2010

Annual report by the Board of Directors and Financial Statements

POHJOLAN VOIMA

Contents

Annual report by the Board of Directors 2010

Operating environment

In 2010, electricity consumption in Finland was 87.5 TWh (81.3 TWh in 2009). Of this volume, 77.0 (69.2) TWh was produced in Finland, while net imports into Finland were 10.5 (12.1) TWh. Electricity exports to other Nordic countries exceeded the previous year's volume. Imports from Estonia increased while imports from Russia remained at the previous year's level.

The recovery of the Finnish economy increased electricity consumption by the industry in particular. The production of combined heat and power hit a new record. In the Nordic countries, the total water reservoirs remained below the normal level for a second consecutive year.

The annual average system price on Nord Pool was €53.06 (€35.02) per MWh, while the annual average of the Finnish area price was €56.64 (€36.98) per MWh. Peak electricity prices during the year were caused by lack of capacity and increased consumption due to sharp frosts. The volume of physical electricity trading on Nord Pool, the Nordic electricity exchange, was 307 TWh (287 TWh).

The price of emissions allowances remained relatively stable in 2010. The market price of an emission allowance varied between €12.40 and €16.50.

Pohjolan Voima's electricity and heat production

In 2010, Pohjolan Voima's total electricity supply was 23.5 (21.7) TWh. The Group's own electricity production accounted for 17.6 (15.3) TWh, of which the parent company's supplies to its shareholders were 17.1 (15.0) TWh. The subsidiaries supplied 0.5 (0.3) TWh to their other shareholders. Purchases from Nordic electricity markets amounted to 5.9 (5.8) TWh. Heat supplies were 7.5 (5.8) TWh.

Nuclear power made up 34.0% (37.7%) of the electricity supply. Teollisuuden Voima's Olkiluoto nuclear power plant generated 14.1 (14.5) TWh of electricity, of which Pohjolan Voima obtained 8.0 (8.2) TWh, in accordance with its shareholding. The joint capacity factor of the Olkiluoto plants was 93.5% (96.0%). The capacity factor was lower than in the previous year, as the OL1 unit had its largest annual maintenance yet, after which the nominal net electricity production capacity was stepped up by 20 MW.

Hydropower accounted for 1.7 (1.6) TWh, or 7.1% (7.1%), of the electricity supply.

Pohjolan Voima produced 3.8 (2.4) TWh of condensing power, which represented 16.2% (11.2%) of the electricity supply. The condensing power production increased due to prolonged annual maintenance at Swedish power plants and poor water conditions in the Nordic countries. A total of 4.0 (3.1) TWh of electricity was generated by the CHP plants.

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

	2006	2007	2008	2009	2010
Nuclear power	8 085	8 150	8 137	8 170	7 988
Hydro power	1 429	1 782	2 171	1 551	1 670
CHP	3 734	3 739	3 436	3 090	4 032
Condensing power	4 881	3 542	1 737	2 419	3 810
Wind power	27	28	60	108	103
Purchases	4 868	4 691	5 209	6 355	5 883
Total	**23 024**	**21 932**	**20 750**	**21 693**	**23 485**
Sales (Meur)*	775	651	791	833	1041

** Figures for years 2006–2008 are unaudited pro forma sums.*

Investments

Total investments of the Pohjolan Voima Group, excluding investments in associated companies and joint ventures and purchases of emissions allowances, were €51.6 (€113.4) million.

PVO-Vesivoima Oy continued the Iijoki hydropower plant renovation programme by investing €5.2 (€6.0) million in the renewal work at Haapakoski, Maalismaa and Pahkakoski.

Investments in bioenergy plants were €43.1 (€94.4) million. The construction of Kaukaan Voima Oy's bioenergy plant, located at UPM-Kymmene Oyj's Kaukas paper mill site in Lappeenranta, was completed, and the plant's production began in February 2010.

In December, Hämeenkyrön Voima Oy purchased a share of the Kyro mill power plant from M-real Oyj. An investment prepared near the plant would include the construction of a new boiler unit as well as fuel reception and handling systems.

The remaining investments were mainly made in repairs and renovations.

In line with the 2003 decision of the Board of Directors, the company has invested a total of €500.7 (€453.0) million in the OL3 project between 2004 and 2010. The investments are based on the OL3 financing plan, according to which the equity required by the investment is accumulated along with the progress of the project.

Research and development

Research and development expenses totalled €0.5 million (€2.8 million in 2009 and €1.6 million in 2008).

Measurement results acquired during the first winter of the undersea foundation for a 3 MW wind turbine, constructed for testing purposes off Ajos in 2009, were satisfactory. In order to perform more tests on the durability and functionality of the undersea foundation, the measurements will continue during the winter season 2010/2011. Once the testing phase is over, the purpose is to construct a new wind power plant on the foundation.

Pohjolan Voima and Helsingin Energia are studying the manufacturing possibilities and usability of torrefied wood-based biomass at coal-fired power plants.

Personnel

The average number of employees working for the Group, with permanent or fixed-time contracts, was 512 (547 in 2009 and 561 in 2008). The Group's salaries and fees for the financial period totalled €27.0 million (€27.4 million in 2009 and €27.5 million in 2008).

The average number of employees working for the parent company, with permanent or fixed-time contracts, was 77 (81 in 2009 and 77 in 2008). Salaries and fees for the financial period totalled €6.6 million (€6.9 million in 2009 and €6.3 million in 2008).

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

Environmental issues

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

Regulation of waterways and the operation of hydropower plants took place under the permit conditions. In order to sustain the fish stocks in the Kemijoki and Iijoki waterways and the sea area, 2.5 (2.8) million fry were stocked. Together with Kemijoki Oy, 4.4 (4.7) million fry were stocked in the Kemijoki sea and river area; of these, PVO-Vesivoima Oy's share was 17 percent, or 0.7 (0.8) million fry. Fishery obligations were met successfully, and the number of river lampreys transported past dams and power stations exceeded the annual obligation on both the Kemijoki and Iijoki rivers.

All the thermal power plants operated by the Group fall within the sphere of the Emissions Trading Act. Carbon dioxide emissions from production increased compared to the previous year due to increased electricity and heat production. The carbon dioxide emissions from electricity and heat produced and supplied to shareholders were 5.6 (4.2) million tonnes. Notes to the Financial Statements only report the CO_2 emissions of the subsidiaries, which amounted to 3.8 (2.8) million tonnes.

Consequently, other emissions into the air increased as production volumes rose. Sulphur dioxide emissions were 4.1 (3.4) thousand tonnes, nitrogen oxide emissions 7.5 (5.7) thousand tonnes and particle emissions 0.4 (0.3) thousand tonnes.

The Vaskiluoto power plant was granted an environmental permit in 2010 that allows it to start gasifying biofuel and peat and to use the gas as the fuel for a coal boiler. The Centre for Economic Development, Transport and the Environment for South Ostrobothnia lodged an appeal against the environmental permit in the Vaasa Administrative Court. However, the appeal was withdrawn in February 2011 and the permit became final. At the Kristiina power plant, applications have been submitted for an environmental permit for a similar gasification plant, and also for a new multi-fuel boiler that could replace the old oil-fired condensing power plant altogether and make it possible to gradually increase the use of biofuels. The application for an environmental permit was submitted in November 2009, and the permit is expected to be granted early in 2011.

The environmental impact assessment for the multi-fuel boiler in Pohjolan Voima's power plant in Mussalo, Kotka, was completed in the spring 2010. The coordinating authority issued its statement on the EIA report in March. The multi-fuel boiler could replace the existing boiler of the Mussalo 2 power plant. The aim is to replace, to an extent, the fossil fuels with biofuels and peat.

Some thermal power plants registered the fly and bottom ash produced as by-products of thermal power production and gypsum produced in removing sulphur from flue gas according to the European Community's REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals).

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

The Industrial Emissions Directive (IE Directive) was adopted towards the end of 2010, and the deadline for its national implementation is on 7 January 2013. The new, stricter emissions limits stated in the IE Directive would therefore apply to existing power plants from 2016. The IE Directive also contains considerable tightening of requirements on monitoring emissions. For the majority of the Group's power plants, the most difficult problem is the reduction of nitrogen oxide (NOx) emissions, and studies are being conducted on different technical solutions. Aged power plants with few operating hours can commit to a limited operating time of 17,500 hours during 2016–2023, which means that no investments for emission reductions are necessary.

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

Risk management

The aim of risk management is to ensure the materialisation of the strategy and the attainment of the business objectives, as well as to safeguard continuity and disturbance-free operations. Risk management takes place in line with the Group's risk management policy. Risk management follows a distributed operating model.

When making operating plans, the risks that jeopardise the attainment of objectives are estimated and measures for managing them are defined. The significance of risks is estimated as a sum of the likelihood of occurrence and impact, not estimating the impact in euros. The risks have been divided into risks associated with the operating environment, operating model, internal processes, power plant investments and personnel and competence.

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

Most significant risks and uncertainties

The Group's most significant risks are connected with the completion of the OL3 project of Pohjolan Voima's joint venture Teollisuuden Voima. The completion of the plant unit has been delayed and the start of production use has been postponed until 2013. This has and will result in additional costs and losses, which Teollisuuden Voima has demanded the plant supplier, operating on a turnkey basis, must reimburse.

Changes in Group structure

The entire share ownership in Vieskan Voima Oy was sold to Perhonjoki Oy on 18 October 2010.

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

Hämeenkyrön Voima's operations began in December with the purchase of a share in M-real Oyj's Kyro mill power plant and the associated business operations.

Finances

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

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

For liquidity management, the Group was able to rely on domestic commercial paper programmes of €300 (€300) million, of which €235 (€196) million was unused. At the end of the year, available long-term credit facilities amounted to €400 (260) million.

The Group's liquidity is good. Net interest-bearing liabilities at the end of the year stood at €1,110.3 (1,113.0) million. There were no liabilities involving an exchange risk.

At the end of the year, the Group had an equity ratio of 34.7% (33.7%).

During 2010, the Group has adopted the International Financial Reporting Standards (IFRS) in its accounting. Comparison data from 2009 have been adjusted according to IFRS. Differences due to the adoption of the IFRS compared to the earlier accounting standards (Finnish Accounting Standards, FAS) are shown in reconciliation calculations included in Item 3 of the Notes to the Financial Statements.

The consolidated result for the financial period was €14.5 million (-73.7). Total impairments for power plants were €2.8 million during the year under review and €43.3 million in 2009.

Shareholders' equity and share issues

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

- Increase of share capital tied to series G9 shares (15 April 2010), 54,000 shares at a subscription price of €3,024,000.00 directed to UPM-Kymmene Oyj
- Increase of share capital tied to series K3 shares (22 April 2010), 16,450 shares at a subscription price of €921,200.00 directed to Etelä-Suomen Voima Oy
- Increase of share capital tied to series G5 shares (7 September 2010), 6,750 shares at a subscription price of €378,000.00 directed to Kemira Oyj, and (on 13 September 2010) 6,750 shares at a subscription price of €378,000.00 directed to the City of Oulu
- Increase of share capital tied to series G10 shares (11 November 2010), 30,000 shares at a subscription price of €1,680,000.00 directed to M-real Oyj

Pohjolan Voima Oy shareholders (general shareholding)

Shareholder	Shareholding in % 31.12.2009	Shareholding in % 31.12.2010
EPV Energia Oy	7.239	7.217
Etelä-Suomen Voima Oy	2.812	2.848
City of Helsinki	0.790	0.787
Ilmarinen Mutual Pension Insurance Company	4.130	4.117

Kemira Oyj (incl. pension foundation Neliapila)	3.933	3.940
City of Kokkola	2.483	2.476
Kymppivoima Oy	8.752	8.725
Oy Metsä-Botnia Ab	0.344	0.343
M-real Oyj	2.442	2.517
Myllykoski Oyj	0.829	0.826
City of Oulu	1.849	1.862
Outokumpu Oyj	0.086	0.086
Oy Perhonjoki Ab	2.574	2.566
City of Pori	1.845	1.839
Rautaruukki Oyj	0.022	0.021
Stora Enso Oyj	14.819	14.772
UPM-Kymmene Oyj	43.072	43.085
Vantaan Energia Oy	0.313	0.312
Yara Suomi Oy (incl. pension foundation)	1.666	1.661

Corporate management

The Annual General Meeting of 18 March 2010 elected the following members to the Board of Directors: Tapio Korpeinen, Executive Vice President (UPM-Kymmene Corporation); Juha Vanhainen, Executive Vice President (Stora Enso Oyj); Hannu Anttila, Executive Vice President, Strategy (Metsäliitto Group); Petri Kokko, Vice President, Energy (Kokkolan Energia); Jyrki Mäki-Kala, Chief Financial Officer (Kemira Oyj); Kari Rämö, Managing Director (Kymenlaakson Sähkö Oy); Tapani Sointu, Vice President (UPM-Kymmene Corporation); and Rami Vuola, CEO (EPV Energia Oy).

At the Board meeting on 18 March 2010, Tapio Korpeinen was elected as Chairman of the Board and Juha Vanhainen was elected as the Deputy Chairman. The Board of Directors convened 15 (14) times in 2010. The corporation's President and CEO was Timo Rajala, M.Sc. (Eng.) until 30 June 2010, and Lauri Virkkunen, M.Sc (Eng.), M.Sc. (Econ.) after 1 July 2010.

Major legal actions pending

In December 2008, the supplier of the OL3 nuclear power plant, owned by Pohjolan Voima's joint venture Teollisuuden Voima, submitted to the International Chamber of Commerce (ICC) an arbitration-related request concerning the delay in the completion of OL3 and the resulting costs. At the end of the year under review, the compensation demanded by the plant supplier amounted to about €1.2 billion. The demand is mainly based on the additional costs incurred because of the delay. Instalments in line with the plant contract that were demanded to be paid have fallen due for payment and have been paid. Teollisuuden Voima still declares the plant supplier's demand as unjustified.

In April 2009, Teollisuuden Voima has supplied its response and its own demand to the ICC. Teollisuuden Voima's demand at the end of the year under review amounted to about €1.4 billion. The arbitration proceeding may continue for several years.

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

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

The agreement between the Finnish State and PVO-Vesivoima on the use of Iijoki hydropower, owned by the State, at four power plants terminated at the end of 2005. The agreement was not extended. The Permit Authority granted PVO-Vesivoima the permanent right in May 2008 and set the consideration at €2.25 million. Metsähallitus appealed against the decision to the Vaasa Administrative Court, which, in its decision on 27 December 2010, declared the decision of the Northern Finland Environmental Permit Authority valid. Metsähallitus has applied for leave to appeal from the Supreme Court. The decision on the permanent right to use hydropower is not final. No provision on the payment of compensation has been recognised. The appeals have no impact on the operation of the Iijoki power plants.

Future outlook

On 1 July 2010, the Finnish Parliament decided not to repeal the Government's positive decision-in-principle, made on 6 May 2010, to build OL4 in Olkiluoto. In the context of the OL4 project, drafting of the materials related to invitations to tender, planning of the project, verification of licensing procedures and assessment of implementation methods continued. Recruitment to increase the personnel resources involved in the project was initiated in late 2010. Soil studies at the plant site were started.

