POHJOLAN VOIMA

ANNUAL REPORT 2007

Pohjolan Voima's operating principle

Pohjolan Voima is a privately owned group of companies in the energy sector producing electricity and heat at cost for its shareholders in Finland. The group also develops and maintains technology in its sector.

Values

Responsibility. Reliability. Competence.

Pohjolan Voima

Shareholders by sector 31 Dec 2007

Forest industry 62.9%
Energy and power supply companies 21.3%
Cities 6.5%
Chemical industry 4.9%
Metal industry 0.1%
Others 4.3%

Pohjolan Voima Oy

Hydropower
Nuclear power
Thermal power
New energy sources
Supply optimisation
Ownership in Fingrid

Powest Oy

Operation and maintenance of thermal power plants
Regional grid business
Pohjolan Voima's financial and payroll management services

The Pohjolan Voima operating model

Pohjolan Voima supplies electricity and heat to its shareholders at cost. The shareholders cover the costs of the operations. This operating model is also called the "Mankala principle". The name is derived from the ruling issued by the Supreme Administrative Court, constituting a precedent. According to 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.

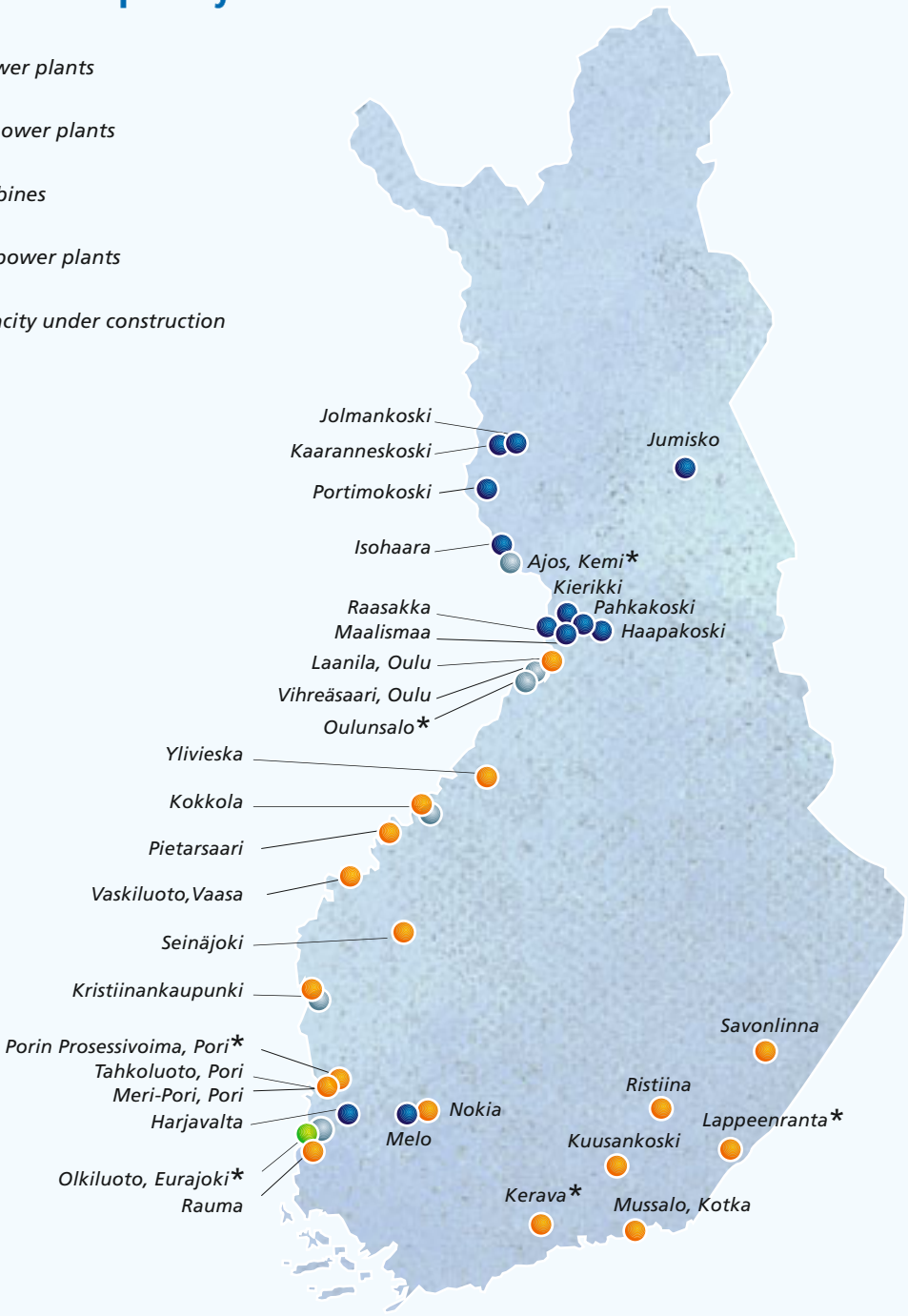
Productive co-operation based on the Mankala model makes it possible to build new power plants. It generates advantages of scale and efficiency, enabling the small companies to take part in large investments.

Pohjolan Voima's key figures

	2007	2006	2005	2004	2003
Turnover, € million	766	888	601	667	659
Operating profit or loss, € million	-23	-7	-8	0	-21
Net interest-bearing liabilities, € million	1 977	1 790	1 633	1 063	801
As percentage of turnover, %	258	202	272	159	122
Equity-to-assets ratio, %	32	33	36	43	47
Total assets, € million	3 839	3 586	3 311	2 664	2 386
Investments, € million	383	325	704	427	90
Average number of personnel	1 090	1 032	938	873	864

Production capacity

- Hydropower plants
- Nuclear power plants
- Wind turbines
- Thermal power plants
- * New capacity under construction



Contents

The Annual General Meeting of Pohjolan Voima was held on Tuesday 18 March at 11.00 at Töölönkatu 4, Helsinki.

”Pohjolan Voima carried on with its low-emission capacity construction programme.”

Review by the President

Awareness of climate change reached an entirely new level in 2007. Previously, reducing emissions was primarily a concern of energy producers and energy-intensive industries, but now climate change is having an increasing impact on the decisions of all companies and individual people.

The decision by the European Union summit of March 2007 to increase the share of renewable energy was significant and attracted copious publicity. A few months after the decision it became apparent that the agreed 20% target would not be reached within the set schedule. The target was decreased by approximately two percentage units by agreeing that the share of renewable energy will be calculated from terminal energy. However, this change is not sufficient; a separate solution will be necessary for the problem that emission-free nuclear power does not increase the renewable energy obligation. After this, it will be possible to commit to this challenging target and initiate national measures for increasing renewable energy sources.

Debate on the functioning of the electricity market decreased. The year 2007 saw low market prices due to abundant rainfall and low emission allowance prices. The price of electricity will, however, return to the headlines. All electricity sellers share the same price reference, the Nord Pool electricity marketplace. In Nord Pool, prices are determined for the most of the year in accordance with the variable costs of coal condensing power. With the legislator causing additional costs for coal condensing power, especially because of emissions trading, we are facing times of high market electricity prices.

Usually, competition guarantees effective price formation, and, e.g., a car maker does not need to start producing steel. With regard to electricity, the situation is different. Electricity is an exceptional product, and its market cannot be compared with any other product markets. It emerged very clearly in the debate on additional nuclear power that not everyone wants to buy market electricity from Nord Pool. Industry, cities and municipalities, energy companies and even retail chains prefer to own shares in nuclear power plants and thus ensure the supply of cheaper electricity.

Instead of market-priced electricity, they want Mankala, or at-cost electricity. This provides Pohjolan Voima with new opportunities and creates favourable prerequisites for continuing our own investment activities. The electricity generated by Pohjolan Voima is supplied to the shareholders, but it also has a restraining effect on the increase in market prices through increased supply.

The Commission announced its third electricity market package in September. As a way of removing competition-related problems, it proposes the separation of electricity production and transmission, unbundling, so that an electricity producer would not be al-

lowed to participate in decision making on transmission networks at all. According to Pohjolan Voima's opinion, the proposal is unnecessarily strict; disassembly of majority holdings in the networks will suffice for removing the competition problem. Having various shareholders guarantees that equality, non-discrimination and transparency of network operations materialise. Pohjolan Voima has a holding in Fingrid, mainly in order to defend the interests of consumers of electricity, and our shareholders pay for more than half of the national grid's costs. As a producer of electricity, we are committed to measures that are able to support and ensure the technical operation of the electricity power system in a cost-efficient manner. This requires seamless cooperation between production and the transmission network.

Pohjolan Voima carried on with its emission-free and low-emission capacity construction programme across Finland in 2007. Projects underway in the Group include the Olkiluoto 3 nuclear power plant unit at Eurajoki realised by Teollisuuden Voima Oyj (TVO), considerable biopower plant projects in Pori, Kerava and Lappeenranta, wind farms in Kemi and Oulunsalo, and the hydropower modernisation programme in Iijoki. Several significant investments are being planned to be carried out before 2020. Of these, the Olkiluoto 4 and Kollaja projects are undergoing environmental impact assessment. In addition to preventing climate change, the projects would help to secure our electricity self-sufficiency and improve the competitiveness of energy-intensive industry. In addition to this, many cities and municipalities are able to maintain low energy prices locally or support the municipal economy through our direct and indirect ownership base.

For Pohjolan Voima, the year was a success and full of work. New projects and making our current production operations more efficient have kept us on a developing growth curve. At the same time, the Group has become increasingly well known and carries weight as a major energy policy actor. I wish to thank our employees, shareholders and partners for the year.

Timo Rajala


”Electricity production is not
sufficient to cover consumption
during peak loads.”

Operating Environment

In 2007, Finnish electricity consumption was 90.3 TWh (90.0 TWh in 2006). The year 2007 was warmer and rainier than the average, which decreased the need for heating.

The amount of electricity generated with hydropower increased by nearly a quarter compared to the year 2006 with a dry summer, and exceeded the average production. Nuclear power production achieved all-time heights, accounting for a fourth of Finland's energy supply as in the previous year. The amount of electricity generated with wind power increased with the introduction of new wind power plants. Thermal power production and particularly electricity generation in condensing power plants decreased considerably compared to the previous year, during which the below-normal hydropower production was compensated for with condensing power production.

Imports of electricity from other Nordic countries to Finland increased on the previous year. The Nordic electricity market could offer lots of cheaper electricity generated with hydropower. Owing to rainfall, the levels of Nordic reservoirs were considerably above long-term average for the most of the year. Imports particularly compensated for condensing power production in Finland.

The price of emission allowances decreased to almost nil towards the end of the year, as it was considered that sufficient emission allowances would remain at the end of the emissions trading period 2005–2007 compared to the actual emissions. The average price of electricity in the Nordic electricity marketplace, Nord Pool, was considerably below the level of 2006, but it increased towards the end of 2007. Expectations of increased production costs with the beginning of the second emissions trading period in 2008 and high fuel prices contributed to the increase in the price of electricity. Prices of both oil and coal increased towards the end of the year, reaching record heights in the world market. Prices have been increased by demand exceeding supply, increased consumption in the Asian market and high freight prices.

At the end of the summer and beginning of the autumn, Nord Pool's system price and Finland's area price differed considerably for several weeks. Since there is not sufficient transmission capacity between Norway and Sweden, high hydropower production lowered the spot price in Southern Norway in the summer to slightly over two euros per MWh at its lowest, whereas in Finland the area price was more than ten-fold at the same time.

More electricity transmission connections

The direct current connection expansion between Finland and Sweden, the 800-MW Fenno-Skan 2, has been reported to be delayed by a year and complete in 2011. The NordNed direct current cable between Southern Norway and the Netherlands is planned to be commissioned at the beginning of 2008, behind the original schedule. It will considerably increase the electricity transmission capacity between the Nordic countries and Central Europe. The 350-MW direct current connection between Finland and Estonia was introduced in January 2007. It is the first transmission connection between the Nordic countries and the Baltic countries.

Net supply of electricity in Finland in 2007, 90.3 TWh

Source: Finnish Energy Industries

24.9%	NUCLEAR POWER 22.5 TWh	15.5%	HYDROPOWER 14.0 TWh
29.4%	INDUSTRIAL CHP 26.6 TWh	0.2%	WIND POWER 0.2 TWh
16.1%	CONDENSING POWER 14.5 TWh		
13.9%	NET IMPORTS 12.6 TWh		

Electricity production is not sufficient to cover consumption during peak loads

In the Nordic countries, the peak of electricity consumption usually occurs in the winter during a long frost period when high volumes of electricity are required for heating and lighting. In Finland, the need for electric power corresponding to peak consumption has increased by approximately 300 MW each year.

The record generation capacity needed in Finland ever was measured on February 8, 2007 at 7 to 8 am, with the average consumption of approximately 14,900 MW. At that time, Fingrid employed for the first time its production capacity under the Power Reserve Act imposed in December 2006, and started the Mussalo 2 plant. The purpose of the Act, which will remain in force until the end of February 2011, is to keep threatened condensing power capacity in starting readiness during the winter season.

According to estimates by Nordel, the cooperation body of Nordic national grid operators, and the Energy Market Authority, the average hourly need for electricity during peak loads in Finland in the winter season 2007–2008 will be clearly in excess of 15,000 MW. The available domestic production capacity is approximately 1,700 to 2,300 MW below this figure. Imports of electricity will be used to compensate for the insufficient production capacity.

There are various factors of uncertainty connected with the imports of electricity, particularly during peak loads in long periods of intense frost. Sweden has already limited its import for the sake of the sufficiency of its own power. Electricity consumption is strongly increasing in the St. Petersburg region, and the sufficiency of Russian electricity for import seems more uncertain in the future.

Finnish Energy Industries and the Confederation of Finnish Industries estimate that Finland will need a considerable amount of new electricity generation capacity to cover increasing consumption and replace outdating power generation capacity. These associations estimate that electricity consumption will increase to 107 TWh by 2020 and 115 TWh by 2030. On average, the growth is expected to amount to approximately 1.2% annually until 2020, slowing down thereafter.

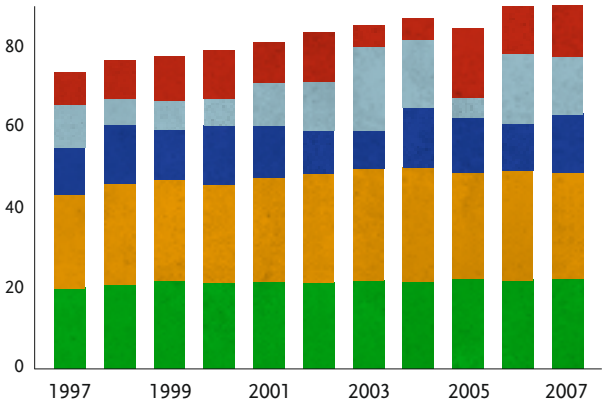
Experience from prior winter seasons, increase in electricity consumption and current production capacity becoming obsolete have increased concerns about the sufficiency of electricity and self-sufficiency in electricity generation.

Support for renewable energy sources

The current Government Programme sets various climate and energy political targets. It states that no emission-free, low-emission, sustaining and profitable production form, including nuclear power, should be excluded. All energy forms must be evaluated from the point of view of the society's overall good. The programme emphasises the promotion of renewable energy, mentioning, e.g., considerable increase in hydropower and encouraging wind and solar power as well as energy use of waste.

There was lively debate on additional construction of hydropower and reservoirs during the report year. There is nearly 10 TWh of unharnessed hydropower potential in Finland, but significant additional construction is limited by protection decisions.

The Government decreased the industry's electricity taxes at the beginning of 2007, but raised them and other energy-related taxes again in 2008. In energy production,



Net supply of electricity in Finland in 1997–2007, TWh

Source: Finnish Energy Industries

- NUCLEAR POWER
- INDUSTRIAL CHP
- HYDROPOWER
- CONDENSING POWER
- NET IMPORTS

the increases concern excise taxes of heat production fuels and electricity.

The government's Ministerial working group on climate and energy policy is preparing a proposal for a climate and energy strategy to be submitted to the Parliament in 2008. In addition, a working group is drawing up the government's long-term climate policy report, which is supposed to be complete in 2009. Improving energy efficiency is one way of preventing climate change. New framework agreements on energy efficiency for 2008–2016 were signed in December as a continuation of previous energy-saving agreements.

