KEMIJOKI

WORKING TOGETHER

2015

Financial Statements

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WORKING TOGETHER

New operating model yields results

THE BENEFITS OF THE CHANGE of operating model have exceeded our expectations. Everyday work with 11 partner companies goes smoothly.

As a whole, the new operating model has gotten off to a good start in 2015. We are exceeding the targets set for the change, both with regards to cost savings and other benefits. Operating conditions of hydropower as well as Kemijoki Oy are good. The availability of our power plants is high. We produce hydroelectricity cost-efficiently and are able to adapt to changing conditions. The agile, partnership-based operating model is the right strategic direction.

Kemijoki Oy and its partners monitor the service level indicators on a regular basis and assess the cooperation. An integral part of our joint activities is finding development areas and implementing development projects. Our way of measuring partner satisfaction and network benefits from the viewpoint of all stakeholders is unique.

In 2015, we continued the transfer of control room operations to Fortum. The transfer will be carried out in stages during a long, nearly two-year transition period. This ensures safe and efficient hydropower production control. Another major undertaking was the sale of the regional grid and the share capital of Lapin Sähköverkko Oy to Caruna, which was concluded in August. Electricity grid business is related to that of our own, and Caruna will focus on the maintenance and long-term development of electricity grids in the future.

We develop our power plants in the long term, which is an integral part of ensuring the operational preconditions as well as of our asset management. The second unit of Taivalkoski power plant was taken into use after the refurbishment was completed. As an environmental investment, oil was replaced with water as a lubricant for the runner hubs. In addition, the improved efficiency of the unit means that the same amount of water will produce more electricity. By the end of 2015, 70 per cent of the total power of our units was generated by water-lubricated turbine runner hubs. We will continue making environmental investments also in connection with future refurbishments.

The operating environment provided by the nature tested our flexibility in 2015. The water volumes particularly in Kemijoki were exceptionally high due to heavy rains in the summer and autumn. The spring flood volume exceeded the average by 40 per cent and was the third largest since 1964. We handled the challenge well.

Occupational safety is one of the key areas of our partner cooperation. No accidents occurred to Kemijoki Oy's own personnel during 2015. Our goal is to achieve a zero-accident workplace. In 2015, two accidents occurred in operations outsourced to Kemijoki Oy's partner companies.

EACH KEMIJOKI EMPLOYEE contributes to our performance through their competence and work effort, which is central to the implementation of the new operating model. It has been great to witness the level of motivation in our employees to develop their procurement skills. I want to thank all of our employees and to also welcome the new recruits.

SUSTAINABILITY IS at the core of Kemijoki Oy's operations. Our corporate responsibility programme comprises six main themes that cover social responsibility, environmental responsibility and economic responsibility. Related topics with targets and indicators have been defined for each of the themes.

Long-term environmental work and conservation of biodiversity are part of Kemijoki Oy's corporate responsibility. We are preparing a power plant project located in Sierilä, which progressed during the year. Conserving the population of a rare butterfly, Capricornia boisduvaliana (leaf-roller butterfly), is an important part of the preparation work. In June, Kemijoki Oy was granted permission to deviate from conservation regulations of the Nature Conservation Act by the Lapland Centre for Economic Development, Transport and the Environment. Our goal is to ensure that living conditions in the region remain favourable for the species. The Sierilä power plant would produce 155 GWh of renewable and emission-free domestic energy per year, covering the annual electricity needs of about 22,000 four-person households.

"WE ARE EXCEEDING THE TARGETS SET FOR THE CHANGE

OUR FIELD OF STAKEHOLDERS is uniquely diverse and broad. In dozens of occasions during the year, we met parties that hydropower and our operations touch in various ways. These include people that use rivers for recreation or livelihood, local residents and decision-makers, as well as fishing areas.

In early spring, we organized a service design competition together with Arctic Design Week to find prerequisites for quality of life in villages on the Kemijoki riverside. Hundreds of children and young people unleashed their creativity in the My river ("Minun jokeni") competition by telling what the river means to them. In the summer, we were partners at the Midnight Sun Film Festival in Sodankylä. In the autumn, we welcomed more than 1,000 neighbours to visit the Taivalkoski power plant.

In the spring, we researched our stakeholders' opinions on hydropower and Kemijoki Oy's operations. According to the research, people have a positive view of hydropower and feel that cooperation with us runs smoothly. In 2016, we will carry out a stakeholder survey targeted at riverside residents in particular and will arrange small-scale get-togethers in the neighbourhood of our hydropower plants. These are important ways for us to listen to our riverside neighbours and talk with them.

In what direction will the needs of the riverside people, businesses and other actors develop? What is the role of the northern waterways in the future on a regional level, for the rest of Finland and globally? In August, we invited decision-makers of our stakeholder groups to discuss these issues with us. We reached a strong shared vision of the growing importance of the Arctic region due to new transport routes, for example.

OUR STRATEGY HAS a strong focus on the future. We have identified five priorities: safeguarding essential competencies, implementation of operation and maintenance as well as investments, outsourcing contract management, completion of the Sierilä project and finding a sustainable solution for migratory fish. These priorities guide our work towards the vision of Kemijoki Oy as the most respected and responsible producer of renewable hydropower.