Pohjolan Voima, the State of Finland and Ilmarinen Mutual Pension Insurance Company are discussing the sale of Pohjolan Voima's 25% ownership of Fingrid. Finalising the deal requires a final sales contract as well as the necessary approvals by authorities and the parties' decision-making bodies. If the deal is realised, the sales price of the shares will be €325 million and, as a result, the Pohjolan Voima Group will recognise a gain worth about €200 million from the sale of the shares. The deal is expected to be finalised early in 2011.

The progress of the Kollaja project was halted with the Natura statement issued by the North Ostrobothnia Regional Environment Centre in October 2009. In order to find a solution for the shortcomings and problems highlighted by the authority, a new study was initiated by Pohjolan Voima. The study involves an updating of the plan in such a manner that the project will not compromise the Natura protection of the Pudasjärvi estuary or the Venkaa spring. The plan will be completed early in 2011. Based on the plan, a new Natura statement will be requested from the authority.

The City of Oulu has started the construction of an ecopower plant, utilising municipal waste, near Laanilan Voima Oy's power plant. The steam produced by the ecopower plant will be connected to Laanilan Voima's steam network. The coordinating authority issued a statement in February 2010 on the EIA report of Laanilan Voima's new, separate boiler unit. The timetable and the final scale of the project will be decided on once the ecopower plant by Oulun Energia is complete.

A subsidy system based on feed-in tariffs, created in order to promote electricity production with wind power, biogas, wood and small-scale hydropower, was partially implemented at the beginning of 2011. However, aid will be paid only after the EU Commission has approved the state subsidies associated with the Act. At the beginning of 2011, old subsidies for the electricity produced with renewable energy were discontinued, and new subsidies will only take effect later. The use of wood fuels is also supported with the new energy aid for low-grade timber, paid to low-grade timber suppliers. The entry into force and the rules concerning the transitional period have not yet been decided in full.

The amendments to the Emissions Trading Directive for the third emissions trade period 2013–2020 will be implemented in Finland with an amendment to the Emissions Trading Act, currently under consideration by the Parliament. From 2013, electricity production will no longer receive free emission allowances. District heat production will receive free emission allowances in relation to the volume of heat delivered to the customers from the plant. However, the number of free allowances is subject to linear reduction, and in 2013 it will already be smaller than during the period 2008–2012.

The Government's proposal for a revision of the Water Act was finalised early in 2010 and will, in all likelihood, be adopted before a new Parliament is appointed. In line with the current Water Act, the new legislation will also essentially be a water economy act that is ultimately based on the idea of water utilisation. The new legislation will make licensing procedures less complicated and, in some respects, will make clearer the preconditions for issuing a permit or a licence.

Board of Directors' dividend proposal

The parent company's distributable equity on 31 December 2010 were €79,627,483.72, with the loss for the financial year accounting for €-4,630,383.39. 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.

Consolidated statement of comprehensive income

1 000 eur • 1.1.–31.12.	Note	2010	2009
Sales	6	**1 041 282**	**832 507**
Other operating income	7	24 543	20 803
Materials and services	8	-898 915	-684 231
Personnel expenses	9	-33 980	-34 368
Depreciation, amortisation and impairment	10	-56 635	-92 793
Other operating expenses	11,12	-67 625	-70 637
Share of (loss)/profit of associates and joint ventures	13	28 440	-18 933
Operating profit or loss		**37 110**	**-47 652**
Finance income	14	4 078	8 666
Finance costs	14	-26 116	-33 854
Finance costs - net		**-22 038**	**-25 188**
Profit before income tax		**15 072**	**-72 840**
Income tax expense	15	-578	-817
Profit for the year		**14 494**	**-73 657**

Other comprehensive income

Share of other comprehensive income of associates			
Changes in the fair value of available-for-sale financial assets	18	1 080	1 355
Cash flow hedging	18	20 245	-6 195
Other comprehensive income for the year		21 325	-4 840
Total comprehensive income for the year		**35 819**	**-78 497**
Profit attributable to:			
Owners of the parent		12 873	-72 133
Non-controlling interest		1 621	-1 524
Total comprehensive income attributable to:			
Owners of the parent		**34 198**	**-76 973**
Non-controlling interest		**1 621**	**-1 524**

Consolidated balance sheet

1 000 eur • 31.12.	Note	2010	2009
ASSETS			
Non-current assets			
Intangible assets	16	299 704	282 576
Property, plant and equipment	17	871 282	903 145
Investments in associated companies and joint ventures	18	830 586	734 744
Available-for-sale financial assets	19	3 178	3 181
Loans and other receivables	20	332 269	342 569
Non-current assets total		**2 337 019**	**2 266 215**
Current assets			
Inventories	22	60 725	84 820
Trade and other receivables	20	145 823	135 737
Cash and cash equivalents	21	43 144	62 149
Current assets total		**249 692**	**282 706**
Total assets		**2 586 711**	**2 548 921**
Equity			
Equity attributable to owners of the parent	23		
Share capital		61 280	61 089
Share premium		388 210	388 210
Reserve for invested non-restricted equity		108 017	101 828
Revaluation reserve		-9 767	-31 092
Retained earnings		277 713	265 220
Total		**825 453**	**785 255**
Non-controlling interests		**72 488**	**73 974**
Total equity		**897 941**	**859 229**
LIABILITIES			
Non-current liabilities			
Provisions	24	6 278	6 022
Deferred tax liabilities	25	880	709
Borrowings	26	1 400 610	1 420 795
Other non-current liabilities	26	3 098	2 061
Non-current liabilities total		**1 410 866**	**1 429 587**
Current liabilities			
Borrowings	26	111 308	110 801
Trade and other payables	27	166 596	149 304
Current liabilities total		**277 904**	**260 105**
Total liabilities		**1 688 770**	**1 689 692**
Total equity and liabilities		**2 586 711**	**2 548 921**

Consolidated statement of cash flows

1 000 eur	Note	2010	2009
Cash flows from operating activities			
Profit for the year		14 494	-73 657
Adjustments to the profit for the year	5	50 202	137 648
Change in net working capital	5	21 808	11 309
Interest paid and other financial expenses		-28 599	-45 870
Interest received		4 207	8 305
Income tax paid		-665	-635
Net cash generated from operating activities		**61 447**	**37 100**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	5	-4 440	0
Disposal of subsidiaries, net of cash disposed	5	1 423	0
Acquisition of associated companies and joint ventures	18	-47 764	-60 232
Purchases of intangible assets and property, plant and equipment (PPE)	16, 17	-28 490	-75 250
Proceeds from sales of intangible assets and PPE	16, 17	28 490	221
Loan repayments	20	16 558	16 741
Loans granted	20	-4 198	-14 050
Dividends received		1 690	1 686
Net cash used in investing activities		**-36 731**	**-130 884**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	23	9 278	35 855
Proceeds from borrowings	26	163 322	121 320
Repayments of borrowings	26	-159 188	-45 148
Repayment of finance leases	26	-18 421	-12 997
Proceeds (-) or repayments (+) of current receivables	20	37	-26 052
Proceeds (+) or repayments (-) of current liabilities	26	-37 879	13 480
Dividends paid		-1 943	-1 503
Net cash used in financing activities		**-44 794**	**84 955**
Net (decrease)/increase in cash and cash equivalents		**-20 078**	**-8 829**
Cash and cash equivalents at beginning of year		**62 149**	**70 978**
Net of cash of disposed subsidiary		1 073	0
Change in cash and cash equivalents		-20 078	-8 829
Cash and cash equivalents at end of year	21	**43 144**	**62 149**

Consolidated statement of changes in equity

1 000 eur	Note	Share capital	Share premium	Re-valuation reserve	Fair value reserve	Reserve for invested non-restricted equity	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interest	Total equity
Balance at 31.12.2008, FAS		**60 327**	**388 210**	**218 644**	**0**	**77 229**	**60 057**	**804 467**	**343 595**	**1 148 062**
Effect of transition to IFRS				-218 644	-26 252		277 296	32 400	-277 091	-244 691
Balance at 1.1.2009		**60 327**	**388 210**	**0**	**-26 252**	**77 229**	**337 353**	**836 867**	**66 504**	**903 371**
Comprehensive income										
Profit or loss							-72 133	-72 133	-1 524	-73 657
Other comprehensive income:								0		0
Cash flow hedges					-6 195			-6 195		-6 195
Changes in the fair value of available-for-sale financial assets					1 355			1 355		1 355
Proceeds from shares issued		762				24 599		25 361	10 495	35 856
Dividends to non-controlling interest								0	-1 501	-1 501
Balance at 31.12.2009		**61 089**	**388 210**	**0**	**-31 092**	**101 828**	**265 220**	**785 255**	**73 974**	**859 229**
Changes in the fair value of available-for-sale financial assets										
Comprehensive income										
Profit or loss							12 873	12 873	1 621	14 494
Other comprehensive income:								0		0
Cash flow hedges					20 245			20 245		20 245
Changes in the fair value of available-for-sale financial assets					1 080			1 080		1 080
Proceeds from shares issued	23	191				6 189		6 380	2 896	9 276
Purchase of own shares from non-controlling interest	5						-380	-380	-4 060	-4 440
Dividends to non-controlling interest								0	-1 943	-1 943
Balance at 31.12.2010		**61 280**	**388 210**	**0**	**-9 767**	**108 017**	**277 713**	**825 453**	**72 488**	**897 941**

Notes to the consolidated financial statements

1. Notes to the financial statement

General information

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

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

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

These consolidated financial statements were approved for issue by PVO's Board of Directors on 18 February 2011, however, according to Finnish Limited Liability Companies Act the shareholders can edit or reject these financial statements at the annual general meeting.

Basis of preparation

The consolidated financial statements of Pohjola Voima Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adopted by the European Union for the first time in 2010. The financial statements also comply with Finnish Limited Liability Companies Act.

These are the Group's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 First-time adoption of *International Financial Reporting Standards* has been applied. An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the Group is set out in Note 3.

The consolidated financial statements have been prepared under the historical cost convention except for financial assets and financial liabilities at fair value. PVO has elected to use the exemption in IFRS 1 for business combinations that have taken place before the date of the transition. Therefore goodwill relating to business combinations dated before 1 January 2009 has not been restated but corresponds to the value under FAS. All amounts in the financial statements are presented in thousands of Euros.

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

Consolidation

Subsidiaries

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

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

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

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

Associates and joint ventures

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

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

Transactions and non-controlling interests

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

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

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

Foreign currency translation

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

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

Non-current assets held for sale

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

Revenue recognition

The Group operations are based on cost price. Revenues are based on the consideration received for delivered energy or provided services. Revenues are presented net of value-added taxes. Revenues are recognised, as follows:

Energy revenues and other revenues

Revenue for energy is recognised at the time of delivery. Revenue is recognised based on the delivered quantities. Revenue for services is recognised in the financial period when services have been performed.

Other income

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

Interest income and dividends

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

Research and development costs

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

Borrowing costs

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

Income taxes

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

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

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

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

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

Intangible assets

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

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

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

Goodwill

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

Emission allowances

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

Government Grants

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

Inventories

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

Leases

Leases, Group as lessee

Finance leasing

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

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

Operating leases

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

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

Leases, the Group as lessor

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

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

Arrangements' containing a lease agreement

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

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

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

Impairment of non-financial assets

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

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

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

Financial assets and financial liabilities

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

Cash and cash equivalents

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

Impairment of financial assets

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

Financial liabilities

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

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

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

Derivative instruments

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

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

Other companies in the Group do not have derivative instruments that fulfil the hedge accounting criteria according to IAS 39. Examples of these instruments are interest rate swap agreements which have been used to convert loans with variable rate of interest to loans with fixed rate of interest and foreign currency exchange rate forward contracts hedging the exchange rate risks in agreements for the purchase of fuel. Derivatives are recorded at fair value in the assets or liabilities. Changes of the fair values of these exchange rate and interest rate instruments are recorded in the statement of comprehensive income within finance income and costs. Derivatives are classified as current or non-current assets or liabilities depending on their settlement date.

Employee benefits

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

Provisions and contingent liabilities

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

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

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

Environmental provisions

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

Assets retirement obligations

An asset retirement obligation is recognised either when there is a contractual or a legal obligation and the obligation amount and timing can be reliably estimated. The Group has recorded a provision on wind turbines built on leased land with an obligation to dismantle and remove the asset in the future. The asset retirement obligation is recognised as part of the cost of an item of property and plant when the asset is put in service or when contamination occurs. The costs are depreciated over the remainder of the asset's useful life.

Share Capital

PVO has 24 different series of shares. Each series of shares entitle their owner to the energy generated by a specific subsidiary, associate or joint venture. Each shareholder is entitled to the proportionate share of the energy according to their proportionate ownership of a specific series of shares.

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

Earnings per share

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

Segment reporting

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

New accounting standards and pronouncements

IASB has published the following standards, amendments to existing standards and interpretations which are not yet effective and the Group has not early adopted them. The Group will apply each standard and interpretation from the effective date, unless it is different from a period start date in which case the Group will apply the standards and interpretations from the first period starting after the effective date.

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but the Group has not early adopted them. These changes are not estimated to have any significant impact on the consolidated financial statements of the Group.

