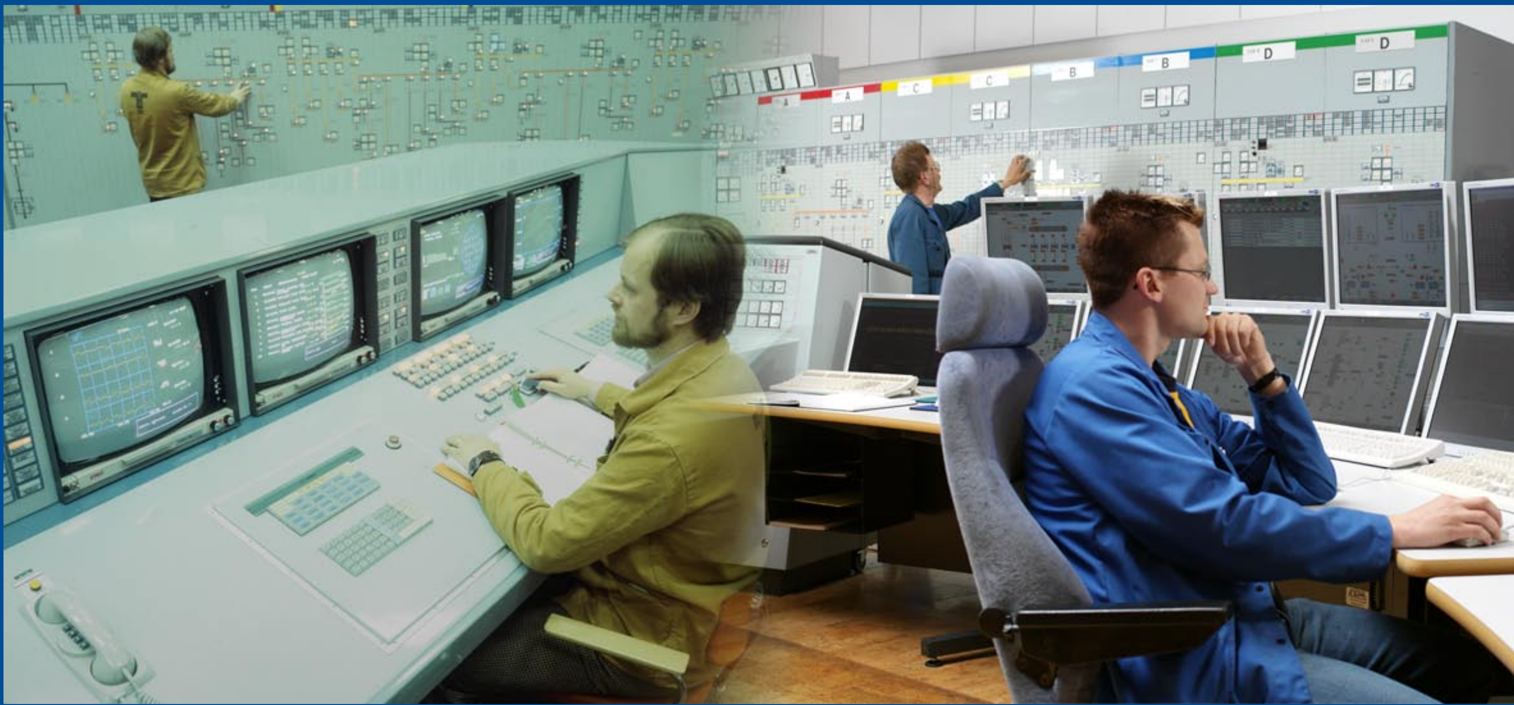
TVO

2007

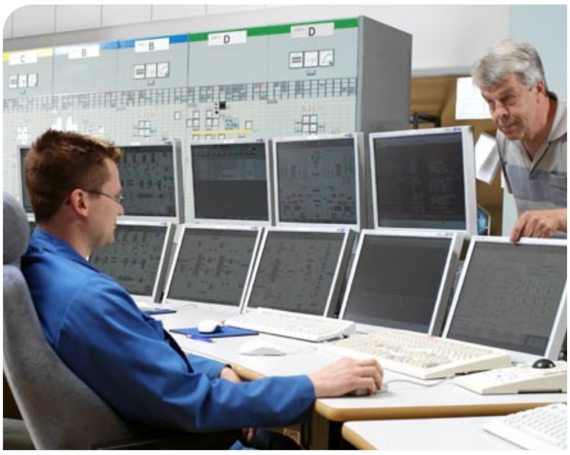
Annual report

Teollisuuden Voima Oyj

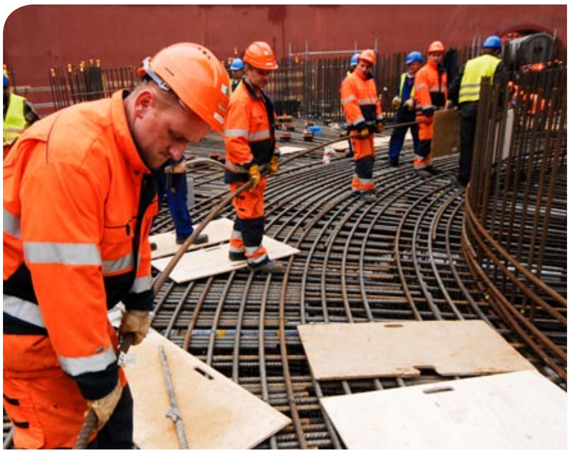
Electricity
safely and
reliably for
almost 30 years.



Knowledge and skills are transferred to the new generation according to plan.



Concrete casting continued at the Olkiluoto 3 construction site.



Until its final placement, the used fuel is stored in interim storage.

Annual Report 2007

Teollisuuden Voima Oyj

TVO as a Company

Teollisuuden Voima Oyj (TVO) is a public company that was established in 1969 and which produces electricity for its shareholders at cost price. TVO's nuclear power plant produces about one sixth of the electricity used in Finland.

Electricity is generated at the two Olkiluoto nuclear power plant units Olkiluoto 1 and Olkiluoto 2 (OL1 and OL2) at Eurajoki and at the Meri-Pori coal-fired power plant in Pori.

A new unit, Olkiluoto 3 (OL3), is under construction at Olkiluoto.

Vision

A world-class nuclear power company highly valued by the Finnish society.

Mission

To produce electricity for shareholders safely, reliably and economically while preserving the environment.

Values

Responsibility

Responsibility at TVO means above all that electricity is produced safely. A culture that places a high value on safety is a priority and a common concern for the entire personnel. The rules that have been agreed upon are strictly obeyed. The operations at TVO call for high and uncompromising quality. TVO understands its responsibility towards promoting local well-being.

Transparency

Personnel working at TVO are open, cooperative and fair, and do not put their own interests before those of the Company. The Company communicates openly about its operations and cooperates constructively and in a businesslike manner with stakeholders with the aim of achieving good interaction.

Proactivity

The Company's operations are based on consistent planning, which takes the long-term span of the operations into account. TVO aims to prevent any incidents from occurring that might affect safety or the availability of electricity. This is achieved by keeping the units in good condition and up-to-date and by ensuring the expertise of the personnel, a good working atmosphere and well-being at work.

Continuous improvement

The Company encourages personnel to update their professional skills, and to improve working methods and working conditions. Continuous development improves safety and profitability. Areas for improvement are actively sought in equipment, operating methods and guidelines. If problems are found, corrective actions are taken immediately.

Areas of Focus

TVO has two primary areas of focus

1. *To keep the existing nuclear power plant units safe, up-to-date, in good condition, reliable and competitive in terms of their production costs.*

2. *To implement the OL3 project safely and to a high standard, and by fulfilling the technical requirements in line with the set timetable and cost estimate.*

Group Structure

TVO is part of the Pohjolan Voima Group, whose parent company is Pohjolan Voima Oy. The subgroup of TVO comprises the parent company Teollisuuden Voima Oyj and the subsidiaries TVO Nuclear Services Oy (TVONS), Olkiluodon Vesi Oy and Perusvoima Oy, as well as the joint enterprise Posiva Oy.

The business concept of TVONS is to market and sell consultancy services based on TVO' s nuclear power expertise. The business concept of Olkiluodon Vesi Oy is to ensure the supply of raw water to the Olkiluoto power plant units. Perusvoima Oy had no operations in the year under review. TVONS, Olkiluodon Vesi Oy and Perusvoima Oy are fully owned by TVO.

The business concept of Posiva Oy is the management of spent nuclear fuel from the Olkiluoto and Loviisa nuclear power plants. TVO has a 60% shareholding in Posiva Oy.

TVO is committed to adhering to a culture that places a high value on safety and ethical principles.

Company Shareholders and Holdings

The Company has three share series. The A series entitles the holder to the electricity generated by the existing OL1 and OL2 nuclear power plant units. The B series entitles the holder to the electricity that will be generated by the OL3 nuclear power plant unit now under construction. The C series entitles the holder to the electricity generated by the TVO share in the Meri-Pori coal-fired power plant.

Company shareholders and holdings (%) 31.12.2007

	A series	B series	C series	Total
Etelä-Pohjanmaan Voima Oy	6,5	6,6	6,5	6,6
Fortum Power and Heat Oy	26,6	25,0	26,6	26,1
Karhu Voima Oy	0,1	0,1	0,1	0,1
Kemira Oyj	1,9	-	1,9	1,2
Oy Mankala Ab	8,1	8,1	8,1	8,1
Pohjolan Voima Oy	56,8	60,2	56,8	57,9
	100,0	100,0	100,0	100,0

TVO Policies

The Company's operation takes into account the approved operating principles and Company-level policies. TVO and its personnel operate in line with the policies determined by the Company.

The policies are grouped under four headings: nuclear safety and quality, social responsibility, production and corporate security.

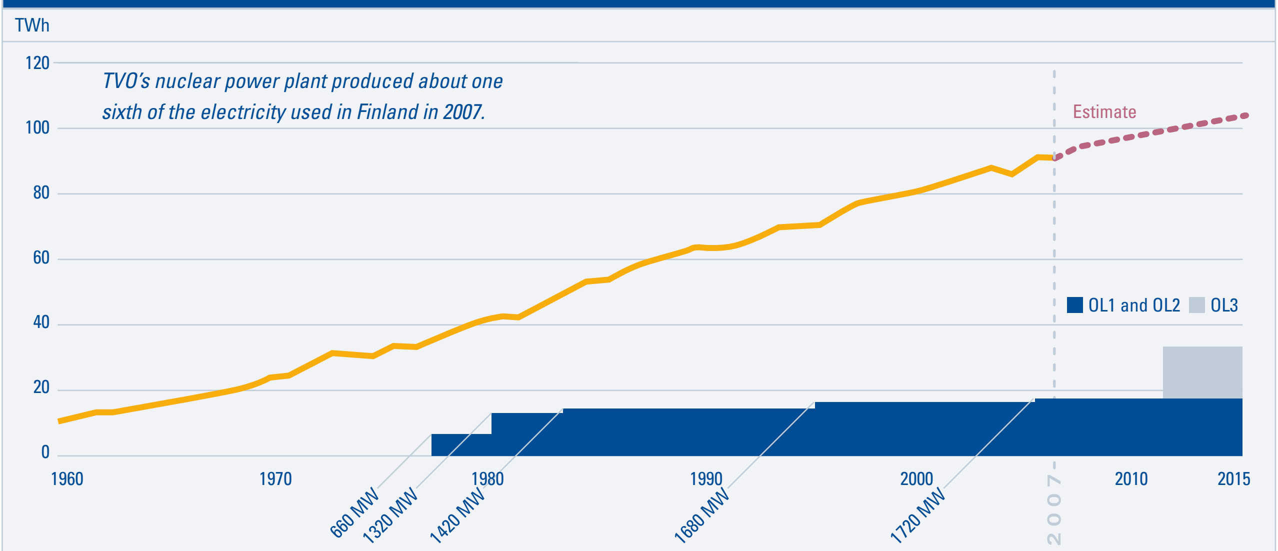
The policy of nuclear safety and quality comprises nuclear safety, radiation protection, safeguards of nuclear material, and quality.

The social responsibility policy comprises the environment, procurement, personnel, occupational safety, and communications.

The production policy comprises plant operation and maintenance and an increase in production capacity.

The corporate security policy comprises the safety of production and operations, the security of people and operating premises, rescue and emergency services, and information security.

Electricity consumption in Finland and TVO's production share



Review by the President and CEO

The OL3 reactor island site in summer 2007.

Controlling climate change is one of the biggest challenges of humankind. The decisions made in 2007 on the preventive measures and means against climate change will significantly affect the operational environment of the energy industry in the coming years worldwide, in Europe, and nationally. The energy industry, including TVO, has in recent years tried to anticipate the measures required for reducing carbon dioxide emissions, and has and will continue to invest substantially in carbon dioxide-free production.

With the decision made in the spring of 2007, the European Union has committed itself to reducing greenhouse emissions by 20% in relation to the level in 1990 by the year 2020. In January 2008, the European Commission published a climate and energy package, a legislative proposal which includes country-specific objectives for promoting renewable energy sources and reducing greenhouse emissions, as well as a proposal for developing an emissions trading system. The package also includes information about the recovery and storage of carbon dioxide.

The goals for reducing greenhouse emissions and the liabilities for increasing renewable energy sources are extremely challenging and demanding for Finland. The climate negotiations directed by the UN will continue in 2009, and after that we will find out what kinds of emission reductions the EU will commit to in the future. In any case, it is certain that all means will be used in order to reduce greenhouse emissions and control the increase in energy consumption, both in industry and by citizens.

The global challenges in the energy industry – climate change, competitiveness and certainty of the availability of energy – have made nuclear power a topic in the political debate in many countries, including the USA, Canada, England and Sweden.

The principles of the energy and climate strategy of the government programme approved in April, 2007, in Finland are controlling of climate change, making provisions for the certainty of the supply of electricity, and reasonable pricing, as well as increasing energy self-sufficiency. The Government has promised for its part to make sure that the sources of energy supply will be as diverse as possible. No emission-free, low-emission or emission-neutral production methods that are sustainable and which offer a profitable cost structure, even nuclear power, should be excluded from the variety of resources. This gives Teollisuuden Voima the chance to persistently increase its production capacity of nuclear power at Olkiluoto at Eurajoki.

During the year under review, the production of nuclear electricity at Olkiluoto was safe, reliable and cost-efficient. The total production of the existing power plant units, 14.4 terawatt hours, was the highest in the history of the company and the capacity factors were also excellent on an international scale. The annual outages were carried out with expertise and the power plant units were found to be in good condition. In order to achieve record results an important success factor is skilled and motivated personnel, which is also a significant competitive advantage for TVO.

On the OL3 project, the engineering, construction work, subcontracting and main equipment manufacturing and installing continued. In August, the plant supplier reported that taking into account the agreed-upon, progressive safety factors in the construction of the reactor will take longer than stated in the original contract schedule and informed that the main construction work would continue until the winter of 2009. This was predicted to postpone the start of the operation of the OL3 until 2011. In December, the plant supplier defined the previous forecast and confirmed that the power plant unit would be completed in the summer of 2011.

The assessment of the environmental impact of the Olkiluoto 4 power plant unit, which started up at the beginning of the year 2007, as well as other reports regarding the progress of the project, continued according to plan. Olkiluoto offers an excellent setting for this kind of large project, because in addition to the production of electricity, nuclear waste management can be taken care of safely and dynamically in the area.

TVO's finances remain on a stable footing and the Company's position as a producer of competitive, cost-price electricity remains good. Previous credit ratings remained unchanged.

The new year will be a busy one for TVO. TVO's target is to maintain the safe and reliable operation of the existing power plant units also in the coming year. The ongoing implementation of the OL3 project will continue to require hard work and good cooperation between the various parties. The preparations of OL4 will continue according to plan so that an application for a a decision-in-principle can be submitted to the Council of State in 2008. The operations and knowhow of the company are on a solid ground. The high safety culture, and the operating approach of the top teams aiming at good results provide a sound basis for continuing success. I would like to express my sincere thanks to the Company's shareholders, personnel, financiers, authorities and other stakeholders for the year 2007.

February 2008

Pertti Simola

2007 IN BRIEF

January 2007

The construction work of the OL3 project continued all year.

March 2007

The OL4 power plant unit's EIA procedure was begun.

May 2007

The annual outages of OL1 and OL2 were carried out mainly in May.

June 2007

EU's energy commissioner Andris Piebalgs visited Olkiluoto.

July 2007

The equipment installations were started in OL3's turbine building.

August 2007

A traditional and popular technology camp for children was organised in August.

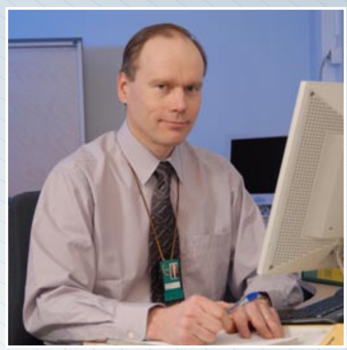
September 2007

The training of OL3's technical staff continues.

November 2007

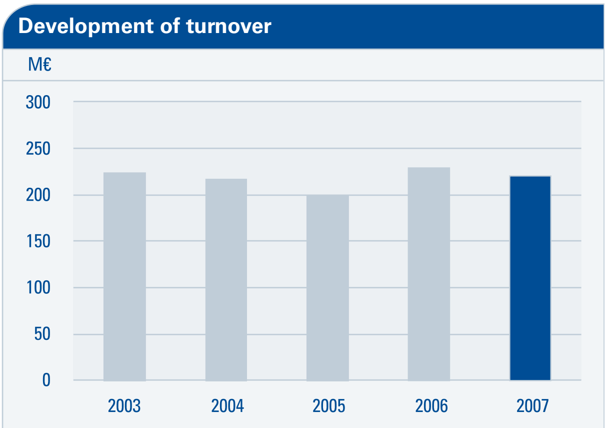
The Minister of the Interior, Anne Holmlund, inaugurated the gas turbine power plant of TVO and Fingrid.

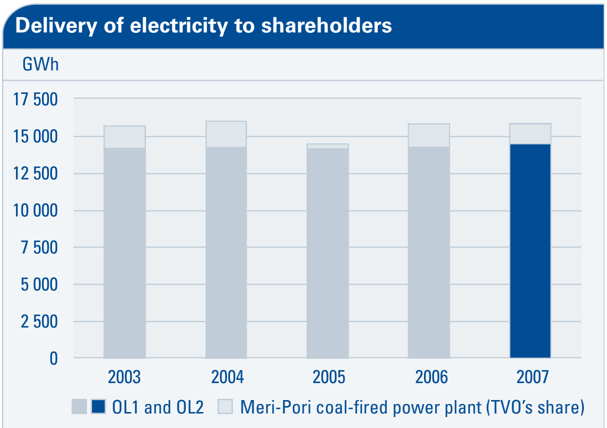
December 2007

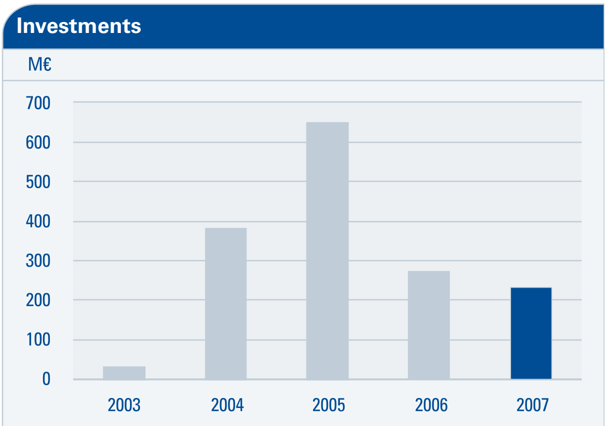


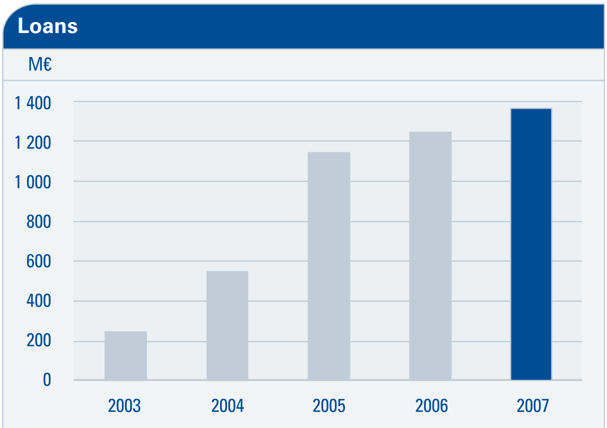
Mikko Kosonen was appointed as Senior Vice President, Production, at the beginning of 2008.

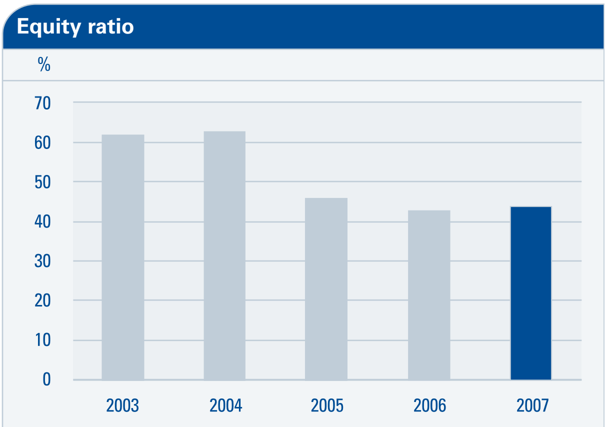
Teollisuuden Voima Oyj
Key Figure Graphs

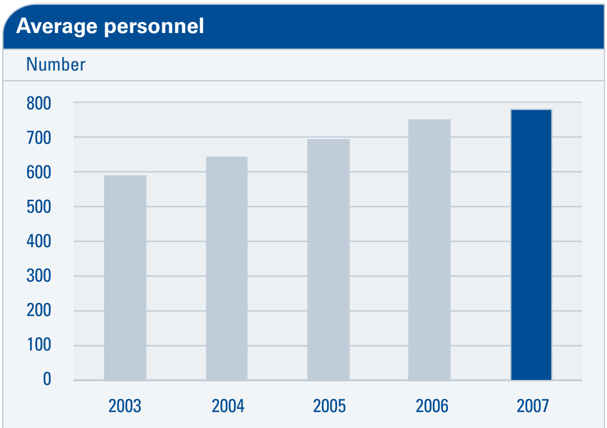






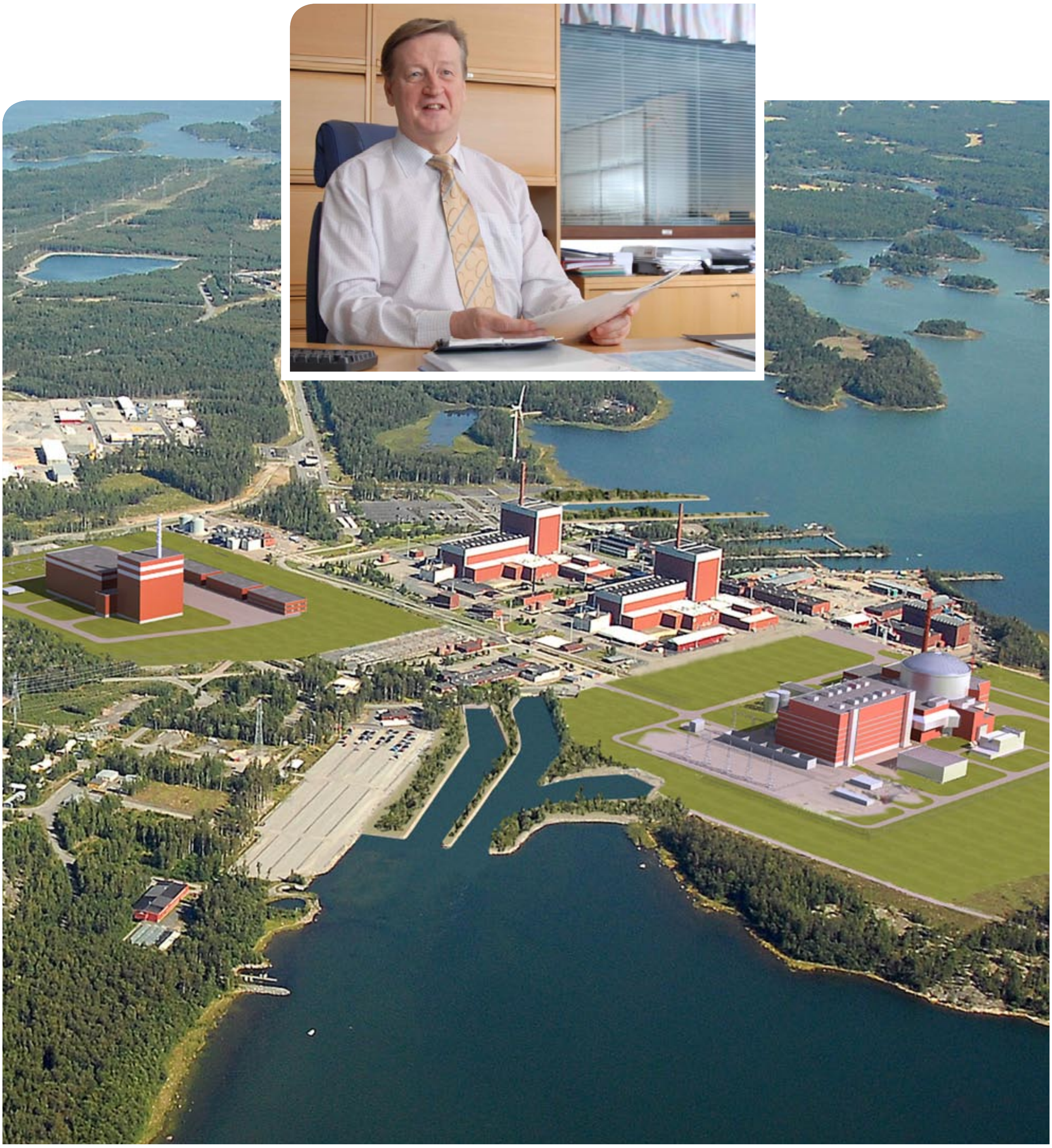






Olkiluoto is well suited for nuclear power production and for the expansion of production.

