

Pohjolan Voima Oy

Töölönkatu 4

P.O. Box 40, FI-00101 Helsinki

Tel. +358 9 693 061

Fax +358 9 6930 6335

E-mail: first name.surname@pvo.fi

info@pvo.fi

www.pohjolanvoima.fi

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The Nordic electricity market

Finland's electricity consumption in 2003 amounted to 84.7 TWh (83.5 TWh in 2002). According to the Finnish Energy Industries Federation, the demand for electricity in Finland will increase to more than 96 TWh by the year 2010, and the demand in 2020 will be more than 106 TWh. Total electricity consumption in the Nordic countries will increase by approximately 55 TWh over the same period.

According to the statistics, if discontinued power plants are taken into account, the net amount of new power production capacity built from 1998 to 2002 is only 600 MW. At the same time, the consumption of electricity has increased by 23 TWh. The Finnish Energy Industries Federation estimates that the consumption of electricity will continue to increase by 1.4% annually in Finland and by 0.8% annually in the other Nordic countries.

The Nordic countries normally produce more than one-half of their electricity by hydropower. Norway's production consists almost entirely of hydropower, while in Sweden it makes up one half of the production and in Finland its share is less than one fifth. The filling factor of water reservoirs and production of hydropower thus have a decisive effect on the Nordic electricity market.

The Nordic production of hydropower amounted to 168 TWh in 2003, while its availability in a year of average waters is approximately 196 TWh. Thermal power plants in Denmark and Finland balanced the variations in hydropower production. In 2003, the amount of coal used for energy production in Finland was the largest in history.

A total of 79.9 (71.6) TWh of electricity was produced in Finland, while imports into Finland amounted to 4.9 (11.9) TWh. The share of net imports was 5.7% (14.3%). A record-breaking amount of electricity, almost 12 TWh, was imported from Russia. The amount of Russian import power increased by 43%. Drought and insufficient water reserves were reflected on the intra-Nordic exchange of power: Denmark and Finland exported electricity to Norway and Sweden.

Finland's electricity production capacity is not enough to cater for the increasing demand. In years of sparse water, such as 2002 and 2003, as well as during periods of peak consumption in the winter, we are very dependent on Russian imports. The price of market electricity can reach very high levels from time to time when there is a lack of capacity.

For the entire year, the market prices for electricity remained 30% higher on average compared to the previous year. The weekly price for market electricity in the Nord Pool electricity exchange rose sharply in the beginning of 2003 when it was very cold in Finland. In the first part of the year, the weekly price reached a high of EUR 104 per MWh. In early summer, the price

reached a low of EUR 23 per MWh, rising to slightly more than EUR 30 per MWh in the autumn.

Risks associated with the availability and price of electricity may increase in the future with the expiration of the current contracts with Russia. The only significant investment known at present that will increase capacity is the Olkiluoto 3 nuclear power plant unit. Other planned investments will mainly replace obsolete plants.

Pohjolan Voima's electricity and heat production

Pohjolan Voima's total supply of electricity amounted to 29.9 (27.9) TWh in 2003. The share of the company's own production was 18.0 (16.6) TWh. The subsidiaries supplied a total of 6.9 (6.5) TWh to their other shareholders. Electricity imports from Russia amounted to 3.3 (3.0) TWh, while 1.7 (1.8) TWh was purchased from the Nordic electricity market.

The proportion of nuclear power was 47.3% (50.6%) of electricity supply. Teollisuuden Voima's Olkiluoto plant produced 14.2 (14.1) TWh of electricity, and in accordance with its share of ownership, Pohjolan Voima received 8.0 (8.0) TWh of this. The load factor of the Olkiluoto plants, 96.3% (96.0%), continued to be among the top figures in the world.

The share of hydropower was 4.0% (4.4%) of electricity supply, amounting to 1.2 (1.2) TWh.

Pohjolan Voima produced 5.9 (3.7) TWh of condensing power. Its proportion was 19.8% (13.3%) of electricity supply. Despite new CHP power plants, CHP production decreased by over 10%, because the CHP power plants of Oulun Voima Oy and Veitsiluodon Voima Oy were sold to Stora Enso Oyj in the end of 2002.

The total consumption of peat and biofuels at the power plants was 6.8 (8.4) TWh. Peat accounted for 3.9 (5.0) TWh, followed by wood at 2.9 (3.4) TWh.

Pohjolan Voima's electricity supply 1999-2003 (GWh)

	1999	2000	2001	2002	2003
Nuclear power	14,203	14,072	14,152	14,106	14,154
Hydropower	1,650	1,996	1,604	1,239	1,183
CHP	2,655	2,867	3,268	4,062	3,651
Condensing power	2,147	2,678	3,471	3,714	5,930
Wind	0	0	0	0	7
Imports	670	690	2,887	2,988	3,299
Market electricity	863	1,717	1,057	1,756	1,698
Total	22,188	24,020	26,439	27,866	29,922

Investments

Investments of the Pohjolan Voima Group, excluding financial investments, totalled EUR 89.7 (197.0) million.

A total of EUR 49.1 (151.3) million were invested in biofuel-fired power plants. Teollisuuden Voima invested EUR 30.3 (14.1) million on plant modifications and improvements in connection with annual maintenance outages and on the modernisation of the turbine plant. Wind power investments amounted to EUR 4.5 million. The rest were mainly investments in repairs and renovations.

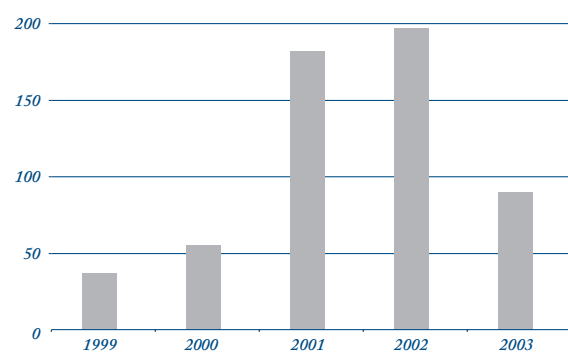
Disposals of fixed assets amounted to a total of EUR 34.3 (3.0) million, the majority of which originated in the sale of Kymin Voima Oy's turbine and some other equipment to a leasing company.

Järvi-Suomen Voima's Savonlinna biofuel power plant started to operate in September 2003. The plant's electricity generation capacity is 17 MW and heat generation capacity 53 MW. Pohjolan Voima owns the plant jointly with Suur-Savon Sähkö Oy.

Pohjolan Voima's first wind power plants were completed. Two plants were built at Kokkola harbour, followed by three more at Riutunkari in Oulunsalo. Each wind power plant has a capacity of 1 MW. Three wind power plants of a similar power rating were under construction at Kristiinankaupunki.

In December 2003 Pohjolan Voima's Board of Directors decided to participate in the Olkiluoto 3 nuclear power plant investment with a share of 56.8%. This means an investment of EUR 407.3 million in Teollisuuden Voima between 2004 and 2009, as well as a shareholder loan of EUR 101.8 million, EUR 9.3 million of which has already been posted in the parent company's investments. Teollisuuden Voima submitted an application for a construction licence to the Government in January 2004. Construction is scheduled to start in 2005 and the plant is going to start production in 2009.