- Revised IAS 24 (revised), 'Related party disclosures'
- Amendment to IAS 32 'Classification of rights issues'
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'
- Amendment to IFRIC 14 'Prepayments of a minimum funding requirement'

IASB published changes to seven standards or interpretations in July 2010 as part of the Annual Improvements to IFRSs project, which will be adopted by the Group in 2011. The Group will adopt these changes in its 2011 consolidated financial statements. The following is a list of the changes the management expects to have an effect on the consolidated financial statements:

- IFRS 3 (Amendments) Business Combinations
- IFRS 7 (Amendment) Financial instruments: Financial statement disclosures
- IAS 1 (Amendment) Presentation of financial statements – statement of changes in equity)
- IAS 27 (Revised) Consolidated and Separate Financial Statements

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods:

- IFRS 9*, Financial Instruments: Classification and Measurement;
- IFRS7* (Amendment) Disclosures - Transfers of financial assets

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

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

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

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

Impairment testing

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

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

Environmental provision

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

Legal obligations

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

3. Transition to IFRS

RECONCILIATION OF SHAREHOLDERS' EQUITY

1 000 eur Assets	FAS 31.12.2008	Reclassifi- cation	Powest Group	Teol- lisuuden Voima Group	Capi- talised finance lease and interest cost	IFRIC 4	Other dif- ferences	IFRS transition	IFRS 1.1.2009
Reference		**a**	**b**	**c**	**d, e**	**f**	**g - p**		
Non-current liabilities									
Intangible assets	53 837	265 145	2 314	-24 061	0	-22	-7 312	236 064	289 901
Property, plant and equipment	3 440 366	-265 145	7 233	-2 440 918	350 618	-208 133	1 433	-2 554 913	885 453
Investments in associated companies and joint ventures	125 952	33 685	0	534 762	0	0	5 569	574 016	699 968
Available-for-sale financial assets	42 986	-33 685	-753	-5 364	0	0	0	-39 802	3 184
Loans and other receivables	306 140	7 063	-5 000	-198 697	0	198 460	5 767	7 593	313 733
Derivative financial instruments	0	0	0	0	0	0	1 091	1 091	1 091
Total non-current assets	**3 969 281**	**7 063**	**3 794**	**-2 134 278**	**350 618**	**-9 695**	**6 548**	**-1 775 951**	**2 193 330**
Current assets									
Inventories	259 395	0	0	-181 272	0	0	0	-181 272	78 123
Non-current receivables	8 789	-7 063	0	0	0	-1 726	0	-8 789	0
Other receivables	201 089	4 264	1 898	-63 471	0	11 421	-8 628	-54 516	146 573
Financial assets at fair value through profit or loss	258 510	-70 910	0	-187 600	0	0	0	-258 510	0
Cash and cash equivalents	30 822	66 646	1	-26 491	0	0	0	40 156	70 978
Total current assets	**758 605**	**-7 063**	**1 899**	**-458 834**	**0**	**9 695**	**-8 628**	**-462 931**	**295 674**
Total assets	**4 727 886**	**0**	**5 693**	**-2 593 112**	**350 618**	**0**	**-2 080**	**-2 238 881**	**2 489 005**

RECONCILIATION OF SHAREHOLDERS' EQUITY

1 000 eur Equity and liabilities	FAS 31.12.2008	Reclassification	Powest Group	Teollisuuden Voima Group	Capitalised finance lease and interest cost	IFRIC 4	Other differences	IFRS transition	IFRS 1.1.2009
Reference		a	b	c	d, e	f	g - p		
Equity									
Share capital	60 327	0	0	0	0	0	0	0	60 327
Proceeds from shares issued	0	0	0	0	0	0	0	0	0
Share premium	387 663	0	0	0	0	0	0	0	387 663
Contingency reserve	547	0	0	0	0	0	0	0	547
Revaluation reserve	218 644	-218 644	0	0	0	0	0	-218 644	0
Fair value reserve (OCI)	0	0	0	-19 114	0	0	-7 138	-26 252	-26 252
Reserve for invested unrestricted equity	77 229	0	0	0	0	0	0	0	77 229
Retained earnings	87 677	218 644	0	79 883	-40 859	0	34 865	292 533	380 210
Profit or loss	-27 620	0	0	-16 482	3 132	0	-1 887	-15 237	-42 857
	804 467	**0**	**0**	**44 287**	**-37 727**	**0**	**25 840**	**32 400**	**836 867**
Non-controlling interest	343 595	0	28 890	-305 299	-824	0	142	-277 091	66 504
Total equity	**1 148 062**	**0**	**28 890**	**-261 012**	**-38 551**	**0**	**25 982**	**-244 691**	**903 371**
Non-current liabilities									
Loans from financial institutions	1 731 114	0	0	-1 240 762	378 129	0	0	-862 633	868 481
Bonds	88 446	0	0	-88 446	0	0	0	-88 446	0
Other liabilities	796 595	0	0	-374 404	0	0	0	-374 404	422 191
Deferred tax liability	70 244	0	466	-45 375	0	0	-24 870	-69 779	465
Derivative financial instruments	0					0	3 092	3 092	3 092
Provisions	539	0	0	-365	0	0	2 379	2 014	2 553
Total Non-current liabilities	**2 686 938**	**0**	**466**	**-1 749 352**	**378 129**	**0**	**-19 399**	**-1 390 156**	**1 296 782**
Current liabilities									
Loans from financial institutions	584 171	0	-29 632	-451 264	13 687	0	0	-467 209	116 962
Advance payments	8 317	0	0	-8 317	0	0	0	-8 317	0
Trade payables	57 508	0	-191	4 437	0	0	0	4 246	61 754
Other liabilities	57 073	0	4 828	-16 950	0	0	0	-12 122	44 951
Accruals and deferred income	185 817	0	1 332	-110 654	-2 647	0	-8 663	-120 632	65 185
Total current liabilities	**892 886**	**0**	**-23 663**	**-582 748**	**11 040**	**0**	**-8 663**	**-604 034**	**288 852**
Total liabilities	**3 579 824**	**0**	**-23 197**	**-2 332 100**	**389 169**	**0**	**-28 062**	**-1 994 190**	**1 585 634**
Total equity and liabilities	**4 727 886**	**0**	**5 693**	**-2 593 112**	**350 618**	**0**	**-2 080**	**-2 238 881**	**2 489 005**

RECONCILIATION OF SHAREHOLDERS' EQUITY

1 000 eur Assets	FAS 31.12.2009	Reclassifi- cation	Powest Group	Teol- lisuuden Voima Group	Capitalised finance lease and interest cost	IFRIC 4	Other differ- ences	IFRS transition	IFRS 31.12.2009
Reference		**a**	**b**	**c**	**d, e**	**f**	**g - p**		
Non-current assets									
Intangible assets	39 329	265 145	2 005	-18 078	0	-155	-5 670	243 247	282 576
Property, plant and equipment	4 173 688	-265 145	6 897	-3 185 118	405 004	-236 548	4 367	-3 270 543	903 145
Investments in associated companies and joint ventures	129 462	33 685	0	559 839	0	0	11 758	605 282	734 744
Available-for-sale financial assets	42 926	-33 685	-755	-5 305	0	0	0	-39 745	3 181
Loans and other receivables	330 811	6 577	-4 000	-222 154	0	225 269	5 366	11 059	341 870
Derivative financial instruments	0	0	0	0	0	0	699	699	699
Total non-current assets	**4 716 216**	**6 577**	**4 147**	**-2 870 816**	**405 004**	**-11 434**	**16 521**	**-2 450 001**	**2 266 215**
Current assets									
Inventories	271 724	0	0	-186 904	0	0	0	-186 904	84 820
Non-current receivables	9 515	-6 577	0	0	0	-2 938	0	-9 515	0
Other receivables	233 887	2 499	1 309	-108 482	0	14 372	-7 848	-98 150	135 737
Financial assets at fair value through profit or loss	2 700	0	0	0	0	0	0	0	2 700
Cash and cash equivalents	189 921	-2 499	2	-127 974	0	0	0	-130 472	59 449
Total current assets	**707 747**	**-6 577**	**1 310**	**-423 360**	**0**	**11 434**	**-7 848**	**-425 041**	**282 706**
Total assets	**5 423 963**	**0**	**5 457**	**-3 294 176**	**405 004**	**0**	**8 673**	**-2 875 042**	**2 548 921**

RECONCILIATION OF SHAREHOLDERS' EQUITY

1 000 eur Equity and liabilities	FAS 31.12.2009	Reclassifi-cation	Powest Group	Teol-lisuuden Voima Group	Capitalised finance lease and interest cost	IFRIC 4	Other differ-ences	IFRS transition	IFRS 31.12.2009
Reference		**a**	**b**	**c**	**d, e**	**f**	**g - p**		
Equity									
Share capital	61 089	0	0	0	0	0	0	0	61 089
Proceeds from shares issued	0	0	0	0	0	0	0	0	0
Share premium	387 663	0	0	0	0	0	0	0	387 663
Contingency reserve	547	0	0	0	0	0	0	0	547
Revaluation reserve	218 644	-218 644	0	0	0	0	0	-218 644	0
Fair value reserve (OCI)	0	0	0	-28 220	0	0	-2 872	-31 092	-31 092
Reserve for invested unrestricted equity	101 828	0	0	0	0	0	0	0	101 828
Retained earnings	60 056	218 644	0	63 402	-37 726	0	32 977	277 297	337 353
Profit or loss	-59 253	0	0	-13 877	-986	0	1 983	-12 880	-72 133
	770 574	**0**	**0**	**21 305**	**-38 712**	**0**	**32 088**	**14 681**	**785 255**
						0			
Non-controlling interest	382 340	0	29 892	-337 271	-885	0	-102	-308 366	73 974
Total equity	**1 152 914**	**0**	**29 892**	**-315 966**	**-39 597**	**0**	**31 986**	**-293 685**	**859 229**
Non-current liabilities									
Loans from financial institutions	1 436 359	0	0	-901 315	432 408	0	-168	-469 075	967 284
Bonds	935 086	0	0	-935 086	0	0	0	-935 086	0
Other liabilities	940 018	0	0	-486 506	0	0	0	-486 506	453 512
Deferred tax liability	61 016	0	709	-39 035	0	0	-21 981	-60 307	709
Derivative financial instru-ments	0	0	0	0	0	0	2 061	2 061	2 061
Provisions	493	0	0	0	0	0	5 529	5 529	6 022
Total Non-current liabilities	**3 372 972**	**0**	**709**	**-2 361 943**	**432 408**	**0**	**-14 559**	**-1 943 385**	**1 429 587**
Current liabilities									
Loans from financial institutions	607 444	0	-30 177	-482 636	16 170	0	0	-496 643	110 801
Advance payments	10 611	0	0	-9 568	0	0	0	-9 568	1 043
Trade payables	64 941	0	-942	8 598	0	0	0	7 656	72 597
Other liabilities	50 740	0	1 286	-5 000	0	0	0	-3 714	47 026
Accruals and deferred income	164 341	0	4 689	-127 661	-3 977	0	-8 824	-135 773	28 568
Provisions	**0**	**0**	**0**	**0**	**0**	**0**	**70**	**70**	**70**
Total current liabilities	**898 077**	**0**	**-25 144**	**-616 267**	**12 193**	**0**	**-8 754**	**-637 972**	**260 105**
Total liabilities	**4 271 049**	**0**	**-24 435**	**-2 978 210**	**444 601**	**0**	**-23 313**	**-2 581 356**	**1 689 692**
Total equity and liabilities	**5 423 963**	**0**	**5 457**	**-3 294 176**	**405 004**	**0**	**8 673**	**-2 875 042**	**2 548 921**

RECONCILIATION OF COMPREHENSIVE INCOME

1 000 eur	FAS 2009	Reclassifi-cation	Powest Group	Teol-lisuuden Voima Group	Capitalised finance lease and interest cost	IFRIC 4	Other differ-ences	IFRS transition	IFRS 31.12.2009
Reference		**a**	**b**	**c**	**d, e**	**f**	**g - p**		
Sales	**988 094**	**0**	**8 808**	**-149 138**	**0**	**-15 210**	**-47**	**-155 587**	**832 507**
Production for own use	30 151	0	0	-30 091	0	0	0	-30 091	60
Other operating income	22 450	0	-336	-1 019	0	0	-293	-1 647	20 803
Materials and services	-610 563	-27 659	67	-46 192	0	0	55	-73 728	-684 291
Personnel expenses	-80 181	0	-16 670	61 790	0	0	693	45 813	-34 368
Depreciation, amortisation and impairment	-142 450	0	-676	53 789	-16 643	11 567	1 620	49 657	-92 793
Other operating expenses	-252 280	27 659	11 969	120 907	21 325	0	-217	181 643	-70 637
Share of (loss)/profit of associates and joint ventures	5 192	0	0	-26 048	0	0	1 923	-24 125	-18 933
Operating profit or loss	**-39 587**	**0**	**3 163**	**-16 002**	**4 682**	**-3 643**	**3 735**	**-8 065**	**-47 652**
Finance income	15 357	0	-125	-11 225	0	3 643	1 016	-6 691	8 666
Finance costs	-55 734	0	253	27 478	-5 729	0	-122	21 880	-33 854
	-40 377	0	128	16 253	-5 729	3 643	894	15 189	-25 188
Profit before income tax	**-79 964**	**0**	**3 291**	**251**	**-1 047**	**0**	**4 629**	**7 124**	**-72 840**
Income tax expense	-34	0	-545	7	0	0	-1	-539	-573
Other direct taxes	-2	0	0	0	0	0	0	0	-2
Change in deferred taxes	9 229	0	-242	-6 340	0	0	-2 889	-9 471	-242
Non-controlling interest	11 518	0	-2 504	-7 795	61	0	244	-9 994	1 524
	0	0	0	0	0		0	0	0
Profit for the year	**-59 253**	**0**	**0**	**-13 877**	**-986**	**0**	**1 983**	**-12 880**	**-72 133**

OTHER COMPREHENSIVE INCOME

	FAS 2009	Reclassification	Powest Group	Teollisuuden Voima Group	Capitalised finance lease and interest cost	IFRIC 4	Other differences	IFRS transition	IFRS 31.12.2009
Reference		**a**	**b**	**c**	**d, e**	**f**	**g - p**		
Other comprehensive income before NCI	**-70 771**	**0**	**2 504**	**-6 082**	**-1 047**	**0**	**1 739**	**-2 886**	**-73 657**
Other comprehensive income:									
Share of other comprehensive income of associates									
Changes in the fair value of available-for-sale financial assets				1 355				1 355	1 355
Cash flow hedging	0			-10 461			4 266	-6 195	-6 195
Total comprehensive income for the year	**-70 771**	**0**	**2 504**	**-15 188**	**-1 047**	**0**	**6 005**	**-7 726**	**-78 497**
Attributed to :									
Owners of parent	-59 253	0	0	-13 877	-986	0	1 983	-12 880	-72 133
Non-controlling interest	-11 518	0	2 504	7 795	-61	0	-244	9 994	-1 524
Comprehensive income for the year attributed to:									
Owners of parent	-59 253	0	0	-22 983	-986	0	6 249	-17 720	-76 973
Non-controlling interest	-11 518	0	2 504	7 795	-61	0	-244	9 994	-1 524