The Executive Vice President Rauno Mokka is in charge of the development of the area and infrastructure.



Report of the Board of Directors

Operating Environment

The preventive measures against climate change were an important topic in the energy debate in 2007, both internationally and nationally. At the UN discussions on the climate change conference Bali in December, 2007, it was agreed to begin negotiations aimed at climate measures following the year 2012. The negotiations are intended to be concluded in 2009 at the climate meeting to be held in Copenhagen.

The European Union made important energy and climate policy decisions in the first quarter of 2007. The aim is to reduce greenhouse emissions by 20 per cent in relation to the level of 1990 by the year 2020. The increase of the amount of renewable energy is aimed at 20 per cent within the same period of time, which means trebling its use compared with the current level. The EU's objectives are divided into country-specific goals. The Commission has also made decree proposals in order to promote the opening of the energy market.

The principles of the energy and climate strategy of the government programme approved in April, 2007, in Finland are: controlling climate change, seeing to the certainty of the supply of electricity and reasonable pricing, as well as increasing energy self-sufficiency. In order to reach these goals, the government programme promises to concentrate on energy efficiency and on low-emission and emission-free energy sources. The programme states that it may be hard to meet the growing demands of energy and replace the no longer used power plants which utilize only fossil fuels with renewable energy sources. The Government, for its part, has promised to make sure that the supply of energy sources will be as diverse as possible. No emission-free, low-emission or emission-neutral production methods which are sustainable and which offer a profitable cost structure, even nuclear power, should be excluded from the variety of resources.

The amount of electricity used in Finland in 2007 was 90.3 TWh. The rise from the previous year was 0.3 per cent. Industry and construction used 53 per cent of the electricity, services and transport 18 per cent, households and farming over 15 per cent and electric heating 10 per cent. Transfer and distribution losses made up over 3 per cent of the electricity consumption.

According to a forecast published by Finnish economy and trade federations in November, 2007, the consumption of electricity will continue to grow into the future. The consumption is estimated to be 107 TWh in 2020 and 115 TWh in 2030. The average annual rise is 1.2 per cent until 2020 and 0.7 per cent in 2020–2030. During the last ten years the consumption of electricity has increased on average 2.6 per cent per year. Respectively, the increase in the demand for momentary maximum power has been more than 300 MW per year.

Finland's supply of electricity is still one of the most versatile ones in the world. In 2007 the co-generation of electricity and heat accounted for 29 per cent, nuclear power for 25 per cent, hydropower for 15 per cent and coal-fired and other condensation power for 16 per cent of the electricity used. Net imports of electricity increased by 10 per cent in comparison with the previous year, accounting for 14 per cent of the electricity used. The good water situation in the Nordic countries enabled the increase in electricity imports both from Sweden and Norway. Wind power accounted for 0.2 per cent.

Main Events

The production of electricity of the Olkiluoto nuclear power plant in 2007 was the highest in the history of the company. The total annual production of the power plant units was 14.4 TWh (billion kilowatt-hours). The OL1 and OL2 have generated a total of 337 (323) TWh of electricity since starting production.

TVO's share of the production at the Meri-Pori coal-fired power plant was 1.4 (1.5) TWh.

The one-megawatt wind power plant at Olkiluoto generated 1,794 (1,743) MWh (thousand kilowatt-hours) of electricity.

Engineering and construction of the Olkiluoto 3 unit, manufacturing of equipment, subcontracting for the project, and the preparation of the project-related documents and the authority handling continued. The project still did not proceed in line with the schedule. In August, the plant supplier (AREVA NP/Siemens consortium) reported that the main construction work of the reactor building will continue until the winter of 2009. The plant supplier informed in December that the power plant unit would be completed in the summer of 2011.

In March, TVO launched an environmental impact assessment (EIA) for a fourth nuclear power plant unit which will possibly be built at Olkiluoto.

The facility attracted a total of 20,000 (23,000) persons who wanted to know more about the operations at Olkiluoto.

The annual outages of OL1 and OL2 were carried out as planned between May 6 and June 6, 2007.

The 100 MW gas turbine plant built at Olkiluoto, which is jointly owned with Fingrid Oyj, was inaugurated in November.

The Company recruited 57 (44) permanent employees during the year. In the same period, a total of 43 (18) permanent employees left TVO, 13 (8) of them retiring.

From 2007 the TVO Group will draw up the financial statements for the first time in line with the IFRS financial statements standard.

Teollisuuden Voima Oyj was registered in the Register of Companies as a public company in December 31, 2007. After the change, the corporate name of the company will be Teollisuuden Voima Oyj.

Administrative Principles

The TVO Board of Directors has a minimum of seven and a maximum of ten members. The term of office of a Board member starts at the termination of the Shareholders' Meeting carrying out the election and ends at the termination of the Shareholders' Meeting carrying out the new election. The Board elects a Chairman and a Deputy Chairman from among its members. The Board convenes when summoned by the Chairman or, if the Chairman is prevented from doing so, by the Deputy Chairman.

The Board has two commissions: an auditing and a reward committee. The Board acts as the auditing committee and the reward committee consists of the Board Chairman and Deputy Chairman. The committees have been appointed with the Board's decision in December 2004.

The Company's administration and management are in accordance with its Corporate Governance policies covering administration and management systems, approved for application from the start of 2005 by the Board of Directors. They are based on the recommendation concerning listed companies, which TVO adheres to, as applicable.

Administrative Bodies

Two Shareholders' Meetings were held. The Company's Annual General Meeting took place on April 19, 2007, at which time it elected ten members to the Board of Directors. At the same time, the technical changes required by the Companies Act were made to the 8 § and the 2nd paragraph of 11 § of the Articles of Association. An extraordinary Shareholders Meeting was held on November 23, 2007, and it was decided that the company would be changed to a public limited company, and that the share capital would be increased. Technical changes to the Articles of Association provided by these decisions were decided on.

At its organization meeting on April 20, 2007, the Board of Directors elected Timo Rajala as Chairman and Tapio Kuula as Deputy Chairman.

The Board of Directors met 13 times during the year.

President and CEO of TVO is Pertti Simola, M.Sc. (Eng.).

The Annual General Meeting elected as company auditors Eero Suomela, Authorized Public Accountant, and PricewaterhouseCoopers Oy, Authorized Public Accountants, with Niina Raninen, Authorized Public Accountant, acting as its principal auditor.

Group Structure

As the Group starts to apply the IFRS reporting of financial statements, Posiva Oy will no longer be considered a subsidiary of the Group. Instead, it will be considered a joint-venture company and consolidated with the Group using a capital share method.

Financial Performance

The Group's turnover during the period under review amounted to EUR 232.3 (230.4) million. The amount of electricity delivered was 15,723 (15,743) GWh.

The Group has and will have expenses caused by the delay of the OL3 project, for which the company can claim indemnity on the basis of the supply contract. As the final amount of the receivables cannot be calculated reliably as yet, this has not been entered, in accordance with the IAS 37 regulations. The actual expenses of the OL3 project have been entered as material capital asset articles in the Group balance.

TVO operates on a cost-price principle. The shareholders pay the variable costs in accordance with the amounts of energy delivered, and fixed costs in proportion to their ownership regardless of whether they have made any use of their power share. Because of the Company's operating principle, presenting key figures is not essential for understanding its business operations, financial position or performance.

Financing

TVO's liquidity and financial position remained stable throughout the year. Because of the delays in the OL3 project, the Company raised fewer loans than originally planned.

The Company's interest bearing loans (long-term and short-term) totalled EUR 1,362.3 (1,242.1) million at the end of the year. The figure does not include loans to shareholders from the Finnish State Nuclear Waste Management Fund. TVO raised a total of EUR 119.7 (100.0) million in long-term loans during the year, while loan repayments amounted to EUR 11.4 (30.0) million. Most of the new loans were for the OL3 project. The project's financing costs have been capitalized in the balance sheet.

At the end of the year the Company had undrawn long-term credit commitments totalling about EUR 2,100 (2,100) million and liquid assets of EUR 80.7 (88.4) million.

In addition to long-term loans, the Company also has a domestic commercial paper programme with a limit of EUR 1,000 million.

The company's share capital was raised by issuing shares subscribed to by the B series shareholders and paying EUR 100 million through the share issue. In addition, it was decided to issue shares of the B series (EUR 95.6 million), to which the B series shareholders subscribed in full and which will be paid in 2008 at a time decided by the Board.

The Company used interest-rate derivatives for extending the interest rate duration of its floating-rate loans. Forward exchange contracts were used for converting USD-denominated payments into euro-denominated payments. The use of derivatives has been presented in the accounting principles, and the derivatives are listed in the notes to the financial statements.

At the end of the year, TVO had the following credit ratings:

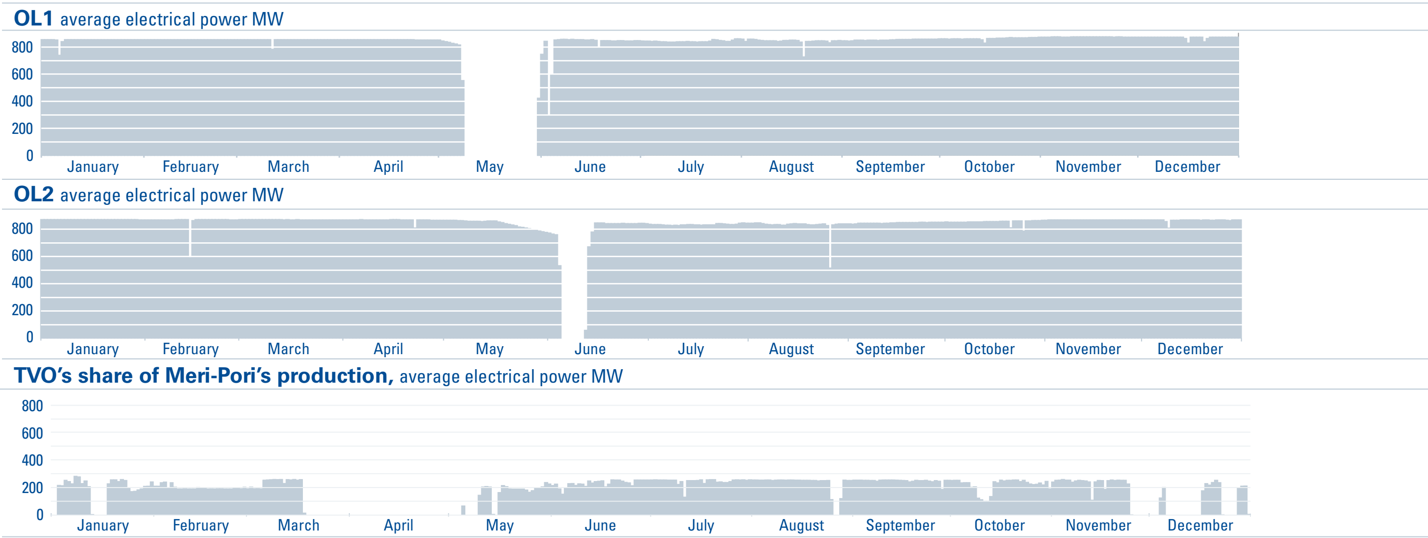
	Long-term	Short-term
FitchRatings	A-	F2
Japan Credit Rating Agency	AA	

Internal Control and Internal Auditing

The Board of Directors and operative management are responsible for organizing the Company's internal control and ensuring that it is adequate. The purpose of internal control is to ensure that TVO operations are carried out on an efficient and cost-effective basis, that the information supplied is reliable and that all relevant regulations and operating principles are adhered to. Company documents, its policies and operating guidelines provide a basis for TVO's administration and internal control.

The principles guiding TVO's internal control are laid out in internal Company guidelines. Internal audit-

Production 2006



ing reports to the President and CEO. Internal auditing supports the Company management in the development and efficiency-assessment of good corporate governance, risk management and internal control systems.

Risk Management

The purpose of risk management is to support the achievement of goals, to prevent risks from materializing, and to reduce the probability of the materialization of risks and their possible effects. Risk management is supervised by the Board of Directors, which confirms the principles of risk management.

Risk management is directed by the Company's management group, under which there is a risk management group controlling the coordination. The risk management group maintains and develops the risk management system, performs risk identifications as often and as widely as necessary, analyses risks, and observes and coordinates the required action plans.

The organization units are responsible for the practical realization of risk management. The management of company safety, the guidelines, reporting and insurance of risk management is centralized.

In TVO, risk management is part of an operating system that is in compliance with the Company's safety culture. Operational threats and different risk factors and procedures for preventing, managing and reducing them are constantly monitored. In risk identification processes, the likelihood of different threats becoming a reality is assessed and action programmes are drawn up for them on a case-by-case basis.

TVO can reduce risks connected with safety and production by, for example, keeping the plant units in good condition. High-quality planning and implementation of the annual outages is particularly important. The Company has also taken out nuclear property damage insurance to cover property risks. A statutory liability insurance policy is valid for cases involving nuclear liability. The production of electricity of the Group requires the use of fuels bought from the global markets. The most important fuels used by the Group are uranium and coal. Risks connected with nuclear fuel have been reduced by making purchases from a large number of suppliers and by concluding long-term contracts. In OL3, risk management is primarily a question of supervising the operations of the plant supplier.

TVO's financing and financial risk management is centralized in the company's financing unit in accordance with the financing policy adopted by the Board of Directors. The financing risks of TVO's business include liquidity, market and credit risks. Long-term credit commitments and liquid funds help to reduce financing risks. TVO has reduced market risks by making use of interest rate derivatives and by keeping loans euro-denominated. The financial risk management and fuel price risk have been handled more extensively in the notes to the consolidated financial statements (IFRS) part 29.

Share Capital and Share Issues

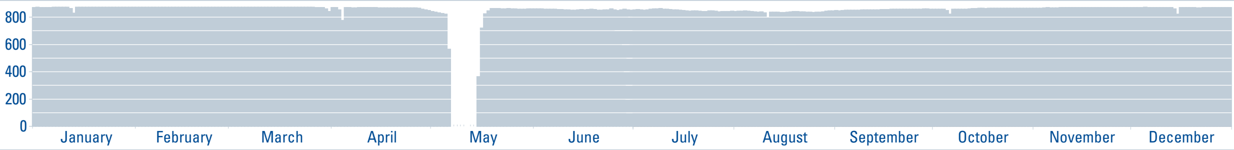
The Company's share capital on December 31, 2007, was EUR 266.1 (166.1) million.

The Company has 1,071,825,211 (977,011,519) shares, of which 680,000,000 belong to the A series. These entitle holders to electricity generated by the existing OL1 and OL2 nuclear power plant units. The C series consists of 34,283,730 shares, which grant entitlement to electricity generated by TVO's share of the Meri-Pori coal-fired power plant. In addition, the Company may have a maximum of 680,000,000 B-series shares granting entitlement to electricity generated by the OL3 unit.

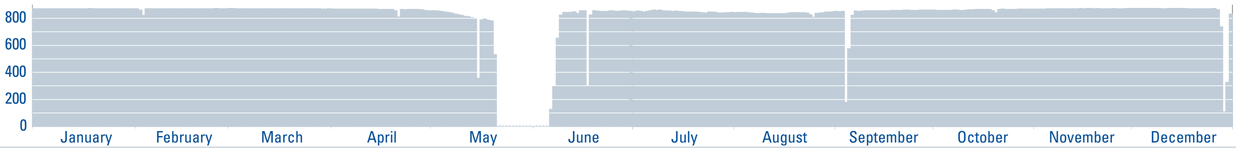
An extraordinary Shareholders' Meeting decided on November 23, 2007, to raise the share capital by EUR 100,000,000.00, to EUR 266,091,958.23 by issuing 94,813,692 new B series shares at a subscription price totalling EUR 100.0 million. The shares were subscribed to immediately and the subscription price was paid on December 20, 2007. In addition, it was decided to issue shares of the B series, EUR 95.6 million, by issuing 90,641,889 new shares, to which the B series shareholders subscribed in full and which will be paid in 2008 at a time decided by the Board. After this, the total number of B series shares stands at 448,183,370 (262,727,789).

Production 2007

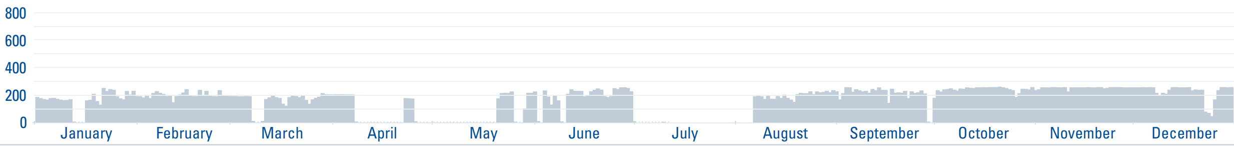
OL1 average electrical power MW



OL2 average electrical power MW



TVO's share of Meri-Pori's production, average electrical power MW



The increase of the share capital was based on the financing plan of the OL3 nuclear power plant unit. In accordance with the financing plan, equity-related financing required by the investment is accumulated as the project proceeds.

Olkiluoto Nuclear Power Plant

TVO produces electricity at two nuclear power plant units OL1 and OL2, which are located at Olkiluoto in the municipality of Eurajoki. The nominal electric power of both power plant units is 860 MW.

The 2007 annual output at the Olkiluoto power plant totalled 14,386 (14,268) GWh, a new record. This is 15.9 (15.9) per cent of all electricity consumed in Finland. The power plant units operated safely the whole year. OL1 operated without significant failures that would lead to loss in output. The OL2 unit had three reactor scrams, due to which there was a small loss in production.

OL1 generated a total of 7,335 (6,973) GWh of electricity and the capacity factor was 97.5 (93.8) per cent.

OL2 generated a total of 7,051 (7,294) GWh of electricity and its capacity factor was 93.7 (96.9) per cent.

The amount of electricity delivered was 1.8 (1.7) GWh.

The production of TVO's share was 0.2 GWh at the Olkiluoto gas turbine power plant.

Annual Outages

The annual outages for the power plant units lasted a total of 25 days, 13 hours (30 days, 9 hours). Inspections showed that the units are in good condition.

The refuelling outage at OL1 lasted from May 6 to May 15, 2007. It involved the replacement of 124 (110) fuel assemblies, scheduled maintenance, annual inspections, testing, and required repairs.

The service outage for OL2 lasted from May 20 to June 6, 2007. It involved the replacement of 116 (116) fuel assemblies and inspection and maintenance work. The most extensive one included the opening of two low pressure turbines, inspection, the machining of blade grooves and the changing of the generator's rotor.

Nuclear fuel purchases during the period under review amounted to EUR 57.6 (41.1) million and the nuclear fuel consumption to EUR 38.3 (37.7) million.

Nuclear fuel and uranium stock at the end of the year were valued at EUR 146.6 (127.3) million, of which the value of the fuel in the reactors was EUR 61.3 (60.9) million.

Meri-Pori

TVO has contributed to the construction costs of the Meri-Pori coal-fired power plant, owned by Fortum Power and Heat Oy, with a 45 per cent share and is entitled to a corresponding amount of energy generated by the plant. Operating the plant is the responsibility of Fortum Power and Heat Oy. TVO acquires the coal needed for the use of its share.

The amount of electricity produced by TVO's share in the Meri-Pori coal-fired power plant was 1,374.2 (1,508.7) GWh. To produce it, 458.4 (524.5) thousand tonnes of coal and 1,129.5 (1,257.5) thousand tonnes of carbon-dioxide emissions rights were used. The company's annual share of the emissions rights of the Meri-Pori coal-fired power plant was 904.7 thousand tonnes in 2005-2007.

Olkiluoto 3

The plant supplier proceeded with the engineering, preparation of documents, and licensing on all fronts during the year. Construction of the reactor pressure vessel continued in Japan, while the manufacturing of the steam generators and the pressurizer was making progress in France. The turbine and the generator were under construction in Germany, and the first turbine parts were shipped to Finland. The turbine condensers arrived in Olkiluoto in the summer, and they were assembled and installed. The manufacturing and testing of the recast forgings of the main coolant lines of the primary circuits continued.

The construction work at Olkiluoto of the reactor and turbine buildings continued. The casting and iron mounting of the reactor, fuel and containment building belonging to the reactor plant, and the waste and auxiliary buildings continued. In June, the two parts of the steel liner of the inner containment were put in place on the base slab and welded onto the previously installed lower part of the liner. The first equipment installations were carried out in the reactor building. The construction work of the main buildings belonging to the turbine plant, the turbine building, the switch-gear building and the seawater pumping station progressed well and continued throughout the year. The main concrete casts of the turbine plant are completed and the turbine hall achieved the peak height during the last quarter of the year. The equipment installation work has begun at the turbine plant and is anticipated to be completed mainly during the year 2008. During the year under review, for example, the condensers, feed water tank, and the heat exchangers, pumps and pipes on the lower levels were being installed. The installation work started at the switch-gear plant has progressed well.

There were about 2,700 people working at the site at the end of 2007. The most important work was carried out in two shifts. Training for shift supervisors and operators for Olkiluoto 3 continued.

The operations of the plant supplier and its subcontractors have, in addition to being subject to standard control procedures for delivery and manufacturing, been certified by a number of audits in keeping with the quality system.

Systematic occupational safety measures have been in place at the site from the outset. In September, there was an industrial accident at the site, which led to a death. The work safety level measured by an accident frequency index remained high.

In August the plant supplier informed that taking into account the agreed-upon, progressive safety factors in the construction of the reactor will take longer than planned in the original contract schedule and reported that the most important construction work would continue until the winter of 2009. This was projected to postpone the start of the operation of the OL3 until 2011. In December, the plant supplier clarified the previous forecast and confirmed that the power plant unit would be completed in the summer of 2011.

Media and other stakeholders showed great interest in the project throughout the year.

Nuclear Waste Management

A total of 6,168 m^3 of low and medium-level radioactive waste has accumulated from the OL1 and OL2 plant units during their operation, and 119 m^3 of this total was produced in 2007. The waste is disposed of in the repository for low and medium-level waste (the VLJ repository) at Olkiluoto.

The total amount of spent nuclear fuel accumulated during the operation of the two plant units by the end of the year amounted to 1,314.2 tonnes, of which 39.5 tonnes was generated during 2007. Most of the spent fuel is kept in a separate interim storage facility (KPA storage).

Posiva Oy, a TVO joint venture company, manages the final disposal of the spent nuclear fuel and is carrying out the work on behalf of TVO and Fortum Power and Heat Oy. The construction work of the underground research facility ONKALO, which is part of the final disposal repository project, continued at Olkiluoto.

The spent fuel generated by OL1, OL2, Loviisa 1, Loviisa 2 and OL3 will be stored in the Olkiluoto final disposal facility. About 74 per cent of the waste originates from Olkiluoto and TVO also contributes the same percentage of the final disposal costs.

In order to cover the nuclear waste management costs, the Company is making contributions to the Finnish State Nuclear Waste Management Fund. The Finnish Ministry of Employment and Economy has set TVO's liability for nuclear waste management at EUR 1,079.8 (903.4) million for the end of 2007 and the Company's target reserve in the Fund at EUR 927.7 (864.1) million. The difference is covered by insurance.

