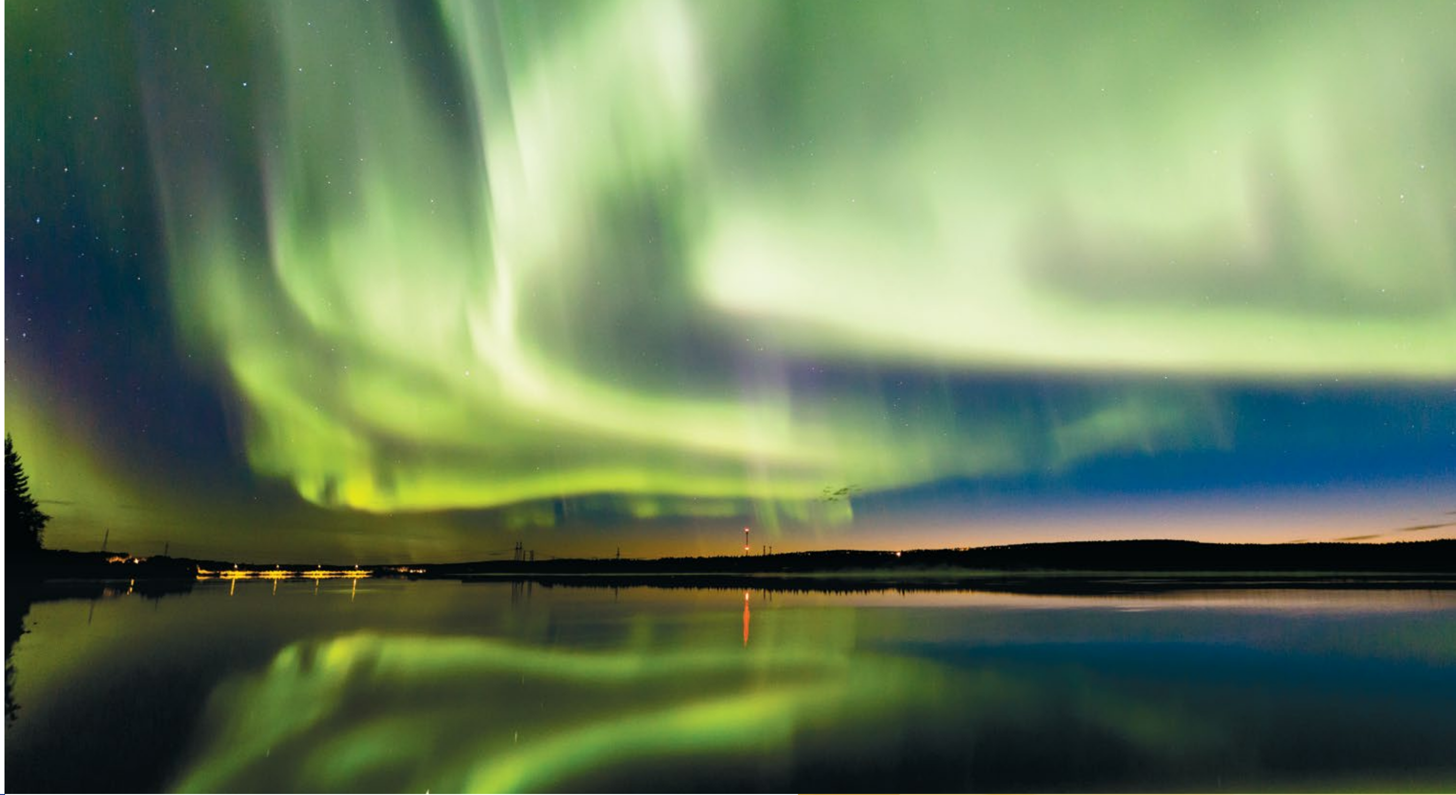
KEMIJOKI



ONWARD TOGETHER

2016

Financial Statements

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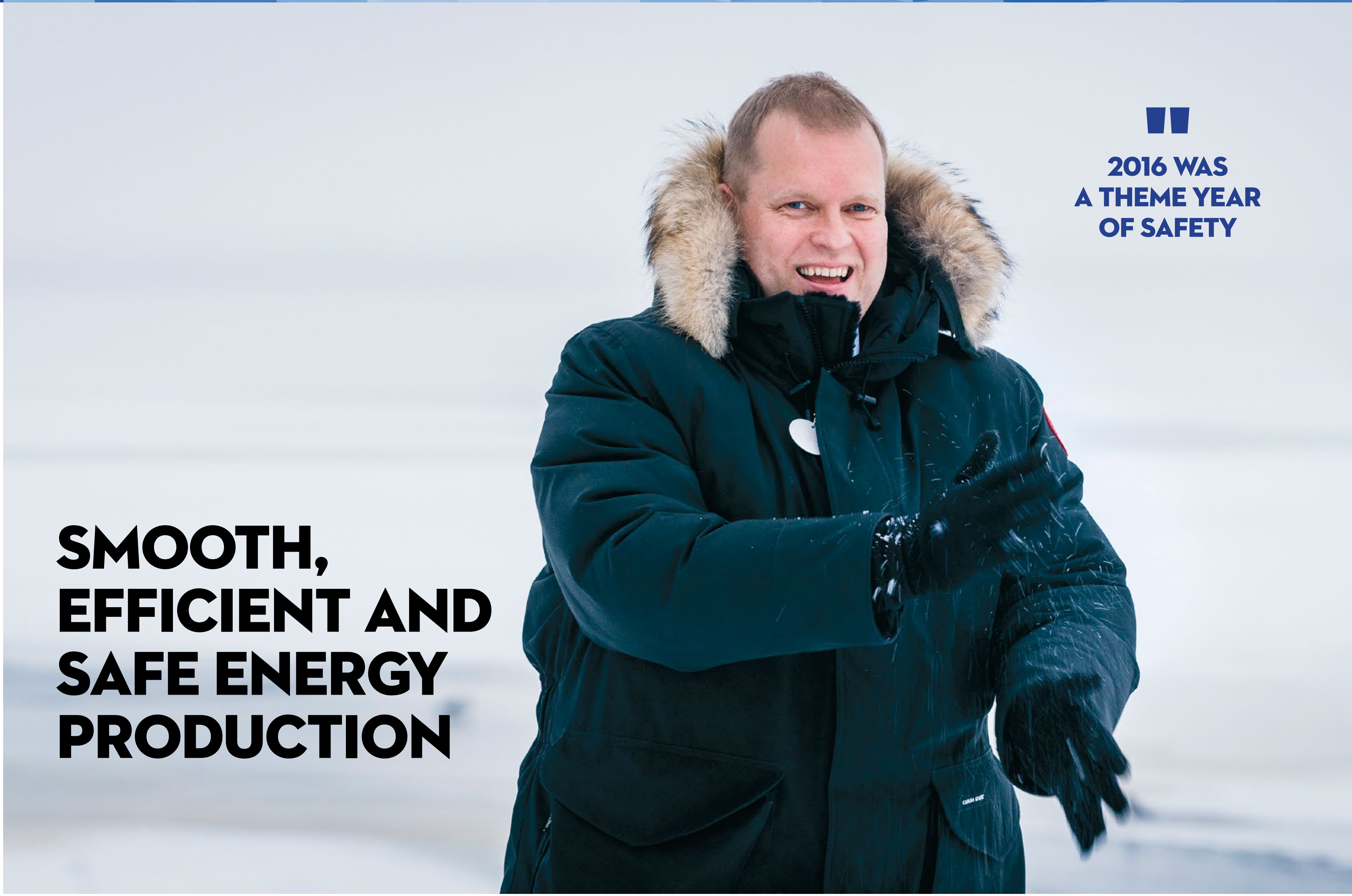

2016 WAS
A THEME YEAR
OF SAFETY

SMOOTH, EFFICIENT AND SAFE ENERGY PRODUCTION

OUR VISION IS to be the most respected and responsible producer of renewable hydropower. In 2016, we focused on the even better daily usage and maintenance of power plants. We had several ongoing large and smaller investments at both power plants and riversides. We accelerated the planning for the Sierilä power plant. Migratory fish remained a hot topic of discussion. When the migratory fish working group began its activities, headed by the Regional Council of Lapland, the importance of working together was enhanced further. We also paid particular attention to personnel's expertise so that we have the needed hydropower know-how in the future as well.

SMARTER MANAGEMENT of the production, maintenance and investments of hydropower plants was a task that Kemijoki employees and partners worked on every day of the year. The total availability of our power plants was 95.94 per cent – a very good performance! The high water levels enabled us to reach our all-time production record: 5,743 GWh of electricity would be enough for 800,000 families of four, using 7,000 kWh per year.

The refurbishment of unit 3 of the Taivalkoski power plant was a great example of a successful investment project. The new turbine runner with water lubricated runner hub will decrease the risk of an oil spill at the river. At the same time, the efficiency of the power plant improves. We also completed projects at the riversides. In Loue-Tervola, we made the river channel wider by dredging. Because the water has more space to flow, more energy can be produced in the future. We piled land masses to protect the embankments. People at the river will also get to enjoy new mooring places.

