30

1978–2008

2008

Annual Report

Teollisuuden Voima Oyj

30

1978 – 2008

In the middle: the operating OL1 and OL2 units on the western shore of Olkiluoto Island. The OL1 unit has been generating electricity for more than 30 years.
To the right: photo montage of the OL3 nuclear power plant unit now under construction.
A possible site for the OL4 unit is visible in the photo on the left. An application for a decision in principle for the unit was filed to the Government in April 2008. The photo also shows the site of the final disposal research facilities of Posiva Oy, TVO's joint venture company, next to the Korvensuo raw water reservoir.
TVO's 1 MW wind power plant is situated near the OL2 unit.

Annual Report 2008

Teollisuuden Voima Oyj

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TVO

Teollisuuden Voima Oyj (TVO) is a public company, established in 1969, which produces electricity for its shareholders at cost price. TVO produces approximately 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 by the TVO share at the Meri-Pori coal-fired power plant in Pori.

A new unit, Olkiluoto 3 (OL3), is under construction at Olkiluoto. In spring 2008, TVO filed an application for a decision in principle to construct a fourth nuclear power plant unit at Olkiluoto, in the municipality of Eurajoki.

Vision

To be a world-class nuclear power company, highly valued by the Finnish people.

Mission

To produce electricity for the shareholders safely and economically, without carbon dioxide emissions.

Values

Responsibility

Responsibility at TVO above all means that electricity is produced safely. A culture that places a high value on safety is a priority, and a common concern, for all personnel. The valid rules that have been agreed are strictly observed. The operation calls for high and uncompromising level of quality. TVO also understands its responsibility for promoting the regional welfare.

Transparency

Personnel 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 professionally with stakeholders, with the aim of achieving good interaction.

Proactivity

The Company works systematically and consistently, always taking the long-term view. The aim is to prevent incidents 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 personnel have the right levels of expertise, as well as a good working atmosphere and welfare at work.

Continuous improvement

The Company encourages development of professional skills and improved working methods and conditions. Continuous development improves safety and cost-effectiveness. Areas for improvement are actively sought for equipment, operating methods and guidelines. If there are problems, corrective action is 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, fulfilling the technical requirements in line with a revised schedule.

Group Structure

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

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

Posiva Oy´s business concept is the disposal of spent nuclear fuel of its shareholders TVO and Fortum Power and Heat Oy from the Olkiluoto and Loviisa nuclear power plants. TVO has a 60% shareholding in Posiva Oy.

Company Share Series, Shareholders and Holdings

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

Company shareholders and holdings (%) 31.12.2008

	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	26.0
Karhu Voima Oy	0.1	0.1	0.1	0.1
Kemira Oyj	1.9	-	1.9	1.1
Oy Mankala Ab	8.1	8.1	8.1	8.1
Pohjolan Voima Oy	56.8	60.2	56.8	58.1
	100.0	100.0	100.0	100.0

TVO Policies

The Company´s operation observes the agreed Company-level policies. TVO and its personnel work according to the policies laid down by the Company.

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

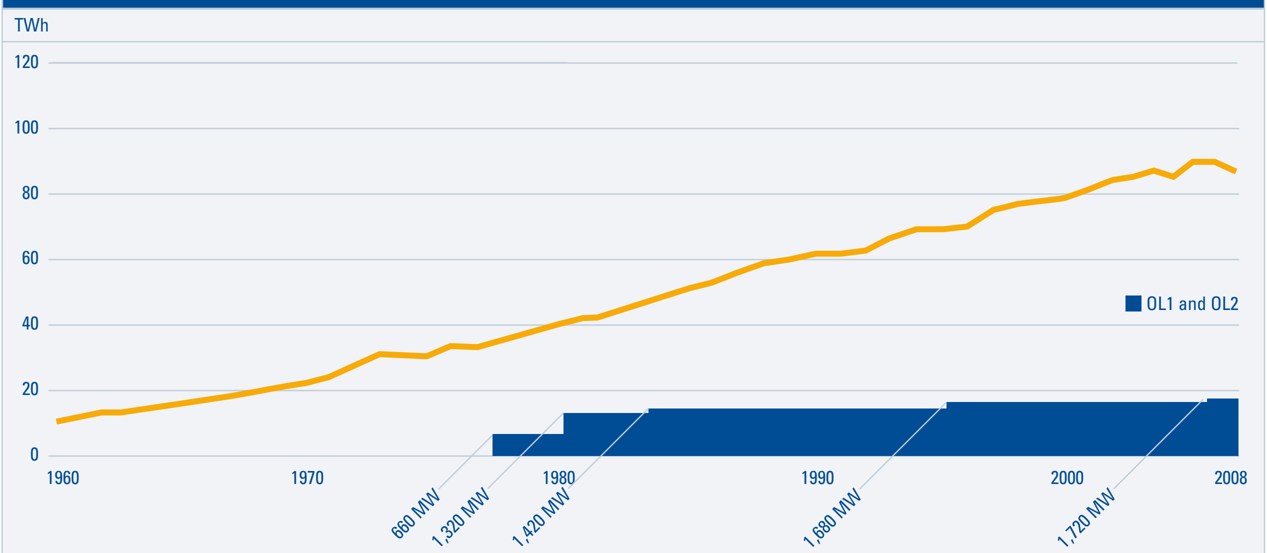
The nuclear safety and quality policy covers nuclear safety, radiation protection, the monitoring of nuclear material and quality.

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

The production policy covers plant operation and maintenance and increases in production capacity.

The corporate security policy covers the safety of production and operations, the security of personnel and premises, rescue and emergency services, and information security.

Electricity consumption in Finland and TVO's production share



Mr. Jarmo Tanhua, M.Sc. (Eng.), took up his post as TVO's President and CEO on 1 July 2008.

Review by the President and CEO

One of the biggest challenges we all face today is climate-change and how to prevent it. Around 80 per cent of the greenhouse gas emissions causing global warming come from energy production and consumption. Climate policy has become the most important aspect of energy policy. The main goals in the climate and energy strategy, submitted in the form of a report to the Finnish Parliament in November 2008, are environmental sustainability of energy management, security of supply, and competitiveness.

In many countries, there has been much political debate on the issue of nuclear energy, a form of production that does not give rise to CO_2 emissions. Nuclear power is seen as one way to prevent climate change. It is hardly surprising, then, that at the end of 2008, 43 new nuclear power plant units were under construction, 10 more than at the end of 2007. New nuclear power plant units were being constructed in five localities in China, and in both South Korea and Russia decisions were taken to construct two new plants. Altogether, there is now 37,600 MWe of nuclear power plant capacity under construction worldwide.

Decisions on the construction of new nuclear power units are being awaited in several countries, including the USA, Canada, the UK, Switzerland and Italy.

TVO has anticipated the measures necessary to reduce CO_2 emissions and has decided to invest heavily in CO_2 emission-free production. The decision on Olkiluoto 3 was made in 2003. TVO filed an application for a decision in principle to construct a fourth nuclear power plant at Olkiluoto in April 2008.

Nuclear power production continued at Olkiluoto during 2008 as before, i.e. safely, reliably and cost-effectively. Production of the OL1 and OL2 units totalled 14.4 terawatt hours. Production of the OL2 unit was the best in its history, 7.3 terawatt hours. The combined capacity factor for the units was 95.3%, which, compared internationally, is excellent. Such a good result is only possible with the help of skilled and motivated personnel.

Design work and planning, construction, outsourcing, the manufacturing of equipment, and installations continued for the Olkiluoto 3 project. The main work at the reactor plant at Olkiluoto focused on construction. The focus of the work at the turbine plant switched from construction to installation. The essential work was done on site in shifts, and by the end of the year, the site had around 4,000 workers. According to the information received from TVO´s plant supplier, Olkiluoto 3 will be completed in June 2012.

An environmental impact assessment for the Olkiluoto 4 nuclear power plant was submitted to the Ministry of Employment and the Economy in February 2008. The period for issuing a statement on the report expired in April, after which TVO filed an application for a decision in principle to construct a fourth nuclear power plant at Olkiluoto. Olkiluoto offers great potential for realising the OL4 project. The municipality of Eurajoki has issued a positive statement on the project. If a favourable decision on the project is obtained from the Government and Parliament, it will be possible to put OL4 into production before the year 2020. This is also the target in the climate and energy strategy for achieving the new capacity.

TVO´s finances remained stable and the Company´s status as a producer of inexpensive, cost-price electricity was sound. TVO´s credit ratings remained as before.

I accepted the position of President and CEO on 1 July 2008. I would like to take this opportunity to express my gratitude to my predecessors, who, over the last four decades, made a Finnish nuclear power company – TVO – an internationally respected, successful company that has yielded top results. At the same time, I, together with TVO´s personnel, will continue humbly along the path my predecessors marked out, aware of the special challenges posed by nuclear energy. I would like to say special thanks to the Company´s shareholders, personnel, financiers, as well as the authorities and other stakeholders for 2008.

February 2009

Jarmo Tanhua

In April TVO filed to the Government an application for a decision in principle to construct the Olkiluoto 4 unit at Olkiluoto.

Annual outages were carried out at OL1 and OL2 in May and June. Fuel assemblies were replaced, and modernisation and periodic and annual tests and repairs were carried out.

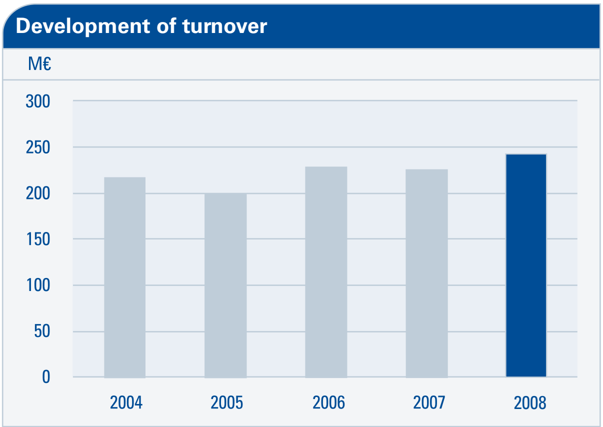
Mr. Jarmo Tanhua, M.Sc. (Eng.), started as TVO's President and CEO in July after Pertti Simola left to become Deputy President and CEO of Pohjolan Voima, the parent company. Tanhua has worked for TVO for 18 years.

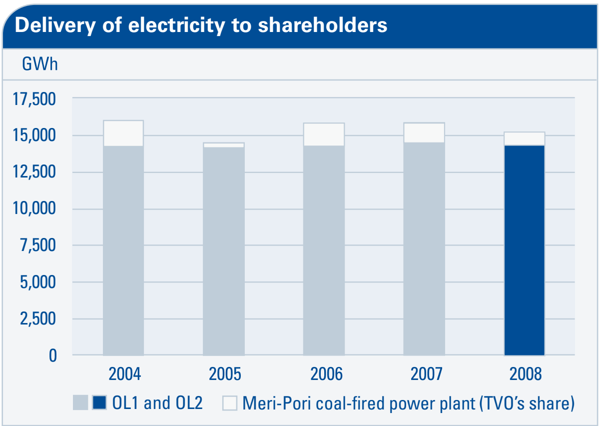
Turbine components were installed in the OL3 turbine building.

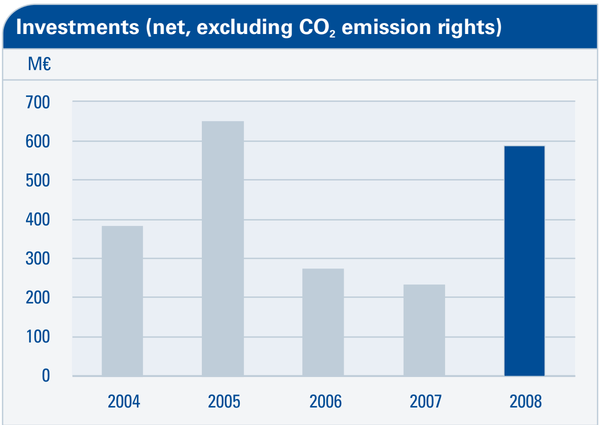
The construction of the new annual outage building continued. It will be completed in time for the 2009 annual outages.

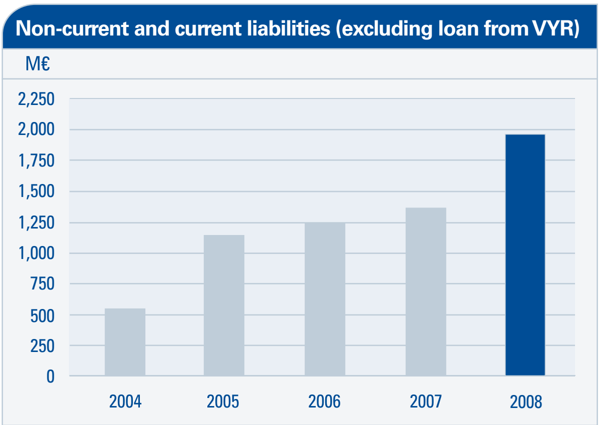
OL3 reactor pressure vessel was brought to Olkiluoto from Japan at the end of the year.

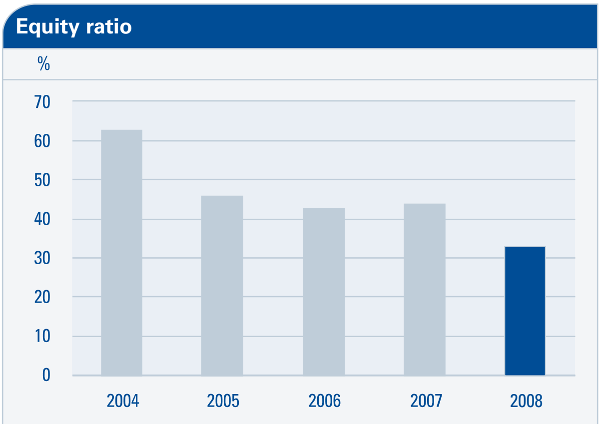
Teollisuuden Voima Oyj
Key Figure Graphs

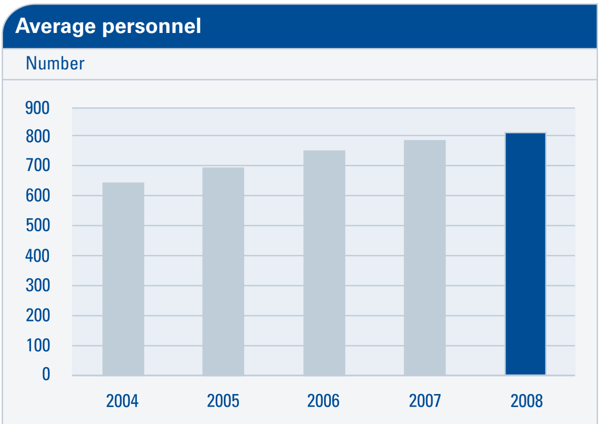




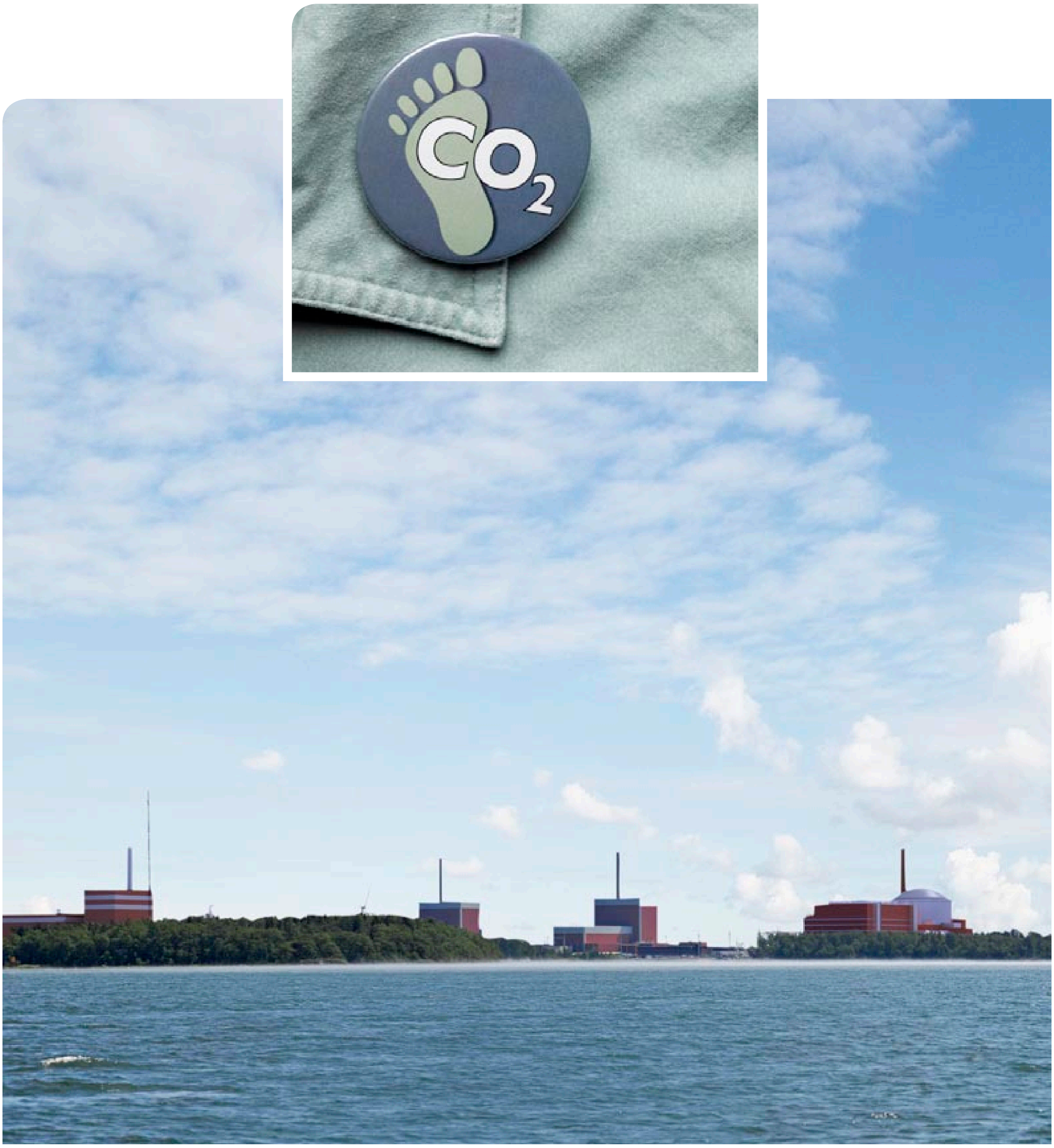








TVO produces around a sixth of the electricity consumed in Finland - without carbon dioxide emissions.
Thanks to the Olkiluoto nuclear power plant, the atmosphere has been spared more than 280 million tonnes of CO_2.