The Finnish Act on the feed-in tariff of fuel peat came into force at the beginning of May, and it will remain in force until 2010. It aims at ensuring the security of fuel and electricity supply by promoting the use of peat in condensing power plants.

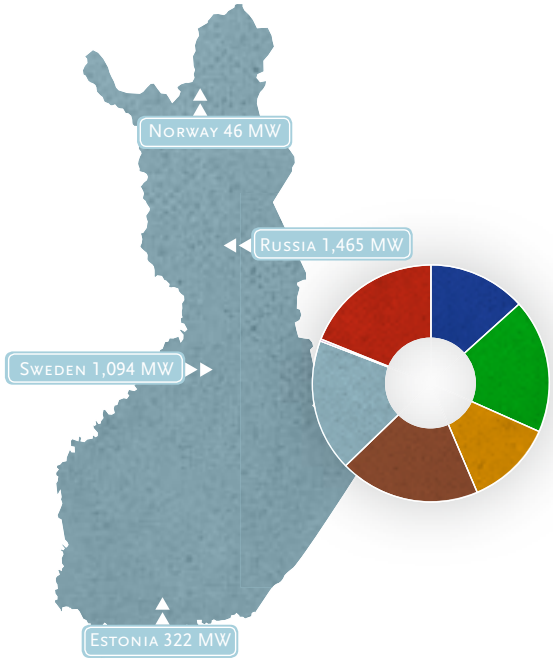
Climate issues are central in the EU energy policies

The year 2007 was the last year of the EU's first emissions trading period. The second emissions trading period, extending until 2012, began in 2008. In Finland, the amendments to the Emissions Trading Act concerning the second period entered into force in December. There will be considerably fewer emission allowances distributed for the second period than for the first one. Condensing power production will lose the most free emission allowances. The Act extended the emission-reducing measures to also cover the Kyoto mechanisms.

The EU Commission announced an extensive initiative package on energy and climate policy in January 2007. With the package, containing several communiqués, the Commission particularly wants to prevent climate change and improve the EU's security of energy supply and competitiveness. The European Council reviewed the proposals of the Commission in March and set targets for 2020: target share of 20% for renewable energy, minimum target of 10% for biofuels in transport, unilateral 20% decrease in greenhouse gas emissions and an instructive 20% improvement in energy efficiency. The target for decreasing greenhouse gas emissions can be increased to 30% should other industrialised countries commit to corresponding cuts. As the next step in the process, the Commission announced its proposal for the 2008 climate and energy policy legislation package in January. This proposal includes, for instance, a plan for each EU member state's share in increasing renewable energy sources and reducing greenhouse gas emissions and the renewal of the Emissions Trading Directive for the period following 2012.

International negotiations were continued in Bali in December in the conferences of the parties to the United Nations Framework Convention on Climate Change and the Kyoto Protocol. All the countries in the world are taking part in the further negotiations called the Bali Roadmap, which aim at a global agreement on climate political actions during the period beyond 2012.

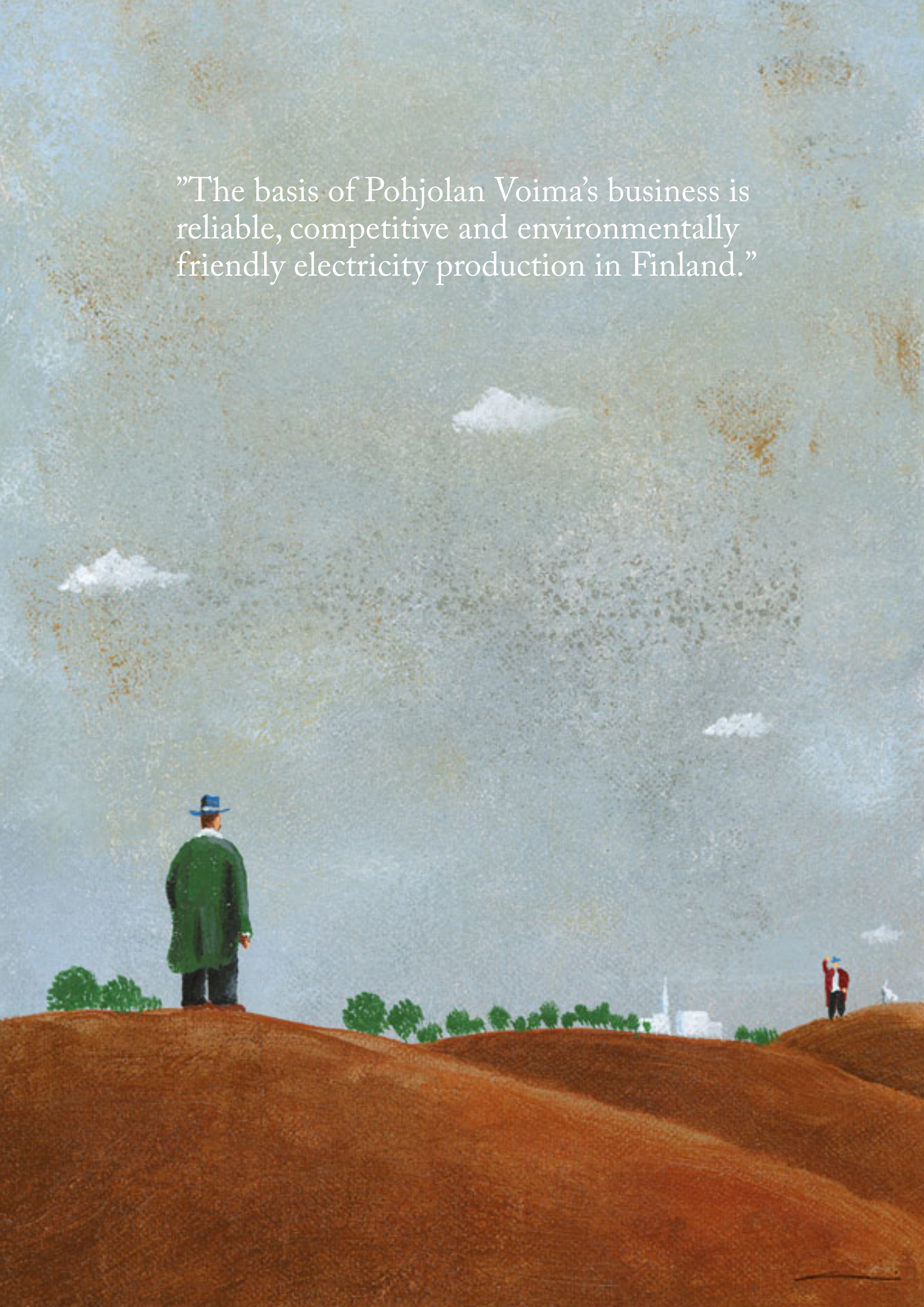
The EU has also been preparing the renewal and extension of various key environmental protection directives in 2007, including the IPPC (Integrated Pollution Prevention and Control) and NEC (National Emission Ceilings) directives. The EU Commission announced its third electricity market package in September. Among other things, it proposes the separation, unbundling, of electricity production and transmission so that an electricity producer would not be allowed to own and participate in decision-making on transmission networks at all.



Peak load in electricity consumption in Finland on 8 Feb 2007 at 07–08 hrs, 14,914 MW

Source: Finnish Energy Industries

- Hydropower, 1,974 MW
- Nuclear power, 2,730 MW
- CHP, industry, 1,802 MW
- CHP, district heat, 2,845 MW
- Condensing power, 2,724 MW
- Wind power, 3 MW
- Net imports, 2,836 MW


”The basis of Pohjolan Voima’s business is
reliable, competitive and environmentally
friendly electricity production in Finland.”

Business Review

Responsible electricity production

The basis of Pohjolan Voima's business is reliable, competitive and environmentally friendly electricity production in Finland. Collaboration with shareholders and other stakeholders makes it possible to operate and maintain versatile electricity and heat production machinery as well as building new production capacity. All Pohjolan Voima operations are steered by its corporate responsibility policy and related operating principles. Pohjolan Voima and TVO report on corporate responsibility separately.

Pohjolan Voima has 21 shareholders, representing the industry, energy and distribution companies, and municipalities. The volume of Pohjolan Voima's electricity supply is determined by its shareholders' need for electricity.

Pohjolan Voima's production capacity comprises 40 power plants in 22 locations. Production forms include hydropower, nuclear power, thermal power and wind power.

Production in 2007

Pohjolan Voima's electricity production decreased on the previous year. Pohjolan Voima's electricity production in 2007 amounted to 17.0 TWh, 5% down from the previous year. The volume of electricity produced with hydropower and nuclear power increased, but the production of condensing power plants decreased from the previous year's record-breaking figures. Production of heat amounted to 5.4 TWh, 8% more than in 2006.

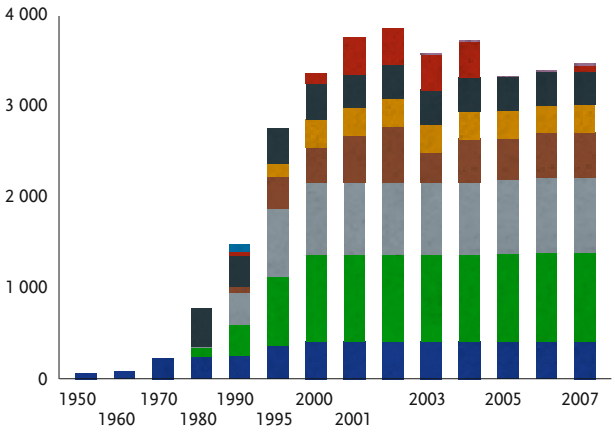
The levels of Nordic reservoirs remained high throughout the year, increasing towards the end of the year. Reservoirs were above average in Finland; in July, Northern Finland even saw flooding. Pohjolan Voima's hydropower plants generated 1.8 TWh of electricity, approximately 10% more than during a normal year. The production of condensing power, on the other hand, decreased as it was replaced by Nordic hydropower production. Towards the end of the year, increased consumption and moderate Swedish and Norwegian hydropower production increased the need for running condensing power plants. As of the beginning of October, Pohjolan Voima's condensing power plants were running at almost full capacity. Electricity production in CHP plants remained at the previous year's level. In 2007, Pohjolan Voima's CHP plants generated a total of 7.0 TWh of electricity.

The availability of the Olkiluoto nuclear power plants remained high, as in previous years. The plants produced a total of 14.4 TWh of electricity, of which Pohjolan Voima's share was 8.1 TWh. The volume of electricity produced with wind power increased slightly on the previous year to 0.02 TWh. Pohjolan Voima acquired 4.2 TWh of electricity from the Nordic electricity market and imported 0.5 TWh from Estonia.

Hydropower production above normal

Pohjolan Voima has a total of 12 plants in its ownership or part-ownership on the rivers Iijoki, Kemijoki, Kokemäenjoki and Tengeliönjoki. The combined electricity generation capacity of the plants is 481 MW, of which Pohjolan Voima's share is 415 MW.

In 2007, a total of 1.8 TWh of electricity was produced with hydropower, some 10% above the produc-



Pohjolan Voima's electricity supply capacity in 1950–2007, MW

HYDROPOWER
NUCLEAR POWER
COAL
WOOD AND PEAT
NATURAL GAS
OIL
IMPORTS
WIND POWER
PURCHASED

tion level of a normal year. Hydropower production was above a normal year's level particularly in the spring and early winter; on the other hand, in June the production was considerably below normal.

The Northern Finland Environmental Permit Authority removed the continuous minimum discharge requirement from the Kierikki and Maalismaa hydropower plants and granted a permit to raise the high-water level of the Maalismaa hydropower plant by 0.3 metres. The Vaasa Administrative Court dismissed appeals against the decisions, but an appeal has been filed in the Supreme Administrative Court with regard to Maalismaa. The purpose of the permit changes is to standardise the discharge requirements concerning the chain of power plants on the river Iijoki and thus make their utilisation more efficient. Raising the high-water level of Maalismaa would decrease flow losses and jammed ice problems.

Record nuclear power production

The nuclear power plant of Teollisuuden Voima, a subsidiary of Pohjolan Voima, is located in Olkiluoto, Eurajoki. The power plant comprises two 860-MW plant units.

In 2007, the Olkiluoto nuclear power plant achieved the highest annual production volume of its operational history, 14.4 TWh. Pohjolan Voima's share of the production amounted to 8.1 TWh. The annual production of the OL1 unit was 7.3 TWh with a capacity factor of 97.5% while OL2 produced 7.1 TWh of electricity at a 93.7% capacity factor. The last production record was achieved in 2006. Both plant units ran throughout 2007 without significant failures.

Work at the OL3 site continues

Construction of the OL3 nuclear power plant continues in Eurajoki. The first parts of the turbine have arrived in Finland, and the turbine hall is at rooftop height. Key buildings of the reactor island are under construction. There were more than 2,700 people working at the site at the end of the year. In December 2007, the plant supplier announced that the estimated time of completion would be the summer of 2011.

New gas turbine plant inaugurated

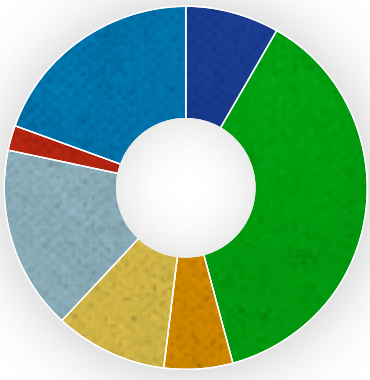
A gas turbine power plant constructed jointly by Fingrid and TVO in Olkiluoto was inaugurated in November. The plant comprises two 50-MW light fuel oil-fired units. The power plant can reach its full capacity of 100 MW in less than seven minutes. The plant acts as Fingrid's responsive failure reserve and forms a part of TVO's auxiliary power reserve in malfunctions.

Thermal power production affected by rainy weather

At the end of 2007 the electricity production capacity of Pohjolan Voima's thermal power plants totalled 1,996 MW. In addition to electricity, combined heat and power production plants produced district heat and process steam for local consumption.

The volume of electricity produced by thermal power plants in 2007 amounted to 7.0 TWh, 16% less than in 2006. Compared to the previous year, the volume of electricity produced in condensing power plants decreased, amounting to a total of 3.5 TWh in 2007. This was particularly due to Nordic hydropower production

In this business review, the volumes of electricity supply are shown in accordance with Pohjolan Voima's shares in power plants, for which reason they differ from the Group figures given in the Financial Statements.



Pohjolan Voima's electricity supply in 2007, total 21.7 TWh

8.2%	HYDROPOWER	16.4%	CONDENSING POWER
37.6%	NUCLEAR POWER	0.1%	WIND POWER
6.1%	CHP, DISTRICT HEAT	2.1%	IMPORTS
9.9%	CHP, INDUSTRY	19.6%	ELECTRICITY PURCHASES

increasing on the previous year, replacing the need to generate condensing power. Combined heat and power production plants generated 3.5 TWh of electricity, on a par with the previous year.

In 2007, Pohjolan Voima produced a total of 5.4 TWh of district heat and process steam, 8% more than in 2006.

The thermal power plants consumed 11.8 TWh of coal, 5.6 TWh of wood and agrobiomass, 3.8 TWh of peat, 0.4 TWh of natural gas and 0.3 TWh of oil. The consumption of fuels decreased on the previous year due to decreased use of condensing power plants.

Pohjolan Voima's oil-fired condensing power plants in Kristiinankaupunki and Vaasa, and the gas-fired condensing power plant in Kotka have taken part in the national power reserve system coordinated by Fingrid as of the beginning of 2007. The plants are kept at 12-hour starting readiness from December to February to ensure the balance between electricity production and consumption. The Mussalo gas-fired condensing power plant was started at the request of Fingrid on February 7, 2007, when electricity consumption in Finland reached almost 15,000 MW.

More wind power

Pohjolan Voima's wind power turbines are located in Eurajoki, Kokkola, Kristiinankaupunki, Oulu and Oulunsalo. Their combined electricity generation capacity is 14.3 MW, of which Pohjolan Voima's share is 10.4 MW. Pohjolan Voima's share of their production in 2007 amounted to 0.02 TWh. Pohjolan Voima's wind power capacity will increase in the spring of 2008 with the five 3-MW wind turbines constructed in Ajos, Kemi, entering commercial use.

