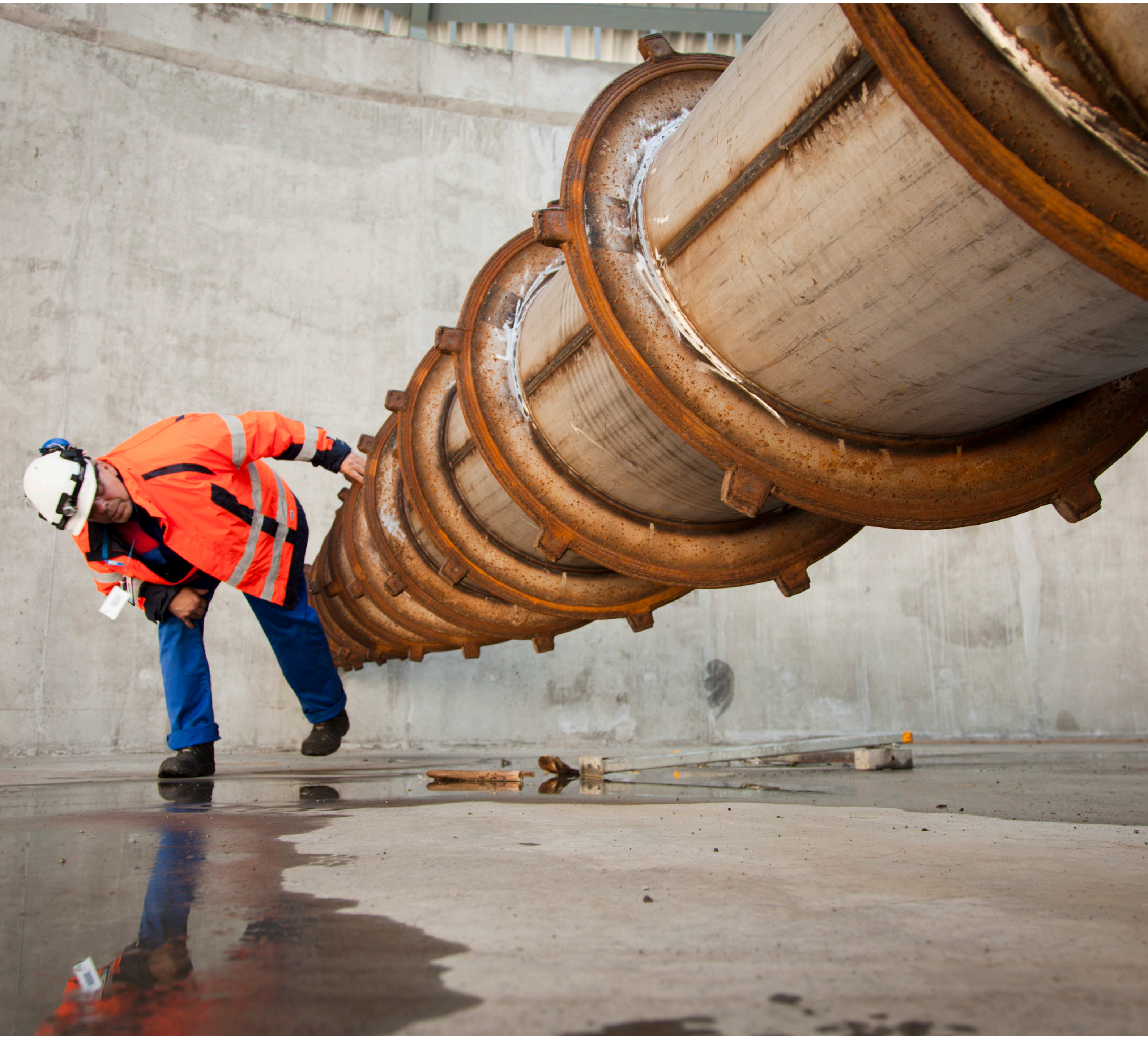
2012

Annual report by the Board of Directors and Financial Statements



POHJOLAN VOIMA

Financial statements 2012

Key figures (IFRS) of Pohjolan Voima Group

IFRS	2012	2011	2010	2009	2008
Turnover, € million	838	1 130	1 041	833	791
Operating result, € million	10	216**	37	-48	5
Net interest-bearing liabilities € million	1 083	851	1 110	1 113	1 223
As percentage of turnover, %	129	75	107	134	155
Equity ratio, %	35	41	35	34	36
Total assets, € million	2 398	2 555	2 587	2 548	2 486
Investments, € million	36	34	52	113	245
Average number of personnel	454	487	512	547	561

* During 2010, Pohjolan Voima Group adopted the IFRS standards in its accounting. Figures for the year 2008 are unaudited pro forma sums.

** 12 € million if the sales profit of Fingrid Oyj shares is excluded

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Annual report by the Board of Directors

Operating environment

In 2012, electricity consumption in Finland was 85.2 TWh (84.2 TWh in 2011). Of this volume, 67.7 (70.4) TWh was produced in Finland, while net imports into Finland amounted to 17.4 (13.9) TWh. The uncertain economic prospects and decreasing export volumes of energy-intensive industries show as a 4% decrease in the industrial con-sumption of electricity. The consumption of electricity in other sectors increased by more than 5%.

The abundant Nordic hydropower reduced Finnish electricity production by 3.8%. Net imports increased by 26% compared to the previous year, even with the decrease of electricity imported from Russia to 40% of the previous year's volume as a result of the adoptions of capacity payments in the energy exchange.

The annual average system price on Nord Pool was €31.20 (€47.05) per MWh, while the annual average of the Finnish area price was €36.64 (€49.60) per MWh. The volume of physical electricity trading on Nord Pool was 337.2 TWh (315.8 TWh) in the Nordic and Baltic Countries.

The price of the EU emissions allowance (EUA) varied little during the year and went down to €7 at the end of the year as the first commitment period of the Kyoto Protocol ended.

In November, the European Commission's DG Competition issued a decision that the processing of the complaint submitted to the Commission on the lawfulness of the cost-price model of Finnish power companies (the Mankala model) is considered closed.

Pohjolan Voima's electricity and heat production

In 2012, Pohjolan Voima's total electricity supply was 20.2 (24.3) TWh. The Group's own electricity production accounted for 14.6 (15.0) TWh, of which the parent company's supplies to its shareholders were 14.1 (14.5) TWh. The subsidiaries supplied 0.5 (0.5) TWh to their other shareholders. Purchases from Nordic electricity markets amounted to 5.6 (9.4) TWh. Heat deliveries were 8.0 (7.5) TWh.

Nuclear power made up 40.2% (33.0%) of the electricity supply. Teollisuuden Voima Oyj's Olkiluoto nuclear power plant generated 14.5 (14.1) TWh of electricity, of which Pohjolan Voima received 8.2 (8.0) TWh in accordance with its shareholding. The joint capacity factor of the Olkiluoto plant units was 93.7% (92.8%). Olkiluoto 2 achieved the best production output of its history. Its capacity factor also reached an all-time best at 96.9%.

Hydropower production achieved a record level of 2.1 (1.7) TWh, or 10.6% (7.2%), of the electricity supply.

Pohjolan Voima produced 1.0 (1.5) TWh of condensing power, which represented 4.9% (6.4%) of the electricity supply. The production of condensing power decreased com-pared to the previous year due to the good water levels prevailing in a rainy year. A total of 3.3 (3.6) TWh of electricity was generated in the combined heat and power (CHP) plants.

Pohjolan Voima delivers the electricity it produces or procures to its shareholders ac-cording to fixed supply quantities. The procurement of electricity from energy markets to some shareholders to compensate for low production became the shareholders' own re-sponsibility starting from 1 December 2012.

Pohjolan Voima's electricity supply (GWh) and turnover trend (M€) 2008–2012

	2008*	2009	2010	2011	2012
Nuclear power	8,137	8,170	7,988	8,025	8,165
Hydropower	2,171	1,551	1,670	1,709	2,143
CHP	3,436	3,090	4,032	3,587	3,278
Condensing power	1,737	2,419	3,810	1,548	995
Wind power	60	108	103	92	0
Purchases	5,209	6,355	5,883	9,360	5,613
Total	20,750	21,693	23,485	24,321	20,195
Turnover (M€)*	791	833	1,041	1,130	838

**Figures for year 2008 are unaudited pro forma sums.*

Investments

Total investments of the Pohjolan Voima Group, excluding financial investments and the purchase of emissions allowances, were €36.1 (€34.2) million.

PVO-Vesivoima Oy continued the Iijoki hydropower plant renovation programme by in-vesting €4.8 (€4.0) million in the renewal work.

Investments in bioenergy plants were €27.4 (€26.1) million. Hämeenkyrön Voima Oy progressed with the Kyro mill power plant project by investing €21.9 (€21.5) million. Pro-duction operations with Hämeenkyrön Voima's new boiler unit and fuel reception and handling system began in autumn 2012.

The remaining investments were mainly made in repairs and renovations.

In line with the 2003 decision of the Board of Directors, Pohjolan Voima has invested a total of €540.0 (€540.0) million between 2004 and 2012 in the new OL3 nuclear power plant currently under construction. The investments are based on the OL3 financing plan, according to which the equity required by the investment accumulates along with the progress of the project.

In December 2011, Pohjolan Voima’s General Meeting decided that Pohjolan Voima will participate in the planning and tendering phase of a new nuclear power plant, the OL4 project. The General Meeting of Teollisuuden Voima made a decision on launching the planning and tendering phase. The costs of the planning and tendering phase should not exceed €300 million, of which Pohjolan Voima’s share amounts to about €176 million. For the purpose of financing the planning and tendering phase of the OL4 project, Pohjolan Voima has taken out a €29.3 million shareholder loan. Remaining shareholder loan commitments amount to €134.7 million. Shareholder loans rank below all Pohjolan Voima's other debt commitments. Pohjolan Voima has, in turn, invested €29.3 million as shareholder loan in Teollisuuden Voima's OL4 project.

Research and development

Research and development expenses totalled €0.6 million (€0.3 in 2011 and €0.5 million in 2010).

Research and development efforts concentrated, among other issues, on the utilisation of inferior coal types, 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, and various technology alternatives for meeting the increasingly stringent emissions restrictions of the Industrial Emissions (IE) Directive.