Pohjolan Voima's investments 1999 - 2003, million euro.



Research and development

Research and development expenditure amounted to EUR 12.4 (12.8) million in 2003. The most significant research subject was a disposal facility for spent nuclear fuel. Teollisuuden Voima provided EUR 11.2 million of financing to research conducted by its subsidiary Posiva. The construction of a disposal facility will start at Olkiluoto in the early 2010s, and the operations are scheduled to begin in 2020. The design of the facility allows it to be used for the disposal of all nuclear fuel spent in Finland.

The biofuel programme includes an investment programme for biofuel-fired power plants, as well as research and development operations associated with fuel procurement. The biofuel programme also seeks new sources of forestry woodfuel and energy crops and studies residue bale technique, the utilisation of stubs, the harvesting of fuel wood from young forests and the cultivation of reed canary grass.

Pohjolan Voima has investigated the possibility for an offshore wind farm off Kokkola, with a maximum capacity of 300 MW. The West Finland Regional Environment Centre provided its opinion on the environmental impact assessment report for the wind farm.

Pohjolan Voima continued its investigations for constructing a direct-current cable connection between Finland and Estonia.

Pohjolan Voima 60 years

The year 2003 marked the 60th anniversary of Pohjolan Voima. Over the 60 years of operation, the Group's basic values of responsibility, reliability and competence have developed a corporate culture in which it is safe to work towards common objectives. During the year under review, the company established its operating principles, ethical principles and operating policies derived from the basic values.

Personnel

The goal of our personnel policy is to ensure efficient operations so that competent personnel are well-motivated and ready for changes. The personnel policy is implemented throughout the Group, across all organisational levels and all functions.

Pohjolan Voima bears the responsibility for promoting the physical, mental and social health of its personnel. The objective is to eliminate work-related diseases and injuries. Proactive health care is a part of occupational health and safety operations.

The Group employed 864 people on average (803), while the parent company employed 65 (66). The number of employees in the Group was 846 (789) at the end of the year.

The environment

Pohjolan Voima engages in long-term energy business, where one of the prerequisites is the conservation of a safe, healthy and diverse living environment. The identification and assessment of environmental impacts and risks constitute an essential part of the planning of any new projects. The impact assessment takes the life cycle aspect into account.

All power plants in the Pohjolan Voima Group have valid environmental permits and water permits. Environmental management is based on certified systems compliant with the ISO 14001 standard. Environmental management systems for new power plants are under construction. Regulatory compliance is dealt with as part of the certified environmental management systems. There were no deviations from the permit conditions of our production plants in 2003.

The operations of Teollisuuden Voima were also in compliance with the environmental permits and the environmental management system. No significant environmental deviations were recorded in 2003. Emissions from the Olkiluoto nuclear power plant into the air and water were very minor and clearly lower than the limits set by the authorities. The work-related radiation dose of the power plant's personnel was 0.97 (1.09) millisieverts (mSv) per person. The highest individual dose was 7.9 mSv, which is less than one fifth of the annual limit set by the authorities, 50 mSv.

Hydropower production suffered from exceptional drought. Natural conditions did not allow all fish stocking operations to be completed as planned. However, there were no breaches of permit conditions.

Despite the high load on the thermal power plants, they were able to comply with their permit conditions. A disturbance in the desulphurisation plant at the Vaskiluoto power plant lasted longer than expected and increased the level of emissions. However, the annual average was less than one half of the allowed limit.

Emissions of greenhouse gases amounted to 7.0 (6.0) million tonnes. The increase in comparison to the previous year was mainly due to the increased utilisation of coal-fired condensing power plants. This also increased the emissions of nitrogen oxides, sulphur dioxide and particles. Sulphur emissions totalled 67% (65%) of the amounts allowed in the environmental permits, while nitrogen oxide emissions stood at 85% (85%) and particle emissions at 28% (15%).

In addition to the Annual Report, environmental information about Pohjolan Voima is available on the company's Web site at www.pohjolanvoima.fi. Teollisuuden Voima provides information on the environmental issues related to nuclear power production on its Web site www.tvo.fi and in a separate social responsibility report.

Pohjolan Voima and its subsidiaries and associated companies are not aware of any environmental liabilities that have not been covered.

Changes in the Group structure

In the end of the year, Pohjolan Voima sold Empower Oy to the company's management, Nordea Capital and 3i. Empower became an independent service company operating in the power plant and transmission grid maintenance market. At the same time, the Group established Proma-Palvelut Oy to provide operating and maintenance services for the Group's thermal power plants.

Powest, a subsidiary of Pohjolan Voima, acquired the remainder of the stock in Nordic Energy Oy (formerly known as TXU Nordic Energy Oy), which became a fully owned subsidiary of Powest at the end of 2003. The Pohjolan Voima shares held by Nordic Energy were sold in January 2004 to a group of Pohjolan Voima's existing shareholders. The purpose of the arrangement was to retain these Pohjolan Voima shares and the corresponding production capacity in Finnish ownership.

Financing

The financing policy defines the principles for external financing and investment operations observed in the Group. The Board of Directors of Pohjolan Voima decides on the financing policy. With the exception of Teollisuuden Voima, the Group's financing is centralised in the parent company, which is also responsible for maintaining the Group's liquidity, making payments and arranging foreign currency management.

Agreements on the maturity and refinancing for long-term loans are made so that no more than 25% of outstanding debt will fall due within the next 12 months. The loan currency is euro. If loans are raised in other currencies, the foreign exchange risk is eliminated by means of derivative agreements.

Interest rate risk is supervised by means of modified duration. The average duration of the Group's net loan portfolio is maintained at 12 months, with an allowed deviation of 6 months in either direction.

The Group maintains a certain amount of liquid assets, credit line facilities and commercial paper programmes to ensure liquidity. Free liquidity is invested in financial instruments issued by companies specified in the financing policy that can be liquidated quickly if necessary.

The Group's liquidity remained good. Interest-bearing net debt at the end of the year stood at EUR 801.0 (773.5) million. There were no liabilities in foreign currencies.

The Group has the following long-term credit ratings:

	Long-term
Pohjolan Voima Oy	
Japan Credit Rating Agency	AA
Teollisuuden Voima Oy	
Japan Credit Rating Agency	AA
Standard & Poor's	BBB

For liquidity management, the Group had domestic commercial paper programmes totalling EUR 250 (234) million, EUR 209 (234) million of which was unused. At the end of the year, the revolving credit facility amounted to EUR 2,261 (328) million, of which EUR 2,101 (255) million was available. The significant increase in the amount of revolving credit facilities was due to financing arrangements for the Olkiluoto 3 nuclear power plant unit.

At the end of the year, the Group had an equity to assets ratio of 47.1% (47.7%). The deferred tax liability is not included in the figure, as it is not expected to be realised.

Shareholders' equity and share issues

The Annual General Meeting held on 18 March 2003 authorised the Board of Directors to increase the share capital by means of a new issue deviating from the shareholders' pre-emptive subscription right as follows:

- Series D2, maximum EUR 672,752 and 400,000 shares
- Series G3, maximum EUR 79,048 and 47,000 shares
- Series I, maximum EUR 15,137 and 9,000 shares.