Electricity was purchased from Estonia and the Nordic market

In 2007 Pohjolan Voima purchased a total of 4.2 TWh of electricity from the Nordic market to optimise procurement. This was 13% less than in 2006.

In addition to the Nordic Countries, Pohjolan Voima purchased a total of 0.5 TWh of electricity from Estonia. The Estlink cable between Finland and Estonia was taken in use in January 2007 and operated throughout the year without significant failures.

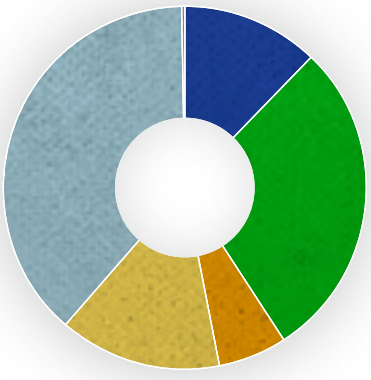
Environmental policy underpinned by values

A basic requirement for persistent and long-term energy production is maintaining a safe, healthy and diverse environment. Pohjolan Voima's production companies have certified environmental management systems according to the ISO 14001 standard.

Pohjolan Voima is committed to good management and continuous improvement of environmental issues. Environmental protection is not only compliance with legal requirements but also efficient use of raw materials and safe handling, recycling and final disposal of by-products and waste. Pohjolan Voima aims to recycle as much of the by-products as raw materials as possible.

Environmental impacts of operations

3.0 million fry were stocked in the Kemijoki and Iijoki water systems. The aim of the stocking is to maintain fish stocks. The depression in the lamprey stock persisted in the Kemijoki river, and the required amount



Pohjolan Voima's electricity supply capacity in 2007, total 3,399 MW

12.2%	HYDROPOWER	14.3%	CHP, INDUSTRY
28.8%	NUCLEAR POWER	38.4%	CONDENSING POWER
6.0%	CHP, DISTRICT HEAT	0.3%	WIND POWER

of lamprey assisted in migrating over the dams could not be reached.

The new production hall in the Raasakka fish farm was commissioned. The semi-warm hall improves the conditions of the farmed fry. The annual production of the plants increased to 400,000 migratory salmon fry.

TVO's operations complied with the environmental policy, environmental permits and environmental management system. No significant environment-related deviations were identified. The emissions from the Olkiluoto nuclear power plant were minimal, only fractions of the permitted limits. A total of 240 new fuel rod bundles were loaded in the OL1 and OL2 plant units during yearly maintenance. 39.9 tonnes of spent nuclear fuel was removed from the reactors.

A minor lubricating oil leak took place due to a technical fault at the Nokia power plant in October. It was successfully restricted to the channel besides the plant and did not spread into the nearby river bed.

The carbon dioxide emissions from Pohjolan Voima's thermal power plants were 5.6 million tonnes. Combined particle emissions were 0.5 thousand tonnes, sulphur dioxide emissions 6.1 thousand tonnes and nitrogen oxide emissions 9.1 thousand tonnes. A total of 377 thousand tonnes of fly ash, bottom ash and gypsum were produced as by-products from the flue gas cleaning. 74% of this was reutilised.

The Parliament of Finland passed the Act on amending the Emissions Trading Act in December 2007. The national decision on the allocation of the emission allowances for 2008–2012 will be issued early in 2008. The annual free emission allowances for Pohjolan Voima's power plants for 2008–2012 are likely to decrease to approximately one half compared to 2005–2007. This will translate into a considerable need for purchasing emission allowances and additional costs.

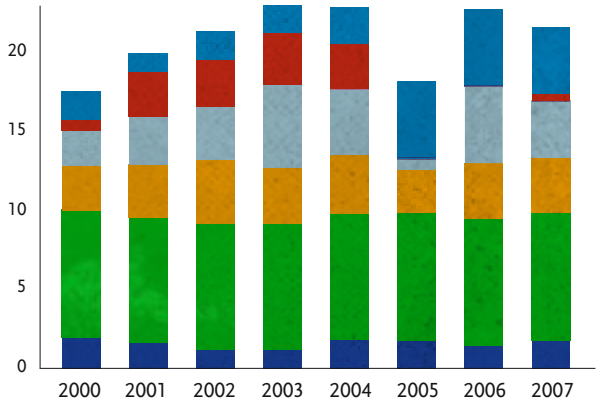
Active development

Pohjolan Voima's intent is to be a significant actor in energy sector development in Finland. During the past few years the focus has been on exploring methods to increase the energy efficiency of biofuels.

Development of a multi-fuel concept was launched in collaboration with Helsinki Energy. The aim of the development is to make an investment decision on constructing a power plant with an electricity output of 500–700 MW in 2010. The objective is to realise an advanced, next-generation power plant solution that allows the use of various fuels and whose efficiency would be considerably better than that of present power plants. The recovery and storage of carbon dioxide is being studied at the same time. Should it materialise, the investment could help to cover the increasing demand for energy and replace decommissioned plants.

In 2007 the combustion technology of the coal-fired Kristiina and Vaskiluoto power plants was changed so that the nitrogen oxide emissions are below the level imposed by the EU directive on large combustion plants and the Finnish LCP decree. At the same time, the Kristiina power plant's automation systems were modernised, making the plant's operation more accurate. Similar changes were made in the coal-fired Tahkoluoto power plant during 2005–2006.

Pohjolan Voima joined the new framework agreement on energy conservation in Finnish industry for 2008–2016 and committed to adopting an energy ef-



Pohjolan Voima's electricity supply in 2000–2007, TWh

HYDROPOWER
NUCLEAR POWER
CHP
CONDENSING POWER
WIND POWER
IMPORTS
ELECTRICITY PURCHASES

ficiency system within two years' time. The system includes, e.g., objectives and a plan for improving energy efficiency as well as monitoring and annual reporting of energy consumption. Pohjolan Voima was a party to the previous energy-saving agreement of Finnish industries for 1997–2007.

PVO-Pool's energy management system project continued. The new system will be adopted in the spring of 2008. The proprietary energy management system will replace currently outsourced system function services.

Leading power plant investor

For a long time, Pohjolan Voima has been the leading power plant investor in the Nordic countries. In 2007 Pohjolan Voima had construction projects underway in 9 locations.

Pohjolan Voima's task is to ensure that its shareholders get competitively priced electricity. The best way to realise this is to maintain the good operability of existing plants, ensure the preservation of their prerequisites and invest in new capacity. Pohjolan Voima's mode of operation makes it possible for even minor shareholders to participate in large-scale projects and decrease investment risks.

In Pohjolan Voima's operations it is important to persevere and seek new, innovative solutions. Versatile and environmentally-friendly solutions are also in the interest of society and mitigate climate change.

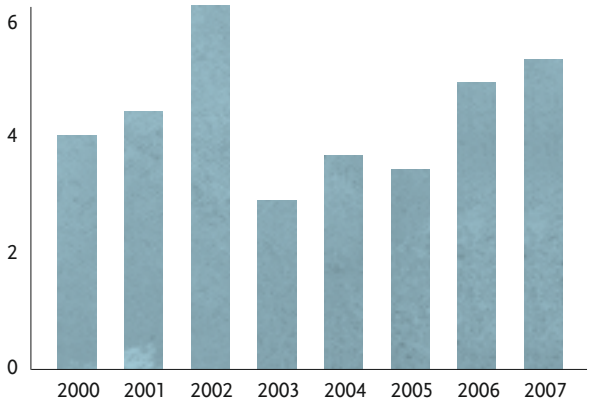
Ongoing power plant projects

Construction of Porin Prosessivoima's new bioenergy plant started in Pori, at the Kemira Pigments Oy industrial site. In addition to a new circulating fluidised bed boiler and back-pressure turbine with a district heating section, a district heating transfer pipe to the Pori city centre and a steam transfer pipe to the Pihlava industrial site will be constructed in the project. The power plant's electricity generation capacity is 65 MW. It can produce steam at 140 MW and district heat at 70 MW capacity. Its commercial use will begin at the beginning of 2009. The plant will generate electricity and heat for Kemira and the City of Pori. The plant will be fired by wood fuels, peat, coal and refuse-derived fuels.

Preparations were made to replace a turbine at the Laanilan Voima power plant in Oulu in 2008. At the same time, the steam network at the power plant and Kemira's industrial facilities in Oulu will be renewed. Thanks to the new turbine investment, Laanilan Voima will be able to generate approximately 50 GWh of electricity more per year.

VESPA, the renovation programme of the Iijoki hydropower plants, continued with the renewal of one machine unit in Kierikki. The other one had already been renewed in the spring of 2006. The revisions, which were completed before the spring floods, increased the plant's efficiency and its maximum capacity. The revision programme will continue in the spring of 2008 with the replacement of one of the two machines in Haapakoski. By 2015 the VESPA programme will increase the Iijoki power plant capacity by approximately 44 MW.

Pohjolan Voima's subsidiary PVO-Innopower made an investment decision on an additional investment of 15 MW in the Ajos wind farm in Kemi. The second phase will include five new 3-MW wind turbines that



Pohjolan Voima's district heat and process steam supply 2000–2007, TWh

will be erected in the late summer of 2008. The plants will be generating electricity at the end of 2008. All the five plants of the first phase of the 30-MW wind farm had been erected by November 2007. The first plant of the wind farm was connected to the electricity network in October 2007.

In addition, PVO-Innopower will construct two new 3-MW wind turbines in Riutunkari, Oulunsalo. The plants are expected to be completed in the spring of 2008.

Investment decisions

Pohjolan Voima made an investment decision to build a new bioenergy plant in Lappeenranta, UPM's Kaukaa mill site. The new power plant will produce process steam and electricity for UPM's Kaukaa mill and electricity and district heat for Lappeenrannan Energia. The power plant's electricity generation capacity is 125 MW. It can produce steam at 150 MW and district heat at 110 MW capacity. It will be fired by wood-based fuel, such as bark and chips and peat. The power plant, which will be completed in the late winter of 2010, will replace the Kaukaa mill's boiler unit and produce the bulk of the City of Lappeenranta's district heating needs. The project will be realised by Kaukaan Voima Oy, of which Pohjolan Voima holds 54% and Lappeenrannan Energia 46%.

Pohjolan Voima made an investment decision on constructing a new bioenergy plant in Kerava. The plant will be fired by wood chips, stubs, reed canary grass and peat. The new power plant will produce electricity at 21 MW, district heat at 48 MW and process heat at 10 MW capacity. The power plant will enter production use in December 2009. The project will be realised by Pohjolan Voima's subsidiary Keravan Lämpövoima Oy.

Pohjolan Voima decided to construct a process steam boiler and steam transfer pipeline at the current bioenergy plant in Kokkola. The boiler capacity will be 15 MW, and it will be completed early in 2009. The steam produced by the boiler will be supplied to Kokkolan Energia.

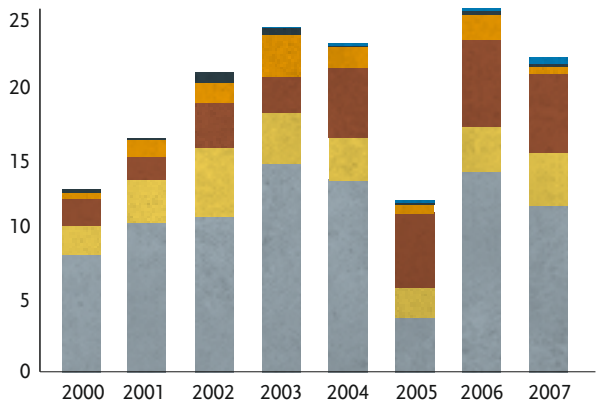
As a part of the VESPA programme, Pohjolan Voima decided on the modernisation of the Maalismaa hydropower plant, which will result in 9 MW of additional capacity. The investment will materialise in 2010 and 2011.

TVO decided to replace the low-pressure turbines and generators of the OL1 and OL2 plant units. The new turbines will further increase the plant's operability and improve its efficiency. At the same time, the plant's combined electricity generation capacity will increase by approximately 50 MW. The work will be carried out in connection with annual maintenance in 2010 and 2011.

Environmental impact assessment of OL4 began

TVO initiated the environmental impact assessment (EIA) of a possible new nuclear power plant unit to be located in Olkiluoto. The new plant unit would be either a pressurised-water or boiling-water type with an electricity generation capacity of some 1,000 to 1,800 MW.

The EIA explores the present condition of the environment and assesses the environmental impacts caused



Pohjolan Voima's fuels in electricity and heat production 2000–2007, TWh

by the project and their significance. The EIA report is expected to be finished in February 2008. The EIA procedure of the project is supposed to be complete in the summer of 2008. If the decision to realise the project is made, the purpose is for the construction of the new nuclear power plant unit to begin in the early 2010s. Construction is estimated to take 6 to 8 years.

Kollaja EIA was initiated

Pohjolan Voima decided to initiate the EIA of the Kollaja project after the recommendation of the regional energy programme of Northern Ostrobothnia and the new Government Programme indicated the Government's desire to considerably increase hydropower. The Kollaja project comprises a 46 km² reservoir and the Kollaja power plant that regulates it. Realisation of the Kollaja power plant would require a reform of the Rapids Protection Act. The EIA is supposed to be complete by the end of 2008.

The Kollaja reservoir would be located directly above the hydropower plants at the lower course of the river Iijoki. Currently, up to a third of the river Iijoki's annual amount of water has to be run past the power plants during floods. Most of this water could be stored in the Kollaja reservoir and utilised when the demand for electricity is highest. This would also make it possible to alleviate the detrimental effects of flooding. The Kollaja plan will be developed on the basis of environmental impacts observed during the EIA. The objective is a next-generation project where rapids remain a running water environment, facilitating migration of fish and versatile utilisation by people. The reservoir and the attached power plant would provide approximately 0.2 TWh of additional energy per year, and the capacity available for production regulation would increase by some 100 MW.

Extensive biofuel programme

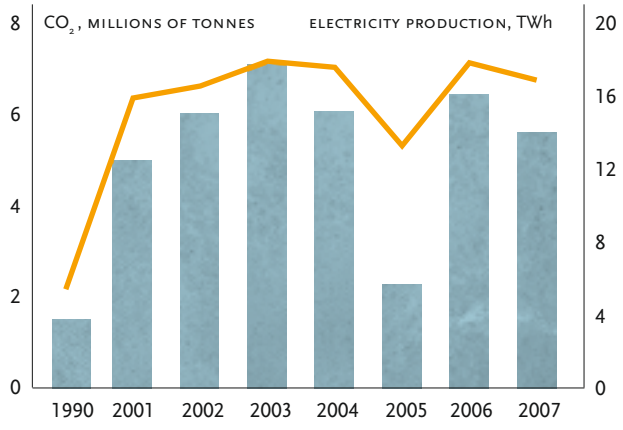
Pohjolan Voima is the leading biofuel utiliser in Europe. In 2007, new power plant projects in Kerava and Lappeenranta were added to the biofuel programme originally launched in 1990. Pohjolan Voima's biofuel programme aims at efficiently utilising the biomasses available in the vicinity of the power plants. The R&D projects associated with the programme have focused on fuels, their cultivation and harvesting methods, and combustion technologies.

Use of logging residue and stumps at power plants owned wholly or partially by Pohjolan Voima amounted to a total of approximately 0.7 TWh in 2007. In 2007 the total agreement-based area of the cultivation of reed canary grass amounted to 2,100 hectares, corresponding to an annual yield of approximately 0.05 TWh.

The Kokkola power plant adopted a reed canary grass crusher. The crusher will facilitate the handling of the material at the power plant and improve the economic efficiency of its use.

Persistent HR policy

Pohjolan Voima is a safe and solid employer willing to develop the working environment to become as encouraging as possible. The company's HR policy aims at competent, motivated and committed personnel, ready to face change. Support and appreciation of the personnel is a part of Pohjolan Voima's operating princi-



Pohjolan Voima's production of electricity and heat and CO_2 emissions in 1990 and in 2001–2007, TWh

CO_2 EMISSIONS
ELECTRICITY PRODUCTION

ples. Equality is promoted by selecting the best candidate for each job based on their training, experience and suitability.