Finland's strength and distinctive feature is the tradition of diverse use of nature and the related know-how. The coexistence of different needs is a key issue also in the future. Rivers and waterways are currents of life for both business and recreation. Go the river to see the world from the water and to discover the opportunities provided by the new perspective.

TUOMAS TIMONEN
CEO

REPORT OF THE BOARD OF DIRECTORS

Kemijoki Oy is a so-called Mankala company, which means that the main purpose of Kemijoki Oy is to produce electricity at cost price and cost-efficiently for its shareholders. An annual report including a report of the Board of Directors, financial statements and a sustainability report has been compiled on the Company and its operations in 2015.

PRODUCTION AND INVESTMENTS

During 2015, the Company's hydropower plants produced a total of 5,333 GWh of electricity, representing 32 per cent of the hydropower electricity produced in Finland. Production exceeded the long-term average by 19 per cent and was the second-largest annual production in the Company's operating history. Water reservoirs increased by 309 GWh during the year. Due to heavy rainfall, the fill level of the water reservoirs was 114 per cent at the end of the year.

The total availability of power plants affecting production was better than planned, at 97.46 per cent. The availability taking into account only unexpected interruptions caused by disturbances was excellent at 99.77 per cent. The longest outage was caused by refurbishment of unit 2 at Taivalkoski.

The refurbishment of Taivalkoski unit 2 was concluded in December 2015, resulting in improved efficiency and significantly decreased risk of oil spills.

The decision made by the Northern Finland Regional State Administrative Agency regarding the Loue-Tervola river channel improvement project became legally valid when the Supreme Administrative Court rejected a related appeal. The Vaasa Administrative Court upheld the water management permit granted by the Northern Finland Regional State Administrative Agency in 2011 for the construction of Sierilä hydropower plant. The Administrative Court's decision was appealed to the Supreme Administrative Court, where the case is pending.

Investments totalled EUR 33.3 million. The repurchase of the River Lieksanjoki and River Kymijoki machinery at the end of the leasing agreement accounted for EUR 22 million of the investments.

CHANGE OF OPERATING MODEL AT KEMIJOKI OY

In 2015, changing the operating model to a procurement and specialist organization proceeded according to plan. The targets set for the change were exceeded both with regards to cost savings and other benefits. The change of the operating model decreased the Company's personnel costs and other costs further in 2015. At the same time, the costs of external services increased. More benefits can be expected, when the control room arrangements are concluded during 2016. In November 2014, the Board of Directors decided to outsource the Company's control room operations to Fortum Power and Heat Oy. Kemijoki Oy's control room operations will be transferred to Fortum in stages during a long, nearly two-year transition period. On 30 November 2015, the control room operations were transferred from Rovaniemi to Keilaniemi, where operations and training continue as planned.

Kemijoki Oy's group structure was dissolved during 2015. Its subsidiaries Seitalohi Oy and Vesivoimalaitosten Konehuolto Oy were dissolved. The assets of Kivisommelo real estate company were sold and the company will be dissolved in 2016. For these reasons, Kemijoki Oy stopped preparing consolidated financial statements.

In August, Kemijoki Oy signed an agreement to sell its regional grid and the share capital of Lapin Sähköverkko Oy to Caruna Oy, which is Finland's largest electricity transmission company. The sale of the shares of Lapin Sähköverkko Oy lowered the net financing expenses.

FINANCES

Because Kemijoki Oy operates on cost price principle, analysis of financial indicators is not relevant.

Cost-efficiency is the Company's main financial goal. The parent Company's expense structure developed according to plan. The sale of frequency-controlled reserves did not reach the planned level in 2015. Real estate taxes accounted for the single most significant expenditure, amounting to EUR 17.9 million.

The total for the Company's entire loan portfolio was EUR 379.1 million at the end of 2015. The Company's long-term financing loans amounted to EUR 298.7 million. During the year, new long-term financing loans totalling EUR 50 million were taken out. A long-term financial leasing agreement, the capital of which is EUR 22.0 million, ended in December and the Company repurchased the machinery. At the end of the year, the Company's short-term financing loans amounted to EUR 80.4 million. Short-term financing and liquidity management have been arranged by way of a commercial paper programme and credit facilities. The Company's liquidity remained good.

The average interest rate for financing was 1.99 per cent at the end of the year. The hedging rate of the financing portfolio was 60.8 per cent at the end of the year.

The depreciation difference in the Company's balance sheet was reduced by the maximum amount, EUR 4.2 million. At the end of the year under review, the balance sheet total was EUR 474.2 million. The Company's equity ratio was 17.0 per cent.

Other operating income from services and the selling of property totalled EUR 21.5 million.

ADMINISTRATION AND MANAGEMENT

In addition to valid legislation and the Articles of Association, Kemijoki Oy follows the principles of sound corporate governance. Kemijoki Oy's administration and decision-making are guided by the Articles of Association, the goals and principles of the Company operations and the rules of prodecure of the administrative bodies. The Company also complies, as applicable, with the Corporate Governance Code approved by the Finnish Securities Market Association unless the Articles of Association provide otherwise.

The highest decision-making body of the Company is the Annual General Meeting. The Annual General Meeting was held on 8 May 2015.

The Company has a Supervisory Board, whose duty is to supervise the administration of the Company, led by the Board of Directors and the CEO, and to instruct the Board in far-reaching and important matters of principle. The Supervisory Board has at least six and at most eleven members.

