

’09

Pohjolan Voima
Annual Report
by the Board of
Directors and
Financial Statements



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Annual report by the Board of Directors 2009

Operating environment

In 2009, electricity consumption in Finland was 80.8 TWh (87.2 TWh in 2008). Of this volume, 68.7 (74.5) TWh was produced in Finland, while net imports into Finland were 12.0 (12.8) TWh. Imports from Estonia were reduced while imports from Russia reached a new record high. The recession reduced industry electricity consumption, particularly during the first half of the year.

In 2009, the total water reservoirs in Nordic countries were below the average level. The volume of physical electricity trading on Nord Pool was 287 TWh (298 TWh in 2008). The annual average system price on Nord Pool was €35.02 (€44.73) per MWh, while the annual average of the Finnish area price was €36.98 (€51.02) per MWh.

In 2009, the price of emissions allowances remained relatively stable compared to previous years. During the year, the market price for emissions allowances varied between €8.20 and €15.87.

Pohjolan Voima's electricity and heat production

In 2009, Pohjolan Voima's total electricity supply was 28.3 (27.4) TWh. The Group's own electricity production accounted for 21.9 (22.2) TWh, of which the parent company's supplies to its shareholders were 15.0 (15.2) TWh. The subsidiaries supplied 6.9 (7.0) TWh to their other shareholders. Purchases from the Nordic electricity markets were 5.8 (4.6) TWh, and imports from Estonia amounted to 0.6 (0.6) TWh. Heat supplies were 5.8 (5.8) TWh.

Nuclear power made up 51.1% (52.5%) of the electricity supply. Teollisuuden Voima Oyj's Olkiluoto nuclear power

plant generated 14.5 (14.4) TWh of electricity, of which Pohjolan Voima obtained 8.2 (8.1) TWh, in accordance with its shareholding. The average capacity factor for the Olkiluoto plant units was 96.0% (95.3%) and the total annual production was the highest ever in the plant's history.

Hydropower accounted for 1.6 (2.2) TWh, or 5.5% (7.9%), of the electricity supply. The fall in production was due to the dryness of the latter half of the year.

Pohjolan Voima produced 2.7 (2.1) TWh of condensing power, which represented 9.6% (7.8%) of the electricity supply. The condensing power production increased due to prolonged annual overhauls of Swedish nuclear power plants and rainfall that remained below the average level throughout the year. A total of 3.1 (3.4) TWh of electricity was generated by the CHP plants.

Pohjolan Voima's electricity supply (GWh)

	2005	2006	2007	2008	2009
Nuclear power	14 218	14 268	14 386	14 380	14 452
Hydropower	1 788	1 429	1 782	2 171	1 551
CHP	2 975	3 734	3 739	3 436	3 090
Condensing power	765	5 459	4 040	2 122	2 709
Wind power	27	27	28	60	108
Imports from Estonia	0	0	452	595	580
Purchases	4 852	4 868	4 239	4 614	5 775
Total	24 625	29 785	28 666	27 377	28 266
Turnover (M euros)	601	888	766	919	988

An agreement was made with Fingrid Oyj concerning the reserve capacity use of the oil-fired condensing power plants

in Kristiinankaupunki and Vaskiluoto, Vaasa, as well as the gas-fired condensing power plant in Mussalo, Kotka. The agreement is valid until the Power Reserve Act ceases to be in force on 28 February 2011. The Mussalo gas-fired condensing power plant was subject to a write-down amounting to €27.3 million. The reason for this is that, due to high fuel prices, it is not foreseeable that the plant will be used for any purpose other than reserve capacity. At the end of 2009, the book value of the Mussalo plant was €7.6 million.

The Mussalo coal power plant in Kotka was transferred to a long-term reserve in the spring.

At the end of December, Nokian Lämpövoima Oy (NLV) and Fortum Power and Heat Oy (Fortum) reached an agreement by which Fortum agreed to buy NLV's Nokia power plant and the associated business operations. The sale was executed on 25 January 2010. The Nokia plant was subject to a write-down amounting to €16.0 million by NLV in 2009. In association with the power plant sale, it was also agreed that Pohjolan Voima Oy will buy all NLV shares owned by Fortum.

Investments

Total investments of the Pohjolan Voima Group, excluding financial investments and purchases of emissions allowances, were €890.1 (€767.9) million.

Teollisuuden Voima invested €749.5 (€537.0) million in the OL3 project, €6.1 (€13.9) million in the related area and infrastructure work and €40.7 (€36.9) million mainly in the modernisations carried out in connection with the annual overhauls of the OL1 and OL2 plant units. PVO-Vesivoima Oy continued the Iijoki hydropower plant renovation programme by investing €6.0 million in the renewal work at Haapakoski and Maalismaa. During the financial year, PVO-Innopower Oy completed the construction of phase II of a 30 MW nearshore wind park in Ajos, Kemi. The 2009 share of the investment was €2.0 million.

Investments in bioenergy plants were €76.0 (€116.2) million. Keravan Lämpövoima Oy's bioenergy plant entered production use on 30 November 2009. Construction of Kaukaan Voima Oy's bioenergy plant continued at UPM-Kymmene Corporation's Kaukaa mill site in Lappeenranta. The use of the plant started at the end of October, and it will be completed in February 2010.

The remaining investments were mainly made in repairs and renovations.

Planning, regulatory processing of documents, construction and equipment manufacture and installation of OL3 continued. The roof of the gas-tight steel liner of the reactor containment, also known as the dome, was hoisted into position. Equipment and component deliveries to Olkiluoto continued. Some of the main components of the reactor island, such as the pressure vessel, four steam generators and the pressurizer, were delivered to Olkiluoto, while the manufacture of the reactor coolant pipes continued in France. Installation at the turbine island was in its final stage. At the end of the year, the number of personnel at the OL3 project site was about 4 000.

In line with the 2003 decision of the Board of Directors, the company invested a total of €453.0 (€392.7) million in the OL3 project from 2004 to 2009. The investments are based on the OL3 financing plan, according to which the equity required by the investment is accumulated along with the progress of the project.

Research and development

R&D expenses were €24.0 million (€22.2 million in 2008 and €17.9 million in 2007), most of which were allocated to nuclear waste management. Teollisuuden Voima accounted for €3.1 (€2.9) million of the finance for the State Nuclear Waste Management Fund, a funder of public programmes on reactor safety and nuclear waste management research.

The technology development project for undersea foundations for wind turbines, started in 2008, was continued. A pilot foundation, suitable for an offshore wind turbine of 3 MW, was designed and constructed at the bottom of the sea near the existing wind farm in Ajos, Kemi. The project aims to find a foundation solution that can endure the prevailing ice conditions and can be employed in major industrial-scale offshore wind farms. The durability and practicality of the solution will be tested and monitored through measurements throughout the year during at least one winter season. After the testing period, a wind turbine can be constructed on the pilot foundation. During the financial year, research and development costs worth €1.6 million were allocated for the project, and €1.0 million was capitalised in the balance sheet.

In recent years, Pohjolan Voima has been exploring the possibilities of more efficient utilisation of biofuels and the co-firing of biofuels and coal in existing coal-fired boilers.

An application for an environmental permit for the Kristiina power plant was submitted in November. The environmental permit would enable a gradually increasing use of biofuels in the plant. Biofuels would first be utilised as co-firing in the coal-fired boiler and later also in a new multi-fuel boiler. A similar EIA report concerning a potential multi-fuel boiler in the Mussalo 2 power plant in Kotka was completed in November. Plans have also been made for constructing a gasification plant fired with biofuels and peat in the Kristiina coal-fired plant.

Development of a multi-fuel concept (MFC) plant with Helsinki Energy continued. A feasibility study report for the plant will be completed early in 2010.

Personnel

The average number of employees working for the Group was 1 141 (1 128 in 2008 and 1 090 in 2007). The Group's salaries and fees for the financial period totalled €65.4 million (€62.8 million in 2008 and €57.5 million in 2007).

The average number of employees working for the parent company was 81 (77 in 2008 and 74 in 2007). Salaries and fees for the financial period totalled €6.9 million (€6.3 million in 2008 and €5.5 million in 2007).

The average age of the personnel in the Group was 44.7 (44.7) years. Men constituted 80% (79%) of the personnel.

Environmental issues

All of Pohjolan Voima's power plants have valid environmental permits. Renewal of the environmental permits of several thermal power plants, required by the Environmental Protection Act, is still underway due to the long permit process and appeal procedures. At these plants, the legislation in force and the currently valid permits are complied with.