During 2007 the Pohjolan Voima group had 1,491 employees on average. Men accounted for 76% and women 24% of the personnel. The employees' average age is approximately 47, and the average duration of employment 17 years.

The company's good and open relationships with shop stewards and their unions have guaranteed a good, conflict-free situation in terms of industrial peace. Required under the Act on Co-operation within Undertakings, information is disseminated in Group-wide meetings, two in 2007. Moreover, the materialisation of the principles of the Co-operation Act is complemented through the co-operation committees at power plant locations, as well as the personnel representatives in the executive groups of the subsidiaries. Teollisuuden Voima is not represented in the Group meetings.

New thermal power plant operation and maintenance agreements extending to 2012 were signed with Proma-Palvelut in Vaasa, Seinäjoki, Nokia, Tahkoluoto (Pori) and Kristiinankaupunki. An agreement on the operation and maintenance of the power plants in Mussalo, Kotka, was signed with Empower. In connection with this, the personnel at the Mussalo power plants transferred to Empower under their existing terms of employment.

The operational management group for HR development issues is directly subject to the Corporate Executive Team and has a training committee under it. The Teollisuuden Voima Corporate Executive Team has a working group focusing on training issues. Competence assurance questions continue to play a major role. The focus of training is increasingly on company-specific customised training.

The revision of the payroll system, kicked off in 2006, was completed at the beginning of 2007. Construction of the HR information system, a part of the same entity, continued during 2007. It will be completed during 2008. These measures guarantee that the company can avail itself of updated systems and tools to support competence assurance. The changes will not involve Teollisuuden Voima, which uses its own systems.

Pohjolan Voima aims at creating a healthy, safe working environment. In order to reach this objective the company actively takes care of the physical, mental and social wellbeing of its employees.

There were 38 accidents during the year. The Group objective of zero accidents was reached by the Kokkola and Nokia thermal power plants. There was a fatal industrial accident at OL3 when a subcontractor's employee died of falling-related injuries.

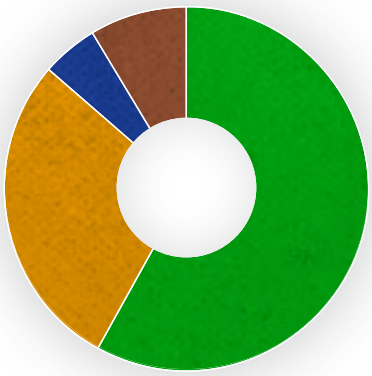
Powest

Pohjolan Voima's subsidiary, Powest Oy, provides the Pohjolan Voima Group with financial and payroll administration services and owns companies whose businesses support the energy supply of its shareholders. The Powest Group employed 401 persons on average in 2007. The Group's turnover was € 25.9 million.

Powest's subsidiaries include Proma-Palvelut Oy, PVO-Alueverkot Oy, Nordic Energy Oy and Finestlink Oy.

Proma-Palvelut Oy produces operation and maintenance services for thermal power plants. The develop-

The figure for personnel includes the Powest subgroup, and therefore it is different from the number given in the Financial Statements.



Breakdown of personnel on average by production form in 2007, total 1,491 employees

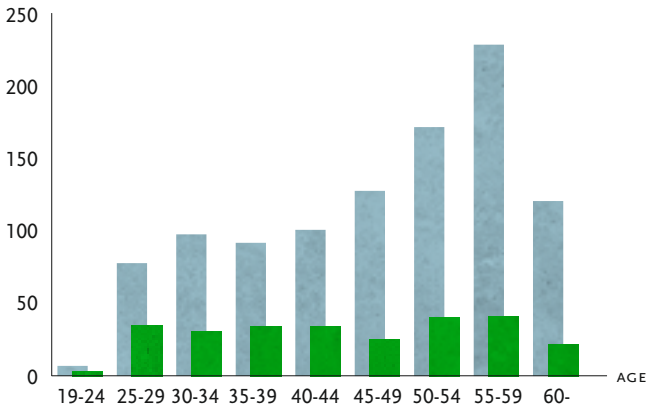
58.1% NUCLEAR POWER
28.4% THERMAL POWER
5.0% HYDROPOWER
8.5% OTHERS (INCL. SUPPORT FUNCTIONS)

ment of the company's business model was continued and partially completed during the year.

PVO-Alueverkot controls the access network connecting the Pohjolan Voima power plants to the main grid. The second section, Kierikki-Pahkakoski, of the transmission line replacement investment along the length of the river Iijoki was completed and work in the last section, Pahkakoski-Haapakoski, was started during the year. A modernisation plan was composed for the Tahkoluoto–Ulvila lines.

Finestlink owns 10.1% of the shares of AS Nordic Energy Link, the company responsible for the construction of the Estlink cable between Finland and Estonia. Powest owns 60% and Helsinki Energy 40% of Finestlink. The Estlink cable connection has worked according to expectations. Measurements of dissipation and black start tests caused some short-term outages. Noise problems caused by the use of the connection have been explored and resolved during the year.

Nordic Energy sold its financial electricity contracts to the Norwegian company EGL Nordic AS in the autumn of 2007. In addition, Powest sold the rest of its shares in the wind turbine manufacturer Winwind Oy to its Indian principal owner.



Breakdown of personnel by age on 31 Dec 2007

”The Pohjolan Voima Group comprises the parent company Pohjolan Voima Oy and its subsidiaries, which include the subgroups Teollisuuden Voima and Powest.”

Corporate Governance

Pohjolan Voima's governance is based on the Companies Act and the corporate documents. In addition to the regulations issued in the Companies Act and other applicable Finnish legislation, the Groups's corporate governance is guided by the recommendation made by the Helsinki stock exchange for the management and control system of listed companies. Pohjolan Voima complies with the recommendation unless the corporate documents stipulate otherwise.

The Pohjolan Voima Group comprises the parent company Pohjolan Voima Oy and its subsidiaries, which include the subgroups Teollisuuden Voima and Powest.

The Group's subsidiaries and associated companies have their own governing bodies as well as some committees and corporate documents. Pohjolan Voima plays an active role in the management of its subsidiaries. Pohjolan Voima Oy's General Meeting of Shareholders issues directives to the Board of Directors regarding the composition of the Boards of Directors of the subsidiaries and, if necessary, certain decisions by the subsidiaries. The parent company's Board of Directors and the Corporate Executive Team discuss the main principles of the Group's operations. Pohjolan Voima participates in the management and supervision of its subsidiaries through its representatives appointed to the governing bodies of these companies.

The Powest subgroup is not included in the consolidated financial statements, as Pohjolan Voima has authority over Powest Oy but is not entitled to dividends.

General Meeting of Shareholders

Supreme authority is vested in the General Meeting of Shareholders. The General Meeting of Shareholders decides on statutory matters. It also elects the members of the Board of Directors, in accordance with the procedure specified in the corporate documents, and issues binding directives to the Board of Directors regarding the elections of the Board members of the subsidiaries and any significant investments.

Board of Directors

The Board of Directors is responsible for managing the company and arranging its operations appropriately in accordance with legislation, the corporate documents and any decisions taken in the General Meeting of Shareholders. The Board of Directors supervises the operations and management of Pohjolan Voima, as well as deciding on the Group's significant investments and borrowing. The Board of Directors discusses and approves, for example, the business code of conduct and the policies defining corporate responsibility and risk management of Pohjolan Voima. The Board of Directors annually assesses its own activities. The working order drawn up by the Board of Directors defines more closely its principal tasks and procedure.

The members of the Board of Directors are elected annually at the General Meeting of Shareholders. According to the Articles of Association, the Board consists of 5–13 ordinary members. The Board members and their deputies are nominated by the shareholders. In the General Meeting of Shareholders on 28 March

2007, eight ordinary members were elected to the Board of Directors. The procedure for the election and organisation of the Board is specified in detail in the corporate documents.

The Chairman of the Board of Directors is appointed by the company's largest shareholder and the Deputy Chairman is appointed by the second largest shareholder. The President and CEO presents the issues on the agenda of the Board of Directors. The President and CEO is not a member of the Board of Directors.

In 2007, the remuneration to the members of the Board was € 337,200 (279,200).

The Board of Directors convened 12 times in 2007. On average, 90% of the Board members were present at the meetings.

Committees of the Board of Directors

Pohjolan Voima's Board of Directors elects annually from its number a Salary working group to develop the incentive and remuneration system of the Group and to approve the criteria for the incentive bonuses. The Board of Directors may authorise the Salary working group or the Chairman of the Board to approve the criteria for the remuneration of the President & CEO and the Corporate Executive Team. The incentive scheme does not include any shares or share derivatives. Markku Tynkkynen, Esa Tirkkonen and Timo Rajala are members of the Salary working group. However, the President & CEO is not present when the working group is handling matters pertaining to the assessment and remuneration of the President & CEO.

In addition to the Salary working group the corporate documents have stipulated certain committees to be nominated to assist the Board of Directors and the Executive Team. The President & CEO presents the issues discussed in the committees to the Board. The preparation of the decisions of the Board and the tasks of the above-mentioned committees have been described in a document approved by the Board of Directors.

President & CEO and Corporate Executive Team

Timo Rajala, M.Sc. (Eng.) serves as the company's President & CEO. Minna Korkeaoja, M.Sc. (Econ.) is deputy to the President & CEO.

In operational management, the President & CEO is supported by the Corporate Executive Team, which discusses the main principles related to the operations of the Group and the parent company. In addition to the President & CEO, the Corporate Executive Team comprises Minna Korkeaoja, Jari Niemelä, Pertti Simola, and Jussi Hintikka and Pekka Ottavainen who were nominated in February 2007, as well as Kristiina Hoppu, nominated to the Executive Team in August.

Furthermore, the Corporate Executive Team has appointed operational management groups to act as working groups that prepare issues to be discussed, thus supporting the Corporate Executive Team and the directors responsible for the operations.

Personnel representation in the administration

Communication between the personnel and the employer, and the opportunities for personnel input are ensured by representative co-operation. Group-level co-operation is called the Group Meeting. Two Group Meetings were held in 2007.

Corporate responsibility

Pohjolan Voima's corporate responsibility denotes the responsible management of economic, social and environmental affairs. It is self-assumed responsibility in support of business, defined by the Group's values and operating principles and taking into account the requirements and expectations of the Group's primary stakeholders. The business code of conduct and policies defining corporate responsibility, determined the Board of Directors, are adopted on all levels of organisation and in all operations.

A separate report is drawn up on corporate responsibility, published on the Pohjolan Voima website.

Auditing and auditor

The principal task of statutory auditing is to verify that the financial statements give correct and sufficient information on the Group's results and financial position. The Annual General Meeting annually appoints one regular auditor, which shall be an auditing corporation approved by the Central Chamber of Commerce.

The Annual General Meeting elected PricewaterhouseCoopers Oy, authorised public accountants, as the regular auditor. Eero Suomela, authorised public accountant, was the auditor in charge. The fees paid for the auditing in the Group came to € 382,000 (€ 285,000) in 2007. € 102 000 (€ 55, 000) was paid to the authorised public accountants for services other than the audit.

Internal control, risk management and internal auditing

The Board of Directors and the operational management are responsible for the arrangement and sufficiency of company-internal control. The aim of internal control is to ensure the efficiency and profitability of the operations, the reliability of information, as well as compliance with the regulations and operating principles. Pohjolan Voima's administrative system and internal control are based on the corporate documents and on the confirmed policies and operating principles.

At Pohjolan Voima, risk management is integrated into the corporate operations planning, business and management. The Board of Directors has confirmed the risk management policy. The director of risk management and the operational management group of risk management develop and monitor risk management and, if necessary, support the responsible persons in the implementation of risk management.

The operating principles and principal procedures of Pohjolan Voima's internal auditing have been defined in the audit charter confirmed by the Board of Directors. The operations of internal auditing support the management in the development of a good administrative system, risk management and internal control system, as well as in the assessment of their efficiency. Internal auditing function is subordinate to the President & CEO and reports to the Board of Directors.

Members of the Board of Directors from left to right:
Markku Tynkkynen, Markku Pentikäinen, Kari Hannus,
Kari Rämö, Tapani Sointu, Esa Tirkkonen, Erkki Varis and
Rami Vuola

Board of Directors on 31 December 2007

Ordinary Members

Markku Tynkkynen
Chairman
Executive Vice President, UPM-Kymmene Corporation
Born 1952, M.Sc. (Eng)

Executive Vice President of UPM-Kymmene Corporation in charge of resources and business support functions, Member of the Boards of Teollisuuden Voima Oyj (TVO), Kemijoki Oy and the Finnish Forest Industries Federation. Member of the Energy Committee of the Confederation of Finnish Industries, EK

Markku Pentikäinen
Deputy Chairman
Executive Vice President, Stora Enso Oyj
Born 1953, M.Sc. (Eng.), eMBA

Employed by Enso since 1979. Head of operations in Asia Pacific since 2004 and, additionally, operations in Russia since 2006 and the pulp mills in Finland since 2007.
Member of the Boards of KCL and Metsäkluster Oy and several subsidiaries

Kari Hannus
Deputy Mayor, City of Pori
Born 1952, M.Sc. (Eng.)

Member of the Board of Länsi-Suomen Voima Oy

Personal Substitutes

Jussi Pesonen
President and CEO
UPM-Kymmene Corporation
Born 1960, M.Sc. (Eng.)

Timo Koivuniemi
Senior Vice President, Energy
Stora Enso Oyj
Born 1948, M.Sc. (Eng.)

Pertti Laukkanen
Until 13 December 2007
Managing Director
Vantaan Energia Oy
Born 1955, M.Sc. (Eng.)

Seppo Ruohonen
since 13 December 2007
Managing Director
Helsinki Energy
Born 1946, M.Sc. (Eng.)

Ordinary Members

Kari Rämö
Managing Director, Kymenlaakson Sähkö Oy
Born 1952, M.Sc. (Eng.)

Member of the Board of Kymppivoima Oy
Member of the Election Committee of Finnish Energy Industries

Tapani Sointu
Vice President, UPM-Kymmene Corporation
Born 1955, M.Sc. (Econ.)

Vice Chairman of the Board of Steveco Oy
Member of the Boards of Suomen Kuitulevy Oy and Puhos Board Oy

Esa Tirkkonen
Deputy Chief Executive Officer, Kemira Oyj
Born 1949, M.Sc. (Eng.)

Member of the Board of Teollisuuden Voima Oyj

Erkki Varis
President and CEO, Oy Metsä-Botnia Ab
Born 1948, M.Sc. (Eng.)

Chairman of the Board of Botnia South America S.A.
Member of the Supervisory Board of Mutual Pension Insurance Company Ilmarinen

Rami Vuola
CEO, Etelä-Pohjanmaan Voima Oy (EPV)
Born 1968, M.Sc. (Eng.)

CEO of EPV and Vaskiluodon Voima Oy since 2003
Member of the Boards of Teollisuuden Voima Oyj, Rapid Power Oy,
Tornion Voima Oy, Etelä-Pohjanmaan Alueverkko Oy and Proma-Palvelut Oy

Personal Substitutes

Tapani Kurkela
Managing Director
Oulun Energia
Born 1945, M.Sc. (Eng.)

Anja Silvennoinen
Vice President, Energy
UPM-Kymmene Corporation
Born 1960, M.Sc. (Eng.)

Elina Engman
Vice President, Energy
Kemira Oyj
Born 1970, M.Sc. (Eng.)

Hannu Anttila
Executive Vice President, Strategy
Metsäliitto Group
Born 1955, M.Sc. (Econ.)

Hannu Linna
CEO
Vaasan Sähkö Oy
Born 1955, M.Sc. (Eng.)