At the Annual General Meeting, Administration Director Ari Heikkinen was elected Chairman of the Supervisory Board. Member of Parliament Heikki Autto, CEO Hilkka Halonen, Member of Parliament Olli Immonen, Member of Parliament Harri Jaskari, Member of Parliament Paula Lehtomäki, General Counsel Juha Mäkelä, Member of Parliament Johanna Ojala-Niemelä, Director Anne Särkilahti and Managing Director Tatu Rauhamäki continued as members of the Supervisory Board.

Esa Hyvärinen was elected as new member to replace former member Director Tiina Tuomela.

Paula Lehtomäki left the Supervisory Board on 1 July 2015 after becoming appointed Secretary of State.

A unanimous decision was made by the shareholders of Kemijoki Oy to appoint Member of Parliament Markus Lohi as a new member of the Supervisory Board as of 26 August 2015 to replace Paula Lehtomäki.

At the proposal of the State of Finland, a unanimous decision was made by the shareholders of Kemijoki Oy on 4 December 2015 to decrease the number of Supervisory Board members to 10. In addition, the shareholders decided that the membership of the following Supervisory Board members will end: Administration Director Ari Heikkinen (chairman), Chairman of the City Council Heikki Autto, Member of Parliament Olli Immonen, Member of Parliament Harri Jaskari and Member of Parliament Johanna Ojala-Niemelä. Member of Parliament Sari Essayah (vice chairperson), farmer Henna Kupsala, Member of Parliament Mikko Kärnä and Member of Parliament Wille Rydman (chairman) were elected as new members of the Supervisory Board.

The Supervisory Board held three meetings. Average attendance at the meetings was 75 per cent.

The Board of Directors of Kemijoki Oy is in charge of the administration and organisation of the Company's activities in compliance with legislation and the Articles of Association. The Board of Directors has at least six and at most eight members.

At the Annual General Meeting, the following were elected to the Board of Directors: COO Matti Ruotsala (chairman), Vice President Risto Andsten, CEO Elina Engman, CEO Tapio Jalonen, CFO, Executive Vice President Tapio Korpeinen (vice chairman), CEO Pekka Manninen and Ministerial Adviser Jukka Ohtola.

In 2015, the Board of Directors had seven members. The Board of Directors held 14 meetings. Average attendance at the meetings was 97 per cent. The Board of Directors evaluates its own activities on an annual basis, which was also the case in 2015.

Corporate responsibility is a key focus area of Kemijoki Oy. The Company's Board of Directors is in charge of the strategic management and supervision of corporate responsibility according to the Board of Directors' rules of procedure. The CEO reports on the progress of corporate responsibility activities to the Board of Directors on a regular basis.

Internal audits are outsourced to PricewaterhouseCoopers Oy. The assessments are reported to the Board of Directors. The Board of Directors approves the internal audit plan annually. In 2015, the internal audit evaluated the corporate responsibility processes, the financing process and the obligation and environmental work processes.

The Annual General Meeting elected KPMG Oy Ab, a company of Authorised Public Accountants, as Kemijoki Oy's auditor, with Antti Kääriäinen, APA, CPFA as the principal auditor.

On 8 May 2015, the Annual General Meeting decided to revoke its authorisation granted to the Board of Directors on 18 April 2007 to decide on the assignment of 412,580 B-series shares owned by the Company. A unanimous decision was made by the shareholders on 17 June 2015 to assign the 412,580 B-shares (16.9% of all shares) owned by the Company by arranging a directed share issue against payment where each current A-series shareholder is entitled to subscribe for new shares in proportion to their holding of A-series shares. The share subscription price was EUR 6,972,602 in total, and all 412,580 B-series shares were subscribed for by the A-series shareholders in the aforementioned proportion to their holdings.

In 2015, a Production Sharing Agreement Working Group appointed by the Board of Directors drew up a new model of production sharing between hydropower shareholders and Kemijoki Oy. The Board of Directors approved the production sharing agreement at its meeting on 4 September 2015 for its part and decided to send it to shareholders for approval. The new production sharing agreement will not enter into force until the production sharing contract between the shareholders has been updated.

RISK MANAGEMENT

The goal of risk management is to ensure the continuity and development of the Company's operations, and to support the Company in achieving its strategic and financial goals. The Board of Directors annually reviews the Company's risk ma-

KEY FIGURES FOR THE GROUP 2011-2014 AND KEY FIGURES FOR THE PARENT COMPANY 2015

	2011	2012	2013	2014	**2015**
Turnover MEUR	41.1	41.0	36.5	38.8	**38.7**
Other operating income MEUR	10.1	14.5	20.7	18.1	**21.5**
Operating expenses excl. real estate tax MEUR	36.9	41.0	44.5	45.0	**38.5***
Real estate tax MEUR	16.8	17.2	17.2	18.1	**17.9**
Salaries and benefits paid to personnel MEUR	12.0	11.4	11.8	6.1	**3.7**
Profit/loss for the financial period MEUR	-7.7	-8.3	-7.0	-10.4	**0.8**
Equity ratio %	22.7	20.7	19.0	17.0	**17.0**
Balance sheet total MEUR	459.5	461.5	457.8	452.9	**474.2**
Gross investments MEUR	21.5	11.8	12.6	14.4	**33.3**
Research and development MEUR	0.2	0.2	0.1	0.1	**0.4**
Average number of personnel	261	224	218	78	**44**

*Figure corrected on 19 April 2016

nagement guidelines and related instructions. In 2015, a comprehensive risk assessment was made. The Board discussed the key risks related to the Company's activities and their management.