Report of the Board of Directors

Operating Environment

The key issues in the development of a common EU energy policy have been the prevention of climate change, the growing concern resulting from the dependence on imported energy and guaranteeing European competitiveness. The climate and energy targets for the year 2020 were decided in 2007. Greenhouse gas emissions have to be reduced by 20 per cent compared to the levels of 1990, the share of renewable energy sources has to be increased to 20 per cent and energy efficiency has to improve by 20 per cent. In January 2008, these targets were broken down into a proposed set of concrete actions.

The European Commission has established groups and discussion forums to clarify the role of nuclear energy in European energy policy. Composed of national nuclear safety authorities, the High Level Group has been discussing whether the EU needs common regulations for nuclear safety and waste management. In November 2008, the Commission proposed a nuclear safety directive, to be discussed among the EU institutions. The Commission proposed the creation of two forums: the European Nuclear Energy Forum (ENEF), to discuss in general the role of nuclear energy in the entire energy supply, and the Sustainable Nuclear Energy Technology Platform (SNE-TP) to draft a programme for strategic research into nuclear energy.

The Commission has published the Second Strategic Energy Review, which gives guidelines for future EU energy policies. Appended to the review is the Nuclear Illustrative Programme of the Commission (PINC), which addresses the security of the energy supply and the need for future investment. Furthermore, the OECD´s nuclear energy agency (NEA) released its nuclear energy survey in autumn 2008. This is a study of the role of nuclear energy in the energy supply over the years to come.

At the end of 2008, there were 44 new reactors under construction in 14 countries. In the years to come, it is expected that several nuclear power plant projects will start, especially in Asia (China, India, Japan and South Korea). In addition, new projects are also under way in several European countries, in the USA and in Russia. Many countries, which up to now have not exploited nuclear energy, are now interested in using nuclear energy.

The Finnish Government issued a report on long-term climate and energy strategy, presented to Parliament in November 2008. The main targets in the report are the environmental sustainability of energy management, security of supply and competitiveness. The strategy is also expected to help meet the energy and climate targets agreed for Finland as a member of the European Community. The strategic goal is to halt the growth in total energy consumption and to see it decline in real terms. The strategy predicts that electricity consumption will continue to grow. An ambitious reduction target was set for growth, however. If no further political action is taken, electricity consumption is estimated to reach 103 TWh in 2020. This needs to be cut by 5 TWh.

The strategy´s goal is to ensure that domestic electricity production is sufficient in all circumstances, including during times of peak load. According to these calculations, in Finland there is a need for new electricity production capacity of at least 4,000 MW by 2020, in order to cover both the increase in consumption and to compensate for the reduction in imports. In addition, it is necessary to prepare for the replacement of old, decommissioned capacity. In Finland, priority is given to the construction of power plants with no or very low greenhouse gas emissions. The strategy also prepares for the construction of additional nuclear power installations by 2020.

Finnish electricity consumption was 86.9 TWh in 2008. That represents a decrease of 3.5 TWh or 3.8 per cent compared to 2007. The reason for the decrease was the economic recession, which reduced electricity consumption especially in the industrial section. In 2008, co-generation of electricity and heat accounted for nearly 31 per cent, nuclear power for over 25 per cent, hydropower for some 19 per cent and coal-fired and other condensation power for more than nine per cent of the electricity used. Net imports of electricity increased by nearly two per cent in comparison with 2007, and accounted for 17 per cent of electricity used. Wind power accounted for 0.3 per cent.

Main Events

The 30-year anniversary of nuclear energy production at Olkiluoto was on 2 September 2008. Over these

3 decades, Olkiluoto has produced 351 billion kilowatt-hours of electricity. In 2008, the two Olkiluoto units produced around 17 per cent of the electricity used in Finland.

Production of electricity at the Olkiluoto nuclear power plant in 2008 was the second highest in the history of the company. The total annual production of the power plant units was 14.4 TWh (billion kilowatt-hours). Together with the share in the Meri-Pori coal-fired power plant, production totalled 15.2 TWh.

In June, TVO´s Board of Directors appointed Mr. Jarmo Tanhua, M.Sc. (Eng.) President and CEO as from 1 July 2008, and Mr. Janne Mokka, M.Sc. (Eng.) Senior Vice President, Power Plant Engineering, also as from 1 July 2008. Mr. Jouni Silvennoinen, M.Sc. (Eng.) was appointed Senior Vice President, Project, as from 1 September 2008, and from the same date Mr. Risto Siilos, Senior Vice President, Legal Affairs and Risk Management, M.Sc. (Law), was appointed Deputy CEO.

The extension of the storage and maintenance buildings, part of the Olkiluoto infrastructure, started in spring 2007, reached rooftop height in February 2008. The extension will be completed early in 2009.

In April, the construction of a new outage building was started at Olkiluoto. It will be completed in time for the 2009 annual outages.

The Olkiluoto 3 project continued. In 2008, the number of personnel on site increased significantly. The main focus of the work in the turbine plant switched from construction to installation. The turbines, generator and other major components were installed. It is estimated that the turbine plant will be completed in 2009. At the reactor plant, the work was still focused on construction. The major components were completed or are being completed. The reactor pressure vessel was shipped to Olkiluoto early in 2009.

The OL3 turnkey supplier (the consortium AREVA-Siemens) informed TVO in January 2009 that it predicted the completion of the plant would be postponed until June 2012.

On 25 April 2008, TVO filed an application for a decision in principle to construct a fourth nuclear power plant unit (OL4) at Olkiluoto. The project is in the overall good of the society and accords with the Finnish Government´s climate and energy policy. The Ministry of Employment and the Economy issued a statement on the Environmental Impact Assessment (EIA report) in June. On 25 April 2008, Posiva Oy also filed an application for a decision in principle to expand its spent fuel repository for OL4.

The public hearings on the applications for a decision in principle were held at Eurajoki in October. On 15 December, the Eurajoki Municipal Council issued a favourable opinion regarding both applications.

The OL1 and OL2 annual outages were carried out according to plan from 4 May to 3 June 2008.

During the year under review, 70 (in 2007: 57) permanent personnel were recruited. 37 (43) permanent personnel left the company, of whom 12 (13) retired.

Financial Performance

TVO operates on the cost-price principle. The shareholders are annually charged incurred costs in the price of electricity and thus in principle the profit/loss for the financial year is zero. The shareholders pay variable costs based on the volumes of energy supplied and fixed costs in proportion to their ownership, regardless of whether they have made any use of their share of the output or not. Because of the Company´s operating principle, presenting key indicators based on performance are not essential for understanding its business operations or financial performance.

The Group´s turnover during the period under review was EUR 257.3 (232.3) million. The amount of electricity delivered was 15,144 (15,723) GWh. The Group made a loss of EUR 53.1 (37.4) million. The adjusted financial result represents a loss of EUR 46.8 (47.9) million. The sales profit of associated company share and valuation of the nuclear waste management liability and non-hedge accounted derivative financial instruments required by IFRS standards have been taken into account in the adjusted profit/loss (see Key Figures). The Parent Company made a profit of EUR 9.4 (0.0) million, due to the profit on sales of the associated company shares.

Financing and Liquidity

TVO´s liquidity and financial position was stable. The Company raised loans according to plan.

The Company´s interest-bearing liabilities (non-current and current) totalled EUR 1,959.5 (1,362.3) million at the end of the year excluding the loan from the Finnish State Nuclear Waste Management Fund, relent to shareholders. During 2008, TVO raised a total of EUR 800.7 (119.7) million in non-current liabilities, while repayments amounted to EUR 67.0 (11.4) million. Most of the new liabilities were for the OL3 project, and to ensure liquidity. The OL3 project´s share of financing costs have been capitalised in the balance sheet. The loan from the Finnish State Nuclear Waste Management Fund was increased by EUR 47.7 (28.1) million.

At the end of the year the Company had non-current committed credit facilities totalling about EUR 1,514 (2,098) million and cash and cash equivalents of EUR 201.6 (80.7) million.

In addition to non-current credit facilities, the Company has a domestic commercial paper programme with a limit of EUR 1,000 million. On 31 December 2008, commercial papers worth a total of EUR 347.5 (484.4) million were outstanding.

The B series share issue, decided on in 2007, (EUR 95.6 million) was paid in November 2008.

The Company used interest-rate derivatives for extending the interest-rate duration of its liabilities. Forward foreign exchange contracts were used for converting currency-denominated loans and payments into euro-denominated payments. The procedure for the use of derivatives is described 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	

Administrative Principles

TVO´s 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 at which the election takes place and ends at the termination of the Shareholders´ Meeting at which the new election takes place. According to the Articles of Association, a shareholder who owns more than 20 per cent and less than 50 per cent of all the Company´s shares has the right to appoint three members to the Board of Directors. The Board elects a Chairman and a Deputy Chairman from among its members. It is convened when summoned by the Chairman or, where the Chairman is prevented from so doing, by the Deputy Chairman.

The Board has a remuneration committee, consisting of the Chairman of the Board and the Deputy Chairman, and an auditing committee, consisting of the entire Board. The committees were set up by a decision of the Board in December 2004. The Board´s rules of procedure are planned to be changed so that the tasks of the auditing committee, as per the Finnish Corporate Governance Recommendation of Listed Companies, are taken into account when applicable.

The Company shareholders have made a mutual shareholders´ agreement, which contains more detailed regulations on Corporate Governance. The Company´s administration and management are in accordance with its Corporate Governance policies for administration and management systems, recorded and approved for application from the start of 2005 by the Board of Directors. They are based on a recommendation concerning listed companies, which TVO adheres to, where applicable. The Company follows developments in the Corporate Governance of Finnish listed companies, and the Board updates TVO´s Corporate Governance policies, when necessary.

Administrative Bodies

Two Shareholders´ Meetings were held. The Company´s Annual General Meeting took place on 25 April 2008, at which time it elected ten members to the Board of Directors. The General Meeting authorised the Board to apply for a decision in principle from the Government for the Olkiluoto 4 nuclear power plant unit. An extraordinary Shareholders´ Meeting was held on 15 October

2008 for the election of a new Board member to replace a resigned member.

At its organisation meeting on 25 April 2008, the Board of Directors elected Tapio Kuula as Chairman and Timo Rajala as Deputy Chairman.

The Board of Directors met 16 times during the year under review.

Mr. Pertti Simola, M.Sc. (Eng.) was President and CEO of TVO until 30 June 2008, and Mr. Jarmo Tanhua, M.Sc. (Eng.) from 1 July 2008 onwards. Mr. Risto Siilos M.Sc. (Law) was appointed as Deputy CEO from 1 September 2008.

The Annual General Meeting elected Eero Suomela, Authorised Public Accountant, and Pricewaterhouse-Coopers Oy, Authorised Public Accountants as company auditors, with Niina Vilske, Authorised Public Accountant, acting as its principal auditor.

Regulatory Environment

One fundamental principle behind the legislation on nuclear energy is that its exploitation must be in the overall good of the society as a whole. The main rules on the use of nuclear energy, monitoring that use and nuclear safety, are contained in the Finnish Nuclear Energy Act and the Nuclear Energy Decree as well as lower level statutes pursuant to them such as the Radiation and Nuclear Safety Authority´s YVL (NPP) guidelines. Other regulations pertaining to the exploitation of nuclear energy are to be found in the Radiation Act. In addition the Nuclear Liability Act concerns the liability the operator in charge of a nuclear plant has in the event of a nuclear accident.

The use of nuclear energy is subject to licence. Applications are made to the Government for decision in principle, construction license and operating licence. The Radiation and Nuclear Safety Authority is responsible for monitoring the safe use of nuclear energy and it is also responsible for monitoring safety and emergency arrangements and nuclear material.

Internal Control, Risk Management and Internal Auditing

Internal Control

The Board of Directors and management are responsible for organising the Company´s internal control and for ensuring that it is adequate. The purpose of internal control is to ensure that TVO´s 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 followed. Company documents, its policies and operating guidelines provide a basis for TVO´s administrative system and internal control.

The Company´s operation observes the agreed Company-level policies. TVO and its personnel work according to the policies laid down by the Company.

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

In 2009, TVO will be developing its internal control. The focus will be set on specifying the principles and roles of internal control, developing of the internal control and risk management of processes as well as the elaboration of policies and guidelines.

Risk Management

The purpose of risk management is to support the achievement of goals, to prevent risks from materialising, and to reduce the probability of risks and their possible effects. Risk management is supervised by the Board of Directors of the Company, which endorses the principles on which it is based.

Risk management is the responsibility of the Company´s Management Group, under which there is a risk management group that controls the coordination. The risk management group maintains and develops the risk management system, undertakes company risk surveys as often and as thoroughly as necessary, analyses risks, and monitors the necessary contingency measures, ensuring that their scope is adequate.

The organisation units are responsible for the practical implementation of risk management. Corporate security, risk management guidelines, reports and insurance are dealt with centrally.

At TVO, risk management is part of a system that is in accordance with the Company´s safety culture and a part of the daily operation. Threats to the operation, different risk factors and procedures for preventing, managing and reducing them, are constantly monitored. In risk identification processes, the likelihood of various threats becoming a reality is assessed and separate contingency plans are drawn up for them on a case-by-case basis.

At TVO, strategic risks are classified as follows: production, safety and environment, new capacity, personnel and skills, financing and cost-efficiency, and the confidence of stakeholders. Risk assessments for annual targets are based on the organisation units´ targets for the following year.

TVO reduces risks connected with safety and production by keeping the plant units in good condition. The quality planning and implementation of the annual outages is particularly important. The Company has also taken out nuclear and other property damage insurance policies to cover risks to property. A statutory liability insurances are valid for cases involving nuclear liability. For the Group´s production of electricity, uranium and coal, as fuel, are bought on the global market. Risks connected with nuclear fuel have been reduced by making purchases from a large number of suppliers and by concluding long-term contracts.

At OL3, risk management at the construction stage is primarily a question of overseeing the work of the plant contractor for purposes of ascertaining its compliance with the turnkey contract. Property damage risks and possible delays caused by them are covered by insurances.

TVO´s financing and financial risk management is dealt with centrally by 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, and market and credit risks. By diversifying sources of finance, and with long-term credit commitments and liquid funds, financing risks can be reduced. TVO has reduced market risks by making use of interest rate derivatives and by keeping loans euro-denominated. Financial risk management and fuel price risks are dealt with in the notes to the consolidated financial statements, note 29, (Financial Risk Management).

Internal Auditing

The principles guiding TVO´s internal auditing are set out in the Company guidelines. The Internal Auditing reports to the President and CEO and supports the management in the development of good corporate governance, risk management and internal control systems and their efficacy and adequacy.

Major Risks and Uncertainties

TVO´s major risks are related to the completion of OL3 project. The project is delayed and production is reported not to start before 2012. This causes additional costs and losses, for which the Company has claimed compensation from the turnkey supplier of the OL3 plant.

The instability of financial markets has increased margins for corporate loans and this will have a knock-on effect on TVO´s new loans.

There are no major risks or uncertainties concerning electricity production at OL1 and OL2 or the Meri-Pori coal-fired power plant.