Members of the Executive Team from left to right: Timo Rajala, Minna Korkeaoja, Jussi Hintikka, Kristiina Hoppu, Jari Niemelä, Pekka Ottavainen and Pertti Simola

Corporate Executive Team in 2007

Timo Rajala

President & CEO
Pohjolan Voima Oy
Born in 1947, M.Sc. (Eng.), with the Group since 1975

Chairman of the Board of several Group companies
Chairman of the Board of Teollisuuden Voima Oyj
Vice Chairman of the Board of Fingrid Oyj
Member of the National Board of Economic Defence and its Executive General Central Section
Chairman of the Committee on Energy Policy, Confederation of Finnish Industries, EK

Minna Korkeaoja

Executive Vice President
Financial Control, Communications, Corporate Planning, Corporate Responsibility
Born in 1964, M.Sc. (Econ.), with the Group since 1989

Member of the Board of several Group companies
President, Powest Oy
Managing Director, Nordic Energy Oy
Member of the Board of Finnish Energy Industries
Member of the Board of Energy Forum of Finland

Jussi Hintikka

Executive Vice President
Power Procurement, IT
Born in 1972, M.Sc. (Eng.), with the Group since 1997

Member of the Board of several Group companies

Kristiina Hoppu

Executive Vice President
Administration (HR, legal, property)
Born in 1966, LL.M, with the Group since 2007

Jari Niemelä

Executive Vice President
Thermal Production, Technology, Project Development
Born in 1958, M.Sc. (Eng.), with the Group since 1996

Chairman or Member of the Board of several Group companies
Member of the Electricity Production Committee of Finnish Energy Industries
Member of the Energy working group of the Energy-intensive Industries

Pekka Ottavainen

Executive Vice President
Hydropower and wind power, nuclear power coordination
Corporate planning, shareholder relations
Born in 1966, M.Sc. (Eng.), with the Group since 1996

Chairman or Member of the Board of several Group companies
Managing Director of Länsi-Suomen Voima Oy and Kokemäenjoen Säännöstely-yhtiö

Pertti Simola

President and CEO, Teollisuuden Voima Oyj
Born in 1950, M.Sc. (Eng.), with the Group since 2004

Chairman of the Board of Posiva Oy
Member of the Board of the Central Chamber of Commerce
Member of the Board of the Rauma Chamber of Commerce

Annual Report by the Board of Directors 2007

Electricity market

In 2007, electricity consumption in Finland was 90.3 TWh (90.0 TWh in 2006). 77.7 (78.6) TWh of electricity was produced in Finland, while net imports into Finland were 12.6 (11.4) TWh. Electricity imports from Russia decreased by more than 8%, while imports from Estonia through the Estlink cable began, and the favourable water conditions increased electricity imports from Sweden and Norway.

The volume of the electricity trading on the Nordic electricity exchange, the Nord Pool, was 291 TWh (250 TWh in 2006). 2007 was a year of heavy rainfall, and particularly in Southern Norway rainfall was at a record level. The annual average Nord Pool system price was € 27.93 (48.59) per MWh, while the annual average of the Finnish area price was € 30.01 (48.57) per MWh.

The price of emission allowances for carbon dioxide decreased to almost nil towards the end of the year, as it was considered that sufficient emission allowances would remain at the end of the emissions trading period 2005–2007. Approximately 95 (60) million emission allowances were traded in Nord Pool.

Pohjolan Voima's electricity and heat production

In 2007, Pohjolan Voima's total electricity supply was 28.7 (29.8) TWh. The Group's own electricity production accounted for 24.0 (24.9) TWh, of which the parent company's supplies to its shareholders were 17.0 (17.9) TWh. The subsidiaries supplied 7.0 (7.0) TWh to their other shareholders. Heat supplies were 5.9 (5.3) TWh. Purchases from the Nordic electricity markets were 4.2 (4.9) TWh.

Nuclear power made up 50.2% (47.9%) of the electricity supply. Teollisuuden Voima's Olkiluoto nuclear power plant generated 14.4 (14.3) TWh of electricity, of which Pohjolan Voima obtained 8.1 (8.1) TWh in accordance with its shareholding. The average capacity factor of the Olkiluoto plants was 95.6% (95.4%) and their combined annual generation set a new record for the third year in a row.

Hydropower accounted for 1.8 (1.4) TWh, or 6.2% (4.8%), of the electricity supply. Hydropower production was above the average water year in the spring and autumn.

Pohjolan Voima produced 4.0 (5.5) TWh of condensing power, which represented 14.1% (18.3%) of the electricity supply. The amount of electricity generated in condensing power plants decreased due to increased hydropower production in the Nordic countries due to the heavy rainfall.

A total of 3.7 (3.7) TWh of electricity was generated by the CHP plants. 4.0 (3.3) TWh of peat and 6.5 (7.0) TWh of wood and agrobiomass were used.

Pohjolan Voima´s electricity supply in 2003–2007 (GWh)

	2003	2004	2005	2006	2007
Nuclear power	14.154	14.090	14.218	14.268	14.386
Hydropower	1.183	1.802	1.788	1.429	1.782
CHP	3.651	3.954	2.975	3.734	3.739
Condensing power	5.930	4.868	765	5.459	4.040
Wind power	7	20	27	27	28
Imports from Russia	3.299	2.951	0	0	0
Imports from Estonia	0	0	0	0	452
Purchases	1.698	2.288	4.852	4.868	4.239
Total	29.922	29.973	24.625	29.785	28.666

Investments

Investments of the Pohjolan Voima Group, excluding financial investments, were € 383.7 (325.3) million.

Investments in bioenergy plants were € 117.9 (41.7) million. Teollisuuden Voima invested € 178.3 (197.1) million in the OL3 project, € 18.5 (24.0) million in the related area and infrastructure work and € 29.7 (40.3) million mainly in the modernisations carried out in connection with the annual overhauls of the OL1 and OL2 plant units. PVO-Vesivoima Oy continued the Iijoki renovation programme by investing € 3.8 million in the renewal work at Kierikki and Haapakoski. PVO-Innopower Oy invested € 27.2 million in the Ajos, Kemi, and Oulunsalo wind turbines. The remaining investments were mainly made in repairs and renovations.

The sales of non-current assets were € 62.0 (0.8) million. In PVO-Lämpövoima Oy, Järvi-Suomen Voima Oy and Kymin Voima Oy, power plant machine and equipment sale and leaseback arrangements were conducted during the financial year, amounting to a total of € 56.8 million.

Construction of Porin Prosessivoima Oy's new bioenergy plant was started at the Kemira Pigments Oy industrial site in Pori. The power plant's electricity generation capacity is 65 MW. It can produce steam at 140 MW and district heat at 70 MW capacity. The plant will be completed at the end of 2008.

Kaukaan Voima Oy decided on the construction of a new bioenergy plant at UPM-Kymmene Corporation's Kaukaa mill site in Lappeenranta. The power plant's electricity generation capacity is 125 MW. It can produce steam at 150 MW and district heat at 110 MW capacity. The plant will be completed in the summer of 2010.

Keravan Lämpövoima Oy will construct a new bioenergy plant in Kerava. The new power plant will produce electricity at 21 MW, district heat at 48 MW and hot process water at 10 MW capacity. The plant will be completed at the end of 2009.

The engineering, documentation, licencing, construction, subcontracting and equipment manufacture of the Teollisuuden Voima OL3 project continued. The project still did not proceed according to plan. In December, the plant supplier communicated that OL3 will be completed in the summer of 2011. In line with the 2003 decision of the Pohjolan Voima Board, the company has invested € 392.7 (274.9) million in the OL3 project.

PVO-Innopower Oy decided on the construction of further 15 MW of wind power in Ajos, Kemi, in March 2007. Five new wind turbines will be erected in late summer 2008.

Research and development

R&D expenses were € 17.6 (16.7 in 2006 and 12.0 in 2005) million, most of which was allocated to nuclear waste management. Research in the final disposal of spent nuclear fuel continued. Teollisuuden Voima accounted for € 2.7 (2.7) million of the finance for public programmes on reactor safety and nuclear waste management.

Pohjolan Voima's biofuel programme aims at efficiently utilising the biomasses available in the vicinity of the power plants. In 2007, studies also continued on the technical and economical feasibility of the co-firing of biomass, wood, reed canary grass and straw for coal-fired burners. The Kokkola power plant adopted a reed canary grass crusher. The assessment of health impacts related to handling bio fuels continued.

In March, Pohjolan Voima and Helsinki Energy started the assessment on the technical feasibility, competitiveness and environmental impacts of a large, 500 to 700 MW future multi-fuel power plant as well as the capture and storage of carbon dioxide. The assessment will be conducted in collaboration with equipment manufacturers and research institutes. The first power plant according to this concept could be in production use in Southern Finland in 2015.

Personnel

New thermal power plant operation and maintenance agreements were signed with Proma-Palvelut Oy in Vaasa, Seinäjoki, Nokia, Tahkoluoto (Pori) and Kristiinankaupunki. A service agreement on the power plants in Mussalo, Kotka, was signed with Empower Oy, and the personnel of the plants transferred to Empower.

Occupational safety training has been arranged at the power plants. The objective is to improve the continuous consideration of occupational safety in work duties and being aware that responsibility for occupational safety concerns all levels of the organisation. The Group's objective of zero accidents was met at the Kokkolan Voima and Nokia power plants.

Building of the HR information system, a part of the same entity as the payroll system adopted at the beginning of 2007, continued. Ensuring competence was in a key position in 2007.

The average number of employees working for the Group was 1,090 (1,032 in 2006 and 938 in 2005) and for the parent company 74 (71 in 2006 and 73 in 2005). At the end of the year, the Group personnel numbered 1,054 (1,009).

The average age of the personnel was 45.4 (46.4) years. Men formed 76% (80%) of the personnel. At year's end, the Group employed 209 wage earners and 845 salaried employees.

Environment

All the power plants in Pohjolan Voima have valid environmental permits. Renewal of the environmental permit of several thermal power plants, required by the Environmental Protection Act, is still underway due to the long permit process. At these plants, the old permit is complied with. Environmental management is based on the certified environmental management systems in accordance with the ISO 14001 standard. The operations of Teollisuuden Voima are also in compliance with the environmental permits and the environmental management system. No significant deviations from the commitments of the environmental programme were identified during 2007. All operations related to the construction phase of the OL3 project are covered by a certified environmental management system.

Regulation of waterways and operation of hydropower plants took place under the permit conditions. In order to sustain the fish stocks of the Kemijoki and Iijoki waterways and the sea area, 3.0 (2.9) million fry were stocked. The stockings took place according to plans, apart from the cross-over of the Kemijoki lamprey, where the regression of the stock continued for the fifth year. Stocking plans for meeting stocking obligations were drawn up for a five-year period for the first time. No environmental damage was caused by the Isohaara transformer fire in April 2007.

At the thermal power plants, there were no deviations from regulatory compliance. A minor lubricating oil leak took place due to a technical fault at the Nokia power plant of Nokian Lämpövoima in October 2007. The leak could be restricted to the channel besides the plant, and it did not spread into the nearby river bed.

All the thermal power plants of the Group fall within the sphere of the Emissions Trading Act. Emissions from production decreased on the previous year, as production with condensing power plants remained lower than in 2006. The carbon dioxide emissions from electricity and heat produced and supplied to shareholders was 5.6 (6.5) million tonnes. Notes to the Financial Statements only report the CO_2 emissions of the subsidiaries, which amounted to 4.4 (5.5) million tonnes.

The emissions of nitrogen oxides and sulphur dioxide also decreased. Particle emissions remained nearly unchanged. The sulphur dioxide emissions were 6.1 (6.4) thousand tonnes, the nitrogen oxide emissions 9.1 (11.3) thousand tonnes and the particle emissions 0.5 (0.5) thousand tonnes.

The emission levels imposed by the LCP decree on large combustion plants entered into force on January 1, 2008. These emission limits must be complied with, even if the power plant did not have a new, valid environmental permit. The amendment of the LCP decree entered into force in August 2007. The Amendment validated the Finnish national emission-reducing plan in accordance with the "end-of-pipe" interpretation.

The Parliament of Finland passed the Act on amending the Emissions Trading Act in December 2007. The national decision on the allocation of the emission allowances for 2008–2012 will be issued early in 2008. The annual free emission allowances for Pohjolan Voima's power plants for 2008–2007 are likely to decrease to approximately one half compared to 2005–2007.

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

Risk management

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

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

Changes in Group structure

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

Finances

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

The aims and risks of financing operations have been defined in the financing policy. The refinancing risk is managed through diversified sources of financing, sufficiently long loan maturity times and a balanced schedule of maturity. If loans are taken out in foreign currencies, the currency risk is eliminated by means of derivative contracts.

The Group's liquidity remained good. Net interest- bearing liabilities at the end of the year stood at € 1,976.8 (1,790.1) million. There were no liabilities in foreign currencies involving an exchange risk.

The Group has the following credit ratings:

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

For liquidity management, the Group was able to rely on domestic commercial paper programmes of € 1,300 (900) million, of which € 708 (321) million was unused. At the end of the year, long-term credit facilities amounted to € 2,884 (3,126) million, of which € 2,472 (2,373) million was available.

At the end of the year, the Group had an equity ratio of 32.0% (32.9%). The deferred tax liability is not included in the figure, as it is not expected to materialise.

The consolidated result was € -28.5 (-15.9) million. Due to the at cost principle followed, the result for the financial year of the subsidiaries is, as a rule, zero. When the changes in the depreciation differences of the subsidiaries were recognised at Group level in the profit or loss for the financial year and in the deferred tax liability, the result was a € 28.2 (19.3) million loss.

The delay of the OL3 project has incurred and will continue to incur costs to Teollisuuden Voima, for which it will be possible to seek compensation in accordance with the Plant Contract. As the amount of the compensation cannot be reliably estimated at this stage, the possible receivable is not included in the accounts.

Shareholders´ equity and share issues

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

- Increase of share capital tied to series G5 shares (March 28, 2007), 16,393 shares at the subscription price of € 0.918 million directed to Kemira Oyj and 16,393 shares at the subscription price of € 0.918 million directed to the City of Oulu.
- Increase of share capital tied to series G9 shares (April 25, 2007), 95,607 shares at the subscription price of € 5.354 million directed to UPM-Kymmene Oyj
- Increase of share capital tied to series G6 shares (April 25, 2007), 127,204 shares at the subscription price of € 7.123 million directed to Kemira Oyj and 86,189 shares at the subscription price of € 4.827 million directed to the City of Pori.
- Increase of share capital tied to series G9 shares (December 13, 2007), 10,464 shares at the subscription price of € 0.586 million directed to UPM-Kymmene Oyj
- Increase of share capital tied to series K1 shares (December 13, 2007), 46,428 shares at the subscription price of € 2.600 million directed to the City of Kokkola.

Pohjolan Voima Oy shareholders (general shareholding)

	Shareholding in%	
Shareholder	31 Dec 2006	31 Dec 2007
Etelä-Pohjanmaan Voima Oy	7.604	7.520
Etelä-Suomen Voima Oy (form. Päijät-Hämeen Voima Oy)	2.063	2.082
City of Helsinki	0.829	0.820
Ilmarinen Mutual Pension Insurance Company	4.338	4.290
Kemira Oyj (incl. pension foundation Neliapila)	3.071	3.137

Kemira GrowHow Oyj (incl. pension foundation)	1.749	1.730
City of Kokkola	2.474	2.447
Kymppivoima Oy (form. Kymppivoima Tuotanto Oy)	8.856	8.758
Oy Metsä-Botnia Ab	1.569	1.552
M-real Corporation	2.855	2.823
Myllykoski Corporation	0.871	0.861
City of Oulu	1.895	1.921
Outokumpu Oyj	0.090	0.090
Oy Perhonjoki Ab	2.704	2.674
City of Pori	1.242	1.267
Rautaruukki Oyj	0.023	0.022
Stora Enso Oyj	15.565	15.393
UPM-Kymmene Corporation	41.873	42.289
Vantaan Energia Oy	0.329	0.325

Corporate management

The Annual General Meeting elected the following members to the Board of Directors: Markku Tynkkynen, Executive Vice President (UPM-Kymmene Corporation); Markku Pentikäinen, Executive Vice President (Stora Enso Oyj); Kari Hannus, Deputy Mayor (City of Pori); Kari Rämö, Managing Director (Kymenlaakson Sähkö Oy); Esa Tirkkonen, Deputy Chief Executive Officer (Kemira Oyj); Tapani Sointu, Vice President (UPM-Kymmene Corporation); Erkki Varis, President and CEO (Oy Metsä-Botnia Ab); and Rami Vuola, CEO (Etelä-Pohjanmaan Voima Oy).