The CEO is responsible for the proper organisation of risk management according to the guidelines of the Board's risk management policy.

The Company's most important property, the power plants and dams, has been insured according to the insurance policy approved by the Board of Directors. Systematic maintenance of power plants and dams as well as the constant development of operating processes are used as safeguards against risks. In the current digital and fundamentally changing business environment, the importance of corporate security is emphasised as part of risk management. A fire or a major machine breakdown at a power plant or a dam rupture could cause substantial damage to property, as well as losses due to unplanned interruptions. The key risks also involve increasingly stringent and ambiguous environmental legislation and potential changes in taxation and tax-like fees. When legislative provisions allow for several interpretations, this breeds insecurity in the investment environment and undermines the predictability of permit processes. Prolonged permit processes also have economic impacts. Raising taxes or imposing additional fees would further add to the Company's operating expenses. The Company manages financial risks according to the financing policy approved by the Board of Directors.

Environmental risks are managed according to the environmental management system. Risks associated with personnel are taken into account in the human resources policies and plans related to personnel development. Risks associated with the Company's data security are managed by way of adequate technical solutions and training and instructions given to the personnel.

ENVIRONMENTAL ISSUES

The most significant environmental impacts arising from the operations of the Company have to do with the construction of new power plants, the water regulation used at existing power plants, and the regulation of waterways. To reduce adverse environmental impacts, about 8.5 per cent of the turnover, EUR 3.3 million, was used for environmental management. Fisheries obligations accounted for EUR 2.4 million of this sum.

The Company observes environmental policies which are reviewed annually. The Company's environmental system is certified under the ISO 14001 standard. The Company is also committed to improving its energy efficiency in accordance with the Finnish Energy Efficiency Agreement for Industries.

PERSONNEL

In the beginning of the year, the Company employed 44 persons and, at the end of the year, 42 persons. During the year under review, the Company employed 44 people on average. The structure and changes of personnel are presented in more detail in the corporate responsibility report (in Finnish only).

The level of occupational safety in the Company is excellent. No accidents occurred to Kemijoki Oy's personnel during the year under review. The accident frequency rate was 0. In 2014, the average accident frequency rate in the energy industry was 17.6. During the reporting period, two occupational accidents occurred in the outsourced operations, resulting in 11 days of absence from work.

BONUS AND INCENTIVE SYSTEMS

Kemijoki Oy uses a performance bonus system for both management and personnel. The Board of Directors approves the personnel's performance bonus system and its principles. Performance bonuses for both personnel and management and the setting of their size and related targets comply with the guidelines issued by the Cabinet Committee on Economic Policy regarding the remuneration of executive management and key personnel. The performance bonus system supports the attainment of the Company's financial and operating goals. Employees may also be rewarded with a bonus for exceptionally good performance that produces added value for the Company.

The Board of Directors approves the pay and the grounds for performance bonuses for the CEO and the Management Team. The compensation payable to the CEO and the Management Team consists of basic salary and a performance bonus.

The performance bonus for the CEO is based on achieving the Company's targets. The amount of performance bonus payable depends on how well the Company's financial and operational targets are attained, and it is no more than 40 per cent of the fixed annual salary. The performance bonus is paid to the CEO until the end of his or her contract in accordance with the criteria set by the Board of Directors.

The Company's CEO has signed an executive agreement that includes no pension benefits. The retirement age for the CEO is 63 years.

The criteria for the performance bonus for the Management Team are set by the Board of Directors and are based on how well the Company's financial and operational targets are attained. The amount of performance bonus payable is no more than 30 per cent of the fixed annual salary. The fees payable to the members of the Supervisory Board and the Board of Directors are determined at the Annual General Meeting.

OUTLOOK FOR THE NEAR FUTURE

In 2016, the Company will assess the need for change in Kemijoki Oy's own operations and outsourcings in the following years. The change in the operating model will be completed, when running of the control room operations is transferred to Fortum Power and Heat Oy.

Refurbishments at power plants and investments in the environment will be continued in accordance with the investment plan. Units 1 and 3 at Taivalkoski will be refurbished during 2016–2017. The environmental investment includes replacing oil with water as a lubricant for the runner hubs of the turbines.

The Loue-Tervola river channel improvement project will be carried out largely during 2016.

The planned implementation schedule of the Sierilä power plant project will be updated taking into account the prolonged permit process.

PROPOSAL FOR DISTRIBUTION OF PROFIT

The total sum of distributable profit available to the parent company amounts to EUR 9,613,718.43 as of 31 December 2015. After the end of the financial year, no changes have taken place that would have a significant effect on the Company's operations.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.34 per share, as stated in the Articles of Association, be paid to the B-series shares not owned by the Company at the time of payment, a total of EUR 794,575.92.

The Annual General Meeting will be held in Helsinki on 4 April 2016, at 13:00.