At Kemijoki, 2016 was a theme year of safety. In particular, we performed proactive safety work. Weekly safety inspections and an initiative system that encourages improvements were concrete examples of our safety culture. During the year, no accidents resulting in absence happened in Kemijoki Oy's own or our service providers' work. In addition to power plant, environmental and dam safety, we developed Kemijoki Oy's cybersecurity.

Updating the production sharing agreement and the production sharing contract among shareholders was an improvement achievement during 2016. We want to thank Kemijoki Oy's shareholders for the collaboration which resulted in the creation of an even more equal, transparent and more comprehensively verifiable gainsharing model between shareholders.

THE PLANNING OF THE SIERILÄ power plant accelerated. We established a project organisation for the undertaking tasked with creating conditions to present an investment proposal for the shareholders' consideration: we will choose, for instance, a project management consultant, plan procurements and apply for earth-moving permits. We want to make Sierilä an example of modern and responsible hydropower. During the year, we met residents, municipal representatives and media on several occasions and discussed the project's progress. We will continue to interact with the area's communities through the entire project.

The Sierilä power plant, planned to be built in the vicinity of Rovaniemi, would be a significant installation from the viewpoint of the whole Finnish energy system. In the future, we will need more and more regulating power to balance the fluctuations of wind and solar power production. However, the multistep permit process has slowed the project's progress. In March 2015, the Vaasa Administrative Court granted Kemijoki Oy a permit to build the power plant. The decision was appealed to the Supreme Administrative Court where the matter has been handled for almost two years. We expect to hear a decision in the beginning of 2017.