Pending Court Cases and Disputes

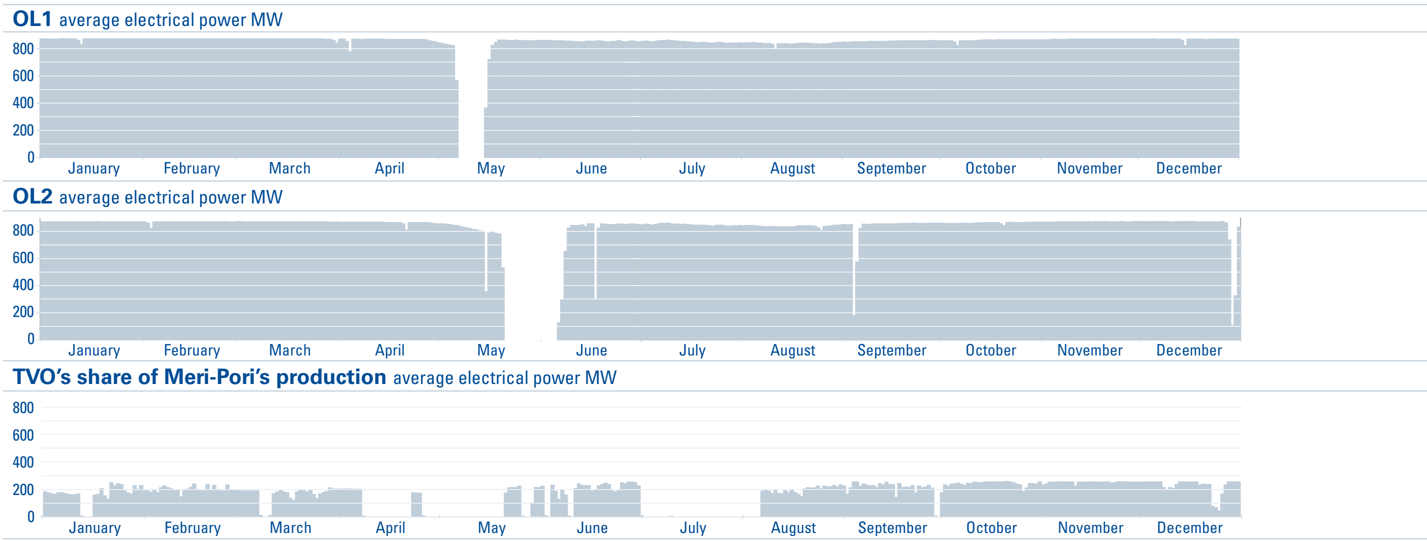
In December 2008, TVO was informed by the International Chamber of Commerce (ICC) that the AREVA-Siemens Consortium (the Supplier) had filed a request for arbitration with them concerning the delay at OL3 and the ensuing costs incurred. This relates to a claim by the Supplier, made in respect of TVO, back in December 2007, which TVO considered and found to be without merit.

In August 2008, TVO submitted a claim to the Supplier together with TVO´s response to the Supplier´s earlier claim. In its claim, TVO demanded compensation from the Supplier for the costs and losses it incurred due to the project´s delay and other action on the part of the Supplier.

The Company is also involved in another arbitration proceeding, under ICC rules, concerning the costs of a technically resolved issue, in connection with the construction work at OL3. The amount, in the context of the value of the project, is minor.

Arbitration proceedings may continue for several years.

Production 2007



No receivables or provisions have been recorded as a result of the arbitration proceedings.

Share Capital and Share Issues

The Company´s share capital on 31 December 2008, was EUR 361.7 (266.1) million.

The Company has 1,162,467,100 (1,071,825,211) shares, of which 680,000,000 are in the A series. These entitle holders to electricity generated at the OL1 and OL2 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 at OL3.

An extraordinary Shareholders´ Meeting on 23 November 2007 decided to issue shares in the B series amounting to EUR 95.6 million, by issuing 90,641,889 new shares. The subscription price was paid in November 2008 and the increase in share capital was recorded in the trade register in December 2008. Following this, the total number of B series shares is 448,183,370 (357,541,481).

The increase in share capital was based on the OL3 unit´s financing plan, which states that equity required by investment accrues as the project proceeds.

The Olkiluoto Nuclear Power Plant

TVO produces electricity at Olkiluoto in the municipality of Eurajoki at its two nuclear power plant units OL1 and OL2. The nominal output of both units is 860 MW.

In 2008, the annual output at the Olkiluoto power plant was excellent, at 14,380 (14,386) GWh. This represents some 17 (16) per cent of all the electricity consumed in Finland. The power plant units operated safely the whole year.

OL1 generated a total of 7,066 (7,335) GWh of electricity and its capacity factor was 93.7 (97.5) per cent.

OL2 generated a total of 7,314 (7,051) GWh of electricity and its capacity factor was 96.9 (93.7) per cent. The total production represents all time high for this plant unit.

The production of the wind power plant was 1.6 (1.8) GWh of electricity.

TVO´s share of the Olkiluoto gas turbine power plant production was 0.5 (0.2) GWh.

Annual Outages

The annual outages of the power plant units lasted in total 28 days and 4 hours (25 days and 13 hours). Inspections showed that the units are in good condition.

The service outage at OL1 lasted from 13 May to 3 June 2008. It involved the replacement of 110 (124) fuel assemblies, inspections and scheduled maintenance. The major work included the modernisation of the generator exciter and the replacement of the generator´s automatic voltage regulator. Annual tests and repairs were also carried out.

The refuelling outage for OL2 lasted from 4 May to 12 May 2008. It involved the replacement of 124 (116) fuel assemblies and inspection and maintenance work. The major work included the maintenance of the reactor coolant pumps and cleaning the turbine plant.

Nuclear fuel procurement, during the period under review, amounted to EUR 48.5 (57.6) million and the costs of nuclear fuel consumption were at EUR 38.2 (38.3) million.

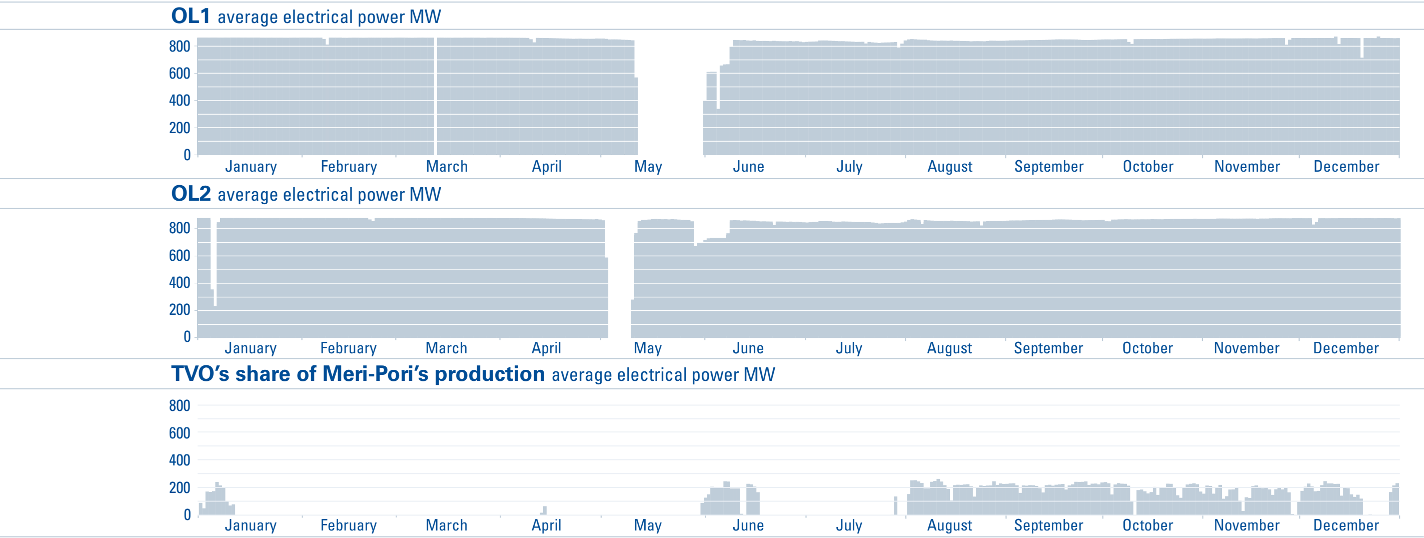
Nuclear fuel and uranium stock carrying value at the end of the year were valued at EUR 157.0 (146.6) million, of which the value of the fuel in the reactors was EUR 60.8 (61.3) million.

Meri-Pori

TVO has contributed to the construction costs of the Meri-Pori coal-fired power plant, owned by Fortum Power and Heat Oy, having a 45 per cent share. The Company is entitled to a corresponding amount of the plant´s output. 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 at the Meri-Pori coal-fired power plant was 816.9 (1,374.2) GWh. To produce it, 286.6 (458.4) thousand tonnes of coal and 661.0 (1,129.5) thousand tonnes of carbon dioxide emissions rights were used. The company´s annual share of the free emission rights for the Meri-Pori coal-fired power plant was 295.9 (904.7) thousand tonnes in 2008–2010 (2005–2007).

Production 2008



Olkiluoto 3

OL3, the nuclear power plant unit currently under construction, was commissioned as a turnkey project from the consortium (referred to as the Supplier) formed by AREVA NP GmbH, AREVA NP SAS, (AREVA) and Siemens AG.

The design of OL3 continued, along with the processing of documents by the authorities, the construction work and the manufacture and installation of equipment. Manufacture of the main components for the reactor and turbine plants proceeded. The manufacture of the reactor pressure vessel in Japan was completed and it arrived in Olkiluoto at the beginning of 2009. The manufacture of the steam generators and other components of the reactor coolant system continued. The turbine and the generator were completed in Germany, and the generator was installed at Olkiluoto.

Work at the reactor plant at Olkiluoto was still focused on construction. Work on the protective lining of the inner wall of the containment proceeded with the second batch of steel liner rings installed in May, and the third batch in November. Concreting and reinforcing work at the reactor plant continued in the fuel building, the safety buildings, the waste processing building and auxiliary buildings.

The main priority in the turbine plant switched to installation. All the major turbine components and generator were installed. Most of the heat exchangers, tanks and pumps were installed. The installation of piping progressed.

By the end of the year, personnel on site numbered approximately 4,000. All the major work on site was carried out in shifts. The accident index, representing safety on site, remained at a good level, and measures to achieve a zero-accident target continued.

The training of shift supervisors and operators at OL3 continued.

In addition to the normal monitoring of deliveries and manufacture, several quality audits were conducted to check the activities of the Supplier and the Supplier´s subcontractors.

TVO continues to provide support for the Supplier to ensure the completion of the project as soon as possible, without compromising safety and quality requirements.

In January 2009, TVO was informed by the Supplier that the completion of the plant would be postponed until June 2012.

The OL3 project attracted great interest from the media and other stakeholders throughout the year.

All the realised costs on the OL3 project that can be recognised in cost of the asset have been booked as property, plant and equipment on the Group balance sheet.

Nuclear Waste Management

A total of 6,238 (6,124) m^3 of low and medium-level radioactive waste has accumulated from the OL1 and OL2 plant units during their operation, of which 114 (119) m^3 was produced in 2008. 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 by the end of the year was 1,180 (1,142) tonnes, of which 38 (40) tonnes accumulated in 2008. Most of the spent fuel is kept in a separate interim storage facility at Olkiluoto (KPA storage facility).

Posiva Oy, TVO´s joint venture company, is responsible for the disposal of spent nuclear fuel on behalf of its shareholders, TVO and Fortum Power and Heat Oy. The construction work for the ONKALO research facility, which is part of the project for the final disposal repository, continued at Olkiluoto.

The spent fuel generated by OL1, OL2, Loviisa 1, Loviisa 2 and OL3 will be disposed of in the Olkiluoto disposal facility. TVO accounts for about 74 per cent of the waste and contributes the same amount to the disposal costs.

In order to cover the costs of nuclear waste management, the Company makes contributions to the Finnish State Nuclear Waste Management Fund, under the Nuclear Energy Act. The Ministry of Employment and the Economy has set TVO´s liability for nuclear waste management at EUR 1,137.6 (1,079.8) million to the end of 2008 and the Company´s target reserve in the Fund at EUR 1,001.2 (927.7) million. The difference is covered by guarantees.

The liabilities, in the consolidated financial statements, show a nuclear waste management liability of EUR 599.8 (568.1) million, calculated according to international IFRS accounting principles. A corresponding amount, under assets, represents the Company´s share in the Finnish State Nuclear Waste Management Fund.

Research and Development

Research and development costs were EUR 20.6 (17.3) million, most of which was spent on nuclear waste management.

TVO is a major financier of Finnish public sector research programmes for reactor safety and nuclear waste management. In 2008, TVO´s contribution to the Finnish State Nuclear Waste Management Fund, which finances such programmes, amounted to EUR 2.9 (2.7) million.

Acquisitions and Sales of tangible and intangible Assets and Shares

TVO´s investment costs, excluding carbon dioxide emission rights, were EUR 588.9 (227.2) million, of which EUR 537.0 (178.3) million was allocated to the OL3 project. Carbon dioxide emission rights were acquired in 2008, costing EUR 10.7 (0.1) million and the carbon dioxide emission rights relinquished in 2008 to the Energy Market Authority, valued at EUR 0.1 (9.0) million.

The rooftop height ceremony for the extension to Olkiluoto´s storage and maintenance buildings was held in February. The buildings were completed and they came into use, for the most part, in 2008. OL1 and OL2 outage building project started in April and will be completed in time for the 2009 outages.

Preparations for the modernisation project for the OL1 and OL2 low-pressure turbines and generators scheduled for 2010 and 2011 continued. An investment decision, in connection with the modernisation project, was made to replace the internal isolation valves of the main steam lines and the seawater pumps.

The Olkiluoto 4 Project

During 2007 and 2008, TVO carried out an environmental impact assessment for the extension of the Olkiluoto nuclear power plant by a fourth unit. In the EIA, a study was undertaken of the construction of a power plant at Olkiluoto with an electrical output of 1,000 to 1,800 MW and thermal power of 2,800 to 4,600 MW. According to the plan, the new unit will be either a boiling water reactor or a pressurised water reactor.

TVO submitted the EIA report for the OL4 power plant unit to the coordinating authority, the Ministry of Employment and the Economy, in February 2008. The EIA report was publicly available for examination and for making comments until 21 April 2008. The Ministry issued its statement on 19 June 2008. TVO submitted an additional clarification to the EIA report in August 2008. TVO started also a Natura assessment required under section 65 of the Nature Conservation Act, for the Natura area of the Rauma Archipelago (FI02000073).

On 25 April 2008, TVO filed an application for a decision in principle for the construction of the fourth unit at Olkiluoto. The Ministry issued its general description statement on 21 August 2008. In September, the general description was delivered to every household in the municipalities of Eura, Eurajoki, Kiukainen, Lappi, Luvia and Nakkila and the city of Rauma. Whilst the application was publicly available, and during the time reserved for comments, from 12 September to 12 November 2008, a public hearing was held, on 13 October, at the Eurajoki municipal office.

Feasibility studies of plant alternatives continued.

Safety and Environmental Issues

The Olkiluoto nuclear power plant units operated safely during the year. No incidents with a major impact on nuclear safety occurred. In 2008, eight special reports were prepared for The Finnish Radiation and Nuclear Safety Authority (STUK). Five of the incidents were rated as 1, exceptional incidents affecting safety on the international seven-point INES scale. Other incidents were rated 0 (no significance for nuclear or radiation safety).

At the end of the year, the periodical safety assessment of the OL1 and OL2 units was filed for approval by STUK.

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

Seven of the nine environmental targets set for 2008 were achieved. There were no significant environmental deviations during the year. The environmental impacts of the Olkiluoto nuclear power plant were minor. As in previous years, radioactive emissions to the atmosphere and water were extremely low, and significantly lower than the limits set by the authorities.

In August 2008, the Administrative Court of Vaasa gave a decision on the proposed changes to the environmental permit for OL1, OL2 and OL3. The matter is pending at the Supreme Administrative Court.

The closure of the decommissioned landfill began in 2008 and will be finished in accordance with environmental permit regulations, by the end of 2009.

A Corporate Social Responsibility Report, complying with the EU´s EMAS Regulation, will give more detailed information on the environmental issues and indicators for 2008. The report will be verified by an outside body.

Personnel

At the year-end, the total number of personnel in the Group was 783 (757), and the average during the year was 812 (787). The year-end total number of personnel in the Company was 777 (750), and the average during the year was 806 (780). The year-end total for permanent personnel was 709 (676).

TVO recruited 70 (57) personnel in 2008. During the year, 34 (56) personnel changed jobs and 37 (43) permanent personnel left, including 12 (13) who retired.

The collective agreements, for different groups of personnel in the energy industry, remained in force the whole year.

Organisation

The Company´s new basic organisation took effect on 1 January 2008. In conjunction with the organisational change, the former Operations Department became the Production Department. TVO´s Board of Directors appointed Mr. Jarmo Tanhua, former Senior Vice President, Power Plant Engineering, as President and CEO from 1 July 2008 as former President and CEO, Mr Pertti Simola, became Deputy President and CEO of Pohjolan Voima Oy, the parent company. Mr. Janne Mokka, former Manager of the Electrical and Automation Technology, was appointed as Senior Vice President Power Plant Engineering, also from 1 July 2008. Mr. Jouni Silvennoinen, former Manager of the Project, was appointed as Senior Vice President, Project, from 1 September 2008, as Martin Landtman left to another company. Mr. Risto Siilos, Senior Vice President, Legal Affairs and Risk Management, was appointed as Deputy CEO from 1 September 2008.

Training

Basic and supplementary training for TVO personnel continued as in earlier years.

Current supervisors of OL1 and OL2 units took part in supplementary training as required by the authorities in 2008. The training of new supervisors proceeded as planned.

The training of OL3 operation personnel continued by the plant Supplier and in addition TVO began the training of the OL3 supervisors recruited in 2008.

Induction training specific to Olkiluoto continued throughout the year. 4,820 personnel took part and 3,185 of them received training in English.