Personnel

The average number of employees working for the Group with permanent or fixed-term contracts was 454 (487 in 2011 and 512 in 2010). The Group's salaries and fees for the financial period totalled €25.0 million (€25.7 in 2011 and €27.0 million in 2010).

The average number of employees working for the parent company with permanent or fixed-term contracts was 70 (72 in 2011 and 77 in 2010). Salaries and fees for the finan-cial period totalled €5.8 million (€6.0 in 2011 and €6.6 million in 2010).

The average age of personnel in permanent employment was 49.3 (49.1) years.

The business operations of Proma-Palvelut Oy, the thermal power plant maintenance company, concluded at the beginning of 2013. 73 employees were transferred within the Group to the employment of PVO-Lämpövoima Oy. A total of 92 employees transferred outside the Group to the service of Vaskiluodon Voima Oy, a Pohjolan Voima share-holder, or a service provider.

Environmental issues

All of Pohjolan Voima’s power plants have valid environmental permits. The Group's en-vironmental 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, 2.9 (2.2) million fry were stocked. Together with Kemijoki Oy, 4.9 (3.2) million fry were stocked in the Kemijoki sea and river area; of these, PVO-Vesivoima Oy’s share was 17 percent, or 0.8 (0.5) million fry. The stocking was carried out according to plans.

Together with the municipalities of the Iijoki river region and other key stakeholders, PVO-Vesivoima is participating 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 Kosto dam fishway included in the project was completed in November 2012.

An oil spill occurred at Laanilan Voima Oy's power plant in Oulu, as heavy fuel oil leaked in the boiler room due to the failure of a flange seal. Oil leaked into the sewer and further to the mill's cooling water channel, with small amounts reaching the Oulujoki river despite prevention efforts. To prevent similar accidents in the future, a new oil sump has been constructed to replace the old one.

All the thermal power plants operated by the Group fall within the sphere of the Emis-sions Trading Act. Carbon dioxide emissions from production decreased compared to the previous year due to a fall in the consumption of fossil fuels. The carbon dioxide emissions from electricity and heat produced and supplied to shareholders were 2.4 (3.3) million tonnes. The Notes to the Financial Statements only report the CO2 emissions of the subsidiaries, which amounted to 1.4 (1.9) million tonnes.

Other emissions into the air were also down. Sulphur dioxide emissions were 2.1 (2.9) thousand tonnes, nitrogen oxide emissions 4.4 (5.3) thousand tonnes, and particle emissions 0.2 (0.3) thousand tonnes.

PVO-Lämpövoima's 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-fired boiler, and also for a new multi-fuel boiler that could replace the old oil-fired condensing power plant altogether. The Vaasa Administrative Court is still processing complaints submitted on the environmental permit decision, which means that the permit has not yet entered into validity.

An explosion occurred in the peat processing system of Kaukaan Voima Oy, caused by dry wood dust and the local ignition of a damaged plan sifter.

The explosion destroyed the screening plant and structures of the reception hall. Process equipment protection systems functioned and damage to the equipment was minimal. Equipment and buildings were repaired during 2012 with improvements. The explosion resulted in no personal injuries or production losses.

The Industrial Emissions (IE) Directive entered into force in 2011. National enforcement will be carried out through the upgrade of the Environmental Protection Act and some related decrees. The new, stricter emission limits stated in the IE Directive would there-fore not apply to existing power plants until 2016 at the earliest. The IE Directive also contains considerable tightening of requirements on monitoring emissions. For the ma-jority of the Group's power plants, the most difficult problem is the reduction of nitrogen oxide (NOx) emissions, and studies are being conducted on various technical solutions.

Pohjolan Voima and its subsidiaries, associated companies and joint ventures are una-ware of any environmental liabilities that have not been covered. Pohjolan Voima's more detailed environmental information is published on the company's website at www.pohjolanvoima.fi. Teollisuuden Voima provides information on environmental issues related to nuclear power generation on its website at www.tvo.fi and in a separate corporate social responsibility report.

Risk management

The aim of risk management is to ensure the materialisation of the strategy and the at-tainment 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 likeli-hood 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, in-ternal processes, power plant investments and personnel and competence.

All Pohjolan Voima companies are covered for risks of damage through measures relat-ed 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 the joint venture Teollisuuden Voima (TVO). Based on the information received from the plant supplier, TVO estimates that the OL3 plant unit will not be ready to begin regular production of electricity in 2014. After the end of the reporting period, TVO announced that commercial production of electricity at OL3 may not begin until 2016. The original plan was to begin commercial electricity production at the plant unit in late April 2009. The delay causes additional costs and losses, for which TVO has demanded compensation from the turnkey plant supplier in an arbitration procedure compliant with the rules of the International Chamber of Commerce (ICC).

Changes in Group structure

In December 2012, two new subsidiaries, PVO Power Services Oy and PVO Power Management Oy, both owned by Pohjolan Voima Oy alone, launched operations. PVO Power Services Oy produces electricity trading and balance management services for the shareholders of Pohjolan Voima. PVO Management Oy produces generation man-agement services as well as electricity trading and balance management services for companies within the Pohjolan Voima Group. PVO Power Management also acts as a balance responsible company in the Finnish power balance system, a party to the elec-tricity market, and a direct member of Nord Pool Spot AS.

Finances

Pohjolan Voima operates on an "at-cost" basis. Shareholders pay the fixed costs in ac-cordance with their ownership share, irrespective of whether they have used their ca-pacity 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 Pohjolan Voima's financing operations have been defined in the financing policy approved by the parent company's Board of Directors. The financing risks of Pohjolan Voima's business operations relate to liquidity, market and credit risks. The management of financing risks has been discussed in Note 3 to the consolidated fi-nancial statements.

The parent company has secured its liquidity with a €300 (€300) million standby credit agreement, valid until December 2016. For short-term funding, the Group was able to rely on domestic commercial paper programmes of €300 (€300) million, of which €210 (€300) million was unused. At the end of the year, available long-term credit facilities amounted to €300 (€332) million. The Group's liquidity is good. Net interest-bearing lia-bilities at the end of the year stood at €1,082.7 (€851.3) million. There were no liabilities involving an exchange risk.

A total of €247.3 million of funds received from the sale of Fingrid stock in 2011 were paid as dividend to shareholders in accordance with the Articles of Association in May 2012.

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

The consolidated result for the financial period was -€19.2 (€195.1) million. The 2011 result included the €204.6 million sales profit gained by the sale of Fingrid Oyj stock to the Finnish Government and the Ilmarinen Mutual Pension Insurance Company.

Shareholders' equity and share issues

The following issues were subscribed to during the financial year:

- - Increase of share capital tied to G5 share series (10 May 2012), 7,150 shares at a subscription price of €400,400.00 directed to Kemira Oyj.
- - Increase of share capital tied to G5 share series (10 May 2012), 7,150 shares at a subscription price of €400,400.00 directed to the City of Oulu.
- - Increase of share capital tied to G10 share series (27 December 2012), 96,600 shares at a subscription price of €5,409,600.00 directed to Metsä Board Oyj.

Table: Pohjolan Voima Oy shareholders (general ownership)

Shareholder	**Shareholding in %** *31 December 2011*	**Shareholding in %** *31 December 2012*
EPV Energia Oy	7.180	7.158
Etelä-Suomen Voima Oy	2.782	2.774
City of Helsinki	0.789	0.787
Ilmarinen Mutual Pension Insurance Company	4.129	4.117
Kemira Oyj (incl. pension foundation Neliapila)	3.948	3.956
City of Kokkola	2.446	2.438
Kymppivoima Oy	8.637	8.611
Metsä Board Oyj	2.763	2.586
Metsä Fibre Oy	0.344	0.776
Myllykoski Oyj*	0.818	0.815
City of Oulu	1.758	1.772
Outokumpu Oyj	0.086	0.086
Oy Perhonjoki Ab	2.485	2.477
City of Pori	1.833	1.828
Rautaruukki Oyj	0.022	0.021
Stora Enso Oyj	14.814	14.769
UPM-Kymmene Oyj	43.209	43.077
Vantaan Energia Oy	0.292	0.291
Yara Suomi Oy (incl. pension foundation)	1.665	1.661

**) The company is a part of the UPM-Kymmene Group.*

Corporate management

The Annual General Meeting of 20 April 2012 elected the following members to the Board of Directors: Tapio Korpeinen, President (UPM-Kymmene Corporation); Juha Vanhainen, Country Manager Finland (Stora Enso Oyj); Hannu Anttila, Executive Vice President, Strategy (Metsä Group); Jyrki Mäki-Kala, Chief Financial Officer (Kemira Oyj); Andreas Rasimus, Production Manager (Oy Perhonjoki Ab); Kari Rämö, Managing Director (Kymenlaakson Sähkö Oy); Tapani Sointu, Vice President (UPM-Kymmene Corporation); and Rami Vuola, President & CEO (EPV Energia Oy).

The Board meeting on 20 April 2011 elected Tapio Korpeinen as Chairman of the Board and Juha Vanhainen as the Deputy Chairman. The Board of Directors convened 15 (19) times in 2012. Lauri Virkkunen, M.Sc. (Eng.), M.Sc. (Econ.) acted as the company's President and CEO.

Major legal actions pending

Teollisuuden Voima filed a claim and a rejoinder in the arbitration procedure compliant with the rules of the International Chamber of Commerce (ICC) on the delay of the con-struction of the OL3 plant unit and the related costs. The estimated costs and losses amount to approximately €1.8 billion, including the actual claim and an estimated sum.

The arbitration procedure began in December 2008 at the initiative of the OL3 plant supplier. The plant supplier's latest compensation claim, including indirect costs and in-terest on arrears, amounts to approximately €1.9 billion. Teollisuuden Voima declares the plant supplier's demand to be unjustified. The arbitration may take several years and the figures in the parties' demands may still change.

No receivables or provisions have been recognised as a result of the demands presented during the arbitration proceedings.

In the second quarter of 2012, the court of arbitrators resolved an issue concerning the treatment of instalments already paid for the plant delivery. The resolution released some instalment parts, amounting to approximately €100 million and paid by Teollisuuden Voima, into a frozen account at an earlier time, to the plant supplier. Teollisuuden Voima also paid net interest of €23 million. The resolution did not resolve the dispute on the delay in the completion of the plant unit or its costs, and it had no impact on the business operations of Teollisuuden Voima or the progress of the OL3 project.