The Group's environmental management is based on certified environmental management systems in accordance with the ISO 14001 standard. No significant deviations from the commitments of the environmental programme were identified during 2009. Operations related to the construction phase of the Olkiluoto 3 project are covered by the certified environmental management system.

The regulation of waterways and operation of hydropower plants took place under the permit conditions with the exception of the Maalismaa hydropower plant, where the surface level in the upper reservoir fell momentarily below the lower threshold indicated in the conditions of the renewed permit in July 2009 because of a monitoring system error. Falling below the threshold did not cause damage to waterfront buildings, and the system error has been repaired. In order to sustain the fish stocks in the Kemijoki and Iijoki waterways and the sea area, 2.8 (2.8) million fry were stocked.

The Government approved the water resource management plans required by the Water Framework Directive that had been under preparation for several years. Plans for the Iijoki and Kemijoki rivers require the restoration of migratory fish stocks. Over time, the plans are likely to be reflected in the fishery obligations, but they do not have a significant effect on the preconditions for hydropower production.

A renewed Act on Dam Safety entered into force in October 2009. Amendments to the act make provisions on safety monitoring more precise.

All the thermal power plants operated by the Group fall within the sphere of the Emissions Trading Act. Carbon dioxide emissions from production increased compared to the previous year due to increased production in condensing power plants. The carbon dioxide emissions from electricity and heat produced and supplied to shareholders were 4.2 (3.6) million tonnes. Notes to the Financial Statements only report the CO₂ emissions of the subsidiaries, which amounted to 3.5 (2.8) million tonnes.

Nitrogen oxide emissions increased, but sulphur dioxide emissions remained almost at their earlier level and particle emissions decreased. Sulphur dioxide emissions were 3.4 (3.4) thousand tonnes, nitrogen oxide emissions 5.7 (5.3) thousand tonnes and particle emissions 0.3 (0.4) thousand tonnes.

It is planned that fly and bottom ash produced as by-products of thermal power production and gypsum produced in removing sulphur from flue gas will be registered according to the European Community's REACH regulation (*Registration, Evaluation, Authorisation and Restriction of Chemicals*). It is not entirely clear whether by-products belong to the scope of the REACH regulation because of

their labelling as waste, but the registration will, in all likelihood, boost the recycling of these products. Any substance produced in quantities larger than 1 000 tonnes must be registered under the REACH regulation by 1 December 2010.

The Proposal for a Directive on Industrial Emissions contains compromises and allows old power plants longer transitional periods for adopting stricter emissions limits. The directive may be adopted as early as 2010. The new, stricter emissions limits would therefore apply to existing power plants from 2016. The Proposal for a Directive also contains considerable tightening of requirements on monitoring emissions.

Pohjolan Voima and its subsidiaries and associated companies are unaware of any environmental liabilities that have not been covered. Pohjolan Voima's more detailed environmental information is published on the company's website (www.pohjolanvoima.fi). Teollisuuden Voima provides information on the environmental issues related to nuclear power generation on its website (www.tvv.fi) and in a separate social responsibility report.

Risk management

The aim of risk management is to ensure the materialisation of the strategy and the attainment of the business objectives, as well as to safeguard continuity and disturbance-free operations. Risk management takes place in line with the Group's risk management policy. Risk management follows a distributed operating model. Each unit is responsible for the risk management related to its own operative risks, as well as for the respective reporting.

When making operating plans, the risks that jeopardise the attainment of objectives are estimated and measures for managing them are defined. In connection with planning operations, the risks facing the areas of responsibility are collected and used to first consolidate the risks facing business areas and then the Group-level risks based on these.

The significance of risks is estimated as a sum of the likelihood of occurrence and impact, not estimating the impact in euros. The risks have been divided into risks associated with the operating environment, operating model, internal processes, power plant investments and personnel and competence.

In line with the Group's insurance policy, all Pohjolan Voima companies are covered for risks of damage through insurance and other necessary measures.

Most significant risks and uncertainties

The Group's most significant risks are connected with the completion of the OL3 project. The completion of the plant unit has been delayed and the start of production use has been postponed until 2012. This has and will result in additional costs and losses, which Teollisuuden Voima has demanded the plant supplier, operating on a turnkey basis, reimburse.

The uncertain situation in the financial market has increased the financing margins of corporate loans in general, which has an impact on the costs of new loans.

Changes in Group structure

No new companies were acquired or Group companies divested during the financial year.

Pohjolan Voima Oy has been the recipient company in the merger of its subsidiaries PVO-Kiinteistöt Oy and Raahen Voima Oy.

In association with the sale of the Nokia power plant on 25 January 2010, Pohjolan Voima Oy purchased all Nokian Lämpövoima shares owned by Fortum (19.9%), making Pohjolan Voima Oy the sole owner of Nokian Lämpövoima shares.

Finances

Pohjolan Voima operates on an "at-cost" basis. Shareholders pay the fixed costs in accordance with their ownership share, irrespective of whether they have used their capacity or energy share, as well as variable costs according to the energy supplied. As a result of this operating principle, it is irrelevant to present any financial key indicators to understand the companies' business, financial status or result.

The aims and risks of financing operations have been defined in the financing policy. The refinancing risk is managed through diversified sources of financing, sufficiently long loan maturity times and a balanced schedule of maturity, as well as derivative contracts. Interest risk management is based on the average period of fixed interest rates of net liabilities defined in the financing policy. If loans are taken

out in foreign currencies, the currency risk is eliminated by means of derivative contracts.

For liquidity management, the Group was able to rely on domestic commercial paper programmes of €1 300 (€1 300) million, of which €911 (€861) million was unused. At the end of the year, available long-term credit facilities amounted to €2 002 (€1 785) million.

In June, Teollisuuden Voima established a Euro Medium Term Note Programme worth €2 billion, listed on the Luxembourg Stock Exchange. Within the programme, the company issued a seven-year bond worth €750 million. Fitch Ratings has issued the rating A- (strong) to both the bond and the programme. Assets from the bond will be spent in Teollisuuden Voima's general financing needs. Within the EMTN Programme, Teollisuuden Voima has also issued three private placement bonds worth NOK 550 million, SEK 650 million and SEK 600 million.

The Group's liquidity remained good. Net interest-bearing liabilities at the end of the year stood at €3 389.5 (2 596.6) million. There were no liabilities involving an exchange risk.

The Group has the following credit ratings:

	Long-term	Short-term
Pohjolan Voima Oy		
Japan Credit Rating Agency	AA	
Teollisuuden Voima Oyj		
Japan Credit Rating Agency	AA	
Fitch Ratings	A-	F2

At the end of the year, the Group had an equity ratio of 22.4% (25.8%). The deferred tax liability is not included in the figure as it is not expected to materialise.

The consolidated result was €-59.3 million (€-27.6 million). Due to the at-cost principle followed, the result for the financial year of the subsidiaries is, as a rule, zero. When changes in the depreciation differences of the subsidiaries were recognised at Group level in the profit or loss for the financial year and in the deferred tax liability, the result was a €18.0 (€25.6) million loss. Total write-downs for power plants were €43.3 million.

Shareholders' equity and share issues

The following issues were subscribed to during the year under review:

- Increase of share capital tied to series G6 shares (23 March 2009), 26 853 shares at a subscription price of €1.504 million directed to Kemira Oyj, and 18 507 shares at a subscription price of €1.036 million directed to the City of Pori
- Increase of share capital tied to series G9 shares (23 March 2009), 220 000 shares at a subscription price of €12.320 million directed to UPM-Kymmene Oyj
- Increase of share capital tied to series K3 shares (23 March 2009), 187 500 shares at a subscription price of €10.500 million directed to Etelä-Suomen Voima Oy.