The Annual General Meeting simultaneously cancelled the share issue authorisations granted in 2002.

The following issues were subscribed during the year under review:

- Increase in share capital in series D2 (6 November 2003), 325,300 shares for a subscription price of EUR 18.220 million, directed to UPM-Kymmene Corporation
- Increase in share capital in series G3 (6 November 2003), 39,145 shares for a subscription price of EUR 2.192 million, directed to UPM-Kymmene Corporation.

The Annual General Meeting decided to convert 1,672,238 shares of series E2 into a total of 1,346,898 shares of series N and to annul the remainder of the shares of series E2, 1,806,631 shares, against payment. The decreases of the share capital and share premium reserve in series E2 were registered in the Trade Register at the end of October.

An Extraordinary General Meeting of Shareholders held on 2 December 2003 decided that Pohjolan Voima shall participate in Teollisuuden Voima Oy's Olkiluoto 3 nuclear power plant unit with a share of 56.8%. The meeting simultaneously decided to increase the share capital by issuing 1,410,700 new shares for subscription by the current series B shareholders for a subscription price of EUR 78.999 million.

Shareholders of Pohjolan Voima (general shareholding)

Shareholder	Holding %	Holding %
	31 Dec. 2002	31 Dec. 2003
Etelä-Pohjanmaan Voima Oy	4.242	4.373
City of Helsinki	1.425	0.815
Ilmarinen Mutual Pension Insurance Company	4.330	4.562
Kemira Oyj and Pension foundation Neliapila	4.432	2.787
Kemira GrowHow Oy and Kemira Agro Pension foundation	0.000	1.848
City of Kokkola	2.146	2.242
Kotka Energy Ltd	1.339	0.000
Kymppivoima Tuotanto Oy	2.087	2.940
Kyro Corporation	0.184	0.190
Oy Metsä-Botnia Ab	1.515	1.584
M-real Corporation	2.451	2.564
Myllykoski Corporation	1.486	0.850
Nordic Energy Oy	14.444	15.219
City of Oulu	0.113	0.119
Perhonjoki Oy	2.075	2.170
City of Pori	1.145	1.182
Päijät-Hämeen Voima Oy	1.287	0.960
Stora Enso Oyj	14.391	13.319
UPM-Kymmene Corporation	40.374	41.968
Vantaa Energy Ltd	0.534	0.309

Corporate management

The Annual General Meeting elected the following members to the Board of Directors: Petri Heinonen, CEO, Etelä-Pohjanmaan Voima Oy; Evan Edwards, Managing Director, TXU Nordic Energy Oy; Stefan Storholm, CEO, Perhonjoki Oy; Pekka Laaksonen, Senior Executive Vice President, Stora Enso Oyj; Heikki Sara, Executive Vice President, UPM-Kymmene Corporation; Tapani Sointu, Vice President, UPM-Kymmene Corporation; Esa Tirkkonen, Executive Vice President, Kemira Oyj; and Erkki Varis, CEO, Oy Metsä-Botnia Ab.

The organising meeting of the Board of Directors appointed Heikki Sara as Chairman and Pekka Laaksonen as Deputy Chairman. When Petri Heinonen transferred to a new employer and resigned from the Board of Directors, an Extraordinary General Meeting appointed Rami Vuola, the new CEO of Etelä-Pohjanmaan Voima, as his replacement. As a consequence of the arrangements in Nordic Energy Oy, Evan Edwards resigned from the Board of Directors on 9 January 2004.

The Board of Directors convened 13 (12) times in 2003.

Legal actions pending

In 2002, Helsinki District Court dismissed PVO-Vesivoima Oy's claim against the Finnish Government, requesting for compensation for the economic benefit lost due to the protection of River Iijoki. PVO-Vesivoima appealed against the decision to the Helsinki Court of Appeal, which issued its decision on 30 December 2003 and did not change the judgment. PVO-Vesivoima must apply for a retrial permit from the Supreme Court by 1 March 2004.

In June, Vaasa Administrative Court issued its decision on the ash disposal facility for PVO-Lämpövoima Oy's Kristiinankaupunki power plant. The court changed the decision of the West Finland Regional Environment Centre in PVO-Lämpövoima's favour, and the Environment Centre appealed to the Supreme Administrative Court. In its appeal, the Environment Centre demands that the structural requirements for the foundation of the landfill must be returned to the form originally decided by the Environment Centre. PVO-Lämpövoima submitted an appeal of its own regarding the surface structure of the landfill and the material used for the drying layer.

The gasification plant to be built at the Martinlaakso power plant in Vantaa was granted an environmental permit at the end of 2002. Vaasa Administrative Court revoked the permit decision on 31 December 2003 and returned the matter for re-processing by the Western Finland Environmental Permit Authority. The administrative court's decision has been appealed to the Supreme Administrative Court.

Preparations for IFRS financial statements

Pohjolan Voima has not made a decision on when to start preparing the Group's financial statements in accordance with IFRS. Differences in the accounting practices have been investigated during the accounting period. The most significant differences would be the consolidation of Teollisuuden Voima as an associated company, as well as the handling of leasing arrangements, financial instruments, revaluations and construction-time interests. Compared to the 2003 consolidated financial statements in accordance with the Finnish accounting standards, the IFRS transition would decrease the balance sheet total by EUR 743.6 million and increase the equity ratio to 53.6%. The number of personnel at the end of 2003 would be 213, while it is currently 846.

Short-term outlook

Electricity consumption will continue steady growth in Finland and the Nordic countries. There are no other known investments

increasing the capacity of electricity production besides the Olkiluoto 3 nuclear power plant unit. If short-term investments in electricity production only consist of replacement investments to maintain the existing production capacity, the risk is that the price of electricity sold to industrial consumers and households will significantly increase. The Olkiluoto plant project alone is not sufficient to cover for the constantly increasing consumption in the Nordic countries but must be supported by other investments.

Pohjolan Voima has carried out large investments in biofuel power plants in accordance with its biofuel programme. The Group is also investigating biofuel harvesting systems and more efficient utilisation. There are more than 350 plants using logging residue in Finland. The problem in the future will be the availability and sufficiency of logging residue and other usable material.

Emissions trading will be introduced on the European Union scale in 2005, and this will change the operating environment of energy-consuming industry and the energy sector. Emissions trading is expected to cause pressure on the price of electricity and thus on Europe's competitive ability. A group of experts appointed by the EU Commission estimated that the wholesale price of electricity will increase approximately 10 to 15 per cent in the first trading period from 2005 to 2007 if the price of an emission right remains below 15 euro. The price is estimated to increase to more than 20 euro in the second period, which would significantly increase the wholesale price of electricity, maybe more than 30 per cent. The implementation of the global Kyoto protocol depends on whether Russia will ratify it. The USA has already decided not to ratify the protocol.

Operators within the scope of emissions trading must apply for an emission permit on the basis of the Emissions Trading Act during 2004. Pohjolan Voima's power plants requiring a permit will be included in a mandatory monitoring and verification system. The authorities will prepare a national division plan in accordance with the Emissions Trading Act in 2004. It allocates the number of emission rights decided by the Government to each of the operators' plants. Their sufficiency cannot be estimated yet.