Subsidiaries

TVO Nuclear Services Oy

TVO Nuclear Services Oy (TVONS) is a wholly owned subsidiary of TVO. It delivers added value to its customers 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 of TVO personnel and the Olkiluoto infrastructure.

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 Oy´s operations at Olkiluoto.

Associated Companies and Joint Ventures

Posiva Oy

Posiva Oy, which is jointly owned by TVO and Fortum Power and Heat Oy, is responsible for research into and implementing the final disposal, of its shareholders´ 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.

Polartest Oy

TVO has sold its Polartest shares on 31 December 2008.

Major Events after the End of the Year

The OL3 turnkey Supplier (the consortium AREVA-Siemens) informed TVO in January 2009 that in its estimation, completion of the plant will be postponed until June 2012.

No other 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 as in earlier years. The prerequisites for nuclear power production at Olkiluoto are good. Nuclear fuel availability is guaranteed by long-term agreements.

In 2009, the normal service outage and refuelling outage at OL1 and OL2 will be carried out and are expected to take some 23 days.

TVO will continue the OL3 nuclear power plant project as planned. The unit is expected to be ready for production in 2012.

TVO will use its capacity at the Meri-Pori coal-fired power plant, on the same basis as before.

The recruitment and training of OL3 and other plant personnel will continue as planned.

TVO will continue the preparations for the OL4 nuclear power plant project and feasibility studies of alternatives in 2009.

Posiva Oy will continue the construction of the underground research facility at Olkiluoto and is filing an application for decision in principle to extend the spent fuel repository for 12,000 tonnes.

TVONS will continue to market and sell services.

Proposals to the Annual General Meeting

Teollisuuden Voima Oyj´s profit for the financial year is EUR 9,360,000. The Board of Directors proposes to the Shareholders´ Meeting that no dividend shall be paid.

Key Figures

TVO GROUP (IFRS) (M€)	2008	2007	2006
Turnover	257	232	230
Profit/loss for the financial year	-53	-37	4
Research expenses	21	17	15
Investments (net, excluding CO_2 emission rights)	598	257	277
Equity	823	918	758
Non-current and current interest-bearing liabilities (excluding loan from VYR)	2,005	1,368	1,246
Loans from equity holders of the company (included in the former) *	179	179	179
Loan from VYR	696	648	620
Provision related to nuclear waste management	600	568	505
Balance sheet total	4,299	3,619	3,228
Equity ratio % **	33.3	45.6	44.6
Average number of personnel	812	787	754

* Subordinated loans.

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

CONSOLIDATED ADJUSTED PROFIT/LOSS FOR THE FINANCIAL YEAR (M€)	2008	2007	2006
Profit/loss for the financial year (IFRS)	-53	-37	4
The impact of the nuclear waste management obligation * (profit -/loss +)	-1	-8	-13
The impact of financial instruments ** (profit -/loss +)	16	-3	-19
The impact of the associated company sold (FAS) (profit -/loss +)	1	0	0
Profit/loss before appropriations	-37	-48	-28
The impact of the associated company sold (FAS) (profit -/loss +)	-9	0	0
Adjusted profit/loss for the financial year	-46	-48	-28

* Includes profit/loss effects from nuclear waste management according to IFRS standard.

** Includes effects from financial derivates hedging future cash-flows where hedge accounting is not applied according to IAS 39.

Key Figures

TEOLLISUUDEN VOIMA OYJ (FAS) (M€)	2008	2007	2006	2005	2004
Parent company´s financial statement has been made in accordance with the Finnish Accounting Standards (FAS).					
Turnover	245	225	227	199	217
Fuel costs	56	66	65	44	69
Nuclear waste management costs	56	49	29	27	23
Other income and expenses related to electricity production	109	101	106	94	90
Capital expenditure (depreciation and financial income and expenses)	61	57	56	59	58
Profit/loss before appropriations	-37	-48	-29	-24	-23
Investments (net, excluding CO_2 emission rights)	589	227	272	647	382
Equity	613	604	408	408	229
Appropriations	175	221	269	298	322
Non-current and current interest-bearing liabilities (excluding loan from VYR)	1,960	1,362	1,242	1,146	554
Loans from equity holders of the company (included in the former) *	179	179	179	179	179
Loan from VYR	696	648	620	595	573
Balance sheet total	3,617	2,951	2,639	2,519	1,745
Equity ratio % **	33.1	43.6	42.5	46.0	62.3
Average number of personnel	806	780	748	693	641

* Subordinated loans.

** Equity ratio % $= 100 \times \dfrac{\text{equity + appropriations + loans from equity holders of the company}}{\text{balance sheet total - loan from the Finnish State Nuclear Waste Management Fund}}$

ASSETS IN THE FINNISH STATE NUCLEAR WASTE MANAGEMENT FUND (VYR) (M€)	2008	2007	2006	2005	2004
	1,001.2	927.7	864.1	826.6	792.7

ELECTRICITY DELIVERED TO EQUITY HOLDERS OF THE COMPANY (GWh)	2008	2007	2006	2005	2004
Olkiluoto 1	7,039	7,317	6,956	7,208	7,001
Olkiluoto 2	7,288	7,032	7,278	6,984	7,072
Total Olkiluoto *	14,327	14,349	14,234	14,192	14,073
Meri-Pori	817	1,374	1,509	250	1,797
Total	15,144	15,723	15,743	14,442	15,870

* Includes wind power 1.6 (1.8 in 2007) GWh and gas turbine power 0.5 (0.2) GWh.

CAPACITY FACTORS (%)	2008	2007	2006	2005	2004
Olkiluoto 1	93.7	97.5	93.8	98.3	95.1
Olkiluoto 2	96.9	93.7	96.9	94.0	96.1
Total production units	95.3	95.6	95.4	96.1	95.6

TVO´S DELIVERY SHARE OF THE ELECTRICITY USED IN FINLAND (%)	2008	2007	2006	2005	2004
	17.4	17.4	17.5	17.0	18.3

Financial statement 2008

TVO group financial statement pages 23–51

Parent company's financial statement pages 52–65

Consolidated Income Statement, IFRS

TVO GROUP

1,000 €	Note	1.1.-31.12.2008	1.1.-31.12.2007
Turnover	3	**257,275**	**232,327**
Work performed for own purposes	4	10,390	9,868
Other income	5	16,688	8,450
Materials and services	6	-131,841	-100,276
Personnel expenses	7	-55,704	-51,608
Depreciation and impairment charges	8	-51,452	-50,311
Other expenses	9	-74,055	-64,889
Operating profit/loss		**-28,699**	**-16,439**
Share of the associated company's profit/loss	14	751	440
Finance income	10	84,497	66,215
Finance expenses	10	-109,678	-87,572
Total finance income and expenses		-25,181	-21,357
Profit/loss before income tax		**-53,129**	**-37,356**
Income taxes	11	-4	-5
Profit/loss for the financial year		**-53,133**	**-37,361**
Attributable to:			
To equity holders of the company		-53,133	-37,361

Consolidated Balance Sheet, IFRS

TVO GROUP

1,000 €	Note	31.12.2008	31.12.2007
Assets			
Non-current assets			
Property, plant and equipment	12	2,484,603	1,937,015
Intangible assets	13	21,787	12,125
Loans and other receivables	16	700,890	652,993
Investments in associates and joint ventures	14	1,009	2,296
Investments in shares	17	9,855	12,773
Derivative financial instruments	20	4,883	7,983
Share in the Finnish State Nuclear Waste Management Fund	25	599,789	568,121
Total non-current assets		**3,822,816**	**3,193,306**
Current assets			
Inventories	19	181,272	159,739
Trade and other receivables	16	89,119	164,640
Derivative financial instruments	20	3,091	19,617
Fund units	17	0	75,073
Cash and cash equivalents	18	202,694	6,425
Total current assets		**476,176**	**425,494**
Total assets		**4,298,992**	**3,618,800**
Equity and liabilities			
Capital and reserves attributable to equity holders of the company			
Share capital	21	361,692	266,092
Share issue	21	0	95,600
Share premium reserve and statutory reserve	21	242,383	242,383
Fair value and other reserves	21	-32,929	9,343
Retained earnings	21	251,684	304,817
Total equity		**822,830**	**918,235**
Liabilities			
Non-current liabilities			
Provision related to nuclear waste management	25	599,789	568,121
Loans from equity holders of the company	23	179,300	179,300
Loan from the Finnish State Nuclear Waste Management Fund	23	695,775	648,075
Other financial liabilities	23	1,321,687	696,960
Derivative financial instruments	20, 23	43,982	8,524
Total non-current liabilities		**2,840,533**	**2,100,980**
Current liabilities			
Provisions	22	365	1,200
Current financial liabilities	23	451,455	481,372
Derivative financial instruments	20, 23	8,910	1,690
Advance payments received	24	18,621	14,755
Trade payables	24	15,421	8,952
Other current liabilities	24	140,857	91,616
Total current liabilities		**635,629**	**599,585**
Total liabilities		**3,476,162**	**2,700,565**
Total equity and liabilities		**4,298,992**	**3,618,800**

Consolidated Statement of Changes in Total Equity, IFRS

TVO GROUP

1,000 €	Share capital	Share issue	Share premium reserve and statutory reserve	Fair value and other reserves	Retained earnings	Attributable to equity holders of the company	Total equity
Equity 31.12.2006	**166,092**	**0**	**242,383**	**7,116**	**342,178**	**757,769**	**757,769**
Cash flow hedges							
Interest rate derivatives							
Changes in the fair value *				5,838		5,838	5,838
Currency derivates							
Changes in the fair value *				1,009		1,009	1,009
Transfers to the inventories				-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	0	0	0	2,227	0	2,227	2,227
Profit/loss for the financial year					-37,361	-37,361	-37,361
Total recognised income and expense for period	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**	**95,600**	**242,383**	**9,343**	**304,817**	**918,235**	**918,235**
Cash flow hedges							
Interest rate derivatives							
Changes in the fair value *				-49,225		-49,225	-49,225
Currency derivates							
Changes in the fair value *				9,538		9,538	9,538
Transfers to the inventories				488		488	488
Available-for-sale investments							
Changes in the fair value				-3,748		-3,748	-3,748
Transfers to the consolidated income statement				675		675	675
Total recognised equity changes	0	0	0	-42,272	0	-42,272	-42,272
Profit/loss for the financial year					-53,133	-53,133	-53,133
Total recognised income and expense for period	0	0	0	-42,272	-53,133	-95,405	-95,405
Share issue	95,600	-95,600				0	0
Equity 31.12.2008	**361,692**	**0**	**242,383**	**-32,929**	**251,684**	**822,830**	**822,830**

* booked directly into equity.

Consolidated Cash Flow Statement, IFRS

TVO GROUP

1,000 €	Note	2008	2007
Operating activities			
Profit/loss for the financial year		-53,133	-37,361
Adjustments:			
Income tax expenses		4	5
Finance income and expenses		25,181	21,357
Depreciation and impairment charges		51,452	50,311
Share of the associated company's profit/loss		-751	-440
Other non-cash flow income and expenses		-956	-23,018
Sales profit/loss of property, plant and equipment and shares		-8,686	-341
Change in working capital:			
Increase (-) or decrease (+) in non-interest-bearing receivables		-11,512	-8,745
Increase (-) or decrease (+) in inventories		-21,533	-12,332
Increase (+) or decrease (-) in short-term non-interest-bearing liabilities		32,761	16,259
Interest paid and other finance expenses		-33,294	-26,170
Dividends received		1,190	1,155
Interest received		27,570	20,988
Taxes paid		-1	-8
Cash flow from operating activities		**8,292**	**1,660**
Investing activities			
Acquisition of property, plant and equipment		-579,070	-229,901
Proceeds from sale of property, plant and equipment		146	111
Acquisition of intangible assets		-11,138	-159
Proceeds from sale of intangible assets		3	3
Acquisition of shares		-180	-671
Proceeds from sale of shares		10,578	1,212
Loan receivables granted		-48,259	-28,258
Repayments of loans granted		311	307
Cash flow from investing activities		**-627,609**	**-257,356**
Financing activities			
Share issue	21	95,600	100,000
Withdrawals of long-term loans		848,389	147,775
Repayment of long-term loans		-66,951	-11,446
Increase (-) or decrease (+) in interest-bearing receivables		41	62
Increase (+) or decrease (-) in current financial liabilities		-136,493	12,043
Cash flow from financing activities		**740,586**	**248,434**
Change in cash and cash equivalents		**121,269**	**-7,262**
Cash and cash equivalents January 1		81,498	88,725
Changes in fair value in fund units		-73	35
Cash and cash equivalents December 31	17, 18	**202,694**	**81,498**

Notes to the Consolidated Financial Statements

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. In accordance with its Articles of Association, TVO delivers electricity to its shareholders under the so-called Mankala principle (at cost price), i.e. delivers the electricity produced or procured to its shareholders in proportion to their shareholdings in each series. Each of the shareholders of the each series is liable for 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 has a share 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 TVO 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 27 February 2009. Under the Finnish Limited Liability Companies Act the Shareholders´ meeting may modify or reject the financial statements.

2 Accounting Policies

Basis of Preparation

These consolidated financial statements of TVO Group have been 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 2008. 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 (EY) No. 1606/2002.

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 Group´s company.

In 2008 IAS 39 (Amendment) and IFRS 7 (Amendment), Reclassification of Financial assets became effective (effective from 1 July 2008). The amendment does not have an impact on the financial statements of the group.

The following IFRS standards and IFRIC interpretations effective in future financial years have been published, but have not been early adopted by the group.

The group will adopt the following standards and interpretations in future financial years when they become mandatory:

- IAS 1 (Revised), Presentation of Financial Statements (effective for financial periods beginning on or after 1 January 2009).
- Amendment to IAS 23, Borrowing Costs (effective for financial periods beginning on or after 1 January 2009).
- IFRS 8, Operating Segments (effective for financial periods beginning on or after 1 January 2009). The new standard replaces IAS 14. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes.
- Improvements to IFRSs -changes (Annual Improvements 2007) *) (effective mainly for financial periods beginning on or after 1 January 2009).
- IFRS 3 (Revised), Business Combinations *) and IAS 27 (Revised), Consolidated and separate financial statements *) (effective for financial periods beginning on or after 1 July 2009; can be applied earlier).

The Group has assessed IFRS 8 Operating Segments -standard and concluded that the group will have two reportable segments; nuclear power and coal-fired power. Due to the changes in IAS 1 (Revised) Presentation of Financial Statements it is likely that the group will present statement of comprehensive income. It is assessed that the other changes to the standards will not have a material impact on the financial statements of the group.

The following IFRS standards and IFRIC interpretations effective in future financial years will not have an impact on the financial statements of the group as they are not relevant for the group´s operations:

- Amendments to IAS 32, Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements -Puttable Financial Instruments and Obligations Arising on Liquidation *) (effective for financial periods beginning on or after 1 January 2009).
- Amendment to IFRS 2, Share-based payment (effective for financial periods beginning on or after 1 January 2009).
- IFRIC 11, IFRS 2 – Group and treasury share transactions (effective for financial periods beginning on or after 1 March 2008).

- IFRIC 13, Customer Loyalty Programmes (effective for financial periods beginning on or after 1 January 2009).
- 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 2009).
- IFRIC 15, Agreements for the Construction of Real Estate *) (effective for financial periods beginning on or after 1 January 2009).
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation *) (effective for financial periods beginning on or after 1 October 2008)
- IFRS 1 (Amendment), First time adoption of IFRS and IAS 27, Consolidated and separate financial statements *) (effective for financial periods beginning on or after 1 January 2009).
- IAS 39 (Amendment), Financial instruments: Recognition and measurement – Eligible Hedged Items *) (effective for financial periods beginning on or after 1 July 2009).
- IFRIC 17, Distributions of non-cash assets to owners *) (effective for financial periods beginning on or after 1 July 2009).
- IFRIC 12, Service Concession Arrangements *) (effective for financial periods beginning on or after 1 January 2010).

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

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 no longer 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 of profits are eliminated. Unrealised losses are not eliminated, if the losses are due to impairment of the asset being transferred. To ensure consistency, subsidiaries´ accounting policies have, in all material respects, been changed to conform to the accounting policies adopted by the Group.

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´s associated company Polartest Oy (share of ownership 31,86%) was sold on 31 December 2008. TVO´s share of profit of the associated company has been accounted for up to the date of the sale and the sales profit has been recorded in other income.

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, which has a 60% interest in it. Both venturers are liable 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.

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 on the cost-price principle. Revenue is recognised based on the consideration received when electricity is delivered or services are rendered. Revenue is presented net of indirect sales taxes. Revenue is recognised as follows:

Sales 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 based on the proportion of costs incurred from work performed up to the balance sheet date and the 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 meet all the conditions attached to them and where there is a reasonable assurance that the grant will be received. Government grants relating to costs are deferred on the balance sheet and recognised in the income statement over the period in which their relevant costs are recorded. 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 on 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 an item and restoring the site on which it is located (more information is included in paragraph Assets and provisions related to nuclear waste management obligations).

Land and water areas are not depreciated.

Other property, plant and equipment 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	
Basic investment	61 years
Investments made according to the modernization programme	21–35 years
Automation investments associated with the modernization	15 years
Additional investments	10 years
TVO´s share in the Meri-Pori coal-fired power plant	25 years
Wind power plant	10 years
TVO´s share in the Olkiluoto gas turbine power 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.