Pohjolan Voima Oy shareholders (general shareholding)

Shareholder	Shareholding	Shareholding
	in %	in %
	31 December 2008	31 December 2009
EPV Energia Oy	7.331	7.239
Etelä-Suomen Voima Oy	2.325	2.812
City of Helsinki	0.800	0.790
Ilmarinen Mutual Pension Insurance Company	4.182	4.130
Kemira Oyj (incl. pension foundation Neliapila)	3.908	3.933
City of Kokkola	2.515	2.483
Kymppivoima Oy	8.863	8.752
Oy Metsä-Botnia Ab	1.513	0.344
M-real Corporation	2.473	2.442
Myllykoski Corporation	0.839	0.829
City of Oulu	1.873	1.849
Outokumpu Oyj	0.087	0.086
Oy Perhonjoki Ab	2.606	2.574
City of Pori	1.817	1.845
Rautaruukki Oyj	0.022	0.022
Stora Enso Oyj	15.006	14.819
UPM-Kymmene Corporation	41.837	43.072
Vantaan Energia Oy	0.317	0.313
Yara Suomi Oy (incl. pension foundation)	1.687	1.666

Corporate management

The Annual General Meeting of 23 March 2009 elected the following members to the Board of Directors: Tapio Korpeinen, President (UPM-Kymmene Corporation); Juha Vanhainen, Executive Vice President (Stora Enso Oyj); Hannu Anttila, Executive Vice President, Strategy (Metsäliitto Group); Tapani Kurkela, Managing Director (Oulun Energia); Jyrki Mäki-Kala, Chief Financial Officer (Kemira Oyj); Kari Rämö, Managing Director (Kymenlaakson Sähkö Oy); Tapani Sointu, Vice President (UPM-Kymmene Corporation); and Rami Vuola, President & CEO (EPV Energia Oy).

At the Board meeting on 23 March 2009, Tapio Korpeinen was elected as Chairman of the Board and Juha Vanhainen was elected as the Deputy Chairman. The Board of Directors convened 14 (16) times in 2009. Timo Rajala, M.Sc. (Eng.), acted as the company's President & CEO.

Major legal actions pending

In December 2008, the AREVA-Siemens consortium (Plant Supplier) submitted to the International Chamber of Commerce (ICC) an arbitration-related request concerning the delay in the completion of OL3 and the resulting costs. Compensation demanded by the Supplier amounts to about €1 billion. About half of the compensation relates to additional costs that the Supplier claims to have incurred because of the delay. The rest of the compensation demand concerns instalments in line with the OL3 plant contract that, according to Teollisuuden Voima, have not yet fallen due for payment. Teollisuuden Voima has declared the Supplier's demand as unjustified and supplied its response and its own demand to the ICC. Teollisuuden Voima's demand amounts to about €1.4 billion.

In addition, Teollisuuden Voima is party to another arbitration procedure concerning the costs of a technically solved matter pertaining to the construction of OL3, with the value of these being minor compared to the project's value.

The arbitration proceedings may continue for several years. No receivables or provisions have been recognised as a result of the arbitration proceedings.

The agreement between the Finnish State and PVO-Vesivoima on the use of Iijoki hydropower, owned by the State, at four power plants terminated at the end of 2005. The agreement was not extended and PVO-Vesivoima applied for a permanent right to use the State's hydropower from the Northern Finland Environmental Permit Authority. The Permit Authority granted PVO-Vesivoima the permanent right in May 2008 and set the consideration at €2.25 million. The State appealed against the decision to the Vaasa Administrative Court. The decision on the permanent right to use the hydropower is not final. No provision on the payment of compensation has been recognised. The appeals have no impact on the operation of the Iijoki power plants.

The Northern Finland Environmental Permit Authority issued a decision on the changing of the minimum discharge volumes of the Kierikki and Maalismaa hydropower plants at the beginning of 2007. A private individual appealed to the Vaasa Administrative Court with regard to Maalismaa, and further to the Supreme Administrative Court. In its judgment on 12 May 2009, the Supreme Administrative Court confirmed the decision made by the Northern Fin-

land Environmental Permit Authority on 19 January 2007. As the changes to the permission have become final, the entire power plant chain on the Iijoki river can be used more effectively than before.

The Finnish Association for Nature Conservation (Suomen luonnonsuojeluliitto ry) and Porin ympäristöseura lodged an appeal against the environmental permit awarded to Porin Prosessivoima Oy's new power plant in December 2006. The Vaasa Administrative Court rejected the majority of the appeals in October 2008, but tightened the environmental permit conditions. In 2009, Porin Prosessivoima lodged an appeal against the Administrative Court's decision to change the environmental permit conditions in the Supreme Administrative Court. In its decision on 23 December 2009, the Supreme Administrative Court reversed two of the Vaasa Administrative Court's decisions on changing the environmental permit conditions, but approved the change concerning noise monitoring.

Future outlook

The revision of the EU's emissions trading system for the third trading period (2013–2020) continued. The procedures and rules for the auctioning of carbon allowances should be finished by the mid-2010s. The aim is to have the first auctions in 2011. The benchmarking of sectors and sub-sectors (such as heat production) related to free allocation of CO₂ allowances will continue at least until the end of 2010.

The UN climate conference in Copenhagen failed to adopt a unanimous, legally or politically binding agreement.

The end result of the conference did not provide a reason for the EU to step up its efforts in reducing greenhouse gas emissions and take on a 30% reduction target instead of its current 20% target. Thus the EU will not decrease further the amount of free carbon allowances during the period 2013–2020.

Finland is obligated to draw up a report to the Commission by the end of June 2010 on how the 38% object of renewable energy will be reached. According to new calculations by Ministry of Employment and the Economy, Finland will remain at 34% under the current control methods. A working group on the structure and volume of feed-in tariffs for renewable energy proposed that a market-based feed-in tariff should be introduced in Finland for wind power at the beginning of 2010. The Ministry of Employment and the Economy and the Ministry of Finance are still making preparations for the tariff. In all likelihood, the feed-in tariff will not be ready to be introduced before the beginning of 2011.

In 2009, the EU-level discussion for the introduction of and the need for new, potentially binding energy efficiency objectives became more heated. Energy companies, including the production companies of Pohjolan Voima, have joined extensively the energy production action plan related to Finnish industry's energy efficiency agreement. Voluntary agreements help the energy industry show that the promotion of energy efficiency does not require new legislation or taxes.

In line with the EU's Internal Market in Electricity Directive adopted in September 2009 and its requirement to unbundle ownership, Pohjolan Voima initiated the selling process of its shares in the national grid company Fingrid Oyj. The deadline for ownership arrangements set in the Directive is March 2012. Further arrangements concerning ownership will take place in 2010.

The North Ostrobothnia Regional Environment Centre issued two separate statements on the Kollaja project. In its Natura statement, the Regional Environment Centre considered that the Kollaja project would significantly deteriorate the natural values which caused the Pudasjärvi region to be included in the Natura 2000 network. Furthermore, the Regional Environment Centre considered the EIA report to be inadequate and incomplete in many respects. The deficiencies perceived by the authority will be reviewed in 2010.

The reform of the Water Act will proceed to discussion by the Finnish Parliament in the spring 2010. A solution for the disputed concept of "absolute obstruction for granting a permit" would be that in projects of public interest, the Government would issue a statement on the general importance of the project.

Teollisuuden Voima applied in April 2008 to the Government for a Decision in Principle on the construction of a fourth nuclear power plant unit at Olkiluoto. According to Teollisuuden Voima's view, the application for a Decision in

Principle is complete for decision-making in all aspects. The Finnish Government and Parliament are expected to process the application in 2010. Teollisuuden Voima will continue the preparations of the OL4 project and the feasibility studies on plant alternatives in 2010.

The City of Oulu has been granted an environmental permit for a waste combustion plant to be built at the site of Laanilan Voima Oy. Plans for constructing the plant and connecting it to the steam network of Laanilan Voima are underway. An EIA report on constructing a separate new biofuel boiler by Laanilan Voima has been submitted to the coordinating authority, and a statement by the authority is expected in February 2010. The timetable and the final scale of the project will be decided on once the waste combustion plant is complete.

Proposal of the Board of Directors regarding the distribution of profits

The parent company's distributable assets on 31 December 2009 were €78 068 317.25, with the loss for the financial year accounting for €-48 644 391.01. The Board of Directors proposes to the Annual General Meeting that the loss for the financial year be transferred to the retained earnings account and that no dividends be distributed.