Consolidated profit and loss account

1 000 euro		1 Jan.-31 Dec. 2003	1 Jan.-31 Dec. 2002
Turnover	(1)	658 591	670 014
Production for own use		141	166
Other operating income	(2)	10 734	10 220
Raw materials and services	(3)	-349 691	-351 257
Personnel expenses	(4)	-51 120	-44 120
Depreciation and value adjustments	(5)	-112 305	-92 232
Other costs and expenses	(6)	-177 220	-154 546
Operating profit		-20 870	38 245
Financial income and expenses	(7)	-24 143	-32 823
Profit before taxes and minority interest		-45 013	5 422
Income taxes	(9)	15 494	-1 455
Minority interest		3 610	-1 502
Profit for the financial year		-25 909	2 465

Consolidated balance sheet

1 000 euro

1 Jan.-31 Dec. 2003 1 Jan.-31 Dec. 2002

Assets

Non-current assets

Intangible assets	(10)	25 806	33 587
Tangible assets	(11)	1 493 959	1 543 045
Investments	(12)	374 671	352 639
		1 894 436	1 929 271

Current assets

Inventories	(13)	203 233	194 115
Non-current receivables	(14)	38 545	46 545
Current receivables	(15)	230 028	169 755
Cash in hand and at bank	(16)	19 585	17 260
		491 391	427 675

2 385 827 2 356 946

Equity and liabilities

Shareholders' equity

Share capital	(17)	55 302	58 269
Share issue		78 999	10
Share premium reserve		302 602	340 160
Contingency reserve		547	-
Revaluation reserve		218 644	218 644
Retained earnings		167 696	165 231
Profit for the financial year		-25 909	2 465
		797 881	784 779

Minority interest

183 332 177 584

Liabilities

Deferred tax liability	(18)	141 916	160 844
Non-current liabilities	(19)	976 153	991 571
Current liabilities	(20)	286 545	242 168
		1 404 614	1 394 583

2 385 827 2 356 946

Consolidated cash flow statement

1 000 euro

1 Jan.-31 Dec. 2003 1 Jan.-31 Dec. 2002

Cash flow from operating activities

Operating profit	-20 870	38 245
Adjustments to operating profit 1)	102 178	85 105
Change in net working capital 2)	21 466	9 041
Interest paid	-40 728	-43 467
Interest received	2 588	11 252
Dividends received	2 034	2 762
Other financial income and expenses	1 153	-377
Direct taxes paid	-10	-490
Net cash from operating activities	67 811	102 071

Cash flow from investing activities

Acquisition of associated companies	-1 501	-186
Investment in other shares	-254	-72
Purchases of tangible and intangible assets	-94 015	-197 039
Proceeds from sales of Group companies	-	-9
Proceeds from sales of associated companies	153	-
Proceeds from sales of other shares	70	35
Proceeds from sales of tangible and intangible assets	3 153	2 662
Increase (-) or decrease (+) in loan receivables	-12 890	-12 242
Net cash spent on investing activities	-105 284	-206 851

Cash flow from financing activities

Increase in long-term liabilities	169 250	256 296
Decrease in long-term liabilities	-126 639	-134 600
Increase (-) or decrease (+) in interest-bearing receivables	-2 552	-11 306
Increase (-) or decrease (+) in current interest-bearing liabilities	35 971	-13 470
Share issue	20 412	16 534
Repayment of equity	-60 400	-
Change in minority interest	3 756	4 031
Net cash spent on financing activities	39 798	117 485
Net increase (+) or decrease (-) in cash and cash equivalents	2 325	12 705
Cash and cash equivalents, 1 Jan.	17 260	4 555
Cash and cash equivalents, 31 Dec.	19 585	17 260

1) Adjustments to operating profit

Depreciation and value adjustments	112 305	92 232
Gains (-) or losses (+) on sale of fixed assets	-2 488	-467
Share of associated companies' profits	-7 639	-6 660
	102 178	85 105

2) Change in working capital

Increase (-) or decrease (+) in inventories	-9 118	39 297
Increase (-) or decrease (+) in non-interest-bearing receivables	49 566	-52 974
Increase (-) or decrease (+) in short-term non-interest-bearing liabilities	-18 982	22 718
	21 466	9 041

Profit and loss account of parent company

1 000 euro

1 Jan.-31 Dec. 2003 1 Jan.-31 Dec. 2002

Turnover	(1)	470 379	502 561
Other operating income	(2)	1 710	2 778
Raw materials and services	(3)	-237 890	-254 499
Personnel expenses	(4)	-4 800	-4 319
Depreciation and value adjustments	(5)	-1 935	-1 476
Other costs and expenses	(6)	-241 520	-237 212
Operating profit		-14 056	7 833
Financial income and expenses	(7)	-18 056	-6 285
Profit before extraordinary items		-32 112	1 548
Extraordinary items			
Extraordinary income	(8)	31 000	-
Profit before appropriations and taxes		-1 112	1 548
Appropriations			
Decrease (+) in accumulated depreciation difference		400	456
Income taxes	(9)	-3 869	-745
Profit for the financial year		-4 581	1 259

Parent company balance sheet

1 000 euro

1 Jan.-31 Dec. 2003 1 Jan.-31 Dec.2002

Assets

Non-current assets

Intangible assets	(10)	816	1 104
Tangible assets	(11)	6 232	9 206
Investments	(12)		
Holdings in Group companies		905 783	830 995
Other investments		203 059	209 543
		1 115 890	1 050 848

Current assets

Inventories	(13)	6 076	-
Non-current receivables	(14)	37 073	44 038
Current receivables	(15)	188 196	81 720
Cash in hand and at banks		2 913	4 857
		234 258	130 615

1 350 148 1 181 463

Equity and liabilities

Shareholders' equity

	(17)		
Share capital		55 302	58 269
Share issue		78 999	10
Share premium reserve		299 133	336 691
Contingency reserve		547	-
Revaluation reserve		218 644	218 644
Retained earnings		41 385	40 126
Profit for the financial year		-4 581	1 259
		689 429	654 999

Appropriations

Accumulated depreciation difference		2 745	3 145
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Liabilities

Non-current liabilities	(19)	392 787	405 931
Current liabilities	(20)	265 187	117 388
		657 974	523 319