Markku Tynkkynen was elected Chairman and Markku Pentikäinen Deputy Chairman in the organising meeting of the Board of Directors. The Board of Directors convened 12 (13) times in 2007. Timo Rajala, M.Sc. (Eng.), has acted as the Company's President & CEO.

Legal actions pending

The agreement between the State and PVO-Vesivoima on the use of the Iijoki hydropower, owned by the State, at four power plants terminated at the end of 2005. The agreement was not extended. The termination of the agreement does not influence the operation of the power plants on the River Iijoki. PVO-Vesivoima applied for a permanent right to use the State's hydropower from the Northern Finland Environmental Permit Authority. The Permit Authority's resolution is expected during the first months of 2008.

The Vaasa Administrative Court issued a decision on the inspection of the water and environmental permit of the Raasakka fish farm. The inspection must be applied for the next time by no later than at the end of March 2013.

The Northern Finland Environmental Permit Authority issued a decision on the changing of the minimum discharge volumes of the Kierikki and Maalismaa hydropower plants at the beginning of 2007. A private individual appealed to the Vaasa Administrative Court with regard to Maalismaa, and further to the Supreme Administrative Court. Prior to the decision of the Supreme Administrative Court, the entire Iijoki power plant chain cannot be used more effectively than now.

The Finnish Association for Nature Conservation (Suomen luonnonsuojeluliitto ry) and Porin ympäristöseura have lodged an appeal against the environmental permit awarded to Porin Prosessivoima Oy's new power plant in December 2006. Irrespective of the pending appeal, the construction of the power plant has commenced according to the permit.

Kotkan Energia Oy disconnected the district heating connection to the Mussalon Kaukolämpö Oy power plant in Kotka in March 2007 in the middle of the contract period. Kotkan Energia restored the connection after the Kouvola Court of Appeals had confirmed a prohibition on execution at the request of Mussalon Kaukolämpö. Mussalon Kaukolämpö complained of the breach of agreement to a court of arbitrators. The arbitration process is underway, and a decision is expected during the first months of 2008.

A private individual has lodged an appeal against the environmental permit and building permit of Kaukaan Voima Oy. The City of Lappeenranta board of environment and construction issued Kaukaan Voima Oy a permit to start construction work against a security in September 2007.

Future outlook

The European Union summit of March 2007 approved an extensive energy and climate policy action plan and set goals for 2020: target share of 20% for renewable energy, minimum target of 10% for biofuels in transport, 20% decrease in greenhouse gas emissions and 20% improvement in energy efficiency. The Commission published a climate and energy package in Janu-

ary 2008, including, e.g., a plan for each EU member state's share in increasing renewable energy sources and reducing greenhouse gas emissions and the renewal of the Emissions Trading Directive for the period following 2012. The directive proposals will enter the EU's co-decision procedure, i.e. review of the European Council and the European Parliament. The Commission wishes for the legislation initiatives to be approved before the next EU elections in June 2009.

International climate negotiations continued in Bali in December. A roadmap for future global climate negotiations was agreed upon, based on which an attempt will be made to negotiate a global agreement by December 2009 for the post-2012 period.

The EU Commission announced its third electricity market package in September. Among other things, it proposed the separation, unbundling, of electricity production and transmission so that an electricity producer would not be allowed to own and participate in decision-making on transmission networks at all.

The new Government of Finland recorded the objective of increasing hydropower considerably in its Government Programme. PVO-Vesivoima initiated the EIA, or environmental impact assessment, of the Kollaja project in June 2007, after the recommendation of the regional energy programme of Northern Ostrobothnia. The purpose of the Kollaja project is to explore if the construction of the Kollaja reservoir and power plant would be feasible if realised in as environmentally friendly a way as possible. The EIA programme was submitted to the coordinating authority, the Northern Ostrobothnia Regional Environment Centre, in January 2008. The reform proposals concerning the Water Act and the Act on Dam Safety have not yet been submitted to the Parliament. Should the Acts enter into force in the prepared form, legislation on hydropower will become clearer and simpler.

The Finnish Government is drawing up its proposal for a long-term climate and energy strategy, to be completed in spring 2008. In addition, preparation of the Government's climate policy report is underway; this will be completed in 2009.

Pohjolan Voima joined the new framework agreement on energy conservation in the Finnish industry for 2008–2016 and committed to adopt an energy efficiency system within two years' time. Pohjolan Voima was a party to the previous energy-saving agreement for 1997–2007.

Teollisuuden Voima initiated the EIA of a new nuclear power plant unit to be possibly located in Olkiluoto. The EIA procedure of the project is supposed to be complete in summer 2008. If the decision to realise the project is made, the goal is for the construction of the new nuclear power plant unit to begin in the early 2010s.

Teollisuuden Voima has decided to replace the low-pressure turbines and generators of the OL1 and OL2 plant units. The new turbines will increase the plant's operability further and improve its efficiency. At the same time, the plant's combined electricity generation capacity will increase by approximately 50 MW. The work will be carried out in connection with annual maintenance in 2010 and 2011.

The investment project of Laanilan Voima in Oulu, utilising local energy waste, has been delayed due to uncertainties connected with the availability of energy waste and complaints concerning the construction of the plant. The environmental permit application concerning the waste combustion burner was submitted in October 2006.

Mussalon Kaukolämpö will continue cooperation with the City of Kotka in developing the Mussalo port area and the land use arrangements so that the possibilities of utilising ash from the power plant in the port expansion projects would be taken into consideration while securing the prerequisites for cooling water and electricity transmission in the future as well.

Proposal of the Board of Directors regarding the distribution of profits

The parent company's distributable assets per December 31, 2007 were € 60,718,721.30, with the loss for the financial year accounting for € -1,935,691.73. 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.

Accounts for 2007

Contents

Profit and Loss Account

Eur 1 000 • 1 Jan–31 Dec		Group 2007	Group 2006	Parent Company 2007	Parent Company 2006
Turnover	(1)	**766 407**	888 320	**474 371**	495 215
Production for own use		25 850	22 355	-	-
Other operating income	(2)	16 994	10 607	1 851	1 744
Raw materials and services	(3)	-453 387	-577 201	-229 220	-255 284
Personnel expenses	(4)	-71 740	-65 101	-6 702	-6 168
Depreciation and impairment	(5)	-88 651	-90 495	-956	-5 137
Other operating expenses	(6)	-226 040	-207 542	-231 389	-227 426
Share of associated companies' profits or losses		7 447	11 684	-	-
Operating profit or loss		**-23 120**	-7 373	**7 955**	2 944
Financial income and expenses	(7)	-36 128	-27 230	-10 136	-7 149
Profit or loss before extraordinary items		**-59 248**	-34 603	**-2 181**	-4 205
Group contributions received	(8)	-	-	136	-
Profit or loss before appropriations and taxes		**-59 248**	-34 603	**-2 045**	-4 205
Appropriations					
Increase (-) or decrease (+) in depreciation difference		-	-	178	174
Income taxes	(9)	15 260	9 427	-69	-544
Minority interest		15 513	9 279		
Profit or loss for the financial year		**-28 475**	-15 897	**-1 936**	-4 575

Balance Sheet

Eur 1 000 • 31 Dec		Group 2007	Group 2006	Parent Company 2007	Parent Company 2006
Assets					
Non-current assets					
Intangible assets	(10)	22 849	49 763	604	582
Tangible assets	(11)	2 851 916	2 609 499	2 152	2 402
Investments	(12)				
Holdings in Group companies		-	-	1 129 587	989 095
Other investments		449 193	431 576	295 934	329 205
		3 323 958	3 090 838	**1 428 277**	1 321 284
Current assets					
Inventories	(13)	207 943	208 949	-	-
Non-current receivables	(14)	8 902	42 554	7 959	41 557
Current receivables	(15)	203 641	143 206	90 265	65 211
Securities held as liquid assets	(16)	75 000	60 000	-	-
Cash in hand and at banks		19 525	40 867	1 320	7 842
		515 011	495 576	**99 544**	114 610
		3 838 969	3 586 414	**1 527 821**	1 435 894
Equity and liabilities					
Shareholders' equity	(17)				
Share capital		58 810	58 159	58 810	58 159
Share issue		15 136	13 661	15 136	13 661
Share premium		387 663	387 663	384 194	384 194
Contingency reserve		547	547	547	547
Revaluation reserve		218 644	218 644	218 644	218 644
Invested retained earnings		28 228	7 209	28 228	7 209
Retained earnings		116 152	132 048	34 427	39 002
Profit or loss for the financial year		-28 475	-15 897	-1 936	-4 575
		796 705	802 036	**738 050**	716 841
Minority interest		**346 141**	278 807	-	-
Accumulated appropriations					
Depreciation difference		-	-	**1 209**	1 387
Obligatory provisions					
Other provisions	(18)	**1 275**	-	-	-
Liabilities					
Deferred tax liability	(19)	84 475	99 818	-	-
Non-current liabilities	(20)	1 714 189	1 566 259	469 884	508 889
Current liabilities	(21)	896 184	839 494	318 678	208 777
		2 694 848	2 505 571	**788 562**	717 666
		3 838 969	3 586 414	**1 527 821**	1 435 894

Cash Flow Statement

	Group		Parent Company	
Eur 1 000	2007	2006	2007	2006
Cash flow from operating activities				
Operating profit or loss	-23 120	-7 373	7 955	2 944
Adjustments to operating profit or loss [1]	80 100	81 048	693	5 117
Change in net working capital [2]	105	5 104	6 682	-3 477
Interests paid	-36 826	-26 754	-22 985	-16 280
Interests received	13 417	10 245	14 825	11 761
Dividends received	2 893	2 286	1 738	1 665
Other financial items	-5 010	-5 844	-275	-245
Income taxes	-52	-424	-	-380
Net cash flow from operating activities	**31 507**	58 288	**8 633**	1 105
Cash flow from investing activities				
Acquisition of subsidiaries	-	-	-80 758	-129 204
Acquisition of other shares	-1 169	-4 952	-122	-2 413
Investments in tangible and intangible assets	-373 080	-318 881	-349	-421
Investment subsidies obtained	11 104	-	-	-
Divestment of shares	1 908	1 133	273	7
Proceeds from sales of tangible and intangible assets	61 971	6 915	34	6 135
Increase (-) or decrease (+) in loan receivables	-11 853	-10 696	33 359	4 800
Net cash flow from investing activities	**-311 119**	-326 481	**-47 563**	-121 096
Cash flow from financing activities				
Withdrawals of non-current loans	271 863	254 613	63 974	114 439
Repayment of non-current loans	-107 969	-63 274	-102 979	-3 367
Increase (-) or decrease (+) in interest-bearing receivables	33 665	-19 398	33 597	-4 836
Increase (+) or decrease (-) in current interest-bearing liabilities	-5 261	12 614	16 535	-19 969
Share issue	65 972	100 778	21 144	21 194
Group contributions received and paid	-	-	136	-
Net cash flow from financing activities	**258 270**	285 333	**32 407**	107 461
Net change in cash and cash equivalents	-21 342	17 140	-6 523	-12 530
Cash and cash equivalents on 1 Jan	40 867	23 727	7 843	20 373
Cash and cash equivalents on 31 Dec	**19 525**	40 867	**1 320**	7 843
[1] Adjustments to operating profit or loss				
Depreciation and impairment	88 651	90 495	956	5 137
Gains (-) or losses (+) from sales of non-current assets	-1 104	-650	-263	-20
Share of associated companies' profits or losses	-7 447	-11 684	-	-
Non-cash-based expense posting	-	2 887	-	-
	80 100	81 048	**693**	5 117
[2] Change in net working capital				
Increase (-) or decrease (+) in inventories	1 006	-395	-	-
Increase (-) or decrease (+) in non-interest-bearing receivables	-33 630	-29 154	-23 140	-12 696
Increase (+) or decrease (-) in current non-interest-bearing liabilities	31 454	34 653	29 822	9 219
Change in provisions	1 275	-	-	-
	105	5 104	**6 682**	-3 477

Accounting Principles

Consolidation principles

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

The consolidated financial statements include, in addition to the parent company, the companies in which the parent company holds more than half of the voting rights, either directly or indirectly, or companies over which it otherwise exercises a dominant influence in accordance with Chapter 1, Sections 5 and 6 of the Accounting Act.

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

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

Accounting principles in the consolidated financial statements

Mutual shareholdings

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

Inter-company transactions and margins

All transactions between Group companies, inter-company receivables and liabilities, margins on internal services and internal distribution of profits have been eliminated.

Minority interests

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

Voluntary provisions

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

Associated companies

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

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

Items in foreign currencies

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

Non-current assets

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

Depreciation according to plan has been calculated according to the expected useful life. The useful life of the Olkiluoto 1 and Olkiluoto 2 nuclear power plant units has been re-evaluated, as a result of which their depreciation period according to the initial investment plan has been extended by 20 years to the year 2040. The prolongation of the depreciation period of

the nuclear power plant units will have an effect of approximately € 9.1 million on the Group's depreciations for 2006.

Useful life has been defined as follows:

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

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

Inventories

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

Turnover

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

Research and development expenditure

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

Pension arrangements

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

Income tax

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

Emission allowances

The accounting principles applied to emission allowances are based on the respective opinion issued by the Accounting Board on 15 November 2005. If the materialised emissions exceed the emission allowances obtained without consideration, the expense corresponding to the tonnes in excess will be recognised on the closing day at market price, using the statutory reserves as the offset account. If the materialised amounts fall short of the emission allowances obtained without consideration, the party with the accounting obligation must record off -balance sheet assets in the notes to the accounts. However, purchases and sales of emission allowances are recognised as transactions on an accrual basis.

Handling of derivatives

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

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

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

Notes to the Profit and Loss Account

	Group		Parent Company	
Eur 1 000	2007	2006	2007	2006
(1) Turnover				
Sales of electricity produced	464 564	501 738	364 216	402 822
Sales of heat produced	131 252	110 310	103 095	87 903
Other sales	170 591	276 272	7 060	4 490
	766 407	888 320	**474 371**	495 215
(2) Other operating income				
Capital gains from sale of non-current asset items	1 163	699	263	24
Rental income	3 336	3 504	1 465	1 449
Compensation on reserve peak power capacity	9 904	-	-	-
Other income	1 787	1 689	123	271
Electricity production subsidies	804	4 715	-	-
	16 994	10 607	**1 851**	1 744
(3) Total materials and services				
Fuels	206 773	238 301	-	-
Other raw materials, supplies and consumables	199 690	313 929	229 234	255 246
Purchases during the financial year	406 463	552 230	229 234	255 246
Change in inventories	1 531	-1 485	-	-
External services	45 393	26 456	-14	38
	453 387	577 201	**229 220**	255 284

Emission Allowances

As a rule, the emission allowances held by the Pohjolan Voima Group companies on 31 December 2007 corresponded to the annual CO_2 emissions, or exceeded them. If the materialised emissions exceed the emission allowances held by the company, the company has recognised the tonnes in excess as an expense at the market price quoted on the closing date.

	2007		2006	
	CO_2 tonnes	1 000 €	CO_2 tonnes	1 000 €
Emission allowances obtained without consideration	5 309 519		4 876 516	
Total emission from the Group companies	4 442 686		5 463 064	
Emission allowances held by the Group companies	4 681 839		5 655 697	
Emission allowances sold	1 080 680	851 [1)]	829 832	13 853 [1)]
Emission allowances purchased	453 000	124 [2)]	1 581 681	25 865 [2)]

SWAP transactions of emission allowances and emission reductions made in advance for emission trade period 2008–2012. [3)]

	CO_2 tonnes	1 000 €
Sales of emission allowances (EUA)	525 000	11 605
Purchase of emission reductions (CER)	525 000	8 923

[1)] Emission allowance sales are included in Other sales under Turnover, and they have been taken into account in determining the at-cost price (Sales of electricity and heat produced).

[2)] Emission allowances purchases are included under Materials and services and the purchased allowances held at the closing of the accounts under the Intangible assets in the Balance Sheet.

[3)] SWAP transaction refers to a simultaneous sale of an emission allowance (EUA) and purchase of an emission reduction (CER) i.e. trading an EUA unit for a corresponding number of CER units. The number of emission allowances swapped in advance for CER units is limited in the Group companies to 40% of the estimated maximum return amount of CER units during the period 2008–2012.

