2011

Annual report by the Board of Directors and Financial Statements

POHJOLAN VOIMA

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Annual report by the Board of Directors 2011

Operating environment

In 2011, the total electricity consumption in Finland was 84.4 TWh (87.5 TWh in 2010). Of this volume, 70.6 (77.0) TWh was produced in Finland, while net imports into Finland amounted to 13.9 (10.5) TWh. Net imports increased 32 per cent on the previous year. Early in the year, consumption was up because of the cold weather and favourable economic conditions. However, the gloomier economic outlook towards the end of the year diminished the consumption of electricity, particularly in industry.

The annual average system price on Nord Pool was €47.05 (€53.06) per MWh, while the annual average of the Finnish area price was €49.30 (€56.64) per MWh. The volume of physical electricity trading on Nord Pool, the Nordic electricity exchange, was 315.8 TWh (307 TWh).

In the summer, the price of emissions allowances started to decrease due to the European economic crisis, and the downward trend continued until the end of the year. The market price of an emission allowance varied between €6.45 and €17.42.

Pohjolan Voima's electricity and heat production

In 2011, Pohjolan Voima's total electricity supply was 24.3 (23.5) TWh. The Group's own electricity production accounted for 15.0 (17.6) TWh, of which the parent company's supplies to its shareholders were 14.5 (17.1) TWh. The subsidiaries supplied 0.5 (0.5) TWh to their other shareholders. Purchases from Nordic electricity markets amounted to 9.4 (5.9) TWh. Heat supplies were 7.5 (7.5) TWh.

Nuclear power made up 33.0% (34.0%) of the electricity supply. Teollisuuden Voima's Olkiluoto nuclear power plant generated 14.1 (14.1) TWh of electricity, of which Pohjolan Voima obtained 8.0 (8.0) TWh, in accordance with its shareholding. The joint capacity factor of the Olkiluoto plant units was 92.8% (93.5%).

Hydropower accounted for 1.7 (1.7) TWh, or 7.2% (7.1%), of the electricity supply.

Pohjolan Voima produced 1.5 (3.8) TWh of condensing power, which represented 6.4% (16.2%) of the electricity supply. The consumption of condensing power was down on the previous year due to improved water conditions in the spring and the mild autumn weather. A total of 3.6 (4.0) TWh of electricity was generated in the CHP plants.

Pohjolan Voima's electricity supply (GWh) and turnover trend (Meur) 2006 - 2010

	2007	2008	2009	2010	2011
Nuclear power	8 150	8 137	8 170	7 988	8 025
Hydro power	1 782	2 171	1 551	1 670	1 709
CHP	3 739	3 436	3 090	4 032	3 587
Condensing power	3 542	1 737	2 419	3 810	1 548
Wind power	28	60	108	103	92
Purchases	4 691	5 209	6 355	5 883	9 360
Total	**21 932**	**20 750**	**21 693**	**23 485**	**24 321**
Turnover (Meur)*	651	791	833	1 041	1 130

** Figures for years 2007–2008 are unaudited pro forma sums.*

Investments

Total investments of the Pohjolan Voima Group, excluding financial investments and the purchase of emission allowances, were €34.2 (€51.6) million.

PVO-Vesivoima Oy continued the Iijoki hydropower plant renovation programme by investing €4.0 (€5.2) million in the renewal work at Maalismaa and Pahkakoski.

Investments in bioenergy plants were €26.1 (€43.1) million. Hämeenkyrön Voima Oy went on with the Kyro mill power plant project by investing €21.5 (€4.4) million in the construction of a new boiler unit and a fuel reception and handling system.

The remaining investments were mainly made in repairs and renovations.

In line with the 2003 decision of the Board of Directors, the company has invested a total of €540.0 (€500.7) million in a nuclear power plant under construction, the OL3 project, between 2004 and 2011. 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, Pohjolan Voima's General Meeting decided that Pohjolan Voima will participate in the bidding and engineering phase of a new nuclear power plant, the OL4 project. Similarly, the General Meeting of Teollisuuden Voima made a decision on launching the bidding and engineering phase. The costs of the bidding and engineering phase should not exceed €300 million, of which Pohjolan Voima's share amounts to about €176 million. Pohjolan Voima's shareholder loan commitments for financing the bidding and engineering phase of the OL4 project are worth a total of €164 million.

Research and development

Research and development expenses totalled €0.3 million (€0.5 million in 2010 and €2.8 million in 2009).

Research and development efforts concentrated, among other issues, on the suitability of torrefied, wood-based biomass for fuel for coal-fired plants, the recycling potential of ash from power plants and its conversion into raw materials, different technology alternatives for meeting the more stringent emissions requirements of the IE directive, and new, integrated energy production processes.

Personnel

The average number of employees working for the Group, with permanent or fixed-term contracts, was 487 (512 in 2010 and 547 in 2009). The Group's salaries and fees for the financial period totalled €27.2 million (€27.0 million in 2010 and €27.4 million in 2009).

The average number of employees working for the parent company, with permanent or fixed-term contracts, was 72 (77 in 2010 and 81 in 2009). Salaries and fees for the financial period totalled €6.0 million (€6.6 million in 2010 and €6.9 million in 2009).

The average age of the personnel in permanent employment was 49.1 (48.8) years.

Environmental issues

All of Pohjolan Voima's power plants have valid environmental permits. The Group's environmental management is based on certified environmental management systems in accordance with the ISO 14001 standard. Teollisuuden Voima, a joint venture partially owned by Pohjolan Voima, has an EMAS-registered environmental management system which also covers the activities in the construction phase of OL3.

Regulation of waterways and the operation of hydropower plants took place under the permit conditions. In order to sustain the fish stocks in the Kemijoki and Iijoki waterways and the sea area, 2.2 (2.5) million fry were stocked. Together with Kemijoki Oy, 3.2 (4.4) million fry were stocked in the Kemijoki sea and river area; of these, PVO-Vesivoima Oy's share was 17 percent, or 0.5 (0.7) million fry. Fishery obligations were otherwise met successfully, but the annual obligation for transporting river lampreys past dams and power stations in Kemijoki was not met. The reason for this was the construction of a second fishway at Isohaara.

Together with the municipalities of the Iijoki river region and other key stakeholders, PVO-Vesivoima Oy participates in a project focusing on the Iijoki river fishways, co-ordinated by the Centre for Economic Development, Transport and the Environment for Northern Ostrobothnia. The project was launched in summer 2011, and it will cover the period from 2011 to 2013.

The target of the project is to create detailed plans for fishways at the power plants in the lower reaches of the Iijoki river and to apply for construction permits for the fishways. Applying for permits requires the establishment of a joint municipal administration body. The project also includes the construction of a fishway at the Kosto dam.

An oil spill occurred in the cooling water release area at the site of Rauman Voima's power plant, caused by the breakdown of a heat exchanger in the plant's reserve boiler. The volume of spilt oil was about 30 m3, and almost all of it was recovered. Post-cleaning measures were undertaken as ice conditions improved, and the situation was monitored in co-operation with the authorities. Pohjolan Voima joined forces with bird-watchers in order to protect migratory birds in the spring.

All the thermal power plants operated by the Group fall within the sphere of the Emissions Trading Act. Carbon dioxide emissions from production decreased compared to the previous year due to a fall in the production of electricity and the consumption of fossil fuels. The carbon dioxide emissions from electricity and heat produced and supplied to shareholders were 3.3 (5.6) million tonnes. The Notes to the Financial Statements only report the CO2 emissions of the subsidiaries, which amounted to 1.9 (3.7) million tonnes.

Other emissions into the air were also down. Sulphur dioxide emissions were 2.9 (4.1) thousand tonnes, nitrogen oxide emissions 5.2 (7.5) thousand tonnes and particle emissions 0.3 (0.4) thousand tonnes.

The Kristiina power plant was awarded an environmental permit in 2011 to allow gasification of biofuel and peat and the use of the gas as fuel for a coal boiler, and also for a new multi-fuel boiler that could replace the old oil-fired condensing power plant altogether. With three appeals submitted in the Vaasa Administrative Court against the environmental permit application, the decision is not yet final.

According to the new Waste Tax Act that entered into force at the beginning of 2011, the dumping of fly ash and gypsum in landfill is now subject to a waste tax. The new Act also made industrial landfill sites liable to pay waste tax.

The Industrial Emissions Directive (IE Directive) entered into force in 2011, and the deadline for its national implementation is on 7 January 2013. The new, stricter emission limits stated in the IE Directive would therefore not apply to existing power plants until in 2016 at the earliest. The IE Directive also contains considerable tightening of requirements on monitoring emissions. For the majority of the Group's power plants, the most difficult problem is the reduction of nitrogen oxide (NOx) emissions, and studies are being conducted on different technical solutions.

Pohjolan Voima and its subsidiaries, associated companies and joint ventures 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.tvo.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.

Risks that may jeopardise the attainment of objectives are estimated and measures for managing them are defined. The significance of risks is estimated as a sum of the likelihood of occurrence and impact, not an estimate of 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.

All Pohjolan Voima companies are covered for risks of damage through measures related to maintenance, safety at work, adequate training provided to the personnel and other necessary measures, as well as through insurance in line with the Group's insurance policy.

Most significant risks and uncertainties

The Group's most significant risks are connected with the completion of the OL3 project of Pohjolan Voima's joint venture Teollisuuden Voima. The completion of the plant unit has been delayed and the start of production use has been postponed until 2014. This has and will result in additional costs and losses, which Teollisuuden Voima has demanded the plant supplier, operating on a turnkey basis, must reimburse.

Changes in Group structure

In February 2011, Nokian Lämpövoima Oy, Mussalon Kaukolämpö Oy and Mussalon Kiinteistöt Oy – three subsidiaries located in Mussalo, Kotka in which Pohjolan Voima has 100-per cent ownership – were merged to form a new company, Mussalon Voima Oy, by a merger by combination. Mussalon Voima will continue the operations of the merged companies.

In April 2011, Pohjolan Voima sold its shares in Fingrid, a company engaged in the main transmission grid business, to the State of Finland and to the Ilmarinen Mutual Pension Insurance Company. The sales price of the shares was €325 million. Pohjolan Voima recognised a gain worth €204.6 million from the sale of the shares.

In November 2011, Pohjolan Voima transferred PVO-Innopower, a subsidiary focusing on wind power, to the direct ownership of its shareholders. From the sale of the shares, Pohjolan Voima recognised a gain worth €1.2 million.

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. The interest risk rate is monitored by the average period of fixed interest rates, i.e. duration. Durations of the subsidiaries' loan portfolios are set to a level where the variations of interest costs, considering the risk-bearing capacity of each share series, remain at an acceptable level, but the duration of any single share series does not exceed 36 months. If loans are taken out in foreign currencies, the currency risk is eliminated by means of derivative contracts.

In December, the parent company signed with eight banks a multicurrency revolving facility worth €300 million. The maturity of the contract is five years, and it replaces a similar arrangement worth €400 million that took place in 2005.

For liquidity management, the Group was able to rely on domestic commercial paper programmes of €300 (€300) million, of which €300 (€235) million was unused. At the end of the year, available long-term credit facilities amounted to €332 (€400) million.

The Group's liquidity is good. Net interest-bearing liabilities at the end of the year stood at €851.3 (€1,113.1) million. There were no liabilities involving an exchange risk.

At the end of the year, the Group had an equity ratio of 41.5% (34.7%).

The consolidated result for the financial period was €195.1 (€14.5) million.

Shareholders' equity and share issues

The following issues were subscribed to during the financial year:

- Increase of share capital tied to G10 share series (4 May 2011), 87,000 shares at a subscription price of €4,872,000.00 directed to M-real Oyj

Other changes in the shareholders' equity during the financial year:

- Pohjolan Voima redeemed its own shares as follows:
    - Redemption of the shares in the K2 series (25,178 shares) took place in autumn 2010. The shares have been rendered void and the decrease in share capital was registered in the Trade Register on 22 February 2011.
    - Redemption of the shares in the I, I2 and I3 series (171,696 shares). The shares have been rendered void and the decrease of the share capital was registered in the Trade Register on 1 November 2011.
- Pohjolan Voima established a new series of shares, the M series. The E1 and N series were combined into the M series. Exchange ratio: One E1 share was exchanged for one M share and one N share was exchanged for one M share.

Pohjolan Voima Oy shareholders (general shareholding)

Shareholder	Shareholding in % 31.12.2010	Shareholding in % 31.12.2011
EPV Energia Oy	7.217	7.180
Etelä-Suomen Voima Oy	2.848	2.782
City of Helsinki	0.787	0.789
Ilmarinen Mutual Pension Insurance Company	4.117	4.129
Kemira Oyj (incl. pension foundation Neliapila)	3.940	3.948
City of Kokkola	2.476	2.446
Kymppivoima Oy	8.725	8.637
Oy Metsä-Botnia Ab	0.343	0.344
M-real Oyj	2.517	2.763
Myllykoski Oyj	0.826	0.818
City of Oulu	1.862	1.758
Outokumpu Oyj	0.086	0.086
Oy Perhonjoki Ab	2.566	2.485
City of Pori	1.839	1.833
Rautaruukki Oyj	0.021	0.022
Stora Enso Oyj	14.772	14.814
UPM-Kymmene Oyj	43.085	43.209
Vantaan Energia Oy	0.312	0.292
Yara Suomi Oy (incl. pension foundation)	1.661	1.665

Corporate management

The Annual General Meeting of 24 March 2011 elected the following members to the Board of Directors: Tapio Korpeinen, Executive Vice President (UPM-Kymmene Corporation); Juha Vanhainen, Executive Vice President (Stora Enso Oyj); Hannu Anttila, Executive Vice President, Strategy (Metsäliitto Group); Jyrki Mäki-Kala, Chief Financial Officer (Kemira Oyj); Seppo Ruohonen, Managing Director (Helsinki Energy); Kari Rämö, Managing Director (Kymenlaakson Sähkö Oy); Tapani Sointu, Vice President (UPM-Kymmene Corporation); and Rami Vuola, CEO (EPV Energia Oy).

At the Board meeting on 25 March 2011, Tapio Korpeinen was elected as Chairman of the Board and Juha Vanhainen was elected as the Deputy Chairman. The Board of Directors convened 19 (15) times in 2011. Lauri Virkkunen, M.Sc. (Eng.), M.Sc. (Econ.) acted as the company's President and CEO.

Major legal actions pending

In December 2008, the supplier of the OL3 nuclear power plant, owned by Pohjolan Voima's joint venture Teollisuuden Voima, submitted to the International Chamber of Commerce (ICC) an arbitration-related request concerning the delay in the completion of OL3 and the resulting costs. In June 2011, the supplier submitted its updated, itemised demand concerning compensation of costs and penalty interest. At the end of the year under review, the compensation demanded by the plant supplier amounted to about €1.9 billion. Teollisuuden Voima declares the plant supplier's demand to be unjustified.

In April 2009, Teollisuuden Voima supplied its response and its own demand to the ICC. Teollisuuden Voima's demand at the end of the year under review amounted to about €1.4 billion. Teollisuuden Voima will update its own demand during the arbitration process. The arbitration may take several years and the figures in the parties' demands may still change.

Teollisuuden Voima was, additionally, involved in another ICC arbitration proceeding, which related to the costs of a technically resolved issue in connection with the construction work at the Olkiluoto 3, for which the cost was considered insignificant in comparison to the total project value. This arbitration proceeding was finalized after the end of the reporting period. The effect on the financial statements of the arbitration award of damages in this proceeding was immaterial and it has not been recognised in the 2011 financial statements.

No receivables or provisions have been recognised as a result of the demands presented during 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 expired at the end of 2005. The agreement was not extended. The Permit Authority granted PVO-Vesivoima the permanent right in May 2008 and set the consideration at €2.25 million. Metsähallitus appealed against the decision to the Vaasa Administrative Court, which, in its decision on 27 December 2010, declared the decision of the Northern Finland Environmental Permit

Authority valid. At the beginning of 2011, Metsähallitus was granted leave to apply by the Supreme Administrative Court. The decision on the permanent right to use 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.

Future outlook

Preparations for the OL4 project and the assessment of implementation methods are underway. The construction permit application for OL4 must be submitted by the end of June 2015. During 2012, a construction permit will also be applied for to build a disposal facility for spent nuclear fuel in Olkiluoto.