The increase in the liability amount in comparison with the previous year is significant, as a result of which the Council of State approved the company's application on the basis of the nuclear power regulation 46 §, that the fund target of the company would be reduced for 2008-2012. The reason for the increase of the liability amount is the change in the filling solution of the caves of used fuel and the increase in the cost level of nuclear waste management.

Research and Development

The research and development costs were EUR 17.1 (15.7) million (excluding personnel wages), most of which was used in nuclear waste management. Compared with 2006, there was a particularly steep rise in research and development spending on final disposal of spent nuclear fuel, a Posiva responsibility.

TVO is a major provider of funds for Finnish public-sector research programmes focusing on reactor safety and nuclear waste management. In 2007, TVO's contribution to the Finnish State Nuclear Waste Management Fund, which finances such programmes, amounted to EUR 2.7 million.

Investment

TVO's investment costs during the period under review were EUR 227.2 (262.9) million, of which EUR 178.3 (197.1) million was allocated to the OL3 project. Emission rights were given in 2007 to the Energy Market Authority up to the value of EUR 9.0 million.

In May TVO signed a contract with Alstom Power Sweden AB to renew the low pressure turbines of the power plant units and the generator of the OL1 power plant unit. The extent of the project is, in its entirety, approximately EUR 100 million. The changes will be carried out during the 2010 and 2011 annual outages.

The Olkiluoto gas turbine power plant jointly owned by TVO and Fingrid was inaugurated in November. The nominal capacity of the plant is 100 MW, which is available to both contracting parties.

Assessment of the Environmental Impact of the OL4 Nuclear Power Plant Unit

At the end of March, TVO launched an environmental impact assessment of a fourth nuclear power plant unit, which will possibly be built at Olkiluoto. In the environmental impact assessment, the construction of a power plant unit with about 1,000-1,800 MW of electrical power and 2,800–4,600 MW of thermal power at Olkiluoto will be examined. According to the plan, the new unit will be either a boiling water reactor plant or a pressurized water reactor plant.

In the Environmental Impact Assessment, the present state of the environment will be examined and the environmental impacts and their significance will be evaluated. The factors evaluated in the Environmental Impact Assessment are, amongst others, the impact on people and society, the waterways and fishing industry, land use and landscape, soil and bedrock, groundwater and vegetation, and on animals and objects of protection.

The Environmental Impact Assessment programme was presented to the Ministry of Trade and Industry on May 31. After being present and giving their comments, the Ministry gave TVO its own report in September. On the basis of the report and the Environmental Impact Assessment programme, the EIA summary was prepared.

The assessment gave the local inhabitants and others who may be affected by the project a chance to comment on the environmental impact of the new power plant unit. In connection with the EIA, many meetings were held, for example small group and public events, where information about the EIA and the results were given.

Safety and Environmental Issues

There were no safety problems in the Olkiluoto power plant units during the year. No incidents with a major impact on nuclear safety occurred. Six special reports on incidents were prepared for The Finnish Radiation and Nuclear Safety Authority STUK. Two of the incidents were rated 1 as exceptional incidents affecting safety on the international seven-point INES scale. Other incidents were rated 0 (0 = no safety significance).

TVO's operations have been in accordance with the Company's environmental policy, environmental permits and environmental management system. TVO's environmental management system, which also covers the construction of the OL3 unit, is in compliance with the international ISO 14001:2004 standard.

All environmental goals set for 2007 requiring improvements were achieved, except for the exemption from supervision of the amount of metal scrap. Also, the goal set for the monthly amount of mixed waste of the OL3 construction site was exceeded for some months. There were no significant environmental non-conformities during the year. The Olkiluoto nuclear power plant had only a small environmental impact. As in previous years, radioactive emissions were extremely low and significantly lower than the limits set by the authorities.

The hearing of the proposed changes for the environmental permission concerning the power plant units OL1 and OL2 currently in use and the unit to be built, OL3, continued at the administrative court of Vaasa.

At the beginning of November, TVO's new landfill was in compliance with the requirements set by the Council of State's decision regarding landfills. The closing of the landfill no longer in use will be carried out in 2008–2009 according to the environmental permission regulations.

During the year under review, the preparation of an intermediate safety assessment of the OL1 and OL2 power plant units was started. It will be finished during 2008 and presented to STUK.

A Corporate Social Responsibility Report, complying with the EMAS Regulation, will give a more detailed account of the 2007 environmental matters and TVO's environmental indicators. The report is verified by an outside body.

Personnel

For the Group, the year-end total including Posiva was 836 (804), and the average during the year was 868 (825). For the Company, the year-end total was 750 (730), and the average during the year was 780 (748). The year-end total for permanent staff was 676 (662).

TVO's staff was increased by recruiting 57 (44) new persons. During the year, 56 (41) persons changed their assignments. During the year, 43 (18) permanent employees resigned from the company, of which 13 (8) retired and 5 changed to another company within the TVO Group.

In November, Finland's best workplace competition survey was conducted regarding the whole staff. The results will be revealed at the beginning of 2008.

At the beginning of October, the trade union contracts concerning different groups of personnel in the energy industry came into force. The employees' contract period ends January 31, 2010, and the contract period of administrative and clerical employees and the superior clerical personnel ends April 20, 2010.

Organization

In autumn the Board of Directors approved the new basic organization of the company, which came into force January 1, 2008. In conjunction with the organizational change, the former Operations department was changed to Production department.

Skills

Personnel development and training focused on improving the safety culture, on the training required as part of the OL3 project, such as learning about the organization and zero tolerance thinking, and on deepening the knowledge of nuclear power and plant technology. The training of the operating personnel of the OL3 plant unit was continued with training given by the plant supplier.

Operators at OL1 and OL2 received further training during the year, as required by the authorities. In the autumn, written examinations were arranged for eight persons who received operator training, after which they started working as operator trainees. Training of new operators, recruited during the year, began in December.

Initial training focusing on the operational features specific to Olkiluoto continued throughout the year. About 3,190 persons took part in the training and 2,370 of them also received training in English.

The courses complying with training requirements for specific duties were planned and carried out in accordance with the Company's annual plan.

Subsidiaries

TVO Nuclear Services Oy

TVO Nuclear Services Oy (TVONS) is a wholly-owned subsidiary of TVO. It provides its customers with added value based on a high level of nuclear safety, cost-effective operations and nuclear waste management, plus related expertise and services. TVONS provides its customers with access to the special expertise possessed by TVO personnel.

Projects carried out by TVONS include power plant maintenance services and other projects related to power generation, projects run as part of the Tacis and Phare programmes of the European Commission, environmental cooperation carried out as part of the Northern Dimension, and comparison of power plants on the basis of international indicators.

Olkiluodon Vesi Oy

Olkiluodon Vesi Oy is a wholly owned subsidiary of TVO. It is responsible for the raw water supply for TVO's and Posiva's operations at Olkiluoto.

Associated and Joint Venture Companies

Posiva Oy

Posiva Oy, which is jointly owned by Teollisuuden Voima Oyj and Fortum Power and Heat Oy, is responsible for research into and the implementation of the final disposal of spent nuclear fuel. TVO owns 60 per cent of Posiva. Posiva continued the excavation work on the underground research facility for final disposal as planned.

During 2007, a new total cost estimate on the final disposal was completed. The estimate is based on the 2006 plant report published at the end of 2006. The total cost estimate is EUR 3,006 million at the price level of December, 2006. Compared to before, costs have increased in addition to the change in the general cost level, especially the fill-up solution of the final disposal facilities, which are safer than before.

Polartest Oy

TVO owns 32 per cent of Polartest Oy and it has been taken into account as an associated company of the Group. Polartest Oy carries out mechanical check-ups and its operations have also expanded to the field of electrical inspection.

Major Events after the End of the Year

TVO delivered the EIA report on OL4 to the Finnish Ministry of Trade and Industry in February, 2008.

No major reportable events or changes have taken place after the end of the year in review.

Prospects for the Future

Production is expected to continue in 2007 as in the preceding year. The Olkiluoto nuclear power plant is on a sound operational footing. The availability of nuclear fuel has been ensured through long-term agreements.

In 2008, the normal annual outages, refuelling outage and service will be carried out at OL1 and OL2. Their total duration is estimated at about 21 days.

TVO will continue the construction of the OL3 nuclear power plant unit according to plans.

TVO uses the energy of the Meri-Pori coal-fired power plant according to previous guidelines.

The recruitment and training of personnel required by the OL3 and other power plant units will be continued as planned.

TVO will continue the preparation of the OL4 nuclear power plant project during 2008.

Posiva continues to construct an underground research space in Olkiluoto and conducts an environmental impact assessment on an extended nuclear fuel final disposal space of 12,000 tonnes.

TVONS will continue the marketing and selling of its services in the current measure.

Proposals to the Annual General Meeting

Teollisuuden Voima Oyj does not have any distributable equity. The Board of Directors states that no dividend can be paid.

TVO Figures

	2007	2006	2005	2004	2003
Electricity delivered (GWh)					
Olkiluoto 1	7,317	6,956	7,208	7,001	7,118
Olkiluoto 2	7,032	7,278	6,984	7,072	7,018
Olkiluoto 1 and 2 total *	14,349	14,234	14,192	14,073	14,136
Meri-Pori	1,374	1,509	250	1,797	1,545
Total electricity delivered	15,723	15,743	14,442	15,870	15,681

* Includes wind power 1.8 GWh (2006: 1.7) GWh and gas turbine power 0.2 GWh.

	2007	2006	2005	2004	2003
TVO's delivery share of the electricity used in Finland (%)	17.4	17.5	17.0	18.3	18.5
Capacity factors (%)					
Olkiluoto 1	97.5	93.8	98.3	95.1	97.0
Olkiluoto 2	93.7	96.9	94.0	96.1	95.5
Production units, total	95.6	95.4	96.1	95.6	96.3
Assets in the Finnish State Nuclear Waste Management Fund (VYR) (M€)	927.7	864.1	826.6	792.7	763.8

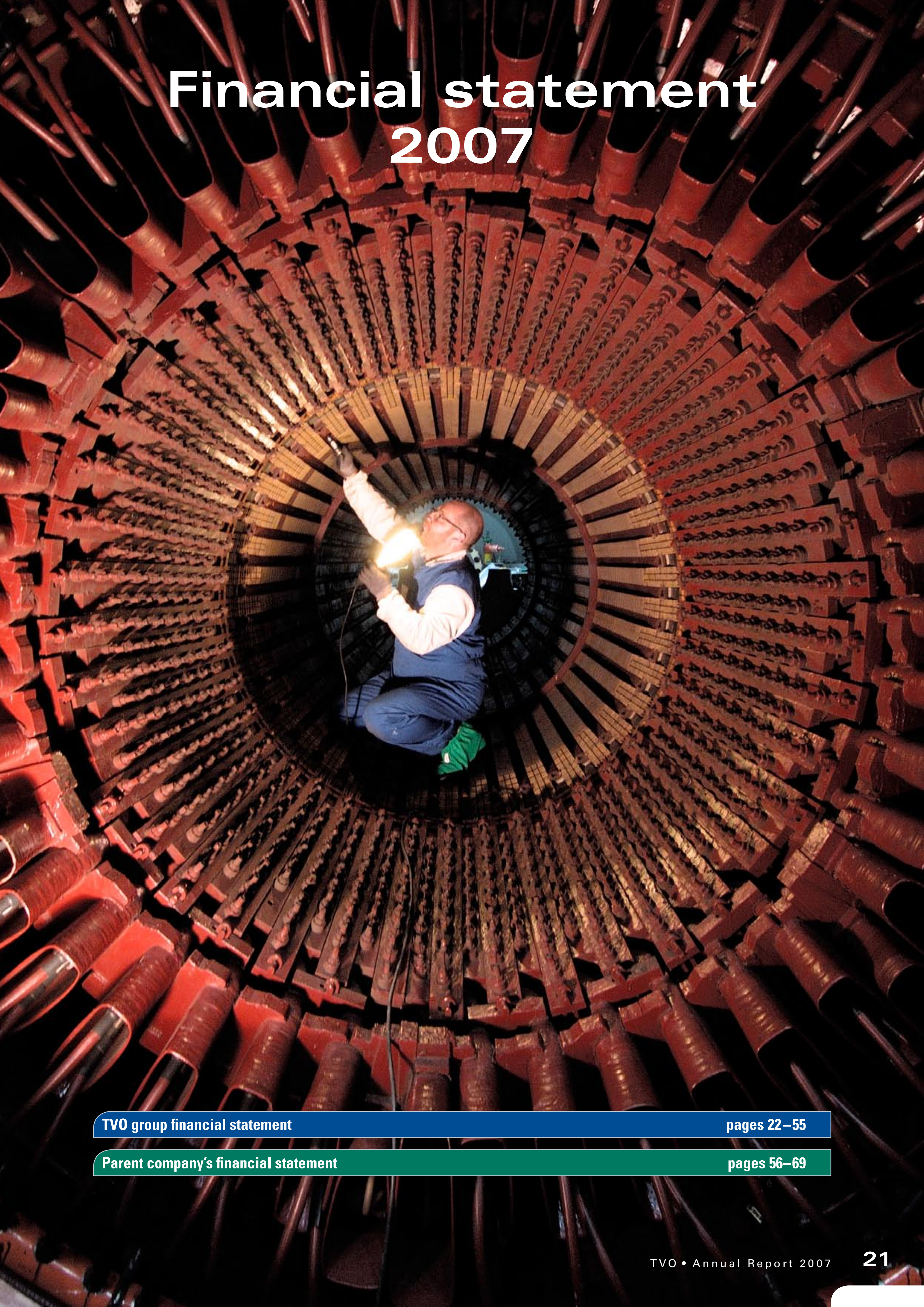
TVO GROUP (IFRS) (M€)	**2007**	**2006**
Turnover	232	230
Profit/loss for the financial year	-37	4
Research expenses	17	15
Investments	257	277
Equity	918	758
Long-term and short-term interest bearing liabilities (excluding loan from VYR)	1,368	1,246
Shareholders' loans (included in the former)	179	179
Loan from VYR	648	620
Provisions related to nuclear waste management	568	505
Balance sheet total	3,619	3,228
Equity ratio % *	45.6	44.6
Average number of personnel	787	754

$$\text{*Equity ratio \%} = 100 \times \frac{\text{equity + shareholders' loans}}{\text{balance sheet total - provision related to nuclear waste management - loan from the Finnish State Nuclear Waste Management Fund}}$$

TEOLLISUUDEN VOIMA OYJ (FAS) (M€)	**2007**	**2006**	**2005**	**2004**	**2003**
Turnover	225	227	199	217	223
Fuel costs	66	65	44	69	63
Nuclear waste management costs	49	29	27	23	22
Other income and expense related to electricity production	101	106	94	90	91
Capital expenditure (depreciations and finance expenses, net)	57	56	59	58	60
Profit/loss before appropriations	-48	-29	-24	-23	-12
Investments	227	272	647	382	30
Equity	604	408	408	229	148
Appropriations	221	269	298	322	344
Long-term and short-term interest bearing liabilities (excluding loan from VYR)	1,362	1,242	1,146	554	253
Shareholders' loans (included in the former)	179	179	179	179	0
Loan from VYR	648	620	595	573	549
Balance sheet total	2,951	2,639	2,519	1,745	1,346
Equity ratio % **	43.6	42.5	46.0	62.3	61.7
Average number of personnel	780	748	693	641	589

$$\text{**Equity ratio \%} = 100 \times \frac{\text{equity + appropriations + shareholders' loans}}{\text{balance sheet total - loan from the FInnish State Nuclear Waste Management Fund}}$$

Financial statement 2007



Income Statement, IFRS

TVO GROUP

1,000 €	Note	1.1.-31.12.2007	1.1.-31.12.2006
Turnover	3	232,327	230,436
Work performed for own purposes	4	9,868	8,041
Other income	5	8,450	8,612
Materials and services	6	-100,276	-96,607
Personnel expenses	7	-51,608	-47,122
Depreciations and write-downs	8	-50,311	-49,719
Other expenses	9	-64,889	-61,144
Profit/loss from operations		**-16,439**	**-7,503**
Financial income	10	66,215	64,616
Financial expense	10	-87,572	-54,302
Total financial income and expense		**-21,357**	**10,314**
Share of the affiliated company's profit/loss	14	440	827
Profit/loss before taxes		**-37,356**	**3,638**
Income taxes	11	-5	-19
Profit/loss for the financial year		**-37,361**	**3,619**
Distribution:			
To parent company shareholders		-37,361	3,619

Balance Sheet, IFRS

TVO GROUP

1,000 €	Note	31.12.2007	31.12.2006
Assets			
Non-current assets			
Tangible assets	12	1,937,015	1,728,547
Intangible assets	13	12,125	22,476
Loan and other receivables	16	652,993	625,047
Holdings in affiliated companies and joint ventures	14	2,296	2,245
Share investments	17	12,773	13,734
Derivatives	20	7,983	11,708
Share in the Finnish State Nuclear Waste Management Fund	25	568,121	505,017
		3,193,306	**2,908,774**
Current assets			
Inventories	19	159,739	147,407
Trade and other receivables	16	164,640	75,520
Derivatives	20	19,617	7,263
Fund units	17	75,073	60,038
Cash and cash equivalents	18	6,425	28,687
		425,494	**318,915**
Total assets		**3,618,800**	**3,227,689**

		31.12.2007	31.12.2006
Equity and liabilities			
Equity			
Share capital	21	266,092	166,092
Share issue	21	95,600	0
Share premium reserve and statutory reserve	21	242,383	242,383
Revaluation reserve	21	9,343	7,116
Retained earnings	21	304,817	342,178
Attributable to the equity holders, total		**918,235**	**757,769**
Total equity		**918,235**	**757,769**
Liabilities			
Long-term liabilities			
Provisions related to nuclear waste management	25	568,121	505,017
Shareholders' loans	23	179,300	179,300
Loan from the Finnish State Nuclear Waste Management Fund	23	648,075	619,950
Other interest bearing liabilities	23	696,960	583,612
Derivatives	20, 23	8,524	4,299
		2,100,980	**1,892,178**
Short-term liabilities			
Provisions	22	1,200	0
Interest bearing liabilities	23	481,372	473,754
Derivatives	20, 23	1,690	4,793
Advances received	24	14,755	12,729
Trade payable	24	8,952	23,099
Other short-term liabilities	24	91,616	63,367
		599,585	**577,742**
Total liabilities		**2,700,565**	**2,469,920**
Total equity and liabilities		**3,618,800**	**3,227,689**

Consolidated Statement of Changes in Total Equity, IFRS

TVO GROUP

1,000 €	Share capital	Share premium reserve and statutory reserve	Share issue	Revaluation reserve	Retained earnings	Attributable to the equity holders total	Total equity
Equity 31.12.2006	**166,092**	**242,383**	**0**	**7,116**	**342,178**	**757,769**	**757,769**
Cash flow hedges							
Interest rate swaps							
- Changes in the fair value under equity				5,838		5,838	5,838
Forward foreign exchange contracts							
- Changes in the fair value under equity				1,009		1,009	1,009
- Transfers to the inventory				-926		-926	-926
- Transfers to the nuclear power plant under construction				-2,387		-2,387	-2,387
Available-for-sale investments							
- Changes in the fair value				906		906	906
- Transfers to the consolidated income statement				-2,212		-2,212	-2,212
Total recognised equity changes				2,227		2,227	2,227
Profit/loss for the financial year					-37,361	-37,361	-37,361
Total recognised income and expense	0	0	0	2,227	-37,361	-35,134	-35,134
Share issue	100,000		95,600			195,600	195,600
Equity 31.12.2007	**266,092**	**242,383**	**95,600**	**9,343**	**304,817**	**918,235**	**918,235**

1,000 €	Share capital	Share premium reserve and statutory reserve	Share issue	Revaluation reserve	Retained earnings	Attributable to the equity holders total	Total equity
Equity 31.12.2005, FAS	137,192	91,984	179,299		297,710	706,185	706,185
Impact of transitions to IFRS				13,123	40,849	53,972	53,972
Equity 1.1.2006, IFRS	**137,192**	**91,984**	**179,299**	**13,123**	**338,559**	**760,157**	**760,157**
Cash flow hedges							
Interest rate swaps							
- Changes in the fair value under equity				1,752		1,752	1,752
Forward foreign exchange contracts							
- Changes in the fair value under equity				-10,257		-10,257	-10,257
- Transfers to the inventory				53		53	53
Available-for-sale investments							
- Changes in the fair value				4,358		4,358	4,358
- Transfers to the consolidated income statement				-1,913		-1,913	-1,913
Total recognised equity changes				-6,007		-6,007	-6,007
Profit/loss for the financial year					3,619	3,619	3,619
Total recognised income and expense	0	0	0	-6,007	3,619	-2,388	-2,388
Share issue	28,900	150,399	-179,299			0	0
Equity 31.12.2006	**166,092**	**242,383**	**0**	**7,116**	**342,178**	**757,769**	**757,769**

Cash Flow Statement, IFRS

TVO GROUP

1,000 €	Note	2007	2006
Operating activities			
Profit/loss for the financial year		-37,361	3,619
Adjustments:			
Taxes		5	19
Finance income and expense		21,357	-10,314
Depreciations		50,311	49,719
Share of profit of associates and joint ventures		-440	-827
Other non-cash flow income and expense		-23,018	-15,358
Other adjustments		-341	-657
Change in working capital:			
Increase (-) or decrease (+) in non-interest-bearing receivables		-8,745	-14,503
Increase (-) or decrease (+) in inventories		-12,332	4,522
Increase (+) or decrease (-) in short-term non-interest-bearing liabilities		16,259	19,705
Interest paid and other financial expenses		-26,170	-22,329
Dividends received		1,155	620
Interest received		20,988	14,837
Taxes paid		-8	-36
Net cash flow from operating activities		**1,660**	**29,017**
Investing activities			
Acquisition of tangible assets		-229,901	-257,802
Divestment of tangible assets		111	579
Acquisition of intangible assets		-159	-9,176
Divestment of intangible assets		3	0
Acquisition of shares		-671	-2,524
Divestment of shares		1,212	1,126
Loans granted		-28,258	-25,558
Withdrawals of loans granted		307	304
Net cash flow from investing activities		**-257,356**	**-293,051**
Financing			
Share issue	21	100,000	179,299
Withdrawals of long-term loans		147,775	125,425
Repayments of long-term loans		-11,446	-30,000
Increase (-) or decrease (+) in interest-bearing receivables		62	196
Increase in short-term interest-bearing liabilities		12,043	25,834
Net cash flow from financing		**248,434**	**300,754**
Change in financial assets		**-7,262**	**36,720**
Financial assets January 1		88,725	52,418
Changes in fair value in fund units		35	-413
Financial assets December 31	17, 18	**81,498**	**88,725**

Notes to the Consolidated Financial Statement

1 GENERAL INFORMATION ON THE GROUP

Teollisuuden Voima Oyj together with its subsidiaries form the TVO Group. The ultimate parent of the Group is Teollisuuden Voima Oyj, domiciled in Helsinki.

Teollisuuden Voima Oyj is a public limited liability company owned by Finnish industrial and power companies. According to the Articles of Association, TVO delivers electricity to its shareholders under the so-called Mankala principle, i.e. delivers the electricity produced or procured to its shareholders in proportion to their shareholdings in each series. Each of the shareholders of each series is liable for the variable and fixed annual costs that are specified in detail in the Articles of Association. The company owns and operates two nuclear power plant units (OL1 and OL2) in Olkiluoto in the municipality of Eurajoki and is having a third unit (OL3) constructed. In addition to the nuclear power plant in Olkiluoto, TVO is a shareholder in the Meri-Pori coal-fired power plant and in a gas turbine plant and owns a wind power plant in Olkiluoto.

Copies of the consolidated financial statements are available at the internet address www.tvo.fi and at the Group's Helsinki office at the address Töölönkatu 4, 00100 Helsinki.

These consolidated financial statements were authorised for issue by the Board of Directors of TVO in its meeting on 22 February 2008. Under the Finnish Limited Liability Companies Act the shareholders' meeting may modify or reject the financial statements.

2 ACCOUNTING POLICIES

Basis of preparation

These are the first consolidated financial statements of TVO Group prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements have been prepared in accordance with the IAS and IFRS standards and SIC and IFRIC interpretations effective at 31 December 2007. In the Finnish Accounting Act and regulations issued by virtue of it, "IFRS" refers to the standards and interpretations which have been endorsed by the EU in accordance with the procedure defined in the EU Regulation (EC) No. 1606/2002.

