2003	JPY	5.300	86 708	93 528
1997–2004	FIM	5.800	11 773	11 773
			98 481	105 301
Adjustment of swap loans and receivables			-5 174	-11 994
			93 307	93 307

	Group		Parent Company	
	2001	2000	**2001**	2000
	EUR 1 000	EUR 1 000	EUR 1 000	EUR 1 000
(19) CURRENT LIABILITIES				
Bonds	90 470	59 787	–	–
Loans from financial institutions	25 892	30 398	17 249	12 903
Pension fund loans	1 635	1 635	–	–
Other non-current liabilities	–	255	–	–
Advances received	27	727	–	–
Accounts payable	60 170	41 840	48 470	37 851
Deferred liabilities	50 677	54 363	16 247	13 308
Other short-term liabilities	32 993	27 785	15 378	10 001
	261 864	216 790	**97 344**	74 063
To Group companies				
Accounts payable			36 762	37 175
Deferred liabilities			77	10 304
Other short-term liabilities			12 371	1 041
			49 210	48 520
To associated companies				
Advances received	–	165	–	–
Accounts payable	3 804	1 289	2 673	237
Deferred liabilities	–	–	–	201
Others	2	–	–	–
	3 806	1 454	**2 673**	438
Main items included in current deferred liabilities				
Personnel expenses	7 203	11 136	563	553
Interest expenses	22 335	21 947	12 373	11 038
Income taxes	237	27	237	10
Indirect taxes	261	203	–	–
Others	20 641	21 050	3 074	1 707
	50 677	54 363	**16 247**	13 308
Interest-free and interest-bearing liabilities				
Non-current				
Interest-bearing	923 908	849 418	412 042	299 343
	923 908	849 418	412 042	299 343
Current				
Interest-free	123 362	110 747	60 455	45 662
Interest-bearing	138 502	106 043	36 889	28 401
	261 864	216 790	**97 344**	74 063

	Group		Parent Company	
	2001 EUR 1 000	2000 EUR 1 000	**2001** EUR 1 000	2000 EUR 1 000
(20) CONTINGENT LIABILITIES				
Mortgages				
As security against own debt	26 103	54 400		
As security for own commitments	–	1 374		
	26 103	55 774		
Guarantees				
Loan guarantees				
For associated companies	171 158	112 290	171 158	112 235
For others	669	699	699	699
Other guarantees				
For own commitments	11 092	7 438	7 617	7 312
For Group companies	–	–	37 592	45 824
For associated companies	1 251	1 200	1 200	1 200
For others	1 517	–	1 517	–
	185 687	121 627	**219 783**	167 270
Leasing commitments				
Payments for 2002 / 2001	10 322	12 543		
Payments for the following years	126 114	151 308		
	136 436	163 851		
Other commitments	**555**	660	**336**	336
Nuclear waste management liabilities				
Nuclear waste management liability	693 200	663 000	–	–
Funds in the Nuclear Waste Management Fund (Mar 31)	693 200	656 200	–	–
Guarantee required under Section 44 of the Nuclear Energy Act	77 280	87 232	43 893	49 545
Nuclear waste management receivables pledged to the State Nuclear Waste Management Fund	212 345	201 727	–	–
(21) DERIVATIVE CONTRACTS				
Capital values of derivative contracts providing a hedge against exchange rate and interest risks were as follows:				
Interest rate derivatives				
Option contracts				
Purchased	60 000	110 000	–	–
Written	60 000	110 000	–	–
Swap agreements	154 384	131 352	88 866	85 685
Currency derivatives				
Forward contracts	0	662	–	–
Swap agreements	86 708	159 179	–	–

INFORMATION REQUIRED BY THE ELECTRICITY MARKET ACT

GRID OPERATIONS

Grid business comprises Pohjolan Voima Oy's regional grid operations.

ALLOCATION OF JOINT ITEMS

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

VALUATION OF FIXED ASSETS

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

RETURN ON INVESTMENT

Return on investment was 15.5%.

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

PERSONNEL

Grid operations employed an average of one person. The necessary maintenance services and a number of administrative services were purchased from outside.

INVESTMENTS

Investments in the grid totalled EUR 1.8 million.