The plan for the Kollaja project has been updated so that the project will not compromise the Natura protection of the Pudasjärvi estuary or the Venkaa spring regions. In January 2012, the Centre for Economic Development, Transport and the Environment for Northern Ostrobothnia issued its statement on the new Natura assessments, but did not indicate its final opinion on the significance of the impact on the Natura areas, requiring the studies to be completed further. Pohjolan Voima will complete the plan with respect to the shortcomings highlighted by the authority. The new Government Programme did not support the Kollaja project, as was expected, but did just the opposite. The Government Programme's assertion that the Rapids Protection Act will not be reformed effectively prevents the progression of the Kollaja project while the current Government remains in power.

The tax on fuel peat will be raised incrementally in 2013 and 2015 from the current €1.9/MWh to €5.9/MWh. The future of peat use will be discussed in the national climate and energy strategy, to be updated in 2012.

The flat-rate production subsidy associated with the Act on Production Subsidy for Electricity Produced from Renewable Energy Sources, which entered into force at the beginning of 2011, was discontinued from the beginning of 2012. Woodchip users may elect to join the feed-in tariff scheme included in the same Act. In this scheme, a subsidy is paid as a variable production subsidy. The Ministry of Employment and the Economy is preparing gradual decreases in the variable production subsidy in 2013 and 2015. The decrease is linked to the tax rise on peat.

The Ministry of Employment and the Economy is also making preparations for a new type of variable production subsidy to promote the replacement of coal with forest products in CHP pulverised combustion boilers. A higher feed-in tariff would be paid to electricity produced with forest products, such as pellets, biocoal and gas. The subsidy would be applied from the beginning of 2013 at the earliest.

The purpose of the so-called windfall tax foreseen in the Government Programme is to collect €170 million for the State each year. The Ministry of Finance is currently making preparations for the tax, which would be applied from the beginning of 2013 at the earliest. The previous Governments have proposed the tax be directed at nuclear power and hydropower commissioned before 1997. In addition, the Government will study the possibility and appropriateness of introducing a tax on uranium during 2012.

Amendments to the Emissions Trading Directive for the third emissions trade period, 2013–2020, have been implemented with an amendment to the Emissions Trading Act. From 2013, electricity production will no longer receive free emission allowances. District heat production will be allocated free emission allowances in relation to the volume of heat delivered to the customers from the plant.

In 2011, the European Commission published both the Low Carbon Roadmap 2050 and the Energy Roadmap 2050. The long-term target in the EU is to bring greenhouse gas emissions down by 80 per cent by 2050. The most significant reductions in emissions should be achieved in electricity production. The EU may also agree on emissions targets for 2030 and 2040. Discussions are underway on whether targets for renewable energy should be defined for those years and whether the EU should tighten up its greenhouse gas emissions target for 2020 from 20 to 30 per cent. In addition, the EU Commission is preparing sustainability criteria for biomass.

A reform of the Water Act was approved in May 2011, and the new Water Act entered into force on 1 January 2012. In line with the current Water Act, the new legislation will also essentially be a water economy act that is ultimately based on the idea of water utilisation. The new legislation will make licensing procedures less complicated and, in some respects, will make clearer the preconditions for issuing a permit or a licence.

Board of Directors’ dividend proposal

The parent company’s distributable assets on 31 December 2011 were €247,493,096.78, with the profit for the financial year accounting for €276,036,646.84. The Board of Directors proposes to the Annual General Meeting that the profit for the financial year be transferred to the retained earnings account and that [no dividends be distributed].

Consolidated statement of comprehensive income

1 000 eur • 1.1.–31.12.	Note	2011	2010
Sales	6	**1 130 416**	**1 041 282**
Other operating income	7	221 934	24 543
Materials and services	8	-979 867	-895 419
Personnel expenses	9	-31 478	-33 980
Depreciation, amortisation and impairment	10	-54 689	-56 635
Other operating expenses	11,12	-70 758	-71 121
Share of (loss)/profit of associates and joint ventures	13	813	28 440
Operating profit or loss		**216 371**	**37 110**
Finance income	14	9 510	4 078
Finance costs	14	-30 647	-26 116
Finance costs - net		**-21 137**	**-22 038**
Profit before income tax		**195 234**	**15 072**
Income tax expense	15	-164	-578
Profit for the year		**195 070**	**14 494**

Other comprehensive income

Share of other comprehensive income of associates			
Cash flow hedging of the sold joint venture		-4 943	0
Changes in the fair value of available-for-sale financial assets	18	-314	1 080
Cash flow hedging	18	4 054	20 245
Other comprehensive income for the year		-1 203	21 325
Total comprehensive income for the year		**193 867**	**35 819**
Profit attributable to:			
Owners of the parent		194 400	12 873
Non-controlling interest		669	1 621
Total comprehensive income attributable to:			
Owners of the parent		**193 197**	**34 198**
Non-controlling interest		**669**	**1 621**

Consolidated balance sheet

1 000 eur • 31.12.	Note	2011	2010
ASSETS			
Non-current assets			
Intangible assets	16	281 538	299 704
Property, plant and equipment	17	806 236	871 282
Investments in associated companies and joint ventures	18	751 628	830 586
Available-for-sale financial assets	19	3 178	3 178
Loans and other receivables	19	321 634	332 269
Non-current assets total		**2 164 214**	**2 337 019**
Current assets			
Inventories	22	95 340	60 725
Trade and other receivables	20	138 857	145 823
Short-term deposits	21	75 000	
Cash and cash equivalents	21	81 201	43 144
Current assets total		**390 398**	**249 692**
Total assets		**2 554 612**	**2 586 711**
Equity			
Equity attributable to owners of the parent	23		
Share capital		61 096	61 280
Share premium		385 625	388 210
Reserve for invested non-restricted equity		104 614	108 017
Revaluation reserve		-10 970	-9 767
Retained earnings		471 959	277 713
Total		**1 012 323**	**825 453**
Non-controlling interests		**49 039**	**72 488**
Total equity		**1 061 361**	**897 941**
LIABILITIES			
Non-current liabilities			
Provisions	24	3 267	6 278
Deferred tax liabilities	25	950	880
Borrowings	26	1 260 060	1 400 610
Other non-current liabilities	26,28	3 171	3 098
Non-current liabilities total		**1 267 448**	**1 410 866**
Current liabilities			
Borrowings	26	89 935	111 308
Trade and other payables	27	135 868	166 596
Current liabilities total		**225 803**	**277 904**
Total liabilities		**1 493 251**	**1 688 770**
Total equity and liabilities		**2 554 612**	**2 586 711**

Consolidated statement of cash flows

1 000 eur	Note	2011	2010
Cash flows from operating activities			
Profit for the year		195 070	14 494
Adjustments to the profit for the year	5	-134 050	50 202
Change in net working capital	5	-39 654	21 808
Interest paid and other financial expenses		-27 526	-28 599
Interest received		7 247	4 207
Income tax paid		-415	-665
Net cash generated from operating activities		**672**	**61 447**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	4	0	-4 440
Disposal of subsidiaries, net of cash disposed	4	8 866	2 496
Acquisition of associated companies and joint ventures	18	-39 272	-47 764
Proceeds from sale of joint ventures	4	325 000	0
Purchases of intangible assets and property, plant and equipment (PPE)	16,17	-25 976	-28 490
Proceeds from sales of intangible assets and PPE	16,17	981	28 490
Loan repayments	20	14 701	16 558
Loans granted	20	-10 924	-4 198
Dividends received		3	1 690
Net cash used in investing activities		**273 379**	**-35 658**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	23	5 800	9 278
Purchase of own shares	23	-11 200	0
Proceeds from borrowings	26	32 832	163 322
Repayments of borrowings	26	-78 882	-159 188
Repayment of finance leases	26	-47 435	-18 421
Proceeds (-) or repayments (+) of current receivables	20,21	-74 988	37
Proceeds (+) or repayments (-) of current liabilities	26	-39 942	-37 879
Dividends paid		-22 179	-1 943
Net cash used in financing activities		**-235 994**	**-44 794**
Net (decrease)/increase in cash and cash equivalents		**38 057**	**-19 005**
Cash and cash equivalents at beginning of year		**43 144**	**62 149**
Change in cash and cash equivalents		38 057	-19 005
Cash and cash equivalents at end of year	21	**81 201**	**43 144**

Consolidated statement of changes in equity

1 000 eur	Note	Share capital	Share premium	Fair value reserve	Reserve for invested non-restricted equity	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interest	Total equity
Balance at 1.1.2010		**61 089**	**388 210**	**-31 092**	**101 828**	**265 220**	**785 255**	**73 974**	**859 229**
Comprehensive income									
Profit or loss						12 873	12 873	1 621	14 494
Other comprehensive income:									
Cash flow hedges				20 245			20 245		20 245
Changes in the fair value of available-for-sale financial assets				1 080			1 080		1 080
Proceeds from shares issued	23	191			6 189		6 380	2 896	9 276
Purchase of own shares from non-controlling interest	4					-380	-380	-4 060	-4 440
Dividends to non-controlling interest							0	-1 943	-1 943
Balance at 31.12.2010		**61 280**	**388 210**	**-9 767**	**108 017**	**277 713**	**825 453**	**72 488**	**897 941**
Balance at 1.1.2011		**61 280**	**388 210**	**-9 767**	**108 017**	**277 713**	**825 453**	**72 488**	**897 941**
Comprehensive income									
Profit or loss						194 400	194 400	669	195 070
Other comprehensive income:									
Cash flow hedges				4 054			4 054		4 054
Changes in the fair value of available-for-sale financial assets				-314			-314		-314
Cash flow hedges of the solid joint venture				-4 943			-4 943		-4 943
Proceeds from shares issued	23	146			4 726		4 872	928	5 800
Sale of subsidiaries							0	-2 867	-2 867
Purchase and annulment of own shares	4	-330	-2 585		-8 129	-155	-11 200		-11 201
Dividends to non-controlling interest							0	-22 179	-22 179
Balance at 31.12.2011		**61 096**	**385 625**	**-10 970**	**104 614**	**471 958**	**1 012 323**	**49 039**	**1 061 361**

In November 2011 Pohjolan Voima Oy disposed its ownership in its subsidiary PVO-Innopower Oy, a wind power company, by transferring the owneship directly to the shareholders of Pohjolan Voima Oy. PVO held prior to the transfer 74,7% of the share capital in PVO-Innopower Oy.

Notes to the consolidated financial statements

1. Notes to the financial statement

General information

Pohjolan Voima Oy (PVO) is a Finnish private limited liability company with domicile in Helsinki, Finland. Pohjolan Voima Oy and its subsidiaries form together the Pohjolan Voima Group.

Pohjolan Voima Group is a privately owned energy group. The production capacity of the Group consists of about 40 power plants in over 20 different locations. Energy is generated by hydropower, nuclear power, thermal power and wind power. According to the Articles of Association of PVO, the Group supplies electricity and heat at cost price to the shareholders. The PVO shareholders hold various series of shares which entitles them to the energy generated or procured by PVO in proportion to their ownership interests at cost. The operating model of PVO is also called the "Mankala principle". The name is derived from a ruling issued by the Supreme Administrative Court in the 1960s, constituting a precedent. In this ruling, the shareholders of a company called Oy Mankala Ab were found not to have received taxable income when Mankala generated and supplied them with electricity at a price lower than the market price and the shareholders covered the company's costs on the basis of its Articles of Association. Parent company administrative costs are covered by a fixed yearly fee as defined by the company documents.

Copies of the consolidated financial statements can be obtained from www.pohjolanvoima.fi or from PVO's head offices, Töölönkatu 4, 00100 Helsinki, Finland.

These consolidated financial statements were approved for issue by PVO's Board of Directors on 21 February 2012, however, according to Finnish Limited Liability Companies Act the shareholders can edit or reject these financial statements at the annual general meeting.

Basis of preparation

The consolidated financial statements of Pohjola Voima Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The IAS and IFRS standards as well as and IFRIC and SIC Interpretations valid as at 31 December 2011 have been used in preparation of the financial statements.The consolidated financial statements also comply with the Finnish Accounting Act and Limited Liability Companies Act.

In 2010 the Group prepared the consolidated financial statements in accordance with IFRS for the first time and IFRS 1 First-time adoption of International Financial Reporting Standards was applied. The Group's date of transition was 1 January 2009.The consolidated financial statements have been prepared under the historical cost convention except for financial assets and financial liabilities at fair value.

All amounts in the consolidated financial statements are presented in thousands of Euros.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting principles. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in section

"critical judgements in applying the entity's accounting policies and critical estimations and assumptions".

Consolidation

Subsidiaries

The consolidated financial statements include Pohjolan Voima Oy and all its subsidiaries. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding directly or indirectly of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill. If this is less than the fair value of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances, distributions of profit and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless they relate to an impairment.

Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. A joint venture is a contractual arrangement whereby the Group together with one or more parties has undertaken an economic activity that is subject to joint control.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The Group's investment in associates and joint ventures includes goodwill identified at acquisition, net of any accumulated impairment losses. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture. Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests

The profit or loss for the period attributable to owners of the parent and non-controlling interest is disclosed in the statement of comprehensive income. Non-controlling interests are identified separately from the equity of the owners of the parent company in the statement of changes in equity.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that any amounts previously recognised in other comprehensive income are recognized as part of the gain or loss on sale.

Foreign currency translation

The functional and presentation currency of the parent company and all of the subsidiaries, associates and joint ventures is the euro. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated at the closing rate at the date of that balance sheet.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses relating to operations are included on the relevant line items above operating income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. Translation differences on non-monetary financial assets and liabilities held at cost are translated using the exchange rates prevailing at the dates of the transactions. There are no non-monetary financial assets or liabilities held at fair value denominated in foreign currencies.

Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use of the asset. They are stated at the lower of carrying amount and fair value less costs to sell if the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and a sale is considered highly probable. The sale is considered highly probable if the appropriate level of management has committed to a plan to sell the asset (or disposal group), and a completed sale is expected within one year from the date of classification. The asset (or disposal group) are stated at the lower of carrying amount and fair value less costs to sell from the date of classification. No depreciation or amortisation is made on these assets from the time they are classified as held for sale.

Revenue recognition

The Group's energy operations are based on cost price. Sales of expert services relating to energy operations are not based on cost price. Revenues are based on the consideration received for delivered energy or provided services. All revenues are presented net of value-added taxes. Revenues are recognised, as follows:

Energy revenues and other revenues

Revenue for energy is recognised at the time of delivery. Revenue is recognised based on the delivered quantities. Service revenue mainly consists of operating, maintenance, network and management service revenues. Revenue for services is recognised in the financial period when services have been rendered.

Other income

Revenue from activities outside the normal operations is reported in Other income. This includes recurring items such as rental income and non-recurring items such as gains on sale of property, plant and equipment. Rental income is recognised on a straight-line basis over the period of the lease agreement. The gain on sale of property, plant and equipment is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income and dividends

Interest income is recognised using the effective interest method. Dividends are recorded when the right to receive payment is established.

Research and development costs

Research and development costs are expensed as incurred and included in other operating expenses, except when the development costs are expected to generate probable future economic benefits. In this case the costs are recorded as intangible assets and amortised over their useful lives. There are no development costs currently in the consolidated financial statements that fulfil the criteria for recognition as an intangible asset.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, unless they are directly attributable to construction of a power plant, in which case they are capitalized as a part of the cost of the asset.

Income taxes

PVO delivers electricity and heating to its shareholders at cost price. The shareholders are delivered a proportionate share of the energy generated or procured by PVO according to their proportionate ownership in the various series of shares. Based on the cost based pricing the Group does not pay any taxes on its energy related operations, therefore the Group does recognise any deferred tax assets or liabilities on these operations.

Income taxes and deferred taxes are recognised, on the other hand, on the services provided by the Group.

The tax expense for the period comprises current tax, relating to the current period and any adjustments made to taxes for the previous financial period, and deferred taxes. The current income tax charge is calculated on the basis of the tax laws enacted. The taxes for the current period are adjusted if necessary by the taxes related to the previous period.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill or from the undistributed profits of the subsidiaries if it is not probable that the temporary difference will reverse in the foreseeable future. The most significant temporary differences for the Group arise from the depreciation of property, plant and equipment, losses carried forward and the fair valuation of assets at acquisition.

Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Intangible assets

Intangible assets are carried at historical cost, less government grants received, accumulated amortisation and impairment. Historical cost includes all costs directly attributable to the acquisition of the intangible asset. Intangible assets with a finite useful life are amortised using the straight-line method over the following estimated useful lives:

Computer software 3-10 years
Other intangible assets 5-10 years

No amortisation is recorded for goodwill and other intangible assets with infinite useful lives, instead these assets are tested annually for impairment. Intangible assets having infinite useful lives are water rights that have an infinite useful life based on the Water Act and certain utilisation rights for transmission roads and land based on the Act on the Redemption of Immoveable Property and Special Rights.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. All goodwill from business combinations dated before the transition date 1 January 2009 have a value at transition which corresponds to the carrying value of goodwill according to FAS. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing or if goodwill relates to an associate or joint venture goodwill is included in the acquisition cost. Goodwill is carried at cost less accumulated impairment losses.