RECONCILIATION OF CASH FLOWS

1 000 eur	FAS 2009	Teollisuuden Voima Group	Powest Group	Other IFRS adjustments	IFRS transition	IFRS 2009
Reference		c	b	d-p		
Cash flows from operating activities						
Profit for the year	-59 253	-11 725	-3	-26 126	-14 404	-73 657
Adjustments to the profit for the year	156 625	55 292	3 840	32 475	-18 977	137 648
Change in net working capital	-42 475	-49 991	-675	4 468	53 784	11 309
Interest paid and other financial expenses	-62 765	-22 397	39	-5 541	16 895	-45 870
Interest received	20 521	15 887	-63	3 734	-12 216	8 305
Income tax paid	-36	-2	-601	0	-599	-635
Net cash generated from operating activities	**12 617**	**-12 936**	**2 537**	**9 010**	**24 483**	**37 100**
Cash flows from investing activities						
Acquisition of subsidiaries, net of cash acquired	0	60 232			-60 232	-60 232
Purchases of intangible assets and property, plant and equipment (PPE)	-898 142	-801 343	-34	21 583	822 892	-75 250
Proceeds from sales of intangible assets and PPE	16 130	485		-15 424	-15 909	221
Loan repayments				16 741	16 741	16 741
Loans granted	-24 762	-23 506	0	-12 794	10 712	-14 050
Dividends received	2 199	513			-513	1 686
Net cash used in investing activities	**-904 575**	**-763 619**	**-34**	**10 106**	**773 691**	**-130 884**
Cash flows from financing activities						
Proceeds from issuance of ordinary shares	75 625	39 770			-39 770	35 855
Proceeds from borrowings	1 433 029	1 300 210	0	-11 499	-1 311 709	121 320
Repayments of borrowings	-735 832	-680 914	-1 000	10 770	690 684	-45 148
Repayment of finance leases	0	0		-12 997	-12 997	-12 997
Proceeds (-) or repayments (+) of current receivables	1 096			-27 148	-27 148	-26 052
Proceeds (+) or repayments (-) of current liabilities	21 330	31 373		23 523	-7 850	13 480
Dividends paid	0	0	-1 503	0	-1 503	-1 503
Net cash used in financing activities	**795 248**	**690 439**	**-2 503**	**-17 351**	**-710 293**	**84 955**
Net (decrease)/increase in cash and cash equivalents	**-96 710**	**-86 116**	**0**	**1 765**	**87 881**	**-8 829**
Cash and cash equivalents at the beginning of the year	**289 332**	**214 091**	**2**	**-4 265**	**-218 354**	**70 978**
Change in cash and cash equivalents.	-96 710	-86 116	0	1 765	87 881	-8 829
Cash and cash equivalents at the end of the year	**192 622**	**127 975**	**2**	**-2 500**	**-130 473**	**62 149**

THE EFFECT OF THE TRANSITION ON THE GROUP'S RETAINED EARNINGS

	1.1.2009	31.12.2009	Reference
Retained earnings attributable to the owners of the parent company not including the invested unrestricted equity, FAS	**60 057**	**803**	
Revaluation of hydropower	218 644	218 644	a
Teollisuuden Voima Oyj from a subsidiary to a joint venture	63 401	49 525	c
Finance lease agreements:			
Group, as lessee	-45 148	-46 460	d
Group, as lessor	4	-4	f, n
Deferred tax liabilities	24 564	21 827	j
The (loss)/profit of associates and joint ventures acc. to IFRS	12 707	14 630	g, h
Borrowing costs	7 421	7 748	e
Derivatives at fair value	-2 001	-1 068	k
Impairment of the rock repository	-1 487	0	o
Employee benefits	-692	0	p
Transaction costs on loans and credit facilities	404	458	m
Restoration and asset retirement obligations	-500	-870	i
Emission allowances and SWAP-contracts	-21	-13	l
Powest Oy, a subsidiary	0	0	b
Retained earnings according to IFRS	**337 353**	**265 220**	

a) Reclassification of comparative data

Non-current loan receivables of 6 577 thousand euros in the FAS consolidated financial statements where reclassed in the IFRS consolidated financial statements at 31.12.2009 to loans and receivables. The corresponding amount at transition date 1.1.2009 was 7 063 thousand euros.

Investments, with maturities of less than three months can be presented as cash and cash equivalents. Pohjolan Voima Group reclassed short-term liquid investments at transition date totalling 70 910 thousand euros to cash and cash equivalents. The bank accounts pledged as security for the futures and forward contracts of emission allowances are not presented as cash and cash equivalents, instead these are presented as other receivables according to IFRS. Accordingly, a reclassification of these accounts was made at 31.12.2009 of 2 499 thousand euros and at transition date of 4 264 thousand euros.

Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. Pohjolan Voima Oy owns 19,9% of Länsi-Suomen Voima Oy. The shares were presented as other shares in the financial statements prepared according to FAS. In the consolidated financial statements prepared according to IFRS Länsi-Suomen Voima Oy is accounted for as an associate. The acquisition cost of Länsi-Suomen Voima Oy is 33 685 thousand euros in the consolidated financial statements prepared according to IFRS. This amount is presented as available-for-sale financial assets.

According to FAS, the energy purchased from Oy Alholmens Kraft AB an associate of Pohjolan Voima Oy and Vaskiluodon Voima Oy, a joint venture of Pohjolan Voima Oy, was presented in the statement of comprehensive income on the lines Materials and services (variable share of costs) and Other operating expenses (fixed share of costs). According to IFRS the energy purchased from associates and joint ventures is presented on the same line item. Accordingly, the energy purchases previously presented in other operating expenses totalling 27 659 thousand euros at 31.12.2009 were reclassified to Materials and services.

Revaluation made in 1992 to the assets of PVO-Vesivoima Oy totalling 265 145 thousand euros were allocated to property, plant and equipment. According to IFRS, revaluation are allocated within intangible assets as they relate to intangible assets. The revaluation relates to an intangible asset (right to use hydropower) which fulfils the recognition criteria according to IAS 38. In the consolidated financial statements the remainder in the restatement reserve totalling 218 644 thousand euros is transferred to retained earnings applying the exemption allowed in IFRS 1 First-time adoption of International Financial Reporting Standards. The right to use hydropower is not amortised but is instead tested for impairment as it is estimated to have an infinite useful life.

b) Powest Oy, a subsidiary

Pohjolan Voima owns 80,5% of the share capital interest in Powest Oy. According to IFRS Pohjolan Voima consolidates Powest Oy as a subsidiary in the consolidated financial statements. A corresponding share of its ownership in the subsidiaries of Powest Oy is also consolidated. In the financial statements prepared according to FAS Powest Oy was included in other shares. Powest Oy has two series of shares, K and E-shares. K-shares with voting rights but no right to dividends and E-shares that give a right to dividends. Pohjolan Voima Oy owns all of the K-shares, which represent about 99% of the voting rights. Pohjolan Voima Oy does not receive any dividends from Powest Oy. According to IFRS, 100% of the profits of the subsidiary are presented as non-controlling interest in the subsidiary.

c) Teollisuuden Voima Oyj, a joint venture

Pohjolan Voima accounts for Teollisuuden Voima Oyj as a joint venture in the IFRS consolidated financial statements. In the FAS consolidated financial statements Teollisuuden Voima Oyj was consolidated as a subsidiary. Pohjolan Voima Oy owns 58,39% of the share capital of Teollisuuden Voima Oyj at 31.12.2010 (31.12.2009 58,28%). Based on the articles of association and other company records which dictate the basis for the decision making and governance of the company, as well as, Pohjolan Voima Oy's right to appoint board members, the Group has assessed that Teollisuuden Voima Oyj should be accounted for as a joint venture.

d) Finance leasing

In the consolidated financial statements prepared according to FAS all lease agreement were treated as operating lease agreements. According to IFRS all agreements in which a significant portion of the risks and rewards of ownership are transferred by the lessor to the lessee are classified as finance leases. Finance leases are capitalised at the lease's commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. In the Group only power plant machinery has been leased. At 31.12.2009 the carrying value for leased assets, net of depreciation, was 395 419 thousand euros and at 1.1.2009 341 766 thousand euros. The finance lease liability was 448 578 at 31.12.2009 and 391 816 thousand euros at 1.1.2009. Lease payments to be made during the following reporting period are presented as current liabilities.

e) Borrowing costs

According to IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In the Group IAS 23 has been applied retrospectively so that all borrowing costs relating to the construction of power plants, with construction periods exceeding one year, have been recognised as part of the cost of the power plants. Property, plant and equipment was increased by 9 585 thousand euros at 31.12.2009 due to the recognition of the borrowing costs and by 8 852 thousand euros at 1.1.2009. The borrowing costs are depreciation over the economic useful life of the underlying asset.

f) Arrangements containing a lease agreement

Pohjolan Voima has entered into lease contracts with certain shareholders of the Company, which according to IFRIC 4 'Determining whether an Arrangement contains a Lease' are to be treated as leases and recorded according to IAS 17 as finance leases. These contracts relate to Keravan Lämpövoima Oy, Kokkolan Voima Oy and Wisapower Oy power plants, which in principle generate energy for one shareholder only. The assessment of these agreements was made based on facts and circumstances at the date of transition, applying the exemption allowed by IFRS 1 First-time adoption of International Financial Reporting Standards. The adjustments made for IFRS resulted in a decrease of property, plant and equipment, as well as intangible assets of 236 703 thousand euros in the consolidated financial statements at 31.12.2009 and 208 155 thousand euros at 1.1.2009. Concurrently, a finance lease receivable was recognised in the balance sheet totalling 236 703 thousand euros at 31.12.2009 and 208 155 thousand euros at 1.1.2009. In the consolidated statement of comprehensive income depreciation was decreased by 11 567 thousand euros, an interest income of 3 643 thousand euros was recognised corresponding to a decrease in revenues of 15 210 thousand euros.

g) Associates and joint ventures

Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The effect on the equity in the consolidated financial statements of the change of the accounting policies of the associates, joint ventures and the consolidation of Länsi-Suomen Voima Oy is 2 339 thousand euros at 31.12.2009 and 2 259 thousand euros at transition date.

h) Fingrid Oyj

According to FAS Fingrid Oyj was accounted for using the equity method. Figures consolidated into the Group were based on FAS financial statements of Fingrid Oyj. Fingrid Oyj is a public limited liability company which prepares its financial statements according to IFRS. According to IFRS, Fingrid Oyj is accounted for as a joint venture using the equity method of accounting and the Group's share of the profits or losses is based on the IFRS financial statements of the joint venture. The share of profit of associates and joint ventures increased by 9 419 thousand euros at 31.12.2009 and by 3 313 thousand euros at transition date.

i) Restoration and Asset Retirement Obligations

Pohjolan Voima recognises provisions for environmental restoration, asset retirement obligations and legal claims which are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Group has recorded a provision on wind turbines built on leased land with an obligation to dismantle the asset and restore the landscape in the future as well as on restoration and landscaping of waste disposal sites. On the transition date a provision for dismantlement, environmental restoration and landscaping of 2 379 thousand euros has been recognised and a total of 1 714 thousand euros has been recognised as an addition to the cost of the assets. In the consolidated financial statements at 31.12.2009 the corresponding amounts were a provision of 5 529 thousand euros and an addition to the cost of the assets of 4 403 thousand euros. The costs are depreciated over the remainder of the asset's useful life. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The discount rate is updated at each period end. The unwinding of the discount rate is recognised in the income statements within finance costs.

j) Deferred taxes liabilities

Pohjolan Voima delivers electricity and heating to its shareholders at cost price ('Mankala-principle'). The shareholders are delivered a proportionate share of the energy generated or procured by PVO according to their proportionate ownership in the various series of shares and the share owners are responsible for all the variable and fixed costs of the Group detailed in the articles of association. Based on the cost based pricing the Group does not pay any taxes on its energy related operations, therefore the Group does not recognise any deferred tax assets or liabilities on these operations. Income taxes and deferred taxes are recognised, on the other hand, on the services provided by the Group. According to FAS, Pohjolan Voima recorded a deferred tax liability on temporary differences arising between the tax bases of assets and their carrying amounts in the consolidated financial statements. At transition date 1.1.2009 the deferred tax liability was decreased by 24 870 thousand euros and by 21 981 thousand euros at 31.12.2009.

k) Derivatives

Derivatives were not recognised in the financial statements according FAS. According to IFRS, derivatives are initially recognised at cost. Subsequently they are re-measured at their fair value and recognised either as assets or liabilities in the balance sheet. Pohjolan Voima has hedged interest risk in loans with interest swaps and currency exchange risks in fuel purchases with forward contracts. The Group does not apply hedge accounting according to IAS 39, instead changes in fair value for the swaps and forwards are recognised in the statement of comprehensive income in the financial income/costs. In 2009 the changes in fair value increased interest income by 826 thousand euros. The fair value of derivatives recognised in the balance sheet at 31.12.2009 was a net liability of 1 069 thousand euros and a net liability of 2 001 thousand euros at transition date.

l) Emission allowances and SWAP-contracts

Pohjolan Voima holds forward swap contracts relating to the emission trade period 2008-2012. A SWAP-transaction means a sale of European Union Allowances (EUA) and a concurrent purchase of Certified Emission Reductions (CER), in other words it is a swap of EUA-units to a corresponding amount of CER-units. According to Group policy, the amount of CER-units that can be swapped in advance limited to 40% of the estimated maximum amount of CER-units to be returned for the period 2008-2012. The contracts to sell EUA-units and buy CER-units correspond to two derivative contracts which the Group has made for its own use. According to IFRS these contracts are not treated as derivatives according to IAS 39 and they are not fair valued in the consolidated financial statements. These transactions are recorded at the time of physical delivery. The entries made in the financial statements prepared according to FAS have been reversed. The receivables were decreased by 8 837 thousand euros at 31.12.2009 (9 376 thousand euros at 1.1.2009) and the accruals were decreased by 8 824 thousand euros at 31.12.2009 (9 355 thousand euros at 1.1.2009).

m) Transaction costs on loans and credit facilities

According to IFRS financial liabilities are recognised initially at fair value, net of transaction costs incurred. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

In the financial statements prepared according to FAS, transaction costs of 808 thousand euros were expensed at the time of the establishment of a credit facility in 2005. In the consolidated financial statements prepared according to IFRS the expense has been reversed and amortised over the period of the credit facility. At 31.12.2009 a prepayment of 289 thousand euros was recognised and at 1.1.2009 the corresponding amount was 404 thousand euros. According to FAS the transactions fees relating to loans have been expensed. According to IFRS at 31.12.2009 financial liabilities have been netted with the transaction fee of 168 thousand euros. Transaction costs for loans are amortised over the period of the borrowings.

n) Finance leases, the Group as a lessor

According to IFRS, leases of property, plant and equipment where the Group has transferred substantially all the risks and rewards of ownership to the lessee are classified as finance leases by the lessee. The lease income is recorded as a receivable at its present value. The interest element of the lease income is recorded to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the asset for each period. According to FAS leased property, plant and equipment has been included in the assets of the Group. At transition 1.1.2009 a finance lease receivable of 3 620 thousand euros was recorded, the corresponding amount at 31.12.2009 was 3 418 thousand euros.

Where the Group acts as the lessor of operating leases, the related property, plant and equipment remains on the Group's balance sheet. These assets are accounted for, in the same way as assets for the Group's own use. Rental income is recorded on a straight line basis over the period of the lease.

o) Other non-current assets

According to FAS leasehold improvements, asphalt on leased property, long-term right to use harbours and rock waste repositories are presented as intangible assets or receivables. As these items do not fulfil the criteria for recognizing them as intangible assets they are according to IFRS reclassed as tangible assets and long-term rights to use assets are recognised as lease agreements recorded according to IAS 17. Mussalo Kiinteistöt Oy has a right to use a storage area for 50 years. The storage area has been unused for several years and it is estimated the asset will not generate any future economic benefits. An impairment loss has therefore been recognised totalling 1 487 thousand euros at transition date. The long-term right to use a harbour held by PVO-Lämpövoima Oy has been recognised as an operating lease according to IAS 17. The lease is divided into a current and non-current receivable. At 31.12.2009 non-current loans and receivables recognised relating to this lease were 2 076 thousand euros (at 1.1.2009 2 284 thousand euros) and current receivables were 208 thousand euros (1.1.2009 208 thousand euros). Asphalt costs for lease property have been recognised according to IFRS as other tangible assets which totalled 3 386 at 31.12.2009 and 3 334 thousand euros at transition date.

p) Employee benefits

Bonuses payable twelve months or less after the end of the period in which the employees render the related service are considered other employee benefits which are recognised according to IAS 19. These short-term employee benefits are not discounted. A provision for the bonus plan was not recognised in the financial statements 2008, prepared according to FAS. At transition date an accrual for the bonus plan totalling 692 thousand euros was recognised to cover payments made during 2009.

4. Financial risk management

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

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

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

Liquidity and refinancing risks

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

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

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

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

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

Pohjolan Voima has a revolving credit facility of 400 million euros to ensure its liquidity, which has been signed 7 July 2005, and it matures on 7 July 2012. The Revolving credit was undrawn as per 31.12.2010 (260 million euros was undrawn at 31.12.2009).

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

Undiscounted cash flows of financial liabilities
2010

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

* Repayments to be made in 2011 are included in current liabilities.

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

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

Undiscounted cash flows of financial liabilities
2009

1 000 eur	2010	2011	2012	2013	2014-	Total	Balance sheet
Loans from financial institutions *	-206 808	-16 808	-76 008	-36 808	-220 420	-556 852	-556 746
Finance costs **	-7 113	-5 935	-5 376	-4 309	-10 816	-33 548	
Loan from the State Nuclear Waste Management Fund (TVO) ***					-426 817	-426 817	-426 817
Finance costs	-10 033	-6 027				-16 060	
Finance lease liabilities	-18 423	-46 505	-19 620	-20 114	-344 194	-448 856	-448 517
Finance costs	-4 035	-4 392	-3 867	-3 541	-11 128	-26 964	
Commercial papers	-77 822					-77 822	-77 822
Finance costs	-178					-178	
Pension liabilities		-2 712	-2 712	-2 712	-13 559	-21 694	-21 694
Finance costs	-618	-602	-519	-444	-1 063	-3 247	
Interest rate derivatives	-3 733	-3 389	-2 345	-1 806	-1 125	-12 399	-2 131
Currency derivatives (net)	364	698				1 062	1 063
Total	-328 400	-85 672	-110 447	-69 735	-1 029 122	-1 623 375	

* Repayments to be made in 2011 are included in current liabilities.

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

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

Market risk

Interest Rate Risk

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

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

Currency risk

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

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

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

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

Sensitivity to market risk

Market risk sensitivity arising from financial instruments:

1 000 eur	2010	2009
	Comprehensive income statement	
+ 10 % change in the EUR/USD exchange rate	-1 395	-883
- 10 % change in the EUR/USD exchange rate	1 705	1 080
Increase of 100 basis points in market interest rates	-3 633	-3 533
Decrease of 100 basis points in market interest rates	3 367	3 154

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

Fuel price risk

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

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

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

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

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

Pohjolan Voima has not used any financial instruments to hedge for the coal price risk in 2010 or 2009.

Credit risk

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

Capital risk management

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

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

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

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

	2010	2009
Equity on assets ratio (%) (IFRS, Group) *	35	34

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

5. Acquisitions, disposals and notes to the statement of cash flow

In November 2010 Pohjolan Voima Oy sold 100% of Vieskan Voima Oy to Perhonjoki Oy.

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

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

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

STATEMENT OF CASH FLOW

Adjustments to profit or loss for the year (1 000 eur)	2010	2009
Depreciation and amortisation	53 826	49 506
Impairment	2 809	43 294
Increase/decrease in fair value of derivatives	2 125	-924
Income taxes	578	817
Gains (+) or losses (-) from disposal of non-current assets	-609	-90
Finance costs - net	19 913	26 112
Share of (loss)/profit of associates and joint ventures	-28 440	18 933
Total	50 202	137 648

Change in net working capital	2010	2009
Increase (-) or decrease (+) in non-interest-bearing receivables	-13 218	16 238
Increase (-) or decrease (+) in inventories	24 038	-6 697
Increase (+) or decrease (-) in current non-interest-bearing liabilities	11 394	1 449
Change in provisions	-406	319
Total	21 808	11 309

6. Sales

1 000 eur	2010	2009
Sales of electricity produced	491 618	422 403
Sales of heat produced	177 692	163 848
Sales of purchased electricity	346 808	214 378
Other sales	25 163	31 879
Total	1 041 282	832 507

Electricity delivered to shareholders (GWh)		
Electricity produced	17 600	15 900
Heat produced	7 500	5 800
Purchased electricity	5 900	5 800

PVO's electricity purchases are determined by the electricity required by the shareholders. In 2010, Pohjolan Voima Group's total electricity purchases were 23.5 (21.7) TWh. The Group's electricity generation accounted for 17.6 TWh (15.3), of which the parent company delivered to its shareholders 17.1 (15.0) TWh. Subsidiaries supplied 0.5 (0.3) TWh to other owners. Purchases from the Nordic electricity market, were 5.9 (5.8) TWh. Heat deliveries were 7.5 (5.8) TWh. The Estonian electricity import contract expired on 31.12.2009. Import from Estonia in 2009 was 0.6 TWh.

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

7. Other operating income

1 000 eur	2010	2009
Rental income	1 990	1 979
Proceeds from sale of intangible assets, property, plant and equipment and other investments	829	135
National reserve capacity remuneration	12 876	13 118
Government grants	33	1 066
Electricity production subsidies	2 986	2 089
Other income	5 829	2 416
Total	24 543	20 803

PVO-Lämpövoima Oy located in Kristiinankaupunki, PVO-Huippuvoima Oy located in Vaskiluoto in Vaasa (oil condensation plants) and Nokian Lämpövoima Oy located in Mussalo (natural gas condensation plant), have entered into an agreement with Fingrid Oyj in regards to usage of their reserve capacity that extends to the end of the current reserve capacity legislature period (28.2.2011).

8. Materials and services

1 000 eur	2010	2009
Fuels	198 978	176 305
Change in inventories	24 542	-6 876
Materials and services	5 382	6 349
Emissions allowances - carbon dioxide	25 107	14 481
Energy purchased; Nordic electricity market	344 978	214 411
Energy purchased; Associates and Joint ventures	281 611	246 023
Energy purchased; other	7 805	24 700
Production for own use	-65	-60
External services	10 577	8 898
Total	898 915	684 231

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

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

9. Personnel expenses

Personnel-related expenses

1 000 eur	2010	2009
Wages and salaries		
Board members and CEO	1 170	994
Other wages and salaries	25 869	26 405
Pension expenses - defined contribution	5 669	5 482
Other personnel expenses	1 272	1 487
Total	33 980	34 368

Average number of personnel

	2010	2009
Salaried employees	308	319
Wage-earners	204	228
Total	512	547

10. Depreciation, amortisation and impairment

1 000 eur	2010	2009
Amortisation of intangible assets		
Intangible rights	68	68
Other intangible assets	1 278	841
Total	1 346	909
Depreciation of property, plant and equipment		
Buildings and constructions	5 953	5 038
Machinery and equipment	43 647	40 540
Other assets	2 880	3 012
Total	52 480	48 590
Impairment		
Other intangible assets		41
Buildings and constructions	350	2 848
Machinery and equipment	2 459	37 201
Other assets		3 204
Total	2 809	43 294
Depreciation, amortisation and impairment total	56 635	92 793

In January 2010, Nokian Lämpövoima Oy sold its natural gas power plant to Fortum Power and Heat Oy. Nokia Lämpövoima Oy recognised an impairment of 16 million euros for the power plant in Nokia in the 2009 financial statements. In 2010, the company recorded impairments of 2,8 million euros to the Mussalo natural gas plant and in 2009 an impairment of 27,3 million euros, due to the high price of the fuel the plant is not estimated have any other use than as a resource for reserve capacity.

11. Other operating expenses

1 000 eur	2010	2009
Repair, servicing and maintenance services	18 078	17 291
Real estate taxes	6 088	5 558
Rents	3 615	3 440
Operation services	20 223	17 950
Loss on sale of intangible assets and property, plant and equipment	220	11
Other expenses	19 401	26 387
Total	67 625	70 637

Auditor's fees

1 000 eur	2010	2009
Audit fees	223	211
Auditor's statements	2	2
Tax counselling	24	1
Other services	98	182
Total	347	396

12. Research & development

Research and development recognised as an expense during the period totalled 0,5 million euros in 2010 (2,8 million euros in 2009).

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

1 000 eur	2010	2009
Fingrid Oyj	9 915	6 642
Länsi-Suomen Voima Oy	1	2
Oy Alholmens Kraft Ab	77	-11
Tahkoluodon Polttoöljy Oy	0	-2
Teollisuuden Voima Oyj	19 845	-26 048
Torniolaakson Voima Oy	-36	57
Vaskiluodon Voima Oy	-1 362	427
Voimalohi Oy	0	0
Total	28 440	-18 933

Investments in associates and joint ventures are disclosed in note 17

14. Finance income and costs

1 000 eur	2010	2009
Dividend income on available-for-sale investments	3	3
Interest income on loans and receivables	4 051	7 731
Derivative financial instruments (hedge accounting is not applied)		
Fair value gains	0	924
Other finance income	24	8
Finance income total	4 078	8 666
Interest expense capitalised on qualifying assets	23 079	33 206
Derivative financial instruments (hedge accounting is not applied)		
Fair value losses	2 125	0
Other finance cost	912	648
Finance costs total	26 116	33 854
Total finance income and costs	-22 038	-25 188

15. Income tax

1 000 eur	2010	2009
Taxes for the financial year	407	572
Taxes for the previous financial years	0	2
Change in deferred tax liability	171	243
Total	578	817

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

Change in deferred tax:

1 000 eur	2010	2009
Accumulated depreciation difference 1.1.	709	466
Charged/(credited) to the statement of comprehensive income	171	243
Accumulated depreciation difference 31.12.	880	709

16. Intangible assets

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

1 000 eur	Emission allowances - carbon dioxide	Intangible rights	Other intangible assets	Total
Cost or valuation at 1.1.2009	17 652	267 933	12 306	297 891
Additions	10 684	0	228	10 912
Disposals	-17 652	-5	0	-17 657
Reclassifications			370	370
At 31.12.2009	10 684	267 928	12 904	291 516
Accumulated amortisation and impairment 1.1.2009	0	1 294	6 700	7 994
Disposals	0	0	-4	-4
Impairment	0	0	41	41
Amortisation for the period	0	68	841	909
Accumulated amortisation and impairment 31.12.2009	0	1 362	7 578	8 940
Closing net book amount 31.12.2009	10 684	266 566	5 326	282 576
Closing net book amount 31.12.2008	17 652	266 639	5 606	289 897

The intangible rights include hydropower rights valued at 265 million euros. The right to hydropower is an intangible right, which has an indefinite useful life. These assets are not amortised instead they are annually tested for impairment. The impairment testing has not resulted in any impairment losses because the value-in-use for hydropower is estimated to exceed the carrying value of the asset. This estimation is based on the amount of electricity to be produced in the future multiplied by the price of electricity (excluding fixed costs) exceeds the carrying amount of the intangible right.

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

17. Property, plant and equipment

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

1 000 eur	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Prepayments	Total
Cost or valuation at 1.1.2009	36 270	134 654	807 770	92 798	212 712	1 284 204
Additions	2	3 339	51 560	3 467	54 778	113 146
Disposals	-17	-117	-244	-12	-211	-601
Reclassifications		8 101	162 994	479	-171 944	-370
At 31.12.2009	36 255	145 977	1 022 080	96 732	95 335	1 396 379
Accumulated depreciation 1.1.2009	0	38 009	342 010	21 632	0	401 651
Disposals	0	-41	-212	-7		-260
Impairment	0	2 848	37 201	3 204		43 253
Depreciation for the period	0	5 038	40 540	3 012	0	48 590
Accumulated depreciation 31.12.2009	0	45 854	419 539	27 841	0	493 234
Net book amount 31.12.2009	36 255	100 123	602 541	68 891	95 335	903 145
Net book amount 31.12.2008	36 270	96 645	465 760	71 166	212 712	882 553

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

Nokian Lämpövoima Oy and Fortum Power and Heat agreed in December 2009 that Fortum will purchase the power plant and related operations from Nokian Lämpövoima Oy. This sale was completed on 25 January 2010. Nokia Lämpövoima Oy recognised an impairment of 16 million euros for the power plant in Nokia in the 2009 financial statements. In 2010, the company recorded impairments of 2,8 million euros to the Mussalo natural gas plant and in 2009 an impairment of 27,3 million euros, due to the high price of the fuel the plant is not estimated have any other use than as a resource for reserve capacity.

Management has assessed that no other indications of impairment exists.

FINANCE LEASE AGREEMENTS

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

1 000 eur	Machinery and equipment	Prepayments
31.12.2010		
Cost	390 874	17 869
Accumulated depreciation	-81 986	
Net book amount	308 888	17 869
31.12.2009		
Cost	372 172	
Accumulated depreciation	-64 555	
Net book amount	307 617	

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

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

1 000 eur	Buildings and constructions	Machinery and equipment	Other tangible assets	Prepayments	Total
At 1.1.2009	831	9 578	111	4 746	15 266
Additions		197			1 197
Disposals					0
Reclassifications		3 213		-3 213	0
At 31.12.2009	831	12 988	111	2 533	16 463
Accumulated depreciation 1.1.2009	334	2 576	28	0	2 938
Depreciation for the period	42	661	4		707
Accumulated depreciation 31.12.2009	376	3 237	32	0	3 645
Net book amount 31.12.2009	**455**	**9 751**	**79**	**2 533**	**12 818**
Net book amount 31.12.2008	497	7 002	83	4 746	12 328

The borrowing costs related to the construction of power plants are capitalized as part of the acquisition cost of the asset and depreciated over the useful life of the asset. In 2010, 5 746 thousand euros of borrowing costs were capitalized in machinery and equipment (3 410 thousand euros in 2009).

18. Investments in associates and joint ventures

1 000 eur	2010	2009
At 1 January	734 744	699 968
Issue of shares	47 764	60 232
Share of profit	28 440	-18 933
Other comprehensive income	21 325	-4 840
Dividends received	-1 687	-1 683
At 31 December	830 586	734 744

Associates and Joint Ventures

	Interest held %		Book value	
Company, domicile	2010	2009	2010	2009
Associates				
Oy Alholmens Kraft Ab, Pietarsaari	49,90 %	49,90 %	15 854	15 777
Länsi-Suomen Voima Oy, Harjavalta	19,90 %	19,90 %	33 649	33 648
Tahkoluodon Polttoöljy Oy, Pori	32,00 %	32,00 %	112	112
Torniolaakson Voima Oy, Ylitornio	50,00 %	50,00 %	1 342	1 377
			50 957	50 914
Joint Ventures				
Fingrid Oyj, Helsinki	25,00 %	25,00 %	122 783	106 738
Teollisuuden Voima Oyj, Helsinki	58,39 %	58,28 %	640 957	559 839
Vaskiluodon Voima Oy, Vaasa	50,00 %	50,00 %	15 720	17 083
Voimalohi Oy, Kemi	50,00 %	50,00 %	169	170
			779 629	683 830
Associates and joint ventures total			830 586	734 744

Pohjolan Voima accounts for Teollisuuden Voima Oyj as a joint venture in the IFRS consolidated financial statements. Pohjolan Voima Oy owns 58,39% of the share capital of Teollisuuden Voima Oyj at 31.12.2010 (31.12.2009 58,28%). Based on the Articles of Association and other company records which dictate the basis for the decision making and governance of the company, as well as, Pohjolan Voima Oy's right to appoint board members, the Group has assessed that Teollisuuden Voima Oyj should be accounted for as a joint venture.