Securing the population of the capricornia boisduvaliana is an important part of the preparation of the power plant project. In December 2016, the Administrative Court of Northern Finland gave its decision on the appeals regarding the special permit concerning the butterfly. We are happy with the decision although it was decided to maintain the need for the special permit.

The complexity and unreasonably long processing times of permits and appeals of hydropower construction are a matter which requires more clarity and predictability in the future.

OUR AIM IS A SUSTAINABLE SOLUTION for migratory fish and advancing the natural reproduction of migratory fish, in addition to Finland's biggest obligations. For several years already, we have done volunteer work to revive fish populations. The discussion on migratory fish continued actively in 2016. The Finnish Government devised an action plan for a key project concerning migratory fish. The potential increases of fisheries fees on power companies was also a hot topic of conversation.

Hydropower production must be environmentally sustainable. Simultaneously, it needs to be financially profitable business. Our stance on the potential increase of fisheries fees is that the financial strain on electricity production cannot increase in addition to current obligations and voluntary activities. We want to work with fishing authorities as early as possible to increase information and understanding of our operations.

In 2016, we gained good experience of the new collaboration models. We are involved in a collaboration agreement where the Regional Council of Lapland heads the project to compile an action plan to restore the migratory fish populations of the Kemijoki and Ounasjoki water system area. We are working together with local stakeholder groups, and the aim is to progress to concrete actions quickly. In June, we signed a collaboration agreement to restore migratory fish populations at river Lieksanjoki as well. The completion of the Autti fish pass in autumn 2016 was a great example of how good things are achieved through openness and working together. Kemijoki Oy and the ELY Centre were the project's financiers. Meanwhile, the Autti fishery association had the overall responsibility for the construction and handled its role in an exemplary manner.

MANY KEMIJOKI EMPLOYEES will retire in the upcoming years. During 2016, we focused on mapping out skills and developing information transfer within Kemijoki Oy and between partners. I'm happy about our new, successful recruitments. In 2017, we will also welcome new employees joining Kemijoki. The transfer of control room operations to Fortum is a fine example of sharing know-how successfully. With it, we were able to complete the change of Kemijoki Oy's operating model.

I want to thank all my colleagues and the personnel of our 11 partner companies for the past year. It has been a pleasure working with you! I also want to send warm thanks to the residents of the riverside, municipal representatives, media and everyone who has worked with us and challenged us to improve our operations. Thank you for the 135 pieces of feedback and ideas that we received during the year through our website. We hope to see this kind of energy in the future as well!

TUOMAS TIMONEN
CEO

KEMIJOKI OY

REPORT OF THE BOARD OF DIRECTORS

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 2016.

PRODUCTION AND INVESTMENTS

During 2016, the Company's hydropower plants produced a total of 5,743 GWh of electricity, representing 37 per cent of the hydropower electricity produced in Finland. Production exceeded the long-term average by 28 per cent. Water reservoirs decreased by 97 GWh during the year. The fill level of the water reservoirs was 78 per cent at the end of the year.

The total availability of power plants affecting production was 95.94 per cent. The availability taking into account only unexpected interruptions caused by disturbances was excellent at 99.59 per cent. The longest outage was caused by refurbishment of unit 3 at Taivalkoski.

The refurbishments of power plants continued. The efficiency of unit 3 of the Taivalkoski power plant improved and the risk of oil spills decreased significantly with the refurbishment, completed in November.

The Loue-Tervola river channel improvement project was the most significant investment of the year. Detailed planning for the new Sierilä hydropower plant was begun in the summer. The special permits in accordance with environmental legislation are now legally valid, but we are still expecting to hear the decision of the Supreme Administrative Court on the permit in accordance with water legislation.

Investments totalled EUR 16.5 million.

CHANGE OF OPERATING MODEL AT KEMIJOKI OY

In 2016, changing the operating model to a procurement and specialist organisation was completed according to plan. The most important outsourcing agreements were renewed for the next contract period.

In 2014, the Board of Directors decided to outsource Kemijoki Oy's control room operations to Fortum Power and Heat Oy. The control room operations were transferred to Fortum in stages during a long, nearly two-year transition and training period. On 1 July 2016, the transfer of the control room operations was completed.

The targets set for the change of the operating model were achieved ahead of time in 2015, and the set gains of EUR 4–6 will be exceeded.

FINANCES

Cost-efficiency is the Company's main financial goal. The expense structure developed according to plan. Real estate taxes accounted for the single most significant expenditure, amounting to EUR 19.2 million.

The sale of frequency-controlled reserves did not reach the planned level in 2016.

The total for the Company's entire loan portfolio was EUR 395 million at the end of 2016. The Company's long-term financing loans amounted to EUR 259.7 million. During the year, new long-term financing loans totalling EUR 50 million were taken out. At the end of the year, the Company's short-term financing loans amounted to EUR 135.4 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 1.69 per cent at the end of the year. The hedging rate of the financing portfolio was 70.9 per cent at the end of the year.

The depreciation difference in the Company's balance sheet was reduced by the maximum amount, EUR 13.9 million. At the end of the year under review, the balance sheet total was EUR 477 million. The Company's equity ratio was 14.3 per cent. Other operating income from services and the selling of property totalled EUR 11.6 million.

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

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 4 April 2016.

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, Wille Rydman was elected Chair of the Supervisory Board. Sari Essayah (Vice Chair), Hilkka Halonen, Esa Hyvärinen, Henna Kupsala, Mikko Kärnä, Markus Lohi, Juha Mäkelä, Anne Särkilahti and Tatu Rauhamäki were chosen as members of the Supervisory Board. In 2016, the Supervisory Board had 10 members. The Supervisory Board held three meetings, and the average attendance at the meetings was 83 per cent.