In 2007 the Group adopted IFRS accounting principles and has, in this context, applied IFRS 1, First Time Adoption of International Financial Reporting Standards. The transition date is 1 January 2006. The consolidated financial statements were prepared in accordance with the Finnish Accounting Standards until 31 December 2006. As the principles of the Finnish Accounting Standards and those of the International Financial Reporting Standards differ in certain respects, certain recognition, measurement and consolidation principles have been adjusted to conform to the IFRSs. Reconciliations and descriptions of the effect of the transition to IFRS on the consolidated financial statements are provided in Note 30, Transitions to IFRS.

The consolidated financial statements have been prepared under the historical cost convention, except for fund units and investments in shares and derivatives, which are recognised at fair value through profit or loss.

The financial statements are presented in thousands of euros, which is the functional and presentation currency of the parent company.

The following obligatory IFRSs and IFRICs have been published, but the Group has not adopted them early:

- Amendment to IFRS 2, Share-based payment*) - revision (effective for financial periods beginning on or after 1 January 2009).
- IFRS 3 (Revised), Business combinations*) – revision of said standard and standard IAS 27 (Revised), Consolidated and separate financial statements*) (effective for financial periods beginning on or after 1 July 2009; can be applied earlier).
- IFRS 8, Operating Segments (effective for financial periods beginning on or after 1 January 2009). IFRS 8 requires presentation of information on the operating segments of the entity, its products and services, geographical areas that it operates in and its largest clients.
- IAS 1 (Revised), Presentation of Financial Statements*) (effective for financial periods beginning on or after 1 January 2009).
- Amendment to IAS 23, Borrowing Costs*) – revision (effective for financial periods beginning on or after 1 January 2009).
- IFRIC 11, Group and treasury share transactions (effective for financial periods beginning on or after 1 March 2007).
- IFRIC 12, Service Concession Arrangements*) (effective for financial periods beginning on or after 1 January 2008).
- IFRIC 13, Customer Loyalty Programmes*) (effective for financial periods beginning on or after 1 July 2008).
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*) (effective for financial periods beginning on or after 1 January 2008).

*) The revision, amendment or interpretation to published standards is still subject to endorsement by European Union.

The Group is currently evaluating whether the new standard on segment reporting will have an effect on the notes of the Company. The other revisions are not considered relevant to the Company's financial statements.

Companies included in the consolidated financial statement

Subsidiaries

The consolidated financial statements include Teollisuuden Voima Oyj (TVO) and its subsidiaries TVO Nuclear Services Oy, Olkiluodon Vesi Oy and Perusvoima Oy. Subsidiaries are companies in which the Group has control at the end of the financial period. Control exists if the Group holds more than a half of the voting rights or otherwise has control. Subsidiaries acquired are consolidated from the date on which control is transferred to the Group, and subsidiaries sold are de-consolidated from the date that control ceases.

The purchase method of accounting is used to consolidate subsidiaries into the Group. The purchase price is determined as the aggregate of the acquisition date fair values of the assets given as consideration and liabilities incurred or assumed plus costs directly attributable to the acquisition.

In the consolidation process, inter-company share ownership, inter-company transactions, receivables, liabilities, unrealised gains and internal distributions are eliminated. Unrealised losses are not eliminated, if the losses are due to write-downs. To ensure consistency, subsidiaries' accounting policies have, in all material respects, been changed to conform to the accounting policies adopted by the Group.

Holdings in associated companies and joint ventures

Associated companies are entities over which the Group has significant influence. Significant influence is established when the Group holds over 20% of the voting rights of the entity or otherwise has significant influence, but not control. TVO holds 32% of Polartest Oy, which is an associated company of the Group.

Joint ventures are entities over which the Group has contractually agreed to share the power to govern the financial and operating policies of that entity with another venturer or venturers. Posiva Oy is a joint venture of TVO. Both venturers are answerable for its main activities, waste management of spent fuel of nuclear power plants, in proportion to their own usage.

Interests in associated companies and joint ventures are accounted for by the equity method of accounting.

Critical accounting estimates and judgments

The preparation of financial statements requires estimates and assumptions concerning the future. Estimates and assumptions have an effect on the reported amounts of assets and liabilities and expenses and income during the accounting period. Actual results may differ from these estimates.

The provision for future obligations for the decommissioning of the nuclear power plant and for the disposal of spent fuel

Estimates and assumptions have been used when estimating the assets, liabilities, expenses and income related to the future decommissioning of the nuclear power plant and the disposal of spent fuel. These are based on long-term cash-flow forecasts of estimated future costs.

The main assumptions are technical plans, time factor, cost estimates and the discount rate. The technical plans, time factor and cost estimates are approved by governmental authorities. Any changes in the assumed discount rate would change the provision. If the discount rate used would be lowered, the provision would increase.

TVO's contributions to the State Nuclear Waste Management Fund are based on undiscounted legal liability. Any future increase in the provision would be offset by the recognition of an equal increase in TVO's share of the assets of the State Nuclear Waste Management Fund. In accordance with IFRS, the carrying amount of the assets is limited to the amount of the provision, as TVO does not have control in the State Nuclear Waste Management Fund (see note 25 Assets and provisions related to nuclear waste management obligations).

Accounting for borrowing costs

Management uses judgment in applying the accounting policy on borrowing costs. The borrowing costs related to the power plant construction projects are capitalised on the balance sheet.

Power plant construction in progress - OL3

OL3 is a power plant under construction that has been ordered under a turnkey principle. According to an announcement of the turnkey provider, the delivery will be delayed from the original schedule. The Company has incurred and will incur direct and indirect expenses because of the delay, and may claim for compensation on the basis of the delivery agreement. As the amount of the final compensation receivable cannot yet be reliably measured, the potential receivable has not yet been recognised, as required by IAS 37. All realised costs on the OL3 project have been recognised as tangible assets on the Group balance sheet.

Segment reporting

The main activity of the Group is to supply electricity to its shareholders in Finland. The share of revenues from other activities, such as consulting services, as compared to supply of electricity is insignificant. There are no geographical segments, as the shareholders using the electricity supplied by the Company as well as its assets and liabilities are located in Finland. This is why segment reporting is not presented as a separate note to the financial statements.

Revenue recognition principles

The Group operates under the absorption principle. Revenue is recognised based on the consideration received when electricity is delivered or services rendered. Revenue is presented net of indirect sales taxes. Revenue is recognised as follows:

Sale of electricity and other revenue
Revenue on sales of electricity is recognised based on delivery. The recognised income for shareholders is based on the quantities delivered. The revenue from services is recognised on an accrual basis on the accounting period when the services are rendered to the customer.

Revenue on long-term consulting services projects that spread over several accounting periods is recognised by reference to the work done before the balance sheet date as a proportion of estimated total expenses of the project. If it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Other income
Revenue from activities outside the ordinary course of business is reported as other income. This includes rental income and non-recurring items, such as gains from sales of property, plant and equipment. The accrual basis of accounting is applied in the recognition of this income.

Government grants
Government grants are recognised at their fair value, when the Group will comply with all the conditions attaching to them and where there is a reasonable assurance that the grant will be received. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are deducted from the acquisition cost of the asset.

Research and development costs
Research and development costs are recognised as an expense as incurred and included in other expenses in the income statement. Development costs are capitalised if it is assured that they will generate future income, in which case they are capitalised as intangible assets and amortised over the period of the income streams. Currently, TVO does not have any development costs that would qualify for capitalisation.

Research costs that relate to nuclear waste management are discussed in paragraph Assets and provisions related to nuclear waste management obligations.

Property, plant and equipment
Property, plant and equipment of the Group are stated in the consolidated balance sheet at historical cost less grants received, accumulated depreciation and impairment charges, if any. Historical cost includes expenditure that is directly attributable to the acquisition of an item.

The historical costs of power plant projects include borrowing costs incurred during the construction period. Borrowing costs comprise interest costs on liabilities during the construction period, and gains and losses transferred from equity relating to derivative instruments that qualify for hedge accounting.

The historical costs of nuclear power plants include the estimated costs of dismantling and removing the item and restoring the site on which it is located (more information is included in Note Assets and provisions related to nuclear waste management obligations).

Land and water areas are not depreciated.

Other tangible assets are depreciated using the straight-line method over their estimated useful lives.

Straight-line depreciation is based on the following estimated useful lives:

• OL1 and OL2 nuclear power plant units, initial investments	61 years
• Modernisation project investments	20–35 years
• Automation investments related to modernisation	15 years
• Maintenance investments	10 years
• Share in Meri-Pori coal-fired plant	25 years
• Wind power plant	10 years
• Gas turbine plant	30 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate to reflect the changes in expectations of economic benefits.

Costs of renewal of an item or a part of an item of property, plant and equipment are capitalised if the part is accounted for as a separate item. Otherwise, the subsequent expenditure is included in the carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group.

Significant periodic preventive maintenance and inspection costs are included in the carrying amount of the item of property, plant and equipment and are depreciated over the maintenance cycle. Periodic preventive maintenance and inspection costs comprise costs that arise on regular and thorough preventive maintenance and inspections. Other repair and maintenance costs are expensed as incurred.

Intangible assets
Intangible assets are stated at historical cost less grants received and accumulated amortisation and impairment losses if applicable. Historical cost includes costs directly attributable to the acquisition of the particular asset.

Other long-term expenditures included in intangible assets are amortised on a straight-line basis over their expected useful lives. These include computer software and certain compensations paid for the use of assets. The Group does not have any goodwill or other intangible assets with indefinite useful lives.

The amortisation periods of the intangible assets are as follows:

• Computer software	10 years
• Other intangible assets	10 years

The amortisation period of an intangible asset is changed where necessary if the estimated useful life of the asset changes from that previously estimated.

Furthermore, intangible assets include carbon dioxide (CO_2) emission allowances. Emission allowances are recognised in intangible assets at historical cost, and they are presented under intangible rights. A provision is recognised to cover the obligation to return emission allowances. To the extent that the Group already holds allowances to meet the obligation, the provision is measured at the carrying amount of those allowances. Any shortfall of allowances held over the obligation is measured at the current market value of allowances. The cost of the provision is recognised in the income statement within materials and services. The gains from the sales of emission rights are refunded to the shareholders. The emission allowances are not amortised, as their carrying amount reflects their value.

Impairment of tangible and intangible assets
The carrying amounts of assets are estimated at the balance sheet date in order to determine any impairment. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. A recognised impairment loss is reversed if there is a change in estimates used to determine the recoverable amount of the asset. However, the carrying amount of the asset after the reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognised.

Inventories
Inventories are measured at cost. The cost of coal is determined by using the FIFO (first in, first out) method, the cost of nuclear fuel is determined on the basis of actual consumption, and the cost of supplies is determined by using the rolling weighted average cost formula. The cost comprises raw materials, direct labour, other direct costs and an appropriate portion of the variable production overheads, as well as of fixed production overheads on the basis of normal capacity.

Leases
Finance leases
Leases that transfer to the Group substantially all the risks and rewards incidental to ownership are classified as finance leases. Assets acquired under finance leases are recognised in the balance sheet at the commencement of the lease term at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. These assets are depreciated over the shorter of the useful life of the asset and the lease term. Lease obligations are recognised under interest-bearing liabilities.

Lease payments are apportioned during the lease term between the finance charge and the reduction of the outstanding liability to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases
Lease payments under operating leases are recognised as an expense under the accrual principle on a straight-line basis over the lease term.

Lease payments received under operating leases are recognised as income on a straight line basis over the lease term and presented in the income statement under other operating income.

Financial assets
All purchases and sales of financial assets are recognised at fair value on the trade date. Financial assets are derecognised when the contractual rights to the cash flows of the investment expire or have been transferred and the Group has transferred substantially all the risks and benefits of ownership.

The Group has classified its financial assets into four categories starting 1 January 2006. The categories are: financial assets at fair value through profit or loss, loans and receivables, available-for-sale investments, and cash and cash equivalents. The classification is based on the purpose of the acquisition of the assets, and the assets are classified at initial acquisition.

Financial assets at fair value through profit or loss
Currently, the financial assets at fair value through profit or loss comprise derivatives which do not meet the criteria for hedge accounting according to IAS 39. They are presented as current assets. Gains and losses from changes in fair value are recognised in profit or loss in the period on which they arise.

Loans and receivables
Loans and receivables include non-current loans and receivables as well as current trade and other receivables. Items due to be settled after more than 12 months are recognised in non-current assets. After initial recognition, all loans and receivables are measured at amortised cost using the effective interest method. Trade receivables are recognised at their original nominal value, which reflects their fair value.

Available-for-sale investments
Available-for-sale investments include investments in shares and fund units. Items due to be settled after more than 12 months are recognised in non-current assets. Available-for-sale investments are measured at fair value, and the changes in fair value are recognised in the fair value reserve under equity. The changes in fair value are transferred from equity into profit or loss when the investment is sold or when it is impaired so that an impairment loss shall be recognised. Investments in unquoted shares whose fair value cannot be reliably determined are measured at cost.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, demand deposits and other current, highly liquid investments. Assets classified as cash and cash equivalents have a maturity of three months or less from the date of acquisition.

Impairment of financial assets
At each balance sheet date, the Group estimates whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any evidence exists on the impairment of a financial asset or group of financial assets classified as available-for-sale, any loss accumulated in the fair value reserve is transferred into profit or loss. Impairment losses on equity investments classified as available-for-sale are not reversed through

profit or loss, whereas subsequent reversals of impairment losses on interest-bearing instruments are recognised in profit or loss. The Group recognises an impairment loss on trade receivables when there is objective evidence that the receivable is not fully collectible.

Derivative instruments and hedge accounting

The Group uses derivatives as hedges of the currency risk relating to purchases of fuel and of the interest rate risk of loans. Hedge accounting referred to in IAS 39 is applied to instruments entered into for the purpose of hedging of the currency risk of the Group's firm commitments for purchases of uranium and coal (forward exchange contracts) and to most interest rate swaps entered into for the purpose of hedging against the fluctuations in the interest cash flows relating to the loan contracts of the Group.

The derivatives are initially recognised at fair value on the date when the Group becomes a party to the derivative contract, and are subsequently measured at fair value on the balance sheet date. The changes in the fair value of interest rate options (such as interest rate cap and floor) as well as of some interest rate swaps that do not qualify for hedge accounting are presented under financial income and expenses.

Cash flow hedge accounting

Both at the inception of a hedge and thereafter, the Group documents its estimate on whether the derivative instruments used in the hedge transactions are highly effective in offsetting changes in the fair value or cash flows of the hedged items. The derivatives to which hedge accounting is applied are classified as non-current and current assets and liabilities on the basis of the timing of the cash flows of the hedging instrument in question.

The effective portion of the changes in the fair values of derivatives designated as and qualifying for cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in profit or loss. The fair value changes accumulated in equity are recognised in profit or loss in the same period when the hedged item affects profit or loss. However, when the hedged forecast transaction results in the recognition of a non-financial asset or non-financial liability, the gains and losses recognised in equity are removed from equity and included in the initial carrying amount of the asset or liability.

When a hedge no longer qualifies for hedge accounting, the cumulative gains or losses currently included in equity are recognised in profit or loss when the forecast translation occurs and is recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss included in equity is immediately recognised in profit or loss. Results of fuel acquisition hedges are recognised to adjust the inventory value. Interest rate swaps are recognised in financing items.

Finance liabilities

Finance liabilities are initially recognised at fair value including related transaction costs. After initial recognition, all finance liabilities are measured at amortised cost using the effective interest method. Finance liabilities include non-current and current liabilities, and they can be interest-bearing or non-interest-bearing. An item is included in current liabilities if it is due to be settled within 12 months. Finance liabilities also include derivatives which are discussed in a separate section.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period when they are incurred, except when they relate to the construction of a power plant which necessarily takes a substantial period of time to get ready for its intended use. In that case, borrowing costs are capitalised as part of the cost of the asset. Such borrowing costs include, for example, interest costs incurred during the construction of OL 3.

Foreign currency items

Transactions and financial items denominated in a foreign currency are recorded on the day when they occur. Receivables and liabilities denominated in a foreign currency are measured in the financial statements at the average rate published by the European Central Bank on the balance sheet date. Exchange gains and losses from operating activities are included in the corresponding line items above operating profit or loss. Exchange differences arising from financial items are recognised in financial income and expenses.

Share capital

TVO has in its possession three series of shares, A, B and C. The A series entitles the shareholder to the electricity generated by the existing OL1 and OL2 nuclear power plant units. The B series entitles the shareholder to the electricity that will be generated by the OL3 unit. The C series entitles the shareholder to the electricity generated by the TVO share in the Meri-Pori coal-fired power plant.

Shares in classes A, B and C are classified as equity and presented in the balance sheet as share capital, reserve fund and share premium.

Earnings per share

The group does not report earnings per share, as the parent company is operating under the absorption principle. The shares of TVO are not traded on a public market.

Provisions

The Group recognises a provision for environmental restorations, asset retirement obligations, as well as legal and other claims, when the Group has a legal or constructive obligation and it is likely that an outflow of resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. The provision is measured at the present value of the expenditure expected to be required to settle the obligation. The interest rate used in the measurement of provisions is TVO's long-term borrowing rate, which is determined by adding to the risk-free rate an estimated company-specific risk premium. The increase in the provision due to the passage of time is recognised as interest expense.

The most significant provision is that for the nuclear waste management obligation, based on the Nuclear Energy Act. The provision covers all future expenditure arising from nuclear waste management, including the decommissioning of nuclear power plants, the disposal of spent fuel and a risk margin.

Assets and provisions related to the nuclear waste management obligation

The parent company's nuclear waste management obligation, which is based on the Nuclear Energy Act, is covered by payments made to the State Nuclear Waste Management Fund. The obligation covers all future expenditures for nuclear waste management, including the decommissioning of nuclear power plants, the disposal of spent fuel, and a risk margin.The amount of payments is determined by assuming that the decommissioning/disposal would start at the beginning of each year. The research relating to the disposal, as well as the actual disposal of TVO's spent fuel, are carried out by Posiva Oy, which charges TVO annually for the costs arising from these activities, including the acquisition cost of property, plant and equipment.

In the consolidated financial statements, TVO's share of the State Nuclear Waste Management Fund and the related nuclear waste management obligation are presented on a gross basis under non-current assets and as a provision under non-current liabilities. They are accounted for in accordance with IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

The fair value of the nuclear waste management provision has been determined by discounting the future cash flows which are based on plans about future activity and the estimated expenditure relating to it, taking into account actions already taken.

The present initial value of the provision for the decommissioning of a nuclear power plant (at the time of commissioning the nuclear power plant) has been capitalised as property, plant and equipment and will be adjusted later for possible changes in the plan. The amount recognised relating to decommissioning will be depreciated over the estimated operating time of the nuclear power plant.

The provision for spent fuel covers the future disposal costs of fuel used by the end of each accounting period. The costs for the disposal are expensed during the operating time of the plant, based on fuel usage. The impact of any changes to the plan will be recognised immediately in the income statement based on fuel used by the end of the accounting period.

The timing factor is taken into account by recognising the interest expense related to discounting the nuclear waste management provision. The interest accruing on TVO's share in the State Nuclear Waste Management Fund is presented as financial income.

TVO's share in the State Nuclear Waste Management Fund is higher than the corresponding asset recognised in the balance sheet. The nuclear waste management obligation is covered by TVO's share in the Fund, as required by the Nuclear Energy Act. The obligation for nuclear waste management is not discounted. The amount of the annual payment to the State Nuclear Waste Management Fund is based on the change in the nuclear waste management obligation / funding objective, the share of the profit or loss of the fund, and the changes resulting from actions taken.

Taxes

The Group does not recognise deferred taxes, because TVO operates on the absorption principle. According to this principle, TVO will not pay taxes on its operations, and therefore there is no taxable income. The tax recognised by the Group consists of tax relating to non-deductible expenses. It also includes any prior period taxes arising as a result of tax inspections.

Employee benefits

The pension benefits for the personnel of the Group have been arranged with external pension insurance companies. The insurance policies relating to earnings-based pensions, as well as some voluntary pension insurance policies, have been accounted for as defined contribution plans.

The Group also has some voluntary pension plans which are accounted for as defined benefit plans.

Notes to the Consolidated Financial Statement

TVO GROUP

3 TURNOVER

1,000 €	2007	2006
Olkiluoto 1 and 2	185,860	178,057
Meri-Pori	39,520	49,242
TVO Nuclear Services Oy	6,935	3,123
Olkiluodon Vesi Oy	12	14
Total turnover	232,327	230,436

Electricity delivered (GWh)		
Olkiluoto 1	7,317	6,956
Olkiluoto 2	7,032	7,278
Olkiluoto total *	14,349	14,234
Meri-Pori	1,374	1,509
Total electricity delivered	15,723	15,743

* Includes wind power 1.8 GWh (2006: 1,7) GWh and gas turbine electricity 0.2 GWh.

4 PRODUCTION FOR OWN PURPOSES

1,000 €	2007	2006
Personnel expenses of OL3	9,847	8,033
Nuclear waste and water supply service expenses of OL3	21	8
Total production for own purposes	9,868	8,041

5 OTHER INCOME

1,000 €	2007	2006
Rental income	3,061	3,125
Profit from sales of shares	257	119
Profit from sales of tangible assets	94	554
Received benefits	293	144
Consulting charges	4,449	4,453
Other income	296	217
Total other income	8,450	8,612

Notes to the Consolidated Financial Statement

TVO GROUP

6 MATERIALS AND SERVICES

1,000 €	2007	2006
Nuclear fuel	57,620	41,076
Coal	20,192	28,652
Materials and supplies	3,021	3,190
Transfer to the OL3 storage	0	-9,140
Emission rights	76	8,973
Nuclear waste management service expenses	25,240	14,565
Decrease (+) or increase (-) in inventories	-12,332	4,522
External services	6,459	4,769
Total materials and services	100,276	96,607

7 PERSONNEL EXPENSES

Employee benefit costs

1,000 €	2007	2006
Wages and salaries	41,089	37,896
Pension costs - defined contribution plans	6,771	5,822
Other compulsory personnel expenses	3,748	3,404
Total personnel expenses	51,608	47,122

Employee bonus system

All permanent and long-term (more than 1 year) temporary workers are included in the employee bonus system. Annually the TVO management group defines the basis on which the employee bonus payments are determined for all employees except the leaders of the company. Any alterations to the employee bonus system are decided by the Board of Directors. Employee bonuses are recognised as annual expenses corresponding to the overall work effort. Some of the bonuses are paid as salaries and some are deposited to the Teollisuuden Voima personnel fund. The committee in charge of the bonuses will annually confirm the bonus principles and remunerations for the leaders of the company.

Average number of personnel during financial year

	2007	2006
Office personnel	630	597
Manual workers	157	157
Total	787	754

Number of personnel December 31

	2007	2006
Office personnel	617	596
Manual workers	140	139
Total December 31	757	735

Notes to the Consolidated Financial Statement

TVO GROUP

8 DEPRECIATIONS AND WRITE-DOWNS

1,000 €	2007	2006
Intangible assets		
Computer software	739	831
Other long-term expenditure	745	745
Total intangible assets	1,484	1,576
Tangible assets		
Buildings and construction	7,857	7,400
Machinery and equipment	37,074	37,419
Other tangible assets	1,706	1,425
Decommissioning	2,190	1,899
Total tangible assets	48,827	48,143
Total depreciations and write-downs	50,311	49,719

9 OTHER EXPENSES

1,000 €	2007	2006
Real estate tax	3,420	3,310
Rents	1,258	1,155
Insurances	3,211	2,967
Research and expert services	8,969	9,201
Maintenance costs (OL1 and OL2)	21,246	18,099
Other external services	9,984	9,063
Other expenses	16,801	17,349
Total other expenses	64,889	61,144

Research activities

The other expenses include recognised research costs (own wages and salaries not included) in the amount of EUR 17.1 million in 2007 (EUR 15.7 million in 2006). Most of the research costs are used for researching nuclear waste management.

Notes to the Consolidated Financial Statement

TVO GROUP

10 FINANCIAL INCOME AND EXPENSE

1,000 €	2007	2006
Dividend income from available-for-sale investments	766	403
Profit from available-for-sale investments	2,212	1,913
Interest income from loans and other receivables		
Nuclear waste management loan	24,603	17,849
Others	1,092	643
Hedge accounted derivatives		
Ineffective portion of change in fair value, net	0	502
Non-hedge accounted derivatives		
Portion of change in fair value, net	4,394	19,383
Interest income from assets related to nuclear waste management	33,148	23,923
Total financial income	66,215	64,616
Interest expenses and other financial expenses		
To the Finnish State Nuclear Waste Management Fund	24,603	17,849
To others	14,428	10,155
Hedge accounted derivatives		
Ineffective portion of change in fair value, net	419	0
Realised derivative expenses, net*	667	2,303
Interest expenses of provision related to nuclear waste management	47,455	23,995
Total financial expenses	87,572	54,302
Total financial income and expense	-21,357	10,314

* From the interest rate swaps under hedge accounting, EUR 155,000 (-277,000) is included in the realised derivative expenses and EUR 643,000 (-1,037,000) has been capitalised in the balance sheet.