Yearly repairs and maintenance costs are recognised in profit or loss, as and when they occur. Investments connected with the modernization and maintenance of the power plant units are capitalised.

OL3 is nuclear power plant unit under construction. All items related to OL3 project are shown as incomplete plant investment (see note 12).

Intangible Assets

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

Other long-term expenditure included in intangible assets are amortised on a straight-line basis over their expected useful lives. These include computer software and certain payments made 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 changes from that previously estimated.

Furthermore, intangible assets include carbon dioxide (CO_2) emission rights. Emission rights are recognised at historical cost, and are presented under emission rights. Gratuitous emission rights are assets not included in the balance sheet. The current liability for returning emission rights is recognised at the carrying value of possessed emission rights. If there is a shortfall, a current liability is recognised to cover the acquisition of the missing emission rights. This current liability is valued at the current market value of the emission rights at the balance sheet date. The cost of the emission rights is recognised in the income statement under costs of materials and services. The gains from the sales of emission rights are refunded to the equity holders of the company.

Impairment of Property, Plant and Equipment and Intangible Assets

At the balance sheet date it is reviewed whether there is any indication that the carrying amounts of assets would be impaired. 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 acquisition cost. The cost of coal is determined by using the FIFO (first in, first out) method and the cost of supplies is determined by using the rolling weighted average cost formula. The acquisition cost comprises raw materials, direct labour and other direct costs. The carrying amount of inventories is not reduced to a value that is less than its acquisition cost, as TVO operates at cost price, so the net realisable value of inventories always covers their acquisition cost.

The use of nuclear fuel is recognised according to calculated consumption.

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. Leased 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.

Other leases

Lease payments under other leases are recognised in the income statement as an expense under the accrual principle on a straight-line basis over the lease term.

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

Financial Assets

All purchases and sales of financial assets are recognised at fair value on the trading 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 substantially transferred 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 derivative financial instruments 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 the income statement in the period in 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 on the balance sheet 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 to the income statement when the investment is sold or when it is impaired so that an impairment loss needs to be recognised. Investments in unquoted shares whose fair value cannot be reliably determined are measured at acquisition 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 of 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 Financial Instruments and Hedge Accounting

The Group uses derivative financial instruments 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 foreign 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 derivative financial instruments are initially recognised at fair value on the date when the Group becomes a party to the derivative contract, and 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 finance 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 financial instruments used in the hedge transactions are highly effective in offsetting changes in the fair value or cash flows of the hedged items. The derivative financial instruments 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

Financial 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 derivative financial instruments 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 necessary 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 OL3.

Foreign Currency Items

Transactions and financial items denominated in a foreign currency are recorded at the rates 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 finance 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.

Payments received from shares in connection with setting up the TVO and in the form of increases in share capital are recognised under share capital, statutory reserve and share premium reserve.

Earnings per Share

The group does not report earnings per share, as the parent company is operating at cost price. 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 the estimated long-term borrowing rate plus the ECP´s inflation target and 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 under 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 marginal.

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 Finnish State Nuclear Waste Management Fund. The obligation covers all the future expenditures for nuclear waste management, including the decommissioning of nuclear power plants, the disposal of spent fuel, and a risk marginal. The amount of payments is determined by assuming that the decommissioning 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 from TVO 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 Finnish State Nuclear Waste Management Fund and the related nuclear waste management obligation are shown as 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 Finnish State Nuclear Waste Management Fund is presented as finance income.

TVO´s share in the Finnish 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 Finnish State Nuclear Waste Management Fund is based on the change on the nuclear waste management obligation and funding obligation target, 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 at cost price. 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 taxes for previous financial year.

Employee Benefits

The pension benefits for Group personnel 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.

Payments made to defined contribution plans as to pensions are recognised on an accrual basis in the income statement.

Critical Accounting Estimates and Judgements

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. The 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 relate to technical plans, time factor, cost estimates and the discount rate. The technical plans are approved by State authorities. Any changes in the assumed discount rate would change the provision. If the discount rate used were lowered, the provision would increase.

TVO´s contributions to the Finnish 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 in the assets of the Finnish State Nuclear Waste Management Fund. According to IFRS, the carrying amount of the assets is limited to the value of the provision, as TVO does not have control in the Finnish State Nuclear Waste Management Fund (see note 25 Assets and provisions related to nuclear waste management obligation).

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 OL3 turnkey supplier, 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 be reliably measured, the potential receivable has not yet been recognised, as required by IAS 37. Neither have any reserves been booked for the supplier´s claims and arbitration procedures currently in progress as the claims have been considered and found to be groundless.

All the realised costs on the OL3 project that can be recognised in cost of the asset have been booked as property, plant and equipment on the Group balance sheet.

Notes to the Consolidated Financial Statement

TVO GROUP

3 TURNOVER

1,000 €	2008	2007
Olkiluoto 1 and 2	206,181	185,462
Meri-Pori	38,882	39,520
TVO Nuclear Services Oy	12,198	7,333
Olkiluodon Vesi Oy	14	12
Total	257,275	232,327

Electricity delivered to equity holders of the company (GWh)		
Olkiluoto 1	7,039	7,317
Olkiluoto 2	7,288	7,032
Total Olkiluoto *	14,327	14,349
Meri-Pori	817	1,374
Total	15,144	15,723

* Includes wind energy 1.6 (1.8 in 2007) GWh and energy produced by gas turbine 0.5 (0.2) GWh.

4 WORK PERFORMED FOR OWN PURPOSES

1,000 €	2008	2007
Personnel expenses of OL3	10,366	9,847
Nuclear waste and water supply service expenses of OL3	24	21
Total	10,390	9,868

5 OTHER INCOME

1,000 €	2008	2007
Rental income	3,055	3,061
Profits from sales of shares	346	257
Profits from sales of property, plant and equipment	97	94
Profits from sales of associated companies	8,192	0
Received benefits	249	293
Consulting charges	4,374	4,449
Other income	375	296
Total	16,688	8,450

Notes to the Consolidated Financial Statement

TVO GROUP

6 MATERIALS AND SERVICES

1,000 €	2008	2007
Nuclear fuel	48,542	57,620
Coal	27,994	20,192
Materials and supplies	2,971	3,021
CO_2 emission rights	10,675	76
Nuclear waste management services	55,914	25,240
Increase (-) or decrease (+) in inventories	-21,533	-12,332
External services	7,278	6,459
Total	131,841	100,276

7 PERSONNEL EXPENSES

Employee benefit costs

1,000 €	2008	2007
Wages and salaries	44,776	41,089
Pension expenses - defined contribution plans	7,146	6,771
Other compulsory personnel expenses	3,782	3,748
Total	55,704	51,608

Employee bonus system

All permanent and long-term (more than 1 year) temporary employees 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 Executive Management of the company.

Average number of personnel during financial year

	2008	2007
Office personnel	650	630
Manual workers	162	157
Total	812	787

Number of personnel on 31.12.

	2008	2007
Office personnel	639	617
Manual workers	144	140
Total	783	757

Notes to the Consolidated Financial Statement

TVO GROUP

8 DEPRECIATION AND IMPAIRMENT CHARGES

1,000 €	2008	2007
Intangible assets		
Computer software	658	739
Other intangible assets	743	745
Total	1,401	1,484
Property, plant and equipment		
Buildings and construction	9,271	7,857
Machinery and equipment	36,592	37,074
Other property, plant and equipment	1,906	1,706
Decommissioning	2,282	2,190
Total	50,051	48,827
Total	51,452	50,311

9 OTHER EXPENSES *

1,000 €	2008	2007
Maintenance services	17,100	15,940
Regional maintenance and service	8,757	9,523
Research services	4,000	2,694
Other external services	15,189	14,923
Real estate tax	3,590	3,420
Rents	1,693	1,258
ITC expenses	4,400	2,862
Personnel related expenses	4,373	2,246
Corporate communications	3,090	1,861
Other expenses	11,863	10,162
Total	74,055	64,889

* The categories of other expenses have been changed.

Research activities

The other expenses include recognised research costs in the amount of EUR 20.6 million in 2008 (EUR 17.1 million in 2007). Most of the research costs are used for researching nuclear waste management.

Auditors´ fees and not audit-related services

1,000 €	2008	2007
Audit fees	89	135
Auditors´ statements	8	3
Tax services	1	0
Other services	105	104
Total	203	242

TVO GROUP

10 FINANCE INCOME AND EXPENSES

1,000 €	2008	2007
Dividend income on available-for-sale investments	773	766
Sales profit from available-for-sale investments	71	2,212
Interest income from loans and receivables		
Nuclear waste management loan receivables from equity holders of the company	30,930	24,603
Other	3,455	1,092
Non-hedge accounted derivatives		
Change in fair value, net	0	4,394
Realised derivative income, net *	9,221	0
Interest income from assets related to nuclear waste management	40,047	33,148
Finance income, total	84,497	66,215
Loss from available-for-sale investments	745	0
Interest expenses and other finance expenses		
To the Finnish State Nuclear Waste Management Fund	30,930	24,603
To others	17,758	14,428
Hedge accounted derivatives		
Ineffective portion of change in fair value, net	165	419
Non-hedge accounted derivatives		
Change in fair value, net	22,940	0
Realised derivative expenses, net *	0	667
Interest expenses of provision related to nuclear waste management	37,140	47,455
Finance expenses, total	109,678	87,572
Total	-25,181	-21,357

* From the interest rate swaps under hedge accounting, EUR 179 (155) thousand is included in the realised derivative income (realised derivative expenses) and EUR 782 (643) thousand has been capitalised in the balance sheet.

11 INCOME TAX EXPENSE

1,000 €	2008	2007
Taxes based on the taxable income of the financial year	4	5
Total	4	5

TVO operates at cost price (so called Mankala principle, see note 1), so it does not pay income tax during its operations. Taxes for the financial year consists of non-deductible expenses in taxation.

Notes to the Consolidated Financial Statement

TVO GROUP

12 PROPERTY, PLANT AND EQUIPMENT

1,000 €	Land and water areas	Buildings and construction	Machinery and equipment	Other property, plant and equipment	Construction in progress and advance payments	Decommissioning	Total
Acquisition cost 1.1.2008	8,391	256,426	1,138,910	30,877	1,327,279	112,789	2,874,672
Increase	242	2,308	9,908	2,537	580,393	3,028	598,416
Decrease	0	-395	-4,477	-3	-356	0	-5,231
Transfer between categories	0	9,779	4,651	394	-14,824	0	0
Acquisition cost 31.12.2008	8,633	268,118	1,148,992	33,805	1,892,492	115,817	3,467,857
Accumulated depreciation and impairment charges according to plan 1.1.2008	0	154,850	728,206	14,096	0	40,505	937,657
Decrease	0	-93	-4,361	0	0	0	-4,454
Depreciation for the period	0	9,271	36,592	1,906	0	2,282	50,051
Accumulated depreciation and impairment charges according to plan 31.12.2008	0	164,028	760,437	16,002	0	42,787	983,254
Book value 31.12.2008	**8,633**	**104,090**	**388,555**	**17,803**	**1,892,492**	**73,030**	**2,484,603**
Book value 1.1.2008	8,391	101,576	410,704	16,781	1,327,279	72,284	1,937,015

1,000 €	Land and water areas	Buildings and construction	Machinery and equipment	Other property, plant and equipment	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
Accumulated depreciation and impairment charges according to plan 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
Depreciation for the period	0	7,857	37,074	1,706	0	2,190	48,827
Accumulated depreciation and impairment charges according to plan 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

The costs for the new plant (OL3) under construction constituted EUR 1.8 billion of the advance payments in 2008 (EUR 1.3 billion in 2007).

Property, plant and equipment leased by finance lease agreements

1,000 €	Nuclear power plant under construction
Acquisition cost 1.1.2008	2,115
Increase	26
Book Value 31.12.2008	2,141

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

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

Notes to the Consolidated Financial Statement

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13 INTANGIBLE ASSETS

1,000 €	CO_2 emission rights	Computer software	Other intangible assets	Advance payments	Total
Acquisition cost 1.1.2008	76	19,123	20,458	0	39,657
Increase	10,620	403	0	116	11,139
Decrease	-76	0	0	0	-76
Transfer between categories	0	0	0	0	0
Acquisition cost 31.12.2008	10,620	19,526	20,458	116	50,720
Accumulated depreciation and impairment charges according to plan 1.1.2008	0	15,616	11,916	0	27,532
Depreciation for the period	0	658	743	0	1,401
Accumulated depreciation and impairment charges according to plan 31.12.2008	0	16,274	12,659	0	28,933
Book value 31.12.2008	**10,620**	**3,252**	**7,799**	**116**	**21,787**
Book value 1.1.2008	76	3,507	8,542	0	12,125

1,000 €	CO_2 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
Accumulated depreciation and impairment charges according to plan 1.1.2007	0	14,877	11,172	0	26,049
Depreciation for the period	0	739	744	0	1,483
Accumulated depreciation and impairment charges according to plan 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

Capitalised interest costs included in property, plant and equipment, and intangible assets

Capitalised interest during construction 1,000 €	Other intangible assets	Buildings and construction	Machinery and equipment	Other property, plant and equipment	Advance payments	Total
Acquisition cost 1.1.2008	3,530	31,133	112,781	2,609	119,694	269,747
Increase	0	0	0	0	64,368	64,368
Decrease	0	0	0	0	0	0
Transfers between categories	0	0	0	0	0	0
Acquisition cost 31.12.2008	3,530	31,133	112,781	2,609	184,062	334,115
Accumulated depreciation and impairment charges according to plan 1.1.2008	2,088	20,012	72,223	1,689	0	96,012
Depreciation for the period	107	444	1,693	33	0	2,277
Accumulated depreciation and impairment charges according to plan 31.12.2008	2,195	20,456	73,916	1,722	0	98,289
Book value 31.12.2008	**1,335**	**10,677**	**38,865**	**887**	**184,062**	**235,826**
Book value 1.1.2008	1,442	11,121	40,558	920	119,694	173,735

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Capitalised interest during construction 1,000 €	Other intangible assets	Buildings and construction	Machinery and equipment	Other property, plant and equipment	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
Transfers 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
Accumulated depreciation and impairment charges according to plan 1.1.2007	1,981	19,568	70,531	1,656	0	93,736
Depreciation for the period	107	444	1,692	33	0	2,276
Accumulated depreciation and impairment charges according to plan 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

14 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

1,000 €	2008	2007
Beginning of the year	2,296	2,245
Share of profit/loss	751	440
Dividends received	-418	-389
Associated companies sold	-1,620	0
End of the year	**1,009**	**2,296**

Assets, liabilities, turnover and profit/loss 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

Polartest Oy is an inspection company which offers manufacturers and users conformity assessment as well as NDT inspections and DT test. The associated company is accounted for by the equity method of accounting.
TVO has sold its Polartest shares on 31 December 2008.

Assets, liabilities, turnover and profit/loss as presented by the Group´s joint venture are as follows

1,000 €	Place of incorporation	Assets	Liabilities	Turnover	Profit/ loss	Group share (%)
2008						
Posiva Oy	Eurajoki	21,122	19,440	55,389	0	60
2007						
Posiva Oy	Eurajoki	18,741	17,059	46,613	0	60

TVO has a 60% shareholding in Posiva Oy. Posiva is responsible for the research and implementation of final disposal of spent nuclear fuel of its shareholders TVO and Fortum Power and Heat Oy (FPH). Posiva is accounted for consolidated financial statement by the equity method of accounting.

TVO governs Posiva Oy jointly with FPH, based on Articles of Association and Shareholders Agreement. TVO is liable for approximately 74% of Posiva´s expenses. It is the duty of Posiva to carry out tasks related to the final disposal of spent nuclear fuel of its shareholder´s nuclear power plants in Finland in order to fulfill the nuclear waste management obligation for licensees as specified in the Nuclear Energy Act. The company´s operations also include research and construction related to the final disposal solution. Management of spent fuel is carried out according to the detailed waste management plans approved by FPH and TVO.

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15 BOOK VALUES OF FINANCIAL ASSETS AND LIABILITES BY CATEGORIES

1,000 € 2008	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	Book value total	Fair value total	Note
Non-current financial assets								
Loans and other receivables			700,890			700,890	700,890	16
Investments in shares				9,855		9,855	9,855	17
Derivative financial instruments		4,883				4,883	4,883	20
Current financial assets								
Trade and other receivables			89,120			89,120	89,120	16
Derivative financial instruments	3,063	28				3,091	3,091	20
Total by category	**3,063**	**4,911**	**790,010**	**9,855**	**0**	**807,839**	**807,839**	
Non-current liabilities								
Loans from equity holders of the company					179,300	179,300	179,300	23
Loan from the Finnish State Nuclear Waste Management Fund					695,775	695,775	695,775	23
Other financial liabilities					1,321,687	1,321,687	1,336,206	23
Derivative financial instruments		43,982				43,982	43,982	20
Current liabilities								
Current financial liabilities					451,455	451,455	451,455	23
Trade payables					15,421	15,421	15,421	24
Other current liabilities					140,857	140,857	140,857	24
Derivative financial instruments	6,221	2,689				8,910	8,910	20
Total by category	**6,221**	**46,671**	**0**	**0**	**2,804,495**	**2,857,387**	**2,871,906**	

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	Book value total	Fair value total	Note
Non-current assets								
Loans and other receivables			652,993			652,993	652,993	16
Investments in shares				12,773		12,773	12,773	17
Derivative financial instruments		7,983				7,983	7,983	20
Current assets								
Trade and other receivables			164,640			164,640	164,640	16
Fund units				75,073		75,073	75,073	17
Derivative financial instruments	19,236	381				19,617	19,617	20
Total by category	**19,236**	**8,364**	**817,633**	**87,846**	**0**	**933,079**	**933,079**	
Non-current liabilities								
Loans from equity holders of the company					179,300	179,300	179,300	23
Loan from the Finnish State Nuclear Waste Management Fund					648,075	648,075	648,075	23
Other financial liabilities					696,960	696,960	688,322	23
Derivative financial instruments		8,524				8,524	8,524	20
Current liabilities								
Current financial liabilities					481,372	481,372	481,372	23
Trade payables					8,952	8,952	8,952	24
Other current liabilities					91,616	91,616	91,616	24
Derivative financial instruments	90	1,600				1,690	1,690	20
Total by category	**90**	**10,124**	**0**	**0**	**2,106,275**	**2,116,489**	**2,107,851**	

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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 instruments are initially recognised at fair value on the date when TVO becomes a party to the contract, and a subsequently measured at fair value on the balance sheet date. The fair values are determined using a variety 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 of 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 finance income and expenses.