Kemijoki Oy's Board of Directors 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: Matti Ruotsala (Chair), Risto Andsten, Elina Engman, Tapio Jalonen, Tapio Korpeinen, Pekka Manninen and Jukka Ohtola. The Board of Directors appointed Korpeinen as Vice Chair.

In 2016, the Board of Directors had seven members. The Board of Directors held 9 meetings, and the 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 2016. 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 Board of Directors approves Kemijoki's corporate responsibility programme, operation guidelines and principles and also reviews and approves the corporate responsibility report published annually. The Company reports on the corporate responsibility goals and achieving them to the Annual General Meeting every year.

Supported by the Management Team, the CEO is responsible for the goals of the Company's corporate responsibility strategy and the corporate responsibility programme's results. The CEO reports on the progress of corporate responsibility activities to the Board of Directors on a regular basis. The Management Team is tasked with decision-making, securing sufficient resources and monitoring the progress of the corporate responsibility programme. Corporate responsibility matters are discussed in accordance with the Management Team's rules of procedure and the annual operating plan.

In 2016, the National Audit Office conducted a performance audit on Kemijoki Oy's corporate responsibility matters. The audit examined the execution and current state of corporate responsibility, the management and reporting of corporate responsibility and coordination of ownership interests. According to the audit results, Kemijoki Oy has the conditions for successful implementation of corporate responsibility. According to the audit, corporate responsibility is integrated with business, risk management and management systems. The audit report also states that as a company Kemijoki Oy is motivated to execute corporate responsibility and takes the expectations of stakeholder groups into account.

The Annual General Meeting elected KPMG Oy Ab, a company of Authorised Public Accountants, as Kemijoki Oy's auditor, with Pekka Alatalo, APA, as the principal auditor for his first year.

Kemijoki Oy's internal audits are outsourced. The assessments are reported to the Board of Directors. The Board of Directors approves the internal audit plan annually. In 2016, the internal audit evaluated the management of assignments, the financing process and the financial administration process. In addition, the follow-up of the 2015 audits was conducted (corporate responsibility processes and the obligation and environmental work processes).

The Production Sharing Agreement Working Group, appointed by the Board of Directors, completed the renewed production sharing agreement, that is, the agreement will be made valid by the production sharing contract, already prepared by the shareholders, which will define the usage, recording and gainsharing of Shareholder electricity. The contract waits for the signatures of the contracting parties and coming into effect. The Company has approved both the production sharing agreement and the production sharing contract.

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 reviews the Company's risk management guidelines and related instructions annually. The Board also discusses 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 risks are mapped out regularly. With the surveys, the Company assesses the level of risk management and draws up recommendations for actions to develop it further.

The Company's most important property, the power plants and dams, has been insured accord-

KEY FIGURES FOR THE GROUP 2012-2014 AND KEY FIGURES FOR THE PARENT COMPANY 2015-2016

	2012	2013	2014	2015	**2016**
Turnover MEUR	41.0	36.5	38.8	38.7	**43.5**
Other operating income MEUR	14.5	20.7	18.1	21.5	**11.6**
Operating expenses excl. real estate tax MEUR	41.0	44.5	45.0	38.5	**41.2**
Real estate tax MEUR	17.2	17.2	18.1	17.9	**19.2**
Salaries and benefits paid to personnel MEUR	11.4	11.8	6.1	3.7	**3.9**
Profit/loss for the financial period MEUR	-8.3	-7.0	-10.4	0.8	**0.8**
Equity ratio %	20.7	19.0	17.0	17.0	**14.3**
Balance sheet total MEUR	461.5	457.8	452.9	474.2	**477**
Gross investments MEUR	11.8	12.6	14.4	33.3	**16.5**
Research and development MEUR	0.2	0.1	0.1	0.4	**0.2**
Average number of personnel	224	218	78	44	**40**

ing 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. 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 potential increase of fisheries fees should be limited so that the financial strain of electricity production doesn't increase in addition to current obligations and voluntary activities. 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 stem from 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 8.3 per cent of the turnover, EUR 3.6 million, was used for environmental management in 2016. Fisheries obligations accounted for EUR 2.4 million of this sum.

PERSONNEL

In the beginning of the year, the Company employed 40 persons and, at the end of the year, 38 persons. During the year under review, the Company employed 40 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 2015, the average accident frequency rate in the energy industry was 9.2. During the reporting period, two occupational accidents occurred in the outsourced operations which, however, did not result in 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 on remuneration of company management and key personnel as detailed in Appendix 2 of the Finnish Government Resolution on State Ownership Steering Policy, published on 13 May 2016.

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 of the CEO is determined based on the current pension legislation.

If the company discontinues the CEO's contract, he or she will be paid a separate compensation equal to six months' salary in addition to six months' payment in lieu of notice.

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

The planned implementation schedule of the Sierilä power plant project will be updated taking into account the prolonged permit process. The aim is to bring the investment proposal for evaluation to the shareholders by the end of 2017.

The refurbishment investment of the Ossauskoski fish farm and development of Voimalohi Oy's operations will be discussed and decided on during 2017.