11 INCOME TAX EXPENSE

1,000 €	2007	2006
Tax based on the taxable income of the financial year	5	7
Adjustments recognised from prior periods	0	12
Total income tax	5	19

The TVO group operates under the absorption principle, so it does not pay income tax during its operations. Taxes for the accounting period are non-deductible expenses in taxation.

Notes to the Consolidated Financial Statement

TVO GROUP

12 TANGIBLE ASSETS

1,000 €	Land and water areas	Buildings and construction	Machinery and equipment	Other tangible assets	Construction in progress and advance payments	Decommissioning	Total
Acquisition cost 1.1.2007	7,801	249,846	1,114,372	28,771	1,124,754	102,877	2,628,421
Increase	591	2,193	13,035	1,448	232,276	9,912	259,455
Decrease	-1	-954	-10,915	-158	-1,175	0	-13,203
Transfer between categories	0	5,341	22,418	816	-28,576	0	-1
Acquisition cost 31.12.2007	8,391	256,426	1,138,910	30,877	1,327,279	112,789	2,874,672
Accrued depreciations and write-downs 1.1.2007	0	146,993	702,022	12,544	0	38,315	899,874
Decrease	0	0	-10,890	-154	0	0	-11,044
Depreciations for the period	0	7,857	37,074	1,706	0	2,190	48,827
Accrued depreciations and write-downs 31.12.2007	0	154,850	728,206	14,096	0	40,505	937,657
Book value 31.12.2007	**8,391**	**101,576**	**410,704**	**16,781**	**1,327,279**	**72,284**	**1,937,015**
Book value 1.1.2007	7,801	102,853	412,350	16,227	1,124,754	64,562	1,728,547

1,000 €	Land and water areas	Buildings and construction	Machinery and equipment	Other tangible assets	Construction in progress and andvance payments	Decommissioning	Total
Acquisition cost 1.1.2006	7,703	239,834	1,077,321	25,436	926,510	87,592	2,364,396
Increase	106	6,094	28,036	1,133	228,935	15,285	279,589
Decrease	-8	-1,007	-12,404	0	-2,281	0	-15,700
Transfer between categories	0	4,925	21,419	2,202	-28,410	0	136
Acquisition cost 31.12.2006	7,801	249,846	1,114,372	28,771	1,124,754	102,877	2,628,421
Accrued depreciations and write-downs 1.1.2006	0	139,593	676,973	11,119	0	36,416	864,101
Decrease	0	0	-12,370	0	0	0	-12,370
Depreciations for the period	0	7,400	37,419	1,425	0	1,899	48,143
Accrued depreciations and write-downs 31.12.2006	0	146,993	702,022	12,544	0	38,315	899,874
Book value 31.12.2006	**7,801**	**102,853**	**412,350**	**16,227**	**1,124,754**	**64,562**	**1,728,547**
Book value 1.1.2006	7,703	100,241	400,348	14,317	926,510	51,176	1,500,295

The costs for the new plant (OL3) under construction constituted EUR 1.3 billion of the advance payments in 2007 (EUR 1.1 billion in 2006).
Tangible assets leased by finance lease agreements:

1,000 €	Nuclear power plant under construction
Acquisition cost 1.1.2007	1,769
Increase	346
Book Value 31.12.2007	2,115

1,000 €	Nuclear power plant under construction
Acquisition cost 1.1.2006	1,420
Increase	349
Book Value 31.12.2006	1,769

The assets acquired through financial lease agreements are classified as advance payments and costs for construction in progress so there are no depreciations.

Notes to the Consolidated Financial Statement

TVO GROUP

13 INTANGIBLE ASSETS

1,000 €	Emission rights	Computer software	Other intangible assets	Advance payments	Total
Acquisition cost 1.1.2007	8,973	19,094	20,458	0	48,525
Increase	76	29	0	0	105
Decrease	-8,973	0	0	0	-8,973
Transfer between categories	0	0	0	0	0
Acquisition cost 31.12.2007	76	19,123	20,458	0	39,657
Accrued depreciations and write-downs 1.1.2007	0	14,877	11,172	0	26,049
Depreciations for the period	0	739	744	0	1,483
Accrued depreciations and write-downs 31.12.2007	0	15,616	11,916	0	27,532
Book value 31.12.2007	**76**	**3,507**	**8,542**	**0**	**12,125**
Book value 1.1.2007	8,973	4,217	9,286	0	22,476

1,000 €	Emission rights	Computer software	Other intangible assets	Advance payments	Total
Acquisition cost 1.1.2006	0	18,750	20,446	244	39,440
Increase	8,973	344	36	53	9,406
Decrease	0	0	0	-184	-184
Transfer between categories	0	0	-24	-113	-137
Acquisition cost 31.12.2006	8,973	19,094	20,458	0	48,525
Accrued depreciations and write-downs 1.1.2006	0	14,046	10,427	0	24,473
Depreciations for the period	0	831	745	0	1,576
Accrued depreciations and write-downs 31.12.2006	0	14,877	11,172	0	26,049
Book value 31.12.2006	**8,973**	**4,217**	**9,286**	**0**	**22,476**
Book value 1.1.2006	0	4,704	10,019	244	14,967

Capitalised interest costs included in the tangible and intangible assets

Capitalised interest during construction 1,000 €	Other intangible assets	Buildings and construction	Machinery and equipments	Other tangible assets	Advance payments	Total
Acquisition cost 1.1.2007	3,530	31,133	112,781	2,609	81,654	231,707
Increase	0	0	0	0	46,814	46,814
Decrease	0	0	0	0	-1,148	-1,148
Transfer between categories	0	0	0	0	-7,626	-7,626
Acquisition cost 31.12.2007	3,530	31,133	112,781	2,609	119,694	269,747
Accrued depreciations and write-downs 1.1.2007	1,981	19,568	70,531	1,656	0	93,736
Depreciations for the period	107	444	1,692	33	0	2,276
Accrued depreciations and write-downs 31.12.2007	2,088	20,012	72,223	1,689	0	96,012
Book value 31.12.2007	**1,442**	**11,121**	**40,558**	**920**	**119,694**	**173,735**
Book value 1.1.2007	1,549	11,565	42,250	953	81,654	137,971

Capitalised interest during construction 1,000 €	Other intangible assets	Buildings and construction	Machinery and equipments	Other tangible assets	Advance payments	Total
Acquisition cost 1.1.2006	3,530	31,133	112,781	2,609	50,554	200,607
Increase	0	0	0	0	31,100	31,100
Acquisition cost 31.12.2006	3,530	31,133	112,781	2,609	81,654	231,707
Accrued depreciations and write-downs 1.1.2006	1,875	19,124	68,838	1,623	0	91,460
Depreciations for the period	106	444	1,693	33	0	2,276
Accrued depreciations and write-downs 31.12.2006	1,981	19,568	70,531	1,656	0	93,736
Book value 31.12.2006	**1,549**	**11,565**	**42,250**	**953**	**81,654**	**137,971**
Book value 1.1.2006	1,655	12,009	43,943	986	50,554	109,147

Notes to the Consolidated Financial Statement

TVO GROUP

14 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

1,000 €	**2007**	**2006**
Beginning of the year	2,245	1,634
Share of profit/loss	51	611
End of the year	**2,296**	**2,245**

Assets, liabilities, sales and profit as presented by the Group's associated company are as follows:

1,000 €	Place of incorporation	Assets	Liabilities	Turnover	Profit/ loss	Group share (%)
2007						
Polartest Oy	Helsinki	7,989	3,896	15,871	1,324	32
2006						
Polartest Oy	Helsinki	7,534	3,621	16,177	2,586	32

Polartest Oy is an inspection company which offers manufacturers and users conformity assessments as well as NDT inspections and DT tests. The associated company is accounted for by the equity method of accounting.

Assets, liabilities, sales and profit as presented by the Group's joint venture are as follows:

1,000 €	Place of incorporation	Assets	Liabilities	Turnover	Profit/ loss	Group share (%)
2007						
Posiva Oy	Eurajoki	18,741	17,059	46,613	0	60
2006						
Posiva Oy	Eurajoki	18,747	17,065	42,870	0	60

TVO has a 60% sharehold in Posiva Oy. Posiva is responsible for the research concerning final placement of spent nuclear fuel in Finland. The company also performs the placement in practice. Posiva is accounted for by the equity method of accounting.

The Group manages Posiva Oy jointly with Fortum Power and Heat Oy, based on an agreement. TVO is liable for paying approximately 74 % of Posiva's expenses. The expenses of Posiva are distributed to TVO based on the ratio of fuel used in the power plant units (OL1, OL2 and OL3). It is the duty of Posiva to carry out the tasks related to the final placement of the nuclear fuel as stated in the waste management obligation specified in the Nuclear Energy Act for licensees under a waste management obligation. The company's operations also include research and construction work related to the final placement solution. Management of spent fuel is carried out according to the detailed waste management plan approved by Fortum Power and Heat Oy and TVO.

Notes to the Consolidated Financial Statement

TVO GROUP

15 BOOK VALUES OF FINANCIAL ASSETS AND LIABILITES BY CATEGORIES

1,000 € 2007	Financial assets and liabilities at fair value through profit or loss	Derivative financial instruments designated as cash flow hedges	Loans and other receivables	Available-for-sale investments	Financial liabilities measured at amortized cost	Total	Fair value	Note
Non-current financial assets								
Loan and other receivables			652,993			652,993	652,993	16
Investments in shares				12,773		12,773	12,773	17
Derivatives		7,983				7,983	7,983	20
Current financial assets								
Trade and other receivables			164,640			164,640	164,640	16
Fund units				75,073		75,073	75,073	17
Derivatives	19,236	381				19,617	19,617	20
Book value by category	**19,236**	**8,364**	**817,633**	**87,846**	**0**	**933,079**	**933,079**	
Long-term financial liabilities								
Shareholder loans					179,300	179,300	179,300	23
Loan from the Finnish State Nuclear Waste Management Fund					648,075	648,075	648,075	23
Other interest-bearing liabilities					696,960	696,960	688,322	23
Derivatives		8,524				8,524	8,524	20
Short-term financial liabilities								
Interest-bearing liabilities					481,372	481,372	481,372	23
Trade payables					8,952	8,952	8,952	24
Other short-term liabilities					91,616	91,616	91,616	24
Derivatives	90	1,600				1,690	1,690	20
Book value by category	**90**	**10,124**	**0**	**0**	**2,106,275**	**2,116,489**	**2,107,851**	

1,000 € 2006	Financial assets and liabilities at fair value through profit or loss	Derivative financial instruments designated as cash flow hedges	Loans and other receivables	Available-for-sale investments	Financial liabilities measured at amortized cost	Total	Fair value	Note
Non-current financial assets								
Loans and other receivables			625,047			625,047	625,047	16
Investments in share				13,734		13,734	13,734	17
Derivatives		11,708				11,708	11,708	20
Current financial assets								
Trade and other receivables			75,520			75,520	75,520	16
Fund units				60,038		60,038	60,038	17
Derivatives	6,947	316				7,263	7,263	20
Book value by category	**6,947**	**12,024**	**700,567**	**73,772**	**0**	**793,310**	**793,310**	
Long-term financial liabilities								
Shareholder loans					179,300	179,300	179,300	23
Loan from the Finnish State Nuclear Waste Management Fund					619,950	619,950	619,950	23
Other interest-bearing liabilities					583,612	583,612	582,841	23
Derivatives		4,299				4,299	4,299	20
Short-term financial liabilities								
Interest-bearing liabilities					473,754	473,754	473,754	23
Trade payables					23,099	23,099	23,099	24
Other current liabilities					63,367	63,367	63,367	24
Derivatives	1,589	3,204				4,793	4,793	20
Book value by category	**1,589**	**7,503**	**0**	**0**	**1,943,082**	**1,952,174**	**1,951,403**	

Notes to the Consolidated Financial Statement

TVO GROUP

Fair value estimation

The book values of the floating interest rate loan receivables and other receivables are measured at amortized cost using the effective interest rate method and are reasonable approximations of their fair value. The fair value of the current trade- and other receivables approximate to their book values since the discounting effect due to short maturities is not essential.

Available-for-sale investments include investments in shares and fund units. Listed shares and fund units are measured at fair value which is the market price at balance sheet date. For unlisted shares the fair value cannot be measured reliably, in which case the investments are carried at cost.

The derivative financial contracts are initially recognised at fair value on the date when TVO becomes a party to the contract, and are subsequently measured at fair value on the balance sheet date. The fair values are determined using a variety of methods and financial valuation techniques, and assumptions are based on market quotations on the relevant balance sheet date. The fair value of the interest rate swaps is the present value of the estimated future cash flows. The forward foreign exchange contracts are measured using the market rates at the balance sheet date. The fair value of the interest rate options is calculated using market rates at the balance sheet date and by using the Black and Scholes option valuation model. The changes in fair value of the interest rate swaps and forward foreign exchange contracts are recognised in equity or profit or loss, depending on whether they are designated as and qualifying for cash flow hedges or not. The changes in fair value of interest rate options that do not qualify for hedge accounting are presented under financial income and expenses.

The book values of the non-current financial liabilities and short term interest-bearing liabilities are measured at amortized cost using the effective interest rate method. The book values of the floating interest rate loans are reasonable approximations of their fair value. The fair value of the fixed interest rate loans has been calculated by discounting future cash flows at the appropriate market interest rates prevailing at balance sheet date (premiums excluded), which were 4.1% - 4.9% (3.6% - 4.2%). The book values of the current non-interest bearing liabilities are reasonable approximations of their fair value.

16 LOANS AND OTHER RECEIVABLES

Loans and receivables (non-current assets)

1,000 €	2007	2006
Nuclear waste management loan receivables from parent company	368,384	352,410
Nuclear waste management loan receivables from others	279,691	267,540
Loan receivables	4,918	5,097
Total loan and other receivables	652,993	625,047

According to section 52 of the Nuclear Energy Act, TVO, in exchange for collateral payments, is entitled to receive fixed-term loans from the Finnish State Nuclear Waste Management Fund, the amount which cannot be larger than 75 % of the latest confirmed fund share of TVO. The nuclear waste management loan receivables are formed by the amount loaned from the State Nuclear Waste Management Fund, which has been further loaned (with the same terms and conditions) to the shareholders and the company and to Fortum Oyj.

The loan receivables constitute the loan receivables of Eurajoen Jäähalli Oy and Posiva Oy.

There is no credit risk connected to the loan or other receivables.

Trade and other receivables (current)

1,000 €	2007	2006
Trade receivables from parent company	21,617	15,543
Trade receivables from others	16,420	13,469
Loan receivables	1,083	1,141
Prepayments and accrued income from parent company	13,985	10,146
Prepayments and accrued income from others	13,853	14,187
Other receivables	97,682	21,034
Total trade and other receivables	164,640	75,520

Prepayments and accrued income include prepaid interests, deferred interest income, other deferred income and other prepaid expenses.

During the current or the previous accounting period the Group has not recognised credit losses or impairments for trade or other receivables. The maximum credit loss risk of trade and other receivables corresponds to their book value. On 31 December 2007 the Group has EUR 1,089,000 overdue receivables (EUR 667,000 31 December 2006) of which EUR 642,000 is overdue more than six months (EUR 615,000 31 December 2006). The overdue receivables are not expected to cause the Group credit losses or impairments.

Notes to the Consolidated Financial Statement

TVO GROUP

17 AVAILABLE-FOR-SALE INVESTMENTS

1,000 €	2007	2006
Investments in listed companies	11,145	12,486
Investments in other stocks and shares	1,628	1,248
Fund units	75,073	60,038
Available-for-sale investments, total	87,846	73,772

The fund units comprise liquid shares in short-term money market funds, and they are valued in the balance sheet at their fair value. They are included in the cash flow statement as liquid assets.

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include on-hand cash and money on bank accounts.

19 INVENTORIES

1,000 €	2007	2006
Coal		
Acquisition cost	15,668	15,584
Book value	9,620	16,786
Difference	6,048	-1,202
Raw uranium		
Acquisition cost	92,971	70,246
Book value	34,050	15,243
Difference	58,921	55,003
Coal	9,620	16,786
Raw uranium	34,050	15,243
Other nuclear fuel	112,549	112,023
Supply stocks	3,520	3,355
Total inventories	159,739	147,407

Inventories are measured at cost. Indirect and direct costs are insignificant so they are not allocated to the inventory cost.

Notes to the Consolidated Financial Statement

TVO GROUP

20 DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values of the derivative agreements		Maturity structure				
1,000 € **2007**	< 1 year	1-3 years	3-5 years	5-7 years	> 7 years	Total
Interest rate option agreements						
Purchased	30,000	1,080,000	210,000			1,320,000
Written	30,000	1,080,000	210,000			1,320,000
Interest rate swaps	180,000	160,000	210,000	460,000	80,000	1,090,000
Forward foreign exchange contracts	16,282	43,873	30,740	35,977	18,329	145,201
Total	256,282	2,363,873	660,740	495,977	98,329	3,875,201

Nominal values of the derivative agreements		Maturity structure				
1,000 € **2006**	< 1 year	1-3 years	3-5 years	5-7 years	> 7 years	Total
Interest rate option agreements						
Purchased	20,000	510,000	780,000	30,000		1,340,000
Written		510,000	780,000	30,000		1,320,000
Interest rate swaps	40,000	160,000	160,000	270,000	60,000	690,000
Forward foreign exchange contracts	46,391	40,661	33,850	7,684		128,586
Total	106,391	1,220,661	1,753,850	337,684	60,000	3,478,586

Fair values of the derivative agreements	**2007**		**2006**	
1,000 €	Positive	Negative	Positive	Negative
Interest rate option agreements (non-hedge accounted)				
Purchased	5,890		1,419	1,458
Written	300	90	2,693	130
Interest rate swaps				
Cash flow hedges	8,314	626	12,024	362
Non-hedge accounted	13,045		2,835	
Forward foreign exchange contracts (hedge accounted)	51	9,498		7,142
Total	27,600	10,214	18,971	9,092

TVO GROUP

21 SHAREHOLDERS' EQUITY

The registered share capital of the company according the Articles of Association is EUR 266,091,958.23 which was increased by EUR 100,000,000 during the previous year. On December 31. 2006 the share capital of the company was EUR 166,091,958.23. TVO does not have a maximum or minimum limit for the share capital. The number of the shares on 31 December 2007 was 1,071,825,211. The shares are divided among the three series of shares as follows: A series 680,000,000, B series 357,541,481, and C series 34,283,730 shares. During 2007 the number of B series shares increased by 94,813,692. All shares have been fully paid. The shares have no nominal price as is stipulated in the Finnish Limited Liability Companies Act.

On 11 November 2007 the shareholders' meeting decided on a share issue according to which the increase in B series share capital was paid and registered in December 2007 for 94,813,692 shares. Additionally, the meeting came to an agreement on a share issue of 90,641,889 B series shares for which the EUR 95,600,000 payment will be made in 2008 at a time determined by the Board of Directors.

According to the Articles of Association, TVO delivers electricity to its shareholders on the so-called Mankala basis, i.e. it delivers the electricity produced or procured to its shareholders in proportion to their shareholdings in each series. Each of the shareholders of each series is liable for the variable and fixed annual costs that are specified in detail in the Articles of Association. The Company prepares annually a balance sheet divided into different series of shares. The balance sheet, which will be presented to the Shareholders' Meeting, specifies the assets, liabilities and shareholders' equity of the different series of shares.

Share number reconciliations:

1,000 €	Share number	Share capital	Share premium reserve and statutory reserve	Share issue
1.1.2006	807,012,000	137,192	91,984	0
Share issue	169,999,519	28,900	150,399	0
31.12.2006	977,011,519	166,092	242,383	0
Share issue	94,813,692	100,000	0	95,600
31.12.2007	**1,071,825,211**	**266,092**	**242,383**	**95,600**

The Company has three registered share series: A, B, and C.

Share number	**31.12.2007**	**31.12.2006**
A	680,000,000	680,000,000
B	357,541,481	262,727,789
C	34,283,730	34,283,730
Total share number	1,071,825,211	977,011,519

The following list describes the equity funds:

Share premium reserve
The share premium reserve contains the share premiums of the share issues, EUR 232,435 thousand.

Statutory reserve
The share premium paid by Imatran Voima Oy, the predecessor of Fortum Power and Heat Oy, in 1979 when it become a shareholder in the company has been entered in this reserve.

Revaluation reserve
Profits and losses incurred by fair value changes of available-for-sale investments and derivatives used as cash flow hedges are entered in this reserve. The fair value changes of derivatives are transferred to the profit/loss statement, when the cash flows they have been hedging have been realised. Fair value changes in available-for-sale investments are transferred to the profit/loss statement, when the investments are relinquished or their value diminishes.

Retained earnings
This item contains the accrued earnings from previous financial periods and the profit of the financial year.

22 PROVISIONS

1,000 €	Environmental provisions
1.1.2007	0
Increase of provisions	1,200
31.12.2007	**1,200**

The nuclear waste management provision is presented in note 25 Assets and provisions related to nuclear waste management obligations.

Notes to the Consolidated Financial Statement

TVO GROUP

23 INTEREST BEARING LIABILITIES

1,000 €	**2007**	**2006**
Long-term interest-bearing liabilities		
Shareholders' loans to parent company *	107,995	107,995
Shareholders' loans to others *	71,305	71,305
Loan from the Finnish State Nuclear Waste Management Fund	648,075	619,950
Bank loans	696,407	582,963
Finance leasing liabilities	553	649
Derivatives	8,524	4,299
Total long-term interest-bearing liabilities	1,532,859	1,387,161
Short-term interest-bearing liabilities		
Bank loans	6,951	11,446
Other interest-bearing liabilities (commercial papers)	474,065	462,022
Finance leasing liabilities	356	287
Derivatives	1,690	4,793
Total short-term interest-bearing liabilities	483,062	478,548
Total long-term and short-term interest-bearing liabilities	2,015,921	1,865,709

* Subordinated loans

Maturity period of finance leasing liabilities

1,000 €	**2007**	**2006**
Finance leasing liabilities - total amount of minimum rents		
One year	383	314
Period longer than one year but no longer than five years	575	678
Five years	0	0
Finance leasing liabilities - total amount of minimum rents	**958**	**992**
Finance leasing liabilities - current value of minimum rents		
One year	349	292
Period longer than one year but no longer than five years	504	601
Five years	0	0
Finance leasing liabilities - current value of minimum rents, total	**853**	**893**
Financing expenses to be accrued	105	99

The finance leasing liabilities of the Group comprise the lease agreement of the office building.

Notes to the Consolidated Financial Statement

TVO GROUP

24 ACCOUNTS PAYABLE AND OTHER SHORT-TERM LIABILITIES

Advances received

1,000 €	2007	2006
Advances received from parent company	8,184	7,207
Advances received from others	6,571	5,522
Total advances received	14,755	12,729

Accounts payable

1,000 €	2007	2006
Accounts payable from parent company	5	72
Accounts payable from others	8,947	23,027
Total accounts payable	8,952	23,099

Other short-term liabilities

1,000 €	2007	2006
Accruals and deferred income to parent company	531	440
Accruals and deferred income to others	84,920	61,782
Other liabilities	6,165	1,145
Total other short-term liabilities	91,616	63,367

Accruals and deferred income to others are allocated as follows:

1,000 €	2007	2006
Finnish State Nuclear Waste Management Fund	55,603	31,389
Accrued interests	10,781	6,200
Accrued wages and salaries	10,608	9,502
Other accruals and deferred income	7,928	14,691
Total accruals and deferred income to others	84,920	61,782

Notes to the Consolidated Financial Statement

TVO GROUP

25 ASSETS AND PROVISION RELATED TO NUCLEAR WASTE MANAGEMENT OBLIGATION

Share in the Finnish State Nuclear Waste Management Fund
Under the Nuclear Energy Act in Finland, TVO has a legal obligation to fully fund the decommissioning of the power plant and the disposal of spent fuel through the Finnish State Nuclear Waste Management Fund (= nuclear waste management obligation).

TVO contributes funds to the Finnish State Nuclear Waste Management Fund to cover future obligations based on the legal liability calculated according to the Nuclear Energy Act. The carrying value of the TVO's balance sheet is calculated according to the interpretation in IFRIC 5 "Rights to interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds".

Provisions related to the nuclear waste management obligation
The provisions are related to future obligations for decommissioning of the power plant and disposal of spent fuel. The fair value of the provisions is calculated according to IAS 37 based on discounted future cash flows which in turn are based on estimated future expenses.