Emission allowances

Carbon dioxide (CO2) emission allowances are included in the intangible assets. Emission allowances are recognised at cost, whether received free of charge or acquired from a third party. Emission allowances received free of charge are, in other words, recorded at zero. A short term liability is recognised to cover the obligation to return emission allowances. To the extent that Group already holds allowances to meet the obligation the liability is measured at the carrying amount of those allowances. Any shortfall of allowances held over the obligation is valued at the current market value of allowances. Emission right and the related liability are derecognised when they are returned to cover the obligation or when they are sold. Emission allowances are not amortised. The cost of the provision is recognised in the statement of comprehensive income within materials and services. Gains from sales of emission rights are presented in Other income.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less government grants received, less accumulated depreciation and any accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Borrowing costs directly attributable to the acquisition or construction of assets that necessarily take a substantial amount of time to get ready for their intended use are capitalised as part of the cost of the related asset. Additionally, the cost of an item of property, plant and equipment includes the discounted estimated cost of its dismantlement, removal or restoration.

Land and water areas are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. The costs for dismantling a power plant are depreciated over the estimated useful life of the specific power plant.

Depreciation is calculated using the straight-line method based on the estimated useful lives, as follows:

Hydro power plant buildings, structures and machinery	40-80 years
Condensing power plant buildings, structures and machinery	5-25 years
Co-generation (electricity and heating) power plant buildings, structures and machinery	4-35 years
Wind turbines	10-20 years
Transmission network	10-45 years
Other buildings and structures	10-25 years
Other machinery and equipment	3-20 years
Other tangible assets	3-40 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate to reflect the changes in estimated future economic benefits associated with the assets'.

If the asset consists of different components, which have different estimated useful lives, each component is recognised as a separate asset. Replaced components are capitalized and any possible remaining carrying value of the replaced component is derecognised. In other cases subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably.

Annual repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Power plant modernization and improvements are recognised in the asset's carrying amount or recognised as a separate asset, as appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income or other operating expenses in the statement of comprehensive income.

Depreciation on assets classified as held for sale, according to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", is ceased.

Government Grants

Grants from the government, are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are deducted from the acquisition cost of the asset and are recognised as income by reducing the depreciation charge of the asset they relate to. Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. These grants are presented in other operating income.

Inventories

Inventories are stated at cost. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventory comprises raw materials and other direct costs. Inventories are always stated at cost as the energy generation operations are conducted based on cost price and therefore the cost of inventory is always equal to its' net realizable value.

Leases

Leases, Group as lessee

Finance leasing

Property, plant and equipment leases in which a significant portion of the risks and rewards of ownership are transferred by the lessor to the Group are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. The corresponding rental obligations, net of finance charges, are included in other current and non-current liabilities. Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognised as income by a seller-lessee. Instead, it shall be deferred and amortised over the lease term. If the leaseback is an operating lease, and the lease payments and the sale price are at fair value, there has in effect been a normal sale transaction and any profit or loss is recognised immediately. IAS 39 is applied for the collateralized financial liabilities that are resulted from sale and leaseback transactions that do not contain a lease in substance. The liability is amortised at cost, each lease payment is allocated between the liability and finance charges according to the effective interest method.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Rental income from operating lease contracts, where the Group acts as the lessor, are recorded in other operating income on a straight line basis over the period of the lease.

Leases, the Group as lessor

Leases of property, plant and equipment where the Group has transferred substantially all the risks and rewards of ownership to the lessee are classified as finance leases. The lease income is recorded as a receivable at its present value. The interest element of the lease income is recorded to the comprehensive statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the asset for each period.

Operating leases of property, plant and equipment, where the Group acts as the lessor, are included in the property, plant and equipment in the balance sheet. These assets are, in the same way as assets in Group's own use, depreciated over their useful life. Rental income is recorded on a straight line basis over the period of the lease.

Arrangements' containing a lease agreement

The Group has entered into arrangements that do not take the legal form of a lease but conveys a right to use an asset in return for a payment of series of payments and therefore contains a lease. In order to determine if the arrangement includes a finance lease component or other lease agreement the criteria in IFRIC 4 'Determining whether an Arrangement contains a Lease' is used. Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether:

- fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and
- the arrangement conveys a right to use the asset.

If the arrangement includes a lease IAS 17 is applied to determine whether it is an operating or financial lease as described above. Other elements of the arrangement are recognised according to the relevant standards.

Impairment of non-financial assets

The individual assets' carrying values are reviewed at each closing date to determine whether there is any indication of impairment. If there is an indication of impairment the asset is tested for impairment. Goodwill, assets that have an indefinite useful life and intangible assets in progress are not subject to amortisation and are tested annually for impairment regardless of there is indication of impairment or not. Impairment for assets excluding goodwill is assessed at the cash-generating unit (CGU) level, which is the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or Groups of assets. Goodwill is tested for impairment at the level at which it is monitored by management which may be an individual CGU or Groups of CGUs but is not tested at a level higher than an operating segment.

An asset's recoverable amount is the higher of a cash-generating unit's fair value less costs to sell and its value in use. Value in use is the estimated discounted future cash flows expected to be provided by the asset or Group of assets. The discount rates used are pre-tax and reflect current market assessments of the time value of money and specific risks relating to the relevant asset or Group of assets.

Where the carrying value of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment is recognised immediately in the statement of comprehensive income. Impairment arising from a goodwill impairment test is allocated first to goodwill and any excess thereafter rateably over the other assets in the CGU. Assets other than goodwill that suffered an impairment charge are reviewed for possible reversal of the impairment if the estimates used in the calculation of the recoverable amount have changed. A reversal of an impairment loss shall not exceed the carrying amount (net of amortisation or depreciation) that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment losses on goodwill are never reversed.

Financial assets and financial liabilities

Purchases and sales of financial assets and liabilities are recognised on the trade-date at fair value. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available for sale financial assets. The classification is determined at initial recognition and depends on the purpose for which the financial assets were acquired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or initially designated in this category. Derivatives are categorised as held for trading unless they are designated as hedges. All derivatives held by the Group are classified as financial assets at fair value trough profit or loss, as hedge accounting is not applied by the Group. Derivatives in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. When the derivatives have a negative value they are classified as financial liabilities held for trading. Liabilities in this category are classified as current liabilities if expected to be settled within 12 months; otherwise, they are classified as non-current. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and not held for sale. The Group's loans and receivables comprise 'trade and loan receivables' Loans and receivables are subsequently carried at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Trade receivables are recorded at cost which corresponds to their fair value. Loans granted, which have a maturity date, are measured at amortised cost using the effective interest method. Loans lacking a maturity date are valued at cost.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available-for-sale financial assets are initially recognised at fair value plus transaction costs and are subsequently valued at fair value. Unquoted securities for which fair value cannot be measured reliably are measured at cost. Changes in the unrealized fair value of available-for-sale financial assets are recognised in other comprehensive income within the fair value reserve. Changes in fair value are recognised in the statement of comprehensive income when the asset is sold or when it has been impaired. The available-for-sale financial assets held by the Group comprise unquoted securities valued at cost. There is no active market for the securities and PVO has no intention to dispose of these securities.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred in the statement of comprehensive income only if there is objective evidence of impairment. If, in a subsequent period, the fair value of an available-for-sale financial asset increases, the impairment loss of an equity instrument is not reversed through the consolidated statement of comprehensive income. The Group recognises an impairment of trade receivables if there is objective evidence that the receivable will not be paid in full.

Financial liabilities

Financial liabilities are recognised initially at fair value, net of transaction costs incurred. Financial liabilities are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Derivative instruments are recognised as financial liabilities at fair value through profit or loss. These are recognised similarly as financial assets at fair value through profit or loss. They are included in non-current liabilities unless the liability is settled within 12 months of the end of the reporting period.

Derivative instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument according to IAS 39.

Teollisuuden Voima Oyj (TVO), a joint venture, uses derivative instruments to hedge the foreign currency exchange rate risk in fuel purchases as well as the foreign currency risk and interest rate risk in borrowings denominated in foreign currencies. Hedge accounting according to IAS 39 is applied to foreign currency forward contracts and cross currency swap contracts hedging foreign currency risk in procurement contracts of uranium. In addition hedge accounting is applied to some of the interest rate swap contracts entered into, hedging the fluctuations in cash flows of interest payments on borrowings. TVO documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in the hedging transactions are highly effective in offsetting the cash flows of the hedged item. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and presented in the revaluation reserve. The gain or loss on the fair value of the hedge instruments relating to the ineffective portion is recognised immediately in the statement of comprehensive income within finance income and costs, unless they are capitalized as a part of an investment in a power plant. Changes in fair values accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in the statement of comprehensive income. Any changes in the fair value of the interest rate options and some interest rate swaps and foreign currency forwards for which hedge accounting is not applied are presented in the finance income and costs, unless they relate to the building of a power plant and are capitalised as a part of the asset.

Other companies in the Group have derivative instruments that do not fulfil the hedge accounting criteria according to IAS 39. Examples of these instruments are some interest rate swap agreements which have been used to exchange floating rate borrowings into fixed rate borrowings and foreign currency forward contracts hedging the foreign currency risk in fuel purchases. Derivatives are recorded at fair value in the assets or liabilities. Changes in the fair values of foreign currency forwards and interest rate derivative instruments are recorded through profit and loss within finance income and costs. Derivatives are classified as current or non-current assets or liabilities depending on their maturity date.

Employee benefits

Pensions for the personnel in the Group have been arranged through an external pension insurance company. The Finnish (TyEl) pension system, as well as, the voluntary pension insurances are recognised as defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Payments made to the defined contribution plans are recognised as expenses in the period in which they were incurred. Defined benefit plans are plans that are not defined contribution plans. The Group does not have any defined contribution plans.

Provisions and contingent liabilities

Provisions for environmental restoration, asset retirement obligations and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received. Provisions are not recognised for operating costs.

A contingent liability is disclosed when there is a possible obligation that arises from external events and whose existence is only confirmed by one or more doubtful future events or when there is an obligation that is not recognised as a liability or provision because it is not probable that on outflow of resources will be required or the amount of the obligation cannot be reliably estimated. Contingent liabilities are disclosed in the notes to the financial statements.

Environmental provisions

Environmental provisions are recognised, based on current interpretation of environmental laws and regulations, when it is probable that a present obligation has arisen and the amount of such liability can be reliably estimated. Environmental expenditures resulting from the remediation of an existing condition caused by past operations, and which do contribute to current or future revenues, are expensed as incurred.

Accrued expenses related to the handling of ashes

Group companies may have, in temporary storage, ashes generated from the power plant operations, which are subject to waste tax. These ashes may have an alternative utilisation, an alternative utilisation is being sought or there is no alternative utilisation which will result in the ashes being transported to a waste disposal site. Financial statements include an accrued expense, representing the best estimate for the costs of the handling of the ashes held in temporary storage at the end of the reporting period.

Assets retirement obligations

An asset retirement obligation is recognised either when there is a contractual or a legal obligation and the obligation amount and timing can be reliably estimated. The asset retirement obligation is recognised as part of the cost of an item of property and plant when the asset is put in service or when contamination occurs. The costs are depreciated over the remainder of the asset's useful life.

Assets and liabilities relating to nuclear waste management

The treatment of the nuclear waste management liability has a material effect on the profit or loss for the joint venture Teollisuuden Voima Oyj (TVO), which is consolidated using the equity method. TVO owns the nuclear power plants in Olkiluoto. The nuclear waste management liability based on the Nuclear Energy Act is covered by a contribution to the National Waste Management Fund. The liability covers all future costs for the handling of the existing nuclear waste, including the decommissioning of the nuclear power plants and final disposal of the spent nuclear fuel.

In the consolidated financial statements TVOs share of the funds in the National Waste Management Fund is presented in the non-current assets according to IFRIC 5. The nuclear waste management liability is presented in provisions, within non-current liabilities. Present value of the nuclear waste management liability is calculated by discounting the cash flows based on the planned estimated future operations and their costs taking into account the already realized operations.

The initial present value of the provision for decommissioning of the nuclear power plant is included in the capitalized investment cost of the power plant. The initial present value is adjusted according to subsequent planned future changes. The cost for decommissioning of the plant is depreciated over the estimated useful life of the power plant.

The provisions made for the disposal of spent nuclear fuel at the end of the reporting period, covers all the future cost for final disposal. The cost of the final disposal of the spent nuclear fuel is recognised over the time the nuclear fuel is being used. Any planned changes are recognised immediately in the statement of comprehensive income, based on the spent nuclear fuel at the end of the reporting period.

The time value of money when discounting the nuclear waste management liability is recognised by recording the interest expense in the statement of comprehensive income.

Share Capital

PVO has 19 different series of shares. Each series of shares entitle their owner to the energy generated by a specific subsidiary, associate or joint venture. Each shareholder is entitled to the proportionate share of the energy according to their proportionate ownership of a specific series of shares.

Proceeds received at the inception of the Company and subsequent issue of share capital have been recorded in the share capital, share premium account and after 1 September 2006 also in the reserve for invested non-restricted equity.

Earnings per share

Earnings per share are not presented as the Group operates at cost price. The ordinary shares of Pohjolan Voima Oy are not traded in a public market.

Segment reporting

Segment reporting according to IFRS 8 applies only to individual financial statements of an entity whose debt or equity instruments are traded in a public market or an entity that is in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market. Pohjolan Voima Oy's shares are not publicly traded and it has not issued any debt or equity instruments.

New accounting standards and pronouncements

The 2011 consolidated financial statements have been prepared according to the same accounting principles as the 2010 consolidated financial statements. The following standards and amendments to existing standards are effective for the first time for the financial year beginning on 1 January 2011. These changes did not have any material impact on the consolidated financial statements.

- IAS 24 (revised), Related party disclosures
- IAS 32 (amendment) Financial Instruments: Presentation - Classification of rights issues
- IFRIC 19, Extinguishing financial liabilities with equity instruments'
- IFRIC 14 (amendment) Prepayments of a minimum funding requirement

IASB published changes to seven standards or interpretations in July 2010 as part of the Annual Improvements to IFRSs project, which have been adopted by the Group in 2011. The improvements did not have any material impact on the Group.

- IFRS 3 (amendments) Business combinations
- IFRS 7 (amendment) Financial instruments: Disclosures
- IAS 1 (amendment) Presentation of financial statements – statement of changes in equity
- IAS 27 (amendment) Consolidated and separate financial statements
- IAS 34 (amendment) Interim financial reporting
- IFRIC 13 (amendment) Customer loyalty programmes

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on 1 January 2012. The Group will adopt these standards and amendments in its 2012 consolidated financial statements. These changes are not expected to have any material impact on the Group:

- IFRS7 (amendment) Disclosures – Derecognition
- IAS 12 (amendment) * Income taxes – Deferred taxes

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2013 or later periods. The Group will adopt these standards and amendments in its 2013 or later consolidated financial statements. Group management will assess the impact of these changes on the consolidated financial statements.

- IFRS 10 * Consolidated financial statements
- IFRS 11 * Joint arrangements
- IFRS 12 * Disclosures of interest in other entities
- IFRS 13 * Fair value measurement
- IAS 27 (revised) * Separate financial statements
- IAS 28 (revised) * Associates and joint ventures
- IAS 1 (amendment) * Presentation of financial statements – other comprehensive income
- IAS 19 (amendment) * Employee benefits
- IFRS 9 * Financial instruments
- IFRIC 20 * Stripping costs in the production phase of a surface mine
- IAS 32 (amendment) * Offsetting Financial Assets and Financial Liabilities
- IFRS 7 (amendment) * Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

** The changes are still subject to endorsement by the European Union.*

2. Critical judgements in applying the entity's accounting policies and critical estimations and assumptions

The Group management makes judgements in the preparation of the financial statements relating to the selection and application of the accounting principles. These decisions relate specifically to those areas where the effective IFRS-standards allow alternative methods of recording, valuation or presentation.

The estimates and assumptions made by management in the preparation of the consolidated financial statements are based on the best knowledge at hand at year end. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results and the detailed background information are followed by management together with the business units using both internal and external sources of information. Changes to the estimates and assumptions are recognised in the financial period in which changes occur and all the future financial periods.

Impairment testing

Impairment testing is carried out annually for goodwill and for intangible assets with indefinite useful lives. Impairment testing for other assets is performed when there is an indication that the asset might be impaired. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations are based on estimated future cash flows received from the use of the asset or the sale of the asset.

Pohjola Voima operations are based on the cost price method ('Mankala principle'). According to the Articles of Association the shareholders of the Company are invoiced a price for the energy received which covers all the expenses of the operations including depreciation and amortisation. When testing if the assets are impaired based on the value-in-use, the discounted cash flows, correspond, except for a few exceptions, to the recoverable amount and therefore usually there is no impairment recorded.

Environmental provision

Operations of the Group are regulated by a number of laws and regulations. The Group is in compliance with all existing environmental regulations. The Group has recorded, for the industry customary, provisions for environment protection expenses to cover its legal obligations.

Legal obligations

Management judgement is required to estimate timing and valuation of the legal obligations. A provision is recorded when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

3. Financial risk management

The financial risk management in Pohjolan Voima Group is carried out by a central treasury department under policies approved by the Board of Directors. The Group's activities expose it to a variety of financial risks: liquidity risk, market risk and credit risk. The receivables and obligations between the company and its shareholders are disregarded in the risk assessment as the Group's operations are conducted according to the Mankala principle.

The objective of the financing function is to ensure the existence of sufficient funds for operative decision making and to promote the low cost of electricity through its decisions.

In accordance with the Group's financing policy, derivative financial instruments are only used in hedging purposes. Pohjolan Voima Group does not apply hedge accounting according to IFRS.

Liquidity and refinancing risks

Liquidity and refinancing risks relate to the impact on the company's profit and loss and cash flows, if the company is unable to secure sufficient funding for its operations. In addition to sufficient liquid funds and committed credit facilities Pohjolan Voima Group seeks to reduce refinancing risk by diversifying the maturity of its loans as well as sources for its funding.

In accordance with Pohjolan Voima Group's financing policy, the maturity of long-term debt and refinancing is agreed so that a maximum of 25% of the outstanding debt will fall due within the next 12 months. This principle is not applied on the loans granted by the State Nuclear Waste Management Fund.

Liquidity risk is significantly reduced by the fact that Pohjolan Voima Group invoices shareholders in accordance with the Articles of Association, the monthly fixed and variable costs.

Pohjolan Voima Group mainly uses the domestic commercial paper programs in order to ensure short-term financing.

Free liquidity is invested prudently and productively in instruments with a duration of up to 12 months. The objective is to diversify investments and these are chosen so that a secondary market liquidity is also ensured in adverse conditions and so that most of the investments can be realized at a low cost.

To secure liquidity Pohjolan Voima signed a 300 million Euros revolving credit facility on 14 December 2011. The revolving credit facility has a maturity of five years. None of the facility was drawn on 31 December 2011 (at 31 December 2010 none of the existing revolving credit facility of 400 million Euros was drawn.)

The following table presents a maturity analysis on loan agreements. The figures are cash based and interest flows are based on the interest rates prevailing at the closing date. Differences between the balance sheet items and the debt amounts below arise from the transaction costs that have been accrued according to the effective interest method in the balance sheet. Transaction costs for loan arrangements are not included in the cash flows as these have been paid at the time of the signing of the agreements.

Undiscounted cash flows of financial liabilities
2011

1 000 eur	2012	2013	2014	2015	2016-	Total	Balance sheet
Loans from financial institutions *	-66 273	-16 873	-16 873	-117 767	-213 769	-431 554	-431 289
Finance costs **	-10 456	-9 392	-9 002	-7 954	-14 897	-51 700	
Loan from the State Nuclear Waste Management Fund (TVO) ***					-478 872	-478 872	-478 872
Finance costs	-11 075					-11 075	
Finance lease liabilities	-21 102	-21 611	-22 119	-111 318	-244 772	-420 923	-420 851
Finance costs	-7 358	-6 839	-6 475	-5 379	-12 397	-38 448	
Commercial papers	0					0	0
Finance costs	0					0	
Pension liabilities	-2 712	-2 712	-2 712	-2 712	-8 135	-18 982	-18 982
Finance costs	-522	-444	-367	-290	-406	-2 030	
Interest rate derivatives	-1 588	-1 342	-787	-112	-85	-3 914	-3 106
Currency derivatives (net)	305					305	300
Total	-120 780	-59 213	-58 334	-245 532	-973 333	-1 457 193	

* Repayments to be made in 2012 are included in current liabilities.

** In addition to interest expenses, finance costs also include a commitment fee.

*** The loan from the State Nuclear Waste Management Fund does not have an actual date of maturity, and therefore it is presented as a loan with a loan term of over 5 years. Teollisuuden Voima Oyj has borrowed this amount from the Fund and has granted a loan with the corresponding amount to Pohjolan Voima.

Undiscounted cash flows of financial liabilities
2009

1 000 eur	2011	2012	2013	2014	2015-	Total	Balance sheet
Loans from financial institutions *	-21 608	-80 808	-41 608	-35 608	-348 012	-527 644	-527 323
Finance costs **	-9 782	-9 144	-7 945	-7 185	-17 602	-51 657	
Loan from the State Nuclear Waste Management Fund (TVO) ***					-456 039	-456 039	-456 039
Finance costs	-6 027					-6 027	
Finance lease liabilities	-48 833	-21 958	-22 463	-22 967	-350 781	-467 001	-466 919
Finance costs	-4 862	-4 312	-3 963	-3 744	-8 975	-25 856	
Commercial papers	-39 942					-39 942	-39 943
Finance costs	-58					-58	
Pension liabilities	-2 712	-2 712	-2 712	-2 712	-10 847	-21 694	-21 694
Finance costs	-602	-519	-444	-367	-696	-2 629	
Interest rate derivatives	-3 239	-2 221	-1 715	-1 066		-8 241	-3 460
Currency derivatives (net)	379					379	379
Total	-137 285	-121 674	-80 850	-73 648	-1 192 953	-1 606 409	

* Repayments to be made in 2012 are included in current liabilities.

** In addition to interest expenses, finance costs also include a commitment fee.

*** The loan from the State Nuclear Waste Management Fund does not have an actual date of maturity, and therefore it is presented as a loan with a loan term of over 5 years. Teollisuuden Voima Oyj has borrowed this amount from the Fund and has granted a loan with the corresponding amount to Pohjolan Voima.

Market risk

Interest Rate Risk

Changes in interest rates on the interest-bearing receivables and liabilities create an interest rate risk. The interest rate risk in the loan portfolio of the parent company and subsidiaries is managed by changing the interest rate period and the duration. The objective of the interest rate risk management in Pohjolan Voima, is to obtain the lowest possible interest expense and to reduce the volatility of interest expenses. In accordance with the financing policy of the Group, the duration of the loan portfolio of Pohjolan Voima is monitored separately for each series of shares. The duration of the loan portfolios of the parent company and subsidiaries are set at the level where the electricity price sensitivity to changes in interest rates is on an acceptable level considering the individual risk-bearing capacity of each series of shares.

The interest rate period of loan portfolios in the parent company and subsidiaries may be changed with fixed rate loans, interest-rate swaps, forward rate agreements and interest rate cap and floor agreements. Subsidiaries' interest rate hedges are made so that the counterparty is always the parent company. The parent company will then enter into a corresponding contract with a bank.

Currency risk

Pohjolan Voima Group is exposed to foreign currency risk mainly due to fuel purchases. Both short-term and long-term loans are mainly denominated in euros. Other than the euro-denominated borrowings are hedged latest at the time when the loan is drawn.

Coal purchases are made almost entirely in US dollars. Because purchase agreements for coal are entered into up to 10 months in advance before delivery and payment, the euro versus dollar exchange rate changes will affect coal prices and thus also impact the price of electricity produced. The weakening of the euro leads to exchange losses and the strengthening of the euro leads to exchange gains.

The changes in foreign exchange rates are hedged for the undelivered contracts. PVO hedges only purchases that are based on signed contracts or that are secured by derivative financial agreements. Consequently, hedging is made on the date of the derivative contract or on the order date, and it covers the period to the expected payment date of the coal delivery. Due to the changes in the ordered quantities, hedging is only performed for a maximum of 95% of the dollar amount of coal ordered in order to avoid over hedging. Hedging is reversed in line with the payment of delivery batches. Cost of hedging is allocated to the cost of each batch of coal, and therefore included in the production costs of each production facility. If the terms of delivery of the coal batches are changed, the hedging will be changed in line with the change of the terms of delivery.

Currency swaps, forward contracts and options can be used for the currency risk hedging.

Sensitivity to market risk

Market risk sensitivity arising from financial instruments:

1 000 eur	2011	2010
	Comprehensive	income statement
+ 10 % change in the EUR/USD exchange rate	-1 064	-1 395
- 10 % change in the EUR/USD exchange rate	1 301	1 705
Increase of 100 basis points in market interest rates	-5 258	-3 633
Decrease of 100 basis points in market interest rates	5 039	3 367

Expectations:

- Euro-dollar exchange rate change is expected to be +/- 10 %.
- Dollar position comprises foreign currency derivatives.
- The interest rate change is expected to be 100 basis points
- Interest rate exposure includes variable interest rate loans, finance lease liabilities and interest rate derivatives.

Fuel price risk

The energy production of the Group requires fuel purchases from the global market. The most important fuel purchased by the subsidiaries and associates of Pohjolan Voima from the global market is coal.

Pohjolan Voima manages centrally the risks related to the coal purchases according to the coal purchase policy approved by the Board of Directors.

The coal purchase contracts include quantity, price, freight and foreign currency risk. The freight risk can include both a quantity and a price risk. The foreign currency risk is included both in the pricing of the coal as well as the freight.

The availability risk is significant in coal purchases. Sufficiency of coal can only be secured by acquiring sufficient quantities in advance. Due to the limitations of the shipping season, purchases of coal for the production requirements of the year can be initiated already during the previous year. The aim is to time the shipping to the ice free season.

Price risk can be hedged with inventories, long-term purchase agreements and derivative financial agreements. It is also possible to hedge for the price risk by buying a quantity exceeding the annual requirement for coal within the limits of the storage space available. Long-term purchase agreements are used not only in order to secure availability of coal but also to hedge the price risk.

Pohjolan Voima has not used any financial instruments to hedge for the coal price risk in 2011 or 2010.

Credit risk

Credit or counterparty risk is arise from the possibility that a customer or a financial counterparty does not fulfil its commitments. Commercial trade receivables, investments and receivables based on derivative financial instruments expose the company to credit risk. When counterparty banks are selected, only banks with high credit ratings qualify. Derivative financial agreements are entered into only with leading banks and financial institutions. All counterparties are monitored for their payment behaviour and credit worthiness. Pohjolan Voima has not recognised any impairment on trade receivables during the reporting period. Pohjolan Voima sells electricity and heat to its shareholders. Pohjolan Voima operates based on cost price according to its Articles of Association (Mankala principle), which decreases the credit risk related to the trade receivables significantly. There are no significant trade receivables past due in the Group.

Capital risk management

Capital is defined as the equity attributable to the owners of the parent company consisting of share capital, share premium, reserve for invested non-restricted equity, revaluation reserve and retained earnings, as well as the equity attributable to the non-controlling interest. The Group has no shareholder loans and no external capital requirements it needs to adhere to.

Sufficient equity based financing in the Group enables use of diversified financing types from different sources.

There is a moderate variation of the equity to assets ratio of the Group depending on the investment cycles. Shareholders of each series of shares according to their proportionate ownership are responsible for the equity share of the investments.

Pohjolan Voima follows the equity on assets ratio, which is presented below.

	2011	2010
Equity on assets ratio (%) (IFRS, Group) *	41	35

$$\text{* Equity on assets ratio\%} = 100 \times \frac{\text{Shareholders' equity}}{\text{Balance sheet total}}$$

4. Sold non-current assets and business combinations

Sold non-current assets

In April 2011 Pohjolan Voima Oy sold its shares in Fingrid Oyj, a company responsible for the main transmission grid in Finland, to the Finnish State and Ilmarinen Mutual Pension Insurance Company. The selling price was 325 million Euros. Pohjolan Voima recorded a gain on sale totalling 204,6 million Euros. The change in the revaluation reserve of -4,9 million Euros is presented in other comprehensive income.

In November 2011 Pohjolan Voima Oy sold its entire shareholdership in the subsidiary PVO-Innopwer Oy, a wind power company, to the direct ownership of the shareholders in Pohjolan Voima. The selling price was 9,6 million Euros. Pohjolan Voima recorded a gain on sale totalling 1,2 million Euros in the consolidated financial statements. This gain is presented in the statement of comprehensive income within other operating income.

Neither of the above was classified as a discontinued operation.

In October 2011 Pohjolan Voima Oy divested its entire ownership in Vieskan Voima Oy by selling it to Oy Perhonjoki Ab.

Nokian Lämpövoima Oy and Fortum Power and Heat agreed in December 2009 that Fortum will purchase the power plant and related operations from Nokian Lämpövoima Oy. This sale was completed on 25 January 2010.

The sales of Vieskan Voima Oy or the sales of the power plant owned by Nokian Lämpövoima Oy has not been presented as discontinued operations in the statement of comprehensive income.

Business combinations

There were no business combinations in 2011.

Pohjolan Voima Oy acquired on 25 January 2010 an additional 19,9% of the shares in Nokian Lämpövoima Oy for 4,4 million euros. Following the acquisition the Company owns all of the shares in Nokian Lämpövoima Oy. The carrying value of the assets at acquisition was 4,0 million euros. Non-controlling interest decreased by 4 million euros and retained earnings by 0,4 million euros following this acquisition.

5. Notes to the statement of cash flows

STATEMENT OF CASH FLOW

Adjustments to profit or loss for the year (1 000 eur)	2011	2010
Depreciation and amortisation	54 689	53 826
Impairment	0	2 809
Increase/decrease in fair value of derivatives	-778	2 125
Income taxes	164	578
Gains (+) or losses (-) from disposal of non-current assets	-209 227	-609
Finance costs - net	21 915	19 913
Share of (loss)/profit of associates and joint ventures	-813	-28 440
Total	-134 050	50 202

Change in net working capital	2011	2010
Increase (-) or decrease (+) in non-interest-bearing receivables	13 757	-13 218
Increase (-) or decrease (+) in inventories	-34 614	24 038
Increase (+) or decrease (-) in current non-interest-bearing liabilities	-19 788	11 394
Change in provisions	991	-406
Total	-39 654	21 808

6. Sales

1 000 eur	2011	2010
Sales of electricity produced	427 513	491 618
Sales of heat produced	201 974	177 692
Sales of purchased electricity	474 664	346 808
Other sales	26 265	25 163
Total	1 130 416	1 041 282

Electricity delivered to shareholders (GWh)		
Electricity produced	15 000	17 600
Heat produced	7 500	7 500
Purchased electricity	9 400	5 900

PVO's electricity purchases are determined by the electricity required by the shareholders. In 2011, Pohjolan Voima Group's total electricity purchases were 24,4 (23,5) TWh. The Group's electricity generation accounted for 15,0 (17,6) TWh, of which the parent company delivered to its shareholders 14,5 (17,1) TWh. Subsidiaries supplied 0,5 (0,5) TWh to other owners. Purchases from the Nordic electricity market, were 9,4 (5,9) TWh. Heat deliveries were 7,5 (7,5) TWh.

Other sales consist primarily of sale of operation and maintenance services, sales of emission allowances as well as network and management services.

7. Other operating income

1 000 eur	2011	2010
Rental income	2 073	1 990
Gain on sale of property, plant and equipment as well as subsidiaries and joint ventures	206 671	829
National reserve capacity remuneration	5 202	12 876
Government grants	3	33
Electricity production subsidies	2 156	2 986
Other income	5 829	5 829
Total	221 934	24 543

The contracts for the use of reserve capacity in the heavy fuel oil-fired power plants, in Kristiinankaupunki owned by PVO-Lämpövoima Oy and in Vaasa Vaskiluoto owned by PVO-Huippuvoima Oy, were renewed with Fingrid Oyj. The new reserve capacity period started 1 October 2011. The contract between Mussalo Voima Oy and Fingrid Oyj, for the use of reserve capacity in the natural gas-fired thermal power plant in Mussalo ended 28 February 2011.

8. Materials and services

1 000 eur	2011	2010
Fuels	231 071	198 978
Change in inventories	-34 295	24 542
Materials and services	4 564	5 382
Emissions allowances - carbon dioxide	8 695	25 107
Energy purchased; Nordic electricity market	477 401	344 978
Energy purchased; Associates and Joint ventures	277 429	281 430
Energy purchased; other	8 708	7 986
Production for own use	-49	-65
External services	6 343	7 081
Total	979 867	895 419

Purchases of fuel consist of coal, peat and bio fuel purchases, which are used for electricity and heat production.