Goodwill on acquisition of Länsi-Suomen Voima Oy is included in the investments in the associates totalling 28 million euros at 31.12.2010 (28 million euros at 31.12.2009). Impairment testing of the goodwill is performed annually. Länsi-Suomen Voima Oy owns the hydropower plant located in Harjavalta at Kokemäenjoki. Pohjolan Voima has assessed that the fair value of the investment in the associate exceeds its book value at 31.12.2010.

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

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

1 000 eur	Assets	Liabilities	Revenue	Profit/loss (-)
2009				
Oy Alholmens Kraft Ab	185 780	150 446	66 752	-22
Fingrid Oyj	1 648 573	1 200 776	358 938	36 886
Länsi-Suomen Voima Oy	28 367	1 280	1 391	8
Tahkoluodon Polttoöljy Oy	31	1	0	-5
Teollisuuden Voima Oyj	5 069 356	4 203 545	305 390	-41 395
Torniolaakson Voima Oy	8 357	5 602	1 416	114
Vaskiluodon Voima Oy	143 649	101 015	101 251	-898
Voimalohi Oy	1 107	766	3 308	1
Total	7 085 220	5 663 431	838 446	-5 311

Related-party transactions with associates and join ventures

1 000 eur	2010	2009
Sales to associates and joint ventures	2 450	2 508
Purchases from associates and joint ventures	281 611	246 023
Receivables from associates and joint ventures	131 933	127 662
Liabilities to associates and joint ventures	498 259	476 635

	2010	2009
Personnel employed by associates and joint ventures in average	1 153	1 156

19. Available-for-sale investments

1 000 eur	2010	2009
Investments in non-listed securities	3 178	3 181
Total	3 178	3 181

20. Loans and other receivables

Non-current loans and other receivables

1 000 eur	2010	2009
Loans to associates and joint ventures	112 283	110 687
Finance lease receivables	217 638	228 560
Derivatives	0	699
Other non-current receivables	2 348	2 623
Total	332 269	342 569

There are no credit risks related to the long-term loans and other financial assets. The fair values are presented in Note 29.

Trade and other receivables

1 000 eur	2010	2009
Trade receivables	89 401	86 286
Interest-bearing receivables	13 991	2 642
Finance lease receivables	14 529	14 565
Derivatives	698	364
Prepayments and accrued income	26 180	24 887
Other current receivables	1 024	6 993
Total	145 823	135 737

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

Prepayments and accured income

1 000 eur	2010	2009
Prepayments, energy purchases	12 626	11 770
Deferred revenue, energy	5 234	3 172
Indirect taxes	4 328	4 223
Other	3 992	5 722
Total	26 180	24 887

The Group has not recorded any credit losses or impairment on trade receivables or other receivables during the reporting period or the previous financial year. The Group had no outstanding receivables as per 31.12.2010. Therefore, aging of trade receivables are not presented.

FINANCE LEASE RECEIVABLES

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

Other receivables include 3,3 million euros of receivables related to other leases, according to the classification based on IAS 17 (3,5 million euros in 2009).

Gross receivables from finance leases

1 000 eur	2010	2009
No later than 1 year	17 467	17 461
Later than 1 year and no later than 5 years	84 700	85 576
Later than 5 years	157 973	170 956
Total	**260 139**	**273 993**
Unearned finance income	-27 972	-30 867
Net investment in finance leases	**232 167**	**243 125**

The net investment in finance leases may be analysed as follows

1 000 eur	2010	2009
No later than 1 year	14 529	14 565
Later than 1 year and no later than 5 years	72 648	72 684
Later than 5 years	144 989	155 876
Net investment in finance leases	**232 167**	**243 125**

21. Cash and cash equivalents

1 000 eur	2010	2009
Cash at bank and on hand	3 658	79
Commercial papers	27 486	2 700
Short-term bank deposits	12 000	59 370
Total	43 144	62 149

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

22. Inventories

1 000 eur	2010	2009
Fuels		
Coal	48 347	73 308
Other fuels	11 931	11 512
Prepayments	447	0
Total	60 725	84 820

No impairment has been recorded on inventories during 2010 or 2009.

23. Equity

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

Reconciliation of the number of shares

1 000 eur	Number of shares	Share capital	Share premium	Revaluation reserve	Reserve for invested non-restricted equity	Retained earnings	Total
1.1.2009	35 868 835	60 327	388 210	-26 252	77 229	337 353	836 867
Proceeds from share issue	452 860	762	0	0	24 599		25 361
Other comprehensive income				-4 840		-72 133	-76 973
31.12.2009	36 321 695	61 089	388 210	-31 092	101 828	265 220	785 255
Proceeds from share issue	113 950	191			6 189		6 380
Purchase of own shares from non-controlling interest						-380	-380
Other comprehensive income				21 325		12 873	34 198
31.12.2010	**36 435 645**	**61 280**	**388 210**	**-9 767**	**108 017**	**277 713**	**825 453**

Shares

The number of shares at 31.12.2010 was 36 435 645. All issued shares are fully paid.

The company has 24 registered series of shares

Share capital by share category	Number	1 000 eur
Series A:	13 350 077	22 453
- entitling the holder to obtain energy produced or purchased by PVO-Vesivoima Oy		
Series B:	7 124 507	11 983
- entitling the holder to obtain 56.8% of the energy produced or purchased by Teollisuuden Voima Oyj's - Olkiluoto plant 1 and 2		
Series B2:	1 496 008	2 516
- entitling the holder to obtain 60.2% of the energy produced by Teollisuuden Voima Oyj's Olkiluoto plant 3 once it construction is completed.		
Series C:	7 107 592	11 954
- entitling the holder to obtain energy produced or purchased by PVO-Lämpövoima Oy		
Series C2:	359 198	604
- entitling the holder to obtain 56.8% of the energy produced or purchased by Teollisuuden Voima Oyj's Meri-Pori coal power plant		
Series E1:	229 741	386
-entitling the holder to obtain energy produced by Mussalon Kaukolämpö Oy		
Series G:	354 290	596
- entitling the holder to obtain 49.9% of the energy produced by Oy Alholmens Kraft Ab		

Series G2:	238 216	401
- entitling the holder to obtain 76.0% of the energy produced by Kymin Voima Oy		
Series G3:	115 850	195
- entitling the holder to obtain 50.0% of the energy produced by Järvi-Suomen Voima Oy		
Series G4:	296 486	499
- entitling the holder to obtain 72.0% of the energy produced by Rauman Voima Oy		
Series G5:	85 572	144
- entitling the holder to obtain energy produced by Laanilan Voima Oy		
Series G6:	646 217	1 087
- entitling the holder to obtain energy produced by Porin Prosessivoima Oy		
Series G7:	661 300	1 112
- entitling the holder to obtain 90.0% of the energy produced by Wisapower Oy		
Series G9:	589 071	991
- entitling the holder to obtain 54.0% of the energy produced by Kaukaan Voima Oy		
Series G10:	30 000	50
- entitling the holder to obtain 84,0 % of the energy produced by Hämeenkyrön Voima Oy		
Series H:	500 000	841
- entitling the holder to obtain energy produced by PVO-Huippuvoima Oy		
Series I:	24 977	42
- entitling the holder to obtain 82.5% of the energy produced by the PVO-Innopower Oy's Oulunsalo, Oulu, Kokkola and Kristiinankaupunki wind turbines		
Series I2:	25 008	42
- entitling the holder to obtain 83.8% of the energy produced by the PVO-Innopower Oy's Riutunkari wind turbines		
Series I3:	121 711	205
- entitling the holder to obtain 71.7% of the energy produced by the PVO-Innopower Oy's Ajos wind farm		
Series K1:	176 428	297
- entitling the holder to obtain energy produced or purchased by Kokkolan Voima Oy		
Series K2: *)	25 178	42
- entitling the holder to obtain energy produced or purchased by Vieskan Voima Oy		
Series K3:	324 457	545
- entitling the holder to obtain energy produced or purchased by Keravan Lämpövoima Oy		
Series N:	1 506 938	2 534
- entitling the holder to obtain 80.1% of the energy produced by Nokian Lämpövoima Oy		
Series V:	1 046 823	1 761
- entitling the holder to obtain 50.0% of the energy produced by Vaskiluodon Voima Oy		
	36 435 645	**61 280**

*) Pohjolan Voima Oy sold its entire share ownership in Vieskan Voima Oy in October 2010. Pohjolan Voima Oy has made a decision to reduce share capital by buying K2-series of shares and cancelling them.

The following shares were issued during the financial year:

An increase in share capital was recorded by a directed share issue of G9-series, 54 000 shares in total, to UPM-Kymmene Oyj at a subscription price of 3024 thousand euros (15.4.2010).

An increase in share capital was recorded by a directed share issue of K3-series, 16 450 shares in total, to Etelä-Suomen Voima Oy at a subscription price of 921,2 thousand euros (22.4.2010).

An increase in share capital was recorded by two directed share issues of G5-series, 6 750 shares each to Kemira Oyj (7.9.2010) and City of Oulu (13.9.2010) at a subscription price of 378 thousand euros each. In other words, a total increase in the number of share of 13 500 at a subscription price of 756 thousand euros.

An increase in share capital was recorded by a directed share issue of G10-series, 30 000 shares in total, to M-real Oyj at a subscription price of 1 680 thousand euros (11.11.2010).

Share premium

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

Revaluation reserve

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

Invested non-restricted equity

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

24. Provisions

1 000 eur	Environmental provisions	Emission allowances	Other provisions	Total
At 1 January 2010	**5 604**	**58**	**360**	**6 022**
New and increases in provisions	674			674
Used provisions		-58	-360	-418
Unused amounts reversed				0
At 1 December 2010	**6 278**	**0**	**0**	**6 278**

1 000 eur	2010	2009
Non-current	6 278	5 604
Current	0	418
Total	6 278	6 022

Environmental obligations

The environmental obligations includes provisions for environmental restoration included in the lease agreements of the wind turbine companies and landscaping obligations relating to the power plants' stacking areas. The Group has an obligation to dismantle wind turbine buildings and constructions built on leased land and to restore the landscape at the end of the contract period. The estimated cost for asset retirement obligations and the cost of landscaping of the power plants' stacking areas are recognised as part of the cost of an item of property and plant and as a provision. The environmental obligations amounted to 6 278 thousand euros at 31.12.2010, and is expected to be reversed by 2057 at the latest.

25. Deferred tax liabilities

1 000 eur	2010	2009
Accumulated depreciation difference 1.1.	709	466
Charged to the statement of comprehensive income	171	243
Accumulated depreciation difference 31.12.	**880**	**709**

26. Borrowings

1 000 eur	2010	2009
Non-current:		
Borrowings from associates and joint ventures	456 039	426 817
Borrowings from financial institutions	500 715	534 938
Pension loans	18 982	21 694
Finance lease liabilities	419 874	432 346
Other interest-bearing non-current liabilities	5 000	5 000
Total	**1 400 610**	**1 420 795**
Current:		
Borrowings from financial institutions	21 608	16 808
Pension loans	2 712	0
Other interest-bearing current liabilities	39 943	77 822
Finance lease liabilities	47 045	16 171
Total	**111 308**	**110 801**
Total borrowings	**1 511 918**	**1 531 596**

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

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

FINANCE LEASE LIABILITIES

Finance lease liabilities consist of the lease arrangements relating to the power plant investments.

Minimum lease payments

1 000 eur	2010	2009
No later than 1 year	51 906	20 207
Later than 1 year and no later than 5 years	248 072	236 700
Later than 5 years	192 879	218 574
Total	**492 857**	**475 481**
Future finance charges	-25 856	-26 964
Finance lease liabilities - Present value of minimum lease payments	**467 001**	**448 517**

Present value of minimum lease payments

1 000 eur	2010	2009
No later than 1 year	47 045	16 171
Later than 1 year and no later than 5 years	230 894	218 886
Later than 5 years	189 063	213 460
Total	**467 001**	**448 517**

OTHER NON-CURRENT LIABILITIES

1 000 eur	2010	2009
Other non-current liabilities		
Other non-current liabilities	45	
Derivative financial liabilities		
Interest rate swaps	3 053	2 061
Total	**3 098**	**2 061**

Fair values of derivatives are disclosed in note 28.