The book values of the non-current financial liabilities and current 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 2.4–3.9% (4.1–4.9%). The book values of the current non-interest-bearing liabilities are reasonable approximations of their fair value.

Pursuant to a US Private Placement, TVO has issued USD- and GBP-denominated fixed rate Senior Unsecured Notes amounting to EUR 88.4 million which have been swapped into EUR floating rates using cross-currency interest rate swaps. The transaction as a whole is treated as long-term floating rate EUR funding in the financial statements.

16 LOANS AND OTHER RECEIVABLES

Loans and receivables (non-current assets)

1,000 €	2008	2007
Nuclear waste management loan receivables from parent company	395,498	368,384
Nuclear waste management loan receivables from others	300,277	279,691
Loan receivables	5,115	4,918
Total	700,890	652,993

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 TVO´s share in the Finnish State Nuclear Waste Management Fund. The nuclear waste management loan receivables are formed by the amount loaned from the Finnish State Nuclear Waste Management Fund, which has been further loaned (with the same terms and conditions) to the equity holders of the company and to Fortum Oyj .

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

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

Trade and other receivables (current assets)

1,000 €	2008	2007
Trade receivables from parent company	25,943	21,617
Trade receivables from others	20,680	16,420
Loan receivables	1,094	1,083
Prepayments and accrued income from parent company	17,581	13,985
Prepayments and accrued income from others	23,082	13,853
Other receivables	739	97,682
Total	89,119	164,640

Prepayments and accrued income include prepaid interests, accrued interest income, other accrued income and other prepaid expense.

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 2008 the Group has EUR 1,411 (1,089) thousand overdue receivables of which EUR 693 (642) thousand is overdue more than six months. The overdue receivables are not expected to cause the Group credit losses or impairments.

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17 AVAILABLE-FOR-SALE INVESTMENTS

1,000 €	2008	2007
Investments in listed companies	8,146	11,145
Investments in other stocks and shares	1,709	1,628
Fund units	0	75,073
Total	9,855	87,846

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. The Group has not fund units on 31 December 2008.

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of on-hand cash, demand deposits and other current, highly liquid investments.

19 INVENTORIES

1,000 €	2008	2006
Coal		
Replacement cost	17,161	15,668
Book value	20,189	9,620
Difference	-3,028	6,048
Uranium		
Replacement cost	94,789	92,971
Book value	35,646	34,050
Difference	59,143	58,921
Coal	20,189	9,620
Raw uranium	35,646	34,050
Nuclear fuel	121,321	112,549
Supplies	4,116	3,520
Total	181,272	159,739

Notes to the Consolidated Financial Statement

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20 DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values of the derivative financial agreements *	Maturity structure					
1,000 € 2008	< 1 year	1–3 years	3–5 years	5–7 years	> 7 years	Total
Interest rate option agreements						
Purchased	480,000	780,000	30,000			1,290,000
Written	480,000	780,000	30,000			1,290,000
Interest rate swaps	380,000	160,000	370,000	580,000	88,446	1,578,446
Forward foreign exchange contracts	30,971	40,585	32,312	43,088		146,956
Total	**1,370,971**	**1,760,585**	**462,312**	**623,088**	**88,446**	**4,305,402**

Nominal values of the derivative financial 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**

Fair values of the derivative financial agreements *			
1 000 € 2008	Positive	Negative	Total
Interest rate option agreements (non-hedge accounted)			
Purchased	1,914		1,914
Written		-4,841	-4,841
Interest rate swaps (hedge accounted)		-42,339	-42,339
Interest rate swaps (non-hedge-accounted)	1,150	-1,380	-230
Forward foreign exchange contracts (hedge accounted)	4,911	-4,333	578
Total	**7,975**	**-52,893**	**-44,918**

Fair values of the derivative financial agreements *			
1 000 € 2007	Positive	Negative	Total
Interest rate option agreements (non-hedge accounted)			
Purchased	5,890		5,890
Written	300	-90	210
Interest rate swaps (hedge accounted)	8,314	-626	7,688
Interest rate swaps (non-hedge-accounted)	13,045		13,045
Forward foreign exchange contracts (hedge accounted)	51	-9,498	-9,447
Total	**27,600**	**-10,214**	**17,386**

* Cross-currency interest rate swaps related to US Private Placement not included (see note 15 Book values of financial assets and liabilities by categories).

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21 EQUITY

The registered share capital of the company according the Articles of Association is EUR 361,692 thousand which was increased by EUR 95,600 thousand during the financial year. On 31 December 2007 the share capital of the company was EUR 266,092 thousand. TVO does not have a maximum or minimum limit for the share capital. The number of the shares on 31 December 2008 was 1,162,467,100. The shares are divided among the three series of shares follows: A series 680,000,000, B series 448,183,370 and C series 34,283,730 shares. During 2008 the number of the B series shares increased by 90,641,889. All series have been fully paid. The shares have no nominal price as is stipulated in the Finnish Limited Liability Companies Act.

On 23 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 thousand was paid in November and registered in December 2008.

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 €	Number of shares	Share capital	Share premium reserve	Share issue
1.1.2007	977,011,519	166,092	91,984	0
Share issue	94,813,692	100,000	150,399	95,600
31.12.2007	1,071,825,211	266,092	242,383	95,600
Share issue	90,641,889	95,600	0	-95,600
31.12.2008	**1,162,467,100**	**361,692**	**242,383**	**0**

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

Share number	**At 31.12.2008**	**At 31.12.2007**
A	680,000,000	680,000,000
B	448,183,370	357,541,481
C	34,283,730	34,283,730
Total	1,162,467,100	1,071,825,211

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 statutory reserve consists of EUR 9,948 thousand paid by Imatran Voima Oy, the predecessor of Fortum Power and Heat Oy, in 1979 when it became a eqyity holder in the company.

Fair value and other reserves
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 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 income statement, when the investments are relinquished or their value diminishes.

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

22 PROVISIONS

Environmental provisions

1,000 €	**2008**	**2007**
1.1.	1,200	0
Increase during the year	0	1,200
Used during the year	-835	0
31.12.	**365**	**1,200**

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

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23 INTEREST-BEARING LIABILITIES

1,000 €	2008	2007
Non-current 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	695,775	648,075
Bank loans	1,233,106	696,407
Loans from others	88,446	0
Finance leasing liabilities	135	553
Derivative financial instruments	43,982	8,524
Total	2,240,744	1,532,859
Current interest-bearing liabilities		
Bank loans	113,464	6,951
Other interest-bearing liabilities (Commercial paper program)	337,572	474,065
Finance leasing liabilities	419	356
Derivative financial instruments	8,910	1,690
Total	460,365	483,062
Total	**2,701,109**	**2,015,921**

* Subordinated loans

Maturity period of finance leasing liabilities

1,000 €	2008	2007
Finance lease liabilities - minimum lease payments		
No later than one year	435	383
Later than one year and no later than five years	140	575
Total	575	958
Finance leasing liabilities - current value of minimum rents		
No later than one year	419	356
Later than one year and no later than five years	135	553
Total	554	909

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

Notes to the Consolidated Financial Statement

TVO GROUP

24 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Advances received

1,000 €	2008	2007
Advances received from parent company	10,382	8,184
Advances received from others	8,239	6,571
Total	18,621	14,755

Trade payables

1,000 €	2008	2007
Trade payables from parent company	1	5
Trade payables from others	15,420	8,947
Total	15,421	8,952

Other current liabilities

1,000 €	2008	2007
Accruals and deferred income to parent company	491	531
Accruals and deferred income to others	134,229	84,920
Other liabilities	6,137	6,165
Total	140,857	91,616

Accruals and deferred income to others are allocated as follows:

1,000 €	2008	2007
Finnish State Nuclear Waste Management Fund	64,895	55,603
Accrued interests	21,470	10,781
Accrued personnel expenses	11,470	10,608
Accruals related to CO_2 emission rights	18,033	116
Other accruals and deferred income	18,361	7,812
Total	134,229	84,920

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 finance 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 fund in TVO´s balance sheet is calculated according to the interpretation in IFRIC 5 "Rights to interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds".

Provision related to the nuclear waste management obligation

The provision is related to future obligations for decommissioning of the power plant and disposal of spent fuel. The fair value of the provision is calculated according to IAS 37 based on discounted future cash flows which 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 €	2008	2007
The carrying value of TVO´s share in the Finnish State Nuclear Waste Management Fund (non-current assets)	599,789	568,121
Provision related to nuclear waste management (non-current liabilities)		
Beginning of the year	568,121	505,017
Increase in provision	17,145	34,620
Used provision	-22,616	-18,970
Changes due to discounting	37,139	47,455
End of year	599,789	568,121
The discount rate %	5.2	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 year are as follows:

1,000 €	2008	2007
Liability for nuclear waste management according to the Nuclear Energy Act	1,137,600	1,079,800
TVO´s funding target obligation 2009 (2008) to the Finnish State Nuclear Waste Management Fund	1,001,200	927,700
TVO´s share in the Finnish State Nuclear Waste Management Fund 31.12.2008 (31.12.2007)	968,551	897,247
Difference between the liability and TVO´s share of the fund 31.12.2008 (31.12.2007)	170,347	182,553

The legal liability calculated according to the Nuclear Energy Act in Finland and decided by the supervising authority (Ministry of Employment and the Economy) is EUR 1,137.6 (1,079.8) million on 31 December 2008 (31 December 2007). The carrying value of the liability in the balance sheet calculated according to IAS 37 is EUR 599.8 (568.1) million on 31 December 2008. The main reason for the difference between the carrying value of the provision and the legal liability is the fact that the legal liability is not discounted to net present value.

TVO´s share in the Finnish State Nuclear Waste Management Fund EUR 968.6 (897.2) million on 31 December 2008. The carrying value of the TVO´s share in the fund in the balance sheet is EUR 599.8 (568.1) million. The difference is due to the fact that IFRIC 5 limits the carrying amount of TVO´s interest in the Finnish State Nuclear Waste Management Fund to the amount of the related liability since TVO does not have control over the Finnish State Nuclear Waste Management Fund.

The difference between the funding target and the share in the Finnish State Nuclear Waste Management Fund at the end of 2008 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. The difference between the legal liability calculated according to the Nuclear Energy Act and TVO´s funding target obligation for 2009 is due to the section 46 of the Nuclear Energy Act, the Council of State accepted to periodise the funding target obligation for the years 2008–2012. TVO has issued to 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 €	2008	2007
No later than one year	245	281
Later than one year and no later than five years	104	244
Total	**349**	**525**

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

1,000 €	2008	2007
Minimum rents	279	263
Total	**279**	**263**

The rents for the financial period have been capitalised in the construction in progress (OL3) in the amount of EUR 7,000 (EUR 20,000 in 2007). Non-cancellable lease agreements have been made for the office equipment and vehicles.

Pledged promissory notes and financial guarantees

1,000 €	2008	2007
Pledged promissory notes to the Finnish State Nuclear Waste Management Fund	695,775	648,075
Guarantees given by shareholders related to the nuclear waste management obligation	264,700	120,400

The company under the nuclear waste management obligation is entitled to borrow an amount equal 75% of its share in the Finnish State Nuclear Waste Management Fund. TVO has lent the funds borrowed from the fund to its shareholders and has pledged the receivables from the shareholders as collateral for the loan.

The absolute guarantees given by the equity holders of the company are given to cover the unfunded portion of the nuclear waste management obligation and unexpected events as determined in the Nuclear Energy Act.

Investment commitments

Agreement-based commitments regarding the acquisition of property, plant and equipment:

1,000 €	2008	2007
OL1 and OL2	89,300	96,000
OL3	1,174,000	1,539,000
Total	**1,263,300**	**1,635,000**

Pending Court Cases and Disputes

In December 2008, TVO was informed by the International Chamber of Commerce (ICC) that the AREVA-Siemens Consortium (the Supplier) had filed a request for arbitration with them concerning the delay at OL3 and the ensuing costs incurred. This relates to a claim by the Supplier, made in respect of TVO, back in December 2007, which TVO considered and found to be without merit.

In August 2008, TVO submitted a claim to the Supplier together with TVO´s response to the Supplier´s earlier claim. In its claim, TVO demanded compensation from the Supplier for the costs and losses it incurred due to the project´s delay and other action on the part of the Supplier.

The Company is also involved in another arbitration proceeding, under ICC rules, concerning the costs of a technically resolved issue, in connection with the construction work at OL3. The amount, in the context of the value of the project, is minor.

Arbitration proceedings may continue for several years.

No receivables or provisions have been recorded as a result of the arbitration proceedings.

CO_2 emission rights

In principle TVO has, on 31 December, emission rights at least the same amount as the actual annual emissions are. If the actual emissions exceed the amount of the emission rights that TVO possesses, TVO has booked the expense for exceeding emission rights at the market value on 31 December.

Notes to the Consolidated Financial Statement

TVO GROUP

	2008 t CO_2	1,000 €	2007 t CO_2	1 000 €
Granted emission rights	296,283		905,074	
Total annual emissions from production facilities	661,466		1,130,003	
Possessed emission rights	660,731		1,150,074	
Emission rights sold *	100,000	2,246	0	0
Emission rights bought **	464,448	10,151	245,000	76
The SWAP trade of emission rights (EUA) and emission right reductions (CER). ***				
Emission rights sold (EUA)	33,000	748	0	0
Emission rights bought (CER)	33,000	524	0	0

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 corren-ponding share of gratuitous emission rights. TVO is responsible for the amount of emission rights corresponding to its share of the produc-tion of the plant.

* The sales of the emission rights are included in turnover.
** The purchases of the emission rights are included in materials and services. The emission rights that TVO possesses on 31 December are included in intangible assets on the balance sheet.
*** SWAP-trade means sales of emission rights (EUA) and the concurrent purchase of emission right reductions (CER), which means the exchange of EUA-units to corresponding amount of CER-units.

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 group as well as the Executive President and CEO and Executive Vice President.

The parent of company of TVO is Pohjolan Voima Oy. The other equity owners of the company 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 2008

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

2008	Sales	Purchases	Receivables	Liabilities
Polartest Oy	75	5,411	0	0
Posiva Oy	6,633	40,463	5,403	2

2007	Sales	Purchases	Receivables	Liabilities
Polartest Oy	13	2,213	10	78
Posiva Oy	6,152	33,941	4,745	0

Senior management's employee benefits

The senior management of TVO is comprised of the Board, President and CEO, Executive Vice President and Executive Management. The Group has not lent funds to the senior management and it does not engage in business transactions with senior management.

1,000 €	2008 Senior management	2007 Senior Management
Wages, salaries and other short-term benefits	1,904	1,666
Total	1,904	1,666

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

TVO GROUP

28 EVENTS AFTER THE BALANCE SHEET DATE

The OL3 turnkey Supplier (the consortium AREVA-Siemens) informed TVO in January 2009 that in its estimation,completion of the plant will be postponed until June 2012.

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

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: General information on the group.

TVO has two guiding financial principles. Firstly, to ensure TVO´s access to adequate liquidity reserves and secondly to reduce volatility in cash flows deriving form short- and medium-term changes in the financial markets.

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 Finnish 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

2008

1,000 €	2009	2010	2011	2012	2013–	Total
Loans from financial institutions *	113,464	132,628	11,645	579,311	605,624	1,442,672
Financing costs **	59,667	42,139	46,651	39,007	86,953	274,417
Loans from equity holders of the company					179,300	179,300
Financing costs	8,250	6,069	8,121	8,058	121,928	152,426
Loan from the Finnish State Nuclear Waste Management Fund ***					695,775	695,775
Financing costs	23,060	21,214	18,675	21,061	21,778	105,788
Finance lease liabilities	434	73	68			575
Commercial papers	347,500					347,500
Other liabilities	69,422					69,422
Interest rate derivatives	5,252	22,059	9,995	7,676	8,487	53,469
Forward foreign exchange contracts	30,971	14,155	26,430	11,057	64,343	146,956
Total	658,020	238,337	121,585	666,170	1,784,188	3,468,300

1 000 €	2009	2010	2011	2012	2013–	Total
Net cash flow of Forward foreign exchange contracts (fair value)	-2,662	-223	-840	258	4,045	578

* 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 2008, TVO had committed credit facilities of EUR 2,217.1 million. The undrawn and available amount of the committed credit facilities amounted to EUR 1,514.0 million. The committed credit facilities matures in 2012.