Refurbishments at power plants and investments in the environment will be continued in accordance with the investment plan. Unit 1 at Taivalkoski will be refurbished in 2017, and unit 2 at Pankakoski will be refurbished in 2018. These investments include replacing oil with water as a lubricant for the runner hubs of the turbines which decreases environmental risks.

PROPOSAL FOR DISTRIBUTION OF PROFIT

The total sum of distributable profit available to the Company amounted to EUR 9,613,718.43 as of 31 December 2016. 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 6 April 2017, at 13:00.

Espoo, 6 February 2017
Board of Directors of Kemijoki Oy

KEMIJOKI OY

FINANCIAL STATEMENTS 31 DECEMBER 2016

PROFIT AND LOSS ACCOUNT

	1 Jan 2016 - 31 Dec 2016	1 Jan 2015 - 31 Dec 2015
Turnover	**43,534,481.14**	**38,676,758.25**
Other operating income	11,596,243.91	21,463,964.84
Materials and services		
Materials, supplies	-2,431,520.99	-1,965,613.23
External services	-14,231,438.35	-14,540,471.79
Personnel expenses	-3,924,083.55	-3,706,011.74
Depreciation, amortization and value adjustments	-14,619,123.79	-13,986,275.79
Other operating expenses	-25,230,184.78	-23,224,724.70
Profit (loss)	**-5,305,626.41**	**2,717,625.84**
Financial income and expenses	-7,796,224.92	-6,048,108.00
Profit/loss before appropriations and taxes	**-13,101,851.33**	**-3,330,482.16**
Appropriations		
Change in depreciation (+ increase / - decrease)	13,949,470.73	4,206,728.06
Income taxes	-53,043.48	-96,862.01
Profit for the financial period	**794,575.92**	**779,383.89**

BALANCE SHEET

	31 Dec 2016	31 Dec 2015
ASSETS		
Fixed assets		
Intangible assets	28,134,188.80	28,513,244.27
Tangible assets	436,061,098.57	436,113,475.51
Investments	402,152.13	590,118.95
	464,597,439.50	**465,216,838.73**
Current assets		
Long-term receivables	252,405.00	41,370.00
Short-term receivables	7,340,377.16	7,103,936.03
Cash in hand and in bank	4,814,193.57	1,793,447.11
	12,406,975.73	8,938,753.14
Total assets	**477,004,415.23**	**474,155,591.87**
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	6,972,602.00
Retained earnings	1,846,540.51	1,861,732.54
Profit for the financial period	794,575.92	779,383.89
	51,593,226.66	**51,593,226.66**
Accumulated appropriations	**21,522,640.63**	**35,472,111.36**
Obligatory provisions	**322,989.00**	**322,989.00**
Liabilities		
Long-term liabilities	259,675,540.18	298,737,049.11
Short-term liabilities	143,890,018.76	88,030,215.74
	403,565,558.94	**386,767,264.85**
Total equity and liabilities	**477,004,415.23**	**474,155,591.87**

CASH FLOW STATEMENT

EUR 1,000	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Cash flow from operating activities		
Profit (loss) before extraordinary items	-13,102	-3,330
Adjustments		
Planned depreciation	14,619	13,986
Other non-cash flow items		913
Financial income and expenses	7,799	5,951
Profits from sales of assets		-1,017
Other adjustments	-213	-11,098
Cash flow before change in working capital	**9,103**	**5,405**
Change in working capital		
Increase (+)/ decrease (-) of short-term business receivables without interest	-456	-4,600
Increase (+)/ decrease (-) of short-term loans without interest	726	477
Operating cash flow before financing items and taxes	**9,373**	**1,282**
Interest and charges paid from other operating financing expenses	-7,743	-6,641
Dividends received	0	686
Interests received from operating activities	1	13
Direct paid taxes	-54	-243
Cash flow before extraordinary items	1,577	-4,903
Cash flow from operating activities (A)	**1,577**	**-4,903**
Cash flow from investments		
Investments in tangible and intangible assets	-15,938	-33,310
Proceeds from disposal of tangible and intangible assets	2,018	13,090
Proceeds from disposal of investments	0	0
Proceeds from disposal of shares in subsidiaries and associated undertakings	188	1,103
Cash flow from investments (B)	**-13,732**	**-19,117**

EUR 1,000	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Cash flow from financing activities		
Withdrawals of long-term loans	50,000	50,000
Repayments of long-term loans	-48,315	-21,422
Withdrawals of short-term loans	14,295	
Repayments of short-term loans		-9,996
Sale of own shares		6,982
Dividends paid and other distribution of profit	-795	-654
Cash flow from financing activities (C)	**15,185**	**24,910**
Change in liquid assets (A+B+C) increase (+) / decrease (-)	**3,030**	**890**
Liquid assets at the beginning of the financial period	1,784	894
Liquid assets at the end of the financial period	**4,814**	**1,784**

ACCOUNTING POLICIES 2016

EXTENT OF THE FINANCIAL STATEMENTS

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

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. The exchange rate difference and accrued interest of derivatives have been booked in the financial statements. The fair value of hedging derivative contracts is presented in the notes to the financial statements as an off-balance-sheet item.