Espoo, 17 February 2016
Board of Directors of Kemijoki Oy

KEMIJOKI OY

Financial Statements, 31 December 2015

PARENT COMPANY PROFIT AND LOSS ACCOUNT

	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Turnover	**38,676,758.25**	37,359,610.10
Other operating income	21,463,964.84	15,822,673.48
Materials and services		
Materials, supplies	-1,965,613.23	-2,408,545.58
External services	-14,540,471.79	-12,033,949.88
Personnel expenses	-3,706,011.74	-5,205,326.63
Depreciation, amortization and value adjustments	-13,986,275.79	-13,830,000.54
Other operating expenses	-23,224,724.70	-25,691,508.15
Profit (loss)	**2,717,625.84**	-5,987,047.20
Financial income and expenses	-6,048,108.00	-6,770,162.13
Profit/loss before appropriations and taxes	**-3,330,482.16**	-12,757,209.33
Appropriations		
Change in depreciation (+ increase / - decrease)	4,206,728.06	13,357,096.75
Income taxes	-96,862.01	-4,216.41
Profit for the financial period	**779,383.89**	**595,671.01**

PARENT COMPANY BALANCE SHEET

	31 Dec 2015	31 Dec 2014
ASSETS		
Fixed assets		
Intangible assets	28,513,244.27	29,130,840.91
Tangible assets	436,113,475.51	419,239,021.33
Investments	590,118.95	693,775.10
	465,216,838.73	**449,063,637.34**
Current assets		
Long-term receivables	41,370.00	1,035.00
Short-term receivables	7,103,936.03	2,407,684.19
Cash in hand and in bank	1,793,447.11	894,257.61
	8,938,753.14	3,302,976.80
Total assets	**474,155,591.87**	**452,366,614.14**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	41,285,753.60	41,285,753.60
Contingency fund	693,754.63	693,754.63
Invested unrestricted equity fund	6,972,602.00	0.00
Retained earnings	1,861,732.54	1,920,360.25
Profit for the financial period	779,383.89	595,671.01
	51,593,226.66	**44,495,539.49**
Accumulated appropriations	**35,472,111.36**	**39,678,839.42**
Obligatory provisions	**322,989.00**	**523,329.00**
Liabilities		
Long-term liabilities	298,737,049.11	297,056,187.76
Short-term liabilities	88,030,215.74	70,612,718.47
	386,767,264.85	**367,668,906.23**
Total equity and liabilities	**474,155,591.87**	**452,366,614.14**

PARENT COMPANY CASH FLOW STATEMENT

EUR 1,000	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Cash flow from operating activities		
Profit (loss) before extraordinary items	-3,330	-12,757
Adjustments		
Planned depreciation	13,986	13,830
Other non-cash flow items	913	-677
Financial income and expenses	5,951	7,940
Profits from sales of assets	-1,017	-1,170
Other adjustments	-11,098	-409
Cash flow before change in working capital	**5,405**	**6,757**
Change in working capital		
Increase (+)/ decrease (-) of short-term business receivables without interest	-4,600	4,224
Increase (+)/ decrease (-) of short-term loans without interest	477	-3,280
Operating cash flow before financing items and taxes	**1,282**	**7,701**
Interest and charges paid from other operating financing expenses	-6,641	-8,364
Dividends received	686	380
Interests received from operating activities	13	3
Direct paid taxes	-243	255
Cash flow before extraordinary items	-4,903	-25
Cash flow from operating activities (A)	**-4,903**	**-25**
Cash flow from investments		
Investments in tangible and intangible assets	-33,310	-13,478
Proceeds from disposal of tangible and intangible assets	13,090	853
Proceeds from disposal of investments	0	801
Proceeds from disposal of shares in subsidiaries and associated undertakings	1,103	1,054
Cash flow from investments (B)	**-19,117**	**-10,770**

EUR 1,000	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Cash flow from financing activities		
Withdrawals of long-term loans	50,000	56,840
Repayments of long-term loans	-21,422	-40,739
Withdrawals of short-term loans	0	0
Repayments of long-term loans	-9,996	-3,842
Sale of own shares	6,982	0
Dividends paid and other distribution of profit	-654	-654
Cash flow from financing activities (C)	**24,910**	**11,605**
Change in liquid assets (A+B+C) increase (+) / decrease (-)	**890**	**810**
Liquid assets at the beginning of the financial period	894	84
Liquid assets at the end of the financial period	**1,784**	**894**

ACCOUNTING POLICIES 2015

EXTENT OF THE FINANCIAL STATEMENTS
Due to change in corporate structure, Kemijoki Oy does not produce consolidated financial statements any longer.

FIXED ASSETS
Fixed assets have been entered in the balance sheet at their original acquisition cost as the direct acquisition and cost price from which depreciation according to plan has been deducted. Depreciation according to plan has been calculated according to straight-line depreciation based on the economic impact of the item. The depreciation plan corresponds to that of the previous year.

ENTRY OF FINANCIAL INSTRUMENTS
Financial instruments are entered at acquisition cost. Derivative instruments are for hedging and are intended to be retained to maturity. The cash flow from financial instruments will be realised at the same time as the cash flow from the instruments below.

FINANCIAL ASSETS
Financing securities have been entered at acquisition cost.

CURRENT ASSETS
Current assets are shown at their original acquisition cost according to the FIFO principle. The value of current assets includes variable costs in addition to its share of permanent production wages.