1 350 148 1 181 463

Parent company cash flow statement

1 000 euro

1 Jan.-31 Dec. 2003 1 Jan.-31 Dec. 2002

Cash flow from operating activities		
Operating profit	-14 056	7 833
Adjustments to operating profit 1)	3 292	837
Change in net working capital 2)	-4 638	-1 095
Interest paid	-18 601	-19 125
Interest received	8 633	10 100
Dividends received	1 667	1 822
Other financial income and expenses	-71	-70
Direct taxes paid	-4	-235
Net cash from operating activities	-23 778	67
Cash flow from investing activities		
Investment in shares	-80 394	-20 375
Purchases of tangible and intangible assets	-518	-469
Proceeds from sales of shares	48	30
Proceeds from sales of tangible and intangible assets	981	708
Increase (-) or decrease (+) in loan receivables	10 300	23 500
Net cash spent on investing activities	-69 583	3 394
Cash flow from financing activities		
Increase in long-term liabilities	80 642	34 103
Decrease in long-term liabilities	-35 689	-52 194
Increase (-) or decrease (+) in interest-bearing receivables	-18 035	-5 369
Increase (+) or decrease (-) in current interest-bearing liabilities	104 487	1 354
Share issue	20 412	16 534
Repayment of equity	-60 400	-
Net cash spent on financing activities	91 417	-5 572
Net increase (+) or decrease (-) in cash and cash equivalents	-1 944	-2 111
Cash and cash equivalents, 1 Jan.	4 857	6 968
Cash and cash equivalents, 31 Dec.	2 913	4 857
1) Adjustments to operating profit		
Depreciation and value adjustments	1 935	1 476
Losses (+) or gains (-) on sale of fixed assets	1 357	-639
	3 292	837
2) Change in working capital		
Increase (-) or decrease (+) in non-interest-bearing receivables	28 545	-32 369
Increase (-) or decrease (+) in inventories	-6 076	-
Increase (+) or decrease (-) in short-term non-interest-bearing receivables	-27 107	31 274
	-4 638	-1 095

Consolidation principles

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 as prescribed in Chapter 1, Section 3 of the Companies 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 capitalized in full. This consolidation difference is depreciated according to the depreciation plan of the fixed asset item in question.

Inter-company transactions and margins

All 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, corresponding to the shareholding of the Group, of the result and the change in the depreciation difference of the associated companies from which the tax liability has been deducted. The value of shares shown in the balance sheet is the proportion of the shareholders' equity and accumulated depreciation difference from which tax

liability has been deducted. The result of the associated companies is shown in other costs and expenses.

Items in foreign currencies

The value of debts and receivables, as well as contingent liabilities in foreign currencies have 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 from which depreciation according to plan has been deducted. Revaluation has been made on hydropower buildings and dam structures, and these are included in the balance sheet values.

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

- hydropower plants 40 to 80 years
- nuclear power plants 10 to 41 years
- condensing power plants 25 years
- co-generation power plants 4 to 33 years
- transmission lines 30 years
- other fixed assets 3 to 20 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.

Pension arrangements

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

Income tax

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

1 000 euro	Group		Parent Company	
	2003	2002	2003	2002
(1) Turnover				
Sales of electricity	514 041	503 953	416 659	408 958
Sales of heat	65 341	102 250	47 301	87 535
Other sales	79 209	63 811	6 419	6 068
	658 591	670 014	470 379	502 561
(2) Other operating income				
Gains on sales of fixed assets	3 900	468	55	688
Rental income	2 151	3 002	1 485	1 723
Other income and expenditure	2 813	6 116	170	367
Subsidy for wood-fueled electricity production	1 870	634	-	-
	10 734	10 220	1 710	2 778
(3) Raw materials and services				
Fuel	204 968	173 914	17 210	-
Other materials, consumables and goods	126 351	109 828	221 729	250 161
Purchases during the period	331 319	283 742	238 939	250 161
Change in inventories	-9 122	39 305	-6 076	-
External services	27 494	28 210	5 027	4 338
	349 691	351 257	237 890	254 499
(4) Personnel expenses				
Salaries and fees				
Salaries of the Boards of Directors	1 338	992	477	429
Other salaries	39 116	34 629	3 235	3 179
	40 454	35 621	3 712	3 608
Pension expenses	7 317	5 556	838	464
Other indirect employee costs	3 349	2 943	250	247
	10 666	8 499	1 088	711
Total personnel expenses	51 120	44 120	4 800	4 319
Personnel (average)				
Salaried employees	588	540	61	61
Wage-earners	276	263	4	5
Total	864	803	65	66

Managing Directors of Group companies and some other staff members normally retire at the age of 63-65.

(5) Depreciation				
Depreciation according to plan				
Formation expenses	6 128	6 133	-	-
Intangible assets	120	57	-	-
Other capitalized expenditure	2 687	2 586	290	268
Buildings and constructions	9 987	10 049	121	123
Machinery and equipment	65 864	72 271	1 077	638
Other tangible assets	1 275	1 113	-	-
Goodwill	57	23	-	-
Value adjustments on non-current assets	26 187	-	-	-
Investments	-	-	447	447
	112 305	92 232	1 935	1 476

1 000 euro	Group		Parent Company	
	2003	2002	2003	2002
(6) Other costs and expenses				
Energy purchases	55 744	47 780	231 311	229 222
Share of associated companies' profits	-7 639	-6 660	-	-
Repair and maintenance services	23 279	20 516	189	301
Rents and leases	9 463	11 133	1 840	1 817
Real estate taxes	5 964	6 197	62	64
Other expenses	90 409	75 580	8 118	5 808
	177 220	154 546	241 520	237 212
(7) Financial income and expenses				
Dividend income				
From associated companies	-	-	2 343	2 564
From others	522	941	5	3
	522	941	2 348	2 567
Interest income from long-term investments				
From Group companies	-	-	5 446	6 871
From associated companies	2 375	1 420	2 375	1 420
From others	5 268	9 230	-1 206	320
	7 643	10 650	6 615	8 611
Other interest and financial income				
From Group companies	-	-	344	280
From associated companies	59	50	59	50
From others	2 017	1 622	1 682	1 083
	2 076	1 672	2 085	1 413
Total interest income	9 719	12 322	8 700	10 024
Value adjustments on investments held as non-current assets	-	-	-13 555	-
Interest and financial expenses				
To Group companies	-	-	-12 538	-14 931
To associated companies	-184	-92	-184	-92
To others	-34 200	-45 994	-2 827	-3 853
	-34 384	-46 086	-15 549	-18 876
Total financial income and expenses	-24 143	-32 823	-18 056	-6 285
Interest and financial income includes net exchange rate differences	60	44	44	52
(8) Extraordinary items				
Extraordinary income, Group contribution			31 000	-
			31 000	-
(9) Income taxes				
Taxes for the financial year	3 435	251	3 869	748
Taxes for the previous periods	-	-3	0	-3
Change in deferred tax liability	-18 929	1 207	-	-
	-15 494	1 455	3 869	745

(10) Intangible assets

1000 euro	Formation expenses	Intangible rights	Other capitalized expenditures	Advance payments	Goodwill	Total
Group						
Acquisition cost, 1 Jan.	58 116	748	55 709	127	534	115 234
Increases	-	483	865	329	-	1 676
Decreases	-	-	-827	-151	-	-978
Acquisition cost, 31 Dec.	58 116	1 231	55 747	305	534	115 932
Accumulated depreciation 1 Jan.	-51 988	-126	-29 502	-	-30	-81 646
Accumulated depreciation on decreases	-	-	512	-	-	512
Depreciation for the period	-6 128	-120	-2 687	-	-57	-8 992
Accumulated depreciation 31 Dec.	-58 116	-246	-31 677	-	-87	-90 126
Book value 31 Dec. 2003	0	985	24 070	305	447	25 806
Book value 31 Dec. 2002	6 127	624	26 205	127	504	33 587
Subsidies received reducing acquisition cost						29
Parent company						
Acquisition cost, 1 Jan.	-	11	2 668	-	-	2 679
Increases	-	-	2	-	-	2
Decreases	-	-	-28	-	-	-28
Acquisition cost, 31 Dec.	-	11	2 642	-	-	2 653
Accumulated depreciation 1 Jan.	-	-	-1 575	-	-	-1 575
Depreciation for the period	-	-	-262	-	-	-262
Accumulated depreciation 1 Dec.	-	-	-1 837	-	-	-1 837
Book value 31 Dec. 2003	-	11	805	-	-	816
Book value 31 Dec. 2002	-	11	1 093	-	-	1 104