FINANCIAL ASSETS

Financing securities have been entered at acquisition cost.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016

	2016	2015
OTHER OPERATING INCOME		
Proceeds from the disposal of fixed assets	860,388.40	10,100,792.86
Rents received	1,087,411.24	1,816,817.09
Sale of services	9,070,457.59	8,681,054.86
Other	577,986.68	865,300.03
Total	**11,596,243.91**	**21,463,964.84**
NUMBER OF EMPLOYEES		
Personnel at the end of the year		
Clerical employees	38	44
Other employees	0	0
Total	**38**	**44**
Average number of employees	**40**	**44**
PERSONNEL EXPENSES		
Wages and compensation	3,276,745.22	3,004,427.11
Pension expenses	495,687.85	566,210.61
Other social security expenses	151,650.48	135,374.02
Total	**3,924,083.55**	**3,706,011.74**
MANAGEMENT SALARIES AND COMPENSATION		
Supervisory Board, Board of Directors and CEO	**371,071.00**	**378,581.00**
PERSONNEL EXPENSES CAPITALIZED UNDER FIXED ASSETS	**483,793.59**	**498,887.87**
DEPRECIATION AND VALUE ADJUSTMENTS		
Amortization on intangible assets	813,903.40	920,858.71
Depreciation on tangible assets		
Buildings and structures	1,733,421.69	1,858,911.17
Hydraulic structures	2,245,248.82	2,822,925.20
Machinery equipment	9,826,549.88	8,383,580.71
Total	**14,619,123.79**	**13,986,275.79**

	2016	2015
OTHER OPERATING EXPENSES		
Rents	72,086.33	40,590.69
Leasing rents	119,336.59	832,379.88
Real estate taxes	19,219,211.66	17,929,374.06
Other	5,819,550.20	4,422,380.07
Total	**25,230,184.78**	**23,224,724.70**
FINANCIAL INCOME AND EXPENSES		
Dividend income		
From others	0.00	685,827.43
Profits from the sale of shares	0.00	1,019,467.09
Interest received		
Other interest received		
From others	1,350.29	13,144.72
Financial income total	**1,350.29**	**13,144.72**
Interest paid		
To subsidiaries	0.00	0.00
To others	-7,476,650.60	-7,490,198.86
Interest paid total	**-7,476,650.60**	**-7,490,198.86**
Other financial income		
From others		
Other financial expenses	-320,924.61	-276,348.38
Financial income and expenses total	**-7,796,224.92**	**-6,048,108.00**
CHANGE IN DEPRECIATION DIFFERENCE		
Other long-term costs	813,903.40	920,858.71
Buildings and constructions	1,127,727.45	1,851,610.86
Hydraulic structures	2,245,248.82	2,822,925.20
Machinery and equipment	9,762,591.06	-1,388,666.71
Total	**13,949,470.73**	**4,206,728.06**
INCOME TAXES		
Income taxes on ordinary operating activities	**53,043.48**	**96,862.01**

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016

INTANGIBLE AND TANGIBLE ASSETS

	Acquisition cost	Increase	Decrease	Accumulated depreciation	Balance sheet value 31 Dec 2016
Intangible assets					
Other long-term expenses	65,378,792.04	496,692.06	61,844.13	37,679,451.17	28,134,188.80
Tangible assets					
Land and water areas	43,378,205.47	19,979.64	123,090.81	0.00	43,275,094.30
Buildings and constructions	138,899,127.26	463,329.57	2,036,914.59	59,014,225.64	78,311,316.60
Hydraulic structures	195,168,919.22	235,797.66	0.00	91,637,557.32	103,767,159.56
Machinery and equipment	375,494,214.37	4,733,316.16	8,016.50	197,079,253.48	183,140,260.55
Advance payments and ongoing acquisitions	17,098,825.24	18,454,140.27	7,985,697.95	0.00	27,567,267.56
Total	**770,039,291.56**	**23,906,563.30**	**10,153,719.85**	**347,731,036.44**	**436,061,098.57**
Shares and holdings	**590,118.95**	**0.00**	**187,966.82**	**0.00**	**402,152.13**
Total	**836,008,202.55**	**24,403,255.36**	**10,403,530.80**	**385,410,487.61**	**464,597,439.50**

Machinery and equipment directly serving electricity production	**2016**	**2015**
Underpreciated part of acquisition cost as at 31 Dec	150,249,571.23	156,181,966.01

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

Calculation on distributable equity 31 Dec	**2016**	**2015**
Retained earnings	1,846,540.51	1,861,732.54
Profit for the financial period	794,575.92	779,383.89
Invested unrestricted equity fund	6,972,602.00	6,972,602.00
Other distributable funds	0.00	0.00
Capitalised development expenditures	0.00	0.00
Profit for the financial period	**9,613,718.43**	**9,613,718.43**

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016

INVESTMENTS	SHARES			
	Group Companies	**Participating interests**	**Other**	**Total**
Acquisition cost as at 1 Jan 2016	187,966.82	168,187.92	233,964.21	693,775.10
Decrease (+) / Increase (-)	-187,966.82			-187,966.82
Acquisition cost as at 31 Dec 2016	0.00	168,187.92	233,964.21	402,152.13
Book value as at 31 Dec 2016	**0.00**	**168,187.92**	**233,964.21**	**402,152.13**

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 31 JANUARY 2016 - 31 DECEMBER 2016

	Salaries and fringe benefits	**Incentive pay**	**Total**
Chairman of the Supervisory Board	4,400		4,400
Deputy Chairman of the Supervisory Board	1,200		1,200
Members of the Supervisory Board	9,500		9,500
Chairman of the Board of Directors	24,600		24,600
Deputy Chairman of the Board of Directors	15,600		15,600
Members of the Board of Directors	69,600		69,600
CEO	191,443	53,459	244,902
Total	**316,343**	**53,459**	**369,802**