The agreement between the Finnish State and PVO-Vesivoima on the use of Iijoki hy-dropower, owned by the State, at four power plants expired at the end of 2005. 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 appeal by the Supreme Administrative Court. The Supreme Administrative Court ordered a statement from the National Land Survey of Finland on the redemption value of hydropower. In its statement on 29 November 2012, the National Land Survey of Finland states that the State does not own natural hydro-power, and that the redemption value should be determined based on unharnessed hy-dropower instead of harnessed hydropower as proposed by Metsähallitus. As there is still no legally valid conclusion on the issue, 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

On 16 January 2013, Pohjolan Voima's Extraordinary General Meeting decided on the closure of the production operations of Mussalon Voima Oy's power plants. The decision was based on the plants' deteriorated ability to compete. The related measures begin immediately. Negotiations on the sale or lease of the land, harbour and oil stocks as well as the gas turbine plant aim at results in the first half of 2013.

The construction and pre-production preparation of the OL3 nuclear power plant unit are continuing. In February 2013, TVO announced that commercial production of electricity at OL3 may not begin until 2016. The preparations of the OL4 nuclear power plant pro-ject are progressing. Tenders were received from all involved plant suppliers in early 2013, representing a variety of plant and delivery types. Investigation into the licensability and suitability of plant alternatives continue together with the procurement process aiming to make a selection between the alternatives.

On 28 December 2012, Posiva submitted to the Government an application for a con-struction permit for a spent nuclear fuel disposal facility. Posiva is continuing the con-struction work, furnishing and surveys at ONKALO, the underground research facility on the disposal of spent fuel in Olkiluoto, and is preparing for the launch of the encapsulation plant and final disposal facility projects. Full-scale testing of final disposal technology will also begin in ONKALO.

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. The plan will be updated with regard to the deficiencies listed in the statement issued by the Centre for Economic Development, Transport and the Environment for Northern Ostrobothnia in January 2012. The Government Programme’s assertion that the Rapids Protection Act will not be reformed prevents the progress of the Kollaja project while the current Government remains in power.

PVO-Lämpövoima's Kristiina 1 and PVO-Huippuvoima's Vaskiluoto 3 oil-fired power plants will be leased as part of the peaking power plant system until 30 June 2013. Ten-ders for the next period will be received from the Energy Market Authority during the spring. The peaking power plant capacity may be cut from 600 MW to 400 MW. Elastici-ty of demand will also be applied for the winter season. The objective is to conclude the negotiations on the new agreement period by the end of June to avoid a gap in system operations. If Kristiina 1 and Vaskiluoto 3 are not accepted into the peaking power sys-tem, their production operations come under serious threat.

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 comes under review in the updated energy and climate strategy that the Government will hand over to the Parliament in winter 2013.

The waste tax on power plants' by-products increased to €50 per tonne at the beginning of 2013.

The revised law on production support for electricity produced with renewable energy sources entered into force at the beginning of 2013. The feed-in tariff granted for elec-tricity produced using wood chips was cut, so wood chips' ability to compete with peat remain stable for combined heat and power plants. The revised law includes a gasifier premium that defines additional support, paid on top of the wood chip feed-in tariff, for gas produced from wood chips and used to replace part of the coal or peat in a pulver-ised fuel boiler. The gasifier premium is currently being discussed by the European Commission based on a notification submitted on it.

The purpose of the so-called “windfall tax” foreseen in the Government Programme is to collect €170 million for the State each year. The tax would be adopted in 2014 at the earliest. Details are still under discussion.

During 2013, the Government will prepare a Finnish energy and climate roadmap to 2050. During the preparation, all major energy policy issues are expected to be raised, such as self-sufficiency, electricity demand trends, adequacy of electrical output and load-following capacity, and the future of the various production technologies and fuels.

The Ministry of the Environment is currently preparing a revision of the Environmental Protection Act, likely to be handed over to Parliament during 2013.

The EU may also agree on emissions targets for 2030 and 2040. Discussions are un-derway on whether targets for renewable energy should be defined for those years and whether the EU should tighten its greenhouse gas emissions target for 2020 from 20 to 30 per cent. In addition, the European Commission is preparing sustainability criteria for biomass.

The European Commission's proposal to postpone the auctioning of 900 million emis-sions rights from 2013 to 2015 is being processed. The Commission has also proposed structural changes to the emissions trading system to reduce the amount of available emissions rights and increase their price.

Proposal of the Board of Directors regarding the distribution of profits

The parent company’s distributable assets on 31 December 2012 were -€7,610,415.46 with the profit for the financial year amounting to -€7,733,629.20. The Board of Directors proposes to the Annual General Meeting that the loss for the financial year be transferred to the retained earnings account and that no dividends be distributed.

Consolidated statement of comprehensive income

1,000 €	Note	1.1. - 31.12.2012	1.1. - 31.12.2011
Sales	6	**837,879**	**1,130,416**
Other operating income	7	21,974	221,934
Materials and services	8	-691,739	-979,867
Personnel expenses	9	-30,464	-31,478
Depreciation, amortisation and impairment	10	-50,909	-54,689
Other operating expenses	11,12	-72,036	-70,758
Share of (loss)/profit of associates and joint ventures	13	-4,528	813
Operating profit or loss		**10,177**	**216,371**
Finance income	14	6,467	9,510
Finance costs	14	-35,581	-30,647
Finance costs - net		**-29,114**	**-21,137**
Profit before income tax		**-18,937**	**195,234**
Income tax expense	15	-245	-164
Profit for the year		**-19,182**	**195,070**

Other comprehensive income

Share of other comprehensive income of associates			
Cash flow hedging of the sold joint venture			-4,943
Changes in the fair value of available-for-sale financial assets	18	1,847	-314
Cash flow hedging	18	-368	4,054
Other comprehensive income for the year		1,479	-1,203
Total comprehensive income for the year		**-17,703**	**193,867**
Profit attributable to:			
Owners of the parent		-20,855	194,400
Non-controlling interest		1,673	669
		-19,182	195,070
Total comprehensive income attributable to:			
Owners of the parent		-19,376	193,197
Non-controlling interest		1,673	669
		-17,703	193,867

Consolidated balance sheet

1,000 €	Note	12/31/2012	12/31/2011
ASSETS			
Non-current assets			
Intangible assets	16	274,637	281,538
Property, plant and equipment	17	790,904	806,236
Investments in associated companies and joint ventures	18	748,579	751,628
Available-for-sale financial assets	19	3,178	3,178
Loans and other receivables	19	343,941	321,634
Non-current assets total		**2,161,239**	**2,164,214**
Current assets			
Inventories	22	86,075	95,340
Trade and other receivables	20	143,681	138,857
Short-term deposits	21		75,000
Cash and cash equivalents	21	6,995	81,201
Current assets total		**236,751**	**390,398**
Total assets		**2,397,990**	**2,554,612**
Equity			
Equity attributable to owners of the parent	23		
Share capital		61,282	61,096
Share premium		336,778	385,625
Reserve for invested non-restricted equity		159,485	104,614
Revaluation reserve		-9,491	-10,970
Equity loans		29,257	0
Retained earnings		203,734	471,959
Total		**781,045**	**1,012,323**
Non-controlling interests		**51,062**	**49,039**
Total equity		**832,106**	**1,061,361**
LIABILITIES			
Non-current liabilities			
Provisions	24	3,459	3,267
Deferred tax liabilities	25	1,004	950
Borrowings	26	1,307,844	1,260,060
Other non-current liabilities	26,28	11,017	3,171
Non-current liabilities total		**1,323,324**	**1,267,448**
Current liabilities			
Borrowings	26	131,773	89,935
Trade and other payables	27	110,786	135,868
Current liabilities total		**242,560**	**225,803**
Total liabilities		**1,565,884**	**1,493,251**
Total equity and liabilities		**2,397,990**	**2,554,612**

Consolidated Statement of Cash Flows

1,000 €	Note	2012	2011
Cash flows from operating activities			
Profit for the year		-19,182	195,070
Adjustments to the profit for the year	5	85,042	-134,050
Change in net working capital	5	-26,608	-39,654
Interest paid and other financial expenses		-27,394	-27,526
Interest received		7,713	7,247
Income tax paid		378	-415
Net cash generated from operating activities		**19,949**	**672**
Cash flows from investing activities			
Disposal of subsidiaries, net of cash disposed	4	0	8,866
Acquisition of associated companies and joint ventures	18	0	-39,272
Proceeds from sale of joint ventures	4	0	325,000
Purchases of intangible assets and property, plant and equipment (PPE)	16.17	-41,161	-25,976
Proceeds from sales of intangible assets and PPE	16.17	143	981
Loan repayments	20	24,764	14,701
Loans granted	20	-30,921	-10,924
Dividends received		3	3
Net cash used in investing activities		**-47,172**	**273,379**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	23	7,241	5,800
Purchase of own shares	23	0	-11,200
Proceeds from (+) or repayments of (-) Equity loans	23	29,257	0
Proceeds from borrowings	26	93,129	32,832
Repayments of borrowings	26	-21,238	-78,882
Repayment of finance leases	26	-20,984	-47,435
Proceeds (-) or repayments (+) of current receivables	20.21	75,000	-74,988
Proceeds (+) or repayments (-) of current liabilities	26	38,662	-39,942
Dividends paid		-248,050	-22,179
Net cash used in financing activities		**-46,983**	**-235,994**
Net (decrease)/increase in cash and cash equivalents		**-74,206**	**38,057**
Cash and cash equivalents at beginning of year		**81,201**	**43,144**
Change in cash and cash equivalents		-74,206	38,057
Cash and cash equivalents at end of year	21	**6,995**	**81,201**