Financial Statements for 2009

Profit and Loss Account

Eur 1 000 • 1 Jan–31 Dec		Group		Parent Company	
		2009	2008	2009	2008
Turnover	(1)	988 094	919 005	560 740	509 786
Production for own use		30 151	29 338	-	-
Other operating income	(2)	22 450	29 135	2 458	1 917
Raw materials and services	(3)	-610 563	-569 583	-268 148	-244 090
Personnel expenses	(4)	-80 181	-78 156	-9 163	-7 986
Depreciation and impairment	(5)	-142 450	-87 306	-44 144	-985
Other operating expenses	(6)	-252 280	-255 354	-281 980	-251 040
Share of associated companies' profits or losses		5 192	7 576	-	-
Operating profit or loss		-39 587	-5 346	-40 237	7 602
Financial income and expenses	(7)	-40 377	-47 980	-8 665	-15 204
Profit or loss before appropriations and taxes		-79 964	-53 326	-48 902	-7 602
Appropriations					
Increase (+) or decrease (-) in depreciation difference			-	271	83
Income taxes	(8)	9 193	14 132	-13	-87
Minority interest		11 518	11 574	-	-
Profit or loss for the financial year		-59 253	-27 620	-48 644	-7 606

Balance Sheet

Eur 1 000 • 31 Dec	Group		Parent Company	
	2009	2008	2009	2008
ASSETS				
Non-current assets				
Intangible assets (9)	39 329	53 837	590	921
Tangible assets (10)	4 173 688	3 440 366	2 005	2 177
Investments (11)				
Holdings in Group companies	-	-	1 206 252	1 164 522
Other investments	503 199	475 078	290 593	305 892
	4 716 216	3 969 281	1 499 440	1 473 512
Current assets				
Inventories (12)	271 724	259 395	-	-
Non-current receivables (13)	9 515	8 789	6 693	7 789
Current receivables (14)	233 887	201 089	97 999	106 217
Securities included in liquid assets (15)	2 700	230 350	2 700	42 750
Cash and cash equivalents	189 921	58 982	83 195	55 071
	707 747	758 605	190 587	211 827
	5 423 963	4 727 887	1 690 027	1 685 339
EQUITY AND LIABILITIES				
Shareholders' equity (16)				
Share capital	61 089	60 327	61 089	60 327
Share premium	387 663	387 663	384 194	384 194
Contingency reserve	547	547	547	547
Revaluation reserve	218 644	218 644	218 644	218 644
Reserve for invested non-restricted equity	101 828	77 229	101 828	77 229
Retained earnings	60 056	87 677	24 885	32 491
Profit or loss for the financial year	-59 253	-27 620	-48 644	-7 606
	770 574	804 467	742 543	765 826
Minority interest	382 340	343 595	-	-
Accumulated appropriations				
Depreciation difference	-	-	855	1 126
Obligatory provisions				
Other provisions (17)	493	539		
Liabilities				
Deferred tax liability (18)	61 016	70 244	-	-
Non-current liabilities (19)	3 311 463	2 616 156	696 511	695 192
Current liabilities (20)	898 077	892 886	250 118	223 195
	4 270 555	3 579 286	946 629	918 387
	5 423 963	4 727 887	1 690 027	1 685 339

Cash Flow Statement

Eur 1 000	Group		Parent Company	
	2009	2008	2009	2008
Cash flow from operating activities				
Operating profit or loss	-39 587	-5 346	-40 237	7 602
Adjustments to operating profit or loss	1) 136 960	69 593	44 045	850
Change in net working capital	2) -42 475	-55 176	6 918	1 467
Interest paid	-45 726	-49 847	-33 603	-27 795
Interest received	20 521	15 218	13 080	17 975
Dividends received	2 199	2 993	1 684	1 800
Other financial items	-17 040	493	-294	-221
Income taxes	-36	-4	-29	-
Net cash flow from operating activities	14 816	-22 075	-8 436	1 677
Investments				
Acquisition of subsidiaries	-	-943	-85 592	-95 564
Acquisition of other shares	-11	-487	-	-258
Investments in tangible and intangible assets	-898 132	-786 985	-232	-1 232
Investment subsidies obtained	-	4 817	-	-
Divestment of shares	432	10 564	-	-
Proceeds from sales of tangible and intangible assets	15 698	89 796	162	488
Increase (-) or decrease (+) in loan receivables	-24 762	-20 287	15 300	-9 700
Net cash flow from investment activities	-906 774	-703 525	-70 362	-106 266
Cash flow from financing activities				
Withdrawals of non-current loans	1 433 029	1 130 804	41 320	328 808
Repayment of non-current loans	-735 832	-108 722	-40 000	-103 500
Increase (-) or decrease (+) in interest-bearing receivables	1 097	5 143	1 097	5 169
Increase (+) or decrease (-) in current non-interest-bearing liabilities	21 330	-192 187	38 995	-66 769
Share issue	75 625	85 371	25 360	37 382
Net cash flow from financing activities	795 248	920 408	66 772	201 091
Net change in cash and cash equivalents	-96 710	194 807	-12 026	96 501
Cash transferred in subsidiary mergers	-	-	100	-
Cash and cash equivalents on 1 Jan	289 332	94 525	97 821	1 320
Cash and cash equivalents on 31 Dec	192 621	289 332	85 895	97 821
1) Adjustments to operating profit or loss				
Depreciation and impairment	142 450	87 306	44 144	985
Gains (+) or losses (-) from sales of non-current assets	-298	-10 136	-99	-135
Share of associated companies' profits or losses	-5 192	-7 576	-	-
	136 960	69 593	44 045	850
2) Change in net working capital				
Increase (-) or decrease (+) in inventories	-12 329	-51 453	-	-
Increase (-) or decrease (+) in non-interest-bearing receivables	-31 860	-37 121	7 505	-22 902
Increase (+) or decrease (-) in current non-interest-bearing liabilities	1 759	34 133	-587	24 368
Change in provisions	-46	-736	-	-
	-42 475	-55 176	6 918	1 467

Accounting Principles

Consolidation principles

Pohjolan Voima Oy (Business ID 0210161-4, Helsinki) is the parent company of the Pohjolan Voima Group.

The consolidated financial statements include, in addition to 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, in accordance with Chapter 1, Sections 5 and 6 of the Accounting Act.

The Powest Group is an exception to the above. It has not been included in the consolidated financial statements since Pohjolan Voima only holds series K shares in its parent company, and these are not entitled to any dividend.

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 acquisition cost method. The price paid for energy-generating subsidiaries in excess of equity has been capitalised in full. This consolidation difference asset is depreciated according to the depreciation plan of the fixed asset item in question.

Inter-company transactions and margins

All transactions between Group companies, inter-company receivables and liabilities, margins on internal services and internal distribution of profits 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 differences, and are shown as a separate item in the profit and loss account and balance sheet.

Depreciation difference

The depreciation difference has been divided between unrestricted shareholders' equity and deferred tax liability. The change in depreciation difference during the financial year

has been divided between the net profit or loss 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 of the result corresponding to the shareholding of the Group and the change in the depreciation difference of the associated companies less the tax liability. The value of shares shown in the balance sheet is the proportion of the shareholders' equity and accumulated depreciation difference less tax liability.

The profit or loss of the associated companies is shown in a separate item in the profit and loss account above operating profit.

Items in foreign currencies

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

Non-current assets

Non-current assets have been entered in the balance sheet at their original acquisition cost less depreciation, according to plan and contributions received. Revaluation has been made on hydropower buildings and dam structures in 1992 and 1993, and these are included in the balance sheet values. The revaluations have not been depreciated.

Depreciation according to plan has been calculated according to the expected useful life.

Useful life has been defined as follows:

- | | |
|------------------------------|-------------|
| • hydropower plants | 40–80 years |
| • nuclear power plants | 10–61 years |
| • condensing power plants | 25 years |
| • co-generation power plants | 4–33 years |
| • wind turbines | 10–20 years |
| • transmission lines | 30 years |
| • other non-current assets | 3–40 years |

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

Depreciable acquisition costs of power plants are considered to be write-downs and recognised as expenses if the future accrued earnings from the plants will be permanently smaller than depreciable acquisition costs. During the financial period 2009, a write-down has been recognised for two power plants. Due to high fuel costs, it is not foreseeable that the Mussalo gas-fired power plant (MU2) will have any further use other than as reserve capacity. As for the Nokia plant, the write-down is based on the transfer price agreed when the business operations were sold.

Inventories

Inventories have been valued at the original acquisition cost, including variable expenses due to acquisition and manufacture, 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, discounts and indirect taxes are deducted from sales revenues. Sales revenues are entered as income at the time of delivery.

Research and development expenditure

Research and development expenses connected with production operations have been entered as an expense during the year of their emergence.

Pension arrangements

Pension cover in the Group companies has been arranged with a Finnish insurance company.

Income tax

The estimated taxes corresponding to the results of Group companies for the financial year, adjustments to taxes in previous financial years, and changes in deferred tax liability are all entered as taxes. Deferred tax liability is calculated for the temporary difference between taxation and financial statements using the confirmed tax rate on the closing date.