Energy purchases from associates and joint ventures include purchases according to the ownership share in Teollisuuden Voima Oyj, Oy Alholmens Kraft Ab and Vaskiluodon Voima Oy.

9. Personnel expenses

Personnel-related expenses

1 000 eur	2011	2010
Wages and salaries		
Board members and CEO	1 497	1 170
Other wages and salaries	24 230	25 869
Pension expenses - defined contribution	4 464	5 669
Other personnel expenses	1 287	1 272
Total	31 478	33 980

Average number of personnel

	2011	2010
Salaried employees	299	308
Wage-earners	188	204
Total	487	512

10. Depreciation, amortisation and impairment

1 000 eur	2011	2010
Amortisation of intangible assets		
Intangible rights	50	68
Other intangible assets	1 607	1 278
Total	1 657	1 346
Depreciation of property, plant and equipment		
Buildings and constructions	6 015	5 953
Machinery and equipment	44 132	43 647
Other assets	2 885	2 880
Total	53 032	52 480
Impairment		
Buildings and constructions	0	350
Machinery and equipment	0	2 459
Total	0	2 809
Depreciation, amortisation and impairment total	54 689	56 635

In 2010, Nokian Lämpövoima Oy recorded impairments of 2,8 million euros to the Mussalo natural gas plant.

11. Other operating expenses

1 000 eur	2011	2010
Repair, servicing and maintenance services	21 271	18 078
Real estate taxes	6 009	6 088
Rents	3 657	3 615
Operation services	18 503	20 223
Loss on sale of intangible assets and property, plant and equipment	0	220
Other expenses	21 318	22 897
Total	70 758	71 121

Auditor’s fees

1 000 eur	2011	2010
Audit fees	226	223
Auditor's statements	1	2
Tax counselling	0	24
Other services	22	98
Total	249	347

12. Research & development

Research and development recognised as an expense during the period totalled 0,3 million euros in 2011 (0,5 million euros in 2010).

13. Share of (loss)/profit of associates and joint ventures

1 000 eur	2011	2010
Fingrid Oyj	0	9 915
Länsi-Suomen Voima Oy	0	1
Oy Alholmens Kraft Ab	-202	77
Tahkoluodon Polttoöljy Oy	-1	0
Teollisuuden Voima Oyj	1 381	19 845
Torniolaakson Voima Oy	183	-36
Vaskiluodon Voima Oy	-556	-1 362
Voimalohi Oy	8	0
Total	813	28 440

Investments in associates and joint ventures are disclosed in note 18.

14. Finance income and costs

1 000 eur	2011	2010
Dividend income on available-for-sale investments	3	3
Interest income on loans and receivables	8 613	4 051
Derivative financial instruments (hedge accounting is not applied)		
Fair value gains	856	0
Other finance income	38	24
Finance income total	9 510	4 078
Interest expense capitalised on qualifying assets	30 526	23 079
Derivative financial instruments (hedge accounting is not applied)		
Fair value losses	78	2 125
Other finance cost	43	912
Finance costs total	30 647	26 116
Total finance income and costs	-21 137	-22 038

15. Income tax

1 000 eur	2011	2010
Taxes for the financial year	89	407
Taxes for the previous financial years	5	0
Change in deferred tax liability	70	171
Total	164	578

PVO delivers electricity and heating to its shareholders at cost price. According to the cost based pricing the Group does not pay any taxes on its energy related operations, therefore the Group does not recognise any deferred tax assets or liabilities on these operations. Income taxes and deferred taxes are recognised, on the other hand, on the services provided by the Group.

Change in deferred tax:

1 000 eur	2011	2010
Accumulated depreciation difference 1.1.	880	709
Charged/(credited) to the statement of comprehensive income	70	171
Accumulated depreciation difference 31.12.	950	880

The Finnish Parliament passed legislation 13 December 2011 on a change of the corporate income tax rate in Finland from 26% to 24,5%. The new tax rate is applied from 1 January 2012. All deferred taxes have been remeasured based on the enacted tax rate of 24,5% for the financial period ending 31 December 2011. The effect of the change in the tax rate had an effect of 58 thousand Euros for the reporting period.

16. Intangible assets

1 000 eur	Emission allowances - carbon dioxide	Intangible rights	Other intangible assets	Total
Cost or valuation at 1.1.2011	24 976	267 910	15 184	308 070
Additions	9 228	0	180	9 408
Disposals	-24 976	-1 144	-6	-26 126
Reclassifications		-301	504	203
At 31.12.2011	9 228	266 465	15 862	291 555
Accumulated amortisation and impairment 1.1.2011	0	1 424	6 942	8 366
Disposals		-273	267	-6
Amortisation for the period		50	1 607	1 657
Accumulated amortisation and impairment 31.12.2011	0	1 201	8 816	10 017
Closing net book amount 31.12.2011	9 228	265 264	7 046	281 538
Closing net book amount 31.12.2010	24 976	266 486	8 242	299 704

1 000 eur	Emission allowances - carbon dioxide	Intangible rights	Other intangible assets	Total
Cost or valuation at 1.1.2010	10 684	267 928	12 904	291 516
Additions	24 916	0	962	25 878
Disposals	-10 624	-18	-2 214	-12 856
Reclassifications			3 532	3 532
At 31.12.2010	24 976	267 910	15 184	308 070
Accumulated amortisation and impairment 1.1.2010	0	1 362	7 578	8 940
Disposals		-6	-1 914	-1 920
Amortisation for the period	0	68	1 278	1 346
Accumulated amortisation and impairment 31.12.2010	0	1 424	6 942	8 366
Closing net book amount 31.12.2010	24 976	266 486	8 242	299 704
Closing net book amount 31.12.2009	10 684	266 566	5 326	282 576

The intangible assets include the right to produce hydro power totalling 265 million Euros and the right of use of transmission line areas and land based on the Act on the Redemption of Immoveable Property and Special Rights totalling 0,7 million Euros. The right to produce hydro power and the right of use of transmission line areas and land are intangible assets, with indefinite useful lives. Impairment testing for these assets is performed annually. Impairment test have not resulted in any need for impairment, because the future generated cash flows exceed the carrying value of the asset. The estimate for right to produce hydro power which is based on the future amount of electricity produced multiplied by the price for electricity (excluding fixed costs) exceeds the carrying value of the intangible assets. The value of the right of use of the transmission line areas is based on estimates, approved by management, that PVO-Alueverkko Oy's future network income exceed the carrying value of the asset.

There is no goodwill included within intangible rights and other intangible assets.

17. Property, plant and equipment

1 000 eur	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Prepayments	Total
Cost or valuation at 1.1.2011	35 885	173 974	1 069 165	84 293	22 593	1 385 910
Additions	61	22	1 654	4	32 253	33 994
Disposals	-2	-18 812	-33 668	-2 685	-1 465	-56 632
Reclassifications			23 566		-23 770	-204
Cost or valuation 31.12.2011	35 944	155 184	1 060 717	81 612	29 611	1 363 068
Accumulated depreciation 1.1.2011	0	48 101	441 234	25 293	0	514 628
Additions		-3 087	-7 353	-388		-10 828
Depreciation for the period		6 015	44 132	2 885	0	53 032
Accumulated depreciation 31.12.2011	0	51 029	478 013	27 790	0	556 832
Net book amount 31.12.2011	35 944	104 155	582 704	53 822	29 611	806 236
Net book amount 31.12.2010	35 885	125 873	627 931	59 000	22 593	871 282

1 000 eur	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Prepayments	Total
Cost or valuation at 1.1.2010	36 255	145 977	1 022 080	96 732	95 335	1 396 379
Additions		1 406	18 762	35	30 396	50 599
Disposals	-370	-6 079	-34 101	-14 041	-2 945	-57 536
Reclassifications		32 670	62 424	1 567	-100 193	-3 532
Cost of valuation 31.12.2010	35 885	173 974	1 069 165	84 293	22 593	1 385 910
Accumulated depreciation 1.1.2010	0	45 854	419 539	27 841	0	493 234
Disposals		-4 056	-24 411	-5 428		-33 895
Impairment		350	2 459			2 809
Depreciation for the period	0	5 953	43 647	2 880	0	52 480
Accumulated depreciation 31.12.2010	0	48 101	441 234	25 293	0	514 628
Net book amount 31.12.2010	35 885	125 873	627 931	59 000	22 593	871 282
Net book amount 31.12.2009	36 255	100 123	602 541	68 891	95 335	903 145

In November 2011 Pohjolan Voima Oy sold its entire ownership in the subsidiary PVO-Innopwer Oy, a wind power company, to the direct ownership of the shareholders of Pohjolan Voima. The disposals line in the table above include the decrease in the intangible and tangible assets of the PVO-Innopower Oy.

Management has assessed that no other indications of impairment exists.

In October 2010 Pohjolan Voima Oy sold 100% of the shares in Vieskan Voima Oy to Oy Perhonjoki Ab. The intangible assets and property, plant and equipment sold in this transaction are presented as disposals in the tables above.

In January 2010 Nokian Lämpövoima Oy sold Fortum Power and Heat the Nokia power plant and its operations. In 2010 Nokian Lämpövoima Oy recorded an impairment of 2,8 million Euros in the natural gas-fired power plant in Mussalo.

FINANCE LEASE AGREEMENTS

Amounts of finance leased assets included in property, plant and equipment:

1 000 eur	Machinery and equipment	Prepayments
31.12.2011		
Cost	361 564	
Accumulated depreciation	-61 648	
Net book amount	299 916	0
31.12.2010		
Cost	390 874	17 869
Accumulated depreciation	-81 986	
Net book amount	308 888	17 869

Borrowing costs included in the cost of property, plant and equipment

1 000 eur	Buildings and constructions	Machinery and equipment	Other tangible assets	Prepayments	Total
Cost or valuation at 1.1.2011	831	18 734	111	0	19 676
Additions		1 271			1 271
Cost or valuation at 31.12.2011	831	20 005	111	0	20 947
Accumulated depreciation 1.1.2011	431	4 216	36	0	4 683
Depreciation for the period	69	1 341	5		1 415
Accumulated depreciation 31.12.2011	500	5 557	41	0	6 098
Net book amount 31.12.2011	**331**	**14 448**	**70**	**0**	**14 849**
Net book amount 31.12.2010	400	14 518	75	0	14 993

1 000 eur	Buildings and constructions	Machinery and equipment	Other tangible assets	Prepayments	Total
Cost or valuation at 1.1.2010	831	12 988	111	2 533	16 463
Additions		3 213			3 213
Reclassifications		2 533		-2 533	0
Cost or valuation at 31.12.2010	831	18 734	111	0	19 676
Accumulated depreciation 1.1.2010	376	3 237	32	0	3 645
Depreciation for the period	55	979	4		1 038
Accumulated depreciation 31.12.2010	431	4 216	36	0	4 683
Net book amount 31.12.2010	**400**	**14 518**	**75**	**0**	**14 993**
Net book amount 31.12.2009	455	9 751	79	2 533	12 818

The borrowing costs related to the construction of power plants are capitalized as part of the acquisition cost of the asset and depreciated over the useful life of the asset.

18. Investments in associates and joint ventures

1 000 eur	2011	2010
At 1 January	830 586	734 744
Issue of shares	39 271	47 764
Sold joint ventures	-117 840	
Share of profit	813	28 440
Other comprehensive income	-1 203	21 325
Dividends received	0	-1 687
At 31 December	751 628	830 586

Associates and Joint Ventures

	Interest held %		Book value	
Company, domicile	2011	2010	2011	2010
Associates				
Oy Alholmens Kraft Ab, Pietarsaari	49,90 %	49,90 %	15 652	15 854
Länsi-Suomen Voima Oy, Harjavalta	19,90 %	19,90 %	33 649	33 649
Tahkoluodon Polttoöljy Oy, Pori	32,00 %	32,00 %	110	112
Torniolaakson Voima Oy, Ylitornio	50,00 %	50,00 %	1 524	1 342
			50 935	50 957
Joint Ventures				
Fingrid Oyj, Helsinki		25,00 %	0	122 783
Teollisuuden Voima Oyj, Helsinki	58,47 %	58,39 %	685 350	640 957
Vaskiluodon Voima Oy, Vaasa	50,00 %	50,00 %	15 165	15 720
Voimalohi Oy, Kemi	50,00 %	50,00 %	178	169
			700 693	779 629
Associates and joint ventures total			751 628	830 586

*) In April 2011 Pohjolan Voima Oy sold its shares in Fingrid Oyj to the Finnish State and Ilmarinen Mutual Pension Insurance Company

Pohjolan Voima accounts for Teollisuuden Voima Oyj as a joint venture in the IFRS consolidated financial statements. Pohjolan Voima Oy owns 58,47% of the share capital of Teollisuuden Voima Oyj at 31.12.2011 (31.12.2010 58,39%). Based on the Articles of Association and other company records which dictate the basis for the decision making and governance of the company, as well as, Pohjolan Voima Oy's right to appoint board members, the Group has assessed that Teollisuuden Voima Oyj should be accounted for as a joint venture.

Teollisuuden Voima Oyj has investment commitments totalling 701 (727) million Euros.

Goodwill on acquisition of Länsi-Suomen Voima Oy is included in the investments in the associates totalling 28 million euros at 31.12.2011 (28 million euros at 31.12.2010). Impairment testing of the goodwill is performed annually. Länsi-Suomen Voima Oy owns the hydropower plant located in Harjavalta at Kokemäenjoki. Pohjolan Voima has assessed that the fair value of the investment in the associate exceeds its book value at 31.12.2011.

Information on the associated companies and joint ventures of the Group, and their aggregate assets and liabilities, revenues and profit or loss for the year is presented below. All associates and joint ventures are unlisted companies.

Information on the associated companies and joint ventures of the Group, and their aggregate assets and liabilities, revenues and profit or loss for the year is presented below. All associates and joint ventures are unlisted companies.

1 000 eur	Assets	Liabilities	Revenue	Profit/loss (-)
2011				
Oy Alholmens Kraft Ab	168 450	132 977	89 069	-1
Länsi-Suomen Voima Oy	28 363	972	832	-1
Tahkoluodon Polttoöljy Oy	21	0	0	-5
Teollisuuden Voima Oyj	5 938 931	4 856 154	352 372	5 651
Torniolaakson Voima Oy	9 461	6 412	1 516	48
Vaskiluodon Voima Oy	161 265	123 497	104 016	-254
Voimalohi Oy	1 154	793	3 437	9
Total	6 307 645	5 120 805	551 242	5 447

1 000 eur	Assets	Liabilities	Revenue	Profit/loss (-)
2010				
Oy Alholmens Kraft Ab	175 738	140 248	80 097	-250
Fingrid Oyj	1 779 868	1 268 765	435 449	38 842
Länsi-Suomen Voima Oy	28 367	1 276	2 219	5
Tahkoluodon Polttoöljy Oy	27	0	0	-4
Teollisuuden Voima Oyj	5 588 523	4 582 994	362 552	37 280
Torniolaakson Voima Oy	9 392	6 709	1 767	-71
Vaskiluodon Voima Oy	138 335	99 100	99 752	-2 724
Voimalohi Oy	1 318	980	3 396	-4
Total	7 721 568	6 100 072	985 232	73 074

Related-party transactions with associates and join ventures

1 000 eur	2011	2010
Sales to associates and joint ventures	1 786	2 450
Purchases from associates and joint ventures	277 429	281 430
Receivables from associates and joint ventures	139 420	131 933
Liabilities to associates and joint ventures	513 076	498 259

	2011	2010
Personnel employed by associates and joint ventures in average	918	1 153

19. Available-for-sale investments

1 000 eur	2011	2010
Investments in non-listed securities	3 178	3 178
Total	3 178	3 178

Available-for-sale financial assets consist mainly of vacation cottages used by personnel totalling 0,7 million Euros and shares in AS Nordic Energy Link totalling 2,2 million Euros. AS Nordic Energy Link is an Estonian company established for main object to construct and commission a cabel link between Finland and Estonia. Finestlink Oy, a subsidiary of Pohjolan Voima Oy, owns 10,1% of the shares in AS Nordic Energy Link.

20. Loans and other receivables

Non-current loans and other receivables

1 000 eur	2011	2010
Loans to associates and joint ventures	109 535	109 555
Finance lease receivables	203 603	217 638
Other non-current receivables	8 496	5 076
Total	321 634	332 269

Loans to associates and joint ventures include a loan receivable from Teollisuuden Voima Oyj of 108,0 (In 2010 108,0) million Euros and a loan receivable from Tornionlaakson Voima Oy of 1,5 (1,6) million Euros. There is no material credit risk related to the non-current loans and other receivables. The fair value of the receivables has been presented in Note 29 Fair values of financial assets.

Trade and other receivables

1 000 eur	2011	2010
Trade receivables	77 986	89 401
Pledged cash deposits	4 390	11 707
Interest-bearing receivables	10 303	2 284
Finance lease receivables	14 699	14 529
Derivatives	300	698
Prepayments and accrued income	25 253	26 180
Other current receivables	5 926	1 024
Total	138 857	145 823

Carrying values of trade receivables and other receivables approximates their fair value.

Prepayments and accured income

1 000 eur	2011	2010
Prepayments, energy purchases	12 606	12 626
Deferred revenue, energy	2 524	5 234
Indirect taxes	4 498	4 328
Other	5 625	3 992
Total	25 253	26 180

The Group has not recorded any credit losses or impairment on trade receivables or other receivables during the reporting period or the previous financial year. The Group had no material outstanding receivables as per 31.12.2011. Therefore, aging of trade receivables are not presented.

FINANCE LEASE RECEIVABLES

Pohjolan Voima has entered into lease arrangements with shareholders, which are accounted for in accordance with IAS 17 based on the interpretation of IFRIC 4 'Determining whether an Arrangement contains a Lease'. These lease arrangements relate to Keravan Lämpövoima Oy, Kokkolan Voima Oy and Wisapower Oy power plants, which produce energy for the sole use of one owner. These arrangements are classified as finance leases in accordance with IAS 17. The Group has transferred substantially all the risks and rewards of ownership to the lessee as investment is made as a capital investment in the companies. It is not economically feasible for the owners of these series of shares to buy energy from any other source and the owners are the only significant users of the produced energy. The arrangements are treated as finance lease also on the basis that the leases cover the entire estimated economical useful life of the leased asset and the present value of minimum lease payments correspond to most of the fair value of the leased asset.

Other receivables include 3,1 million euros of receivables related to other leases, according to the classification based on IAS 17 (3,3 million euros in 2010).

Gross receivables from finance leases

1 000 eur	2011	2010
No later than 1 year	19 404	17 467
Later than 1 year and no later than 5 years	93 406	84 700
Later than 5 years	146 619	157 973
Total	**259 429**	**260 139**
Unearned finance income	-41 128	-27 972
Net investment in finance leases	**218 301**	**232 167**

The net investment in finance leases may be analysed as follows

1 000 eur	2 011	2 010
No later than 1 year	14 699	14 529
Later than 1 year and no later than 5 years	74 584	72 648
Later than 5 years	129 018	144 989
Net investment in finance leases	**218 301**	**232 167**

21. Short term deposits, cash and cash equivalents

1 000 eur	2011	2010
Short-term deposits	75 000	0
Total	75 000	0

Short-term deposits (up to one year) include liquid investments.

1 000 eur	2011	2010
Cash at bank and on hand	552	3 658
Commercial papers	32 041	27 486
Short-term bank deposits	48 608	12 000
Total	81 201	43 144

Cash and cash equivalents comprise of cash on hand, bank deposits and other short-term (up to three months), liquid investments.

22. Inventories

1 000 eur	2011	2010
Fuels		
Coal	81 236	48 347
Other fuels	13 338	11 931
Prepayments	766	447
Total	95 340	60 725

No impairment has been recorded on inventories during 2011 or 2010.

23. Equity

According to the articles of association, PVO supplies energy to its shareholders at cost, i.e.. delivers energy it has produced or acquired to each shareholder according to their proportionate ownership in each series of shares. Shareholders are according to their proportionate ownership in each series of shares responsible for the fixed costs for the underlying shares, regardless of whether the power or energy share is used or not. Variable costs, on the other hand, are invoiced to the shareholders based on the share of the energy delivered.

Reconciliation of the number of shares

1 000 eur	Number of shares	Share capital	Share premium	Revaluation reserve	Reserve for invested non-restricted equity	Retained earnings	Total
1.1.2010	36 321 695	61 089	388 210	-31 092	101 828	265 220	785 255
Proceeds from share issue	113 950	191	0	0	6 189		6 380
Purchase of own shares from non-controlling interest						-380	-380
Other comprehensive income				21 325		12 873	34 198
31.12.2010	36 435 645	61 280	388 210	-9 767	108 017	277 713	825 453
Proceeds from share issue	87 000	146			4 726		4 872
Purchase and annulment of own shares	-196 874	-330	-2 585		-8 129	-154	-11 199
Other comprehensive income				-1 203		194 400	193 197
31.12.2011	**36 325 771**	**61 096**	**385 625**	**-10 970**	**104 614**	**471 959**	**1 012 323**

Shares

The number of shares at 31.12.2011 was 36 325 771. The shares have no nominal value. All issued shares are fully paid.

The company has 19 registered series of shares

Share capital by share category	Number	1 000 eur
Series A:	13 350 077	22 453
- entitling the holder to obtain energy produced or purchased by PVO-Vesivoima Oy		
Series B:	7 124 507	11 983
- entitling the holder to obtain 56.8% of the energy produced or purchased by Teollisuuden Voima Oyj's - Olkiluoto plant 1 and 2		
Series B2:	1 496 008	2 516
- entitling the holder to obtain 60.2% of the energy produced by Teollisuuden Voima Oyj's Olkiluoto plant 3 once it construction is completed.		
Series C:	7 107 592	11 954
- entitling the holder to obtain energy produced or purchased by PVO-Lämpövoima Oy		
Series C2:	359 198	604
- entitling the holder to obtain 56.8% of the energy produced or purchased by Teollisuuden Voima Oyj's Meri-Pori coal power plant		
Series G:	354 290	596
- entitling the holder to obtain 49.9% of the energy produced by Oy Alholmens Kraft Ab		

Series G2:	238 216	401
- entitling the holder to obtain 76.0% of the energy produced by Kymin Voima Oy		
Series G3:	115 850	195
- entitling the holder to obtain 50.0% of the energy produced by Järvi-Suomen Voima Oy		
Series G4:	296 486	499
- entitling the holder to obtain 72.0% of the energy produced by Rauman Voima Oy		
Series G5:	85 572	144
- entitling the holder to obtain energy produced by Laanilan Voima Oy		
Series G6:	646 217	1 087
- entitling the holder to obtain energy produced by Porin Prosessivoima Oy		
Series G7:	661 300	1 112
- entitling the holder to obtain 90.0% of the energy produced by Wisapower Oy		
Series G9:	589 071	991
- entitling the holder to obtain 54.0% of the energy produced by Kaukaan Voima Oy		
Series G10:	117 000	196
- entitling the holder to obtain 84,0 % of the energy produced by Hämeenkyrön Voima Oy		
Series H:	500 000	841
- entitling the holder to obtain energy produced by PVO-Huippuvoima Oy		
Series K1:	176 428	297
- entitling the holder to obtain energy produced or purchased by Kokkolan Voima Oy		
Series K3:	324 457	545
- entitling the holder to obtain energy produced or purchased by Keravan Lämpövoima Oy		
Series M:	1 736 679	2 921
- entitling the holder to obtain 80.1% of the energy produced by Mussalon Voima Oy		
Series V:	1 046 823	1 761
- entitling the holder to obtain 50.0% of the energy produced by Vaskiluodon Voima Oy		
	36 325 771	**61 095**

The following shares were issued during the financial year:

A directed share issue of 87.000 G10-series of shares to M-Real Oyj was made for a total subscription price of 4.872.000,00 Euros on 4 May 2011.

Purchase of treasury shares during the year and changes in the series of shares:

The company redeemed the shares in the I-, I2- and I3-series and annulment of these shares (a total of 171.696 shares) and a decrease in share capital was registered on 1 November 2011. During the autumn of 2010 K2-series of shares were redeemed and annulment of the shares (a total of 25.178 shares) and a decrease of share capital was registered on 22 February 2011.

A new shares for M-series were issued in 2011. E1- and N-shareseries were combined to M-shareseries. Exchange ratios were: One E1-share for one M-share and one N-share for one M-share.

Share premium

Share premium is recorded under the old Limited Liability Companies Act (29.9.1978/734), and was calculated as the difference between the nominal value of the shares and the subscription price. Share premium is restricted equity under the Limited Liability Companies Act. Share premium may be reduced to cover losses or it can be returned to owners under certain conditions.

Revaluation reserve

Derivative instruments used in cash flow hedging and fair value gains or losses on investments available-for-sale are recorded in the revaluation reserve. Fair value changes are transferred to the profit for the year when hedged cash flows realize. Fair value changes in investments available-for-sale are transferred to the profit for the year when the investment is disposed of or when its value has been impaired.

Invested non-restricted equity

Subscription prices for shares are recorded in invested non-restricted equity to the extent that they are not, based on an explicit decision, to be recorded as share capital.

24. Provisions

1 000 eur	Environmental provisions	Total
At 1 January 2011	**6 278**	**6 278**
Effect of discounting	295	295
Provisions related to the sold subsidiary	-3 306	-3 306
At 1 December 2011	**3 267**	**3 267**

1 000 eur	2011	2010
Non-current	3 267	6 278
Total	3 267	6 278

Environmental provisions

Pohjolan Voima Oy sold its shares in the wind power company PVO-Innovoima Oy in November 2011. PVO-Innovoima Oy had recorded an asset retirement obligation for the dismantlement and removal of the wind power plants built on leased land.

The environmental provisions include provision for the landscaping of power plant landfills. The present value of the landscaping is capitalized as part of the other tangible assets and recorded as a provision. The environmental provision totalled 3.267 thousand Euros at 31 December 2011 and it is estimated that it will be fully utilised by 2021.

The discount rate used to determine present value was 2,3%.

25. Deferred tax liabilities

1 000 eur	2011	2010
Accumulated depreciation difference 1.1.	880	709
Charged to the statement of comprehensive income	70	171
Accumulated depreciation difference 31.12.	**950**	**880**

26. Borrowings

1 000 eur	2011	2010
Non-current:		
Borrowings from associates and joint ventures	478 872	456 039
Borrowings from financial institutions	365 017	500 715
Pension loans	16 271	18 982
Secured financial liabilities	399 900	419 874
Other interest-bearing non-current liabilities	0	5 000
Total	**1 260 060**	**1 400 610**
Current:		
Borrowings from financial institutions	61 272	21 608
Pension loans	2 712	2 712
Other interest-bearing current liabilities	5 000	39 943
Secured financial liabilities	20 951	47 045
Total	**89 935**	**111 308**
Total borrowings	**1 349 995**	**1 511 918**

Fair values of non-current and current borrowings are presented in note 29.

Teollisuuden Voima Oyj is obliged to nuclear waste management. The obligation entitles Teollisuuden Voima Oyj to borrow 75% of its holdings in the National Nuclear Waste Management Fund. Teollisuuden Voima Oyj has granted corresponding loans to its shareholders. Pohjolan Voima's share is 478,9 (456,0) million euros.

The secured financial liabilities consist of finance lease contracts relating to investments in power plants. Pohjolan Voima Group has 12 finance lease contracts for power plant machinery with an average lease term of 10 years (at 31 December 2010, 15 contracts). Contracts expire 2015 to 2020. Sale and lease agreements included in sale and leaseback arrangements are evaluated as a whole: Sale does not transfer the risks and rewards of ownership to the buyer, which means that criteria for derecognition are not fulfilled for the seller i.e. the lessee. The arrangement does not transfer the right of use of the assets to the finance company.

OTHER NON-CURRENT LIABILITIES

1 000 eur	2011	2010
Other non-current liabilities		
Other non-current liabilities	71	45
Derivative financial liabilities		
Interest rate swaps	3 100	3 053
Total	**3 171**	**3 098**

Fair values of derivatives are disclosed in note 29.

INTEREST-BEARING NET LIABILITIES

1 000 eur	2011	2010
Interest-bearing liabilities total	**1 349 995**	**1 511 918**
Interest-bearing financial assets		
Non-current		
Loan receivables	109 535	109 555
Finance lease receivables	203 603	217 638
	313 138	327 193
Current		
Pledged cash deposits	4 390	11 707
Interest-bearing receivables	10 303	2 284
Finance lease receivables	14 699	14 529
Short-term deposits	75 000	0
Cash and cash equivalents	81 201	43 144
Total	185 593	71 664
Interest-bearing financial assets total	**498 731**	**398 857**
Interest-bearing liabilities net	**851 264**	**1 113 061**

27. Trade payables and other current liabilities

1 000 eur	2011	2010
Trade payables	23 964	22 930
Liabilities to associates and joint ventures	34 204	42 221
Accrued expenses	32 508	28 334
Other current liabilities	35 963	47 416
Held emission allowances, Energy Market Authority	9 223	24 969
Derivative financial instruments	6	726
Total	135 868	166 596

Emission allowances are recorded at cost and are presented separately on the balance sheet. The obligation relating to emission allowances are recorded at book value of the held allowances to short-term debt. Allowances and the related obligations are derecognised when they are reported or sold.

Accrued expenses

1 000 eur	2011	2010
Accrued personnel expenses	6 548	6 705
Accrued expenses for fuel purchases	11 352	7 550
Accrued expenses for energy purchases	4 787	5 923
Other	9 821	8 156
Total	32 508	28 334

28. Derivative financial instruments

Fair value of derivative financial instruments

	2011	2011	Total
1 000 eur	Positive fair values	Negative fair values	
Interest rate swaps	393	-3 499	-3 106
Forward foreign exchange contracts and swaps	300	0	300
Total	693	-3 499	-2 806

	2010	2010	Total
1 000 eur	Positive fair values	Negative fair values	
Interest rate swaps	0	-3 460	-3 460
Forward foreign exchange contracts and swaps	1 106	-727	379
Total	1 106	-4 187	-3 081

Nominal value of derivative financial instruments

1 000 eur	2011	2010
Interest rate swaps	220 350	245 150
Forward foreign exchange contracts and swaps	11 709	57 564

29. Financial assets and liabilities by category

1 000 eur 2011	Financial assets and liabilities at fair value through profit and loss	Loans and re-ceivables	Available-for-sale financial assets	Financial liabilities carried at amortised cost	Book value total	Fair value total	Note
Non-current financial assets							
Available-for-sale investments			3 178		3 178	3 178	19
Loan receivables		109 535			109 535	109 535	20
Finance lease receivables					203 603	203 603	20
Other receivables		8 496			8 496	8 496	20
	0	118 031	3 178	0	324 812	324 812	
Current financial assets							
Cash and cash equivalents		81 201			81 201	81 201	21
Short-term deposits		75 000			75 000	75 000	21
Loan receivables		14 693			14 693	10 303	20
Trade and other receivables		83 912			83 912	83 912	20
Prepayments and accrued income		25 253			25 253	25 253	20
Finance lease receivables					14 699	14 699	20
Derivative financial instruments	300				300	300	20
	300	280 059	0	0	295 058	290 668	
Total	**300**	**398 090**	**3 178**	**0**	**619 870**	**615 480**	
Non-current financial liabilities							
Borrowings from associates and joint ventures				478 872	478 872	478 872	26
Borrowings				381 288	381 288	381 288	26
Secured financial liabilities				399 900	399 900	399 900	26
Other non-current liabilities				71	71	71	26
Derivative financial instruments	3 100				3 100	3 100	26
	3 100	0	0	1 260 131	1 263 231	1 263 231	
Current financial liabilities							
Loans and commercial papers				68 984	68 984	68 984	26
Trade payables				23 964	23 964	23 964	27
Other current liabilities				79 390	79 390	79 390	27
Accrued expenses				32 508	32 508	32 508	27
Secured financial liabilities				20 951	20 951	20 951	26
Derivative financial instruments	6				6	6	27
	6	0	0	225 797	225 803	225 803	
Total	**3 106**	**0**	**0**	**1 485 928**	**1 489 034**	**1 489 034**	

1 000 eur 2010	Financial assets and liabilities at fair value through profit and loss	Loans and re-ceivables	Available-for-sale financial assets	Financial liabilities carried at amortised cost	Book value total	Fair value total	Note
Non-current financial assets							
Available-for-sale investments			3 178		3 178	3 178	19
Loan receivables		109 555			109 555	109 555	20
Finance lease receivables					217 638	217 638	20
Other receivables		5 076			5 076	5 076	20
	0	114 631	3 178	0	335 447	335 447	
Current financial liabilities							
Cash and cash equivalents		43 144			43 144	43 144	21
Loan receivables		13 991			13 991	13 991	20
Trade and other receivables		90 425			90 425	90 425	20
Prepayments and accrued income		26 180			26 180	26 180	20
Finance lease receivables					14 529	14 529	20
Derivative financial instruments	698				698	698	20
	698	173 740	0	0	188 967	188 967	
Total	**698**	**288 371**	**3 178**	**0**	**524 414**	**524 414**	
Non-current financial liabilities							
Borrowings from associates and joint ventures				456 039	456 039	456 039	26
Borrowings				524 697	524 697	524 697	26
Secured financial liabilities				419 874	419 874	419 874	26
Other non-current liabilities				45	45	45	26
Derivative financial instruments	3 053				3 053	3 053	26
	3 053	0	0	1 400 655	1 403 708	1 403 708	
Current financial liabilities							
Loans and commercial papers				64 263	64 263	64 263	26
Trade payables				22 930	22 930	22 930	27
Other current liabilities				114 606	114 606	114 606	27
Accrued expenses				28 334	28 334	28 334	27
Secured financial liabilities				47 045	47 045	47 045	26
Derivative financial instruments	726				726	726	27
	726	0	0	277 178	277 904	277 904	
Total	**3 779**	**0**	**0**	**1 677 833**	**1 681 612**	**1 681 612**	

Fair value estimation

Carrying value of receivables and other receivables with variable interest rates are calculated using the effective interest method. This is also a reasonable estimate of their fair value. Short-term trade and other receivables approximate their fair value, as the effect of discounting is not significant for these receivables due to their short maturities.