INTEREST-BEARING NET LIABILITIES

1 000 eur	2010	2009
Interest-bearing liabilities total	**1 511 918**	**1 531 596**
Interest-bearing financial assets		
Non-current		
Loan receivables	112 283	110 687
Finance lease receivables	217 638	228 560
	329 921	339 247
Current		
Interest-bearing receivables	13 991	2 642
Finance lease receivables	14 529	14 565
Cash and cash equivalents	43 144	62 149
Total	71 664	79 356
Interest-bearing financial assets total	**401 585**	**418 603**
Interest-bearing liabilities net	**1 110 333**	**1 112 993**

27. Trade payables and other current liabilities

1 000 eur	2010	2009
Trade payables	22 930	32 137
Liabilities to associates and joint ventures	42 221	49 818
Accrued expenses	28 334	29 203
Other current liabilities	47 416	27 462
Held emission allowances, Energy Market Authority	24 969	10 614
Derivative financial instruments	726	70
Total	166 596	149 304

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

Accrued expenses

1 000 eur	2010	2009
Accrued personnel expenses	6 705	6 931
Accrued expenses for fuel purchases	7 550	8 990
Accrued expenses for energy purchases	5 923	468
Other	8 156	12 814
Total	28 334	29 203

28. Derivative financial instruments

Fair value of derivative financial instruments

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

	2009	2009	Total
1 000 eur	Positive fair values	Negative fair values	
Interest rate swaps	0	-2 131	-2 131
Forward foreign exchange contracts and swaps	1 581	-519	1 062
Total	1 581	-2 650	-1 069

Nominal value of derivative financial instruments

1 000 eur	2010	2009
Interest rate swaps	245 150	218 750
Forward foreign exchange contracts and swaps	57 564	49 396

29. Financial assets and liabilities by category

1 000 eur 2010	Financial assets and liabilities at fair value through profit and loss	Loans and re-ceivables	Available-for-sale financial assets	Financial liabilities carried at amortised cost	Book value total	Fair value total	Note
Non-current financial assets							
Available-for-sale investments			3 178		3 178	3 178	19
Loan receivables		112 283			112 283	112 283	20
Finance lease receivables					217 638	217 638	20
Other receivables		2 348			2 348	2 348	20
	0	114 631	3 178	0	335 447	335 447	
Current financial assets							
Cash and cash equivalents		43 144			43 144	43 144	21
Loan receivables		13 991			13 991	13 991	20
Trade and other receivables		90 425			90 425	90 425	20
Prepayments and accrued income		26 180			26 180	26 180	20
Finance lease receivables					14 529	14 529	20
Derivative financial instruments	698				698	698	20
	698	173 740	0	0	188 967	188 967	
Total	**698**	**288 371**	**3 178**	**0**	**524 414**	**524 414**	
Non-current financial liabilities							
Borrowings from associates and joint ventures				456 039	456 039	456 039	26
Borrowings				524 697	524 697	524 697	26
Finance lease liabilities					419 874	419 874	26
Other non-current liabilities				45	45	45	26
Derivative financial instruments	3 053				3 053	3 053	26
	3 053	0	0	980 781	1 403 708	1 403 708	
Current financial liabilities							
Loans and commercial papers				64 263	64 263	64 263	26
Trade payables				22 930	22 930	22 930	27
Other current liabilities				114 606	114 606	114 606	27
Accrued expenses				28 334	28 334	28 334	27
Finance lease liabilities					47 045	47 045	26
Derivative financial instruments	726				726	726	27
	726	0	0	230 133	277 904	277 904	
Total	**3 779**	**0**	**0**	**1 210 914**	**1 681 612**	**1 681 612**	

1 000 eur 2009	Financial assets and liabilities at fair value through profit and loss	Loans and re-ceivables	Available-for-sale financial assets	Financial liabilities carried at amortised cost	Book value total	Fair value total	Note
Non-current financial assets							
Available-for-sale investments			3 181		3 181	3 181	19
Loan receivables		110 687			110 687	110 687	20
Finance lease receivables					228 560	228 560	20
Other receivables		2 623			2 623	2 623	20
Derivative financial instruments	699				699	699	20
	699	113 310	3 181	0	345 750	345 750	
Current financial liabilities							
Cash and cash equivalents		62 149			62 149	62 149	21
Loan receivables		2 642			2 642	2 642	20
Trade and other receivables		93 279			93 279	93 279	20
Prepayments and accrued income		24 887			24 887	24 887	20
Finance lease receivables					14 565	14 565	20
Derivative financial instruments	364				364	364	20
	364	182 957	0	0	197 886	197 886	
Total	**1 063**	**296 267**	**3 181**	**0**	**543 636**	**543 636**	
Non-current financial liabilities							
Borrowings from associates and joint ventures				426 817	426 817	426 817	26
Borrowings				561 632	561 632	561 632	26
Finance lease liabilities					432 346	432 346	26
Derivative financial instruments	2 061				2 061	2 061	26
	2 061	0	0	988 449	1 422 856	1 422 856	
Current financial liabilities							
Loans and commercial papers				94 630	94 630	94 630	26
Trade payables				32 137	32 137	32 137	27
Accrued expenses				29 203	29 203	29 203	27
Other current liabilities				87 894	87 894	87 894	27
Finance lease liabilities					16 171	16 171	26
Derivative financial instruments	70				70	70	27
	70	0	0	243 864	260 105	260 105	
Total	**2 131**	**0**	**0**	**1 232 313**	**1 682 961**	**1 682 961**	

Fair value estimation

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

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

Carrying value of long-term loans and short-term interest-bearing liabilities is calculated using the effective interest method. Carrying value of loans with variable interest rates is a reasonable estimate of their fair value. Carrying value of short-term interest-bearing liabilities approximate their fair value, as the effect of discounting is not significant due to their short maturity. Fair value of loans with fixed interest rate is determined using a discounted cash flow method. Discount rates used are the market interest rates at the closing date, which were in between 0.6 - 3.3% (0.4 - 3.6%). A company- or loan-specific risk premium has been added to the discount rates used.

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value at the closing date. The fair values reflect the prices, which PVO would have to pay or would receive, if it called a derivatives contract. Fair value of interest rate swaps is determined using a discounted cash flow method using market rates prevailing at the closing date as the discount rate, which were 0.6 - 3.3% (0.4 - 3.6%). Fair values of forward foreign exchange contracts and swaps are determined using quoted forward rates from contracts with similar duration. PVO does not apply hedge accounting according to IAS 39, so the changes in fair values for derivative instruments are recorded in profit or loss.

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

30. Contingent liabilities and assets and purchase commitments

1 000 eur	2010	2009
On behalf of own loans		
Pledged deposits	11 707	2 240
Other contingent liabilities	147 846	27 866
On behalf of associated companies and joint ventures		
Guarantees	55 076	60 528
Guarantee according to Nuclear Energy Act	124 925	144 050
Other contingent liabilities	0	511
On behalf of others		
Guarantees	6 223	6 745
Other contingent liabilities		0
Total	**345 777**	**241 940**

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

Other liabilities consist mainly of the parent company's loan guarantees. In 2010 a bank guarantee of 120 million euros was given to the State Nuclear Waste Management Fund. A bank guarantee relating to the pension (TyEl) loan amounts to 21,7 million euros (in 2009 21,7 million euros). Fingrid Oyj has been given a guarantee of 4,5 million euros related to the reserve capacity agreement.

Guarantee under the Nuclear Energy Act

According to the Finnish Nuclear Energy Act, Teollisuuden Voima, a joint venture of which Pohjolan Voima owns 58.39%, is obliged to fund the decommissioning of nuclear power plants and final disposal of spent nuclear fuel through the Finnish State Nuclear Waste Management Fund.

The amount of the contingent liability is determined by the administrative authority (Ministry of Employment and Economy) based on the Nuclear Energy Act. The directly enforceable guarantees relating to Nuclear waste management given by the shareholders of Teollisuuden Voima Oyj cover the uncovered portion of nuclear waste management liability as well as a liability for any unforeseen expenses of nuclear waste management in accordance with the Nuclear Energy Act. The directly enforceable guarantee given by Pohjolan Voima is 124,9 million euros (144,1 million euros in 2009).

Investment commitments

Subsidiaries

Hämeenkyrön Voima Oy is preparing an investment in which a boiler plant, a fuel reception and processing systems is built in the connection to the existing power plant. The total investment is estimate to amount to 50 million euros, of which 4.4 million euros have been recorded during the reporting period.

Joint ventures

Pohjolan Voima Oy has committed to an investment into the nuclear power plant Olkiluoto 3 built by Teollisuuden Voima Oyj during 2004 to 2013. The commitment consists of a 432 million euros investment, a shareholder loan of 108,0 million and an additional shareholder loan of a maximum of 180,7 million euros. At 31.12.2010 Pohjolan Voima Oy has fulfilled 500,7 million euros of its commitments. Investments are based on the financial plan of Olkiluoto 3, according to which capital is raised in accordance with the progress of the project.

Legal proceedings

Subsidiaries

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

Joint ventures

Teollisuuden Voima Oyj was informed in December 2008, by the International Chamber of Commerce (ICC) that the plant supplier, has provided the ICC an arbitration request, regarding the cost arising from the delay of the completion of Olkiluoto 3. The suppliers compensation demand totalled 1,2 billion euros at the closing date. The requirement is based mainly on the additional costs arising from the delay. Contractual payments that have been demanded have expired and have been paid. Teollisuuden Voima continues to note that supplier claims are unfounded.

In April 2009 Teollisuuden Voima submitted to ICC its response and its counter-claim to the plant supplier, regarding the alleged Olkiluoto 3 additional cost filed by the supplier in December 2008. TVO's claim amounted at the end of the year to approximately 1,4 billion euros. The arbitration proceedings can continue for several years.

Teollisuuden Voima is also involved in another ICC arbitration proceeding, which relates to the costs of a technical construction solution at the Olkiluoto 3, for which the cost is considered insignificant in comparison to the total project value.

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

31. Operating leases

The Group has leased the Helsinki and Oulu office spaces. The leases expire in 2012 for the Oulu office and in 2015 for the Helsinki office. The contracts include the possibility to continue the lease period after the expiration date of the initial contract period.

1 000 eur	2010	2009
No later than 1 year	1 870	1 974
Later than 1 year and no later than 5 years	6 417	8 982
Total	**8 287**	**10 956**

32. Emission allowances

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

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

	2009 t CO_2	1 000 eur
Allowances received free of charge	2 494 970	
Combined annual emissions of the plants'	2 779 169	
Emission allowances held	2 984 290	
External sales of emission allowances *	603 273	10 733
External purchases of emission allowances **	966 904	14 481

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

33. Related-party transactions

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

Parent company and subsidiaries

Company	Production	Country	Ownership (%)	Voting right (%)
Finestlink Oy		Finland	51.311	51.311
Järvi-Suomen Voima Oy	Thermal Power	Finland	50.000	50.000
Hämeenkyrön Voima Oy	Thermal Power	Finland	84.000	84.000
Kaukaan Voima Oy	Thermal Power	Finland	54.000	54.000
Keravan Lämpövoima Oy	Thermal Power	Finland	100.000	100.000
Kokkolan Voima Oy	Thermal Power	Finland	100.000	100.000
Kymin Voima Oy	Thermal Power	Finland	76.000	76.000
Laanilan Voima Oy	Thermal Power	Finland	100.000	100.000
Mussalon Kaukolämpö Oy	Thermal Power	Finland	100.000	100.000
Mussalon Kiinteistöt Oy	Real estate company	Finland	100.000	100.000
Nokian Lämpövoima Oy	Thermal Power	Finland	100.000	100.000
Porin Prosessivoima Oy	Thermal Power	Finland	100.000	100.000
Powest Oy	Services company	Finland	80.519	98.805
Proma Palvelut Oy	Services company	Finland	53.143	53.143
PVO-Alueverkot Oy	Network company	Finland	80.519	80.519
PVO-Huippuvoima Oy	Thermal Power	Finland	100.000	100.000
PVO-Innopower Oy	Wind power	Finland	74.657	74.657
PVO-Lämpövoima Oy	Thermal Power	Finland	100.000	100.000
PVO-Pool Oy	Services company	Finland	100.000	100.000
PVO-Vesivoima Oy	Hydropower	Finland	100.000	100.000
Rauman Voima Oy	Thermal Power	Finland	71.949	71.949
Rouhialan Voimansiirto Oy	Services company	Finland	100.000	100.000
Wisapower Oy	Thermal Power	Finland	89.976	89.976

List of associated companies and joint ventures

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

Transactions with related parties, 1 000 eur:

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

2010	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	2 450	281 611	131 933	498 259
UPM-Kymmene Oyj	256 165	93 661	21 994	7 352

2009	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	2 508	246 023	127 662	476 635
UPM-Kymmene Oyj	215 548	66 770	21 994	7 352

UPM-Kymmene Oyj owns 43.09% of Pohjolan Voima Oy's share capital.

The Board of Directors and Executive team

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

1 000 eur	2010	2009
Salaries and other short-term employee benefits	2 045	1 758
Total	2 045	1 758

34. Events after the reporting period

Pohjolan Voima, the Finnish State and Eläkevakuutusyhtiö Ilmarinen are discussing the possibility of Pohjolan Voima selling its 25% ownership of Fingrid Oyj. The State would acquire about 81% and Ilmarinen, approximately 19% of the shares owned by Pohjolan Voima. Closing of the transaction would require a purchase agreement and necessary approvals from the parties' decision-making bodies and regulatory approvals.

If the deal is closed, the purchase consideration would be 325 million euros, and Pohjolan Voima would recognise a profit of approximately 200 million euros in the consolidated statement of comprehensive income. Pohjolan Voima expects to finalize the deal by early 2011.

35. Breakdown of share ownership and shareholder information

Shareholder	2010 % of shares	2009 % of shares
EPV Energia Oy	7.22%	7.24%
Etelä-Suomen Voima Oy	2.85%	2.81%
Helsingin kaupunki	0.79%	0.79%
Kemira Oyj (incl. Pension fund)	3.94%	3.93%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	4.12%	4.13%
Kokkolan kaupunki	2.48%	2.48%
Kymppivoima Oy	8.73%	8.75%
M-Real Oyj	2.52%	2.44%
Myllykoski Oyj	0.83%	0.83%
Oulun kaupunki	1.86%	1.85%
Outokumpu Oyj	0.09%	0.09%
Oy Metsä-Botnia Ab	0.34%	0.34%
Oy Perhonjoki Ab	2.57%	2.57%
Porin kaupunki	1.84%	1.85%
Rautaruukki Oyj	0.02%	0.02%
Stora Enso Oyj	14.77%	14.82%
UPM-Kymmene Oyj	43.09%	43.07%
Vantaan Energia Oy	0.31%	0.31%
Yara Suomi Oy (incl. Pension fund)	1.66%	1.67%
Total	**100.00%**	**100.00%**

Shareholders by sector	% of shares	% of shares
Forest industry	61.54%	61.51%
Energy companies	21.67%	21.69%
Cities	6.96%	6.97%
Chemical industry	5.60%	5.60%
Metal industry	0.11%	0.11%
Other	4.12%	4.13%
Total	**100.00%**	**100.00%**

Parent company financial statements (FAS)

Income statement

1 000 eur • 1.1.–31.12.	Note	2010	2009
Revenue	2	**635 716**	**560 740**
Other operating income	3	2 005	2 458
Materials and services	4	-328 045	-268 148
Personnel expenses	5	-8 795	-9 163
Depreciation, amortisation and impairment	6	-1 013	-44 144
Other operating expenses	7	-298 135	-281 980
Operating profit or loss		**1 733**	**-40 237**
Finance income and costs	8	-6 692	-8 665
Profit or loss before appropriations and taxes		**-4 959**	**-48 902**
Appropriations			
Increase (+) or decrease (-) in depreciation difference		335	271
Income tax expense	9	-6	-13
Profit or loss for the year		**-4 630**	**-48 644**

Balance sheet

1 000 eur • 1.1.–31.12.	Note	2010	2009
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	468	590
Property, plant and equipment	11	1 646	2 005
Investments	12		
Holdings in Group undertakings		577 652	568 262
Other investments		854 398	928 583
TOTAL NON-CURRENT ASSETS		**1 434 164**	**1 499 440**
CURRENT ASSETS			
Non-current receivables	13	7 289	6 693
Current receivables	14	101 189	97 999
Investments	15	27 486	2 700
Cash and cash equivalents		16 350	83 195
TOTAL CURRENT ASSETS		**152 314**	**190 587**
Total assets		**1 586 478**	**1 690 027**
EQUITY AND LIABILITIES			
EQUITY	16		
Share capital		61 280	61 089
Share premium		384 194	384 194
Contingency reserve		547	547
Revaluation reserve		218 644	218 644
Reserve for invested non-restricted equity		108 017	101 828
Retained earnings		-23 759	24 885
Profit or loss for the year		-4 630	-48 644
TOTAL EQUITY		**744 293**	**742 543**
ACCUMULATED APPROPRIATIONS			
Depreciation difference		**521**	**855**
LIABILITIES			
Non-current liabilities	17	613 066	696 511
Current liabilities	18	228 598	250 118
TOTAL LIABILITIES		**841 664**	**946 629**
Total equity and liabilities		**1 586 478**	**1 690 027**