Consolidated statement of changes in equity

1,000 €	Note	Share capital	Share premium	Fair value reserve	Reserve for invested non-restricted equity	Equity loans	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interest	Total equity
Balance at 1.1.2011		**61,280**	**388,210**	**-9,767**	**108,017**	**0**	**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 sold joint venture				-4,943				-4,943		-4,943
Total comprehensive income for the year		**0**	**0**	**-1,203**	**0**	**0**	**194,400**	**193,197**	**669**	**193,867**
Transactions with owners										
Proceeds from shares issued	23	146			4,726			4,872	928	5,800
Sale of subsidiaries								0	-2,867	-2,867
Purchase of own shares from non-controlling interest	4	-330	-2,585		-8,129		-155	-11,200		-11,200
Transactions with owners total		**-184**	**-2,585**	**0**	**-3,403**	**0**	**-155**	**-6,328**	**-1,939**	**-8,267**
Dividends to non-controlling interest								0	-22,179	-22,179
Balance at 31.12.2011		**61,096**	**385,625**	**-10,970**	**104,614**	**0**	**471,958**	**1,012,323**	**49,039**	**1,061,361**
Balance at 1.1.2012		**61,096**	**385,625**	**-10,970**	**104,614**	**0**	**471,958**	**1,012,323**	**49,039**	**1,061,361**
Comprehensive income										
Profit or loss							-20,855	-20,855	1,673	-19,182
Other comprehensive income:										
Cash flow hedges				-368				-368		-368
Changes in the fair value of available-for-sale financial assets				1,847				1,847		1,847
Total comprehensive income for the year		**0**	**0**	**1,479**	**0**	**0**	**-20,855**	**-19,376**	**1,673**	**-17,703**

Transactions with owners										
Dividends paid	23						-247,370	-247,370		-247,370
Proceeds from shares issued	23	187			6,024			6,210	1,030	7,240
Reduction of share premium	23		-48,847		48,847			0		0
Proceeds from equity loans	23					29,257		29,257		29,257
Transactions with owners total		**187**	**-48,847**	**0**	**54,871**	**29,257**	**-247,370**	**-211,902**	**1,030**	**-210,873**
Dividends to non-controlling interest								0	-680	-680
Balance at 31.12.2012		**61,282**	**336,778**	**-9,491**	**159,485**	**29,257**	**203,734**	**781,045**	**51,062**	**832,106**

Equity loans are recognized initially at fair value including transaction costs. The equity loans do not have a maturity date, and the debtor can repay the loan at will in one or several tranches. The debtor's Board of Directors can decide that relating interest will not be paid for a certain period. Unpaid interest does not accumulate to the next period.

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. Pohjolan Voima held prior to the transfer 74.7% of the share capital in PVO-Innopower Oy.

Notes to the consolidated financial statements

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1 NOTES TO THE FINANCIAL STATEMENTS

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 37 power plants in over 20 different locations. Energy is generated by hydropower, nuclear power and thermal 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 27 February 2013, 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 2012 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.

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. 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:

Hydropower 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
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:

(a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and

(b) 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 re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is hedge accounted.

Teollisuuden Voima Oyj (TVO), a joint venture of the Group, is consolidated using the equity method, see Associates and joint ventures under the Notes to the Financial statements. TVO 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.

TVO applies both cash flow and fair value hedge accounting. 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 Other comprehensive income at that time remains in Other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income and are recognised in profit or loss only when the forecasted transaction is also recognised in profit or loss. 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.

TVO applies fair value hedge accounting for hedging fixed interest risk on borrowings that are quoted. The gain or loss relating to the effective portion of interest derivatives hedging fixed rate borrowings is recognised in the profit or loss within finance costs. The carrying amount of hedged borrowings and fair values of derivatives hedging them are considered part of interest bearing liabilities and assets. If the hedge no longer meets the criteria for hedge accounting, the adjustments to the carrying amount of a hedged borrowing is amortised to profit or loss over the period to maturity.

TVO presents fair value changes relating to non-hedge accounted interest rate options and certain interest rate swaps within finance costs as regards those are not capitalised in the cost of the power plant under construction.

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.

Asset 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 and loss of Teollisuuden Voima Oyj (TVO). 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 of TVO the share of the funds in the National Waste Management Fund, is presented as part of 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.

Equity loans to shareholders

Equity loans to shareholders are classified as equity instruments and recognized initially at fair value including transaction costs. The equity loans do not have a maturity date, and the debtor can repay the loan at will in one or several tranches. The debtor's Board of Directors has discretion over the coupon interest payments for the loan. Unpaid interest does not accumulate to the subsequent periods. The equity loan is unsecured and is subordinate to all other forms of debt instruments but senior to the company’s other equity instruments.

The interest for the equity loans is recognized as a liability only after entity has decided to pay the interest. The relating interest expense is recognized on a cash basis directly in retained earnings and not through the consolidated income statement.

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.

Implementation of interpretations and amendments to New and revised IFRS standards

In preparing these financial statements, the group has followed the same accounting policies as in the annual financial statements for 2011. The adoption of the following amendments to existing standards on 1 January 2012 has no impact on the consolidated financial statement:

- Amendment to IFRS 7, ‘Financial instruments: Disclosures’, on transfer of financial assets
- Amendment to IFRS 1, ‘First time adoption’, on hyperinflation and fixed dates
- Amendment to IAS 12, ‘Income taxes’, on deferred tax

The Group will adopt the following standards, interpretations and amendments to existing standards and interpretations published 2012 in its 2013 financial statements. These are not expected to have a material impact on the consolidated financial statements:

- Amendment to IAS 1, ‘Financial statement presentation’, regarding grouping items in other comprehensive income
- Amendment to IAS 19, ‘Employee benefits’, accounting for actuarial profits and losses
- Amendment to IFRS 1, ‘First time adoption’, on government loans
- Amendment to IFRS 7, ‘Financial instruments: Disclosures’, new disclosures on asset and liability offsetting
- IFRS 13, ‘Fair value measurement’, guidance on fair value measurement
- IFRIC 20, ‘Stripping costs in the production phase of a surface mine’
- Annual improvements 2011 * - IASB published in May 2012 provide improvements to the following standards:
  - IFRS 1, ‘First time adoption’
  - IAS 1 ‘Financial statement presentation’
  - IAS 16, ‘Property plant and equipment’

The group will adopt the following standards, interpretations and amendments to existing standards in 2014 or later. Management is assessing the potential impact of the standards on the consolidated financial statement

- IFRS 10, 11 and 12 (amendment) Transition guidance - Relief limiting the requirement to provide adjusted comparative information to only the preceding comparative period.
- IFRS 10 (amendment) Consolidated financial statements - It defines the principle of control, and establishes controls as the basis for consolidation
- IFRS 11 (amendment) Joint arrangements - There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- IFRS 12 (amendment) Disclosures of interests in other entities - Disclosure requirements for all forms of interests in other entities.
- IAS 27 (revised) Separate financial statements
- IAS 28 (revised) Associates and joint ventures - Requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11.
- IAS 32 (amendment) Financial instruments – ‘Presentation’, clarifies when financial asset and liability can be offset on the balance sheet
- IFRS10, IFRS 12 and IAS 27 * (amendment), guidance for investment entities
- IFRS 9 * Financial instruments

*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 centrally by the parent company 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 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.

Derivatives are entered into only for hedging purposes. Pohjolan Voima does not apply hedge accounting under 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.

Pohjolan Voima Group’s liquidity is secured by the 14 December, 2011 entered EUR 300 million revolving credit facility which matures in 14 December 2016. The loan facility was fully undrawn as per 31 December 2012 (as well as per 31 December 2011).

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

2012

1,000 €	2013	2014	2014	2016	2017-	Total	Balance sheet
Loans from financial institutions *	-17,673	-17,673	-115,367	-53,875	-229,295	-433,881	-433,607
Finance costs **	-6,317	-6,103	-5,728	-4,631	-5,943	-28,721	
Loan from the State Nuclear Waste Management Fund (TVO) ***					-500,000	-500,000	-500,000
Finance costs	-7,834					-7,834	
Finance lease liabilities	-21,527	-22,036	-111,235	-48,628	-196,513	-399,938	-399,899
Finance costs	-2,193	-2,077	-1,647	-1,114	-2,425	-9,456	
Commercial papers	-89,841					-89,841	-89,841
Finance costs	-159					-159	
Pension liabilities	-2,712	-2,712	-2,712	-2,712	-5,424	-16,271	-16,271
Finance costs	-444	-367	-290	-214	-193	-1,508	
Interest rate derivatives	-5,338	-4,392	-2,467	-1,873	-875	-14,944	-11,194
Currency derivatives (net)	-59					-59	-60
Total	-154,097	-55,359	-239,445	-113,045	-940,667	-1,502,612	

* Repayments to be made in 2013 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

2011

1,000 €	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.

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. Pohjolan Voima 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. 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:

	2012	2011
1,000 €	Comprehensive income statements	
+ 10 % change in the EUR/USD exchange rate	-372	-1,064
- 10 % change in the EUR/USD exchange rate	455	1,301
Increase of 100 basis points in market interest rates	4,267	-5,258
Decrease of 100 basis points in market interest rates	-4,923	5,039

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 2012 or 2011.

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.

	2012	2011
Equity on assets ratio (%) (IFRS, Group) *	35	41

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

4. SOLD NON-CURRENT ASSETS AND BUSINESS COMBINATIONS

Sold non-current assets

There were no disposals of non-current assets in 2012.

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-Innopower 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.

Business combinations

There were no business combinations in 2012 or in 2011.

5. NOTES TO THE STATEMENT OF CASH FLOWS

Adjustments to profit or loss for the year (1 000 €)	2012	2011
Depreciation and amortisation	50,909	54,689
Increase/decrease in fair value of derivatives	9,183	-778
Income taxes	245	164
Gains (+) or losses (-) from disposal of non-current assets	246	-209,227
Finance costs - net	19,931	21,915
Share of (loss)/profit of associates and joint ventures	4,528	-813
Total	85,042	-134,050

Change in net working capital	2012	2011
Increase (-) or decrease (+) in non-interest-bearing receivables	-22,119	13,757
Increase (-) or decrease (+) in inventories	9,265	-34,614
Increase (+) or decrease (-) in current non-interest-bearing liabilities	-13,946	-19,788
Change in provisions	192	991
Total	-26,608	-39,654

6. SALES

1,000 €	2012	2011
Sales of electricity produced	389,623	427,513
Sales of heat produced	215,012	201,974
Sales of purchased electricity	207,937	474,664
Other sales	25,307	26,265
Total	837,879	1,130,416

Electricity delivered to shareholders (GWh)		
Electricity produced	14,600	15,000
Heat produced	8,000	7,500
Purchased electricity	5,600	9,400

Pohjolan Voima's electricity purchases are determined by the electricity required by the shareholders. In 2012, Pohjolan Voima Group's total electricity purchases were 20.2 (24.4) TWh. The Group's electricity generation accounted for 14.6 (15.0) TWh, of which the parent company delivered to its shareholders 14.1 (14.5) TWh. Subsidiaries supplied 0.5 (0.5) TWh to other owners. Purchases from the Nordic electricity market, were 5.6 (9.4) TWh. Heat deliveries were 8.0 (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 €	**2012**	**2011**
Rental income	2,287	2,073
Gain on sale of property, plant and equipment as well as subsidiaries and joint ventures	107	206,671
National reserve capacity remuneration	11,022	5,202
Government grants	64	3
Electricity production subsidies	5,982	2,156
Other income	2,512	5,829
Total	21,974	221,934

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 contracts are valid during the reserve capacity period 1 October 2011 - 30 June 2013.