PROFIT AND LOSS ACCOUNT

	Jan 1 - Dec 31, 2001 EUR 1 000	Jan 1 - Dec 31, 2000 EUR 1 000
TURNOVER	**3 398**	3 117
Raw materials and services	-1 200	-1 043
Personnel expenses	-105	-102
Depreciation and value adjustments	-477	-435
Other costs and expenses	-212	-290
OPERATING PROFIT	**1 404**	1 247
Financial income and expenses	332	238
Profit before appropriations and taxes	**1 736**	1 485
Appropriations		
Decrease in accumulated depreciation difference	318	278
Income taxes	-597	-511
PROFIT FOR THE FINANCIAL YEAR	**1 457**	1 252

BALANCE SHEET

	Dec 31, 2001 EUR 1 000	Dec 31, 2000 EUR 1 000
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Capitalized expenditure	584	738
Tangible assets		
Grid	5 585	3 378
Advance payments and work in progress	0	726
	6 169	4 842
CURRENT ASSETS		
Current receivables		
Accounts receivable	384	477
Deferred assets	0	238
Cash in hand and at banks	6 885	6 836
	7 269	7 551
	13 438	12 393

	Dec 31, 2001 EUR 1 000	Dec 31, 2000 EUR 1 000
EQUITY AND LIABILITIES		
Calculated equity	2 838	2 838
Retained earnings	5 142	3 890
Profit for the financial year	1 457	1 252
	9 437	7 980
APPROPRIATIONS		
Accumulated depreciation difference	3 060	3 378
LIABILITIES		
Current		
Accounts payable	204	350
Deferred liabilities	737	685
	941	1 035
	13 438	12 393

SHARES AND HOLDINGS

	Domicile	Group holding %	Parent Company holding %
GROUP COMPANIES			
Jämsänkosken Voima Oy	Helsinki	100.0	100.0
Järvi-Suomen Voima Oy	Helsinki	69.3	69.3
Kokkolan Voima Oy	Helsinki	100.0	100.0
Kymin Voima Oy	Helsinki	76.0	76.0
Mussalon Voima Oy	Helsinki	100.0	100.0
Nokian Lämpövoima Oy	Helsinki	80.1	
Olkiluodon Vesi Oy	Helsinki	100.0	
Oulun Voima Oy	Helsinki	100.0	100.0
Perusvoima Oy	Helsinki	100.0	
Posiva Oy	Helsinki	60.0	
Posivia Oy	Helsinki	100.0	
PVO-Huippuvoima Oy	Helsinki	100.0	100.0
PVO-Innopower Oy	Helsinki	63.3	63.3
PVO-Kiinteistöt Oy	Helsinki	100.0	100.0
PVO-Lämpövoima Oy	Helsinki	100.0	100.0
PVO-Pool Oy	Helsinki	100.0	100.0
PVO-Vesivoima Oy	Helsinki	100.0	100.0
PVO-Voimaverkko Oy	Helsinki	100.0	100.0
Raahen Voima Oy	Helsinki	100.0	100.0
Rouhialan Voimansiirto Oy	Helsinki	100.0	100.0
Teollisuuden Voima Oy	Helsinki	56.8	56.8
TVO Nuclear Services Oy	Eurajoki	100.0	
Veitsiluodon Voima Oy	Helsinki	100.0	100.0
Vieskan Voima Oy	Helsinki	100.0	100.0
Wisapower Oy	Helsinki	100.0	100.0
Kiint. Oy Voimalinja	Kristiinank.	100.0	

	Domicile	Group holding %	Parent Company holding %	Shareholders' equity	Profit/loss for the financial year
ASSOCIATED AND PARTICIPATING INTEREST COMPANIES					
Oy Alholmens Kraft Ab	Pietarsaari	49.9	49.9		
Fingrid Oyj	Helsinki	25.1	25.1		
As.Oy Pahkakosken Paritalot	Yli-Ii	36.2	36.2		
Polartest Oy	Helsinki	24.1		860	320
Radtek Oy	Helsinki	30.0		429	-105
Tornionlaakson Voima Oy	Ylitornio	50.0			
Vaskiluodon Voima Oy	Vaasa	50.0			
Voimalohi Oy	Kemi	50.0			

PROPOSAL OF THE BOARD OF DIRECTORS FOR RECORDING THE FINANCIAL RESULT

The Group has no distributable assets.

The profit and loss account of the Parent Company Pohjolan Voima shows a profit of EUR 2 044 147.14. The distributable equity totals EUR 40 126 497.66.

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

Helsinki, March 1, 2002

Heikki Sara Chairman	Juhani Pohjolainen Deputy Chairman	Evan Edwards
Petri Heinonen	Juhani Paananen	Tapani Sointu
Esa Tirkkonen	Erkki Varis	

Timo Rajala
President and CEO

AUDITORS' REPORT

To the shareholders of Pohjolan Voima Oy

We have audited the accounts, the accounting records and the administration of Pohjolan Voima Oy for the financial year January 1 – December 31, 2001. The accounts prepared by the Board of Directors and the Managing Director include, for both the Group and the Parent Company, a report on operations, an income statement, a balance sheet and notes to the accounts. We provide our opinion on the accounts and the administration based on our audit.

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

In our opinion the accounts have been prepared in accordance with the regulations of the Accounting Act and other legislation and regulations relevant to the preparation of the accounts, and give a true and fair view of the Group's and Parent Company's results from operations and financial position in accordance with such legislation and regulations. The accounts, including the consolidated accounts, may be approved and the members of the Board of Directors of the Parent Company and the Managing Director be discharged from liability for the financial year. The Board proposal concerning the disposal of the distributable funds is in accordance with the Companies Act.