Cash flow statement

1 000 eur • 1.1.–31.12.		2010	2009
Operating activities			
Operating profit or loss		1 733	-40 237
Adjustments to operating profit or loss	1)	1 015	44 045
Change in net working capital	2)	-13 905	6 918
Interest paid		-15 896	-33 603
Interest received		3 504	13 080
Dividends received		1 688	1 684
Other financial items		-659	-294
Income tax paid		13	-29
Cash flow from operating activities		**-22 507**	**-8 436**
Investments			
Acquisition of subsidiaries		-10 813	-85 592
Acquisition of other shares		-47 764	-
Purchases of property,plant and equipment and intangible assets		-198	-232
Disposal of other shares		1 423	-
Proceeds from sales of property, plant and equipment and intangible assets		120	162
Increase (-) or decrease (+) of loan receivables		123 632	15 300
Cash flow from investing activities		**66 400**	**-70 362**
Financing			
Proceeds from borrowings		59 222	41 320
Repayments of borrowings		-140 000	-40 000
Increase (-) or decrease (+) of current interest-bearing receivables			1 097
Proceeds (+) or repayments (-) of current interest-bearing liabilities		-11 555	38 995
Proceeds from issuance of ordinary shares		6 381	25 360
Cash flow from financing activities		**-85 952**	**66 772**
Net (decrease)/increase in cash and cash equivalents		**-42 059**	**-12 026**
Cash and cash equivalents transferred in subsidiary merger			100
Cash and cash equivalents at 1.1.		85 895	97 821
Cash and cash equivalents at 31.12.		**43 836**	**85 895**
1) Adjustments to operating profit or loss			
Depreciation, amortisation and impairment		1 013	44 144
Losses(+) or gains (-) of sales of non-current assets		2	-99
		1 015	**44 045**
2) Change in net working capital			
Increase (-) or decrease (+) of non-interest-bearing receivables		-5 994	7 505
Increase (+) or decrease (-) of current non-interest-bearing liabilities		-7 911	-587
		-13 905	**6 918**

Notes to financial statement

1. Basis of preparation

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

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

Revenue

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

Other operating income

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

Research and development costs

Research and development costs are expensed as incurred.

Pension costs

Statutory pension liabilities are covered through pension insurance arrangements.

Foreign currencies and derivative contracts

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

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

Income taxes and deferred taxes

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

Non-current assets

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

The estimated useful lives have been defined as follows:

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

Investments

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

2. Sales

1 000 eur	2010	2009
Sales of generated electricity	473 397	418 849
Sales of generated heat	156 507	135 127
Other sales	5 812	6 764
Total	635 716	560 740

3. Other operating income

1 000 eur	2010	2009
Gains on sale of property, plant and equipment and other investments	6	58
Rental income	1 393	1 470
Other income	606	930
Total	2 005	2 458

4. Materials and services

1 000 eur	2010	2009
Energy purchases	328 045	268 148
Total purchases	328 045	268 148

5. Personnel expenses and average number of personnel

1 000 eur	2010	2009
Wages and salaries		
Board members and CEO	1 165	919
Other wages and salaries	5 397	6 029
Total	6 562	6 948
Pension expenses	1 896	1 882
Other personnel expenses	337	333
Total	2 233	2 215
Total personnel expenses	8 795	9 163
Average number of personnel		
Salaried employees	75	81
Wage-earners	2	-
Total	77	81

6. Depreciation, amortisation and impairment

1 000 eur	2010	2009
Depreciation according to plan		
Other capitalised long-term expenditure	164	186
Buildings and constructions	48	43
Machinery and equipment	354	368
Impairment of non-current assets	-	43 100
Investments	447	447
Total	1 013	44 144

7. Other operating expenses

1 000 eur	2010	2009
Energy purchases	290 192	273 610
Repair, servicing and maintenance services	157	152
Rents	1 960	1 989
Real estate taxes	76	66
Other expenses	5 750	6 163
Total	298 135	281 980

Auditor's fees

1 000 eur	2010	2009
PricewaterhouseCoopers Oy:		
Audit fees	115	92
Tax counselling	17	-
Auditor's statements	-	1
Other services	49	181
Total	181	274

8. Finance income and costs

1 000 eur	2010	2009
Dividend income		
from participating interests	1 687	1 683
from others	1	1
Interest income from investments		
in Group undertakings	741	6 723
in participating interests	2 254	3 846
in others	3	-3
Other interest and finance income		
from Group undertakings	1 620	1 674
from others	-1 179	72
Total finance income	5 127	13 997
Interest costs and other financial costs		
Group undertakings	-767	-828
participating interests	-6 027	-10 033
Others	-5 025	-11 800
Total finance costs	-11 819	-22 661
Total finance income and costs	-6 692	-8 665
Other interest and financial income includes exchange rate differences (net).	-10	-9

9. Income taxes

1 000 eur	2010	2009
Income taxes for the period	6	14
Income taxes from previous periods	0	-1
Total	6	13

10. Intangible assets

1000 eur	Intangible rights	Other capitalised long-term expenditure	Total
Cost or valuation at 1.1.	33	2 215	2 248
Additions	7	35	42
Cost or valuation at 31.12.	40	2 250	2 290
Accumulated amortisation 1.1.	-	-1 658	-1 658
Amortisation for the period	-	-164	-164
Accumulated amortisation 31.12.	-	-1 822	-1 822
Net book amount 31.12.2010	40	428	468
Net book amount 31.12.2009	33	557	590

11. Property, plant and equipment

1000 eur	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Total
Cost or valuation at 1.1.	208	1 207	3 956	7	5 378
Additions	-	42	86	35	163
Disposals	-	-	-238	-	-238
Cost or valuation at 31.12.	208	1 249	3 804	42	5 303
Accumulated depreciation 1.1.	-	-729	-2 644	-	-3 373
Accumulated depreciation of disposals and reclassifications	-	-	118	-	118
Depreciation for the period	-	-48	-354	-	-402
Accumulated depreciation 31.12.	-	-777	-2 880	-	-3 657
Net book amount 31.12.2010	208	472	924	42	1 646
Net book amount 31.12.2009	208	478	1 312	7	2 005
Production machinery and equipment at 31.12.			420		

12. Investments

1000 eur	Holdings in Group undertakings	Receivables from Group undertakings	Holdings in participating interests	Receivables from participating interests	Other shares and holdings	Total
Cost or valuation at 1.1.	1 206 252	238 095	48 839	-	3 658	1 496 844
Additions	10 813	-	47 764	-	-	58 577
Disposals	-1 423	-121 500	-447	-	-2	-123 372
Reclassifications	-637 990	-107 995	640 964	107 995	-2 974	0
Cost or valuation at 31.12.	577 652	8 600	737 120	107 995	682	1 432 049
Net book amount 31.12.2010	577 652	8 600	737 120	107 995	682	1 432 049
Net book amount 31.12.2009	1 206 252	238 095	48 839	-	3 658	1 496 844
Revaluations included in the cost at 31.12.:	265 145					

13. Non-current receivables

1 000 eur	2010	2009
Loan receivables	4 560	6 692
Capital loan receivables	1	1
Other non-current receivables	2 728	-
Total	7 289	6 693
Receivables from Group undertakings		
Loan receivables	3 000	4 000
Capital loan receivables	1	1
Total receivables from Group undertakings	3 001	4 001
Receivables from participating interests		
Loan receivables	1 560	2 692
Other non-current receivables	2 728	-
Total receivables from participating interests	4 288	2 692

14. Current receivables

1 000 eur	2010	2009
Trade receivables	74 381	62 675
Other receivables	230	3
Prepayments and accrued income	26 578	35 321
Total	101 189	97 999
Receivables from Group undertakings		
Trade receivables	2 660	217
Prepayments and accrued income	5 026	11 031
Total receivables from Group undertakings	7 686	11 248
Receivables from participating interests		
Trade receivables	1 632	1 772
Prepayments and accrued income	12 984	12 586
Total receivables from participating interests	14 616	14 358
Prepayments and accrued income:		
Accrued personnel expenses	30	76
Accrued interest income	263	320
Accrued income taxes	2	21
Accrued emission allowances SWAP-contracts	9 447	15 140
Accrued energy purchases	15 530	14 359
Others	1 306	5 405
Total	26 578	35 321
Interest-bearing receivables		
Non-current assets	116 595	238 095
Current assets	48 396	92 587
Total	164 991	330 682

15. Investments

1 000 eur	2010	2009
Holdings in investment funds with short-term interest, certificates of deposit and commercial papers		
Reacquisition price	27 486	2 699
Book value	27 486	2 700
Difference	0	-1

16. Equity

1 000 eur	2010	2009
Share capital 1.1.	61 089	60 327
Transfer from share issue	191	762
Share capital 31.12.	61 280	61 089
Share issue 1.1.	0	0
Transfer to share capital	-191	-762
Transfer to reserve for invested non-restricted equity	-6 189	-24 599
Share issues during the year	6 380	25 361
Share issue 31.12.	0	0
Share premium 1.1.	384 194	384 194
Premium on share issues		
Share premium 31.12.	384 194	384 194
Contingency reserve 1.1.	547	547
Contingency reserve 31.12.	547	547
Revaluation reserve 1.1.	218 644	218 644
Revaluation reserve 31.12.	218 644	218 644
Reserve for invested non-restricted equity 1.1	101 828	77 229
Share issues	6 189	24 599
Reserve for invested non-restricted equity 31.12	108 017	101 828
Retained earnings 1.1.	-23 759	24 885
Retained earnings 31.12.	-23 759	24 885
Profit or loss for the year	-4 630	-48 644
Total	744 293	742 543
Distributable earnings 31.12.		
Retained earnings	-23 759	24 885
Profit or loss for the year	-4 630	-48 644
Reserve for invested non-restricted equity	108 017	101 828
Total	79 628	78 069

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

17. Non-current liabilities

1 000 eur	2010	2009
Loans from financial institutions	90 000	230 000
Pension loans	18 983	21 694
Other non-current liabilities	504 083	444 817
Total	613 066	696 511
Liabilities to Group undertakings		
Other non-current liabilities	48 000	18 000
Liabilities to participating interests		
Other non-current liabilities	456 039	426 817
Liabilities with more than five years to maturity		
Loans from financial institutions	-	50 000
Other non-current liabilities	464 175	437 664
Total	464 175	487 664
Non-interest-bearing and interest-bearing non-current liabilities		
Non-interest-bearing	44	-
Interest-bearing	613 022	696 511
Total	613 066	696 511

18. Current liabilities

1 000 eur	2010	2009
Other interest-bearing liabilities	117 834	129 388
Advances received	48	44
Trade payables	71 413	75 838
Other current liabilities	16 909	11 861
Accrued expenses	22 394	32 987
Total	228 598	250 118
To Group undertakings		
Other interest-bearing liabilities	25 000	26 000
Trade payables	39 043	33 578
Accrued expenses	4 573	7 021
To Group undertakings, total	68 616	66 599
To participating interests		
Trade payables	32 167	40 354
Accrued expenses	9 602	10 033
To participating interests, total	41 769	50 387
Accrued expenses		
Accrued personnel expenses	1 434	1 502
Accrued interest costs	6 917	11 645
Accrued emission allowance SWAP-contracts	9 328	14 965
Others	4 715	4 875
Total accrued expenses	22 394	32 987
Non-interest-bearing and interest-bearing current liabilities		
Non-interest-bearing	108 053	120 730
Interest-bearing	120 545	129 388
Total	228 598	250 118

19. Guarantees and contingent liabilities

1 000 eur	2010	2009
Pledged deposits		
As security for own liabilities	46	33
Guarantees		
Guarantees for loans		
On behalf of participating interests	55 050	60 499
Other guarantees		
As security for own liabilities	141 694	21 694
On behalf of Group undertakings	4 500	4 500
Total guarantees	201 244	86 693
Leasing liabilities		
Payments during the following year	21	21
Payments in subsequent years	13	35
Total leasing liabilities	34	56
Rental liabilities	8 118	10 653
Other contingent liabilities		
Guarantee according to Nuclear Energy Act	124 925	144 050

According to the Finnish Nuclear Energy Act, Teollisuuden Voima, a joint venture of which Pohjolan Voima owns 58.39%, is obliged to fund the decommissioning of nuclear power plants and final disposal of spent nuclear fuel through the Finnish State Nuclear Waste Management Fund.

The amount of the contingent liability is determined by the administrative authority (Ministry of Employment and Economy) based on the Nuclear Energy Act. The directly enforceable guarantees given by the shareholders of Teollisuuden Voima Oyj cover the uncovered portion of the Nuclear Waste Management obligation as well as a liability for any unforeseen expenses of nuclear waste management in accordance with the Nuclear Energy Act. The directly enforceable guarantee given by Pohjolan Voima is 124,9 million euros (144,1 million euros in 2009).

20. Derivative financial instruments

1 000 eur	2010	2009
Nominal values and market values of derivative contracts providing a hedge against exchange rate and interest rate risks were as follows		
Interest rate swap contracts (nominal value)	325 300	267 500
Market value	-2 246	-1 916
Currency derivatives		
Forward contracts (nominal value)	57 564	49 396
Market value	-319	364

Financing risks

Board of Directors approve a financing policy for the company, which determines the purpose and risk levels for the financing operations. The refinancing risk is managed through diversified sources of financing, sufficiently long maturity of loans and a balanced schedule of maturity. Agreements on the maturity and refinancing of long-term loans are made so that a maximum of 25% of the outstanding debt will fall due within the next 12 months. The primary loan currency is the euro. If loans are taken out in other currencies, the currency risk is eliminated by means of derivative contracts. The currency risk relating to the fuel purchases of Pohjolan Voima subsidiaries paid in foreign currencies are managed in accordance with the coal purchase policy approved by the board of Pohjolan Voima Oy, through currency derivatives. Execution and management of the derivative contracts is centralised to the parent company.

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

Signing of the Board of Directors' report and financial statements

Board of Directors' dividend proposal

The parent company Pohjolan Voima's profit and loss account indicates a loss of € 4,630,383.39.

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

Helsinki, February 18, 2011

Tapio Korpeinen
Chairman

Juha Vanhainen
Deputy Chairman

Petri Kokko

Kari Rämö

Jyrki Mäki-Kala

Tapani Sointu

Hannu Anttila

Rami Vuola

Lauri Virkkunen
President and CEO

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

Helsinki, March 1, 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of Pohjolan Voima Oy

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Pohjolan Voima Oy for the year ended 31 December, 2010. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the Consolidated Financial Statements

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

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

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

Other Opinions

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

Helsinki, March 1, 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Eero Suomela
Authorised Public Accountant