The financial statements have been compiled in accordance with the Finnish Accounting Act and valid rules and regulations governing accounting in Finland.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS 31 DECEMBER 2015

	2015	2014
OTHER OPERATING INCOME		
Proceeds from the disposal of fixed assets	10,100,792.86	572,715.89
Rents received	1,816,817.09	1,944,075.63
Sale of services	8,681,054.86	12,170,572.82
Other	865,300.03	1,135,309.14
Total	**21,463,964.84**	**15,822,673.48**
NUMBER OF EMPLOYEES		
Personnel at the end of the year		
Clerical employees	44	45
Other employees	0	0
Total	**44**	**45**
Average number of employees	**44**	**78**
PERSONNEL EXPENSES		
Wages and compensation	3,004,427.11	4,383,110.87
Pension expenses	566,210.61	610,428.09
Other social security expenses	135,374.02	211,787.67
Total	**3,706,011.74**	**5,205,326.63**
MANAGEMENT SALARIES AND COMPENSATION		
Supervisory Board, Board of Directors and CEO	**378,581.00**	**399,629.00**
PERSONNEL EXPENSES CAPITALIZED UNDER FIXED ASSETS	498,887.87	648,025.20
DEPRECIATION AND VALUE ADJUSTMENTS		
Amortization on intangible assets	920,858.71	978,522.50
Depreciation on tangible assets		
Buildings and structures	1,858,911.17	1,829,663.51
Hydraulic structures	2,822,925.20	2,420,959.76
Machinery equipment	8,383,580.71	8,600,854.77
Total	**13,986,275.79**	**13,830,000.54**

	2015	2014
OTHER OPERATING EXPENSES		
Rents	40,590.69	64,958.60
Leasing rents	832,379.88	836,899.60
Real estate taxes	17,929,374.06	18,138,024.59
Other	4,422,380.07	6,651,625.36
Total	**23,224,724.70**	**25,691,508.15**
FINANCIAL INCOME AND EXPENSES		
Dividend income		
From others	685,827.43	380,240.69
Profits from the sale of shares	1,019,467.09	1,169,673.20
Interest received		
Other interest received		
From others	13,144.72	2,672.54
Financial income total	**13,144.72**	**2,672.54**
Interest paid		
To subsidiaries	0.00	-310.91
To others	-7,490,198.86	-8,078,966.86
Interest paid total	**-7,490,198.86**	**-8,079,277.77**
Other financial income		
From others		
Other financial expenses	-276,348.38	-243,470.79
Financial income and expenses total	**-6,048,108.00**	**-6,770,162.13**
CHANGE IN DEPRECIATION DIFFERENCE		
Other long-term costs	920,858.71	978,522.50
Buildings and constructions	1,851,610.86	1,829,663.51
Hydraulic structures	2,822,925.20	2,420,959.68
Machinery and equipment	-1,388,666.71	8,127,950.98
Total	**4,206,728.06**	**13,357,096.67**
INCOME TAXES		
Income taxes on ordinary operating activities	**96,862.01**	**4,216.41**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS 31 DECEMBER 2015

INTANGIBLE AND TANGIBLE ASSETS

	Acquisition cost	Increase	Decrease	Accumulated depreciation	Balance sheet value 31 Dec 2015
Intangible assets					
Other long-term expenses	**65,075,529.97**	**303,262.07**	**0.00**	**36,865,547.77**	**28,513,244.27**
Tangible assets					
Land and water areas	43,322,908.50	73,345.80	18,048.83	0.00	43,378,205.47
Buildings and constructions	138,223,618.49	802,229.01	126,720.24	57,280,803.95	81,618,323.31
Hydraulic structures	194,591,242.90	577,676.32	0.00	89,392,308.50	105,776,610.72
Machinery and equipment	339,799,164.58	38,572,870.06	2,877,820.27	187,252,703.60	188,241,510.77
Advance payments and ongoing acquisitions	24,162,485.83	33,311,507.46	40,375,168.05	0.00	17,098,825.24
Total	**740,099,420.30**	**73,337,628.65**	**43,397,757.39**	**333,925,816.05**	**436,113,475.51**
Shares and holdings	**693,775.10**	**0.00**	**103,656.15**	**0.00**	**590,118.95**
Total	**805,868,725.37**	**73,640,890.72**	**43,501,413.54**	**370,791,363.82**	**465,216,838.73**

Machinery and equipment directly serving electricity production	2015	2014
Underpreciated part of acquisition cost as at 31 Dec	156,181,966.01	124,551,527.16

Planned depreciation periods	
Other long-term expenses	mainly 80 years
Power plant buildings	80 years
Other buildings and constructions	20 - 60 years
Hydraulic structures	80 years
Principal power plant units	40 years
Other machinery and equipment	10 - 30 years
Hydroelectric shares entitle shareholders to purchase the electric power produced by the company.	5 years

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS 31 DECEMBER 2015

INVESTMENTS	SHARES			
	Group Companies	**Participating interests**	**Other**	**Total**
Acquisition cost as at 1 Jan 2015	291,622.97	168,187.92	233,964.21	693,775.10
Decrease (+) / Increase (-)	103,656.15			103,656.15
Acquisition cost as at 31 Dec 2015	187,966.82	168,187.92	233,964.21	590,118.95
Book value as at 31 Dec 2015	**187,966.82**	**168,187.92**	**233,964.21**	**590,118.95**