Emission allowances

Acquired emissions allowances are recognised at cost and presented under intangible assets in the balance sheet. Emissions allowances obtained without consideration are off-balance sheet assets. An obligation concerning emissions allowances to be returned is recognised at the carrying amount of the emissions allowances held under current liabilities. If the amount of emission allowances is not sufficient to cover the realised emissions, a provision for the missing emissions allowances is included in the obligatory provisions at the market price of emissions allowances. Sales of emissions allowances are included in turnover (other sales) and emissions allowance expenses are recognised under materials and services.

In 2007, Pohjolan Voima Group made SWAP transactions of emissions allowances and emissions reductions in advance for the emissions trade period 2008–2012. The term “SWAP transaction” refers to the simultaneous sale of an

emissions allowance (EUA) and purchase of an emissions reduction (CER), i.e. trading a EUA unit for a corresponding number of CER units. In 2009, it was decided by the Group to cancel the advance SWAP positions by making corresponding but reversed transactions for the years 2010–2012.

Measurement of financial instruments

Securities included in liquid assets

Securities included in liquid assets consist of liquid units in investment funds with short-term interest and certificates of deposit of financial institutions. Securities included in liquid assets are measured at the original acquisition cost on the balance sheet. They are included in cash and cash equivalents in the cash flow statement

Handling of derivatives

The period of fixed interest rates applied to loans with floating interest rates has been prolonged through interest swaps as well as interest cap or floor agreements. The interest related to these agreements has been matched on an accrual basis in the accounts, shown as net sums under interest expenses. The premium part of interest options has been allocated over the duration of the options.

Derivative contracts, as well as their nominal and market values, have been specified in the Notes to the Accounts.

Exchange derivatives are forward contracts used to convert raw material purchases made in foreign currencies into euros. The exchange rate differences of derivatives have been recorded to adjust the corresponding acquisition costs.

Notes to the Profit and Loss Account

Eur 1 000	Group		Parent Company	
	2009	2008	2009	2008
(1) Turnover				
Sales of electricity produced	552 483	495 262	418 849	383 219
Sales of heat produced	173 860	155 398	135 127	121 361
Other sales	261 751	268 345	6 764	5 206
	988 094	919 005	560 740	509 786
(2) Other operating income				
Proceeds from sale of property, plant and equipment and other assets	327	10 203	58	135
Rental income	2 970	2 927	1 470	1 513
National reserve capacity remuneration	13 118	9 880	-	-
Other income	3 935	4 768	930	269
Electricity production subsidies	2 099	1 358	-	-
	22 450	29 135	2 458	1 917
(3) Total materials and services				
Fuels	247 183	247 003	-	-
Other raw materials, supplies and consumables	316 963	326 600	268 148	244 069
Purchases during the financial year	564 146	573 603	268 148	244 069
Change in inventories	-12 508	-52 998	-	-
External services	58 926	48 978	-	21
	610 563	569 583	268 148	244 090

Emissions allowances

	2009		2008	
	CO ₂ -tonnes	Eur 1000	CO ₂ -tonnes	Eur 1000
Emissions allowances obtained without consideration	2 791 251		2 416 977	
Total emissions from Group companies	3 466 375		2 789 661	
Emissions allowances held by Group companies	3 674 888		2 935 573	
Emissions allowances sold	686 273	11 700	843 935	18 880
Emissions allowances purchased	1 448 404	20 588	1 362 531	28 160

Notes to the Profit and Loss Account

Eur 1 000	Group		Parent Company	
	2009	2008	2009	2008
(4) Personnel expenses and average number of personnel				
Salaries and fees				
Board Members and CEO	1 804	1 675	919	878
Other salaries and wages	63 624	61 138	6 029	5 444
	65 428	62 814	6 948	6 322
Pension expenses	11 817	10 431	1 882	1 294
Other personnel-related expenses	2 936	4 912	333	370
	14 753	15 343	2 215	1 664
Total personnel expenses	80 181	78 156	9 163	7 986
Average number of personnel				
Salaried employees	903	888	81	76
Wage-earners	238	240	-	1
Total	1 141	1 128	81	77
The retirement age of Group company presidents, CEOs and certain other management members is 60-62 years, according to agreements made with them.				
(5) Depreciation and impairment				
Planned depreciation				
Intangible rights	199	122	-	-
Goodwill	50	55	-	-
Other capitalised long-term expenses	2 754	2 381	186	146
Buildings and constructions	17 430	15 120	43	42
Machinery and equipment	71 962	64 643	368	350
Other tangible assets	5 323	3 404	-	-
Impairment of non-current assets	44 733	1 582	43 100	-
Investments	-	-	447	447
	142 450	87 306	44 144	985
(6) Other operating expenses				
Purchases of energy	28 349	35 581	273 610	243 732
Share of associated companies' profits or losses	-5 192	-7 576	-	-
Repair, servicing and maintenance services	36 493	33 746	152	286
Rents	26 113	31 953	1 989	1 953
Real estate taxes	9 970	9 403	66	64
Other	151 356	144 673	6 163	5 005
	247 088	247 778	281 980	251 040
Auditor's fees				
PricewaterhouseCoopers Oy:				
Audit fees	292	283	92	85
Tax counselling	1	5	-	3
Auditor's statements	7	10	1	-
Other services	260	105	181	-
	560	404	274	88

Notes to the Profit and Loss Account

Eur 1 000	Group		Parent Company	
	2009	2008	2009	2008
(7) Financing income and expense				
Dividend income				
From associated companies	-	-	1 683	1 798
From others	516	1 194	1	2
	516	1 194	1 684	1 800
Interest income from non-current investments				
From Group companies	-	-	10 375	13 085
From associated companies	74	149	74	149
From others	7 858	13 761	117	268
	7 932	13 911	10 566	13 502
Other interest and financial income				
From Group companies	-	-	1 669	3 470
From associated companies	-	251	-	251
From others	6 908	4 410	77	976
	6 908	4 662	1 746	4 697
Total interest and financial income	14 840	18 572	12 312	18 199
Interest and other financial expenses				
To Group companies	-	-	-10 604	-19 509
To others	-55 733	-67 747	-12 057	-15 694
Total interest and financial expenses	-55 733	-67 747	-22 661	-35 203
Total financial income and expenses	-40 377	-47 980	-8 665	-15 204
The item Other interest and financial income includes exchange rate differences, net	-1	-170	-9	89
(8) Income taxes				
Taxes for the financial year	34	36	14	26
Taxes for the previous financial years	2	63	-1	61
Change in deferred tax liability	-9 229	-14 230	-	-
	-9 193	-14 132	13	87

Notes to the Balance Sheet

(9) Intangible Assets

Eur 1 000	Intangible rights	Other capitalised expenses	Pre-payments	Goodwill	Total
Group					
Acquisition cost on 1 Jan	32 152	65 803	116	539	98 611
Increases	16 912	336	84		17 332
Decreases	-28 276	-2			-28 279
Transfers between accounts		1 072	-151		921
Acquisition cost on 31 Dec	20 788	67 209	50	539	88 586
Accumulated depreciation on 1 Jan	-929	-43 489	-	-356	-44 774
Accumulated depreciation on decreases and transfers		1	-		1
Depreciation during the financial year	-199	-4 235	-	-50	-4 484
Accumulated depreciation on 31 Dec	-1 128	-47 723	-	-406	-49 257
Book value on 31 Dec 2009	19 660	19 486	50	133	39 329
Book value on 31 Dec 2008	31 223	22 315	116	183	53 837
Subsidies decreasing the acquisition cost	29				29
Parent Company					
Acquisition cost on 1 Jan	327	2 065	-	-	2 392
Increase in acquisition costs for mergers	5	-	-	-	5
Increases	-	38	-	-	38
Decreases	-299	-	-	-	-299
Transfers between accounts	-	112	-	-	112
Acquisition cost on 31 Dec	33	2 215	-	-	2 248
Accumulated depreciation on 1 Jan	-	-1 472	-	-	-1 472
Depreciation during the financial year	-	-186	-	-	-186
Accumulated depreciation on 31 Dec	-	-1 658	-	-	-1 658
Book value on 31 Dec 2009	33	557	-	-	590
Book value on 31 Dec 2008	327	594	-	-	921

Emissions allowances on 31 Dec 2009:

Intangible assets include emissions allowance assets totalling €16.834 million.

The Group holds off-balance sheet emissions allowance assets totalling €2.740 million (217 295 tonnes of CO₂).