FEES PAID BY KEMIJOKI OY TO THE AUDITOR

	2016	**2015**
Audit fees	**28,556**	**38,792**
Other fees	**5,978**	**72,136**

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016

ITEMISATION OF RECEIVABLES	2016	2015
Short-term		
Accounts receivable	6,566,655.30	5,744,199.18
Receivables from associated undertakings	457,212.76	336,453.85
Other receivables	153,620.58	804,707.45
Prepayments and accrued income	162,888.52	218,575.55
Total	**7,340,377.16**	**7,103,936.03**

SUBSTANTIAL ITEMS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME	2016	2015
Employee retirement fund receivables	122,492.69	67,838.88
Income tax		128,698.04
Other	40,395.83	22,038.63
Total	**162,888.52**	**218,575.55**

SHARE CAPITAL BY SHARE TYPE

		2016		**2015**
	number of shares	**nominal value**	**number of shares**	**nominal value**
Hydropower shares (A-series, 1 vote)	105,956	179,065.40	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 FINANCIAL STATEMENTS 31 DECEMBER 2016

	2016	2015
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	6,972,602.00	
Issue of own shares		6,972,602.00
Invested unrestricted equity fund as at 31 Dec	**6,972,602.00**	**6,972,602.00**
Retained earnings as at 1 Jan	**2,641,116.43**	**2,516,031.26**
Distribution of dividend	-794,575.92	-654,298.72
Used by the Board of Directors for general purposes		
Retained earnings as at 31 Dec	**1,846,540.51**	**1,861,732.54**
Profit for the financial period	794,575.92	779,383.89
Total shareholders' equity	**51,593,226.66**	**51,593,226.66**
Distributable funds	**9,613,718.43**	**9,613,718.43**
ACCUMULATED APPROPRIATIONS		
Accumulated depreciation difference		
Other long-term expenses	11,663,888.42	12,477,791.82
Buildings and constructions	11,712,928.82	12,840,656.27
Hydraulic structures	17,628,259.11	19,873,507.93
Machinery and equipment	-19,482,435.72	-9,719,844.66
Deferral		
Total	**21,522,640.63**	**35,472,111.36**
OBLIGATORY PROVISIONS		
Pension provision	322,989.00	322,989.00
LONG-TERM LIABILITIES		
Long-term debts		
Loans from financial institutions	211,512,527.01	175,750,141.23
Bonds	48,163,013.17	122,986,907.88
Total	**259,675,540.18**	**298,737,049.11**

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016

	2016	2015
Debts due in five years or more		
Loans from financial institutions	**87,198,101.04**	**42,807,017.58**
SHORT-TERM LIABILITIES		
Loans from financial institutions	60,433,918.11	80,392,455.67
Bonds	75,000,000.00	
Accounts payable	5,907,644.38	4,783,252.02
Other loans	149,361.32	557,750.94
Accruals and deferred income	2,399,094.95	2,296,757.11
Total	**143,890,018.76**	**88,030,215.74**
Amount owed to Group Companies		
Accounts payable/Group companies	0.00	0.00
Other short-term debts/Group companies	0.00	0.00
Total	**0.00**	**0.00**
SUBSTANTIAL ITEMS INCLUDED IN ACCRUALS AND DEFERRED INCOME		
Salaries, including social security cost	1,029,698.57	959,669.69
Interest	980,545.78	1,034,740.23
Other	388,850.60	302,347.19
Total	**2,399,094.95**	**2,296,757.11**
SECURITY GIVEN AND CONTINGENT LIABILITIES		
Security given on own behalf		
Debts secured by mortgages on property		
Loans from financial institutions	0.00	0.00
Mortgages given	0.00	0.00
Pension loans	0.00	0.00
Mortgages given	0.00	0.00

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016

	2016	2015
Contingent and other liabilities		
Guarantees		
On own behalf	19,250,000.00	19,250,000.00
On behalf of associated undertakings	39,951.59	39,951.59
On behalf of others	350,000.00	350,000.00
Leasing agreements		
Amounts payable during the current financial period	94,964.99	0.00
Amounts payable during the following financial periods	83,429.58	0.00
Residual value liabilities	0.00	0.00
Total	**19,818,346.16**	**19,639,951.59**
Derivative contracts		
Interest rate derivatives		
Market value	-4,888,563.82	-4,777,539.79
Value of underlying asset	107,220,717.21	77,487,755.43
Not entered as income	-4,613,584.12	-4,525,317.54
Exchange and interest rate swaps		
Market value	-7,394,076.89	-4,064,727.72
Value of underlying asset	42,921,761.33	75,764,566.98
Not entered as income	-2,202,245.56	-1,686,831.47
Options, puts and calls		
Market value	-45,820.38	
Value of underlying asset	50,000,000.00	
Not entered as income	-31,528.71	

All derivative contracts have been made to hedge loans against changes of interest rates and exchange rates in accordance with the financing policy approved by the Board of Directors. The hedged loans and their hedging derivative contracts are inversely congruent. Interest rate swaps are used to change the variable interest rate of the loan to be hedged to a fixed rate. The terms and conditions of an interest rate swap with interest rate floor are consistent with the loan to be hedged. Currency and interest rate swaps are used to change the currency of a NOK-denominated loan to euro while the exchange rate remains fixed. The exchange rate difference as well as the amortised interest of derivatives are recorded in the financial statements. The 12-month interest flow risk calculated for derivatives and interest-bearing loans on 31 December 2016 is EUR -0.9 million and the duration is 2.6 years.