SHARES AND HOLDINGS	Group interest %
Shares in associated undertakings owned by parent company	
Voimalohi Oy, Kemi	50.0

SALARIES AND COMPENSATION PAID TO THE SUPERVISORY BOARD, BOARD OF DIRECTORS AND CEO OF KEMIJOKI OY IN 2015

	Salaries and fringe benefits	**Incentive pay**	**Total**
Chairman of the Supervisory Board	4,800		4,800
Deputy Chairman of the Supervisory Board	600		600
Members of the Supervisory Board	11,000		11,000
Chairman of the Board of Directors	28,200		28,200
Deputy Chairman of the Board of Directors	19,200		19,200
Members of the Board of Directors	85,800		85,800
CEO	189,647	39,334	228,981
Total	**339,247**	**39,334**	**378,581**

FEES PAID BY KEMIJOKI OY TO THE AUDITOR

	1 Jan - 31 Dec 2015	**2014**
Audit fees	**38,792**	**59,088**
Other fees	**72,136**	**62,197**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS 31 DECEMBER 2015

	2015	2014
ITEMISATION OF RECEIVABLES		
Short-term		
Accounts receivable	5,744,199.18	1,682,843.94
Receivables from companies in the same Group	0.00	82,501.33
Receivables from associated undertakings	336,453.85	368,620.73
Other receivables	804,707.45	13,114.59
Prepayments and accrued income	218,575.55	260,603.60
Total	**7,103,936.03**	**2,407,684.19**
SUBSTANTIAL ITEMS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME		
Employee retirement fund receivables	67,838.88	9,390.28
Social insurance compensation	0.00	14,000.00
Income tax	128,698.04	188,759.14
Other	22,038.63	48,454.18
Total	**218,575.55**	**260,603.60**

SHARE CAPITAL BY SHARE TYPE

		31 Dec 2015		**2014**
	number of shares	**nominal value**	**number of shares**	**nominal value**
Hydropower shares (A-series, 1 vote)	105,956	1,790,656.40	105,956	1,790,656.40
Monetary shares (B-series, 1 vote)	2,336,988	39,495,097.20	2,336,988	39,495,097.20
Total	**2,442,944**	**41,285,753.60**	**2,442,944**	**41,285,753.60**

Hydroelectric shares entitle shareholders to purchase the electric power produced by the company.
Monetary shares entitle to receive dividend.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS 31 DECEMBER 2015

	2015	2014
CHANGES IN SHAREHOLDERS' EQUITY		
Share capital as at 1 Jan	41,285,753.60	41,285,753.60
Share capital as at 31 Dec	**41,285,753.60**	**41,285,753.60**
Contingency fund as at 1 Jan	693,754.63	693,754.63
Contingency fund as at 31 Dec	**693,754.63**	**693,754.63**
Invested unrestricted equity fund as at 1 Jan		
Issue of own shares	6,972,602.00	
Invested unrestricted equity fund as at 31 Dec	**6,972,602.00**	
Retained earnings as at 1 Jan	2,516,031.26	2,574,658.97
Distribution of dividend	-654,298.72	-654,298.72
Used by the Board of Directors for general purposes		
Retained earnings as at 31 Dec	**1,861,732.54**	**1,920,360.25**
Profit for the financial period	779,383.89	595,671.01
Total shareholders' equity	**51,593,226.66**	**44,495,539.49**
Distributable funds	**9,613,718.43**	**2,516,031.26**
ACCUMULATED APPROPRIATIONS		
Accumulated depreciation difference		
Other long-term expenses	12,477,791.82	13,398,650.53
Buildings and constructions	12,840,656.27	14,692,267.13
Hydraulic structures	19,873,507.93	22,696,433.13
Machinery and equipment	-9,719,844.66	-11,108,511.37
Deferral		
Total	**35,472,111.36**	**39,678,839.42**
OBLIGATORY PROVISIONS		
Pension provision	**322,989.00**	**523,329.00**
LONG-TERM LIABILITIES		
Long-term debts		
Loans from financial institutions	175,750,141.23	174,154,422.09
Bonds	122,986,907.88	122,901,765.67
Total	**298,737,049.11**	**297,056,187.76**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS 31 DECEMBER 2015

	2015	2014
Debts due in five years or more		
Loans from financial institutions	**42,807,017.58**	**21,467,636.14**
SHORT-TERM LIABILITIES		
Loans from financial institutions	80,392,455.67	63,451,764.13
Pension loans		
Accounts payable	4,783,252.02	3,628,590.50
Other loans	557,750.94	551,558.77
Accruals and deferred income	2,296,757.11	2,980,805.07
Total	**88,030,215.74**	**70,612,718.47**
Amount owed to Group Companies		
Accounts payable/Group companies	0.00	108,629.52
Other short-term debts/Group companies	0.00	18,899.20
Total	**0.00**	**127,528.72**
SUBSTANTIAL ITEMS INCLUDED IN ACCRUALS AND DEFERRED INCOME		
Salaries, including social security cost	959,669.69	1,490,629.11
Interest	1,034,740.23	1,025,374.80
Other	302,347.19	464,801.16
Total	**2,296,757.11**	**2,980,805.07**
SECURITY GIVEN AND CONTINGENT LIABILITIES		
Security given on own behalf		
Debts secured by mortgages on property		
Loans from financial institutions	0.00	1,484,010.00
Mortgages given	0.00	33,336,350.00
Pension loans	0.00	0.00
Mortgages given	0.00	0.00
Mortgages given total	**0.00**	**33,336,350.00**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS 31 DECEMBER 2015