Notes to the Balance Sheet

(10) Tangible Assets

Eur 1 000	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Pre-payments	Total
Group						
Acquisition cost on 1 Jan	46 878	514 653	2 030 177	317 699	1 963 338	4 872 745
Increases	275	7 961	19 913	1 748	859 746	889 643
Decreases	-17	-1 096	-21 991	-13	-1 853	-24 971
Transfers between accounts		32 716	55 891	8 848	-98 375	-921
Acquisition cost on 31 Dec	47 136	554 234	2 083 990	328 281	2 722 855	5 736 497
Accumulated depreciation on 1 Jan	-	-216 151	-1 181 668	-34 560	-	-1 432 379
Accumulated depreciation on decreases and transfers	-	1 020	6 503	13	-	7 537
Depreciation during the financial year	-	-20 272	-109 163	-8 532	-	-137 967
Accumulated depreciation on 31 Dec	-	-235 403	-1 284 328	-43 078	-	-1 562 809
Book value on 31 Dec 2009	47 136	318 831	799 663	285 204	2 722 855	4 173 688
Book value on 31 Dec 2008	46 878	298 502	848 509	283 139	1 963 338	3 440 366
Increases in value included in the acquisition cost per 31 Dec		66 296		198 849		265 145
Production machinery and equipment on 31 Dec			717 290			717 290
Subsidies decreasing the acquisition cost		1 593	7 846	94		9 533

Capitalised interest during construction

Eur 1 000	Other capitalised expenses	Buildings and constructions	Machinery and equipment	Other tangible assets	Pre-payments	Total
Group						
Acquisition cost on 1 Jan	3 530	31 564	117 092	2 609	126 125	280 920
Increases	-	-	197	-	151 065	151 262
Acquisition cost on 31 Dec	3 530	31 564	117 289	2 609	277 189	432 181
Accumulated depreciation on 1 Jan	-2 195	-20 690	-74 914	-1 723	-	-99 522
Depreciation during the financial year	-107	-470	-1 919	-33	-	-2 529
Accumulated depreciation on 31 Dec	-2 302	-21 160	-76 833	-1 756	-	-102 051
Book value on 31 Dec 2009	1 228	10 404	40 456	853	277 189	330 130
Book value on 31 Dec 2008	1 335	10 874	42 178	886	126 125	181 398

Notes to the Balance Sheet

(10) Tangible assets

Eur 1 000	Land and water areas	Buildings and constructions	Machinery and equipment	Other tan- gible assets	Pre- payments	Total
Parent Company						
Acquisition cost on 1 Jan	198	962	3 879	7	87	5 133
Increase in acquisition costs for mergers	26	318	-	-	-	344
Increases	1	5	154	0	68	228
Decreases	-17	-117	-80	-	-	-214
Transfers between accounts	-	39	3	-	-155	-113
Acquisition cost on 31 Dec	208	1 207	3 956	7	0	5 378
Accumulated depreciation on 1 Jan	-	-606	-2 350	-	-	-2 956
Increase in accumulated depreciation for mergers	-	-122	-	-	-	-122
Accumulated depreciation on decreases and transfers	-	42	74	-	-	116
Depreciation during the financial year	-	-43	-368	-	-	-411
Accumulated depreciation on 31 Dec	-	-729	-2 644	-	-	-3 373
Book value on 31 Dec 2009	208	478	1 312	7	0	2 005
Book value on 31 Dec 2008	198	356	1 529	7	87	2 177
Production machinery and equipment on 31 Dec			493			

(11) Investments

Eur 1 000	Holdings in associated companies	Other shares and holdings	Other receivables	Total
Group				
Acquisition cost on 1 Jan	125 952	42 986	306 139	475 078
Increases	5 192	11	25 017	30 220
Decreases	-1 683	-70	-21	-1 774
Transfers between accounts	-	-	-326	-326
Acquisition cost on 31 Dec	129 462	42 926	330 811	503 199
Book value on 31 Dec 2009	129 462	42 926	330 811	503 199
Book value on 31 Dec 2008	125 952	42 986	306 139	475 077

Eur 1 000	Holdings in Group companies	Receivables from Group companies	Holdings in asso- ciated companies	Other shares and holdings	Total
Parent Company					
Acquisition cost on 1 Jan	1 164 522	253 395	48 839	3 658	1 470 414
Increases	85 592	47 800	-	-	133 392
Decreases due to mergers	-314	-	-	-	-314
Decreases	-43 548	-63 100	-	-	-106 648
Acquisition cost on 31 Dec	1 206 252	238 095	48 839	3 658	1 496 844
Book value on 31 Dec 2009	1 206 252	238 095	48 839	3 658	1 496 844
Book value on 31 Dec 2008	1 164 522	253 395	48 839	3 658	1 470 414
Increases in value included in the acquisition cost per 31 Dec	265 145				

Notes to the Balance Sheet

Eur 1 000	Group		Parent Company	
	2009	2008	2009	2008
(12) Inventories				
Fuels (coal + unrefined uranium)	131 083	127 161		
Raw materials, supplies (other fuels)	140 641	132 235		
	271 724	259 395		
Fuels (coal + unrefined uranium)				
Reacquisition price	172 526	178 237		
Book value	131 083	127 161		
Difference	41 443	51 076		
(13) Non-current receivables				
Loans receivable	7 421	8 520	6 692	7 788
Capital loan receivables	-	-	1	1
Non-current other receivables	2 094	269	-	-
	9 515	8 789	6 693	7 789
Receivables from Group companies				
Capital loan receivables			1	1
Receivables from associated companies				
Loans receivable	2 692	2 789	2 692	2 789
	2 692	2 789	2 692	2 789

Notes to the Balance Sheet

Eur 1 000	Group		Parent Company	
	2009	2008	2009	2008
(14) Current receivables				
Trade receivables	109 087	106 535	62 675	68 103
Loans receivable *)	469	397	-	-
Other receivables	11 550	18 027	3	4
Accrued income	112 781	76 131	35 321	38 110
	233 887	201 089	97 999	106 217
Receivables from Group companies				
Trade receivables			306	160
Accrued income			22 955	21 581
			23 261	21 741
Receivables from associated companies				
Trade receivables	2 520	715	1 666	1
Loans receivable	199	-	-	-
Other receivables	-	1 936	-	-
Accrued income	3 214	3 002	630	1 974
	5 933	5 654	2 296	1 975
Material items included in current accrued income				
Personnel expenses allocated to financial year	117	259	76	-
Interest income allocated to financial year	8 930	14 773	320	1 079
Prepaid financing expenses	19 337	10 828	-	-
Income taxes allocated to financial year	26	16	21	6
Indirect taxes allocated to financial year	1 743	3 110	-	-
SWAP transactions of emissions allowances allocated to financial year	8 837	9 376	15 140	14 978
Prepaid leasing expenses	60 191	19 650		
Other	13 600	18 120	19 764	22 047
	112 781	76 131	35 321	38 110
*) Loan receivables include Group account receivables of participating interest companies and other companies				
Interest-bearing receivables				
Non-current assets	328 915	305 455	238 095	253 395
Current assets	200 511	298 249	92 587	105 610
	529 426	603 704	330 682	359 005
(15) Securities included in liquid assets				
Units in investment funds with short-term interest, certificates of deposit and commercial papers				
Reacquisition price	2 699	231 599	2 699	42 778
Book value	2 700	230 350	2 700	42 750
Difference	-1	1 249	-1	29

Notes to the Balance Sheet

Eur 1 000	Group		Parent Company	
	2009	2008	2009	2008
(16) Shareholders' equity				
Share capital on 1 Jan	60 327	58 810	60 327	58 810
Transfer from share issues	762	1 517	762	1 517
Share capital on 31 Dec	61 089	60 327	61 089	60 327
Share issue on 1 Jan	0	15 136	0	15 136
Transfer to share capital	-762	-1 517	-762	-1 517
Transfer to reserve for invested non-restricted equity	-24 599	-49 001	-24 599	-49 001
Share issues during the financial year	25 360	35 382	25 361	35 382
Share issue on 31 Dec	0	0	0	0
Share premium fund on 1 Jan	387 663	387 663	384 194	384 194
Share premium fund on 31 Dec	387 663	387 663	384 194	384 194
Contingency reserve on 1 Jan	547	547	547	547
Contingency reserve on 31 Dec	547	547	547	547
Revaluation reserve on 1 Jan	218 644	218 644	218 644	218 644
Revaluation reserve on 31 Dec	218 644	218 644	218 644	218 644
Reserve for invested non-restricted equity on 1 Jan	77 229	28 228	77 229	28 228
Share issues	24 599	49 001	24 599	49 001
Reserve for invested non-restricted equity on 31 Dec	101 828	77 229	101 828	77 229
Retained earnings on 1 Jan	60 056	87 677	24 885	32 491
Retained earnings on 31 Dec	60 056	87 677	24 885	32 491
Profit or loss for the financial year	-59 253	-27 620	-48 644	-7 606
Total shareholders' equity	770 574	804 467	742 543	765 826
Depreciation difference				
Share of depreciation difference recognised under Shareholders' equity	62 124	69 913		
Distributable funds on 31 Dec				
Retained earnings			24 885	32 491
Profit or loss for the financial year			-48 644	-7 606
Reserve for invested non-restricted equity			101 828	77 229
			78 069	102 114