(11) Tangible assets

	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments	Total
Group						
Acquisition cost, 1 Jan.	42 553	372 798	1 794 284	260 047	76 973	2 546 655
Increases	561	10 277	53 150	997	53 036	118 021
Decreases	-4	-2 527	-39 502	-1	-29 844	-71 878
Acquisition cost, 31 Dec.	43 110	380 548	1 807 932	261 043	100 165	2 592 798
Accumulated depreciation 1 Jan.	-	-141 896	-841 526	-20 190	-	-1 003 612
Accumulated depreciation on decreases	-	402	7 683	0	-	8 086
Depreciation for the period	-	-10 766	-91 272	-1 275	-	-103 313
Accumulated depreciation 31 Dec.	-	-152 260	-925 115	-21 465	-	-1 098 839
Book value 31 Dec. 2003	43 110	228 288	882 817	239 578	100 165	1 493 959
Book value 31 Dec. 2002	42 553	230 903	952 759	239 857	76 973	1 543 045
Revaluations included in acquisition cost, 31 Dec.		66 296		198 849		
Production machinery and equipment, 31 Dec.			630 127			
Subsidies received reducing acquisition cost						9 649

Capitalized interests relating to construction period

1000 euro	Formation expenses	Other capitalized expenditure	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments	Total
Group							
Acquisition cost, 1 Jan.	11 601	3 530	31 351	113 727	2 609	249	163 067
Increases	-	-	153	598	-	502	1 253
Decreases	-	-	-	-	-	-751	-751
Acquisition cost, 31 Dec.	11 601	3 530	31 504	114 325	2 609	0	163 569
Accumulated depreciation, 1 Jan.	-10 328	-1 506	-16 677	-59 852	-1 422	0	-89 785
Depreciation for the period	-1 273	-123	-846	-3 127	-67	0	-5 436
Accumulated depreciation, 31 Dec.	-11 601	-1 629	-17 523	-62 979	-1 489	0	-95 221
Book value, 31 Dec. 2003	0	1 901	13 981	51 346	1 120	0	68 348
Book value, 31 Dec. 2002	1 273	2 024	14 674	53 876	1 187	249	73 283

(11) Tangible assets

	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments	Total
Parent company						
Acquisition cost, 1 Jan.	198	3 691	9 484	-	185	13 558
Increases	-	-	324	-	191	515
Decreases	-	-2 125	-530	-	-130	-2 785
Acquisition cost, 31 Dec.	198	1 566	9 278	-	246	11 288
Accumulated depreciation, 1 Jan.	-	-857	-3 495	-	-	-4 352
Depreciation for the period	-	-121	-583	-	-	-704
Accumulated depreciation, 31 Dec.	-	-978	-4 078	-	-	-5 056
Book value, 31 Dec. 2003	198	588	5 200	-	246	6 232
Book value, 31 Dec. 2002	198	2 834	5 989	-	185	9 206
Production machinery and equipment, 31 Dec.			4 567			

(12) Investments

1000 euro	Shares in associated companies	Other shares and holdings	Other receivables	Total	
Group					
Acquisition cost, 1 Jan.	82 503	38 652	231 483	352 638	
Increases	7 639	3 288	13 025	23 952	
Decreases	-1 817	-102	0	-1 919	
Acquisition cost, 31 Dec.	88 325	41 838	244 508	374 671	
Book value, 31 Dec. 2003	88 325	41 838	244 508	374 671	
Book value, 31 Dec. 2002	82 503	38 652	231 484	352 639	
	Shares in Group companies	Receivables from Group companies	Shares in associated companies	Other shares and holdings	Total
Parent company					
Acquisition cost, 1 Jan.	830 995	159 459	47 977	2 107	1 040 538
Increases	88 790	4 000	862	3 048	96 700
Decreases	-14 002	-14 300	-	-94	-28 396
Acquisition cost, 31 Dec.	905 783	149 159	48 839	5 061	1 108 842
Book value, 31 Dec. 2003	905 783	149 159	48 839	5 061	1 108 842
Book value, 31 Dec. 2002	830 995	159 459	47 977	2 107	1 040 538
Revaluations included in acquisition cost, 31 Dec.	265 145				

1 000 euro	Group		Parent Company	
	2003	2002	2003	2002

(13) Inventories

Materials and supplies	2 952	2 920	-	-
Fuel	200 281	191 195	6 076	-
	203 233	194 115	6 076	-
Fuel (coal and unrefined uranium)				
Replacement price	79 445	60 459	6 423	-
Book value	-71 809	-62 351	-6 076	-
Difference	7 636	-1 892	347	-

(14) Non-current receivables

Loan receivables	4 907	12 907	3 435	10 400
Capital loan receivables	33 638	33 638	33 638	33 638
	38 545	46 545	37 073	44 038
Receivables from Group companies				
Capital loan receivables			1	1
Receivables from associated companies				
Loan receivables	3 413	2 572	3 413	2 572
Capital loan receivables	33 638	33 638	33 638	33 638
	37 051	36 210	37 051	36 210

1 000 euro	Group		Parent Company	
	2003	2002	2003	2002
(15) Current receivables				
Accounts receivable	77 984	114 859	43 496	74 584
Loan receivables	32 677	7 677	31 500	6 500
Share issue receivables	86 041	-	78 999	-
Deferred assets	19 596	17 615	31 822	611
Other receivables *)	13 730	29 604	2 379	25
	230 028	169 755	188 196	81 720
Receivables from Group companies				
Accounts receivable			824	490
Deferred assets			31 108	-
Other receivables			-	39
			31 932	529
Receivables from associated companies				
Accounts receivable	205	503	67	14
Deferred assets	145	-	50	-
Other receivables	217	277	-	-
	567	780	117	14
Main items included in current deferred assets				
Personnel expenses	190	533	-	-
Interest income	6 710	9 652	319	297
Interest expenses	8 853	552	-	-
Income taxes	8	7	7	7
Indirect taxes	21	-	-	-
Group contribution	-	-	31 000	-
Others	3 814	6 871	496	307
	19 596	17 615	31 822	611
*) Other receivables include cash pool receivables				
	3 592	18 039		
Interest-bearing receivables				
Non-current assets	244 508	231 483	149 159	159 459
Current assets	94 040	89 409	71 486	55 395
	338 548	320 892	220 645	214 854
(16) Current financial assets				
Replacement price	-	298		
Book value	-	298		
	-	0		