Notes to the Profit and Loss Account

	Group		Parent Company	
Eur 1 000	2007	2006	2007	2006
(4) Personnel expenses and average number of personnel				
Salaries and fees				
Board Members and CEO	1 870	1 728	729	594
Other salaries and wages	55 603	50 662	4 792	4 371
	57 473	52 390	**5 521**	4 965
Pension expenses	9 479	8 193	874	728
Other personnel-related expenses	4 788	4 518	307	475
	14 267	12 711	**1 181**	1 203
Total personnel expenses	71 740	65 101	6 702	6 168
Average number of personnel				
Salaried employees	853	799	71	67
Wage-earners	237	234	3	4
Total	**1 090**	1 033	**74**	71

The retirement age of the Group company presidents, CEOs and certain other management members is 62 years according to agreements made with them.

(5) Depreciation and reduction in value				
Planned depreciation				
Intangible rights	143	137	-	-
Goodwill	50	50	-	-
Other capitalised long-term expenses	2 561	2 735	147	147
Buildings and constructions	13 658	12 834	43	47
Machinery and equipment	65 772	63 451	319	286
Other tangible assets	3 103	2 799	-	-
Reduction in value of non-current assets	3 364	8 489	-	4 210
Investments	-	-	447	447
	88 651	90 495	**956**	5 137
(6) Other operating expenses				
Purchases of energy	34 154	37 033	224 504	220 565
Share of associated companies' profits or losses	-7 447	-11 684	-	-
Repair, servicing and maintenance services	37 222	27 888	143	200
Rents	26 627	19 129	1 909	1 845
Real estate taxes	8 846	8 485	62	58
Other	119 191	115 007	4 772	4 758
	218 593	195 858	**231 389**	227 426

Notes to the Profit and Loss Account

	Group		Parent Company	
Eur 1 000	2007	2006	2007	2006
(7) Financing income and expenses				
Dividend income				
From associated companies	-	-	1 737	1 664
From others	1 157	622	1	1
	1 157	622	**1 738**	1 665
Interest income from non-current investments				
From Group companies	-	-	11 828	9 255
From associated companies	797	1 439	797	1 439
From others	10 618	7 861	-	-
	11 415	9 300	**12 625**	10 694
Other interest and financial income				
From Group companies	-	-	1 856	610
From associated companies	256	176	256	176
From others	3 528	3 391	55	644
	3 784	3 567	**2 167**	1 430
Total interest and financial income	**15 199**	12 867	**14 792**	12 124
Interest and other financial expenses				
To Group companies	-	-	-15 534	-10 950
To associated companies	-	-8	-	-8
To others	-52 484	-40 711	-11 132	-9 980
Total interest and financial expenses	**-52 484**	-40 719	**-26 666**	-20 938
Total financial income and expenses	**-36 128**	-27 230	**-10 136**	-7 149
The item Other interest and financial income includes exchange rate differences, net	-110	162	-16	14
(8) Extraordinary items				
Group contributions received			136	-
(9) Income taxes				
Taxes for the financial year	54	46	42	-
Taxes for the previous financial years	29	564	27	544
Change in deferred tax liability	-15 343	-10 037	-	-
	-15 260	-9 427	**69**	544

Notes to the Balance Sheet

(10) Intangible Assets

Eur 1 000	Intangible rights	Other capitalised expenses	Pre-payments	Goodwill	**Total**
Group					
Acquisition cost on 1 Jan	27 246	60 731	774	534	89 285
Increases	274	999	300	-	1 574
Decreases	-25 921	-35	-	-	-25 956
Transfers between accounts	89	104	-	-	193
Acquisition cost on 31 Dec	1 689	61 799	1 074	534	65 096
Accumulated depreciation on 1 Jan	-664	-38 610	-	-251	-39 525
Accumulated depreciation on decreases and transfers	-	31	-	-	31
Depreciation during the financial year	-143	-2 561	-	-50	-2 754
Accumulated depreciation on 31 Dec	-807	-41 140	-	-301	-42 248
Book value on 31 Dec 2007	**882**	**20 659**	**1 074**	**233**	**22 848**
Book value on 31 Dec 2006	26 583	22 122	774	283	49 762
Subsidies reducing the acquisition cost					29
Parent Company					
Acquisition cost on 1 Jan	33	1 760	-	-	1 793
Increases	-	110	-	-	110
Decreases	-	-	-	-	0
Transfers between accounts	-	58	-	-	58
Acquisition cost on 31 Dec	33	1 928	-	-	1 961
Accumulated depreciation on 1 Jan	-	-1 210	-	-	-1 210
Accumulated depreciation on decreases and transfers	-	-	-	-	0
Depreciation during the financial year	-	-147	-	-	-147
Accumulated depreciation on 31 Dec	-	-1 357	-	-	-1 357
Book value on 31 Dec 2007	**33**	**571**	**-**	**-**	**604**
Book value on 31 Dec 2006	33	549	-	-	582

Emission allowances on 31 Dec 2007:

Intangible assets include emission allowance assets totalling € 125,000.

Notes to the Balance Sheet

(11) Tangible Assets

Eur 1 000	Land & water areas	Buildings & constructions	Machinery & equipment	Other tangible assets	Pre-payments	**Total**
Group						
Acquisition cost on 1 Jan	45 907	463 544	1 956 769	287 138	1 145 691	3 899 049
Increases	597	6 461	12 584	3 475	359 122	382 239
Decreases	-1	-62	-75 182	-175	-403	-75 823
Transfers between accounts		2 270	30 571	2 489	-35 523	-193
Acquisition cost on 31 Dec	46 503	472 213	1 924 742	292 927	1 468 887	4 205 272
Accumulated depreciation on 1 Jan	-	-187 466	-1 073 868	-28 216	-	-1 289 550
Accumulated depreciation on decreases and transfers	-	-	21 927	163	-	22 090
Depreciation during the financial year	-	-13 658	-69 136	-3 103	-	-85 897
Accumulated depreciation on 31 Dec	-	-201 124	-1 121 077	-31 156	-	-1 353 357
Book value on 31 Dec 2007	**46 503**	**271 089**	**803 665**	**261 771**	**1 468 887**	**2 851 915**
Book value on 31 Dec 2006	45 907	276 078	882 901	258 921	1 145 691	2 609 498
Increases in value included in the acquistion cost per 31 Dec		66 296		198 849		
Production machinery and equipment on 31 Dec			773 063			
Subsidies reducing the acquistion cost						23 151

Capitalised interests during construction

Eur 1 000	Other capitalised expenses	Buildings & constructions	Machinery & equipment	Other tangible assets	Pre-payments	**Total**
Group						
Acquisition cost on 1 Jan	3 530	31 564	114 584	2 609	81 576	233 863
Increases	-	-	-	-	44 745	44 745
Decreases	-	-	-	-	-237	-237
Acquisition cost on 31 Dec	3 530	31 564	114 584	2 609	126 084	278 371
Accumulated depreciation on 1 Jan	-1 981	-19 723	-71 182	-1 656	-	-94 542
Accumulated depreciation on decreases and transfers	-	-	-	-	-	-
Depreciation during the financial year	-107	-484	-1 865	-33	-	-2 489
Accumulated depreciation on 31 Dec	-2 088	-20 207	-73 047	-1 689	-	-97 031
Book value on 31 Dec 2007	**1 442**	**11 357**	**41 537**	**920**	**126 084**	**181 340**
Book value on 31 Dec 2006	1 549	11 841	43 402	953	81 576	139 321

Notes to the Balance Sheet

(11) Tangible assets

Eur 1 000	Land & water areas	Buildings & constructions	Machinery & equipment	Other tangible assets	Pre-payments	**Total**
Parent Company						
Acquisition cost on 1 Jan	198	938	3 942	7	58	5 143
Increases	-	24	157	-	-	181
Decreases	-	-	-143	-	-	-143
Transfers between accounts	-	-	-	-	-58	-58
Acquisition cost on 31 Dec	198	962	3 956	7	0	5 123
Accumulated depreciation on 1 Jan	-	-521	-2 220	-	-	-2 741
Accumulated depreciation on decreases and transfers	-	-	132	-	-	132
Depreciation during the financial year	-	-43	-319	-	-	-362
Accumulated depreciation on 31 Dec	-	-564	-2 407	-	-	-2 971
Book value on 31 Dec 2007	**198**	**398**	**1 549**	**7**	**0**	**2 152**
Book value on 31 Dec 2006	198	417	1 722	7	58	2 402
Production machinery and equipment on 31 Dec			923			

(12) Investments

Eur 1 000	Holdings in associated companies	Other shares and holdings	Other receivables	**Total**
Group				
Acquisition cost on 1 Jan	114 464	43 129	273 983	431 576
Increases	7 447	1 168	12 151	20 766
Decreases	-1 736	-1 116	-297	-3 149
Transfers between accounts	-	-	-	0
Acquisition cost on 31 Dec	120 175	43 181	285 837	449 193
Book value on 31 Dec 2007	**120 175**	**43 181**	**285 837**	**449 193**
Book value on 31 Dec 2006	114 464	43 129	273 983	431 576

Eur 1 000	Holdings in Group companies	Receivables from Group companies	Holdings in associated companies	Other shares and holdings	**Total**
Parent Company					
Acquisition cost on 1 Jan	989 095	277 054	48 839	3 312	1 318 300
Increases	140 939	-	-	122	141 061
Decreases	-447	-33 359	-	-34	-33 840
Transfers between accounts	-	-	-	-	-
Acquisition cost on 31 Dec	1 129 587	243 695	48 839	3 400	1 425 521
Book value on 31 Dec 2007	**1 129 587**	**243 695**	**48 839**	**3 400**	**1 425 521**
Book value on 31 Dec 2006	989 095	277 054	48 839	3 312	1 318 300
Increases in value included in the acquistion cos per 31 Dec	265 145				

	Group		Parent Company	
Eur 1 000	2007	2006	2007	2006
(13) Inventories				
Fuels (coal + unrefined uranium)	84 649	86 823		
Raw materials, supplies (other fuels)	123 294	122 126		
	207 943	208 949		
Fuels (coal + unrefined uranium)				
Reacquisition price	245 723	143 463		
Book value	-84 649	-86 823		
Difference	**161 074**	56 640		
(14) Non-current receivables				
Loans receivable	8 730	8 752	7 958	7 919
Capital loan receivables	-	33 638	1	33 638
Non-current other receivables	172	164	-	-
	8 902	42 554	**7 959**	41 557
Receivables from Group companies				
Capital loan receivables			1	1
Receivables from associated companies				
Loans receivable	2 955	2 910	2 955	2 910
Capital loan receivables	-	33 638	-	33 638
	2 955	36 548	**2 955**	36 548

Notes to the Balance Sheet

	Group		Parent Company	
Eur 1 000	2007	2006	2007	2006
(15) Current receivables				
Trade receivables	86 252	77 754	50 860	46 902
Loans receivable *)	5 426	5 440	5 000	5 000
Share issue receivables	40 019	-	2 000	-
Other receivables	7 655	30 388	29	1 450
Accrued income	64 289	29 624	32 375	11 859
	203 641	143 206	**90 265**	65 211
Receivables from Group companies				
Trade receivables			316	338
Other receivables			6 968	-
Accrued income			11 281	8 311
			18 565	8 649
Receivables from associated companies				
Trade receivables	1 022	327	92	66
Loans receivable	5 000	5 000	5 000	5 000
Accrued income	731	2 515	74	2 438
	6 753	7 842	**5 166**	7 504
Material items included in current accrued income				
Personnel expenses allocated to financial year	28	25	-	16
Interest income allocated to financial year	11 475	8 651	943	959
Interest expenses allocated to financial year	8 281	9 213	-	-
Income taxes allocated to financial year	110	203	93	163
Indirect taxes allocated to financial year	1 834	2 328	-	1 586
SWAP transactions of emission allowances allocated to financial year	11 605	-	18 573	-
Group contribution	-	-	136	-
Other	30 957	9 204	12 631	9 135
	64 289	29 624	**32 375**	11 859
*) Loan receivables include Group account receivables of associated and other companies	-	-		
Interest-bearing receivables				
Non-current assets	285 168	273 315	243 695	277 054
Current assets	108 492	148 339	14 278	54 398
	393 660	421 654	**257 973**	331 452
(16) Securities included in liquid assets				
Units in investment funds with short-term interests				
Reacquisition price	75 073	60 038		
Book value	75 000	60 000		
Difference	**73**	38		

	Group		Parent Company	
Eur 1 000	2007	2006	2007	2006
(17) Shareholders' equity				
Share capital on 1 Jan	58 159	57 675	58 159	57 675
Transfer from share issues	651	484	651	484
Share capital on 31 Dec	**58 810**	58 159	**58 810**	58 159
Share issue on 1 Jan	13 661	8 546	13 661	8 546
Transfer to share capital	-651	-484	-651	-484
Transfer to premium fund	-	-8 386	-	-8 386
Transfer to invested retained earnings	-21 019	-7 209	-21 019	-7 209
Share issues during the financial year	23 144	21 194	23 144	21 194
Share issue on 31 Dec	**15 136**	13 661	**15 136**	13 661
Share premium fund on 1 Jan	387 663	379 278	384 194	375 809
Emission gain in share issues	-	8 385	-	8 385
Share premium fund on 31 Dec	**387 663**	387 663	**384 194**	384 194
Contingency reserve on 1 Jan	547	547	547	547
Contingency reserve on 31 Dec	**547**	547	**547**	547
Revaluation reserve on 1 Jan	218 644	218 644	218 644	218 644
Revaluation reserve on 31 Dec	**218 644**	218 644	**218 644**	218 644
Invested retained earnings on 1 Jan	7 209	-	7 209	-
Share issues	21 019	7 209	21 019	7 209
Invested retained earnings on 31 Dec	**28 228**	7 209	**28 228**	7 209
Retained earnings on 1 Jan	116 152	132 048	34 427	39 002
Retained earnings on 31 Dec	**116 152**	132 048	**34 427**	39 002
Profit or loss for the financial year	**-28 475**	-15 897	**-1 936**	-4 575
Total shareholders' equity	**796 705**	802 036	**738 050**	716 842
Depreciation difference				
Share of depreciation difference recognised under Shareholders' equity	47 144	75 335		
Distributable funds on 31 Dec				
Retained earnings			34 427	39 002
Profit or loss for the financial year			-1 936	-4 575
Invested retained earnings			28 228	7 209
			60 719	41 636

Notes to the Balance Sheet

Share capital by share category		Number	1 000 €
Series A:	entitling the holder to obtain energy produced or supplied by PVO-Vesivoima Oy	13 350 077	22 453
Series B:	entitling the holder to obtain 56.8% of the energy produced or supplied by Teollisuuden Voima Oyj's Olkiluoto 1 or 2 units	7 124 507	11 983
Series B2:	entitling the holder to obtain 60.2% of the energy produced by Teollisuuden Voima Oyj's Olkiluoto 3 unit once it is finalised	1 496 008	2 516
Series C:	entitling the holder to obtain energy produced or supplied by PVO-Lämpövoima Oy	7 107 592	11 954
Series C2:	entitling the holder to obtain 56.8% of the energy produced or supplied by Teollisuuden Voima Oyj's Meri-Pori coal-fired unit	359 198	604
Series E1:	entitling the holder to obtain energy produced by Mussalon Kaukolämpö Oy	229 741	386
Series G:	entitling the holder to obtain 49.9% of the energy produced by Oy Alholmens Kraft Ab	354 290	596
Series G2:	entitling the holder to obtain 76 % of the energy produced by Kymin Voima Oy	238 216	401
Series G3:	entitling the holder to obtain 50.0% of the energy produced by Järvi-Suomen Voima Oy	115 850	195
Series G4:	entitling the holder to obtain 72.0% of the energy produced by Rauman Voima Oy	296 486	498
Series G5:	entitling the holder to obtain energy produced by Laanilan Voima Oy	72 072	121
Series G6:	entitling the holder to obtain energy produced by Porin Prosessivoima Oy	87 464	147
Series G7:	entitling the holder to obtain 90.0% of the energy produced by Wisapower Oy	661 300	1 112
Series G9:	entitling the holder to obtain 54.0% of the energy produced by Kaukaan Voima Oy	95 607	161
Series H:	entitling the holder to obtain energy produced by PVO-Huippuvoima Oy	500 000	841
Series I:	entitling the holder to obtain 73.7% of the energy produced by the PVO-Innopower Oy's Oulunsalo, Oulu, Kokkola and Kristiinankaupunki wind turbines	22 300	38
Series I2:	entitling the holder to obtain 74.8% of the energy produced by PVO-Innopower Oy's Riutunkari wind turbines	22 327	37
Series I3:	entitling the holder to obtain 65.0% of the energy produced by the PVO-Innopower Oy's Ajos wind farm	110 389	186
Series K1:	entitling the holder to obtain energy produced or supplied by Kokkolan Voima Oy	130 000	219
Series K2:	entitling the holder to obtain energy produced or supplied by Vieskan Voima Oy	25 178	42
Series K3:	entitling the holder to obtain energy produced or supplied by Keravan Lämpövoima Oy	14 607	25
Series N:	entitling the holder to obtain 80.1% of the energy produced by Nokian Lämpövoima Oy	1 506 938	2 534
Series V:	entitling the holder to obtain 50.0% of the energy produced by Vaskiluodon Voima Oy	1 046 823	1 761
			58 810