	2015	2014
Contingent and other liabilities		
Guarantees		
On own behalf	19,250,000.00	24,791,919.57
On behalf of associated undertakings	39,951.59	46,192.51
On behalf of others	350,000.00	349,384.81
Leasing agreements		
Amounts payable during the current financial period	0.00	859,744.00
Amounts payable during the following financial periods	0.00	0.00
Residual value liabilities	0.00	22,031,216.00
Total	**19,639,951.59**	**48,078,456.89**

	2015	2014
Derivative contracts		
Interest rate derivatives		
Market value	-4,777,539.79	-5,188,016.27
Value of underlying asset	77,487,755.43	87,416,932.49
Exchange and interest rate swaps		
Market value	-4,064,727.72	-4,480,885.57
Value of underlying asset	75,764,566.98	78,270,104.64
Options, puts and calls		
Market value	0.00	-825,007.00
Value of underlying asset	0.00	40,000,000.00

Other financial liabilities not entered in the balance sheet

VAT LIABILITY ON PROPERTIES

The company is obliged to revise the VAT deductions made on real estate investments completed between 2011 and 2015 if the taxable use of those properties decreases during the review period. The maximum liability is EUR 2,810,812.75 and the final year of the review is 2019.

RETIREMENT OBLIGATIONS

The uncovered obligation is booked as obligatory pension provision. The retirement obligation is partly covered with voluntary pension insurance. The other retirement obligations in the company have been insured in external Pension Insurance companies and in the Kemijoki Pension Fund.

PROPOSAL FOR THE DISTRIBUTION OF PROFIT BY THE BOARD OF DIRECTORS

The total sum of distributable profit available to the parent company amounts to EUR 9,613,718.43 as at 31 December 2015.

No significant changes have taken place in the company's financial position since the end of the financial year. The company's liquidity is good and in the view of the Board of Directors, the proposed distribution does not jeopardise the company's solvency.

The Board of Directors shall propose to the General Meeting that
- a dividend of EUR 0.34 per share, as stated in the Articles of Association, be paid to the

B-series shares not owned by the company at the moment of distribution	794,575.92 €
- to be transferred to retained earnings	8,819,142.51 €
	9,613,718.43 €

Espoo, 17 February 2016

Matti Ruotsala

Risto Andsten **Elina Engman**

Tapio Jalonen **Tapio Korpeinen**

Jukka Ohtola **Pekka Manninen**

Tuomas Timonen
CEO

AUDITOR'S SIGNATURE

An audit report has been given today.

Espoo, 17 February 2106

KPMG Oy Ab
company of Authorised Public Accountants

Antti Kääriäinen
APA, CPFA

AUDITORS' REPORT

TO THE ANNUAL GENERAL MEETING OF KEMIJOKI OY

We have audited the accounting, financial statements, report of the Board of Directors and administration of Kemijoki Oy for the financial year 1 January to 31 December 2015. The financial statements comprise the balance sheet, profit and loss account, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO are responsible for the preparation of the financial statements and report of the Board of Directors and for ensuring that they give a true and fair view in accordance with current Finnish legislation concerning the preparation of financial statements and the report of the Board of Directors. The Board of Directors is responsible for the appropriate arrangement of the control of the Company's accounts and finances, and the CEO is responsible for ensuring that the accounts of the Company comply with the law and that its financial matters are arranged in a reliable manner.

RESPONSIBILITY OF THE AUDITOR

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

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

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

OPINION

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of the financial position and financial performance of the Company, in accordance with current Finnish legislation on the preparation of financial statements and the report of the Board of Directors. The report of the Board of Directors is consistent with the financial statements. We recommend that the members of the Supervisory Board and the Board of Directors of the parent company and its CEO be granted discharge from liability for the financial period covered in this audit.

Espoo, 17 February 2016

KPMG Oy Ab

Antti Kääriäinen
Authorised Public Accountant (KHT), Chartered Public Finance Auditor (JHTT)

STATEMENT BY THE SUPERVISORY BOARD

The Supervisory Board has examined the financial statements of Kemijoki Oy for 2015, as well as the report by the Board of Directors, the proposal by the Board of Directors for the use of distributable funds and the audit report submitted by the Company's auditor, all of which the Supervisory Board finds acceptable. The Supervisory Board recommends that the financial statements be adopted, and agrees with the proposal of the Board of Directors as to the manner of distributing profit.

The Supervisory Board hereby states that the instructions given by it have been followed and that it has received the information needed for carrying out its duties from the Board of Directors of the Company and from the CEO.

Helsinki, 4 March 2016

Wille Rydman	Sari Essayah
Hilkka Halonen	Esa Hyvärinen
Henna Kupsala	Mikko Kärnä
Markus Lohi	Juha Mäkelä
Tatu Rauhamäki	Anne Särkilahti

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