8. MATERIALS AND SERVICES

1,000 €	**2012**	**2011**
Fuels	182,488	231,071
Change in inventories	10,686	-34,295
Materials and services	3,424	4,564
Emissions allowances - carbon dioxide	952	8,695
Energy purchased; Nordic electricity market	211,324	477,401
Energy purchased; Associates and Joint ventures	265,729	277,429
Energy purchased; other	9,932	8,708
Production for own use	0	-49
External services	7,204	6,343
Total	691,739	979,867

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 €	**2012**	**2011**
Wages and salaries		
Board members and CEO	1,581	1,497
Other wages and salaries	23,458	24,230
Pension expenses - defined contribution	4,290	4,464
Other personnel expenses	1,135	1,287
Total	30,464	31,478

Average number of personnel

	2012	**2011**
Salaried employees	280	299
Wage-earners	174	188
Total	454	487

10. DEPRECIATION, AMORTISATION AND IMPAIRMENT

1,000 €	**2012**	**2011**
Amortisation of intangible assets		
Intangible rights	33	50
Other intangible assets	1,708	1,607
Total	1,742	1,657
Depreciation of property, plant and equipment		
Buildings and constructions	5,452	6,015
Machinery and equipment	40,714	44,132
Other assets	3,002	2,885
Total	49,168	53,032
Depreciation, amortisation and impairment total	50,909	54,689

11. OTHER OPERATING EXPENSES

1,000 €	**2012**	**2011**
Repair, servicing and maintenance services	22,262	21,271
Real estate taxes	6,227	6,009
Rents	4,114	3,657
Operation services	18,915	18,503
Loss on sale of intangible assets and property, plant and equipment	352	0
Other expenses	20,165	21,318
Total	72,036	70,758

Auditor's fees

1,000 €	**2012**	**2011**
Audit fees	183	226
Auditor's statements	1	1
Tax counselling	8	0
Other services	26	22
Total	218	249

12. RESEARCH & DEVELOPMENT

Research and development recognised as an expense during the period totalled 0.6 million euros in 2012 (0.3 million euros in 2011).

13. SHARE OF (LOSS)/PROFIT OF ASSOCIATES AND JOINT VENTURES

1,000 €	**2012**	**2011**
Länsi-Suomen Voima Oy	0	0
Oy Alholmens Kraft Ab	392	-202
Tahkoluodon Polttoöljy Oy	0	-1
Teollisuuden Voima Oyj	-4,660	1,381
Torniolaakson Voima Oy	118	183
Vaskiluodon Voima Oy	-379	-556
Voimalohi Oy	1	8
Total	-4,528	813

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

14. FINANCE INCOME AND COSTS

1,000 €	**2012**	**2011**
Dividend income on available-for-sale investments	3	3
Interest income on loans and receivables	6,450	8,613
Derivative financial instruments (hedge accounting is not applied)		
Fair value gains	0	856
Other finance income	14	38
Finance income total	6,467	9,510
Interest expense capitalised on qualifying assets	23,969	30,526
Derivative financial instruments (hedge accounting is not applied)		
Fair value losses	9,183	78
Other finance cost	2,429	43
Finance costs total	35,581	30,647
Total finance income and costs	-29,114	-21,137

15. INCOME TAX

1,000 €	2012	2011
Taxes for the financial year	181	89
Taxes for the previous financial years	10	5
Change in deferred tax liability	54	70
Total	245	164

Pohjolan Voima 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 €	2012	2011
Accumulated depreciation difference 1.1.	950	880
Charged/(credited) to the statement of comprehensive income	54	70
Accumulated depreciation difference 31.12.	1004	950

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 was 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 €	Emission allowances - carbon dioxide	Intangible rights	Other intangible assets	Total
Cost or valuation at 1.1.2012	9,228	266,465	15,862	291,555
Additions	2,252		1,020	3,273
Disposals	-9,153		-90	-9,243
Reclassifications			811	811
At 31.12.2012	2,327	266,465	17,603	286,395
Accumulated amortisation and impairment 1.1.2012	0	1,201	8,816	10,017
Amortisation for the period		33	1,708	1,742
Accumulated amortisation and impairment 31.12.2012	0	1,234	10,524	11,759
Closing net book amount 31.12.2012	2,327	265,231	7,079	274,637
Closing net book amount 31.12.2011	9,228	265,264	7,046	281,538

1,000 €	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

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 €	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Prepayments	Total
Cost or valuation at 1.1.2012	35,944	155,184	1,060,717	81,612	29,611	1,363,068
Additions	4	3,326	18,019		13,690	35,039
Disposals		-398	-274			-672
Reclassifications		6,151	29,837	663	-37,461	-811
Cost or valuation 31.12.2012	35,948	164,263	1,108,299	82,275	5,840	1,396,624
Accumulated depreciation 1.1.2012	0	51,029	478,013	27,790	0	556,832
Additions		-46	-234			-280
Depreciation for the period		5,452	40,714	3,002		49,168
Accumulated depreciation 31.12.2012	0	56,435	518,493	30,792	0	605,720
Net book amount 31.12.2012	35,948	107,828	589,806	51,483	5,840	790,904
Net book amount 31.12.2011	35,944	104,155	582,704	53,822	29,611	806,236

1,000 €	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

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.

FINANCE LEASE AGREEMENTS

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

1,000 €	Machinery and equipment
12/31/2012	
Cost	362,920
Accumulated depreciation	-78,432
Net book amount	284,488
12/31/2011	
Cost	361,564
Accumulated depreciation	-61,648
Net book amount	299,916

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

1,000 €	Buildings and constructions	Machinery and equipment	Other tangible assets	Total
Cost or valuation at 1.1.2012	831	20,005	111	20,947
Additions		717		717
Cost or valuation at 31.12.2012	831	20,722	111	21,664
Accumulated depreciation 1.1.2012	500	5,557	41	6,098
Depreciation for the period	37	880	4	921
Accumulated depreciation 31.12.2012	537	6,437	45	7,019
Net book amount 31.12.2012	**294**	**14,284**	**66**	**14,644**
Net book amount 31.12.2011	331	14,448	70	14,849

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

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 €	2012	2011
At 1 January	751,628	830,586
Issue of shares	0	39,271
Sold joint ventures *)	0	-117,840
Share of profit	-4,528	813
Other comprehensive income	1,479	-1,203
At 31 December	748,578	751,628

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

Associates and Joint Ventures

	Interest held %		Book value	
Company, domicile	**2012**	**2011**	**2012**	**2011**
Associates				
Oy Alholmens Kraft Ab, Pietarsaari	49.90%	49.90%	16,044	15,652
Länsi-Suomen Voima Oy, Harjavalta	19.90%	19.90%	33,649	33,649
Tahkoluodon Polttoöljy Oy, Pori	32.00%	32.00%	110	110
Torniolaakson Voima Oy, Ylitornio	50.00%	50.00%	1,642	1,524
			51,446	50,935
Joint Ventures				
Teollisuuden Voima Oyj, Helsinki	58.47%	58.47%	682,169	685,350
Vaskiluodon Voima Oy, Vaasa	50.00%	50.00%	14,786	15,165
Voimalohi Oy, Kemi	50.00%	50.00%	178	178
			697,133	700,693
Associates and joint ventures total			748,579	751,628

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 31.12.2012 (31.12.2011 58.47%). 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 798 (701) million euros.

Goodwill on acquisition of Länsi-Suomen Voima Oy is included in the investments in the associates totalling 28 million euros at 31.12.2012 (28 million euros at 31.12.2011). 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 31.12.2012.

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 €	Assets	Liabilities	Revenue	Profit/ loss (-)
2012				
Oy Alholmens Kraft Ab	156,210	119,946	63,902	691
Länsi-Suomen Voima Oy	28,342	951	765	1
Tahkoluodon Polttoöljy Oy	20	2	0	-3
Teollisuuden Voima Oyj	6,396,925	5,086,999	352,171	-1,750
Torniolaakson Voima Oy	9,261	5,976	1,514	0
Vaskiluodon Voima Oy	161,297	124,958	97,106	-566
Voimalohi Oy	1,193	830	3,488	0
Total	6,753,248	5,339,662	518,946	-1,627

1,000 €	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

Related-party transactions - transactions with associates and joint ventures

1,000 €	2012	2011
Sales to associates and joint ventures	9,351	11,407
Purchases from associates and joint ventures	266,955	278,544
Receivables from associates and joint ventures	166,821	139,420
Liabilities to associates and joint ventures	524,412	513,076

	2012	2011
Personnel employed by associates and joint ventures in average	951	918

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

1,000 €	2012	2011
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 €	2012	2011
Loans to associates and joint ventures	138,692	109,535
Finance lease receivables	190,652	203,603
Other non-current receivables	14,597	8,496
Total	343,941	321,634

Loans to associates and joint ventures include a loan receivable from Teollisuuden Voima Oyj of 137.3 (In 2011 108.0) million euros and a loan receivable from Tornionlaakson Voima Oy of 1.4 (1.5) 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 €	2012	2011
Trade receivables	91,837	77,986
Pledged cash deposits	5,727	4,390
Interest-bearing receivables	154	10,303
Finance lease receivables	14,657	14,699
Derivatives	0	300
Prepayments and accrued income	27,878	25,253
Other current receivables	3,429	5,926
Total	143,681	138,857

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

Prepayments and accrued income:

1,000 €	2012	2011
Prepayments, energy purchases	13,264	12,606
Deferred revenue, energy	0	2,524
Indirect taxes	5,879	4,498
Other	8,735	5,625
Total	27,878	25,253

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 31.12.2012. 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 2.9 million euros of receivables related to other leases, according to the classification based on IAS 17 (3.1 million euros in 2011).