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
Loans from equity holders of the company					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 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 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.

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 can 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 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 34 (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.

	2008		2007	
1,000 €	Income statement	Equity	Income Statement	Equity
+ 10% change in EUR/USD exchange rate		-12,715		-11,691
- 10% change in EUR/USD exchange rate		12,715		11,691
1% upward parallel shift in interest rates	-3,761	41,964	14,655	21,824
1% downward parallel shift in interest rates	201	-45,180	-2,776	-26,649

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 1% parallel shift in the interest rate curve.
- The interest rate risk position includes the floating interest rate loan receivables, interest-bearing borrowing and the interest rate derivatives.
- The income statement is affected by the interest-bearing loan receivables, floating interest rate borrowings and the interest rate derivatives, excluding those interest rate derivatives that are designated as and qualifying for cash 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 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 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. The 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.

The Group´s objective is to have an equity ratio (IFRS) in the long-term at a level of approximately 25%. When calculating the equity ratio, the loan from the Finnish State Nuclear Waste Management Fund and the provision related to nuclear waste management are excluded. The loans from equity holders of the company are treated as equity.

TVO has no financial covenants in its loan agreements. However, according to the terms in some loan agreements, in a situation where TVO´s Equity ratio according to IFRS fall below 25%, the company is obligated offer a repayment of the loan capital.

The equity ratio monitored by TVO´s management is stated as below

	2008	2007
Equity ratio (%) (IFRS, Group) *	33.4	45.6
Equity ratio (%) (Parent company) **	33.1	43.6

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

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

Income Statement, FAS

PARENT COMPANY

1,000 €	Note	1.1.-31.12.2008	1.1.-31.12.2007
Turnover	1	**245,063**	**224,982**
Work performed for own purposes	2	10,366	9,847
Other income	3	27,744	14,333
Materials and services	4	-131,036	-123,114
Personnel expenses	5	-55,024	-50,918
Depreciation and write-downs	6	-49,165	-48,116
Other expenses	7	-74,197	-65,762
Operating profit (loss)		**-26,249**	**-38,748**
Financial income and expenses	8	-12,099	-9,494
Profit (loss) before extraordinary items		**-38,348**	**-48,242**
Extraordinary items +/-	9	969	304
Profit (loss) before appropriations and taxes		**-37,379**	**-47,938**
Appropriations	10	46,739	47,938
Income taxes		0	0
Profit (loss) for the financial year		**9,360**	**0**

Balance Sheet, FAS

PARENT COMPANY

1,000 €	Note		31.12.2008		31.12.2007
Assets					
Non-current assets					
Intangible assets	11		22,086		12,479
Tangible assets	11		2,387,843		1,846,684
Investments					
Holdings in Group companies	12	1,247		1,247	
Other investments	12	706,046	707,293	658,652	659,899
Total non-current assets			3,117,222		2,519,062
Current assets					
Inventories	13		181,272		159,739
Long-term receivables	14		756		801
Current receivables	15		116,376		191,080
Marketable securities	16		187,600		75,000
Cash and cash equivalents			14,043		5,689
Total current assets			500,047		432,309
Total assets			**3,617,269**		**2,951,371**
Equity and liabilities					
Equity					
Share capital	17		361,692		266,092
Share issue	17		0		95,600
Share premium reserve	17		232,435		232,435
Statutory reserve	17		9,948		9,948
Retained earnings (loss)	17		0		0
Profit (loss) for the financial year	17		9,360		0
Total equity			613,435		604,075
Appropriations			174,519		221,258
Provisions			365		1,200
Liabilities					
Non-current liabilities	18, 19		1,329,209		701,984
Shareholders' loans	18		179,300		179,300
Loan from the Finnish State Nuclear Waste Management Fund	18		695,775		648,075
Current liabilities	20		624,666		595,479
Total liabilities			2,828,950		2,124,838
Total equity and liabilities			**3,617,269**		**2,951,371**

Cash Flow Statement, FAS

PARENT COMPANY

1,000 €	2008	2007
Operation activities		
Operating profit (loss)	-26,249	-38,748
Adjustments to operating profit (loss) *	38,405	48,975
Change in working capital **	332	-5,088
Interest paid and other financial expenses	-33,292	-26,168
Dividends received	1,190	1,155
Interest received	27,546	20,960
Group contribution received	45	97
Taxes paid	0	-1
Cash flow from operating activities	**7,977**	**1,181**
Investing activities		
Acquisition of shares	-180	-671
Acquisition of non-current assets	-590,208	-230,061
Proceeds from sale of other investments	10,578	1,212
Proceeds from sale of intangible and tangible assets	149	114
Loan receivables granted	-48,259	-28,258
Repayments of loans granted	311	307
Cash flow from investing activities	**-627,609**	**-257,356**
Financing activities		
Share issue	95,600	100,000
Withdrawals of long-term loans	848,389	147,775
Repayment of long-term loans	-66,951	-11,446
Increase (-) or decrease (+) in interest-bearing receivables	41	62
Increase (+) or decrease (-) in short-term interest-bearing liabilities	-136,493	12,043
Cash flow from financing activities	**740,586**	**248,434**
Change in cash and cash equivalents	120,954	-7,741
Cash and cash equivalents January 1	80,689	88,430
Cash and cash equivalents December 31	**201,643**	**80,689**
* Adjustments to operating profit (loss)		
Depreciation and write-downs	49,165	48,116
Gain (-) or loss (+) from divestment of non-current assets	-9,925	-341
Other non-cash flow income and expenses	-835	1,200
Total	38,405	48,975
** Change in working capital		
Increase (-) or decrease (+) in inventories	-21,533	-12,332
Increase (-) or decrease (+) in non-interest-bearing receivables	-10,485	-8,335
Increase (+) or decrease (-) in short-term non-interest-bearing liabilities	32,350	15,579
Total	332	-5,088

Accounting Principles

1 Valuation principles

1.1 Non-current assets and their depreciation

Non-current assets have been capitalized at direct acquisition cost including interest costs over the period of construction less planned depreciation and received allowances. Depreciation according to plan is calculated on a straight-line basis according to the estimated useful economic lives.

The depreciation periods are as follows:

OL1 and OL2 nuclear power plant units		
Basic investment	61	years
Investments made according to the modernization programme	21–35	years
Automation investments associated with the modernization	15	years
Additional investments	10	years
TVO´s share in the Meri-Pori coal-fired power plant	25	years
Wind power plant	10	years
TVO´s share in the Olkiluoto gas turbine power plant	30	years.

1.2 Valuation of inventories

Materials and supplies have been valued at direct acquisition cost, coal on the basis of the FIFO principle (first in, first out), nuclear fuel according to calculated fuel consumption, and supply stocks at average acquisition cost. If the replacement value of inventories on 31 December is lower than the original acquisition cost, the difference will not be entered in the books as an expense because the company operates under the so-called Mankala principle (at cost price).

1.3 CO_2 emission rights

Emission rights are booked at historical cost. A current liability is recognised to cover the obligation to return acquired emission rights. If there are not enough emission rights to cover the return obligation, the current liability is booked for the deficit of emission rights at market price. The cost of emission rights is recognised in the income statement within materials and services. The income of the emission rights sold is compensated to the shareholders. Purchased emission rights have been entered in the balance sheet under intangible rights. Gratuitous emission rights are assets not included in the balance sheet.

1.4 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.

1.5 Items denominated in foreign currency

Transactions in foreign currency have been entered at the relevant exchange rate or at the transaction rate for purchase and sale of foreign currency. On the balance sheet date exchange rate differences on foreign currency accounts have been entered in the income statement under financial income and expenses.

1.6 Valuation of financial instruments

1.6.1 Marketable securities

Marketable securities comprise liquid shares in short-term money market funds and certificate of deposits. Marketable securities are valued in the balance sheet at their original acquisition cost. They are included in cash and cash equivalents in the cash flow statements.

1.6.2 Derivative financial instruments

Derivative financial instruments have not been entered on the balance sheet. Their nominal values and market values are presented 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 accrual basis and shown in net amount under financial income and expenses. The premiums on interest options have been accrued for the period during which the agreements are valid.

Payments of USD denominated inventory acquisitions have been hedged with currency forward contracts. The realized exchange rate differences of derivative financial instruments have been entered to adjust the acquisition cost of inventories.

2 Items related to nuclear waste management liability

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 the Economy confirms the legal liability of the company for nuclear waste management as of the end of the previous calendar year and the funding obligation target for the calendar year.

The company liable for nuclear waste management shall pay its contribution to the Finnish State Nuclear Waste Management Fund so that the company´s share in the Fund on 31 March is equal to the company funding obligation 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 fee is based on the company´s proposal. If the nuclear waste management fee set by the Finnish State Nuclear Waste Management Fund differs from the amount proposed by the company, the difference is entered in the accounts for the following financial year.

Nuclear waste management liability and the company´s share in the Finnish State Nuclear Waste Management Fund are presented in the notes to the financial statements.

The company must supply the Ministry with guarantees to cover for the difference between the legal nuclear waste management liability and the company´s share in the Finnish State Nuclear Waste Management Fund as well as for unforeseen expenses in nuclear waste management. Guarantees are presented in the notes to the financial statements.

A company, liable for nuclear waste management, or its shareholders, are entitled to a loan from the Finnish State Nuclear Waste Management Fund corresponding to 75% of the company´s share in the Fund. TVO uses the right to borrow back and loans the funds borrowed from the Fund further to its shareholders.

3 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, 00100 Helsinki.

Notes to the Income Statement

PARENT COMPANY

1,000 €	2008	2007
1 TURNOVER		
Olkiluoto 1 and 2	206,181	185,462
Meri-Pori	38,882	39,520
Total	245,063	224,982
Electricity delivered to equity holders of the company (GWh)		
Olkiluoto 1	7,039	7,317
Olkiluoto 2	7,288	7,032
Total Olkiluoto *	14,327	14,349
Meri-Pori	817	1,374
Total	15,144	15,723

* Includes wind energy 1.6 (1.8 in 2007) GWh and energy produced by gas turbine 0.5 (0.2) GWh.

1,000 €	2008	2007
2 WORK PERFORMED FOR OWN PURPOSES		
Personnel expenses of OL3	10,366	9,847
3 OTHER INCOME		
Rental income	3,058	3,066
Sales profit of tangible assets and shares	9,881	351
Sales of consulting services	14,189	10,327
Other income	616	589
Total	27,744	14,333
4 MATERIALS AND SERVICES		
Purchases, accrual basis		
Nuclear fuel	48,542	57,620
Coal	27,994	20,192
Materials and supplies	2,971	3,021
Increase (-) or decrease (+) in inventories	-21,533	-12,332
Total	57,974	68,501
CO_2 emission rights	10,675	76
Nuclear waste management		
Contribution to the Finnish State Nuclear Waste Management Fund *	33,419	30,490
Nuclear waste management services	22,616	18,248
Total	56,035	48,738
External services	6,352	5,799
Total	131,036	123,114

* Based on TVO´s proposal. If the contribution confirmed by the Finnish State Nuclear Waste Management Fund for the year differs from the proposal, the difference will be booked in the following financial year.

1,000 €	2008	2007
Consumption		
Nuclear fuel	38,174	38,288
Coal	17,425	27,357
Supplies	2,375	2,856
Total	57,974	68,501
5 NOTES CONCERNING PERSONNEL AND MEMBERS OF ADMINISTRATIVE BODIES		
Average number of personnel		
Office personnel	644	623
Manual workers	162	157
Total	806	780
Number of employees 31.12.		
Office personnel	633	610
Manual workers	144	140
Total	777	750

Notes to the Income Statement

PARENT COMPANY

1,000 €	2008	2007
Personnel expenses		
Wages and salaries	44,183	40,515
Pension expenses	7,079	6,678
Other compulsory personnel expenses	3,762	3,725
Total	55,024	50,918
Salaries and fees paid to management		
President and CEO and members of the Board of Directors	554	503
Management pension plan		
Some of the senior vice presidents of the Company may retire at the age of 60.		
6 DEPRECIATION AND WRITE-DOWNS		
Depreciation according to plan		
Other capitalised long-term expenses	1,451	1,538
Buildings and construction	9,271	7,857
Machinery and equipment	35,010	33,709
Other tangible assets	1,851	1,648
Write-downs in value of goods of non-current assets (OL1 and OL2)	1,582	3,364
Total	49,165	48,116
7 OTHER EXPENSES *		
Maintenance services	17,099	18,815
Regional maintenance and service	8,757	7,350
Research services	3,980	3,410
Other external services	15,515	13,734
Real estate tax	3,590	3,420
Rents	1,693	1,261
ITC expenses	4,390	2,861
Personnel related expenses	4,346	3,018
Corporate communications	3,037	1,848
Other expenses	11,790	10,045
Total	74,197	65,762
* The categories of other expenses have been changed.		
Auditors' fees and not audit-related services		
Audit fees	87	133
Auditors´ statements	1	1
Other services	105	104
Total	193	238
8 FINANCIAL INCOME AND EXPENSES		
Dividend income		
From other	1,190	1,155
Total	1,190	1,155
Interest income on long-term investments		
From Group companies	17,777	14,148
From others	13,349	10,618
Total	31,126	24,766
Other interest and financial income		
From Group companies	57	3
From other	3,249	3,109
Total	3,306	3,112
Interest income on long-term investments and other interest and financial income, total	34,432	27,878

Notes to the Balance Sheet

PARENT COMPANY

1,000 €	2008	2007
Interest expenses and other financial expenses		
To Group companies	6,312	5,552
To the Finnish State Nuclear Waste Management Fund	30,930	24,603
To others	67,606	52,534
Capitalised interest costs	-57,127	-44,162
Total	47,721	38,527
Total financial income (+) and expenses (-)	-12,099	-9,494
Financial income and expenses include exchange rate gains (+) and losses (-) (net)	-86	-1

9 EXTRAORDINARY ITEMS

	2008	2007
Extraordinary income/Group contribution	969	304

10 APPROPRIATIONS

	2008	2007
The difference of depreciation according to plan and tax depreciation	-46,739	-47,938

11 NON-CURRENT ASSETS

1,000 €	Formation expenses	Intangible rights	Other capitalised long-term expences	Advance payments	Total
Intangible assets					
Acquisition cost 1.1.2008	57,961	76	40,433	0	98,470
Increase	0	10,619	403	116	11,138
Decrease	0	-76	-4	0	-80
Transfer between categories	0	0	0	0	0
Acquisition cost 31.12.2008	57,961	10,619	40,832	116	109,528
Accumulated depreciation according to plan 1.1.	57,961	0	28,030	0	85,991
Accumulated depreciation from deduction	0	0	0	0	0
Depreciation according to plan	0	0	1,451	0	1,451
Book value 31.12.2008	**0**	**10,619**	**11,351**	**116**	**22,086**
Accumulated depreciation difference 1.1.	0	0	10,049	0	10,049
Change in depreciation difference	0	0	-1,451	0	-1,451
Accumulated depreciation difference 31.12.	0	0	8,598	0	8,598
Undepreciated acquisition cost in taxation 31.12.2008	0	10,619	2,753	116	13,488

1,000 €	Land and water areas	Buildings and construction	Machinery and equipment	Other tangible assets	Construction in progress and advance payments	Total
Tangible assets						
Acquisition cost 1.1.2008	8,390	252,770	1,138,906	29,950	1,313,263	2,743,279
Increase	241	2,211	9,908	2,537	574,090	588,987
Decrease	0	-93	-4,476	0	0	-4,569
Transfer between categories	0	9,779	4,650	395	-14,824	0
Acquisition cost 31.12.2008	8,631	264,667	1,148,988	32,882	1,872,529	3,327,697
Accumulated depreciation according to plan 1.1.	0	154,843	728,202	13,549	0	896,594
Accumulated depreciation from deduction	0	-93	-4,361	0	0	-4,454
Depreciation according to plan	0	9,271	36,592	1,851	0	47,714
Book value 31.12.2008	**8,631**	**100,646**	**388,555**	**17,482**	**1,872,529**	**2,387,843**
Accumulated depreciation difference 1.1.	0	25,011	185,106	1,091	0	211,208
Change in depreciation difference	0	-9,207	-34,230	-1,851	0	-45,288
Accumulated depreciation difference 31.12.	0	15,804	150,876	-760	0	165,920
Undepreciated acquisition cost in taxation 31.12.2008	8,631	84,842	237,679	18,242	1,872,529	2,221,923

Share of machinery and equipment from book value 31.12.2008	365,754
Share of machinery and equipment from book value 31.12.2007	388,870

Notes to the Balance Sheet

PARENT COMPANY

Capitalised interest costs

1,000 €	Formation expenses	Other capitalised long-term expenses	Buildings and construction	Machinery and equipment	Other tangible assets	Construction in progress	Total
Interest during construction period							
Acquisition cost 1.1.2008	11,601	3,530	31,133	112,781	2,609	126,124	287,778
Increase	0	0	0	0	0	58,038	58,038
Acquisition cost 31.12.2008	11,601	3,530	31,133	112,781	2,609	184,162	345,816
Accumulated depreciation according to plan 1.1.	11,601	2,088	20,012	72,223	1,689	0	107,613
Depreciation according to plan	0	107	444	1,693	33	0	2,277
Book value 31.12.2008	**0**	**1,335**	**10,677**	**38,865**	**887**	**184,162**	**235,926**
Accumulated depreciation difference 1.1.	0	1,442	11,121	40,558	920	0	54,041
Change in depreciation difference	0	-107	-444	-1,693	-33	0	-2,277
Accumulated depreciation difference 31.12.	0	1,335	10,677	38,865	887	0	51,764
Undepreciated acquisition cost in taxation 31.12. 2008	0	0	0	0	0	184,162	184,162

12 INVESTMENTS

1,000 €	Holdings in Group companies	Other stocks and shares	Loan receivables, Group companies	Loan receivables, others	Total
Acquisition cost 1.1.2008	1,247	5,659	372,797	280,196	659,899
Increase	0	180	27,721	20,586	48,487
Decrease	0	-683	-410	0	-1,093
Acquisition cost 31.12.2008	1,247	5,156	400,108	300,782	707,293
Book value 31.12.2008	**1,247**	**5,156**	**400,108**	**300,782**	**707,293**
Loan from the Finnish State Nuclear Waste Management Fund lent further to the equity holders of the company			395,498	300,277	**695,775**

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

The shares of associated company, Polartest Oy, has been sold on 31 December 2008. TVO´s share was 32% in 2007.