Notes to the Balance Sheet

Share capital by share category	Number	Eur 1 000
Series A: entitling the holder to obtain energy produced or supplied by PVO-Vesivoima Oy	13 350 077	22 453
Series B: entitling the holder to obtain 56.8% of the energy produced or supplied by Teollisuuden Voima Oyj's Olkiluoto 1 or 2 units	7 124 507	11 983
Series B2: entitling the holder to obtain 60.2% of the energy produced by Teollisuuden Voima Oyj's Olkiluoto 3 unit once it is finalised	1 496 008	2 516
Series C: entitling the holder to obtain energy produced or supplied by PVO-Lämpövoima Oy	7 107 592	11 954
Series C2: entitling the holder to obtain 56.8% of the energy produced or supplied by Teollisuuden Voima Oyj's Meri-Pori coal-fired unit	359 198	604
Series E1: entitling the holder to obtain energy produced by Mussalon Kaukolämpö Oy	229 741	386
Series G: entitling the holder to obtain 49.9% of the energy produced by Oy Alholmens Kraft Ab	354 290	596
Series G2: entitling the holder to obtain 76.0% of the energy produced by Kymin Voima Oy	238 216	401
Series G3: entitling the holder to obtain 50.0% of the energy produced by Järvi-Suomen Voima Oy	115 850	195
Series G4: entitling the holder to obtain 72.0% of the energy produced by Rauman Voima Oy	296 486	499
Series G5: entitling the holder to obtain energy produced by Laanilan Voima Oy	72 072	121
Series G6: entitling the holder to obtain energy produced by Porin Prosessivoima Oy	646 217	1 087
Series G7: entitling the holder to obtain 90.0% of the energy produced by Wisapower Oy	661 300	1 112
Series G9: entitling the holder to obtain 54.0% of the energy produced by Kaukaan Voima Oy	535 071	900
Series H: entitling the holder to obtain energy produced by PVO-Huippuvoima Oy	500 000	841
Series I: entitling the holder to obtain 82.5% of the energy produced by the PVO-Innower Oy's Oulunsalo, Oulu, Kokkola and Kristiinankaupunki wind turbines	24 977	42
Series I2: entitling the holder to obtain 83.8% of the energy produced by the PVO-Innower Oy's Riutunkari wind turbines	25 008	42
Series I3: entitling the holder to obtain 71.7% of the energy produced by the PVO-Innower Oy's Ajos wind farm	121 711	205
Series K1: entitling the holder to obtain energy produced or supplied by Kokkolan Voima Oy	176 428	297
Series K2: entitling the holder to obtain energy produced or supplied by Vieskan Voima Oy	25 178	42
Series K3: entitling the holder to obtain energy produced or supplied by Keravan Lämpövoima Oy	308 007	518
Series N: entitling the holder to obtain 80.1% of the energy produced by Nokian Lämpövoima Oy	1 506 938	2 534
Series V: entitling the holder to obtain 50.0% of the energy produced by Vaskiluodon Voima Oy	1 046 823	1 761
	36 321 695	61 089

The owners of each series of shares are responsible for the overheads related to the series in question in proportion to their holdings, irrespective of whether they have used their capacity or energy share, as well as for the variable costs in proportion to the energy volumes supplied.

Notes to the Balance Sheet

Eur 1 000	Group		Parent Company	
	2009	2008	2009	2008
(17) Obligatory provisions				
Other provisions	493	539		
(18) Deferred tax liability				
Deferred tax liability Of appropriations	61 016	70 244		
(19) Non-current liabilities				
Bonds	935 086	88 446		
Loans from credit institutions	1 436 359	1 731 114	230 000	270 000
Pension loans	21 694	21 694	21 694	21 694
Other non-current liabilities	918 323	774 901	444 817	403 498
	3 311 463	2 616 156	696 511	695 192
Amounts owed to Group companies Other non-current liabilities			444 817	403 498
Debts with maturity after five years or longer				
Loans from credit institutions	1 751 711	690 351	50 000	50 000
Other non-current debts	195 844	198 970	10 847	13 559
	1 947 555	889 321	60 847	63 559

Notes to the Balance Sheet

Eur 1 000	Group		Parent Company	
	2009	2008	2009	2008
(20) Current liabilities				
Loans from credit institutions	189 978	128 382	-	-
Other current liabilities *)	417 466	455 789	129 388	90 393
Prepayments received	10 611	8 317	44	-
Trade payables	64 941	57 508	75 838	70 052
Other current liabilities	50 740	57 073	11 861	13 184
Accruals and deferred liabilities	164 341	185 817	32 987	49 566
	898 077	892 886	250 118	223 195
To Group companies				
Trade payables			66 305	61 962
Accruals and deferred liabilities			17 053	26 696
			83 358	88 658
To associated companies				
Trade payables	7 689	7 532	7 582	7 532
Other	78	97	-	-
Accruals and deferred liabilities	177	2 733	-	2 595
	7 944	10 362	7 582	10 127
Items with material importance included in accruals and deferred liabilities				
Personnel expenses allocated to financial year	17 362	14 943	1 502	986
Interest expenses allocated to financial year	60 552	59 123	11 645	22 872
Indirect taxes allocated to financial year	334	394	-	-
SWAP transactions of emissions allowances allocated to financial year	7 977	7 174	14 965	14 497
Other	78 116	104 183	4 875	11 211
	164 341	185 817	32 987	49 566
*) Other current liabilities include Group account liabilities of participating interest companies and other companies	4 177	29 632	4 177	29 632
Non-interest-bearing and interest-bearing liabilities				
Long-term				
Interest-bearing	3 311 463	2 616 156	696 511	695 192
	3 311 463	2 616 156	696 511	695 192
Short-term				
Non-interest bearing	290 633	308 714	120 730	132 802
Interest-bearing	607 444	584 171	129 388	90 393
	898 077	892 886	250 118	223 194

Notes to the Balance Sheet

Eur 1 000	Group		Parent Company	
	2009	2008	2009	2008
(21) Contingent liabilities				
Pledged deposits				
As security for own liabilities	2 240	4 104	33	196
Guarantees				
Guarantees for loans				
On behalf of associated companies	60 528	61 913	60 499	61 883
Other guarantees				
As security for own liabilities	27 866	27 869	21 694	21 694
For Group companies		-	4 500	4 500
	88 394	89 782	86 693	88 077
Leasing liabilities				
Payments during following financial year	20 359	23 084	21	21
Payments in subsequent years	341 469	280 435	35	55
	361 828	303 519	56	76
Leasing liabilities of power plants during construction	108 229	148 645	-	-
	470 057	452 164	56	76
Rental liabilities	16 845	19 374	10 653	12 739
Other liabilities				
Nuclear waste management liabilities	1 161 211	1 137 600		

Notes to the Balance Sheet

Eur 1 000	Group		Parent Company	
	2009	2008	2009	2008
Nuclear waste management liabilities				
Amount of nuclear waste management under the Nuclear Energy Act Target for 2009 (2008) in the State Nuclear Waste Management Fund	1 160 700	1 137 600		
Unit in the State Nuclear Waste Management Fund on 31 Dec	1 026 313	968 551		
Difference between the liability amount and the share in the fundt on 31 Dec	134 387	169 049		
Guarantees for unforeseen expenses in nuclear waste management	253 570	264 700	144 050	150 342
Nuclear waste management receivables pledged to the State Nuclear Waste Management Fund	324 083	300 277		

Under the Finnish Nuclear Energy Act, Teollisuuden Voima, a subsidiary of which Pohjolan Voima owns 58.12%, is obligated to fund the decommissioning of the nuclear power plant and final disposal of spent nuclear fuel (nuclear waste management liabilities) through the State Nuclear Waste Management Fund.