Gross receivables from finance leases:

1,000 €	**2012**	**2011**
No later than 1 year	17,097	19,404
Later than 1 year and no later than 5 years	84,144	93,406
Later than 5 years	126,511	146,619
Total	**227,752**	**259,429**
Unearned finance income	-22,443	-41,128
Net investment in finance leases	**205,309**	**218,301**

The net investment in finance leases may be analysed as follows:

1,000 €	**2,012**	**2,011**
No later than 1 year	14,657	14,699
Later than 1 year and no later than 5 years	74,391	74,584
Later than 5 years	116,261	129,018
Net investment in finance leases	**205,309**	**218,301**

21. SHORT-TERM DEPOSITS, CASH AND CASH EQUIVALENTS

SHORT-TERM DEPOSITS

1,000 €	**2012**	**2011**
Short-term deposits	0	75,000
Total	0	75,000

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

CASH AND CASH EQUIVALENTS

1,000 €	**2012**	**2011**
Cash at bank and on hand	4,995	552
Commercial papers	2,000	32,041
Short-term bank deposits	0	48,608
Total	6,995	81,201

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 €	**2012**	**2011**
Fuels		
Coal	69,796	81,236
Other fuels	14,092	13,338
Prepayments	2,188	766
Total	86,075	95,340

No impairment has been recorded on inventories during 2012 or 2011.

23. EQUITY

According to the articles of association, Pohjolan Voima 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 €	Number of shares	Share capital	Share premium	Revaluation reserve	Reserve for invested non-restricted equity	Equity loans	Retained earnings	Total
1/1/2011	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 of own shares from non-controlling interest	-196,874	-330	-2,585		-8,129		-154	-11,199
Other comprehensive income				-1,203			194,400	193,197
12/31/2011	36,325,771	61,096	385,625	-10,970	104,614	0	471,959	1,012,323
Dividends paid							-247,370	-247,370
Proceeds from share issue	110,900	187			6,024			6,210
Decline in share premium	0	0	-48,847		48,847			0
Change in equity loans						29,257		29,257
Other comprehensive income				1,479			-20,855	-19,376
12/31/2012	**36,436,671**	**61,282**	**336,778**	**-9,491**	**159,485**	**29,257**	**203,734**	**781,045**

Shares

The number of shares at 31.12.2012 was 36 436 671. 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 €**
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:	99,872	168
- 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		

G10-sarja	213,600	359
- 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		
	36,436,671	**61,282**

The following shares were issued during the financial year:

An increase in G5 series share capital of 7,150 shares directed to Kemira Oyj (10 May, 2012) at a subscription price of EUR 400,400.00 as well as an increase of 7,150 shares at a subscription price of EUR 400,400.00 directed to the City of Oulu.

An increase in G10 Series share capital of 96,600 shares directed to Metsä Board Oyj (27 December, 2012), at a subscription price of EUR 5,409,600.00.

Other changes in shareholders' equity:

As a result of the sale of Fingrid's shares in 2011, a dividend of EUR 247.4 million was paid in May 2012 in line with Articles of Association to A-, B-, B2, C, C2-, H-, M-and V-series shareholders. After the financial year, the board has proposed that no further dividend should be paid for the past financial year.

On 19 June, 2012, the Annual General Meeting of Pohjolan Voima Oy decided to reduce the share premium account by EUR 48.8 million and transfer the funds to the reserve for invested unrestricted equity.

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 the Pohjolan Voima share of the costs is approximately 176 million Euros. Pohjolan Voima drew down shareholder loan of EUR 29.3 million, for the financing of the OL4 project bidding and engineering phase, leaving the undrawn shareholder loan commitments from shareholders a total of EUR 134.7 million.

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.

Equity loans

Equity loans are recognized initially at fair value including transaction costs. The equity loans do not have a maturity date, and the debtor can repay the loan at will in one or several tranches. The debtor's Board of Directors can decide that relating interest will not be paid for a certain period. Unpaid interest does not accumulate to the next period. The equity loan is unsecured and subordinate to all other debt instruments. The equity loan holders do not have shareholder rights, nor does the loan dilute the shareholders’ holdings.

24. PROVISIONS

1,000 €	Environmental provisions	Total
At 1 January 2012	**3,267**	**3,267**
Unused amounts reversed	-75	-75
Effect of discounting	267	267
At 1 December 2012	**3,459**	**3,459**

1,000 €	2012	2011
Non-current	3,459	3,267
Total	3,459	3,267

Environmental provisions

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 3.459 thousand Euros at 31 December 2012 and it is estimated that it will be fully utilised by 2021.

The discount rate used to determine present value was 1.3%.

25. DEFERRED TAX LIABILITIES

1,000 €	2012	2011
Accumulated depreciation difference 1.1.	950	880
Charged to the statement of comprehensive income	54	70
Accumulated depreciation difference 31.12.	**1,004**	**950**

26. BORROWINGS

1,000 €	2012	2011
Non-current:		
Borrowings from associates and joint ventures	500,000	478,872
Borrowings from financial institutions	415,934	365,017
Pension loans	13,559	16,271
Secured financial liabilities	378,351	399,900
Total	**1,307,844**	**1,260,060**
Current:		
Borrowings from financial institutions	17,673	61,272
Pension loans	2,712	2,712
Other interest-bearing current liabilities	89,841	5,000
Secured financial liabilities	21,548	20,951
Total	**131,773**	**89,935**
Total borrowings	**1,439,617**	**1,349,995**

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 500.0 (478.9) 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 2011, 12 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 €	2012	2011
Other non-current liabilities		
Other non-current liabilities	75	71
Derivative financial liabilities		
Interest rate swaps	10,942	3,100
Total	**11,017**	**3,171**

Fair values of derivatives are disclosed in note 29.

INTEREST-BEARING NET LIABILITIES

1,000 €	2012	2011
Interest-bearing liabilities total	**1,439,617**	**1,349,995**
Interest-bearing financial assets		
Non-current		
Loan receivables	138,692	109,535
Finance lease receivables	190,652	203,603
	329,344	313,138
Current		
Pledged cash deposits	5,727	4,390
Interest-bearing receivables	154	10,303
Finance lease receivables	14,657	14,699
Short-term deposits	0	75,000
Cash and cash equivalents	6,995	81,201
Total	27,532	185,593
Interest-bearing financial assets total	**356,877**	**498,731**
Interest-bearing liabilities net	**1,082,741**	**851,264**

27. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

1,000 €	2012	2011
Trade payables	19,227	23,964
Liabilities to associates and joint ventures	24,412	34,204
Accrued expenses	32,073	32,508
Other current liabilities	32,435	35,963
Held emission allowances, Energy Market Authority	2,327	9,223
Derivative financial instruments	313	6
Total	110,786	135,868

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 €	2012	2011
Accrued personnel expenses	6,292	6,548
Accrued expenses for fuel purchases	12,028	11,352
Accrued expenses for energy purchases	2,044	4,787
Other	11,709	9,821
Total	32,073	32,508

28. DERIVATIVE FINANCIAL INSTRUMENTS

Fair value of derivative financial instruments

	2012	2012	Total
1,000 €	Positive fair values	Negative fair values	
Interest rate swaps	216	-11,410	-11,194
Forward foreign exchange contracts and swaps	1	-61	-60
Total	217	-11,471	-11,254

	2011	2011	Total
1,000 €	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

Nominal value of derivative financial instruments

1,000 €	2012	2011
Interest rate swaps	550,350	220,350
Forward foreign exchange contracts and swaps	4,093	11,709

29. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

1,000 € **2012**	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	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		138,692			138,692	138,692	20
Finance lease receivables					190,652	190,652	20
Other receivables		14,597			14,597	14,597	20
	0	153,289	3,178	0	347,119	347,119	
Current financial assets							
Cash and cash equivalents		6,995			6,995	6,995	21
Loan receivables		5,880			5,880	154	20
Trade and other receivables		95,266			95,266	95,266	20
Prepayments and accrued income		27,878			27,878	27,878	20
Finance lease receivables					14,657	14,657	20
Derivative financial instruments	0				0	0	20
	0	136,019	0	0	150,676	144,949	
Total	**0**	**289,308**	**3,178**	**0**	**497,795**	**492,069**	
Non-current financial liabilities							
Borrowings from associates and joint ventures				500,000	500,000	500,000	26
Borrowings				429,493	429,493	429,493	26
Secured financial liabilities				378,351	378,351	378,351	26
Other non-current liabilities				75	75	75	26
Derivative financial instruments	10,942				10,942	10,942	26
	10,942	0	0	1,307,919	1,318,861	1,318,861	
Current financial liabilities							
Loans and commercial papers				110,225	110,225	110,225	26
Trade payables				19,227	19,227	19,227	27
Other current liabilities				59,173	59,173	59,173	27
Accrued expenses				32,073	32,073	32,073	27
Secured financial liabilities				21,548	21,548	21,548	26
Derivative financial instruments	313				313	313	27
	313	0	0	242,247	242,560	242,560	
Total	**11,254**	**0**	**0**	**1,550,166**	**1,561,420**	**1,561,420**	

1,000 € **2011**	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	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**	

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 0.1 - 1.6% (0.7 - 2.4%).

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 Pohjolan Voima 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 0.1 - 1.6% (0.7 - 2.4%). Fair values of forward foreign exchange contracts and swaps are determined using quoted forward rates from contracts with similar duration. Pohjolan Voima 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 €	**2012**	**2011**
On behalf of own loans		
Pledged deposits	5,814	4,390
Other contingent liabilities	332,203	167,049
On behalf of associated companies and joint ventures		
Guarantees	44,703	47,895
Guarantee according to Nuclear Energy Act	83,838	93,795
On behalf of others		
Guarantees	4,609	5,704
Total	**471,167**	**318,833**

The pledged deposits relate mainly to margin accounts for the electricity trading and emission allowance trading.

Other liabilities consist mainly of the parent company's loan guarantees. In 2012 a bank guarantee of 300 million euros (in 2011 139 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 2011 21.7 million euros). Fingrid Oyj has been given a guarantee of 8.3 million euros (in 2011 4.5 millions 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 83.8 million euros (93.8 million euros in 2011).

Investment commitments

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 31.12.2012 Pohjolan Voima Oy has fulfilled 540.0 (540.0 million euros in 2011) 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 the Pohjolan Voima share of the costs is approximately 176 million euros. Pohjolan Voima drew down shareholder loan of EUR 29.3 million, for the financing of the OL4 project bidding and engineering phase, leaving the undrawn shareholder loan commitments from shareholders a total of EUR 134.7 million.The shareholder loans of Pohjolan Voima Oy are subordinate to all other debt instruments. Pohjolan Voima has respectively invested EUR 29.3 million in shareholder loan of Teollisuuden Voima's OL4-project.