Available-for-sale investments include investments in unlisted securities, which are carried at acquisition cost because their fair values are not readily available. The Group has no intention to dispose of these securities.

Carrying value of long-term loans and short-term interest-bearing liabilities is calculated using the effective interest method. Carrying value of loans with variable interest rates is a reasonable estimate of their fair value. Carrying value of short-term interest-bearing liabilities approximate their fair value, as the effect of discounting is not significant due to their short maturity. Fair value of loans with fixed interest rate is determined using a discounted cash flow method. Discount rates used are the market interest rates at the closing date, which were in between 0,7 - 2,4% (0,6 - 3,3%). A company- or loan-specific risk premium has been added to the discount rates used.

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value at the closing date. The fair values reflect the prices, which PVO would have to pay or would receive, if it called a derivatives contract. Fair value of interest rate swaps is determined using a discounted cash flow method using market rates prevailing at the closing date as the discount rate, which were 0,7 - 2,4% (0,6 - 3,3%). Fair values of forward foreign exchange contracts and swaps are determined using quoted forward rates from contracts with similar duration. PVO does not apply hedge accounting according to IAS 39, so the changes in fair values for derivative instruments are recorded in profit or loss.

According to IFRS 7, items measured at fair value are classified into three different levels for the notes, depending on how much the fair values are based on market information. Fair values of instruments categorized as Level 1 are based on quoted prices (unadjusted) in active markets for identical instruments; fair values of Level 2 instruments are derived, either directly or indirectly from quoted prices and Level 3 of the fair values are determined using input data that is not based on observable market data. Only derivative financial inatruments are recorded at fair value in the balance sheet and they are all in Level 2 in the fair value hierarchy.

30. Contingent liabilities and assets and purchase commitments

1 000 eur	2011	2010
On behalf of own loans		
Pledged deposits	4 390	11 707
Other contingent liabilities	167 049	147 846
On behalf of associated companies and joint ventures		
Guarantees	47 895	55 076
Guarantee according to Nuclear Energy Act	93 795	124 925
On behalf of others		
Guarantees	5 704	6 223
Total	**318 833**	**345 777**

Pledged deposits are mainly related to PVO-Pool Oy's electricity trade and the parent company's pledges relating to emission rights.

Other liabilities consist mainly of the parent company's loan guarantees. In 2011 a bank guarantee of 139 million euros (in 2010 120 million euros) was given to the State Nuclear Waste Management Fund. A bank guarantee relating to the pension (TyEl) loan amounts to 21,7 million euros (in 2010 21,7 million euros). Fingrid Oyj has been given a guarantee of 4,5 million euros related to the reserve capacity agreement.

Guarantee under the Nuclear Energy Act

According to the Finnish Nuclear Energy Act, Teollisuuden Voima, a joint venture of which Pohjolan Voima owns 58.47%, is obliged to fund the decommissioning of nuclear power plants and final disposal of spent nuclear fuel through the Finnish State Nuclear Waste Management Fund.

The amount of the contingent liability is determined by the administrative authority (Ministry of Employment and Economy) based on the Nuclear Energy Act. The directly enforceable guarantees relating to Nuclear waste management given by the shareholders of Teollisuuden Voima Oyj cover the uncovered portion of nuclear waste management liability as well as a liability for any unforeseen expenses of nuclear waste management in accordance with the Nuclear Energy Act. The directly enforceable guarantee given by Pohjolan Voima is 93,8 million euros (124,9 million euros in 2010).

Investment commitments

Subsidiaries

Hämeenkyrön Voima Oy is preparing an investment in which a boiler plant, a fuel reception and processing systems is built in the connection to the existing power plant. The total investment is estimate to amount to 50 million euros, of which 21,4 (4,4 million euros on 2010) have been recorded during the reporting period.

Joint ventures

Pohjolan Voima Oy has committed to an investment into the nuclear power plant Olkiluoto 3 built by Teollisuuden Voiman Oyj during 2004 to 2013. The commitment consists of a 432 million euros investment, a shareholder loan of 108,0 million and an additional shareholder loan of a maximum of 180,7 million euros. At 31.12.2011 Pohjolan Voima Oy has fulfilled 540,0 (500,7 million euros in 2010) of its commitments. Investments are based on the financial plan of Olkiluoto 3, according to which capital is raised in accordance with the progress of the project.

The Extraordinary General Meeting of Pohjolan Voima decided in December 2011 to participate in the bidding and engineering phase of the construction of a new nuclear power plant Olkiluoto 4 (OL4) and the Extraordinary General Meeting of Teollisuuden Voima decided to commence the bidding and engineering phase. The total cost of the bidding an engineering phase is a maximum of 300 million Euros, of which Pohjolan Voima share of the costs is about 176 million Euros. For the financing of the bidding and engineering phase of the OL4 project, Pohjolan Voima has shareholder loan commitments totalling 164 million Euros.

Legal proceedings

Subsidiaries

The agreement between the State of Finland and PVO-Vesivoima regarding the use of the four hydropower plants in Iijoki, ended at the end of 2005. No agreement was reached on the extension of the contract. The Environmental Permit Authority in Northern Finland granted in May 2008, PVO-Vesivoima the continuous right to the power plants and ordered a compensation of 2,25 million euros. Metsähallitus (a state enterprise that administers state-owned land and water areas) appealed to Vaasa Administrative Court, whose decision on 27.12.2010 concurred with the previous decision made by the administrative court. In the beginning of 2011 Metsähallitus was granted a right to appeal by the Superior Administrative Court. Therefore the granted continuous right of use is not yet in force. A provision for the compensation has not been recorded. The appeal does not affect the operations of the power plants in Iijoki.

Joint ventures

Teollisuuden Voima Oyj was informed in December 2008, by the International Chamber of Commerce (ICC) that the plant supplier, has provided the ICC an arbitration request, regarding the cost arising from the delay of the completion of Olkiluoto 3. In June 2011 the plant supplier delivered an updated and detailed specifikation of the claimed costs and penalty interest for late payment. The suppliers compensation demand totalled 1,9 billion euros at the closing date. Teollisuuden Voima continues to note that supplier claims are unfounded.

in April 2009 Teollisuuden Voima submitted to ICC its response and its counter-claim to the plant supplier, regarding the alleged Olkiluoto 3 additional cost filed by the supplier in December 2008. TVO's claim amounted at the end of the year to approximately 1,4 billion euros. TVO will update its claim during the arbitration. The arbitration may take several years and the amounts in the claims presented by both sides may change.

Teollisuuden Voima was, additionally, involved in another ICC arbitration proceeding, which related to the costs of a technically resolved issue in connection with the construction work at the Olkiluoto 3, for which the cost was considered insignificant in comparison to the total project value. This arbitration proceeding was finalized after the end of the reporting period. The effect on the financial statements of the arbitration award of damages in this proceeding was immaterial and it has not been recognised in the 2011 financial statements.

No provisions or receivables have been recorded based on the arbitration proceedings.

31. Operating leases

The Group has leased the Helsinki and Oulu office spaces. The leases expire in 2014 for the Oulu office and in 2015 for the Helsinki office. The contracts include the possibility to continue the lease period after the expiration date of the initial contract period.

1 000 eur	2011	2010
No later than 1 year	1 873	1 870
Later than 1 year and no later than 5 years	4 890	6 417
Total	**6 763**	**8 287**

32. Emission allowances

Carbon Dioxide Emission
Generally the Group holds emission allowances covering the annual CO_2 emissions. If the actual emissions exceed allowances held, the company has recognised an expenses for emission rights at market price for each ton of emission exceeding its allowances.

	2011 t CO_2	1 000 eur
Allowances received free of charge	2 679 072	
Combined annual emissions of the plants'	1 882 678	
Emission allowances held	2 740 736	
External sales of emission allowances *	1 004 414	9 208
External purchases of emission allowances **	764 501	8 695

	2010 t CO_2	1 000 eur
Allowances received free of charge	2 701 298	
Combined annual emissions of the plants'	3 677 261	
Emission allowances held	4 153 030	
External sales of emission allowances *	484 396	7 014
External purchases of emission allowances **	1 740 007	25 107

* Emission sales are included in revenue.
** The cost of purchased emission rights are included in materials and services and remaining emission allowances held at the closing date are included the balance sheet as intangible assets.

33. Related-party transactions

The Group's related parties include the parent company, subsidiaries, associates and joint ventures as well as the largest shareholder, UPM-Kymmene Oyj. Related parties also include the Board of Directors and the Corporate Executive Team members including the CEO and Deputy CEO.

Parent company and subsidiaries

Company	Production	Country	Ownership (%)	Voting right (%)
Finestlink Oy		Finland	51.311	51.311
Järvi-Suomen Voima Oy	Thermal Power	Finland	50.000	50.000
Hämeenkyrön Voima Oy	Thermal Power	Finland	84.000	84.000
Kaukaan Voima Oy	Thermal Power	Finland	54.000	54.000
Keravan Lämpövoima Oy	Thermal Power	Finland	100.000	100.000
Kokkolan Voima Oy	Thermal Power	Finland	100.000	100.000
Kymin Voima Oy	Thermal Power	Finland	76.000	76.000
Laanilan Voima Oy	Thermal Power	Finland	100.000	100.000
Mussalon Voima Oy	Thermal Power	Finland	100.000	100.000
Porin Prosessivoima Oy	Thermal Power	Finland	100.000	100.000
Powest Oy	Services company	Finland	80.519	98.805
Proma Palvelut Oy	Services company	Finland	53.143	53.143
PVO-Alueverkot Oy	Network company	Finland	80.519	80.519
PVO-Huippuvoima Oy	Thermal Power	Finland	100.000	100.000
PVO-Lämpövoima Oy	Thermal Power	Finland	100.000	100.000
PVO-Pool Oy	Services company	Finland	100.000	100.000
PVO-Vesivoima Oy	Hydropower	Finland	100.000	100.000
Rauman Voima Oy	Thermal Power	Finland	71.949	71.949
Rouhialan Voimansiirto Oy	Services company	Finland	100.000	100.000
Wisapower Oy	Thermal Power	Finland	89.976	89.976

List of associated companies and joint ventures

Company	Registered Office
Associated companies	
Oy Alholmens Kraft Ab	Pietarsaari
Länsi-Suomen Voima Oy	Harjavalta
Tahkoluodon Polttoöljy Oy	Pori
Torniolaakson Voima Oy	Ylitornio
Joint ventures	
Teollisuuden Voima Oyj	Helsinki
Vaskiluodon Voima Oy	Vaasa
Voimalohi Oy	Kemi

Transactions with related parties, 1 000 eur:

Related party transactions relate to normal business operations of Pohjola Voima.

2011	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	1 786	277 429	139 420	513 076
UPM-Kymmene Oyj	258 188	95 506	22 896	13 207

2010	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	2 450	281 430	131 933	498 259
UPM-Kymmene Oyj	256 165	93 661	21 994	7 352

UPM-Kymmene Oyj owns 43,21% (43,09% in 2010) of Pohjolan Voima Oy's share capital.

The Board of Directors and Executive team

Senior management of Pohjolan Voima consists of the board members and the executive management team members, including the President and CEO and the deputy President & CEO. The Group has not granted any loans to senior management, and has no business transactions with management.

1 000 eur	2011	2010
Salaries and other short-term employee benefits	1 600	2 045
Total	1 600	2 045

34. Breakdown of share ownership and shareholder information

Shareholder	2011 % of shares	2010 % of shares
EPV Energia Oy	7.18 %	7.22 %
Etelä-Suomen Voima Oy	2.78 %	2.85 %
Helsingin kaupunki	0.79 %	0.79 %
Kemira Oyj (incl. Pension fund)	3.95 %	3.94 %
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	4.13 %	4.12 %
Kokkolan kaupunki	2.45 %	2.48 %
Kymppivoima Oy	8.64 %	8.73 %
M-Real Oyj	2.76 %	2.52 %
Myllykoski Oyj	0.82 %	0.83 %
Oulun kaupunki	1.76 %	1.86 %
Outokumpu Oyj	0.09 %	0.09 %
Oy Metsä-Botnia Ab	0.34 %	0.34 %
Oy Perhonjoki Ab	2.49 %	2.57 %
Porin kaupunki	1.83 %	1.84 %
Rautaruukki Oyj	0.02 %	0.02 %
Stora Enso Oyj	14.81 %	14.77 %
UPM-Kymmene Oyj	43.21 %	43.09 %
Vantaan Energia Oy	0.29 %	0.31 %
Yara Suomi Oy (incl. Pension fund)	1.67 %	1.66 %
Total	**100.00 %**	**100.00 %**

Shareholders by sector	% of shares	% of shares
Forest industry	61.95 %	61.54 %
Energy companies	21.38 %	21.67 %
Cities	6.83 %	6.96 %
Chemical industry	5.61 %	5.60 %
Metal industry	0.11 %	0.11 %
Other	4.13 %	4.12 %
Total	**100.00 %**	**100.00 %**

Parent company financial statements (FAS)

Income statement

1 000 eur • 1.1.-31.12.	Note	2011	2010
Revenue	2	**598 644**	**635 716**
Other operating income	3	296 453	2 005
Materials and services	4	-282 300	-328 045
Personnel expenses	5	-7 214	-8 795
Depreciation, amortisation and impairment	6	-11 631	-1 013
Other operating expenses	7	-310 692	-298 135
Operating profit or loss		**283 260**	**1 733**
Finance income and costs	8	-7 391	-6 692
Profit or loss before appropriations and taxes		**275 869**	**-4 959**
Appropriations			
Increase (+) or decrease (-) in depreciation difference		176	335
Income tax expense	9	-8	-6
Profit or loss for the year		**276 037**	**-4 630**

Balance sheet

1 000 eur • 31.12.	Note	2011	2010
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	422	468
Property, plant and equipment	11	1 797	1 646
Investments	12		
Holdings in Group undertakings		562 202	577 652
Other investments		862 769	854 398
TOTAL NON-CURRENT ASSETS		**1 427 190**	**1 434 164**
CURRENT ASSETS			
Non-current receivables	13	10 015	7 289
Current receivables	14	92 435	101 189
Investments	15	79 949	27 486
Cash and cash equivalents		111 893	16 350
TOTAL CURRENT ASSETS		**294 292**	**152 314**
Total assets		**1 721 482**	**1 586 478**
EQUITY AND LIABILITIES			
EQUITY	16		
Share capital		61 096	61 280
Share premium		381 608	384 194
Contingency reserve		547	547
Revaluation reserve		218 644	218 644
Reserve for invested non-restricted equity		104 614	108 017
Retained earnings		-28 544	-23 759
Profit or loss for the year		276 037	-4 630
TOTAL EQUITY		**1 014 002**	**744 293**
ACCUMULATED APPROPRIATIONS			
Depreciation difference		**345**	**521**
LIABILITIES			
Non-current liabilities	17	553 214	613 066
Current liabilities	18	153 921	228 598
TOTAL LIABILITIES		**707 135**	**841 664**
Total equity and liabilities		**1 721 482**	**1 586 478**

Cash flow statement

1 000 eur • 1.1.–31.12.		2011	2010
Operating activities			
Operating profit or loss		283 260	1 733
Adjustments to operating profit or loss	1)	-285 352	1 015
Change in net working capital	2)	-5 805	-13 905
Interest paid		-11 004	-15 896
Interest received		5 377	3 504
Dividends received		1	1 688
Other financial items		-1 008	-659
Income tax paid		-12	13
Cash flow from operating activities		**-14 543**	**-22 507**
Investments			
Acquisition of subsidiaries		-4 872	-10 813
Acquisition of other shares		-39 272	-47 764
Purchases of property,plant and equipment and intangible assets		-551	-198
Proceeds from the sale of shares in subsidiaries		9 622	1 423
Proceeds from the sale of shares in joint ventures		325 000	0
Proceeds from sales of property, plant and equipment and intangible assets		64	120
Increase (-) or decrease (+) of loan receivables		-6 580	123 632
Cash flow from investing activities		**283 411**	**66 400**
Financing			
Proceeds from borrowings		24 832	59 222
Repayments of borrowings		-42 712	-140 000
Proceeds (+) or repayments (-) of current interest-bearing liabilities		-96 655	-11 555
Purchase of own shares		-11 200	0
Proceeds from issuance of ordinary shares		4 872	6 381
Cash flow from financing activities		**-120 863**	**-85 952**
Net (decrease)/increase in cash and cash equivalents		**148 005**	**-42 059**
Cash and cash equivalents transferred in subsidiary merger			
Cash and cash equivalents at 1.1.		43 836	85 895
Cash and cash equivalents at 31.12.		**191 842**	**43 836**
1) Adjustments to operating profit or loss			
Depreciation, amortisation and impairment		11 631	1 013
Losses(+) or gains (-) of sales of non-current assets		-296 983	2
		-285 352	**1 015**
2) Change in net working capital			
Increase (-) or decrease (+) of non-interest-bearing receivables		16 370	-5 994
Increase (+) or decrease (-) of current non-interest-bearing liabilities		-22 176	-7 911
		-5 805	**-13 905**

Notes to financial statement

1. Basis of preparation

Basis of preparation

Pohjolan Voima Oy's financial statements have been prepared in accordance with Finnish Accounting Standards (FAS) and other laws and regulations governing the preparation of the financial statements in Finland.