The statutory fund target of the State Nuclear Waste Management Fund and the share in the fund differ at the end of 2009 due to the annual readjustment of the liability and fund target. The difference is due to timing, as the annual statutory fund target is paid during the first quarter of the following financial year. The difference between the nuclear waste management liability amount under the Nuclear Energy Act and the fund target for 2009 is due to a temporary decrease in the fund target for 2008–2012 approved by the Government under Section 46 of the Nuclear Energy Act. Guarantees pledged to the State for the uncovered part of the nuclear waste management liability amounted to €253.6 million on 31 December 2009 (€264.7 million on 31 December 2008). The guarantees also cover liability for any unforeseen expenses of nuclear waste management in accordance with the Nuclear Energy Act.

A party liable for nuclear waste management is entitled to borrow 75% of the share in the State Nuclear Waste Management Fund. Teollisuuden Voima Oyj has loaned the assets borrowed from the fund to its shareholders and pledged its receivables from the shareholders to the fund as a guarantee for its loan.

Pohjolan Voima Oy has a commitment to invest €432.0 million in Teollisuuden Voima's OL3 nuclear plant unit in 2004–2013 and to give a shareholder loan of €108.0 million, and to grant an additional shareholder loan of up to €180.7 million. By 31 December 2009, Pohjolan Voima Oy had paid out €453.0 million of its commitment. The investments are based on the OL3 financing plan, according to which the equity required by the investment is accumulated along with the progress of the project.

In December 2008, the AREVA-Siemens consortium (Plant Supplier) submitted to the International Chamber of Commerce (ICC) an arbitration-related request concerning the delay in the completion of OL3 and the resulting costs. The Supplier demands compensation worth €1 billion. About half of the compensation relates to additional costs that the Supplier claims to have incurred because of the delay. The rest of the compensation demand concerns instalments in line with the OL3 plant contract that, according to Teollisuuden Voima, have not fallen due to payment yet. Teollisuuden Voima has declared the Supplier's demand as unjustified and supplied its response and its own demand to the ICC. Teollisuuden Voima's demand amounts to about €1.4 billion.

In addition, Teollisuuden Voima is party to another arbitration procedure, concerning the costs of a technically solved matter pertaining to the construction of OL3, with the value of these being minor compared to the project's value. The arbitration proceedings may continue for several years. No receivables or provisions have been recognised as a result of the arbitration proceedings.

Kymin Voima Oy and the Kymi plant of UPM-Kymmene Corporation make joint use of the Lamminmäki landfill. According to the permit given by the South-East Finland Regional Environment Centre, the landfill can be used until 2019. The total costs incurred for the closing stage are estimated to be €2.0 million, with Kymin Voima Oy liable for about €1.4 million of the whole. The full materialisation of these costs is uncertain, because the ash can possibly be recycled and, on the other hand, the amount of ash and waste produced depends on the future degree of use of the power plant.

The agreement between the State and PVO-Vesivoima Oy on the use of Iijoki hydropower, owned by the State, at four power plants terminated at the end of 2005. Early in 2006, PVO-Vesivoima Oy applied for a permanent right to use the State's hydropower from the Northern Finland Environmental Permit Authority. The Environmental Permit Authority passed its resolution on 5 May 2008. PVO-Vesivoima Oy was granted the permanent right to use State-owned hydropower, and the lump-sum compensation was set at €2.25 million. The State has appealed against the decision to the Vaasa Administrative Court. The resolution on granting the permanent right to use is not final, and no provision on the payment of compensation has been recognised. The appeals have no impact on the operations of the Iijoki power plants.

Notes to the Balance Sheet

Eur 1 000	Group		Parent Company	
	2009	2008	2009	2008
(22) Derivative contracts				
Capital values and market values of derivative contracts providing a hedge against exchange rate and interest risks were as follows:				
Interest derivatives				
Option contracts				
Purchased (nominal value)	810 000	1 290 000		
Market value	114	1 914		
Placed (nominal value)	810 000	1 290 000		
Market value	-7 519	-4 841		
Interest swap contracts (nominal value)	1 487 196	1 773 446	267 500	245 000
Market value	-64 479	-45 161	-1 916	-2 478
Currency derivatives				
Forward contracts (nominal value)	179 957	225 239	49 396	78 283
Market value	-3 295	78	364	-500

Financing risks

The aims and risks of financing operations have been defined in the financing policy adopted by the Board of Directors. The refinancing risk is managed through diversified sources of financing, sufficiently long maturity of loans and a balanced schedule of maturity. Agreements on the maturity and refinancing of long-term credits are made so that a maximum of 25% of the outstanding credits will fall due within the next 12 months. The primary loan currency is the euro. If loans are taken out in other currencies, the currency risk is eliminated by means of derivative contracts. The currency risk included in the raw-material purchased paid in foreign currencies are managed through currency derivatives.

The interest rate risk is monitored by means of duration, which indicates the sensitivity of the loan portfolio to changes in the interest rate level. The duration of the loan portfolio is managed within the limits set by the financing policy, using derivative contracts if necessary. The Group maintains a certain amount of liquid assets, credit limit arrangements and commercial paper programmes to reduce the liquidity risk. Free liquidity is invested in financial instruments that can be liquidated quickly, if necessary, issued by companies specified in the financing policy.

Shares and Holdings

	Production form	Registered Office	Group holding in %	Parent Company holding in %
Group companies				
Järvi-Suomen Voima Oy	Thermal power	Helsinki	50.000	50.000
Kaukaan Voima Oy	Thermal power	Helsinki	54.000	54.000
Keravan Lämpövoima Oy	Thermal power	Helsinki	100.000	100.000
Kokkolan Voima Oy	Thermal power	Helsinki	100.000	100.000
Kymin Voima Oy	Thermal power	Helsinki	76.000	76.000
Laanilan Voima Oy	Thermal power	Helsinki	100.000	100.000
Mussalon Kaukolämpö Oy	Thermal power	Helsinki	100.000	100.000
Mussalon Kiinteistöt Oy		Helsinki	100.000	100.000
Nokian Lämpövoima Oy	Thermal power	Helsinki	80.100	80.100
Olkiluodon Vesi Oy		Helsinki	58.280	
Perusvoima Oy		Helsinki	58.280	
Porin Prosessivoima Oy	Thermal power	Helsinki	100.000	100.000
Posiva Oy		Helsinki	34.968	
PVO-Huippuvoima Oy	Thermal power	Helsinki	100.000	100.000
PVO-Innopower Oy	Wind power	Helsinki	74.657	74.657
PVO-Lämpövoima Oy	Thermal power	Helsinki	100.000	100.000
PVO-Pool Oy		Helsinki	100.000	100.000
PVO-Vesivoima Oy	Hydropower	Helsinki	100.000	100.000
Raahen Prosessivoima Oy	Thermal power	Helsinki	100.000	100.000
Rauman Voima Oy	Thermal power	Helsinki	71.949	71.949
Rouhialan Voimansiirto Oy		Helsinki	100.000	100.000
Teollisuuden Voima Oyj	Nuclear power	Helsinki	58.280	58.280
TVO Nuclear Services Oy		Eurajoki	58.280	
Vieskan Voima Oy	Thermal power	Helsinki	100.000	100.000
Wisapower Oy	Thermal power	Helsinki	89.976	89.976

	Registered Office	Group holding in %	Parent Company holding in %	Shareholders' equity	Profit or loss for the financial year
Associated and participating interest companies					
Oy Alholmens Kraft Ab	Pietarsaari	49.900	49.900		
Fingrid Oyj	Helsinki	25.083	25.083		
Tahkoluodon Polttoöljy Oy	Pori	32.000		36	16
Tornionlaakson Voima Oy	Ylitornio	50.000			
Vaskiluodon Voima Oy	Vaasa	50.000	50.000		
Voimalohi Oy	Kemi	50.000		338	-1

Other holdings

1) Powest Group	Helsinki		80.519	29 706	1 476
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1) The Powest sub-group is not included in the Pohjolan Voima Consolidated Financial Statements (see Accounting Policies, entitlement to dividends).

Proposal of the Board of Directors for recording the financial result

The parent company Pohjolan Voima's profit and loss account indicates a loss of €48 644 391.01.

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

Helsinki, 18 February 2010

Tapio Korpeinen
Chairman

Juha Vanhainen
Deputy Chairman

Tapani Kurkela

Kari Rämö

Jyrki Mäki-Kala

Tapani Sointu

Hannu Anttila

Rami Vuola

Timo Rajala
President and CEO

Auditors' Note

An Auditors' report has been issued today.

Helsinki, 2 March 2010

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Accountant

Auditor's report

To the Annual General Meeting of Pohjolan Voima Oy

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Pohjolan Voima Oy for the period 1.1. – 31.12.2009. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements and the report of the Board of Directors in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 2 March 2010

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Accountant