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. 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. The Finnish Supreme Court ordered an opinion from the National Land Survey of Finland regarding the State of Finland's redemption value of the hydropower. In its opinion dated 29 November, 2012, the National Land Survey of Finland states that the State owns natural hydropower and that the redemption value is to be determined based on unbuild hydroelectric plant instead of build hydroelectric plant as presented by the National Board of Forestry. The Supreme Court ruling is expected in the spring of 2013. 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 submitted a claim and defense in the International Chamber of Commerce (ICC) arbitration proceedings concerning the delay and the ensuing costs incurred at the OL3 project. The quantification estimate of TVO's costs and losses was approximately EUR 1.8 billion which included TVO's actual claim and estimated part.

The arbitration began in December 2008 initiated by the OL3 plant supplier. The plant supplier's latest in money claim is approximately EUR 1.9 billion, including indirect costs and interest on late payment. Teollisuuden Voima has considered and found the claim by the plant supplier to be without merit. The arbitration can last for several years and in money claims are still subject to change.

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 €	**2012**	**2011**
No later than 1 year	1,954	1,873
Later than 1 year and no later than 5 years	3,010	4,890
Total	**4,965**	**6,763**

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.

	2012	
	t CO2	**1,000 €**
Allowances received free of charge	2,679,072	
Combined annual emissions of the plants'	1,410,769	
Emission allowances held	3,198,496	
External sales of emission allowances *	1,027,588	7,698
External purchases of emission allowances **	477,816	952

	2011	
	t CO2	**1,000 €**
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

* 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 Power Management Oy	Services company	Finland	100.000	100.000
PVO Power Services 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 Alhomens 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, 1000 €

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

2012	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	9,351	266,955	166,821	524,412
UPM-Kymmene Oyj	264,189	116,567	30,496	11,820

2011	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	11,407	278,544	139,420	513,076

UPM-Kymmene Oyj	258,188	95,506	22,896	13,207

UPM-Kymmene Oyj owns 43.89% (44.03% in 2011) 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 €	**2012**	**2011**
Salaries and other short-term employee benefits	1,836	1,600
Total	1,836	1,600

34. BREAKDOWN OF SHARE OWNERSHIP AND SHAREHOLDER INFORMATION

	2012	2011
	%	%
Shareholder	**of shares**	**of shares**
EPV Energia Oy	7.16%	7.18%
Etelä-Suomen Voima Oy	2.77%	2.78%
Helsingin kaupunki	0.79%	0.79%
Kemira Oyj (incl. pension foundation)	3.96%	3.95%
Ilmarinen Mutual Pension Insurance Company	4.12%	4.13%
City of Kokkola	2.44%	2.45%
Kymppivoima Oy	8.61%	8.64%
Metsä Board Oyj	2.59%	2.76%
Oy Metsä-Botnia Ab	0.78%	0.34%
Myllykoski Oyj*)	0.82%	0.82%
City of Oulu	1.77%	1.76%
Outokumpu Oyj	0.09%	0.09%
Oy Perhonjoki Ab	2.48%	2.49%
City of Pori	1.83%	1.83%
Rautaruukki Oyj	0.02%	0.02%
Stora Enso Oyj	14.77%	14.81%
UPM-Kymmene Oyj	43.08%	43.21%
Vantaan Energia Oy	0.29%	0.29%
Yara Suomi Oy (incl. pension foundation)	1.67%	1.67%
Total	**100.00%**	**100.00%**

*) Myllykoski Oyj is a part UPM-Kymmene Group.

	%	%
Shareholders by sector	**of shares**	**of shares**
Forest industry	62.02%	61.95%
Energy companies	21.31%	21.38%
Cities	6.83%	6.83%
Chemical industry	5.62%	5.61%
Metal industry	0.11%	0.11%
Other	4.12%	4.13%
Total	**100.00%**	**100.00%**

35. EVENTS AFTER THE REPORTING PERIOD

Pohjolan Voima's Extraordinary General Meeting on 16 January 2013, decided on the production closure of the Mussalo power plants. The decision was based on the power plants' decreased level of competitiveness and the measures regarding the closure will begin immediately. Negotiations regarding the sales or lease of land area, the port, the oil stock and gas turbine plant, are expected to be finalized in early 2013.

Parent company financial statements (FAS)

Contents

PARENT COMPANY FINANCIAL STATEMENTS (FAS)

INCOME STATEMENT

1,000 €	Note	1.1. - 31.12.2012	1.1. - 31.12.2011
Revenue	2	**571,145**	**598,644**
Other operating income	3	2,186	296,453
Materials and services	4	-255,456	-282,300
Personnel expenses	5	-7,090	-7,214
Depreciation, amortisation and impairment	6	-934	-11,631
Other operating expenses	7	-308,115	-310,692
Operating profit or loss		**1,736**	**283,260**
Finance income and costs	8	-9,590	-7,391
Profit or loss before appropriations and taxes		**-7,854**	**275,869**
Appropriations			
Increase (+) or decrease (-) in depreciation difference		126	176
Income tax expense	9	-6	-8
Profit or loss for the year		**-7,734**	**276,037**

BALANCE SHEET

1,000 €	Note	31.12.2012	31.12.2011
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	713	422
Property, plant and equipment	11	1,467	1,797
Investments	12		
Holdings in Group undertakings		568,562	562,202
Other investments		889,177	862,769
TOTAL NON-CURRENT ASSETS		**1,459,919**	**1,427,190**
CURRENT ASSETS			
Non-current receivables	13	14,364	10,015
Current receivables	14	98,452	92,435
Investments	15	2,000	79,949
Cash and cash equivalents		4,326	111,893
TOTAL CURRENT ASSETS		**119,142**	**294,292**
Total assets		**1,579,061**	**1,721,482**

EQUITY AND LIABILITIES

EQUITY	16		
Share capital		61,282	61,096
Share premium		333,308	381,608
Contingency reserve		-	547
Revaluation reserve		218,644	218,644
Reserve for invested non-restricted equity		159,486	104,614
Retained earnings		123	-28,544
Profit or loss for the year		-7,734	276,037
TOTAL EQUITY		**765,109**	**1,014,002**
ACCUMULATED APPROPRIATIONS			
Depreciation difference		**219**	**345**
LIABILITIES			
Non-current liabilities	17	603,892	553,214
Current liabilities	18	209,841	153,921
TOTAL LIABILITIES		**813,733**	**707,135**
Total equity and liabilities		**1,579,061**	**1,721,482**

CASH FLOW STATEMENT

1,000 €		1.1. - 31.12.2012	1.1. - 31.12.2011
Operating activities			
Operating profit or loss		1,737	283,260
Adjustments to operating profit or loss	1)	886	-285,352
Change in net working capital	2)	-30,398	-5,805
Interest paid		-13,366	-11,004
Interest received		7,384	5,377
Dividends received		1	1
Other financial items		-2,327	-1,008
Income tax paid		1	-12
Cash flow from operating activities		**-36,082**	**-14,543**
Investments			
Acquisition of subsidiaries		-6,360	-4,872
Acquisition of other shares		-	-39,272
Purchases of property,plant and equipment and intangible assets		-517	-551
Proceeds from the sale of shares in subsidiaries		-	9,622
Proceeds from the sale of shares in joint ventures		-	325,000
Proceeds from sales of property, plant and equipment and intangible assets		87	64
Increase (-) or decrease (+) of loan receivables		-14,757	-6,580
Cash flow from investing activities		**-21,547**	**283,411**
Financing			
Proceeds from borrowings		53,386	24,832
Repayments of borrowings		-2,712	-42,712
Proceeds (+) or repayments (-) of current interest-bearing liabilities		62,599	-96,655
Purchase of own shares		-	-11,200
Proceeds from issuance of ordinary shares		6,210	4,872
Dividends paid		-247,370	-
Cash flow from financing activities		**-127,887**	**-120,863**
Net (decrease)/increase in cash and cash equivalents		**-185,516**	**148,005**
Cash and cash equivalents at 1.1.		191,842	43,836
Cash and cash equivalents at 31.12.		**6,326**	**191,842**

1) Adjustments to operating profit or loss		
Depreciation, amortisation and impairment	934	11,631
Losses(+) or gains (-) of sales of non-current assets	-48	-296,983
	886	**-285,352**
2) Change in net working capital		
Increase (-) or decrease (+) of non-interest-bearing receivables	-23,624	16,370
Increase (+) or decrease (-) of current non-interest-bearing liabilities	-6,774	-22,176
	-30,398	**-5,805**

NOTES TO FINANCIAL STATEMENT

1. 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.

NOTES TO INCOME STATEMENT

2. SALES

1 000 €	2012	2011
Sales of generated electricity	376,835	417,354
Sales of generated heat	189,653	176,142
Other sales	4,657	5,148
Total	571,145	598,644

3. OTHER OPERATING INCOME

1 000 €	2012	2011
Gains on sale of property, plant and equipment and other investments	48	294,381
Rental income	1,583	1,501
Other income	555	571
Total	2,186	296,453

4. MATERIALS AND SERVICES

1 000 €	2012	2011
Energy purchases	255,456	282,300
Total purchases	255,456	282,300

5. PERSONNEL EXPENSES AND AVERAGE NUMBER OF PERSONNEL

1 000 €	2012	2011
Wages and salaries		
Board members and CEO	891	846
Other wages and salaries	4,895	5,124
Total	5,786	5,970
Pension expenses	1,036	951
Other personnel expenses	268	293
Total	1,304	1,244
Total personnel expenses	7,090	7,214
Average number of personnel		
Salaried employees	69	71
Wage-earners	1	1
Total	70	72

6 DEPRECIATION, AMORTISATION AND IMPAIRMENT

1 000 €	2012	2011
Depreciation according to plan		
Other capitalised long-term expenditure	177	135
Buildings and constructions	43	42
Machinery and equipment	267	307
Impairment of non-current assets	-	10,700
Investments	447	447
Total	934	11,631

7 OTHER OPERATING EXPENSES

1 000 €	2012	2011
Energy purchases	297,853	303,301
Repair, servicing and maintenance services	157	197
Rents	2,062	1,985
Real estate taxes	77	76
Fees to experts	4,452	1,433
Other expenses	3,514	3,700
Total	308,115	310,692