At the end of the year, the balance sheet contains the following assets and liabilities concerning the nuclear waste management obligation:

1,000 €	2007	2006
The carrying value of TVO's share in the Finnish State Nuclear Waste Management Fund (non-current assets)	568,121	505,017
Provisions related to Nuclear Waste Management (long-term liabilities)		
Beginning of the year	505,017	476,331
Increase in provisions	34,620	21,749
Used provisions	-18,970	-17,059
Changes due to discounting	47,455	23,996
End of year	568,121	505,017

The discount rate used was 5.2 %.

TVO's legal liability and interest in the Finnish State Nuclear Waste Management Fund

TVO's legal liability as stated in the Nuclear Energy Act and the company's share in the Finnish State Nuclear Waste Management Fund at the end of the year are as follows:

1,000 €	2007	2006
Liability for nuclear waste management according to the Nuclear Energy Act	1,079,800	903,400
TVO's funding target obligation 2008 (2007) to the Finnish State Nuclear Waste Management Fund	927,700	864,100
TVO's share in the State Nuclear Waste Management Fund 31.12.2007 (31.12.2006)	897,247	851,071
Difference of liability and fund share	182,553	52,329

The legal liability calculated according to the Nuclear Energy Act in Finland and decided by the supervising authority (Ministry of Employment and Economy) is EUR 1,079.8 (903.4) million on 31 December 2007 (31 December 2006). The carrying value of the liability in the balance sheet calculated according to IAS 37 is EUR 568.1 million on 31 December 2007 (2006: 505.0). The most significant difference between the liability amount and the liability recorded on the balance sheet is that the legal liability covers the estimated undiscounted costs of upcoming nuclear waste management measures in 2007. The IAS liability includes the estimated total costs and cash flows of nuclear waste management, operation time used as well as fuel consumption discounted in proportion to the current net value.

TVO's share in the Finnish State Nuclear Waste Management Fund on 31 December 2007 is EUR 897.2 million (851.1). The carrying value in the balance sheet is EUR 568.1 (505.0) million. The difference is due to the fact that IFRIC 5 limits the carrying amount of TVO's interest in the State Nuclear Waste Management Fund to the amount of the related liability since TVO does not have control over the State Nuclear Waste Management Fund.

The difference between the funding target and the interest in the Finnish State Nuclear Waste Management Fund at the end of 2007 is due to the annual adjustment of the liability amount and the funding target. The difference is due to timing, as the annual statutory funding target obligation will be paid during the first quarter of the following year. In 2007 by virtue of section 46 of the Nuclear Energy Act the Council of State accepted TVO's petition to reduce the funding target obligation for the years 2008–2012. TVO has issued the state the shareholders' guarantees as security for the unfunded legal liability. The security also covers unexpected events as determined in the Nuclear Energy Act. The guarantees are included in the nuclear waste management obligations; see note 26: Obligations and other commitments.

TVO utilises the right to borrow back from the Finnish State Nuclear Waste Management Fund in accordance with the defined rules. The loans are included in the interest-bearing liabilities; see note 23: Interest bearing liabilities.

Notes to the Consolidated Financial Statement

TVO GROUP

26 OBLIGATIONS AND OTHER COMMITMENTS

Operating leases

Group as lessee

Minimum rents to be paid based on non-cancellable lease agreements:

1,000 €	2007	2006
One year	281	192
Period longer than one year but no longer than five years	244	156
Total	**525**	**348**

The rents recognised as expenses during the period are as follows:

1 000 €	2007	2006
Minimum rents	263	174
Total	**263**	**174**

The rents for the financial period have been capitalised in the construction in progress investment (OL3) in the amount of EUR 20,000 (2006: EUR 14,000). Non-cancellable lease agreements have been made for the office equipment and vehicles.

Pledged promissory notes
The company under the nuclear waste management obligation is entitled to borrow an amount equal 75 % of its share in the State Nuclear Waste Management Fund. TVO has lent the funds borrowed from said fund to its owners and has pledged the receivables from the owners as collateral for the loan (EUR 648.1 million in 2007, EUR 619.9 million in 2006).

Guarantees related to the nuclear waste management obligation
The guarantees given to the state for the unfunded portion of the waste management obligation amount to EUR 120.4 million on December 31. 2007 (EUR 75.2 million on December 31. 2006). The amount of the commitments to be issued is EUR 264.7 million (30 June 2008). The security also covers unexpected events as determined in the Nuclear Energy Act.

Investment commitments

Agreement-based commitments regarding the acquisition of tangible assets

1,000 €	2007	2006
OL1 and OL2	96,000	18,000
OL3	1,539,000	1,578,000
Total	**1,635,000**	**1,596,000**

CO_2 emission rights

	2007		2006	
	t CO_2	1,000 €	t CO_2	1 000 €
Granted emission rights (including emission rights for the Olkiluoto backup diesels)	905,074		905,076	
Total annual emissions from production facilities	1,130,003		1,257,893	
Possessed emission rights	1,186,755		1,266,198	
Remaining emission rights (Nord Pool rate on 31.12.)	28,376	1	8,305	53
Emission rights sold	0	0	198,000	2,411
Emission rights bought	245,000	76	557,000	8,973

TVO is, based on the electricity production during 2000–2003 of TVO's share in the Meri-Pori coal-fired power plant, entitled to a corresponding share of gratuitous emission rights. TVO is responsible for the amount of emission rights corresponding to its share of the production of the plant.

Calculation principles of the emission rights are based on the statement given by the Finnish Accounting Standards Board on November 15, 2005, concerning the entering of the emission rights into books. The accounting of emission rights is made based on comparing actual emissions and received emission rights, the so-called net procedure. If the actual emissions exceed the gratuitous emission rights, an expense-entry in the books corresponding to the tonnes in excess will be made at the market price on December 31, and the statutory provisions or current liabilities in the obligatory reserves. If the actual amounts are less than the received emission rights then they will be presented in the notes to the financial statements as off-balance sheet items. Purchase and sales of emission rights are entered on accrual basis as business transactions. Purchased emission rights have been entered in the balance sheet under intangible rights.

Notes to the Consolidated Financial Statement

TVO GROUP

27 RELATED PARTY TRANSACTIONS

The Group's related parties include Teollisuuden Voima Oyj and its subsidiaries, associated companies and joint ventures. The parties also include the members of the Board and the administrative groups as well as the Executive President and Executive Vice President.

The parent company of TVO is Pohjolan Voima Oy. The other shareholders are Etelä-Pohjanmaan Voima Oy, Fortum Power and Heat Oy, Karhu Voima Oy, Kemira Oyj and Oy Mankala Ab.

Relationships between the groups' parent company and subsidiaries on 31 December 2007:

Company	**Home country**	**Owner-ship (%)**	**Share in voting rights (%)**
Teollisuuden Voima Oyj	Finland		
TVO Nuclear Services Oy	Finland	100	100
Olkiluodon Vesi Oy	Finland	100	100
Perusvoima Oy	Finland	100	100

Following transactions with associated companies

2007	**Sales**	**Purchases**	**Receivables**	**Liabilities**
Polartest Oy	0	2,213	0	78
Posiva Oy	6,152	33,941	4,745	0

2006	Sales	Purchases	Receivables	Liabilities
Polartest Oy	0	2,114	0	33
Posiva Oy	5,907	30,532	5,728	0

The senior management of TVO is comprised of the Board, President, Vice President and operative administration group. The Group has not lent funds to the senior management and the company does not engage in business transactions with the senior management.

Senior management's employee benefits

1 000 €	**2007** Senior management	**2006** Senior Management
Wages, salaries and other short-term benefits	1,666	1,696
Total	1,666	1,696

Some of the Senior Vice Presidents of the Parent company may retire at the age of 60.

28 TRANSACTIONS AFTER THE BALANCE SHEET DATE

TVO submitted an EIA account to the Ministry of Employment and Economy in February, 2008.
No other reportable events have taken place after the end of the year in review.

Notes to the Consolidated Financial Statement

TVO GROUP

29 FINANCIAL RISK MANAGEMENT

Finance and financial risk management are centrally administered by the finance department of TVO in accordance with the Finance Policy approved by the Board of Directors. TVO´s activities expose it to a variety of financial risks: liquidity risk, market risk and credit risk. These do not include the receivables and obligations between the Company and its owners, as the Company operates under the Mankala principle, see Note 1.

In accordance with the Finance Policy, the objective of risk management is to stabilise the finance costs and risks and in the long term maintain them at as low level as possible. The entire currency exposure associated with the capital of debt and interests as well as acquisitions in foreign currencies is hedged. Volatility of interest cash flows is hedged partially.

In accordance with the Finance Policy of the Company, derivative financial instruments are entered into only with hedging purposes and the aim is that they qualify for hedge accounting under IFRS.

Liquidity risk

Liquidity and refinancing risk is defined as the amount by which earnings and/or cash flows are affected as a result of the Company not being able to secure sufficient financing. In addition to sufficient liquid assets and committed credit lines TVO seeks to diminish the refinancing risk by spreading the dates of maturities of its loans and financing sources as much as possible across different markets.

In accordance with the Finance Policy of TVO, the maturities and refinancing of long-term loans are planned so that not more than 25 per cent of the outstanding loans mature during the next 12 months. The loans borrowed from the State Nuclear Waste Management Fund, which have been lent further to the shareholders, form an exemption.

TVO uses its domestic commercial paper program for short-term funding purposes. There shall always exist committed credit lines with a minimum duration of 12 months for an amount corresponding to the funding needs of the Company for the following 12 months.

In addition to long-term committed credits the Company shall maintain liquid assets at an amount stated in the Finance Policy. In accordance with the Finance Policy, bank deposits, certificates of deposits of banks, commercial papers, municipal papers and treasury notes as well as money market funds are used as investments. Investments are mostly for the short-term (under 12 months).

Undiscounted cash flows of financial liabilities

2007

1,000 €	2008	2009	2010	2011	2012 –	Total
Loans from financial institutions *	6,951	138,095	122,939	21,606	419 344	708 935
Financing costs **	35,518	32,216	23,450	20,830	72 656	184 670
Shareholder loans					179 300	179 300
Financing costs	10,412	9,405	9,631	10,069	151 777	191 294
Loan from the Finnish State Nuclear Waste Management Fund ***					648 075	648 075
Financing costs	29,779	28,353	28,204	28,476	28 548	143 360
Finance lease liabilities	383	434	73	68		958
Commercial papers	484,400					484 400
Other liabilities	33,653					33 653
Interest rate derivatives		368	364	54	-13	773
Forward foreign exchange contracts	16,282	33,080	10,794	23,057	61 990	145 203
Total	617,378	241,951	195,455	104,160	1 561 677	2 720 621

1 000 €	2008	2009	2010	2011	2012 -	Total
Net cash flow of forward foreign exchange contracts (fair value)	-1,575	-3,560	-837	-2,021	-1 454	-9 447

* Repayments in 2008 are included in current liabilities in the balance sheet.
** In addition to interest costs, financing costs include commitment fees.
*** The loan from the Finnish State Nuclear Waste Management Fund has no actual date of maturity, but is here treated as a five year loan.

As of 31 December 2007, TVO had committed credit facilities of EUR 2 217,1 million. The undrawn and available amount of the committed credit facilities amounted to EUR 2 097,6 million of which EUR 467,6 million matures in 2009 and EUR 1 630,0 million in 2012.

Undiscounted cash flows of financial liabilities

2006

1,000 €	2007	2008	2009	2010	2011 –	Total
Loans from financial institutions *	11,445	6,951	118,445	122,939	340,950	600,730
Financing costs **	27,238	26,886	26,381	18,157	82,865	181,527
Shareholder loans					179,300	179,300
Financing costs	8,931	9,315	9,136	9,111	144,704	181,197
Loan from the Finnish State Nuclear Waste Management Fund ***					619,950	619,950
Financing costs	24,042	24,748	24,717	24,674	24,643	122,824
Finance lease liabilities	314	314	364			992
Commercial papers	467,700					467,700
Other liabilities	48,437					48,437
Interest rate derivatives	2,683	343	76	112	241	3,455
Forward foreign exchange contracts	46,391	11,923	28,738	10,794	30,740	128,586
Total	637,181	80,480	207,857	185,787	1,423,393	2,534,698

1,000 €	2007	2008	2009	2010	2011 –	Total
Net cash flow of forward foreign exchange contracts (fair value)	-3,204	-492	-1,628	-344	-1,474	-7,142

* Repayments in 2007 are included in current liabilities in the balance sheet.
** In addition to interest costs, financing costs include commitment fees.
*** The loan from the Finnish State Nuclear Waste Management Fund has no actual date of maturity, but is here treated as a five year loan.

As of 31 December 2006, TVO had committed credit facilities of EUR 2 217,1 million. The undrawn and available amount of the committed credit facilities amounted to EUR 2 097,6 million of which EUR 467,6 million matures in 2009 and EUR 1 630,0 million in 2012.

Notes to the Consolidated Financial Statement

TVO GROUP

Market risk

Currency risk
TVO is exposed to currency risk mainly in connection with its fuel purchases. The currency of purchases of raw uranium, enrichment and coal is frequently USD. Hedging of a currency denominated purchase is commenced, when a fixed term agreement is entered into and the forecasted currency risk becomes highly probable. Both short-term and long-term loans are withdrawn mainly in euros. The capital of loans denominated in other currencies than euros are hedged latest at the date of loan withdrawal.

Currency swaps, forward foreign exchange contracts and options may be used to hedge the currency exposure.

Interest rate risk
Interest-bearing liabilities expose the Company to interest rate risk. The objective of the Company's interest rate risk management is to maintain the interest costs at as low level as possible and to diminish the volatility of interest costs. In accordance with the Finance Policy, the duration of the loan portfolio of the Company (including commitments) can fluctuate between 30 and 42 months. At the balance sheet date the duration was 36 months.

The average interest rate duration can be changed with loans with fixed interest rates, interest rate swaps, interest rate forwards as well as with interest rate cap and floor instruments.

Sensitivity to market risks
Sensitivity to market risks arising from financial instruments as required by IFRS 7

	2007		2006	
1 000 €	Income statement	Equity	Income Statement	Equity
+/- 10 % change in EUR/USD exchange rate		-/+ 11,691		-/+ 11,280
1 % upward parallel shift in interest rates	20,342	21,824	18,470	14,683
1 % downward parallel shift in interest rates	-8,463	-26,649	-8,622	-15,765

Assumptions:
- The change in EUR/USD exchange rate is assumed to be +/- 10 %.
- The USD-denominated position includes all the Forward foreign exchange contracts which are designated as cash flow hedges and recognised in equity.
- The variation in interest rates is assumed to be a 1% parallel shift in the interest rate curve.
- The interest rate risk position includes the floating interest rate loan receivables, interest bearing borrowings and the interest rate derivatives.
- The income statement is affected by the interest bearing loan receivables, floating interest borrowings and the interest rate derivatives, excluding those interest rate derivatives that are designated as and qualifying for cash flow hedges, which are recognised in equity.

Credit risk
Credit risk arises from the potential failure of a counterparty to meet its contractual payment obligations. Commercial trade receivables as well as receivables from financial institutions that relate to investments and transactions involving derivative financial instruments expose the Company to credit risk. In addition to money market funds, financial institutions with a long-term credit rating of at least A- (Standard & Poor's) or A3 (Moody's) or A- (Fitch) are accepted as counterparts. In addition, for OTC derivative financial instrument contracts, TVO has in place a master agreement in the form of an ISDA agreement with the counterparts.

Fuel price risk
Power generation of the Group requires the use of fuels that are purchased from global markets. The main fuels used by the Group are uranium and coal.

TVO purchases the uranium fuel from the global markets. Purchasing comprises four stages: purchases of uranium concentrate, conversion, enrichment and fuel fabrication. TVO uses in each of these stages long-term purchases from different suppliers. Purchase policy is used to guarantee the availability of fuel and to minimise price risk. This includes storage strategy, diversified long-term purchase agreements as well as using a variety of pricing formulas as an attempt to avoid and mitigate, especially, the impact of temporary large uranium price fluctuations.

Purchases of coal are made under purchase agreements so that the Company, at a maximum, maintains an inventory corresponding to approximately the amount of coal used in the production in one year.

TVO has not used financial instruments to hedge the price risk exposure.

Capital risk management
TVO´s objective when managing capital is to secure sufficient equity and equity-like funding that safeguards the company's diversified sources of funding.

Over the investment cycles, the company´s capital ratio fluctuates accordingly. The company´s objective is to have a capital ratio in the long term at a level of approximately 25% under Finnish Accounting Standards (FAS). When calculating the capital ratio, the loan from the Finnish State Nuclear Waste Management Fund is excluded and the Shareholder loans are treated as equity.

Teollisuuden Voima Oyj´s equity ratio (FAS)

	2007	**2006**
Equity ratio (%)	43.6	42.5

30 TRANSITION TO IFRS REPORTING

The effects that the transition to IFRS standards has on TVO group's income statement, balance sheet and equity are described in the following bridge calculations.

In January 1, 2006, the Group adopted the international IFRS accounting principles and has, in this context, applied IFRS 1, First Time Adoption of International Financial Reporting Standards. For the purposes of comparative calculations, the transition date was 1.1.2006. There are differences from the previously-applied accounting policies, which were in accordance with the Finnish Accounting Standards (FAS), especially regarding the recognition of assets and liabilities related to the decommissioning of nuclear power plants and final placement of spent nuclear fuel as well as the recognition and measurement of investments and derivatives.

In transitioning to the IFRS standards, the Group has applied the mandatory exceptions in IFRS 1 as well as the exemptions allowed by the standard on designation of previously-recognized financial instruments. In accordance with this exemption, the Group has designated investments in shares and fund units as available for sale. IAS 39 permits this designation to be made on initial recognition of the financial assets.

The following reconciliations present the effect of the transition to IFRS on the income statement prepared under the FInnish Accounting Standards for the period on January 1, 2006 and December 31, 2006 and on the equity for the same period. The columns a, c, d, f, g and h in the reconciliation affect both the income statement and the balance sheet whereas columns b, e and i affect only the balance sheet.

Reconciliation of the income for the period 1.1.–31.12.2006 1,000 €	FAS 1.1.-31.12.2006	a) Assets and provisions related to nuclear waste management	c) Derivatives No hedge accounting	d) Derivatives Hedge accouting	f) Associated company	g) Joint venture	h) Property, plant and equipment	Total effect of IFRS	IFRS 1.1.-31.12.2006
Turnover	242,403					-11,967		-11,967	230,436
Work performed for own purposes	22,143					-14,102		-14,102	8,041
Other income	3,467					5,145		5,145	8,612
Materials and services	-82,042	-14,565						-14,565	-96,607
Personnel expenses	-51,235					4,113		4,113	-47,122
Depreciations and write-downs	-48,217	-1,899				397		-1,502	-49,719
Other expenses	-107,454	29,922				16,388		46,310	-61,144
Profit/loss from operations	**-20,935**	13,458	0	0	0	-26	0	13,432	-7,503
Financial income	21,112	23,923	19,383	502	-216	-88		43,504	64,616
Financial expenses	-28,727	-23,996				92	-1,671	-25,575	-54,302
Share of the affiliated company's profit/loss					827			827	827
Profit/loss before taxes	**-28,550**	**13,385**	**19,383**	**502**	**611**	**-22**	**-1,671**	**32,188**	**3,638**
Income taxes	-42					23		23	-19
Profit/loss for the financial year	**-28,592**	**13,385**	**19,383**	**502**	**611**	**1**	**-1,671**	**32,211**	**3,619**
Distribution:									
To owners of parent company	-28,592							32,211	3,619

TVO GROUP

Reconciliation of the balance sheet 1.1.2006

1,000 €	FAS 1.1.2006	a) Assets and provision related to nuclear waste management	b) Investments	c) Derivatives No hedge accounting	d) Derivatives Hedge accounting	e) Lease agreements	f) Associated company	g) Joint venture	h) Property, plant equipment	i) Other IFRS adjustments	Total effect of IFRS	IFRS 1.1.2006
Assets												
Non-current assets												
Tangible assets	1,451,645	51,176				939		-608	-5,646	2,789	48,650	1,500,295
Intangible assets	17,498							-2,222	-309		-2,531	14,967
Loan and other receivables	601,095							-1,299			-1,299	599,796
Holdings in affiliated companies and joint ventures	2						625	1,007			1,632	1,634
Share investments	4,443		9,609				-381	-8		-2,789	6,431	10,874
Derivatives					2,358						2,358	2,358
Share in the Finnish State Nuclear Waste Management Fund		476,331									476,331	476,331
Total non-current assets	**2,074,683**	**527,507**	**9,609**	**0**	**2,358**	**939**	**244**	**-3,130**	**-5,955**	**0**	**531,572**	**2 606,255**
Current assets												
Inventories	151,929										0	151,929
Trade and other receivables	243,836							-16		-7,015	-7,031	236,805
Derivatives				2,976	1,021						3,997	3,997
Fund units	44,947		452								452	45,399
Cash and cash equivalents	13,897							-6,878			-6,878	7,019
Total current assets	**454,609**	**0**	**452**	**2,976**	**1,021**	**0**	**0**	**-6,894**	**0**	**-7,015**	**-9,460**	**445,149**
Total assets	**2,529,292**	**527,507**	**10,061**	**2,976**	**3,379**	**939**	**244**	**-10,024**	**-5,955**	**-7,015**	**522,112**	**3,051,404**
Equity												
Share capital	137,192										0	137,192
Share issue	179,299										0	179,299
Share premium reserve and statutory reserve	91,984										0	91,984
Revaluation reserve	0		10,061		3,062						13,123	13,123
Retained earnings	321,671	50,421		-8,658					-1,529		40,234	361,905
Profit/loss for the financial year	-23,961	755		4,041			244		-4,426		614	-23,347
Total equity	**706,185**	**51,176**	**10,061**	**-4,617**	**3,062**	**0**	**244**	**0**	**-5,955**	**0**	**53,971**	**760,156**
Minority share	673							-673			-673	0
Long-term liabilities												
Provisions related to nuclear waste management		476,331									476,331	476,331
Shareholders' loans	182,182							-2,882			-2,882	179,300
Loan from the nuclear waste management fund	594,525										0	594,525
Other interest bearing liabilities	500,731					728				-7,015	-6,287	494,444
Derivatives					182						182	182
Total long-term liabilities	**1,277,438**	**476,331**	**0**	**0**	**182**	**728**	**0**	**-2,882**	**0**	**-7,015**	**467,344**	**1,744,782**
Short-term liabilities												
Interest bearing liabilities	466,377					211		-188			23	466,400
Derivatives				7,593	135						7,728	7,728
Advances received	12,635							-475			-475	12,160
Accounts payable	15,247							-3,350			-3,350	11,897
Other short-term liabilities	50,737							-2,456			-2,456	48,281
Total short-term liabilities	**544,996**	**0**	**0**	**7,593**	**135**	**211**	**0**	**-6,469**	**0**	**0**	**1,470**	**546,466**
Total liabilities	**1,822,434**	**476,331**	**0**	**7,593**	**317**	**939**	**0**	**-9,351**	**0**	**-7,015**	**468,814**	**2,291,248**
Total equity and liabilities	**2,529,292**	**527,507**	**10,061**	**2,976**	**3,379**	**939**	**244**	**-10,024**	**-5,955**	**-7,015**	**522,112**	**3,051,404**