1 000 euro	Group		Parent Company	
	2003	2002	2003	2002
(17) Shareholders' equity				
Share capital, 1 Jan.	58 269	57 955	58 269	57 955
Invalidation of series of shares	-3 033	-895	-3 033	-895
Transfer to contingency reserve	-547	-	-547	-
Transfer from share issues	613	1 209	613	1 209
Share capital, 31 Dec.	55 302	58 269	55 302	58 269
Share issue, 1 Jan.	10	23 221	10	23 221
Transfer to share capital	-613	-1 209	-613	-1 209
Transfer to share premium reserve	-19 809	-38 536	-19 809	-38 536
Share issues during the period	99 411	16 534	99 411	16 534
Share issue, 31 Dec.	78 999	10	78 999	10
Share premium reserve, 1 Jan.	340 160	327 249	336 691	323 779
Invalidation of series of shares	-57 367	-25 625	-57 367	-25 625
Share issue premium	19 809	38 536	19 809	38 536
Share premium reserve, 31 Dec.	302 602	340 160	299 133	336 691
Contingency reserve, 1 Jan.	-	-	-	-
Transfer from share capital	547	-	547	-
Contingency reserve, 31 Dec.	547	-	547	-
Revaluation reserve, 1 Jan.	218 644	218 644	218 644	218 644
Revaluation reserve, 31 Dec.	218 644	218 644	218 644	218 644
Retained earnings, 1 Jan.	167 696	165 231	41 385	40 126
Retained earnings, 31 Dec.	167 696	165 231	41 385	40 126
Profit for the financial year	-25 909	2 465	-4 581	1 259
Total shareholders' equity	797 881	784 779	689 429	654 999
Distributable funds, 31 Dec.				
Retained earnings	167 696	165 231	41 385	40 126
Profit for the financial year	-25 909	2 465	-4 581	1 259
- Capitalized formation expenses	-	-6 127	-	-
- Portion of accumulated depreciation difference transferred to shareholders' equity	-118 659	-161 376	-	-
	23 128	193	36 804	41 385
Share issue authorization 18 March 2003:	Series	Number	Used	Remaining
Authorization is valid for one year.	Series D2	400 000	325 300	74 700
Authorization includes the right to disregard the shareholders' subscription privilege.	Series G3	47 000	39 145	7 855
	Series I	9 000	0	9 000
		456 000	364 445	91 555

	Number	à FIM	1 000 euro
Share capital by share category			
Series A	13 350 077	10.00	22 453
- entitling to electricity generated or acquired by PVO-Vesivoima Oy			
Series B	7 483 705	10.00	12 587
- entitling to 56.8% of electricity generated or acquired by Teollisuuden Voima Oy			
Series C	7 107 592	10.00	11 954
- entitling to electricity generated or acquired by PVO-Lämpövoima Oy			
Series D2	505 300	10.00	850
- entitling to electricity and heat generated by Wisapower Oy			
Series D7	273 519	10.00	460
- entitling to electricity and heat generated by Jämsänkosken Voima Oy			
Series E1	229 741	10.00	386
- entitling to electricity and heat generated by Mussalon Kaukolämpö Oy			
Series G	354 290	10.00	596
- entitling to 49.9% of electricity and heat generated by Oy Alholmens Kraft Ab			
Series G2	238 216	10.00	401
- entitling to 76% of electricity and heat generated by Kymin Voima Oy			
Series G3	115 850	10.00	195
- entitling to 50.0% of electricity and heat generated by Järvi-Suomen Voima Oy			
Series H	500 000	10.00	841
- entitling to electricity and heat generated by PVO-Huippuvoima Oy			
Series I	13 559	10.00	23
- entitling to 64.6% of electricity and heat generated by PVO-Innopower Oy			
Series K1	130 000	10.00	219
- entitling to electricity and heat generated or acquired by Kokkolan Voima Oy			
Series K2	25 178	10.00	42
- entitling to electricity and heat generated or acquired by Vieskan Voima Oy			
Series N	1 506 938	10.00	2 534
- entitling to 80.1% of electricity and heat generated by Nokian Lämpövoima Oy			
Series V	1 046 823	10.00	1 761
- entitling to 50.0% of electricity and heat generated by Vaskiluodon Voima Oy			
	32 880 788		55 302

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

1 000 euro	Group		Parent Company	
	2003	2002	2003	2002
(18) Deferred tax liability				
Deferred tax liability				
From appropriations	141 916	160 844		
(19) Non-current liabilities				
Bond loans	-	11 773	-	-
Loans from financial institutions	418 215	381 474	13 080	43 867
Pension fund loans	1 635	3 271	-	-
Other non-current liabilities	556 303	595 053	379 707	362 064
	976 153	991 571	392 787	405 931
Liabilities to Group companies				
Other non-current liabilities			379 707	362 064
Repayment schedules for long-term loans, from 2009 (from 2008)				
Loans from financial institutions	207 142	119 304		2 979
Other non-current liabilities	549 150	120		-
	756 292	119 424		2 979
Bond loans				
1993-2003				
Currency				
JPY		80 392		
Repayments		-80 392		
1997-2004				
FIM		11 773		
		11 773		

1 000 euro	Group		Parent Company	
	2003	2002	2003	2002
(20) Current liabilities				
Bonds	11 773	81 534	-	-
Loans from financial institutions	106 957	12 664	63 367	5 269
Pension fund loans	1 635	1 635	-	-
Advances received	1 248	177	-	-
Accounts payable	44 816	69 589	53 195	75 802
Deferred liabilities	56 184	54 506	28 470	17 299
Other short-term liabilities	63 932	22 063	120 155	19 018
	286 545	242 168	265 187	117 388
To Group companies				
Accounts payable			44 422	68 756
Deferred liabilities			17 695	11 708
Other short-term liabilities			6 500	6 500
			68 617	86 964
To associated companies				
Accounts payable	5 692	6 299	5 536	4 747
Deferred liabilities	47	60	-	-
Others	-	1	-	-
	5 739	6 360	5 536	4 747
Main items included in current deferred liabilities				
Personnel expenses	9 132	7 365	591	597
Interest income	-	169	-	-
Interest expenses	17 570	24 364	8 833	12 001
Income taxes	3 278	3	3 188	3
Indirect taxes	47	202	-	17
Others	26 157	22 403	15 858	4 681
	56 184	54 506	28 470	17 299
Interest-free and interest-bearing liabilities				
Non-current				
Interest-bearing	976 153	991 571	392 787	405 931
	976 153	991 571	392 787	405 931
Current				
Interest-free	123 174	139 300	81 795	96 581
Interest-bearing	163 371	102 868	183 392	20 807
	286 545	242 168	265 187	117 388

1 000 euro	Group		Parent Company	
	2003	2002	2003	2002
(21) Contingent liabilities				
Mortgages				
As security against own debt	16 818	23 578		
Guarantees				
Loan guarantees				
For associated companies	105 265	109 305	105 221	109 305
For others	699	699	699	699
Other guarantees				
For own commitments	8 813	12 870	7 928	7 839
For Group companies	-	-	34 208	36 239
For associated companies	1 200	1 247	1 200	1 200
For others	-	1 103	-	1 103
	115 977	125 224	149 256	156 385
Leasing commitments				
Payments for 2004 / 2003	8 430	7 180		
Payments for the following years	199 121	103 941		
	207 551	111 121		
Other commitments	346	346	336	336
Nuclear waste management liabilities				
Nuclear waste management liability	763 800	732 200		
Funds in the Nuclear Waste Management Fund (2 April)	763 800	732 200		
Guarantee required under Section 44 of the Nuclear Energy Act	76 380	74 380	43 384	42 246
Nuclear waste management receivables pledged to the State Nuclear Waste Management Fund	311 917	224 335		

In connection with the decision to invest in Teollisuuden Voima's third nuclear power plant unit, Pohjolan Voima Oy committed to an investment of 407.3 million euro in the years 2004 to 2009 and to a shareholder loan of 101.8 million euro. The share of this investment booked in the parent company's balance sheet is 9.3 million euro.