AUDITOR'S FEES

1 000 €	2012	2011
PricewaterhouseCoopers Oy:		
Audit fees	66	106
Tax counselling	8	-
Other services	15	20
Total	89	126

8 FINANCE INCOME AND COSTS

1 000 €	**2012**	**2011**
Dividend income		
from others	1	1
Interest income from investments		
in Group undertakings	100	163
in participating interests	2,461	2,799
Other interest and finance income		
from Group undertakings	2,442	1,646
in participating interests	21	50
from others	1,200	2,073
Total finance income	6,225	6,732
Interest costs and other financial costs		
Group undertakings	-309	-917
participating interests	-7,834	-8,681
Others	-7,672	-4,525
Total finance costs	-15,815	-14,123
Total finance income and costs	-9,590	-7,391
Other interest and financial income includes exchange rate differences (net).	-8	-5

9 INCOME TAXES

1 000 €	**2012**	**2011**
Income taxes for the period	6	8
Income taxes from previous periods	0	0
Total	6	8

NOTES TO BALANCE SHEET

10. INTANGIBLE ASSETS

1000 €	Intangible rights	Other capitalised long-term expenditure	Total
Cost or valuation at 1.1.	38	2,341	2,379
Additions	-	11	11
Disposals	-4	-	-4
Reclassifications	-	461	461
Cost or valuation at 31.12.	34	2,813	2,847
Accumulated amortisation 1.1.	-	-1,957	-1,957
Amortisation for the period	-	-177	-177
Accumulated amortisation 31.12.	-	-2,134	-2,134
Net book amount 31.12.2012	34	679	713
Net book amount 31.12.2011	38	384	422

11. PROPERTY, PLANT AND EQUIPMENT

1000 €	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Prepayments	Total
Cost or valuation at 1.1.	208	1,257	3,505	46	248	5,264
Additions	-	-	108	-	371	479
Disposals	-	-2	-171	-	-	-173
Reclassifications	-	-	121	-	-582	-461
Cost or valuation at 31.12.	208	1,255	3,563	46	37	5,109
Accumulated depreciation 1.1.	-	-819	-2,648	-	-	-3,467
Accumulated depreciation of disposals and reclassifications	-	2	133	-	-	135
Depreciation for the period	-	-43	-267	-	-	-310
Accumulated depreciation 31.12.	-	-860	-2,782	-	-	-3,642
Net book amount 31.12.2012	208	395	781	46	37	1,467
Net book amount 31.12.2011	208	438	857	46	248	1,797
Production machinery and equipment at 31.12.			382			

12 INVESTMENTS

1000 €	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.	562,202	6,200	747,892	107,995	682	1,424,971
Additions	6,360	-	-	29,256	-	35,616
Disposals	-	-2,400	-448	-	-	-2,848
Cost or valuation at 31.12.	568,562	3,800	747,444	137,251	682	1,457,739
Net book amount 31.12.2012	568,562	3,800	747,444	137,251	682	1,457,739
Net book amount 31.12.2011	562,202	6,200	747,892	107,995	682	1,424,971

Revaluations included in the cost at 31.12.	265,145

13. NON-CURRENT RECEIVABLES

1 000 €	2,012	2011
Loan receivables	1,440	3,540
Capital loan receivables	1	1
Other non-current receivables	12,923	6,474
Total	14,364	10,015
Receivables from Group undertakings		
Loan receivables	-	2,000
Capital loan receivables	1	1
Total receivables from Group undertakings	1	2,001
Receivables from participating interests		
Loan receivables	1,440	1,540
Other non-current receivables	12,923	6,474
Total receivables from participating interests	14,363	8,014

14. CURRENT RECEIVABLES

1 000 €	**2,012**	**2011**
Trade receivables	76,825	54,051
Other receivables	299	12,365
Prepayments and accrued income	21,328	26,019
Total	98,452	92,435
Receivables from Group undertakings		
Trade receivables	1,046	279
Prepayments and accrued income	492	4,519
Total receivables from Group undertakings	1,538	4,798
Receivables from participating interests		
Trade receivables	265	184
Loan receivables	0	10,000
Other receivables	2	-
Prepayments and accrued income	13,394	12,872
Total receivables from participating interests	13,661	23,056
Prepayments and accrued income:		
Accrued personnel expenses	14	15
Accrued interest income	469	1,621
Accrued income taxes	-	7
Accrued emission allowances (incl.SWAP-contracts)	2,852	4,786
Accrued arrangement fee for credit facility	1,263	1,581
Accrued VAT on prepayments	3,125	2,995
Accrued energy purchases	13,264	12,606
Others	341	2,408
Total	21,328	26,019
Interest-bearing receivables		
Non-current assets	141,052	114,195
Current assets	7,766	205,382
Total	148,818	319,577

15. INVESTMENTS

1 000 €	2,012	2011
Holdings in investment funds with short-term interest, certificates of deposit and commercial papers		
Reacquisition price	2,000	79,949
Book value	2,000	79,949
Difference	0	0

16. EQUITY

1 000 €	**2,012**	**2011**
Share capital 1.1.	61,096	61,280
Transfer from share issue	186	147
Purchase and annulment of own shares		-331
Share capital 31.12.	61,282	61,096
Share issue 1.1.	0	0
Transfer to share capital	-186	-147
Transfer to reserve for invested non-restricted equity	-6,025	-4,725
Share issues during the year	6,211	4,872
Share issue 31.12.	0	0
Share premium 1.1.	381,608	384,194
Transfer to reserve for invested non-restricted equity	-48,300	-
Purchase and annulment of own shares	-	-2,586
Share premium 31.12.	333,308	381,608
Contingency reserve 1.1.	547	547
Transfer to reserve for invested non-restricted equity	-547	-
Contingency reserve 31.12.	0	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	104,614	108,017
Share issues	6,025	4,725
Transfer from share capital	-	331
Transfer from share premium	48,300	2,586
Transfer from contingency reserve	547	-
Purchase and annulment of own shares	-	-11,045
Reserve for invested non-restricted equity 31.12	159,486	104,614
Retained earnings 1.1.	247,493	-28,389
Purchase of own shares, transfer tax	-	-155
Dividends paid	-247,370	-
Retained earnings 31.12.	123	-28,544
Profit or loss for the year	-7,734	276,037
Total	765,109	1,014,002

Distributable earnings 31.12.		
Retained earnings	123	-28,544
Profit or loss for the year	-7,734	276,037
Reserve for invested non-restricted equity	159,486	104,614
Total	151,875	352,107

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

17. NON-CURRENT LIABILITIES

1 000 €	2,012	2011
Loans from financial institutions	50,000	50,000
Pension loans	13,559	16,271
Other non-current liabilities	540,333	486,943
Total	603,892	553,214
Liabilities to Group undertakings		
Other non-current liabilities	11,000	8,000
Liabilities to participating interests		
Other non-current liabilities	500,000	478,872
Liabilities with more than five years to maturity		
Pension loans		
Other non-current liabilities	502,712	484,295
Total	502,712	484,295
Non-interest-bearing and interest-bearing non-current liabilities		
Non-interest-bearing	29,333	72
Interest-bearing	574,559	553,142
Total	603,892	553,214

18. CURRENT LIABILITIES

1 000 €	**2,012**	**2011**
Loans from financial institutions	-	-
Other interest-bearing liabilities	128,488	65,889
Advances received	1	21
Trade payables	53,144	58,272
Other current liabilities	13,032	10,242
Accrued expenses	15,176	19,497
Total	209,841	153,921

To Group undertakings		
Other interest-bearing liabilities	-	5,000
Trade payables	38,785	34,496
Accrued expenses	1,330	4,101
To Group undertakings, total	40,115	43,597

To participating interests		
Trade payables	13,759	23,496
Accrued expenses	10,534	10,505
To participating interests, total	24,293	34,001

Accrued expenses		
Accrued personnel expenses	1,403	1,505
Accrued interest costs	9,163	9,033
Accrued emission allowance (incl. SWAP-contracts)	266	4,677
Others	4,344	4,282
Total accrued expenses	15,176	19,497

Non-interest-bearing and interest-bearing current liabilities		
Non-interest-bearing	81,353	88,032
Interest-bearing	128,488	65,889
Total	209,841	153,921

19. GUARANTEES AND CONTINGENT LIABILITIES

1 000 €	**2,012**	**2011**
Pledged deposits		
As security for own liabilities	29	115
Guarantees		
Guarantees for loans		
On behalf of participating interests	44,681	47,871
Other guarantees		
As security for own liabilities	321,694	160,694
On behalf of Group undertakings	8,300	4,500
Total guarantees	374,675	213,065
Leasing liabilities		
Payments during the following year	39	2
Payments in subsequent years	60	-
Total leasing liabilities	99	2
Rental liabilities		
Payments during the following year	1,847	1,798
Payments in subsequent years	2,855	4,686
Total leasing liabilities	4,702	6,484
Other contingent liabilities		
Guarantee according to Nuclear Energy Act	83,838	93,795

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 83,8 million euros (93,8 million euros in 2011).

20. DERIVATIVE FINANCIAL INSTRUMENTS

1 000 €	**2,012**	**2011**
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)	795,700	355,700
Market value	-6,596	-1,772
Currency derivatives		
Forward contracts (nominal value)	4,093	11,709
Market value	-60	300

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. 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 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. The Group’s liquidity is secured by the EUR 300 million revolving credit facility, which matures in 2016. The loan facility was fully undrawn as per 31.12.2012. For its short-term financing, the company uses mainly its domestic EUR 300 million commercial paper program

The excess liquidity is invested in secure and profitable instruments with a duration of up to 12 months. Investments are diversified to various instruments and the investment instruments which are chosen based on guaranteed liquidity in the secondary market even under unfavorable

The foreign exchange risk inherent in Pohjolan Voima Oy subsidiaries’ fuel purchases in foreign currency, is managed by foreign exchange derivatives according to coal procurement policy approved by the Pohjola Voima Oy Board of Directors. These transactions are managed centrally by the parent company.

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 loss of € 7,733,629.20

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 27, 2013

Tapio Korpeinen Chairman	**Juha Vanhainen** Deputy Chairman	**Andreas Rasimus**
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, March 14, 2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Accountant

Auditor´s report

(Translation from the Finnish Original)

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, 2012. 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, 14 March, 2012

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Accountant