Reconciliation of the balance sheet 31.12.2006

1,000 €	FAS 31.12.2006	a) Assets and provisions related to nuclear waste mangement	b) Investments	c) Derivatives No hedge accounting	d) Derivatives Hedge accounting	e) Lease agreements	f) Associated companies	g) Joint ventures	h) Property, plant and equipment	i) Other IFRS adjustments	Total effect of IFRS	IFRS 31.12.2006
Assets												
Non-current assets												
Property, plant and equipment	1,666,522	64,561				936		-508	-7,268	4,304	62,025	1,728,547
Tangible assets	24,745							-1,911	-358		-2,269	22,476
Loan and other receivables	626,229							-1,182			-1,182	625,047
Holdings in affiliated companies and joint ventures	2						1,236	1,007			2,243	2,245
Share investments	5,976		12,468				-381	-25		-4,304	7,758	13,734
Derivatives					11,708						11,708	11,708
Share in the Finnish State Nuclear Waste Management Fund		505,017									505,017	505,017
Total non-current assets	**2,323,474**	**569,578**	**12,468**	**0**	**11,708**	**936**	**855**	**-2,619**	**-7,626**	**0**	**585,300**	**2,908,774**
Current assets												
Inventories	147,407										0	147,407
Sales and other receivables	82,671							-829		-6,322	-7,151	75,520
Derivatives				6,947	316						7,263	7,263
Fund units	60,000		38								38	60,038
Cash and cash equivalents	37,248							-8,561			-8,561	28,687
Total current assets	**327,326**	**0**	**38**	**6,947**	**316**	**0**	**0**	**-9,390**	**0**	**-6,322**	**-8,411**	**318,915**
Total assets	**2,650,800**	**569,578**	**12,506**	**6,947**	**12,024**	**936**	**855**	**-12,009**	**-7,626**	**-6,322**	**576,889**	**3,227,689**
Equity												
Share capital	166,092										0	166,092
Share premium reserve and statutory reserve	242,383										0	242,383
Revaluation reserve			12,506		-5,390						7,116	7,116
Retained earnings	297,710	51,176		-4,617			244		-5,955		40,848	338,558
Profit/loss for the financial year	-28,592	13,386		19,383	502		611	1	-1,671		32,212	3,620
Total equity	**677,593**	**64,562**	**12,506**	**14,766**	**-4,888**	**0**	**855**	**1**	**-7,626**	**0**	**80,176**	**757,769**
Minority share	673							-673			-673	0
Long-term liabilities												
Provisions related to nuclear waste management		505,017									505,017	505,017
Shareholders' loans	182,080							-2 780			-2,780	179,300
Loan from Finnish State Nuclear Waste Management Fund	619,950										0	619,950
Other interest bearing liabilities	589,285					649				-6,322	-5,673	583,612
Derivatives					4,299						4,299	4,299
Total long-term liabilities	**1,391,315**	**505,017**	**0**	**0**	**4,299**	**649**	**0**	**-2,780**	**0**	**-6,322**	**500,863**	**1,892,178**
Short-term liabilities												
Interest bearing liabilities	473,658					287		-191			96	473,754
Derivatives				1,589	3,204						4,793	4,793
Advances received	13,073							-344			-344	12,729
Accounts payable	27,300							-4,201			-4,201	23,099
Other short-term liabilities	67,188							-3,821			-3,821	63,367
Total short-term liabilities	**581,219**	**0**	**0**	**1,589**	**3,204**	**287**	**0**	**-8,557**	**0**	**0**	**-3,477**	**577,742**
Total liabilities	**1,972,534**	**505,017**	**0**	**1,589**	**7,503**	**936**	**0**	**-11,337**	**0**	**-6,322**	**497,386**	**2,469,920**
Total equity and liabilities	**2,650,800**	**569,579**	**12,506**	**16,355**	**2,615**	**936**	**855**	**-12,009**	**-7,626**	**-6,322**	**576,889**	**3,227,689**

Notes to the Consolidated Financial Statement

TVO GROUP

Reconciliation of retained earnings:

1,000 €	**1.1.2006**	**31.12.2006**
Retained earnings FAS *	297,710	269,118
IFRS adjustments:		
Nuclear waste management (IFRIC 5)	51,176	64,562
Financing instruments (IAS 39)	-4,617	15,268
Inclusion of associated company (IAS 28)	244	855
Tangible assets (IAS 16)	-5,955	-7,625
Retained earnings IFRS *	**338,558**	**342,178**

* Retained earnings also includes the income of the financial period.

a) Under IFRS, TVO's interest in the Finnish State Nuclear Waste Management Fund and the related liability for nuclear waste management are presented in other long-term investments and as a provision in long-term liabilities. TVO's interest in the Finnish State Nuclear Waste Management Fund has been accounted for in accordance with IFRIC 5 which states that fund assets are measured at the lower of fair value or value of the related decommissioning obligations recognised, since TVO does not have control or joint control over the nuclear waste management fund. Both TVO's interest in the nuclear waste management fund and the value of the provisions and liabilities on the opening balance sheet is EUR 476.3 million on 1 January 2006. Of this amount, EUR 280.7 million relate to the waste management of future nuclear waste and EUR 195.6 million to the waste management of the already-existing nuclear waste. In the comparative balance sheet of 31 December 2006, the amount is EUR 505.0 million, of which EUR 289.4 euros relates to the waste management of future nuclear waste and a provision of EUR 215.6 million to the already-existing nuclear waste.

The income effect is an increase of EUR 1.7 million in the materials and service expenses, an increase of EUR 17.1 million in other operating expenses and an increase of EUR 1.9 million in depreciation. In the IFRS financial statements, the nuclear waste management contribution of EUR 12.9 million has been reclassified from other operating expenses to materials and services, which better reflects its nature.

The fair value of the provision under IFRS has been calculated by discounting the future cash flows, which are based on estimated future costs and actions already taken.

The present value of the provision on decommissioning at the date of putting the nuclear power plant into use has been capitalised as property, plant and equipment and is depreciated over the estimated operating time of the nuclear power plant. The provision related to the spent nuclear fuel covers the future disposal costs until the end of the accounting period. Costs for disposal of spent fuel are expensed over the operating time of the plant based on fuel usage. The timing factor is taken into account by recognising the interest expense related to discounting the nuclear waste management provision. The interest accumulating on TVO's interest in the State Nuclear Waste Management Fund is presented as finance income. The interest amounted to EUR 23.9 million in 2006. Correspondingly, financing cost recognised on the provision amounted to EUR 24.0 million.

Under IAS 16, the cost of property, plant and equipment shall comprise all costs of dismantling and removing the item and restoring the site on which it is located. The effect of these on the opening balance sheet on 1 January 2006 is EUR 51.2 million and on the balance sheet on 31 December 2006 is EUR 64.6 million.

b) Under FAS, TVO has carried both the fund units and investments in shares at cost. Under IFRS, investments in shares and fund units are designated as assets held for sale, and fair value changes are recognised in revaluation reserve in equity. The recognition of shares at fair value increased the balance sheet on 1 January 2006 by a total of EUR 9.6 million and on 31 December 2006 by a total of EUR 12.5 million. The corresponding effect of fund units was EUR 452,000 on 1 January 2006 and EUR 38,000 on 31 December 2006.

c) Under FAS, derivative financial instruments were not recognised in the balance sheet. Under IFRS, derivative instruments are measured at fair value and recognised on the balance sheet. Derivatives that do not qualify for hedge accounting under IAS 39 are recognised on the balance sheet in "Derivatives" under current assets and, when negative, in current liabilities corresponding to their nature. The interest rate options and certain interest swaps do not qualify for hedge accounting under IAS 39, and their fair value on the balance sheet was EUR -4.6 million (net) on 1 January 2006 and EUR 5.4 million (net) on 31 December 2006. The fair value changes of these derivatives as well as the inefficient portion of the derivatives accounted for as hedges are recognised directly in income statement. In 2006, fair value changes of derivatives increased finance income by EUR 19.4 million (EUR 4.0 million on 1 January 2006).

The difference in columns c and d is related to the previously-accumulated effect (shown in the different columns) of the interest swaps effective at the time hedge accounting was initiated.

d) The fair values of derivatives that qualify for hedge accounting under IAS 39 are apportioned in both current and non-current assets and liabilities. Most of the TVO's interest rate swaps and all the forward exchange contracts are included in hedge accounting and designated as hedges of highly probable forecast transactions (cash flow hedges). The fair value of these derivatives is EUR 3.1 million (net) on the opening balance sheet on 1 January 2006 and EUR 4.5 million (net) on 31 December 2006. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in revaluation reserve in equity. The effect of this adjustment was EUR 3.1 million on the opening balance sheet on 1 January 2006 and EUR -5.4 million on 31 December 2006. The ineffective portion of change in fair value amounted to 502,000 euros as per December 31, 2006.

Notes to the Consolidated Financial Statement

TVO GROUP

e) Under IFRS some lease arrangements, accounted for as operating lease arrangements under FAS, fulfil the criteria for finance lease accounting. These lease arrangements are recognised on the balance sheet as property, plant and equipment and finance lease liabilities (other interest-bearing liabilities). In TVO's financial statements only the temporary office buildings at OL3 are accounted for as such arrangements. In the opening balance sheet on 1 January 2006 these arrangements increase the assets and liabilities by EUR 939,000 and EUR 936,000 on 31 December 2006. The repayment of the lease liability falling due within the next year is recognized in current liabilities.

f) TVO accounts for Polartest Oy as an associated company in its consolidated IFRS financial statements. In the FAS financial statements Polartest has been included in other shares. The shares of Polartest (EUR 0.4 million) are eliminated from investments in shares. The value of the investment in an associate is EUR 0.6 million on 1 January 2006 and 31 EUR 1.2 million on January 2006. The accounting for Polartest as an associate affects equity by EUR 0.2 million on 1 January 2006 and EUR 0.8 million on 31 December 2006. TVO's share of the result of Polartest for the financial year 2006 is EUR 0.6 million.

g) Posiva Oy was accounted for as a subsidiary in the FAS financial statements. Under IFRS, it is considered to be a joint venture, which is accounted for with the equity method. The operations run-through is taken into account when determining the costs and provisions relating to nuclear waste management. The consolidation of Posiva under FAS, which affected both sides of balance sheet by EUR 10 million on 1 January 2006 and EUR 12 million on 31 December 2006, has been reversed. No income is attributable to minority interests.

h) Under FAS, leasehold improvements are included in intangible assets. As these items do not fulfil the definition of intangible assets under IFRS, they are to be reclassified as property, plant and equipment under IFRS. The reclassification amounts to EUR 0.3 million euros on 1 January 2006 and EUR 0.4 million on 31 December 2006.

Under FAS TVO has capitalised the fair value changes of those derivatives that are not accounted for as hedges as a part of the cost of the nuclear power plant unit (OL3) that is being constructed. Under IFRS and the allowed alternative treatment in IAS 23, only the fair value changes of those derivatives that are accounted for as hedges can be capitalised as part of the cost. The reclassification amounts to EUR 6.0 million on 1 January 2006 and EUR 7.6 million on 31 December 2006. Income effect is EUR -1.7 million in 2006.

i) Under IFRS, transaction costs related to financial liabilities are accounted for as a deduction from the carrying amount of the liabilities and are amortised using the effective interest method over the loan period. In FAS financial statements, TVO has deferred the transaction costs as receivables. In the IFRS financial statements, the transaction costs are reclassified as a part of the carrying amount of the corresponding loans. As a result of the reclassification, the total value of the balance sheet is decreased by EUR 7.0 million on 1 January 2006 and EUR 6.3 million on 31 December 2006

Shares in apartment housing companies are reclassified from investments to property, plant and equipment, as they are used by employees of the Group. The effect of the reclassification is EUR 2.8 million on 1 January 2006 and EUR 4.3 million on 31 December 2006.

Income Statement, FAS

PARENT COMPANY

1,000 €	Note	1.1. - 31.12.2007	1.1. - 31.12.2006
Turnover	1	224,982	227,299
Work performed for own purposes	2	9,847	8,033
Other income	3	14,333	11,218
Materials and services	4	-123,114	-111,305
Personnel expenses	5	-50,918	-46,674
Depreciations and write-downs	6	-48,116	-47,816
Other expenses	7	-65,762	-62,027
Profit/loss from operations		-38,748	-21,272
Finance income and expense	8	-9,494	-7,614
Profit/loss before extraordinary items		-48,242	-28,886
Extraordinary items	9	304	302
Profit/loss before appropriations and taxes		-47,938	-28,584
Appropriations	10	47,938	28,592
Income taxes		0	-8
Profit/loss for the financial year		**0**	**0**

Balance Sheet, FAS

PARENT COMPANY

1,000 €	Note	31.12.2007	31.12.2006
Assets			
Non-current assets			
Intangible assets	11	12,479	22,834
Tangible assets	11	1,846,684	1,665,972
Investments			
Holdings in Group companies	12	1,247	1,247
Other investments	12	658,652	630,989
Total non-current assets		2,519,062	2,321,042
Current assets			
Inventories	13	159,739	147,407
Long-term receivables	14	801	868
Short-term receivables	15	191,080	80,942
Marketable securities	16	75,000	60,000
Cash and cash equivalents		5,689	28,430
Total current assets		432,309	317,647
Assets		**2,951,371**	**2,638,689**
Equity and liabilities			
Equity			
Share capital	17	266,092	166,092
Share issue	17	95,600	0
Share premium reserve	17	232,435	232,435
Statutory reserve	17	9,948	9,948
Profit/loss brought forward	17	0	0
Profit/loss for the financial year	17	0	0
Total equity		604,075	408,475
Appropriation reserve		221,258	269,196
Mandatory provisions		1,200	0
Liabilities			
Long-term liabilities	18, 19	701,984	589,285
Shareholders' loans	18	179,300	179,300
Loan from the Finnish State Nuclear Waste Management Fund	18	648,075	619,950
Short-term liabilities	20	595,479	572,483
Total liabilities		2,124,838	1,961,018
Equity and liabilities		**2,951,371**	**2,638,689**

Funds Statement, FAS

PARENT COMPANY

1,000 €	2007	2006
Operations		
Profit/loss from operations	-38,748	-21,272
Adjustments to profit/loss from operations 1)	48,975	47,159
Change in working capital 2) *	-5,088	9,842
Interest paid and other financial expenses	-26,168	-21,320
Dividends received	1,155	620
Interest received *	20,960	13,827
Extraordinary items	97	0
Direct taxes paid	-1	-8
Operations cash flow	**1,181**	**28,848**
Investments		
Purchases of shares	-671	-2,524
Acquisition of tangible and intangible assets	-230,061	-267,441
Divestment of shares	1,212	1,007
Divestment of tangible and intangible assets	114	657
Loans granted	-28,258	-25,258
Withdrawals of loans granted	307	505
Investing activities	**-257,356**	**-293,054**
Financing		
Share issue	100,000	179,300
Withdrawals of long-term loans	147,775	125,425
Repayment of long-term loans	-11,446	-30,000
Increase (-) or decrease (+) in interest-bearing receivables	62	196
Increase (+) or decrease (-) in short-term interest-bearing liabilities	12,043	25,834
Financing cash flow	**248,434**	**300,755**
Change in financial assets	-7,741	36,549
Financial assets 1.1.	88,430	51,881
Cash and cash equivalents 31.12.	**80,689**	**88,430**
1) Adjustments to profit/loss from operations		
Depreciations and write-downs	48,116	47,816
Gain (-) /loss (+) from divestment of non-current assets	-341	-657
Other non-cash flow adjustments	1,200	0
Total adjustments to profit/loss from operations	48,975	47,159
2) Change in working capital		
Increase (-) or decrease (+) in inventories	-12,332	4,522
Increase (-) or decrease (+) in non-interest-bearing receivables *	-8,335	-12,281
Increase (+) or decrease (-) in short-term non-interest-bearing liabilities	15,579	17,601
Total change in working capital	-5,088	9,842

* The representation of the funds statement from the previous accounting period has been corrected with regard to interest received.

Accounting Principles

Valuation principles

Non-current assets and their depreciation

Non-current assets, including also interest during construction, have been capitalized at direct acquisition cost less planned depreciation and received allowances. The planned depreciations are calculated on a straight-line basis according to the estimated economic life-time.

The depreciation periods are as follows:

OL1 and OL2 power plant units, initial investment	61 years
Modernisation project investments	21–35 years
Automation investments related to modernisation	15 years
Additional investments	10 years
Meri-Pori coal-fired power plant	25 years
Wind power plant	10 years
Olkiluoto gas turbine plant	30 years.

Valuation of inventories

Materials and supplies have been valued at direct acquisition cost, coal on the basis of the FIFO principle, nuclear fuel according to calculated fuel consumption, and supply stocks at average acquisition cost. If the probable acquisition cost of inventories on December 31 is lower than the original acquisition cost, the difference will not be entered in the books as an expense because the company operates at cost.

Emission rights

Calculation principles of the emission rights are based on the statement given by the Finnish Accounting Standards Board on November 15, 2005, concerning the entering of the emission rights into books. The accounting of emission rights is made based on comparing actual emissions and received emission rights, the so-called net procedure. If the actual emissions exceed the gratuitous emission rights, an expense-entry in the books corresponding to the tonnes in excess will be made at the market price on December 31, and the statutory provisions or current liabilities in the obligatory reserves. If the actual amounts are less than the gratuitous emission rights then they will be presented in the notes to the financial statements as off-balance sheet items. Purchase and sales of emission rights are entered on an accrual basis as business transactions. Purchased emission rights have been entered in the balance sheet under intangible rights.

Research and development costs

Research and development costs associated with production activity are entered as annual costs for the year in which they were incurred.

Foreign currency items

Transactions in foreign currency have been entered at the relevant exchange rate, or at the transaction rate for purchase and sale of foreign currency. Exchange rate differences on foreign currency accounts have been entered in the income statement.

Valuation of financial instruments

Short-term investments

Investments comprise liquid shares in short-term money market funds, and they are valued in the balance sheet at their original acquisition cost. They are included in the funds statement as liquid assets.

Derivatives

Derivative financial instruments have not been entered on the balance sheet. Their nominal values and market values are itemized in the notes to the financial statements.

Interest rate duration of floating rate loans has been prolonged with interest rate swap, cap and floor agreements. Interest costs of these agreements have been entered on an accrual basis and shown in net amount under financial income and expenses. The premiums on interest rate options have been accrued for the period during which the agreements are valid.

USD denominated inventory acquisition costs have been hedged by forward foreign exchange contracts. The exchange rate differences of derivatives have been entered for adjusting some of the corresponding items.

Items related to the nuclear waste management obligation

Nuclear waste management obligation is provided for in the Nuclear Energy Act. The obligation covers all future costs from nuclear waste handling including decommissioning of nuclear power plant units, costs for final disposal of spent nuclear fuel and the risk margin, decommissioning being assumed to start at the end of the year in question.

At the beginning of the calendar year, the Ministry of Employment and Economy confirms the financial provision to be made by the company for nuclear waste management as of the end of the previous calendar year and the fund target for the coming calendar year.

The company responsible for nuclear waste management shall pay its contribution to the Finnish State Nuclear Waste Management Fund so that the company share in the Fund on March 31 is equal to the company fund target confirmed for the calendar year in question.

The annual contribution to the Finnish State Nuclear Waste Management Fund and costs from nuclear waste management and services are entered as annual expenses. The nuclear waste management contribution is based on TVO's proposal. If the contribution confirmed by the Finnish State Nuclear Waste Management Fund differs from the proposal, the difference will be entered for the next accounting period.

Nuclear waste management liability and TVO's share in the Finnish State Nuclear Waste Management Fund are itemized in the notes to the financial statements.

The company must supply the Ministry with security to cover the difference between the separately-determined nuclear waste management liability and the company share in the Finnish State Nuclear Waste Management Fund as well as unforeseen expenses in nuclear waste management. This security is also itemized in the notes to the financial statements.

A company which is liable for nuclear waste management, or its shareholders, is entitled to borrow from the Finnish State Nuclear Waste Management Fund an amount corresponding to 75% of the company share in the Fund.

Parent Company

Teollisuuden Voima Oyj is part of the Pohjolan Voima Group. The Parent company of the Pohjolan Voima Group is Pohjolan Voima Oy, which is domiciled in Helsinki.

Copies of Pohjolan Voima's consolidated financial statements are available from the headquarters of the Pohjolan Voima Group, Töölönkatu 4, FI-00100 Helsinki.

Notes to the Income Statement

PARENT COMPANY

1,000 €	2007	2006
1 TURNOVER		
Olkiluoto	185,462	178,056
Meri-Pori	39,520	49,243
Total turnover	224,982	227,299
Electricity delivered (GWh)		
Olkiluoto 1	7,317	6,956
Olkiluoto 2	7,032	7,278
Olkiluoto total *	14,349	14,234
Meri-Pori	1,374	1,509
Total electricity delivered	15,723	15,743
2 WORK PERFORMED FOR OWN PURPOSES		
Personnel expenses of OL3	9,847	8,033
3 OTHER INCOME FROM OPERATIONS		
Rental income	3,066	3,126
Profits from sales	351	672
Profits from sales of services	10,327	7,059
Other income	589	361
Total other income	14,333	11,218
4 MATERIALS AND SERVICES		
Purchases, accrual basis		
Nuclear fuel	57,620	41,076
Coal	20,192	28,652
Materials and supplies	3,021	3,190
Transfer to the OL3 storage	0	-9,140
Emission rights	76	8,973
Increase (-) or decrease (+) in inventories	-12,332	4,522
Total purchases, accrual basis	68,577	77,273
Nuclear Waste Management		
Nuclear waste management contribution **	30,490	12,864
Nuclear waste management services	18,248	16,430
Total nuclear waste management	48,738	29,294
External services	5,799	4,738
Total materials and services	123,114	111,305
Consumption		
Nuclear fuel	38,288	37,692
Coal	27,357	27,471
Emission rights	76	8,973
Supplies	2,856	3,137
Total consumption	68,577	77,273
5 NOTES CONCERNING PERSONNEL AND MEMBERS OF ADMINISTRATIVE BODIES		
Average number of personnel		
Office personnel	623	591
Manual workers	157	157
Average number of personnel in total	780	748
Personnel 31.12.		
Office personnel	610	591
Manual workers	140	139
Total personnel 31.12.	750	730

* Includes wind power 1.8 GWh (2006: 1.7) GWh and gas turbine electricity 0.2 GWh.
** Based on Company's proposal. If the contribution confirmed by the Finnish State Nuclear Waste Management Fund for 2007 differs from the proposal, the difference will be entered in the following accounting period.