Notes to the Balance Sheet

PARENT COMPANY

1,000 €	2008	2007
13 INVENTORIES		
Coal		
Replacement cost	17,161	15,667
Book value	20,189	9,620
Difference	-3,028	6,047
Raw uranium and natural uranium		
Replacement cost	94,789	92,971
Book value	35,646	34,050
Difference	59,143	58,921
Coal	20,189	9,620
Raw uranium and natural uranium	35,646	34,050
Nuclear fuel	121,321	112,548
Supplies	4,116	3,521
Total	181,272	159,739
14 NON-CURRENT RECEIVABLES		
Receivables from Group companies	25	30
Loan receivables from others	731	771
Total	756	801
15 CURRENT RECEIVABLES		
Trade receivables	18,027	15,708
Receivables from Group companies		
Trade receivables	26,857	21,616
Loan receivables	367	316
Unpaid share issue	0	57,581
Prepayments and accrued income	20,012	14,702
Total	47,236	94,215
Other receivables	1,898	2,066
Unpaid share issue	0	38,019
Prepayments and accrued income		
Prepaid interests	10,828	8,281
Accrued interest income	14,573	11,285
Other accrued income	4,032	1,541
Other prepaid expenses	19,782	19,965
Total	49,215	41,072
Total	116,376	191,080

Notes to the Balance Sheet

PARENT COMPANY

1,000 €	2008	2007
16 MARKETABLE SECURITIES		
Money Market Funds and Certificate of Deposit		
Fair value	188,820	75,073
Book value	187,600	75,000
Difference	1,220	73
17 EQUITY		
Share capital 1.1.	266,092	166,092
From share issue	95,600	100,000
Share capital 31.12.	361,692	266,092
Share issue 1.1.	95,600	0
Share issue	0	195,600
To share capital	-95,600	-100,000
Share issue 31.12.	0	95,600
Share premium reserve 1.1.	232,435	232,435
Changes	0	0
Share premium reserve 31.12.	232,435	232,435
Statutory reserve 1.1.	9,948	9,948
Changes	0	0
Statutory reserve 31.12.	9,948	9,948
Retained earnings (loss) 31.12.	0	0
Profit (loss) for the financial year	9,360	0
Total	613,435	604,075

Notes to the Balance Sheet

PARENT COMPANY

1,000 €	2008	2007
18 NON-CURRENT LIABILITIES		
Bank loans	1,240,762	701,984
Other loans	88,447	0
Shareholders' loans *	179,300	179,300
Loan from the Finnish State Nuclear Waste Management Fund **	695,775	648,075
Total	2,204,284	1,529,359

* Subordinated loans.
** Lent further to the shareholders.

19 DEBTS DUE IN MORE THAN FIVE YEARS	706,371	477,853
20 CURRENT LIABILITIES		
Bank loans	113,464	6,951
Advance payments	7,930	6,262
Trade payables	15,415	8,928
Liabilities to Group companies		
Advance payments	10,382	8,184
Trade payables	4	4
Accruals and deferred income	491	531
Total	10,877	8,719
Other liabilities		
Interest-bearing liabilities	337,573	474,065
Other liabilities	6,061	6,129
Total	343,634	480,194
Accruals and deferred income		
Finnish State Nuclear Waste Management Fund	64,895	55,603
Accrued interests	21,469	10,781
Accrued wages and salaries	11,289	10,431
Accruals related to CO_2 emission rights	18,033	116
Other accruals and deferred income	17,660	7,494
Total	133,346	84,425
Total	624,666	595,479

Notes to the Balance Sheet

PARENT COMPANY		
1,000 €	**2008**	**2007**
21 DISTRIBUTABLE FUNDS		
Profit for the financial year	9,360	0
22 COMMITMENTS		
Leasing liabilities		
Leasing liabilities falling due in less than a year	404	520
Leasing liabilities falling due later	124	423
Total	528	943
Nuclear waste management		
Liability for nuclear waste management *	1,137,600	1,079,800
Assets in the Finnish State Nuclear Waste Management Fund 31.3.2009/31.3.2008	1,001,200	927,700
Collateral for nuclear waste management contingencies	264,700	120,400
Nuclear waste management loan receivables pledged to the Finnish State Nuclear Waste Management Fund	695,775	648,075

* Based on the nuclear waste management programme and proposal for the liability made by the Company and which is to be confirmed by the Ministry of Employment and the Economy in the beginning of 2009.

Pending Court Cases and Disputes

See note 26 Obligations and other commitments in the consolidated financial statements.

23 DERIVATIVE FINANCIAL INSTRUMENTS		
Interest rate derivatives		
Option agreements, purchased (nominal value)	1,290,000	1,320,000
Fair value	1,914	5,890
Option agreements, sold (nominal value)	1,290,000	1,320,000
Fair value	-4,841	211
Interest rate swaps (nominal value)	1,578,446	1,090,000
Fair value	-42,569	20,733
Forward foreign exchange contracts		
Forward foreign exchange contracts (nominal value)	146,956	145,201
Fair value	578	-9,447

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	**2008**	**2007**	**2008**	**2007**
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.	357,541,481	262,727,789	144,664	44,664
Change	90,641,889	94,813,692	95,600	100,000
31.12.	448,183,370	357,541,481	240,264	144,664
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	1,162,467,100	1,071,825,211	361,692	266,092

According to the Articles of Association, TVO delivers electricity to its shareholders on the so-called Mankala basis, 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 of 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

In principle TVO has, on 31 December, emission rights at least the same amount as the actual annual emissions are. If the actual emissions exceed the amount of the emission rights that company possesses, the company has booked the expense for exceeding emission rights at the market value on 31 December.

	2008		**2007**	
	t CO_2	1,000 €	t CO_2	1,000 €
Granted emission rights	296,283		905,074	
Total annual emissions from production facilities	661,466		1,130,003	
Possessed emission rights	660,731		1,150,074	
Emission rights sold *	100,000	2,246	0	0
Emission rights bought **	464,448	10,151	245,000	76
The SWAP trade of emission rights (EUA) and emission right reductions (CER). ***				
Emission rights sold (EUA)	33,000	748	0	0
Emission rights bought (CER)	33,000	524	0	0

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.

* The sales of the emission rights are included in turnover.
** The purchases of the emission rights are included in materials and services. The emission rights that company possesses on 31 December are included in intangible rights on the balance sheet.
*** SWAP-trade means sales of emission rights (EUA) and the concurrent purchase of emission right reductions (CER), which means the exchange of EUA-units to corresponding amount of CER-units.

Proposals to the Annual General Meeting

Teollisuuden Voima Oyj´s profit for the financial year is EUR 9,360,000. The Board of Directors proposes to the Shareholders´ Meeting that no dividend shall be paid.

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

Helsinki, 27 February 2009

Tapio Kuula
Timo Rajala
Hannu Anttila
Mikael Hannus
Tapio Korpeinen
Juha Laaksonen
Matti Ruotsala
Seppo Ruohonen
Esa Tirkkonen
Rami Vuola

Jarmo Tanhua
President and CEO

Auditor's Report

To the Annual General Meeting of Teollisuuden Voima Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Teollisuuden Voima Oyj for the year ended on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company´s balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company´s financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor´s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity´s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

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

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

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

We recommend that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 13 March 2009

PricewaterhouseCoopers Oy
Authorized Public Accountants

Eero Suomela
APA

Niina Vilske
APA

Board of Directors

Elected at the Annual General Meeting on 25 April, 2008,
and one member at an extraordinary Shareholders´ Meeting on 15 October, 2008.

Up from the left

***Rami Vuola**, b. 1968, M.Sc. (Eng.), President & CEO, Etelä-Pohjanmaan Voima Oy*
***Juha Laaksonen**, b. 1952, M.Sc. (Econ.), CFO, Fortum Oyj*
***Hannu Anttila**, b. 1955, M.Sc. (Econ.), Executive Vice President, Strategy, Metsäliitto Group*
***Mikael Hannus**, b. 1968, M.Sc.(Eng.), Vice President Energy, Stora Enso Oyj*
***Matti Ruotsala**, b. 1956, M.Sc. (Eng.), President, Generation, Fortum Power and Heat Oy*
***Seppo Ruohonen**, b. 1946, M.Sc. (Eng.), Managing Director, Helsingin Energia*

Down from the left

***Tapio Kuula,** Chairman, b. 1957, M.Sc. (Eng.), M.Sc. (Econ.), President, Fortum Power and Heat Oy*
***Timo Rajala**, Deputy Chairman, b. 1947, M.Sc. (Eng.), President & CEO, Pohjolan Voima Oy*
***Esa Tirkkonen**, b. 1949, M.Sc. (Eng.), Deputy CEO, Kemira Oyj*
***Tapio Korpeinen**, b. 1963, M.Sc. (Eng.), MBA, President, Energy & Pulp, UPM-Kymmene Oyj*

Management Group

Up from the left

***Mikko Kosonen**, Senior Vice President, Production*
***Rainer Karlsson**, personnel representative, Foreman*
***Esa Mannola**, Senior Vice President, Nuclear Engineering*
***Reijo Sjöblom**, personnel representative, technical buyer*
***Jouni Silvennoinen**, Senior Vice President, Project*
***Reijo Sundell**, Senior Vice President, Company Services*

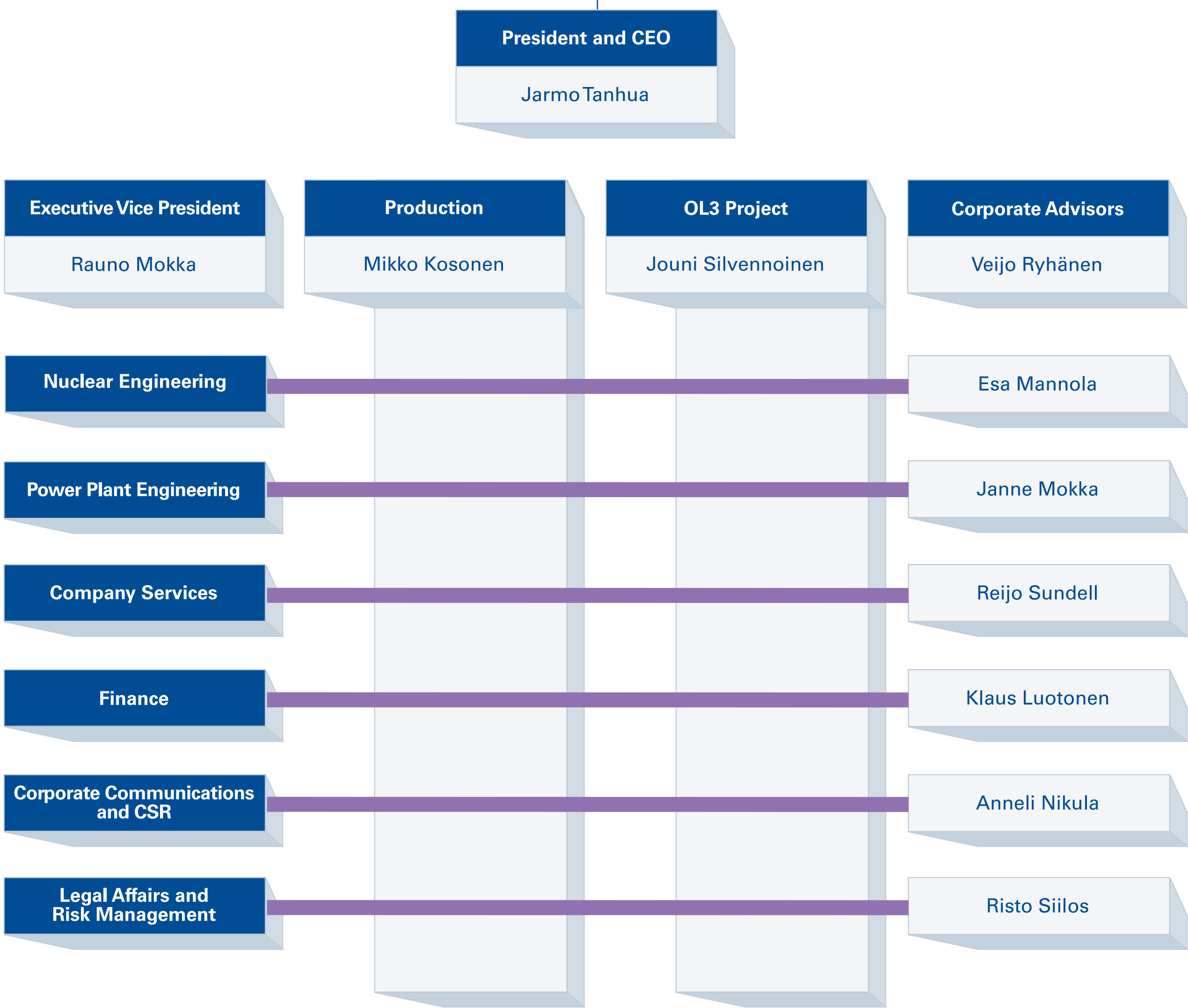
Down from the left

***Klaus Luotonen**, Senior Vice President, Finance*
***Risto Siilos**, Senior Vice President, Legal Affairs and Risk Management, Deputy CEO*
***Jarmo Tanhua**, President and CEO*
***Janne Mokka**, Senior Vice President, Power Plant Engineering*
***Anneli Nikula**, Senior Vice President, Corporate Communications and CSR*

*Personnel representative Mr. **Kari Halminen**, Facility Services, does not appear in the photo.*

Basic Organization

31 December, 2008



Committees appointed by the Board of Directors
Auditors

31 December, 2008

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:*** *Elina Engman, b. 1970, M.Sc. (Eng.), Vice President, Energy, Kemira Oyj*
- *Jukka Kleemola, b. 1962, M.Sc. (Eng.), eMBA, Vice President, Energy, M-real Oyj*
- *Jukka Mikkonen, b. 1955, M.Sc. (Eng.), Director, Energy, Finland, Stora Enso 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:*** *Mikko Kosonen, Senior Vice President, Production, 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, M.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*
- *Seppo Ruohonen, b. 1946, M.Sc. (Eng.), Managing Director, Helsingin Energia*
- *Jukka Ryhänen, b. 1968, M.Sc. (Econ.), Vice President, Group Treasurer, Kemira Oyj*
- *Jouni Seppälä, b. 1963, M.Sc. (Econ.), Senior Vice President, Stora Enso Oyj*
- *Jarmo Tanhua, President and CEO, TVO*
- ***Expert:*** *Klaus Luotonen, Senior Vice President, Finance, TVO*
- ***Secretary:*** *Lauri Piekkari, Vice President and Treasurer, Financing, TVO*

The Economics Committee assisting the President and CEO

- ***Chairman:*** *Jarmo Tanhua, 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*
- *Päivi Lahti, Manager, Accounting, TVO*
- ***Secretary:*** *Anja Ussa, Controller, 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.)*
- *Ami Rastas, b. 1943, Lic. Tech.*
- *Matti Ruotsala, b. 1956, M.Sc. (Eng.), President, Generation, Fortum Power and Heat Oy*
- *Jarmo Tanhua, President and CEO, TVO*
- ***Expert:*** *Jouni Silvennoinen, Senior Vice President, Project, TVO*
- ***Secretary:*** *Risto Siilos, Senior Vice President, Legal Affairs and Risk Management, Deputy CEO, TVO*

Auditors

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

Financial Publications

Financial Publications in 2008
Annual Report 2007
Annual Review 2007
Interim Report January–June 2008

Financial Publications in 2009
Annual Report 2008 on 16 March, 2009
Interim Report January–June 2009 on 13 July, 2009

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Teollisuuden Voima Oyj
Olkiluoto
FI-27160 EURAJOKI, FINLAND
Tel. +358 2 83 811
Fax +358 2 8381 2109
www.tvo.fi

Teollisuuden Voima Oyj
Töölönkatu 4
FI-00100 HELSINKI, FINLAND
Tel. +358 9 61 801
Fax +358 9 6180 2570

Teollisuuden Voima Oyj
4 rue de la Presse
BE-1000 BRUSSELS, BELGIUM
Tel. +32 2 227 1122
Fax +32 2 218 3141