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

Revenue

Revenue is recognised net of value-added taxes and discounts. Revenue is recognised at the time of delivery.

Other operating income

Revenue from activities outside the normal operations is reported in other operating income. This includes items such as rental income and gains on sale of assets.

Research and development costs

Research and development costs are expensed as incurred.

Pension costs

Statutory pension liabilities are covered through pension insurance arrangements.

Foreign currencies and derivative contracts

Transactions denominated in foreign currencies have been valued using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the balance sheet date have been valued using the exchange rate quoted on the balance sheet date. Exchange rate differences are presented within finance income and cost in the income statement.

Pohjolan Voima Oy enters into derivative contracts mainly for hedging interest rate exposure. Derivative contracts are not recognised in the balance sheet. Derivatives used to manage interest rate risk are accrued for the contract period and they are recognised against the interest expenses of the hedged loans. Pohjolan Voima Oy enters into foreign exchange rate derivative contracts relating to the fuel purchases of its subsidiaries. The nominal values and market values of foreign exchange rate and interest rate derivatives are disclosed in the notes.

Income taxes and deferred taxes

The tax expense for the period comprises current tax, relating to the current period and any adjustments made to taxes for the previous financial period. Pohjolan Voima operations are based on cost price and the company does not pay any taxes on its energy related operations. No deferred tax assets on the operating losses from previous periods have been recognized.

Non-current assets

The intangible assets and property, plant and equipment is stated at historical cost less accumulated amortisation and depreciation according to plan. Historical cost includes the variable costs of the investment. Received government grants have been deducted from acquisition cost. Depreciation is calculated using the straight-line method based on the estimated useful lives. Depreciation and amortization is started when the asset is taken into use.

The estimated useful lives have been defined as follows:

Other capitalised long-term expenditure	3-10 years
Machinery and equipment	3-20 years
Buildings and constructions	8-30 years

Investments

Investments include holdings in investment funds with short-term interest and certificates of deposit of financial institutions. Investments are recognised in the balance sheet at cost. They are included in cash and cash equivalents in the cash flow statement.

2. Sales

1 000 eur	2011	2010
Sales of generated electricity	417 354	473 397
Sales of generated heat	176 142	156 507
Other sales	5 148	5 812
Total	598 644	635 716

3. Other operating income

1 000 eur	2011	2010
Gains on sale of property, plant and equipment and other investments	294 381	6
Rental income	1 501	1 393
Other income	571	606
Total	296 453	2 005

4. Materials and services

1 000 eur	2011	2010
Energy purchases	282 300	328 045
Total purchases	282 300	328 045

5. Personnel expenses and average number of personnel

1 000 eur	2011	2010
Wages and salaries		
Board members and CEO	846	1 165
Other wages and salaries	5 124	5 397
Total	5 970	6 562
Pension expenses	951	1 896
Other personnel expenses	293	337
Total	1 244	2 233
Total personnel expenses	7 214	8 795
Average number of personnel		
Salaried employees	73	75
Wage-earners	1	2
Total	74	77

6. Depreciation, amortisation and impairment

1 000 eur	2011	2010
Depreciation according to plan		
Other capitalised long-term expenditure	135	164
Buildings and constructions	42	48
Machinery and equipment	307	354
Impairment of non-current assets	10 700	-
Investments	447	447
Total	11 631	1 013

7. Other operating expenses

1 000 eur	2011	2010
Energy purchases	303 301	290 192
Repair, servicing and maintenance services	197	157
Rents	1 985	1 960
Real estate taxes	76	76
Other expenses	5 133	5 750
Total	310 692	298 135

Auditor’s fees

1 000 eur	2011	2010
PricewaterhouseCoopers Oy:		
Audit fees	106	115
Tax counselling	-	17
Auditor's statements	-	-
Other services	20	49
Total	126	181

8. Finance income and costs

1 000 eur	2011	2010
Dividend income		
from participating interests	1	1 687
from others		1
Interest income from investments	163	
in Group undertakings	2 799	741
in participating interests	-	2 254
in others		3
Other interest and finance income	1 646	
from Group undertakings	50	1 620
from others	2 073	-1 179
Total finance income	6 732	5 127
Interest costs and other financial costs		
Group undertakings	-917	-767
participating interests	-8 681	-6 027
Others	-4 525	-5 025
Total finance costs	-14 123	-11 819
Total finance income and costs	-7 391	-6 692
Other interest and financial income includes exchange rate differences (net).	-5	-10

9. Income taxes

1 000 eur	2011	2010
Income taxes for the period	8	6
Income taxes from previous periods	0	0
Total	8	6

10. Intangible assets

1000 eur	Intangible rights	Other capitalised long-term expenditure	Total
Cost or valuation at 1.1.	40	2 250	2 290
Additions	4	91	95
Disposals	-6	-	-6
Cost or valuation at 31.12.	38	2 341	2 379
Accumulated amortisation 1.1.	-	-1 822	-1 822
Amortisation for the period	-	-135	-135
Accumulated amortisation 31.12.	-	-1 957	-1 957
Net book amount 31.12.2011	38	384	422
Net book amount 31.12.2010	40	428	468

11. Property, plant and equipment

1000 eur	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Prepay-ments	Total
Cost or valuation at 1.1.	208	1 249	3 804	42	-	5 303
Additions	-	8	268	4	248	528
Disposals	-	-	-567	-	-	-567
Cost or valuation at 31.12.	208	1 257	3 505	46	248	5 264
Accumulated depreciation 1.1.	-	-777	-2 880	-	-	-3 657
Accumulated depreciation of disposals and reclassifications	-	-	538	-	-	538
Depreciation for the period	-	-42	-306	-	-	-348
Accumulated depreciation 31.12.	-	-819	-2 648	-	-	-3 467
Net book amount 31.12.2011	208	438	857	46	248	1 797
Net book amount 31.12.2010	208	472	924	42	-	1 646
Production machinery and equipment at 31.12.			347			

12. Investments

1000 eur	Holdings in Group undertakings	Receivables from Group undertakings	Holdings in participating interests	Receivables from participating interests	Other shares and holdings	Total
Cost or valuation at 1.1.	577 652	8 600	737 120	107 995	682	1 432 049
Additions	4 872	-	39 273	-	-	44 145
Disposals	-20 322	-2 400	-28 501	-	-	-51 223
Cost or valuation at 31.12.	562 202	6 200	747 892	107 995	682	1 424 971
Net book amount 31.12.2010	562 202	6 200	747 892	107 995	682	1 424 971
Net book amount 31.12.2009	577 652	8 600	737 120	107 995	682	1 432 049
Revaluations included in the cost at 31.12.	265 145					

13. Non-current receivables

1 000 eur	2011	2010
Loan receivables	3 540	4 560
Capital loan receivables	1	1
Other non-current receivables	6 474	2 728
Total	10 015	7 289
Receivables from Group undertakings		
Loan receivables	2 000	3 000
Capital loan receivables	1	1
Total receivables from Group undertakings	2 001	3 001
Receivables from participating interests		
Loan receivables	1 540	1 560
Other non-current receivables	6 474	2 728
Total receivables from participating interests	8 014	4 288

14. Current receivables

1 000 eur	2011	2010
Trade receivables	54 051	74 381
Other receivables	12 365	230
Prepayments and accrued income	26 019	26 578
Total	92 435	101 189
Receivables from Group undertakings		
Trade receivables	279	2 660
Prepayments and accrued income	4 519	5 026
Total receivables from Group undertakings	4 798	7 686
Receivables from participating interests		
Trade receivables	184	1 632
Loan receivables	10 000	
Prepayments and accrued income	12 872	12 984
Total receivables from participating interests	23 056	14 616
Prepayments and accrued income:		
Accrued personnel expenses	15	30
Accrued interest income	1 621	263
Accrued income taxes	7	2
Accrued emission allowances SWAP-contracts	4 786	9 447
Accrued arrangement fee for credit facility	1 581	-
Accued VAT on prepayments	2 995	-
Accrued energy purchases	12 606	15 530
Others	2 408	1 306
Total	26 019	26 578
Interest-bearing receivables		
Non-current assets	114 195	116 595
Current assets	205 382	48 396
Total	319 577	164 991

15. Investments

1 000 eur	2011	2010
Holdings in investment funds with short-term interest, certificates of deposit and commercial papers		
Reacquisition price	79 949	27 486
Book value	79 949	27 486
Difference	0	0

16. Equity

1 000 eur	2011	2010
Share capital 1.1.	61 280	61 089
Transfer from share issue	147	191
Purchase and annulment of own shares	-331	-
Share capital 31.12.	61 096	61 280
Share issue 1.1.	0	0
Transfer to share capital	-147	-191
Transfer to reserve for invested non-restricted equity	-4 725	-6 189
Share issues during the year	4 872	6 380
Share issue 31.12.	0	0
Share premium 1.1.	384 194	384 194
Purchase and annulment of own shares	-2 586	-
Share premium 31.12.	381 608	384 194
Contingency reserve 1.1.	547	547
Contingency reserve 31.12.	547	547
Revaluation reserve 1.1.	218 644	218 644
Revaluation reserve 31.12.	218 644	218 644
Reserve for invested non-restricted equity 1.1	108 017	101 828
Share issues	4 725	6 189
Transfer from share capital	331	-
Transfer from share premium	2 586	-
Purchase and annulment of own shares	-11 045	-
Reserve for invested non-restricted equity 31.12	104 614	108 017
Retained earnings 1.1.	-28 389	-23 759
Purchase of own shares, transfer tax	-155	-
Retained earnings 31.12.	-28 544	-23 759
Profit or loss for the year	276 037	-4 630
Total	1 014 002	744 293
Distributable earnings 31.12.		
Retained earnings	-28 544	-23 759
Profit or loss for the year	276 037	-4 630
Reserve for invested non-restricted equity	104 614	108 017
Total	352 107	79 628

Share capital by share category, see note 23 in the consolidated financial statements.

17. Non-current liabilities

1 000 eur	2011	2010
Loans from financial institutions	50 000	90 000
Pension loans	16 271	18 983
Other non-current liabilities	486 943	504 083
Total	553 214	613 066
Liabilities to Group undertakings		
Other non-current liabilities	8 000	48 000
Liabilities to participating interests		
Other non-current liabilities	478 872	456 039
Liabilities with more than five years to maturity		
Other non-current liabilities	484 295	464 175
Total	484 295	464 175
Non-interest-bearing and interest-bearing non-current liabilities		
Non-interest-bearing	72	44
Interest-bearing	553 142	613 022
Total	553 214	613 066

18. Current liabilities

1 000 eur	2011	2010
Other interest-bearing liabilities	65 889	120 545
Advances received	21	48
Trade payables	58 272	71 413
Other current liabilities	10 242	14 198
Accrued expenses	19 497	22 394
Total	153 921	228 598
To Group undertakings		
Other interest-bearing liabilities	5 000	25 000
Trade payables	34 496	39 043
Accrued expenses	4 101	4 573
To Group undertakings, total	43 597	68 616
To participating interests		
Trade payables	23 496	32 167
Accrued expenses	10 505	9 602
To participating interests, total	34 001	41 769
Accrued expenses		
Accrued personnel expenses	1 505	1 434
Accrued interest costs	9 033	6 917
Accrued emission allowance SWAP-contracts	4 677	9 328
Others	4 282	4 715
Total accrued expenses	19 497	22 394
Non-interest-bearing and interest-bearing current liabilities		
Non-interest-bearing	88 032	108 053
Interest-bearing	65 889	120 545
Total	153 921	228 598

19. Guarantees and contingent liabilities

1 000 eur	2011	2010
Pledged deposits		
As security for own liabilities	115	46
Guarantees		
Guarantees for loans		
On behalf of participating interests	47 871	55 050
Other guarantees		
As security for own liabilities	160 694	141 694
On behalf of Group undertakings	4 500	4 500
Total guarantees	213 065	201 244
Leasing liabilities		
Payments during the following year	2	21
Payments in subsequent years	-	13
Total leasing liabilities	2	34
Rental liabilities		
Payments during the following year	1 798	1 732
Payments in subsequent years	4 686	6 386
Total leasing liabilities	6 484	8 118
Other contingent liabilities		
Guarantee according to Nuclear Energy Act	93 795	124 925

According to the Finnish Nuclear Energy Act, Teollisuuden Voima, a joint venture of which Pohjolan Voima owns 58,47%, is obliged to fund the decommissioning of nuclear power plants and final disposal of spent nuclear fuel through the Finnish National Nuclear Waste Management Fund.

The amount of the contingent liability is determined by the administrative authority (Ministry of Employment and Economy) based on the Nuclear Energy Act. The directly enforceable guarantees given by the shareholders of Teollisuuden Voima Oyj cover the uncovered portion of the Nuclear Waste Management obligation as well as a liability for any unforeseen expenses of nuclear waste management in accordance with the Nuclear Energy Act. The directly enforceable guarantee given by Pohjolan Voima is 93,8 million euros (124,9 million euros in 2010).

20. Derivative financial instruments

1 000 eur	2011	2010
Nominal values and market values of derivative contracts providing a hedge against exchange rate and interest rate risks were as follows		
Interest rate swap contracts (nominal value)	355 700	325 300
Market value	-1 772	-2 246
Currency derivatives		
Forward contracts (nominal value)	11 709	57 564
Market value	300	-319

Financing risks

Board of Directors approve a financing policy for the company, which determines the purpose and risk levels for the financing operations. 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 loans are made so that a maximum of 25% of the outstanding debt 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 relating to the fuel purchases of Pohjolan Voima subsidiaries paid in foreign currencies are managed in accordance with the coal purchase policy approved by the board of Pohjolan Voima Oy, through currency derivatives. Execution and management of the derivative contracts is centralised to the parent company.

The interest rate risk is monitored by means of duration, which indicates the sensitivity of the loan portfolio to changes in the interest rates. 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 issued by companies specified in the financing policy, that can be converted into money quickly, if necessary.

Signing of the Board of Directors' report and financial statements

Board of Directors' dividend proposal

The parent company Pohjolan Voima's profit and loss account indicates a profit of € 276.036.646,84.

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, February 21, 2012

Tapio Korpeinen
Chairman

Juha Vanhainen
Deputy Chairman

Seppo Ruohonen

Kari Rämö

Jyrki Mäki-Kala

Tapani Sointu

Hannu Anttila

Rami Vuola

Lauri Virkkunen
President and CEO

The auditor's note
Our auditor's report has been issued today.

Helsinki, February 29, 2012

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 year ended 31 December, 2011. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, 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 of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view 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 express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about 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 or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

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.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, February 29, 2012

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Accountant