A disposal facility is going to be built at Kristiinankaupunki for the ashes and gypsum waste originating from the coal-fired power plant. In accordance with a decision by the West Finland Regional Environment Centre, PVO-Lämpövoima has an obligation to treat and landscape the disposal facility once it is decommissioned. The cost estimate in the permit application indicates that the decommissioning costs will be approximately 3.3 million. The realisation of these costs in full is uncertain, because the ashes and gypsum waste can also be utilised and, on the other hand, the amount of ashes and waste generated depends on the power plant's usage in the future.

(22) Derivative contracts

Capital values of derivative contracts providing a hedge against exchange rate and interest risks were as follows:

Interest rate derivatives

 Option contracts

Purchased	140 000	110 000		
Written	80 000	60 000		

Forward rate agreements

Purchased	-	200 000		
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Swap agreements	113 638	179 201	113 638	112 047
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Currency derivatives

Forward contracts	15 693	497		
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 Currency options

Purchased	-	5 721		
Written	-	5 721		

 Swap agreements

Receivables	-	80 392		
Debts	-	-81 534		

Grid operations

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

Allocation of joint items

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

Valuation of fixed assets

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

Return on investment

Return on investment was 4.2% (11.1%).

ROI=

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

Personnel

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

Profit and loss account

1 000 euro 1 Jan. - 31 Dec.	2003	2002
Turnover	4 099	3 614
Other operating income	49	148
Raw materials and services	-1 956	-1 431
Personnel expenses	-117	-120
Depreciation and value adjustments	-1 024	-523
Other costs and expenses	-501	-335
Operating profit	550	1 353
Financial income and expenses	317	312
Profit before appropriations and taxes	867	1 665
Appropriations		
Decrease in accumulated depreciation difference	202	297
Income taxes	-310	-569
Profit for the financial year	759	1 393

Balance sheet

1 000 euro 31 December	2003	2002	1 000 euro 31 December	2003	2002
Assets			Equity and liabilities		
Non-current assets			Calculated equity	2 838	2 838
Intangible assets			Retained earnings	7 993	6 601
Capitalized expenditure	259	425	Profit for the financial year	759	1 393
Tangible assets				11 590	10 832
Grid	4 405	5 220	Appropriations		
Current assets			Accumulated depreciation difference	2 560	2 762
Current receivables			Liabilities		
Accounts receivables	397	456	Current		
Cash in hand and at bank	9 734	8 373	Account payable	196	170
	10 131	8 829	Deferred liabilities	449	710
				645	880
	14 795	14 474		14 795	14 474

	Domicile	Group holding %	Parent company holding %		
Group companies					
Jämsänkosken Voima Oy	Helsinki	100.000	100.000		
Järvi-Suomen Voima Oy	Helsinki	50.000	50.000		
Kaukaan Voima Oy	Helsinki	100.000	100.000		
Kokkolan Voima Oy	Helsinki	100.000	100.000		
Kymin Voima Oy	Helsinki	76.000	76.000		
Mussalon Höyryvoima Oy	Helsinki	100.000	100.000		
Mussalon Kaukolämpö Oy	Helsinki	100.000	100.000		
Mussalon Kiinteistöt Oy	Helsinki	100.000	100.000		
Nokian Lämpövoima Oy	Helsinki	80.100	80.100		
Olkiluodon Vesi Oy	Helsinki	56.800			
Perusvoima Oy	Helsinki	56.800			
Posiva Oy	Helsinki	34.080			
Posivia Oy	Helsinki	34.080			
PVO-Huippuvoima Oy	Helsinki	100.000	100.000		
PVO-Innopower Oy	Helsinki	64.554	64.554		
PVO-Kiinteistöt Oy	Helsinki	100.000	100.000		
PVO-Lämpövoima Oy	Helsinki	100.000	100.000		
PVO-Pool Oy	Helsinki	100.000	100.000		
PVO-Vesivoima Oy	Helsinki	100.000	100.000		
Raahen Voima Oy	Helsinki	100.000	100.000		
Rauman Voima Oy	Helsinki	100.000	100.000		
Rouhialan Voimansiirto Oy	Helsinki	100.000	100.000		
Teollisuuden Voima Oy	Helsinki	56.800	56.800		
TVO Nuclear Services Oy	Eurajoki	56.800			
Vieskan Voima Oy	Helsinki	100.000	100.000		
Wisapower Oy	Helsinki	100.000	100.000		
Kiint. Oy Voimalinja	Kristiinankaupunki	100.000			
	Domicile	Group holding %	Parent Company holding %	Shareholders' equity	Profit 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	18.170		274	370
Tahkoluodon Polttoöljy Oy	Pori	32.000		¹⁾ 112	¹⁾ -225
Tornionlaakson Voima Oy	Ylitornio	50.000			
Vaskiluodon Voima Oy	Vaasa	50.000	50.000		
Voimalohi Oy	Kemi	50.000	380		22
Other holdings					
²⁾ Powest Oy	Helsinki		80.475	¹⁾ 8 599	¹⁾ -4 667

¹⁾ Information from the financial statements as of 31 December 2002

²⁾ Powest Oy is not included in the Pohjolan Voima Group (see Accounting policies, entitlement to dividend).

Proposal of the Board of Directors for recording the financial result

The Group's distributable funds amount to 23,128,132.06 euro.

The parent company Pohjolan Voima's profit and loss account indicates a loss of 4,580,944.77 euro, after which its distributable funds amount to 36,804,264.41 euro.

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

Signed in Helsinki, the 4th day of March 2004

Heikki Sara Chairman	Pekka Laaksonen Deputy Chairman	Tapani Sointu
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Stefan Storholm	Esa Tirkkonen	Erkki Varis
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Rami Vuola

Timo Rajala
President and CEO

Auditors' report

To the shareholders of Pohjolan Voima Oy

We have audited the accounts, the accounting records and the administration of Pohjolan Voima Oy for the financial year from 1 January to 31 December 2003. The accounts prepared by the Board of Directors and the Managing Director include, for both the Group and the Parent Company, a report on operations, an income statement, a balance sheet and notes to the accounts. We provide our opinion on the accounts and the administration based on our audit.

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

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

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

Signed in Helsinki, the 11th day of March 2004

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Accountant