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 2016 if the taxable use of those properties decreases during the review period. The maximum liability is EUR 2,217,025.97 and the final year of the review is 2019.

RETIREMENT OBLIGATIONS

The uncovered obligation is booked as obligatory pension provision. The retirement obligation is partlycovered 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.

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, 6 February 2017

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, 6 February 2017

KPMG Oy Ab
company of Authorised Public Accountants

Pekka Alatalo
APA

AUDITORS' REPORT

TO THE ANNUAL GENERAL MEETING OF KEMIJOKI OY

FINANCIAL STATEMENTS AUDIT STATEMENT

We have audited the financial statements of Kemijoki Oy (Finnish Business ID 0192171-7) for the financial year 1 January 2016 to 31 December 2016. The financial statements comprise the balance sheet, profit and loss account, cash flow statement and notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial performance and the financial position of the Company, in accordance with current Finnish legislation on the preparation of financial statements, and comply with legal requirements.

JUSTIFICATION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities which comply with good auditing practice are introduced in more detail in section Responsibility of the Auditor. In accordance with ethical requirements in Finland that concern our audit, we are independent of the Company and we have also fulfilled the other ethical responsibilities of these requirements. In our opinion, we have obtained a sufficient amount of applicable audit evidence to provide a basis for our audit opinion.

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 for ensuring that they give a true and fair view in accordance with current Finnish legislation concerning the preparation of financial statements and comply with legal requirements. The Board of Directors and the CEO are also responsible for internal control deemed necessary in order to prepare financial statements which are free of material misstatement due to fraud or error.

While preparing the financial statements, the Board of Directors and the CEO are obligated to assess the Company's ability to continue its operations and, where applicable, present matters which concern continuity of operations and that the financial statements have been prepared based on continuity of operations. The financial statements are prepared based on continuity of operations except if it is intended to dissolve the Company or to close its operations or no other realistic alternative exists.

RESPONSIBILITY OF THE AUDITOR

Our aim is to obtain reasonable assurance about whether the financial statements are free from material misstatement due to fraud or error as well as to provide an auditor's report with our opinion. Reasonable assurance is a high level of assurance. However, it does not guarantee that material misstatement is always detected during auditing conducted in accordance with good auditing practice. Misstatement can be caused by fraud or error, and they are considered material if alone or together they can reasonably be expected to affect financial decisions based on the financial statements.

Good auditing practice entails that we apply professional judgement and maintain professional scepticism during the auditing process. In addition:

- We identify and assess the risks of material misstatement, whether due to fraud or error, plan and implement audit practices for these risks, and we obtain sufficient and appropriate evidence to provide a basis for our audit opinion. The risk that material misstatement due to fraud remains undetected is greater than the risk that material misstatement due to error remains undetected as fraud may linked to coaction, falsification, purposefully withholding information or presenting erroneous information or disregarding internal control.
- We consider the internal control relevant for the auditor's report 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the information presented on them. We form a conclusion on whether it has been appropriate for the Board of Directors and the CEO to prepare the financial statements based on a presumption of operations continuing, and based on the audit evidence that we have obtained we form a conclusion on whether uncertainty, connected to events or circumstances, which could cause notable reason to doubt the Company's ability to continue its operations, exists, If we conclude that such uncertainty exists, we must draw the reader's attention to information presented in the financial statements concerning uncertainty in our auditor's report or, if the information concerning uncertainty is insufficient, we must adapt our statement. Our conclusions are based on audit evidence acquired by the date of issue of the auditor's report. Adverse events or circumstances may however cause the Company to be unable to continue its operations.
- We evaluate the financial statements, including all information presented in the financial statements, overall presentation, structure and content, and whether the financial statements describe the business and events it is based on correctly and adequately.

We communicate with administrative bodies on, for instance, the planned scope and timing of the auditor's report and significant audit findings, including potential deficiencies in internal control which we identify during the auditing process.

OTHER REPORTING RESPONSIBILITIES

OTHER INFORMATION

The Board of Directors and the CEO are responsible for other information. Other information comprises the report of the Board of Directors and information, other than the financial statements and the Auditor's Report concerning it, included in the Annual Report. We have had access to the report of the Board of Directors before the date of issue of this auditor's report, and we expect to receive the Annual Report after the day in question. Our opinion on the financial statements does not include other information.

Our duty is to read the other information specified above in connection with auditing the financial statements and to evaluate whether the information contradicts information in the financial statements or information we have acquired during auditing or whether it appears to be otherwise incorrect. For the report of the Board of Directors, it is our duty to also evaluate whether the report of the Board of Directors has been prepared in accordance with applicable legislation.

In our opinion, the report of the Board of Directors is consistent with the financial statements and the report of the Board of Directors has been prepared in accordance with legislation applied to preparation of a report of the Board of Directors. If, based on the work that we have conducted on the information included in the report of the Board of Directors, we conclude that there is material misstatement in the other information in question, we must report the matter. We have nothing to report regarding this.

OTHER STATEMENTS

We recommend that the financial statement be approved. We recommend that the members of the Board of Directors and the CEO be granted discharge from liability for the financial period covered in this audit.

Espoo, 6 February 2017
KPMG OY AB
Pekka Alatalo
Authorised Public Accountant (KHT)

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, 16 March 2017

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

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WE ARE PART OF LIFE AT THE RIVERSIDE