Notes to the Income Statement

PARENT COMPANY

1,000 €	2007	2006
Personnel expenses		
Salaries and fees	40,515	37,524
Pension expenses	6,678	5,761
Other compulsory personnel expenses	3,725	3,389
Total personnel expenses	50,918	46,674
Salaries and fees paid to management		
President and CEO, Managing Directors and members of the Boards of Directors	503	584
Management pension plan		
Some of the Senior Vice Presidents of the company may retire at the age of 60.		
6 DEPRECIATIONS AND WRITE-DOWNS		
Depreciation according to plan		
OL1 and OL2	37,584	36,414
Meri-Pori	7,168	7,123
Write-downs in value of goods held as non-current assets (OL1 and OL2)	3,364	4,279
Total depreciations and write-downs	48,116	47,816
7 OTHER EXPENSES		
Real estate tax	3,420	3,310
Rents	1,261	1,151
Insurance	3,210	3,033
Research and expert services	10,081	9,671
Maintenance (OL1 and OL2)	21,231	18,099
Other external services	9,984	9,306
Other expenses	16,575	17,457
Total other business operation expenses	65,762	62,027
8 FINANCE INCOME AND EXPENSES		
Dividend income		
From others	1,155	620
Total dividend income	1,155	620
Interest income on long-term investments		
From Group companies	14,151	10,296
From others	10,618	7,702
Total interest income on long-term investments	24,769	17,998
Other interest and financial income		
From others	3,109	2,403
Total other interest and financial income	3,109	2,403
Total interest income on long-term investments and other interest and financial income	27,878	20,401
Interest expenses and other financial expenses		
To Group companies	5,552	4,295
To the Finnish State Nuclear Waste Management Fund	24,603	17,849
To others	8,372	6,491
Total, interest expenses and other financial expenses	38,527	28,635
Total financial income (+) and expenses (-)	**-9,494**	**-7,614**
Financial income and expenses include exchange rate gains and losses (net).	-1	-2
9 EXTRAORDINARY ITEMS		
Group contribution	304	302
10 Appropriations		
Increase (+) or decrease (-) in depreciation difference	-47,938	-28,592

Notes to the Balance Sheet

PARENT COMPANY

11 NON-CURRENT ASSETS

1 000 €	Formation expenses	Intangible rights	Other long-term expenditures	Advance payments	Total
Intangible assets					
Acquisition cost 1.1.	57,961	8,973	40,353	0	107,287
Increase 1.1.–31.12.	0	76	83	0	159
Decrease 1.1.–31.12.	0	-8,973	-3	0	-8,976
Transfer between categories	0	0	0	0	0
Acquisition cost 31.12.	57,961	76	40,433	0	98,470
Accrued depreciation according to plan 1.1.	57,961	0	26,492	0	84,453
Accrued depreciation from deduction	0	0	0	0	0
Depreciation according to plan 1.1.–31.12.	0	0	1,538	0	1,538
Book value 31.12.	**0**	**76**	**12,403**	**0**	**12,479**
Accrued depreciation 1.1.	0	0	11,587	0	11,587
Change in depreciation difference 1.1.–31.12.	0	0	-1,538	0	-1,538
Accrued depreciation 31.12.	0	0	10,049	0	10,049
Undepreciated acquisition cost 31.12.	0	76	2,354	0	2,430

1 000 €	Land and water areas	Buildings and construction	Machinery and equipment	Other tangible assets	Advance payments	Total
Tangible assets						
Acquisition cost 1.1.	7,799	245,527	1,114,369	27,895	1,131,444	2,527,034
Increase 1.1. - 31.12.	592	1,901	13,035	1,394	210,395	227,317
Decrease 1.1. - 31.12.	-1	0	-10,915	-155	0	-11,071
Transfer between categories	0	5,341	22,418	816	-28,575	0
Acquisition cost 31.12.	8,390	252,770	1,138,906	29,950	1,313,264	2,743,280
Accrued depreciation according to plan 1.1.	0	146,987	702,019	12,056	0	861,062
Accrued depreciation from deduction	0	0	-10,890	-155	0	-11,045
Depreciation according to plan 1.1. - 31.12.	0	7,857	37,074	1,648	0	46,579
Book value 31.12.	**8,390**	**97,926**	**410,703**	**16,401**	**1,313,264**	**1.846,684**
Accrued depreciation 1.1.	0	32,762	222,169	2,677	0	257,608
Change in depreciation difference 1.1. - 31.12.	0	-7,751	-37,063	-1,586	0	-46,400
Accrued depreciation difference 31.12.	0	25,011	185,106	1,091	0	211,208
Undepreciated acquisition cost 31.12.	8,390	72,915	225,597	15,310	1 313 264	1,635,476

Share of machinery and equipment from book value 31.12.2007	388,870
Share of machinery and equipment from book value 31.12.2006	389,715

Capitalised interest costs

1 000 €	Formation expenses	Other long-term expenditures	Buildings and construction	Machinery and equipment	Other tangible assets	Advance payments	Total
Interest during construction							
Acquisition cost 1.1.	11,601	3,530	31,133	112,781	2,609	81,576	243,230
Increase 1.1.–31.12.	0	0	0	0	0	44,549	44,549
Acquisition cost 31.12.	11,601	3,530	31,133	112,781	2,609	126,125	287,779
Accrued depreciations (planned) 1.1.	11,601	1,981	19,568	70,530	1,656	0	105,337
Depreciation according to plan 1.1.–31.12.	0	107	444	1,693	33	0	2,277
Book value 31.12.	**0**	**1,442**	**11,121**	**40,558**	**920**	**126,125**	**180,165**
Accrued depreciation 1.1.	0	1,549	11,565	42,250	953	0	56,317
Change in depr. difference 1.1.–31.12.	0	-107	-444	-1,693	-33	0	-2,277
Accrued depreciation difference 31.12.	0	1,442	11,121	40,558	920	0	54,040
Undepreciated acquisition cost 31.12.	0	0	0	0	0	126,125	126,125

Notes to the Balance Sheet

PARENT COMPANY

12 INVESTMENTS

1,000 €	Holdings in Group companies	Other stocks and shares	Loan receivables, Group companies	Loan receivables, others	Total
Acquisition cost 1.1.	1,247	5,942	357,002	268,045	632,236
Increase	0	671	16,414	12,151	29,236
Decrease	0	-954	-619	0	-1,573
Acquisition cost 31.12.	1,247	5,659	372,797	280,196	659,899
Book value 31.12.2007	**1,247**	**5 659**	**372,797**	**280,196**	**659,899**
Loan from the Finnish State Nuclear Waste Management Fund lent further to the shareholders			**368 384**	**279 691**	**648,075**

Group companies	Group share (%)
Posiva Oy, Eurajoki	60
TVO Nuclear Services Oy, Eurajoki	100
Olkiluodon Vesi Oy, Helsinki	100
Perusvoima Oy, Helsinki	100

Associated companies	Group share (%)
Polartest Oy, Helsinki	32

Notes to the Balance Sheet

PARENT COMPANY

1,000 €	2007	2006
13 INVENTORIES		
Coal		
Acquisition cost	15,667	15,585
Book value	9,620	16,786
Difference	6,047	-1,201
Uranium		
Acquisition cost	92,971	70,246
Book value	34,050	15,243
Difference	58,921	55,003
Coal	9,620	16,786
Uranium	34,050	15,243
Other nuclear fuel	112,548	112,023
Supplies	3,521	3,355
Total inventories	159,739	147,407
14 LONG-TERM RECEIVABLES		
Loan receivables from group companies	30	34
Loan receivables	771	834
Total non-current receivables	801	868
15 SHORT-TERM RECEIVABLES		
Sales receivables	15,708	11,660
Receivables, Group companies		
Sales receivables	21,616	16,866
Loan receivables	316	312
Unpaid shares	57,581	0
Prepayments and accrued income	14,702	11,429
Total receivables, Group companies	94,215	28,607
Other receivables	2,066	21,033
Unpaid shares	38,019	0
Prepayments and accrued income		
Prepaid interests	8,281	9,213
Deferred interest income	11,285	8,204
Other deferred income	1,541	1,956
Other prepaid expenses	19,965	269
Total prepayments and accrued income	41,072	19,642
Total short-term receivables	191,080	80,942

Notes to the Balance Sheet

PARENT COMPANY

1,000 €	2007	2006
16 MARKETABLE SECURITIES		
Money Market Funds		
Acquisition cost	75,073	60,038
Book value	75,000	60,000
Difference	73	38
Marketable securities, total	75,000	60,000
17 SHAREHOLDERS' EQUITY		
Share capital 1.1.	166,092	137,192
From share issue	100,000	28,900
Share capital 31.12.	266,092	166,092
Share issue 1.1.	0	179,299
Share issue	195,600	0
To share capital	-100,000	-28,900
To share premium reserve	0	-150,399
Share issue 31.12.	95,600	0
Statutory reserve 1.1.	9,948	9,948
Change	0	0
Statutory reserve 31.12.	9,948	9,948
Share premium reserve 1.1.	232,435	82,036
From share issue		150,399
Share premium reserve 31.12.	232,435	232,435
Profit/loss brought forward	0	0
Profit/loss for the financial year	0	0
Retained earnings	0	0
Total equity	604,075	408,475

Notes to the Balance Sheet

PARENT COMPANY

1,000 €	2007	2006
18 LONG-TERM LIABILITIES		
Bank loans	701,984	589,285
Shareholders' loans ***	179,300	179,300
Loan from the Finnish State Nuclear Waste Management Fund (lent further to the shareholders)	648,075	619,950
Total long-term liabilities	1,529,359	1,388,535
*** Subordinated loans		
19 DEBTS FALLING DUE IN MORE THAN FIVE YEARS	477,853	498,644
20 SHORT-TERM LIABILITIES		
Bank loans	6,951	11,446
Advances received	6,262	5,521
Accounts payable	8,928	23,016
Liabilities to Group companies		
Advances received	8,184	7,207
Accounts payable	4	72
Accruals and deferred income	531	440
Total liabilities, Group companies	8,719	7,719
Other liabilities		
Interest bearing liabilities	474,065	462,022
Other liabilities	6,129	1,093
Total other liabilities	480,194	463,115
Accruals and deferred income		
Finnish State Nuclear Waste Management Fund	55,603	31,389
Accrued interests	10,781	6,200
Accrued wages and salaries	10,431	9,386
Other accruals and deferred income	7,610	14,691
Total accruals and deferred income	84,425	61,666
Total short-term liabilities	595,479	572,483

Notes to the Balance Sheet

PARENT COMPANY

1,000 €	2007	2006
21 DISTRIBUTABLE FUNDS		
The parent company has no distributable funds.		
22 LIABILITIES		
Leasing liabilities		
Leasing liabilities falling due in less than a year	520	431
Leasing liabilities falling due later	423	575
Total leasing liabilities	943	1,006
Nuclear Waste Management liabilities		
Amount of nuclear waste management liabilities ****	1,079,800	903,400
Assets in the nuclear waste management fund 31.3.2008/2.4.2007	927,700	864,100
Collateral for nuclear waste management contingencies	120,400	75,180
Nuclear waste management loan receivables pledged to the Finnish State Nuclear Waste Management Fund	648,075	619,950
**** Based on the nuclear waste management programme and Company proposal for the liability which is to be confirmed by the Ministry of Employment and Economy at the beginning of 2008.		
23 DERIVATIVE FINANCIAL INSTRUMENTS		
Interest rate derivatives		
Option agreements, purchased (nominal value)	1,320,000	1,340,000
Fair value	5,890	-120
Option agreements, written (nominal value)	1,320,000	1,320,000
Fair value	211	2,563
Interest rate swaps (nominal value)	1,090,000	690,000
Fair value	20,733	13,596
Forward foreign exchange contracts		
Forward foreign exchange contracts (nominal value)	145,201	128,586
Fair value	-9,447	-7,142

Notes to the Balance Sheet

PARENT COMPANY

24 SERIES OF SHARES

Share capital and series of shares	Number		1 000 €	
A series - OL1 and OL2	**2007**	**2006**	**2007**	**2006**
1.1.	680,000,000	680,000,000	115,600	115,600
change	0	0	0	0
31.12.	680,000,000	680,000,000	115,600	115,600
B series - OL3				
1.1.	262,727,789	92,727,789	44,664	15,764
change	94,813,692	170,000,000	100,000	28,900
31.12.	357,541,481	262,727,789	144,664	44,664
C series - TVO's share in the Meri-Pori coal-fired power plant				
1.1.	34,283,730	34,283,730	5,828	5,828
change	0	0	0	0
31.12.	34,283,730	34,283,730	5,828	5,828
Total	1,071,825,211	977,011,519	266,092	166,092

According to the Articles of Association, TVO delivers electricity to its shareholders under the so-called Mankala principle, i.e. delivers the electricity produced or procured to its shareholders in proportion to their shareholdings in each series. Each of the shareholders of each series is liable for the variable and fixed annual costs that are specified in detail in the Articles of Association. The Company prepares annually a balance sheet divided into different series of shares. The balance sheet, which will be presented to the Shareholders' Meeting, specifies the assets, liabilities and shareholders' equity of the different series of shares.

25 CO_2 EMISSION RIGHTS

	2007 t CO_2	1,000 €	2006 t CO_2	1,000 €
Granted emission rights (including emission rights for the Olkiluoto backup diesels)	905,074		905,076	
Total annual emissions from production facilities	1,130,003		1,257,893	
Possessed emission rights	1,186,755		1,266,198	
Remaining emission rights (Nord Pool rate on 31.12.)	28,376	1	8,305	53
Emission rights sales			198,000	2,411
Emission rights bought	245,000	76	557,000	8,973

Teollisuuden Voima Oyj is, based on the production of TVO's share in the Meri-Pori coal-fired power plant in 2000–2003, entitled to a corresponding share of gratuitous emission rights. TVO is responsible for the amount of emission rights corresponding to its share of the production of the plant.

Proposals to the Annual General Meeting

The Group and the parent company Teollisuuden Voima Oyj do not have any distributable funds. The Board of Directors states that no dividend can be paid.

Signatures for the Report of the Board of Directors and Financial Statements

Helsinki, 22 February 2008

Timo Rajala
Tapio Kuula
Hannu Anttila
Timo Koivuniemi
Juha Laaksonen
Pekka Päätiläinen
Seppo Ruohonen
Esa Tirkkonen
Markku Tynkkynen
Rami Vuola

Pertti Simola
President and CEO

Auditor's Report

To the Shareholders of Teollisuuden Voima Oyj

We have audited the accounting records, the financial statements, and the report of the Board of Directors and the administration of Teollisuuden Voima Oyj for the period 1.1. – 31.12.2007. The Board of Directors and the President and CEO have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors and the parent company's financial statements and administration.

The audit has been carried out in compliance with good auditing practice. The bookkeeping, the principles for making the financial statements and the Report of the Board of Directors, the content and method of presentation have been examined to a sufficient extent to state that neither the financial statements nor the Report of the Board of Directors contain any essential errors or defects. In auditing the administration, we have examined the legality of the operations of the members of the Parent Company's Board of Directors and the President and CEO on the basis of the rules of the Companies Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies' Act.

Helsinki, 12 March 2008

PricewaterhouseCoopers Oy
Authorized Public Accountants

Eero Suomela
APA

Niina Raninen
APA

Board of Directors

Elected at the Annual General Meeting on 19 April, 2007

Timo Rajala

Chairman
b. 1947, M.Sc. (Eng.),
President and CEO,
Pohjolan Voima Oy

Tapio Kuula

Deputy Chairman
b. 1957, M.Sc. (Eng.),
M.Sc. (Econ.),
President,
Fortum Power and Heat Oy

Hannu Anttila

b. 1955, B.Sc (Econ.),
Strategic Director,
Metsäliitto Group

Timo Koivuniemi

b. 1948, M.Sc. (Eng.),
Senior Vice President,
Energy,
Stora Enso Oyj

Juha Laaksonen

b. 1952, B.Sc. (Econ.),
CFO,
Fortum Oyj

Pekka Päätiläinen

b. 1948, M.Sc. (Eng.),
Senior Advisor,
Fortum Power and Heat Oy

Seppo Ruohonen

b. 1946, M.Sc. (Eng.),
Managing Director,
Helsingin Energia

Esa Tirkkonen

b. 1949, M.Sc. (Eng.),
Senior Vice President,
Kemira Oyj

Markku Tynkkynen

b. 1952, M.Sc. (Eng.),
Executive Vice President,
Resources
UPM-Kymmene Oyj

Rami Vuola

b. 1968, M.Sc. (Eng.),
Managing Director,
Etelä-Pohjanmaan Voima Oy

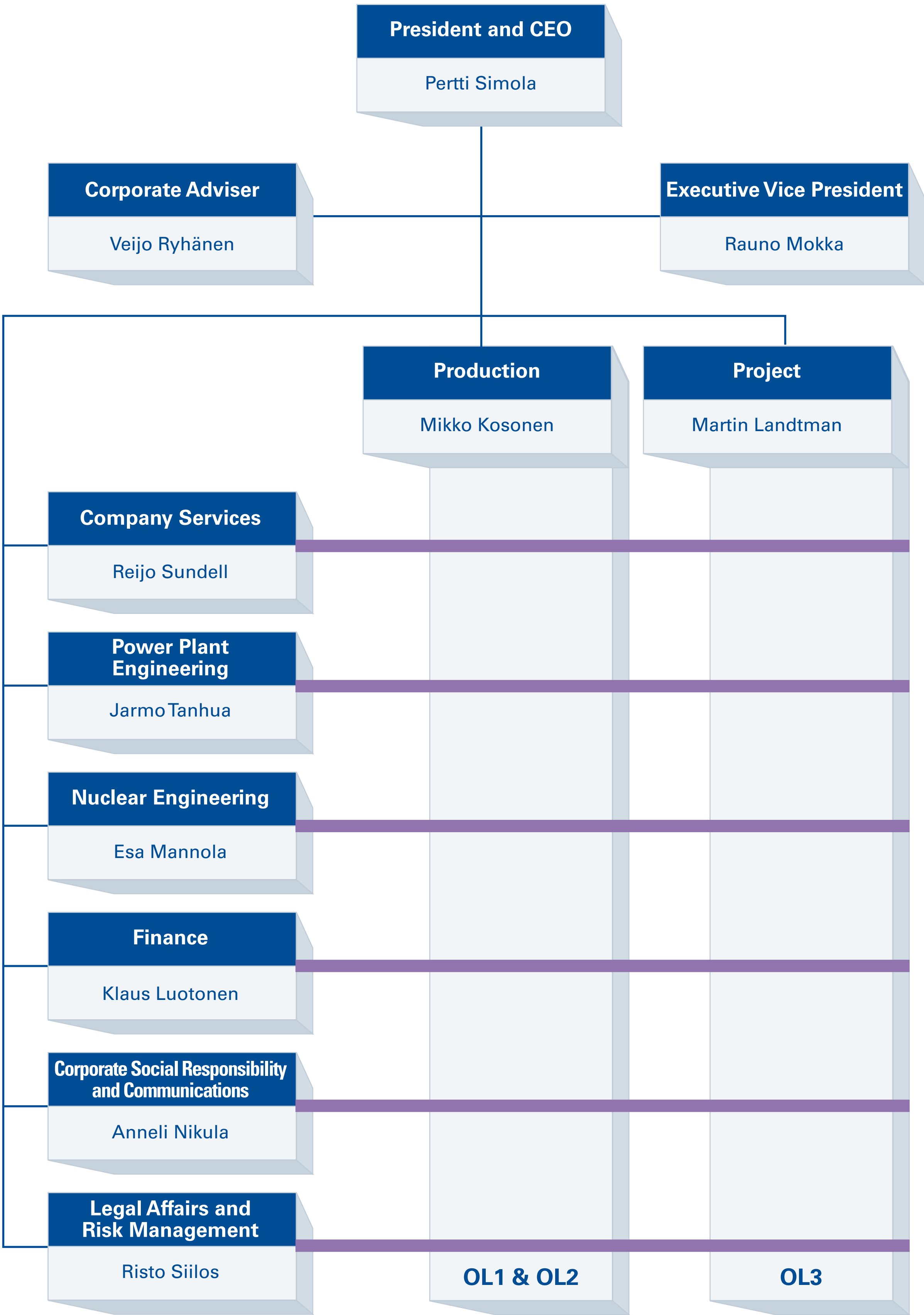
Management Group

1. Pertti Simola | 2. Rauno Mokka | 3. Martin Landtman | 4. Klaus Luotonen | 5. Esa Mannola | 6. Anneli Nikula
7. Risto Siilos | 8. Reijo Sundell | 9. Jarmo Tanhua | 10. Rainer Karlsson | 11. Liisa Leppänen | 12. Reijo Sjöblom

Those numbered in grey are representatives of the personnel. Personnel representative Kari Halminen does not appear in the photo.

Basic Organization

1.1.2008



Committees of the Board of Directors, and Auditors

31.12.2007

Committees of the Board of Directors

Operation Committee

- ***Chairman:*** *Pekka Manninen, b. 1954, M.Sc. (Eng.), Director, Helsingin Energia*
- ***Deputy Chairman:*** *Arvo Vuorenmaa, b. 1949, M.Sc. (Eng.), Vice President, Nuclear Asset Management and Engineering, Fortum Power and Heat Oy*
- ***Members:*** *Sauli Ekola, b. 1952, M.Sc. (Eng.), Manager, Power Plant, Varenso Oy*
- *Elina Engman, b. 1970, M.Sc. (Eng.), Vice President, Energy, Kemira Oyj*
- *Ilkka Latvala, b. 1964, M.Sc. (Eng.), eMBA, Vice President, Energy, M-real Oyj*
- *Timo Mäki, b. 1965, M.Sc. (Eng.), Energy Supply Manager, Etelä-Pohjanmaan Voima Oy*
- *Arto Tuominen, b. 1957, M.Sc. (Eng.), Senior Corporate Advisor, Pohjolan Voima Oy*
- *Pekka Tynkkynen, b. 1968, M.Sc. (Eng.), Senior Vice President, UPM-Kymmene Oyj*
- ***Expert:*** *Reijo Sundell, Senior Vice President, Operation, TVO*
- ***Secretary:*** *Jaakko Tuomisto, Manager, Energy Management, TVO*

Finance Committee

- ***Chairman:*** *Juha Forsius, b. 1957, M.Sc. (Econ.), Senior Vice President, Group Treasury, UPM-Kymmene Oyj*
- ***Deputy chairman:*** *Jouni Huttunen, b. 1962, B.Sc. (Law), Head of Treasury Management, Fortum Oyj*
- ***Members:*** *Minna Korkeaoja, b. 1964, M.Sc. (Econ.), Exec. Vice President, Pohjolan Voima Oy*
- *Markku Källström, b. 1963, M.Sc. (Econ.), Director of Finance, Etelä-Pohjanmaan Voima Oy*
- *Veli-Jussi Potka, b. 1959, B.Sc. (Econ.), Senior Vice President, Stora Enso Oyj*
- *Seppo Ruohonen, b. 1946, M.Sc., Managing Director, Helsingin Energia*
- *Jukka Ryhänen, b. 1968, M.Sc. (Econ.), Vice President, Group Treasurer, Kemira Oyj*
- *Pertti Simola, President and CEO, TVO*
- ***Expert:*** *Klaus Luotonen, Senior Vice President, Finance, TVO*
- ***Secretary:*** *Lauri Piekkari, Vice President, Financing of the OL3 project, TVO*

The Economics Committee assisting the President and CEO

- ***Chairman:*** *Pertti Simola, President and CEO, TVO*
- ***Members:*** *Hannele Autio, b. 1962, M.Sc. (Econ.), Director of Finance, Pohjolan Voima Oy*
- *Tiina Tuomela, b. 1966, M.Sc. (Eng.), MBA, Vice President, Business Control, Generation, Fortum Power and Heat Oy*
- ***Experts:*** *Klaus Luotonen, Senior Vice President, Finance, TVO*
- *Anja Ussa, controller, TVO*
- ***Secretary:*** *Päivi Lahti, Manager, Accounting, TVO*

The OL3 Steering Group

- ***Chairman:*** *Timo Rajala, b. 1947, M.Sc. (Eng.), President and CEO, Pohjolan Voima Oy*
- ***Members:*** *Mauno Paavola, b. 1942, M.Sc. (Eng.)*
- *Heikki Peltola, b. 1943, M.Sc. (Eng.)*
- *Pekka Päätiläinen, b. 1948, M.Sc. (Eng.), Senior Advisor, Fortum Power and Heat Oy*
- *Ami Rastas, b. 1943, Lic. Tech.*
- *Pertti Simola, President and CEO, TVO*
- ***Expert:*** *Martin Landtman, Senior Vice President, Project, TVO*
- ***Secretary:*** *Risto Siilos, Senior Vice Presidenrt Legal Affairs, TVO*

Auditors

- *Eero Suomela, b. 1953, APA*
- *PricewaterhouseCoopers Oy, Authorized Public Accountants, principal responsibility: Niina Raninen, b. 1974, APA*

Financial Publications

During the year under review, Teollisuuden Voima Oy published its Annual Report 2006, Corporate Social Responsibility Report 2006, Annual Review 2006, and Interim Reports for January – March 2007, January – June 2007, and January – September 2007.

These publications are available in both Finnish and English.

During 2008, the following reports will be published:
- *Annual Review 2007, in January 2008*
- *Annual Report 2007, in April 2008*
- *Corporate Social Responsibility Report 2007, in May 2008*
- *Interim Report, in August 2008*

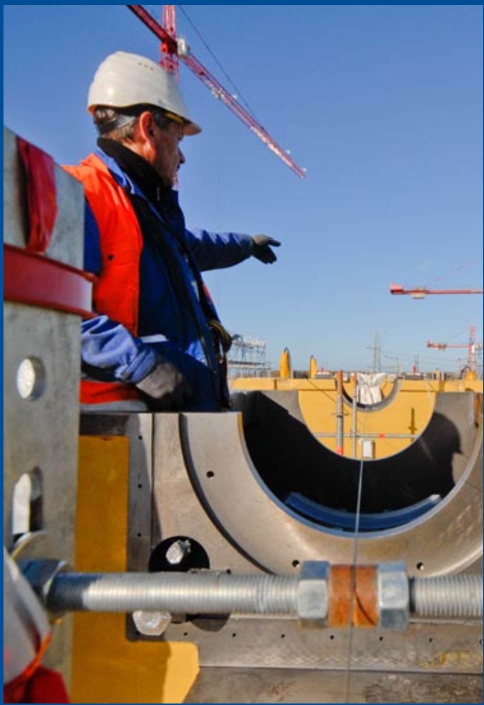
The above publications will also be available in English.

Publisher: Teollisuuden Voima Oyj, Domicile Helsinki, Business ID 0196656-0
Graphic design: Lahtinen & Mantere Saatchi & Saatchi
Photographs: Hannu Huovila, Timo Snällström, TVO's photo-archive
Printing house: Euraprint, Eura

Western side of Olkiluoto

Island in summer 2007

*Conceptual image from OL4's EIA account.
The middle of the photo shows the operational units OL1 and OL2.
On the right we can see the OL3 unit which is under construction
and on the left OL4, for which plans are being made.*



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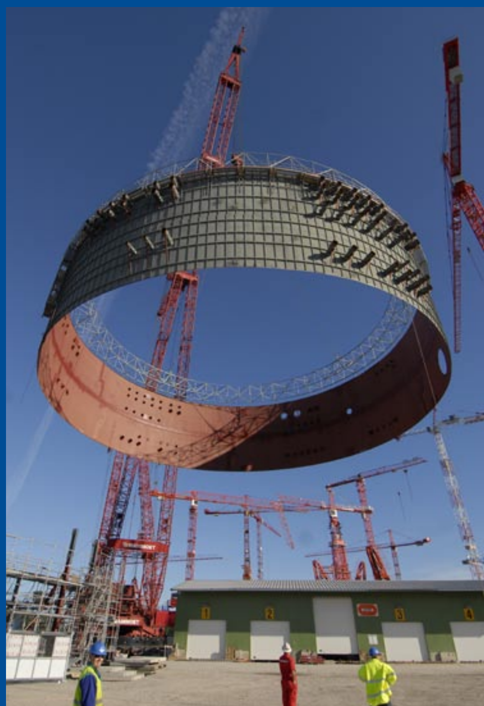

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