We have examined the separate profit and loss account and the balance sheet on grid operations, and the related additional information presented in the notes to the financial statements. In our opinion they have been drawn up in accordance with the Electricity Market Act, and legislation and regulations based on it.

Helsinki, March 18, 2002

PricewaterhouseCoopers Oy
Authorized Public Accountants

Eero Suomela
Authorized Public Accountant

SHAREHOLDERS AND DISTRIBUTION OF SHARES AS OF DEC. 31, 2001

	%
Etelä-Pohjanmaan Voima Oy	4.3
City of Helsinki	1.4
Ilmarinen Mutual Pension Insurance Company	4.4
Kemira Oyj + Eläkesäätiö Neliapila	4.5
City of Kokkola	2.1
Kotkan Energia Oy	1.3
Kymppivoima Oy	2.1
Kyro Corporation	0.2
Oy Metsä-Botnia Ab	1.5
M-real Corporation	2.5
Myllykoski Corporation	1.5
City of Oulu	0.1
Perhonjoki Oy	1.9
City of Pori	1.2
Päijät-Hämeen Voima Oy	1.3
Stora Enso Oyj	16.0
TXU Nordic Energy Oy	14.5
UPM-Kymmene Corporation	38.7
Vantaa Energy Ltd	0.5
Total	100.0

POWER PLANT-SPECIFIC DATA

Plant	Fuel	Location	Electrical output, MW (Pohjolan Voima's share)	Environmental protection technology
HYDROPOWER				
Isohaara	water	Kemijoki	106	
Jumisko	water	Kemijoki	25	
Raasakka	water	Iijoki	58	
Maalismaa	water	Iijoki	33	
Kierikki	water	Iijoki	32	
Pahkakoski	water	Iijoki	38	
Haapakoski	water	Iijoki	28	
Melo	water	Kokemäenjoki	60	
Harjavalta	water	Kokemäenjoki	14	
Portimokoski and others	water	Tengeliönjoki	7	
Output, total	**MW**		**401**	
NUCLEAR POWER				
Olkiluoto	uranium	Eurajoki	954	
Output, total	**MW**		**954**	
THERMAL POWER				
Kristiina 2	coal	Kristiinankaupunki	242	desulfurization, low-NO_x
Tahkoluoto	coal	Pori	225	desulfurization, low-NO_x
Vaskiluoto 2	coal	Vaasa	115	desulfurization, low-NO_x
Meri-Pori	coal	Pori	146	desulfurization, catalysts
Mussalo 1	coal, natural gas	Kotka	75	low-NO_x
Mussalo 2, combined cycle	natural gas	Kotka	238	low-NO_x
Nokia	natural gas	Nokia	70	low-NO_x
Kristiina 1	oil	Kristiinankaupunki	210	
Vaskiluoto 3	oil	Vaasa	160	
Seinäjoki	peat, wood	Seinäjoki	63	circulating fluidized bed, fuel
Veitsiluoto	wood, peat	Kemi	145	bubbling fluidized bed, fuel
Oulu	wood, peat	Oulu	146	bubbling fluidized bed, fuel
Alholmens Kraft 1	wood, peat	Pietarsaari	12	circulating fluidized bed, fuel
Alholmens Kraft 2	wood, peat	Pietarsaari	120	circulating fluidized bed, fuel
Kokkola	wood, peat	Kokkola	20	bubbling fluidized bed, fuel
Electrical output, total	**MW**		**1987**	

CONTACT PERSONS

POHJOLAN VOIMA OY

President and CEO
Timo Rajala
Liisa Sirola, Secretary

Executive Vice President
Matti Kaisjoki
Kirsi Holmberg, Secretary

Group Controller
Minna Korkeaoja
Ritva Keski-Nirva, Secretary

Corporate Strategy, Legal and Environmental Affairs, Communications, Corporate Relations and Procurement
Arto Piela
Seija Johansson, Secretary

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Arto Tuominen

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Jaakko Tuomisto

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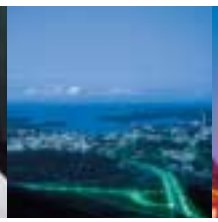

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Päivi Valtonen
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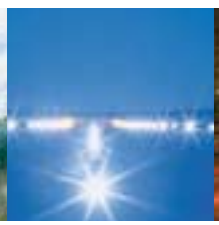

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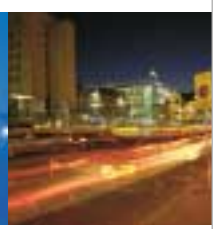

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Libris Oy

Paper
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www.pohjolanvoima.fi