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

	Group		Parent Company	
Eur 1 000	2007	2006	2007	2006
(18) Obligatory provisions				
Other provisions	1 275	-		
(19) Deferred tax liability				
Deferred tax liability				
Of appropriations	**84 475**	99 818		
(20) Non-current liabilities				
Loans from credit institutions	987 129	867 224	90 000	152 979
Other non-current liabilities	727 060	699 035	379 884	355 910
	1 714 189	1 566 259	**469 884**	508 889
Amounts owed to Group companies				
Other non-current liabilities			**379 884**	355 910
Debts with maturity after 5 years or later				
Loans from credit institutions	434 901	553 394	-	150 000
Other non-current debts	185 412	78 740	-	-
	620 313	632 134	-	150 000

Notes to the Balance Sheet

	Group		Parent Company	
Eur 1 000	2007	2006	2007	2006
(21) Current liabilities				
Bonds	-	-	-	-
Loans from credit institutions	23 745	61 680	2 979	3 367
Prepayments received	6 619	5 866	-	-
Trade payables	80 419	62 560	53 281	47 363
Other current liabilities *)	663 248	630 774	160 700	142 262
Accruals and deferred liabilities	122 153	78 614	101 718	15 785
	896 184	839 494	**318 678**	208 777
To Group companies				
Trade payables			45 268	39 229
Other current liabilities			-	-
Accruals and deferred liabilities			86 048	11 158
			131 316	50 387
To associated companies				
Trade payables	5 051	9 042	5 030	7 486
Other	67	307	-	-
Accruals and deferred liabilities	195	719	-	-
	5 313	10 068	**5 030**	7 486
Items with material importance included in current accruals and deferred liabilities				
Personnel expenses allocated to financial year	14 033	12 343	933	799
Interest expenses allocated to financial year	38 200	27 443	15 774	12 352
Income taxes allocated to financial year	-	62	-	-
Indirect taxes allocated to financial year	2 277	3 010	-	-
SWAP transactions of emission allowances allocated to financial year	8 923	-	17 985	-
Other	58 720	35 756	67 026	2 634
	122 153	78 614	**101 718**	15 785
*) Other current liabilities include Group account liabilities of associated and other companies	42 582	6 506	42 582	6 506
Non-interest-bearing and interest-bearing liabilities				
Non-current				
Interest-bearing	1 714 189	1 566 259	469 884	508 889
	1 714 189	1 566 259	**469 884**	508 889
Current				
Non-interest bearing	239 940	193 953	161 516	68 150
Interest-bearing	656 244	645 541	157 162	140 627
	896 184	839 494	**318 678**	208 777

	Group		Parent Company	
Eur 1 000	2007	2006	2007	2006
(22) Contingent liabilities				
Mortgages				
As security for own debt	11 773	11 773	-	-
Pledged deposits				
As security for own liabilities	5 508	4 838	1 271	224
Guarantees				
Guarantees for loans				
On behalf of associated companies	64 751	81 557	64 718	81 522
Other guarantees				
As security for own liabilities	800	-	-	-
For Group companies	-	-	24 901	25 266
	65 551	81 557	**89 619**	106 788
Leasing liabilities				
Payments during following financial year	27 646	20 818	19	25
Payments in subsequent years	340 909	277 287	-	12
	368 555	298 105	**19**	37
Rental liabilities	21 240	22 732	14 163	15 212
Other liabilities	1 080 171	903 400	-	-
Nuclear waste management liabilities				
Quantification of the nuclear waste management liability	1 079 800	903 400		
Assets in the Nuclear Waste Management Fund on 31 March 2008/2 April 2007	927 700	864 100		
Guarantee under Section 44 of the Nuclear Energy Act	120 400	75 180	68 384	42 700
Nuclear waste management receivables pledged to the State Nuclear Waste Management Fund	279 691	267 540		

As part of the decision to invest in Teollisuuden Voima's OL3 nuclear plant unit, Pohjolan Voima Oy has a commitment to invest € 432.0 million in 2004–2009 and to give a shareholder loan of € 108.0 million. By 31 December 2007, Pohjolan Voima Oy had paid out € 335.1 million of its commitment.

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

Notes to the Balance Sheet

	Group		Parent Company	
Eur 1 000	2007	2006	2007	2006
(23) Derivative contracts				
Capital values and market values of derivative contracts providing a hedge against exchange rate and interest risks were as follows:				
Interest derivatives				
Option contracts				
Purchased (nominal value)	1 320 000	1 340 000	-	-
Market value	5 890	-120	-	-
Placed (nominal value)	1 320 000	1 320 000	-	-
Market value	211	2 563	-	-
Interest swap contracts (nominal value)	1 170 000	783 638	90 000	103 638
Market value	22 138	16 002	1 311	1 330
Currency derivatives				
Forward contracts (nominal value)	222 401	286 512	77 200	157 926
Market value	-9 596	-8 158	-148	-1 016

Financing risks

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

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

Shares and Holdings

	Production form	Domicile	Group holding in %	Parent Company holding in %
Group companies				
Järvi-Suomen Voima Oy	Thermal power	Helsinki	50.000	50.000
Kaukaan Voima Oy	Thermal power	Helsinki	54.000	54.000
Keravan Lämpövoima Oy	Thermal power	Helsinki	100.000	100.000
Kokkolan Voima Oy	Thermal power	Helsinki	100.000	100.000
Kymin Voima Oy	Thermal power	Helsinki	76.000	76.000
Laanilan Voima Oy	Thermal power	Helsinki	100.000	100.000
Mussalon Kaukolämpö Oy	Thermal power	Helsinki	100.000	100.000
Mussalon Kiinteistöt Oy		Helsinki	100.000	100.000
Nokian Lämpövoima Oy	Thermal power	Helsinki	80.100	80.100
Olkiluodon Vesi Oy		Helsinki	57.943	
Perusvoima Oy		Helsinki	57.943	
Porin Prosessivoima Oy	Thermal power	Helsinki	100.000	100.000
Posiva Oy		Helsinki	34.766	
PVO-Huippuvoima Oy	Thermal power	Helsinki	100.000	100.000
PVO-Innopower Oy	Wind power	Helsinki	67.405	67.405
PVO-Kiinteistöt Oy		Helsinki	100.000	100.000
PVO-Lämpövoima Oy	Thermal power	Helsinki	100.000	100.000
PVO-Pool Oy		Helsinki	100.000	100.000
PVO-Vesivoima Oy	Hydropower	Helsinki	100.000	100.000
Raahen Prosessivoima Oy	Thermal power	Helsinki	100.000	100.000
Raahen Voima Oy	Thermal power	Helsinki	100.000	100.000
Rauman Voima Oy	Thermal power	Helsinki	71.950	71.950
Rouhialan Voimansiirto Oy		Helsinki	100.000	100.000
Teollisuuden Voima Oyj	Nuclear power	Helsinki	57.943	57.943
TVO Nuclear Services Oy		Eurajoki	57.943	
Vieskan Voima Oy	Thermal power	Helsinki	100.000	100.000
Wisapower Oy	Thermal power	Helsinki	89.980	89.980

	Domicile	Group holding in %	Parent Company holding in %	Share-holders' equity	Profit or loss for the financial year
Associated and participating interest companies					
Oy Alholmens Kraft Ab	Pietarsaari	49.900	49.900		
Fingrid Oyj	Helsinki	25.080	25.080		
Polartest Oy	Helsinki	18.301		3 884	1 324
Tahkoluodon Polttoöljy Oy	Pori	32.000		20	-21
Tornionlaakson Voima Oy	Ylitornio	50.000			
Vaskiluodon Voima Oy	Vaasa	50.000	50.000		
Voimalohi Oy	Kemi	50.000		358	-20
Other holdings					
[1] Powest Group	Helsinki		80.519	28 913	-4 513

[1] The Powest subgroup is not included in the Pohjolan Voima Consolidated Financial Statements (see Accounting Principles, entitlement to dividends).

Proposal of the Board of Directors for recording the financial result

The parent company Pohjolan Voima's profit and loss account indicates a loss of € 1,935,691.73.

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, 14 February 2008

Markku Tynkkynen Chairman	Markku Pentikäinen Deputy Chairman	Kari Hannus
Kari Rämö	Esa Tirkkonen	Tapani Sointu
Erkki Varis	Rami Vuola	
Timo Rajala President and CEO		

Auditor's Report

To the shareholders 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 financial year from 1 January to 31 December 2007. The Board of Directors and the President and CEO have prepared the report of the Board of Directors and the financial statements which include the consolidated balance sheet, profit and loss account, cash flow statement and notes to the financial statement, as well as the corresponding documents for the parent company. Based on our audit, we give our opinion on the financial statements, as well as on the report of the Board of Directors and the parent company's administration.

We have conducted our audit in accordance with generally accepted auditing standards. The accounting and the principles followed for the financial statements and report of the Board of Directors as well as their contents and presentation were examined to the extent necessary to obtain reasonable assurance that the financial statements and the report of the Board of Directors were free of any material omissions and misstatements. The purpose of our audit of administration is to examine that the members of the parent company Board of Directors as well as the President and CEO have complied with the stipulations of the Companies Act.

In our opinion, the financial statements and report of the Board of Directors have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements and the report of the Board of Directors. The financial statements and the report of the Board of Directors give a true and fair account, as defined in the Accounting Act, of the group's and the parent company's operating results and financial position. The report of the Board of Directors is consistent with the financial statements. The financial statements, including the consolidated accounts, may be approved and the members of the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial year audited. The Board proposal concerning the disposal of the distributable funds is in accordance with the Companies Act.

Helsinki, 14 March 2008

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Accountant

POHJOLAN VOIMA'S PRODUCTION CAPACITY 31 DECEMBER 2007

	Plant	Location	Energy source	Year of completion	Electr. output (MW)	Pohjolan Voima's share (MW)	Production company
HYDROPOWER							
	Isohaara	Kemijoki	water	1949	106.0	106	PVO-Vesivoima Oy
	Jumisko	Kemijoki	water	1954	30.0	30	PVO-Vesivoima Oy
	Raasakka	Iijoki	water	1971	58.0	58	PVO-Vesivoima Oy
	Maalismaa	Iijoki	water	1967	33.0	33	PVO-Vesivoima Oy
	Kierikki	Iijoki	water	1965	38.0	38	PVO-Vesivoima Oy
	Pahkakoski	Iijoki	water	1961	34.0	34	PVO-Vesivoima Oy
	Haapakoski	Iijoki	water	1963	28.0	28	PVO-Vesivoima Oy
	Melo	Kokemäenjoki	water	1971	67.0	67	PVO-Vesivoima Oy
	Harjavalta	Kokemäenjoki	water	1939	73.0	15	Länsi-Suomen Voima Oy
	Kaaranneskoski	Tengeliönjoki	water	1954	2.5	1	Tornionlaakson Voima Oy
	Jolmankoski	Tengeliönjoki	water	1955	0.5	0	Tornionlaakson Voima Oy
	Portimokoski	Tengeliönjoki	water	1987	10.5	5	Tornionlaakson Voima Oy
	Total				481	415	
NUCLEAR POWER							
	Olkiluoto 1	Eurajoki	uranium	1978	860	488	Teollisuuden Voima Oyj
	Olkiluoto 2	Eurajoki	uranium	1980	860	488	Teollisuuden Voima Oyj
	Total				1,720	977	
WIND POWER							
	Kokkola	Kokkola	wind	2003	2	1	PVO-Innopower Oy
	Oulunsalo	Oulunsalo	wind	1999, 2003	4.3	3	PVO-Innopower Oy
	Kristiinankaupunki	Kristiinankaupunki	wind	2004	3	2	PVO-Innopower Oy
	Oulu	Oulu	wind	2001, 2005	4	3	PVO-Innopower Oy
	Olkiluoto	Eurajoki	wind	2005	1	1	Teollisuuden Voima Oyj
	Total				14.3	10	
THERMAL POWER							
	Kristiina 2	Kristiinankaupunki	coal	1989	242	242	PVO-Lämpövoima Oy
	Tahkoluoto	Pori	coal	1976	235	235	PVO-Lämpövoima Oy
	Vaskiluoto 2	Vaasa	coal	1998	230	115	Vaskiluodon Voima Oy
	Meri-Pori	Pori	coal	1994	565	146	Fortum Power and Heat Oy
	Mussalo 1	Kotka	coal, natural gas	1966	75	75	Mussalon Kaukolämpö Oy
	Mussalo 2	Kotka	natural gas	1973	238	238	Nokian Lämpövoima Oy
	Nokia	Nokia	natural gas	1997	70	70	Nokian Lämpövoima Oy
	Kristiina 1	Kristiinankaupunki	oil	1974	210	210	PVO-Lämpövoima Oy
	Vaskiluoto 3	Vaasa	oil	1972	160	160	PVO-Huippuvoima Oy
	Seinäjoki	Seinäjoki	peat, wood	1990	125	63	Vaskiluodon Voima Oy
	Alholmens Kraft 1	Pietarsaari	wood	1991	25	12	Oy Alholmens Kraft Ab
	Alholmens Kraft 2	Pietarsaari	peat, wood, coal	2001	240	120	Oy Alholmens Kraft Ab
	Kokkolan Voima	Kokkola	peat, wood	2001	20	20	Kokkolan Voima Oy
	Vieskan Voima	Ylivieska	peat, wood	1994	6	6	Vieskan Voima Oy
	Ristiina	Ristiina	wood	2002	8	8	Järvi-Suomen Voima Oy
	Savonlinna	Savonlinna	wood	2003	17	0	Järvi-Suomen Voima Oy
	Kymin Voima	Kuusankoski	wood, peat	2002	76	58	Kymin Voima Oy
	Wisapower	Pietarsaari	black liquor	2004	140	140	Wisapower Oy
	Laanila	Oulu	peat, wood	1982	19	19	Laanilan Voima Oy
	Porin Prosessivoima	Pori	coal, oil	1987	13	13	Porin Prosessivoima Oy
	Rauman Voima	Rauma	wood	2006	65	47	Rauman Voima Oy
	Total				2,779	1,996	
CAPACITY					**4,994**	**3,399**	

POHJOLAN VOIMA OY SHAREHOLDERS (GENERAL SHAREHOLDING) ON 31 DEC 2007

SHAREHOLDER	SHAREHOLDING, %
Etelä-Pohjanmaan Voima Oy	7.52
Etelä-Suomen Voima Oy (former Päijät-Hämeen Voima Oy)	2.08
City of Helsinki	0.82
Kemira Oyj (incl. pension foundation Neliapila)	3.14
Kemira GrowHow Oyj (incl. pension foundation)	1.73
Ilmarinen Mutual Pension Insurance Company	4.29
City of Kokkola	2.45
Kymppivoima Oy (former Kymppivoima Tuotanto Oy)	8.76
M-real Corporation	2.82
Myllykoski Corporation	0.86
City of Oulu	1.92
Outokumpu Oyj	0.09
Oy Metsä-Botnia Ab	1.55
Oy Perhonjoki Ab	2.67
City of Pori	1.27
Rautaruukki Oyj	0.02
Stora Enso Oyj	15.39
UPM-Kymmene Corporation	42.29
Vantaan Energia Oy	0.33
TOTAL	100.00%

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