

FITCH AFFIRMS TEOLLISUUDEN VOIMA OYJ AT 'A-'; OUTLOOK STABLE

Fitch Ratings-London/Barcelona-07 June 2010: Fitch Ratings has today affirmed Teollisuuden Voima Oyj's senior unsecured rating and Long-term Issuer Default Rating (IDR) at 'A-' and affirmed its Short Term IDR at 'F2'. The Outlook for the Long-term IDR is Stable.

The affirmation of TVO's ratings reflects its position as a key generator of base load electricity in Finland. It is a highly competitive, not-for-profit nuclear generator, producing at-cost electricity for its shareholders, who operate mainly in heavy industries and the utility sector. As the shareholders are the off-takers of the electricity, they have an incentive to keep costs low.

TVO benefits from an excellent operational and safety record, funded nuclear liabilities, a stable shareholder base and a favourable and transparent regulatory environment. The rating is also driven by TVO's beneficial cash management system whereby TVO charges the fixed costs of its power plants (80% of total costs) one month in advance to shareholders. The rating is constrained by asset concentration risk, but the company's excellent operational record (load factors consistently above 95% since 1999) and safety record partly mitigate this.

Fitch expects the additional delay in the commissioning of TVO's third nuclear plant, Olkiluoto 3 (OL3) to 2013 (from June 2012) to have a limited effect on TVO's costs - with only a small impact on annualised production costs. Fitch anticipates production costs to remain competitive after the commissioning of OL3 and subsequently to fall as capital costs decrease. Fitch notes that while the OL3 project carries construction and project risks, these are largely mitigated by the fixed-price, turn-key nature of the contract. Shareholders have committed to contributing 25% of the total investment cost of OL3 in the form of equity and subordinated loans. The remainder of the investment will be financed by debt funding. The company has sufficient un-drawn committed facilities to cover the financing needs to the end of 2012, when the plant is expected to be complete, though not yet commissioned.

TVO's ratings would be negatively affected by a decline in operating performance and a loss of cost competitiveness; substantially lower Nordic wholesale electricity prices, below TVO's low average production costs; significantly reduced liquidity reserves; and/or adverse regulatory changes.

As TVO is a not-for-profit company, Fitch does not give weight to its financial ratios, which are weak. However, for ratings to remain unchanged, the agency assumes that TVO will maintain an adequate liquidity profile. The company maintains a good liquidity position with cash of EUR90m and undrawn, committed facilities of EUR1.7bn in FY09 against short-term debt of EUR516m. Total debt in FY09 was EUR2.6bn (FY08: 2.1bn).

TVO is a Finnish not-for-profit nuclear generator, accounting for 20% of Finland's total generation output.

Applicable criteria available on Fitch's website at www.fitchratings.com: "Corporate Rating Methodology," dated 13 June, 2006 and "Rating EMEA Utilities - Sector Credit Factors," dated 14 May 2010.

Contacts: Isabelle Katsumata, London, Tel: +44 20 682 7284; Erwin van Lumich, Barcelona, Tel: +34 93 323 8403.

Media Relations: Peter Fitzpatrick, London, Tel: + 44 (0)20 7417 4364, Email: peter.fitzpatrick@fitchratings.com.

Additional information is available at www.fitchratings.com.

Related Research:

Corporate Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=489018

Rating EMEA Utilities - Sector Credit Factors

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=528752

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE.