

Pohjolan Voima Financial Statements Release

2020



FINANCIAL STATEMENTS RELEASE 2020

Pohjolan Voima's heat and power production continued at the normal level despite the coronavirus pandemic

96% of the electricity produced by Pohjolan Voima in 2020 was carbon-neutral

Pohjolan Voima received shareholder loan commitments of EUR 238 million from its shareholders and signed a EUR 241 million shareholder loan commitment to Teollisuuden Voima
Teollisuuden Voima received an updated re-baseline schedule on the commissioning of the OL3 EPR plant unit

Operating environment

In 2020, electricity consumption in Finland was 81 TWh (86.1 TWh in 2019). Finnish electricity production totalled 66 (66.1) TWh, while net imports into Finland amounted to 15 (20.0) TWh. Imported electricity covered 18.5% (23.3%) of Finnish electricity consumption. Most of the imported electricity came from Sweden. In 2020, electricity consumption in Finland decreased by 6% year-on-year. Industrial power consumption decreased by 8.2% and the power consumption of other sectors remained at the same level as in the previous year.

Nord Pool Spot trade amounted to 995 (494) TWh. The annual average system price was €10.93 (38.94) per MWh, while the annual average of the Finnish area price was €28.2 (44.04) per MWh. The decrease in the price of electricity compared with the previous year was due to the higher water levels in the Nordic countries, lower fuel prices and the decreased consumption of electricity.

The price of the EUA emission allowance experienced strong fluctuation in 2020. At the beginning of the year, the market price was approximately €24 per tonne, and it ended up at approximately €33 per tonne at the end of the year.

The long energy transition of the energy sector progressed, and weather-dependent production continued to increase. Challenges related to the balancing of the electricity system and the integration of energy flows from different industries by developing hydrogen technology, for example, were discussed more than previously.

The Covid-19 pandemic caused significant economic burdens to many companies and society at large. The pandemic did not affect much political decision-making, such as energy, climate and environmental policies, which have an effect on the energy sector. The EU and Finland aimed to make decisions that would simultaneously mitigate the effects of the pandemic and promote the achievement of the sustainable development goals.

The Ministry of Economic Affairs and Employment began to prepare a national climate and energy strategy. The Ministry will issue a statement on the strategy to the Parliament in the autumn 2021. The strategy will include measures to make Finland carbon neutral by 2035. In 2020, different industries published their low-carbon roadmaps for the strategy. Based on the roadmaps, it is expected that the consumption of electricity will increase significantly when societal activities, such as the industry, become electrified.

The Government decided to increase the taxation of heating fuels by €105 million as of the beginning of 2021. The peat tax increased by €2.7/MWh. The Government

decided to use a part of the Just Transition Fund to support investments that aim to replace the use of peat. The tax rates on cogeneration and fossil heating fuels also rose. In addition, the Government launched the second phase of the energy taxation roadmap. Negotiations with the Commission continued to exempt cost-price nuclear power production from interest expense deduction limitations. In 2021, the Government is to give a proposal to change property taxation so that the tax would better correspond to the real values of properties.

In addition, the third water management plan is under preparation. The Government will confirm it at the end of 2021 and send it to the Commission for review.

The climate objective of the EU member states is to reduce emissions by at least 55% by 2030. The European Parliament would like to have a more stringent target. The European Union aims to achieve carbon neutrality by 2050. The Commission published several initiatives affecting the energy sector. These include the sector integration and hydrogen strategy, the European industrial strategy, the biodiversity strategy and the circular economy action plan.

In 2021, the Commission will continue implementing the Green Deal. It is expected that several new proposals will be made. These include the update of the directives concerning emissions trading, renewable energy, energy efficiency, industrial emissions and energy taxation, action plan related to zero-emission environment, sustainable finance strategy and initiatives concerning the promotion of biodiversity. One of the most important initiatives of the Commission is the classification of sustainable financing, the preparation of which continues in 2021.

Pohjolan Voima's heat and power production

In 2020, Pohjolan Voima's total electricity supply was 12.3 (12.1) TWh. The Group's own electricity production accounted for 11.8 (11.7) TWh, of which the parent company's supplies to its shareholders were 11.4 (11.2) TWh. The subsidiaries supplied 0.4 (0.5) TWh to their other shareholders. Purchases from the Nordic electricity markets were 0.5 (0.4) TWh, and sales amounted to 0.4 (0.4) TWh. Heat deliveries were 3.6 (4.2) TWh.

Nuclear power made up 67.3% (69.2%) of the electricity supply. Teollisuuden Voima's Olkiluoto nuclear power plant generated 14.6 (14.8) TWh of electricity, of which Pohjolan Voima obtained 8.3 (8.4) TWh in accordance with its shareholding. The joint capacity factor of the Olkiluoto plant units was 93.5% (94.8%).

Hydropower accounted for 2.2 (1.6) TWh, or 18.0% (13.5%) of the electricity supply. The production of hydropower increased significantly from the previous year and was close to the record level of 2015.

A total of 1.3 (1.7) TWh of electricity was generated in combined heat and power (CHP) plants. Its share of the total supply was 10.7% (13.8%).

Approximately 96% of the electricity produced by Pohjolan Voima in 2020 was carbon-neutral.

| <i>Electricity supply (GWh)</i> | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|
| <i>Nuclear power</i> | 8,136 | 7,602 | 7,987 | 8,366 | 8,279 |
| <i>Hydropower</i> | 1,983 | 1,794 | 1,524 | 1,631 | 2,216 |
| <i>CHP</i> | 2,313 | 1,919 | 2,065 | 1,669 | 1,312 |
| <i>Condensing power</i> | 396 | 82 | 409 | 0 | 0 |
| <i>Purchases</i> | 545 | 533 | 543 | 423 | 490 |
| <i>Total</i> | 13,373 | 11,930 | 12,528 | 12,089 | 12,298 |

Key events in 2020

On 8 April 2020, Pohjolan Voima Oyj announced that the joint venture Teollisuuden Voima Oyj (TVO) had submitted a permission application to the Finnish Radiation and Nuclear Safety Authority (STUK) for a nuclear fuel loading for the Olkiluoto 3 EPR nuclear power plant unit. In addition, it was said in the announcement that the work at Olkiluoto 3 had not fully progressed according to plans and that the Areva-Siemens consortium would update the project schedule of the OL3 EPR plant unit when there is enough information about the spread of the Covid-19 pandemic and its effects.

On 15 April 2020, Pohjolan Voima Oyj announced that Standard&Poor's had downgraded TVO's long term credit rating to BB due to the delay concerning fuel loading at OL3 caused by the Covid-19 pandemic.

On 28 August 2020, Pohjolan Voima Oyj announced that TVO had received an updated schedule on the commissioning of the OL3 EPR plant unit from the plant supplier, Areva-Siemens consortium. According to the schedule, fuel will be loaded into the reactor in March 2021, the plant unit will be connected to the national grid in October 2021 and regular electricity production will start in February 2022. In addition, it was announced that Areva's new management, which was appointed in the summer of 2020, was preparing a financial solution concerning the finalisation of the project until the end of the guarantee period.

On 16 December 2020, Pohjolan Voima Oyj announced that it had agreed on shareholder loan commitments. Pohjolan Voima signed a shareholder loan commitment of €241 million to TVO. At the same time, Pohjolan Voima received corresponding shareholder loan commitments amounting to €238 million from its nuclear power shareholders.

Result from operations and financing

Pohjolan Voima operates on a cost price principle. The shareholders pay the fixed costs in accordance with their ownership share, irrespective of whether they have used their capacity or energy share, as well as variable costs according to the energy supplied. As a result of this operating principle, presenting any financial key indicators is not necessary to understand the company's business, financial status or result.

The targets and risks of Pohjolan Voima's financing operations have been defined in a financing policy approved by the parent company's Board of Directors. The finan-

cial risks of Pohjolan Voima's business operations are related to liquidity, market and credit risks. Financial risk management has been discussed in note 3 to the consolidated financial statements Financial risk management.

The Group's liquidity is good. On 31 December 2020, cash and cash equivalents totalled €44 (62) million, and the Group had €350 (300) million of unused binding credit facility agreements. Of the credit facility agreements, €21 million will mature in June 2021 and €329 million in June 2022. For short-term funding, the Group had a domestic commercial paper programme of €300 (300) million, of which €99 (100) million was used.

In November 2020, Pohjolan Voima raised a total of €90 million of the shareholder loan commitments which it had received from its shareholders in 2018. Based on their terms and conditions, the shareholder loans raised are recognised under shareholders' equity in the consolidated financial statements. Pohjolan Voima received shareholder loan commitments amounting to €238 million in total in December 2020, and these commitments were unused at the end of the financial period. In connection with the shareholder loan commitments, option rights were also issued. Their share subscription period will begin on 1 January 2023, and give entitlement to up to 7,198,950 pieces of new B2 shares.

The Group's interest-bearing liabilities amounted to €1,234 (1,210) million. There were no liabilities involving an exchange rate risk, and the Group's loan agreements do not include any financial covenants.

At the end of the year, the Group's equity ratio was 40.7% (39.5%). The consolidated turnover from continuing operations was €411.5 (417.1) million. The operations of PVO-Lämpövoima Oy, the plants of which were closed down in 2015, have been reported in the Group's financial statements as discontinued operations. The consolidated result for the financial period was €-17.9 (32.9) million. The result of the financial period was mostly impacted by the result of the affiliated company TVO, which was clearly positive in the previous year due to the updated nuclear waste management cost estimate and the update of the discount rate of interest for the nuclear waste management liability calculation.

Investments

Total investments of the Pohjolan Voima Group, excluding financial investments and the purchase of emission allowances, amounted to €8.1 (4.4) million.

Laanilan Voima Oy purchased a new silo with conveyors to receive wood-based fuels. Laanilan Voima's investments totalled €3.2 million. PVO-Vesivoima Oy's most major ongoing investments involved the overhaul of the Jumisko hydropower plant, the renewal of the operations management system and the downstream migration route of migratory fish installed at the Haapakoski power plant. Repairs on a dam at the Melo power plant also continued throughout the year. PVO-Vesivoima's investments totalled €2.8 million. The Group's remaining investments were made in replacements and renovations.

Between 2004 and 2020, Pohjolan Voima Oyj has invested a total of €991.6 (841.1) million in the new OL3 nuclear power plant project that is currently under construc-

tion. The investments are based on the financing plan for the OL3 EPR project, according to which the equity required for the investment is accumulated along with the progress of the project.

Research and development

Research and development expenditure during the financial year totalled €0.1 million (2019: 0.1; 2018: €0.1 million).

Personnel

The average number of employees working for the Group was 82 (2019: 89 and 2018: 106), including discontinued operations. The number of personnel has decreased due to a sale of assets and a reduction in condensing power production. The Group's salaries and fees for the financial period, including discontinued operations, totalled €7.2 (2019: 7.6; 2018: 9.1) million. The average age of permanent employees was 45 (45) years.

The average number of employees working for the parent company was 35 (in 2019: 35; 2018: 50). Salaries and fees for the financial period totalled €3.9 (2019: 4.0; 2018: 5.2) million.

Responsibility

Our operations are guided by responsibility policies approved by the Pohjolan Voima Board of Directors: the Code of Conduct, Competition Law Policy, Personnel Policy as well as the Environmental and Energy Efficiency Policy. Pohjolan Voima is committed to complying with all applicable laws and regulations. The Group's operating principles include principles on human rights, labour rules and anti-corruption. Pohjolan Voima requires that its partners follow corresponding principles.

The UN sustainable development goals were taken into consideration when updating the responsibility principles in 2020. Four goals that can best be promoted in our operations were selected: affordable and clean energy, decent work and economic growth, life on land and partnerships for the goals. Pohjolan Voima's responsibility goals are described in more detail on the company's website at www.pohjolanvoima.fi.

Environment

Environmental management systems certified in accordance with ISO 14001 are in use in the majority of Pohjolan Voima's production companies. This helps to ensure the achievement of environmental objectives and continuous improvement of operations. In addition, all of the production companies use the energy efficiency system EES+ or the energy management system ISO 50001. Some of these systems are certified. Nearly all of the production companies have also signed energy efficiency agreements for the period 2017–2025. Furthermore, the environmental management system of TVO (a joint venture of Pohjolan Voima) is EMAS-registered.

A leak detected in the retaining earth dam of the Melo power plant in 2016 was further repaired by grouting in 2020. The repair work has not affected the environment or the power generation operations at the power plant.

Water levels were regulated and hydropower plants operated in compliance with the permit conditions. In line with its obligations, PVO-Vesivoima stocked the lijoki and

Kemijoki waterways and the sea area with around 2.6 (2.2) million fry during the reporting period. Nearly all stocking plans were fulfilled.

PVO-Vesivoima is participating in the Iijoki project on migratory fish in 2020–2022, which continues the migratory fish spearhead project of 2017–2020. The construction of Finland's first downstream migration route for migratory salmon fry was begun in Haapakoski in November 2020. The project also promotes the Raasakka fishway.

In December 2020, the Regional State Administrative Agency for Northern Finland granted preparation and construction permits to build fishways for the Raasakka power plant and control dam. In March 2017, PVO-Vesivoima and Metsähallitus filed a joint application for a water management permit. In March 2017, the Centre for Economic Development, Transport and the Environment for Lapland filed a change application with the Regional State Administrative Agency for Northern Finland concerning stocking and fish stock management obligations with regard to the Kemijoki river. In October 2017, the centre filed a similar application concerning the Iijoki river. In addition to entirely new requirements, this involves additions to the current obligations. The Regional State Administrative Agency gave public notice of the application concerning Iijoki in February 2020 and of the one concerning Kemijoki in June 2020. PVO-Vesivoima submitted complaints regarding both applications to the Regional State Administrative Agency.

All the thermal power plants operated by the Group fall within the sphere of the Emissions Trading Act. Carbon dioxide emissions from the production of electricity and heat amounted to 0.6 (0.9) million tonnes. The notes to the financial statements only report CO₂ emissions of the subsidiaries, which amounted to 0.4 (0.5) million tonnes. These figures do not include the emissions of 0.0 (0.0) million tonnes from PVO-Lämpövoima, which is reported as a discontinued operation. Other emissions into the air also decreased from the previous year. Sulphur dioxide emissions amounted to 0.5 (0.7) thousand tonnes, nitrogen oxide emissions to 1.6 (1.9) thousand tonnes and particle emissions to 0.1 (0.1) thousand tonnes.

The new limits for emissions into the air, set out in the Industrial Emissions (IE) Directive, came into effect in Finland at the beginning of 2016. Some of Pohjolan Voima's facilities were included in the national IE Directive transition plan adopted by the European Commission on 10 March 2014. The transition plan provided some flexibility for the adoption of the stricter emission limits. The transition plan period ended on 30 June 2020.

BAT conclusions related to the reference document on best available techniques for large combustion plants (LCP-BREF) were published on 17 August 2017. Within four years from that time, power plants whose main field of activity is energy production will have to adjust their operations to the conclusions. The first power plants prepared their applications for the review of their environmental permits in 2018, and the licensing work has continued in 2020. The emission limits will be stricter in the new environmental permits.

Pohjolan Voima and its subsidiaries, associated companies and joint ventures are not aware of any environmental liabilities that have not been covered. Pohjolan Voima's more detailed environmental information is published on the company's web-

site at www.pohjolanvoima.fi. TVO provides information on the environmental issues related to nuclear power generation on its website at www.tvo.fi and in a separate corporate social responsibility report.

Risk management

Risk management aims to ensure realisation of the strategy and achievement of business goals, as well as safeguard continuity and disturbance-free operations. Risk management is carried out in line with the Group's risk management policy. The Group applies a decentralised risk management model: each subsidiary's Board of Directors and the parent company's units are responsible for the risks related to their operations, as well as their identification and analysis. Risks that may compromise the achievement of the objectives are estimated, and measures for their management are defined. The significance of the risks is estimated as the sum of their likelihood of occurrence and impact.

Group-level risks and their significance are presented in a risk matrix in terms of consequences and likelihood. Group-level risks are reported to the parent company's Executive Group and Board of Directors in accordance with the annual management calendar.

All Pohjolan Voima companies are covered for risks of damage through measures related to maintenance, occupational health and safety, adequate training provided to the personnel and other necessary measures, as well as through insurance in line with the Group's insurance policy.

Key risks and uncertainties

The Group's most significant risks are related to the schedule of TVO's OL3 EPR project, the consortium company Areva's adequate financial capacity to fulfil its responsibilities until the end of the warranty period and its revenue generation capacity. According to the agreement, the original plan was to begin commercial electricity production at the plant unit in late April 2009, but completion of the plant unit has been delayed. According to the schedule last updated by the plant supplier in August 2020, regular electricity production of the plant unit will begin in February 2022. A risk related to the planned completion refers to a situation where commercial operations cannot be started as planned, which will give rise to additional expenses.

TVO has implemented several risk management actions related to the OL3 EPR project in 2020 to promote TVO's readiness for the commissioning of the plant unit and the operation of three nuclear power plant units. TVO will closely monitor compliance with the terms and conditions of the settlement agreement that was signed in March 2018 and the commissioning stages of the OL3 EPR plant unit, so that they will be implemented according to the plant supplier's schedule, and that financial and technical resources are secured. Areva's new management, which was appointed in the summer of 2020, is preparing a financial solution to finalise the project until the end of the warranty period. In addition, the negotiations concerning the terms and conditions for finalising the project continue with the Areva-Siemens consortium.

If the OL3 EPR project does not reach its projected output level, load factor or operating cost structure during the guarantee period, or if the Finnish national grid limits the output level, there is a risk that the production costs will increase from the target

level. This risk has been investigated using various scenarios affecting the profit-yielding capacity of OL3 EPR.

As the licence holder, TVO ensures through risk management measures that, for example, extensive functional testing of the Olkiluoto 3 EPR plant unit are carried out before nuclear test operations are launched. TVO will ensure that experience gained from the Taishan sister plant is utilised in the nuclear commissioning of the Olkiluoto 3 EPR plant unit.

So far, the Covid-19 pandemic has only had minor effects on Pohjolan Voima's business. Pohjolan Voima has taken extensive precautions to take care of its employees' health and safety and to ensure energy production. If the Covid-19 pandemic persists for long, the situation may also negatively influence Pohjolan Voima's business mostly through changes in the operating environment.

Share capital and share issues

On 31 December 2020, Pohjolan Voima's share capital was €55.3 (55.3) million and the total number of shares was 32,509,113 (32,509,113).

No share issues were carried out during the financial year.

Table: Pohjolan Voima Oyj's shareholders

| Shareholder | Shareholding, % 31/12/2020 | Shareholding, % 31/12/2019 |
|--|---------------------------------------|---------------------------------------|
| EPV Energy Ltd | 5.489 | 5.489 |
| Helen Ltd | 0.619 | 0.619 |
| Ilmarinen Mutual Pension Insurance Company | 1.831 | 1.831 |
| Kemira Oyj (incl. Neliapila pension fund) | 5.060 | 5.060 |
| Kokkolan Energia Oy | 1.803 | 1.845 |
| Kymppivoima Oy | 5.907 | 5.907 |
| Metsä Group (Metsäliitto Cooperative, Metsä Fibre, Metsä Board Oyj) | 3.657 | 3.657 |
| Myllykoski Oyj*) | 0.631 | 0.631 |
| Oulun Energia Ltd | 0.906 | 0.906 |
| Outokumpu Oyj | 0.096 | 0.096 |
| Perhonjoki Ltd | 2.208 | 2.167 |
| City of Pori | 1.366 | 1.366 |
| Rautaruukki Corporation | 0.090 | 0.090 |
| Stora Enso Oyj | 15.608 | 15.608 |
| Finnish Power Ltd | 1.476 | 1.517 |
| UPM Energy Ltd*) | 47.727 | 47.686 |
| UPM Communication Papers Ltd*) | 3.457 | 3.457 |
| Vantaa Energy Ltd | 0.229 | 0.229 |
| Yara Suomi Oy (incl. pension fund) | 1.840 | 1.840 |

*) The company is part of the UPM-Kymmene Group.

Management

Due to the coronavirus situation, Pohjolan Voima Oyj's annual general meeting was not held physically in spring 2020; instead, the shareholders decided on matters belonging to the general meeting unanimously on 24 March 2020, in accordance with a special provision included in the Limited Liability Companies Act. The shareholders adopted the 2019 financial statements, adopted the profit and loss statement and the

balance sheet, and discharged the members of the Board of Directors and the President and CEO from liability. Authorised Public Accountants PricewaterhouseCoopers Oy was nominated as the auditor, with Niina Vilske, Authorised Public Accountant, as the auditor in charge.

The following were elected as ordinary members of the Board of Directors: Tapio Korpeinen, CFO, Executive Vice President (UPM-Kymmene Corporation); Seppo Parvi, CFO (Stora Enso Oyj); Jukka Hakkila, Group General Counsel (Kemira Oyj); Anders Renvall, Managing Director (Kymppivoima Oy); Tomi Sederholm, Director, Finance & Control and Strategy (UPM Energy Ltd); Esa Kaikkonen, CEO (Metsä Tissue Corporation); Rami Vuola, President & CEO (EPV Energy Ltd); Mikko Lepistö, Energy Manager (SSAB Europe Oyj); and Roger Holm, CEO (Oy Herrfors Ab).

At its inaugural meeting, the Board of Directors elected Tapio Korpeinen as the chair and Seppo Parvi as the vice chair. The Board also elected committee members from among its members. The Board of Directors convened 19 (14) times in 2020. The company's President and CEO was Ilkka Tykkyläinen, M.Sc. (Eng.), eMBA.

Major legal actions pending

No major legal actions were pending during the reporting period.

Events after the end of the financial period

Pohjolan Voima's shareholders Oulun Energia Oy and Kemira Oyj, which own Pohjolan Voima's G5 series shares for the energy produced by Laanilan Voima, announced on 19 January 2021 that they are planning to restructure the energy functions in the Laanila industrial district. According to the announcement, the restructuring means that Laanilan Voima Oy's operational business will be shut down and the current operations will be terminated in spring 2021.

Due to the planned restructuring, Laanilan Voima Oy will start statutory labour negotiations. The employer's preliminary plans may lead to the termination of Laanilan Voima's employees' employment contracts. The effects on the company's financial status will be evaluated based on the decisions made after the end of the negotiations.

Outlook

During the current financial period, power and heat production is expected to continue as in the previous year, despite the effects of the coronavirus pandemic. Pohjolan Voima will continue its precautions in accordance with general guidelines and recommendations.

TVO will continue the implementation of the OL3 EPR plant unit and the preparations for production operation. Before nuclear fuel loading, there are still commissioning tests and maintenance work to be performed, among other things. TVO will require a separate permission from the Radiation and Nuclear Safety Authority (STUK) for nuclear fuel loading. TVO will continue to support the plant supplier in the completion of the project. TVO will continue negotiations with the Areva-Siemens consortium on the terms for the completion of the project.

Proposal of the Board of Directors regarding the distribution of profit

On 31 December 2020, the parent company's distributable funds totalled €314,036,770.02, of which net profit for the financial period amounted to €-6,696,925.48. The Board of Directors proposes to the Annual General Meeting that the loss for the financial year be transferred to the retained earnings account and that no dividend be distributed.

KEY FIGURES INCLUDING CALCULATION

| M€ | 1.7. - 31.12.2020 | 1.7. - 31.12.2019 | 1.1. - 31.12.2020 | 1.1. - 31.12.2019 |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Sales | 201 | 180 | 411 | 417 |
| Operating profit or loss | -9 | 31 | -3 | 45 |
| Balance sheet total | 2 189 | 2 106 | 2 189 | 2 106 |
| Investments | 6 | 2 | 8 | 4 |
| Equity on assets ratio | 41% | 39% | 41% | 39% |
| Average number of personnel | 82 | 89 | 82 | 89 |
| Equity on assets ratio | | | 31.12.2020 | 31.12.2019 |
| Equity, 1000 € | | | 890 768 | 831 213 |
| Total assets, 1000 € | | | 2 189 473 | 2 106 404 |
| EQUITY ON ASSETS RATIO (%) | | | 41% | 39% |

FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| 1 000 € | Note | 1.7. - 31.12.2020 | 1.7. - 31.12.2019 | 1.1. - 31.12.2020 | 1.1. - 31.12.2019 |
|--|------|-------------------|-------------------|-------------------|-------------------|
| Continuing operations | | | | | |
| Sales | 2 | 201 399 | 180 018 | 411 492 | 417 091 |
| Other operating income | | 332 | 1 483 | 1 134 | 2 527 |
| Materials and services | | -152 982 | -132 352 | -313 338 | -319 819 |
| Personnel expenses | | -4 041 | -4 029 | -8 385 | -8 502 |
| Depreciation, amortisation and impairment | 3 | -18 837 | -20 046 | -39 050 | -39 894 |
| Other operating expenses | | -28 117 | -25 839 | -48 948 | -50 422 |
| Share of (loss)/profit of associates and joint ventures | | -6 790 | 31 529 | -6 138 | 43 723 |
| Operating profit or loss | | -9 036 | 30 764 | -3 233 | 44 704 |
| Finance income | | 1 589 | 1 696 | 2 958 | 3 249 |
| Finance costs | | -6 800 | -5 585 | -14 960 | -17 976 |
| Finance costs - net | | -5 211 | -3 889 | -12 002 | -14 727 |
| Profit/loss before income tax | | -14 247 | 26 875 | -15 235 | 29 977 |
| Income tax expense | | 2 | -1 | 1 | -2 |
| Profit/loss for the period from continuing operations | | -14 245 | 26 874 | -15 234 | 29 975 |
| Discontinued operations | | | | | |
| Profit/loss from discontinued operations | | -1 304 | 4 842 | -2 692 | 2 927 |
| Profit/loss for the period | | -15 549 | 31 716 | -17 926 | 32 902 |
| Other comprehensive income: | | | | | |
| Items, that may be reclassified later to profit or loss | | | | | |
| Share of other comprehensive income of associates | | | | | |
| Cash flow hedging | | -7 169 | 3 736 | -12 866 | -4 581 |
| Other comprehensive income for the period | | -7 169 | 3 736 | -12 866 | -4 581 |
| Total comprehensive income for the period | | -22 718 | 35 452 | -30 792 | 28 321 |
| Profit attributable to: | | | | | |
| Owners of the parent | | -15 286 | 31 875 | -18 312 | 32 731 |
| Non-controlling interest | | -263 | -159 | 386 | 171 |
| | | -15 549 | 31 716 | -17 926 | 32 902 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | -22 455 | 35 611 | -31 178 | 28 150 |
| Non-controlling interest | | -263 | -159 | 386 | 171 |
| | | -22 718 | 35 452 | -30 792 | 28 321 |

CONSOLIDATED BALANCE SHEET

| 1 000 € | Note | 31.12.2020 | 31.12.2019 |
|--|------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 3 | 283 569 | 285 659 |
| Property, plant and equipment | 3 | 442 889 | 473 274 |
| Investments in associated companies and joint ventures | | 734 764 | 753 768 |
| Other financial assets | | 484 | 484 |
| Loans and other receivables | | 596 530 | 445 987 |
| Non-current assets total | | 2 058 236 | 1 959 172 |
| Current assets | | | |
| Inventories | | 9 210 | 9 131 |
| Trade and other receivables | | 75 159 | 72 966 |
| Cash and cash equivalents | 4 | 44 312 | 62 367 |
| Current assets total | | 128 681 | 144 464 |
| Assets held for sale | | 2 556 | 2 768 |
| Total assets | | 2 189 473 | 2 106 404 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | 55 321 | 55 321 |
| Share premium | | 205 999 | 205 999 |
| Reserve for invested non-restricted equity | | 327 644 | 327 644 |
| Revaluation reserve | | -15 747 | -2 881 |
| Subordinated shareholders loans (hybrid equity) | | 90 347 | 0 |
| Retained earnings | | 186 132 | 204 444 |
| Total | | 849 696 | 790 527 |
| Non-controlling interests | | 41 072 | 40 686 |
| Total equity | | 890 768 | 831 213 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Provisions | | 5 064 | 5 020 |
| Borrowings | 4 | 1 050 743 | 981 865 |
| Other non-current liabilities | | 10 549 | 10 154 |
| Non-current liabilities total | | 1 066 356 | 997 039 |
| Current liabilities | | | |
| Borrowings | 4 | 182 836 | 228 307 |
| Trade and other payables | | 49 513 | 49 845 |
| Current liabilities total | | 232 349 | 278 152 |
| Total liabilities | | 1 298 705 | 1 275 191 |
| Total equity and liabilities | | 2 189 473 | 2 106 404 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| 1 000 € | 1.7. - 31.12.2020 | 1.7. - 31.12.2019 | 1.1. - 31.12.2020 | 1.1. - 31.12.2019 |
|---|-------------------|-------------------|-------------------|-------------------|
| Cash flow from operating activities | | | | |
| Profit/loss for the period | -15 549 | 31 716 | -17 926 | 32 902 |
| Adjustments, total | 30 605 | -9 439 | 56 653 | 8 939 |
| Change in working capital | -11 468 | -4 356 | -3 309 | 8 348 |
| Cash generated from operations | 3 588 | 17 921 | 35 418 | 50 189 |
| Finance cost, net | -2 597 | -3 859 | -9 409 | -10 776 |
| Income taxes paid | 97 | -1 | 12 | -2 |
| Net cash generated from operating activities | 1 088 | 14 061 | 26 021 | 39 411 |
| Cash flow from investing activities | | | | |
| Capital expenditure | -5 208 | -2 453 | -7 515 | -4 158 |
| Proceeds from sales of fixed assets | 155 | 1 748 | 569 | 2 203 |
| Changes in non-current receivables | -150 580 | 0 | -150 580 | 0 |
| Net cash used in investing activities | -155 633 | -705 | -157 526 | -1 955 |
| Cash flow before financing activities | -154 545 | 13 356 | -131 505 | 37 456 |
| Cash flow from financing activities | | | | |
| Equity refunds paid | 0 | 0 | 0 | -14 000 |
| Withdrawals of subordinated shareholders loans (hybrid equity) | 90 347 | 0 | 90 347 | 0 |
| Net charge in loans and other financing activities | 33 162 | -14 446 | 23 103 | -20 687 |
| Net cash used in financing activities | 123 509 | -14 446 | 113 450 | -34 687 |
| Net increase (+)/decrease (-) in cash and cash equivalents | -31 036 | -1 090 | -18 055 | 2 769 |
| Cash and cash equivalents at beginning of year | 75 348 | 63 457 | 62 367 | 59 598 |
| Cash and cash equivalents at end of the period | 44 312 | 62 367 | 44 312 | 62 367 |

Cash flow from discontinued operations is disclosed in the note 5.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| 1 000 € | Share capital | Share premium | Fair value reserve | Reserve for invested non-restricted equity | Subordinated shareholder's loans (hybrid equity) | Retained earnings | Equity attributable to owners of the parent | Equity attributable to non-controlling interest | Total equity |
|--|---------------|----------------|--------------------|--|--|-------------------|---|---|----------------|
| Balance at 1.1.2019 | 65 293 | 216 822 | 1 700 | 326 683 | 0 | 165 879 | 776 377 | 40 515 | 816 892 |
| Comprehensive income | | | | | | | | | |
| Profit or loss for the period | | | | | | 32 731 | 32 731 | 171 | 32 902 |
| Other comprehensive income: | | | | | | | | | |
| Cash flow hedges | | | -4 581 | | | | -4 581 | | -4 581 |
| Total comprehensive income for the period | 0 | 0 | -4 581 | 0 | 0 | 32 731 | 28 150 | 171 | 28 321 |
| Transactions with owners | | | | | | | | | |
| Transfer to retained earnings and reserve for invested non-restricted equity | -9 972 | -10 823 | | 14 961 | | 5 834 | 0 | | 0 |
| Refund of equity | | | | -14 000 | | | -14 000 | | -14 000 |
| Transactions with owners total | -9 972 | -10 823 | 0 | 961 | 0 | 5 834 | -14 000 | 0 | -14 000 |
| Balance at 31.12.2019 | 55 321 | 205 999 | -2 881 | 327 644 | 0 | 204 444 | 790 527 | 40 686 | 831 213 |
| Balance at 1.1.2020 | 55 321 | 205 999 | -2 881 | 327 644 | 0 | 204 444 | 790 527 | 40 686 | 831 213 |
| Comprehensive income | | | | | | | | | |
| Profit or loss for the period | | | | | | -18 312 | -18 312 | 386 | -17 926 |
| Other comprehensive income: | | | | | | | | | |
| Cash flow hedges | | | -12 866 | | | | -12 866 | | -12 866 |
| Total comprehensive income for the period | 0 | 0 | -12 866 | 0 | 0 | -18 312 | -31 178 | 386 | -30 792 |
| Transactions with owners | | | | | | | | | |
| Withdrawal of subordinated shareholders loans (hybrid equity) | | | | | 90 347 | | 90 347 | | 90 347 |
| Transactions with owners total | 0 | 0 | 0 | 0 | 90 347 | 0 | 90 347 | 0 | 90 347 |
| Balance at 31.12.2020 | 55 321 | 205 999 | -15 747 | 327 644 | 90 347 | 186 132 | 849 696 | 41 072 | 890 768 |

NOTES TO THE FINANCIAL STATEMENTS REPORT

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements release has been prepared in accordance with IAS 34 Interim Financial Reporting. The financial statements release should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019. The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2019.

The preparation of the financial statements release in conformity with IFRS requires the management to make estimates and assumptions in the process of applying the Group's accounting principles. Although these estimates and assumptions are based on the management's best knowledge of today, the final outcome may differ from the estimated values presented in the financial statements. The figures in the tables are exact figures and consequently the sum of individual figures may deviate from the sum presented.

IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

The impact of COVID-19 on Pohjolan Voima financial statements has been minor. The Group has assessed the impact of COVID-19 to the balance sheet by considering indicators of impairment of the right to produce hydropower as well as the water area permanent usage right included in the intangible assets, recoverable amount of tangible assets as well as valuation of inventories and receivables. The expectations of future cash flows, discount rate and other significant valuation inputs were revised to reflect changed economic environment. Based on the assessment and revised valuation input no adjustment to the carrying values of the said assets were made.

The Group expects that it will continue to operate and meet its liabilities as they fall due. COVID-19 has so far had no material impact on Group's financing.

1 SEMIANNUAL SEGMENT INFORMATION

TURNOVER BY SEGMENTS

| 1 000 € | 1.7. - 31.12.2020 | 1.7. - 31.12.2019 | 1.1. - 31.12.2020 | 1.1. - 31.12.2019 |
|-------------------------|-------------------|-------------------|-------------------|-------------------|
| Hydropower | 10 729 | 13 195 | 23 869 | 24 496 |
| Thermal power | 157 838 | 169 502 | 324 365 | 360 676 |
| Nuclear power | 77 599 | 46 480 | 158 797 | 134 615 |
| Other | 28 518 | 30 263 | 56 397 | 61 592 |
| Internal sales | -73 285 | -79 421 | -151 936 | -164 288 |
| Total | 201 399 | 180 018 | 411 492 | 417 091 |
| Discontinued operations | 62 | 4 629 | 244 | 4 783 |

PROFIT/LOSS FOR THE PERIOD BY SEGMENTS

| 1 000 € | 1.7. - 31.12.2020 | 1.7. - 31.12.2019 | 1.1. - 31.12.2020 | 1.1. - 31.12.2019 |
|-------------------------|-------------------|-------------------|-------------------|-------------------|
| Hydropower | -3 168 | -2 844 | -3 764 | -3 901 |
| Thermal power | -2 437 | -838 | -565 | -1 253 |
| Nuclear power | -9 187 | 28 255 | -10 908 | 38 166 |
| Other | 547 | 2 301 | 3 | -3 037 |
| Total | -14 245 | 26 874 | -15 234 | 29 975 |
| Discontinued operations | -1 304 | 4 842 | -2 692 | 2 927 |

ASSETS BY SEGMENTS

| 1 000 € | 31.12.2020 | 31.12.2019 |
|---------------|------------------|------------------|
| Hydropower | 429 171 | 437 053 |
| Thermal power | 430 009 | 464 076 |
| Nuclear power | 1 233 990 | 1 100 804 |
| Other | 116 528 | 125 144 |
| Elimination | -20 225 | -20 673 |
| Total | 2 189 473 | 2 106 404 |

LIABILITIES BY SEGMENTS

| 1 000 € | 31.12.2020 | 31.12.2019 |
|-------------------------------|------------------|------------------|
| Hydropower | 137 351 | 141 469 |
| Thermal power | 246 091 | 277 145 |
| Nuclear power | 812 249 | 722 796 |
| Other | 112 690 | 144 300 |
| Other non-current liabilities | 10 549 | 10 154 |
| Elimination | -20 225 | -20 673 |
| Total | 1 298 705 | 1 275 191 |

2 REVENUE

| 1 000 € | 1.7. - 31.12.2020 | 1.7. - 31.12.2019 | 1.1. - 31.12.2020 | 1.1. - 31.12.2019 |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
| Sales of electricity produced | 129 737 | 102 730 | 261 843 | 253 510 |
| Sales of heat produced | 60 860 | 64 730 | 130 451 | 140 847 |
| Sales of purchased electricity | 6 672 | 7 311 | 10 412 | 13 448 |
| Other sales | 4 130 | 5 248 | 8 786 | 9 287 |
| Total | 201 399 | 180 018 | 411 492 | 417 091 |

Electricity delivered to shareholders (GWh)

| | | | | |
|-----------------------|-------|-------|--------|--------|
| Electricity produced | 5 998 | 6 132 | 11 807 | 11 666 |
| Heat produced | 993 | 1 825 | 3 054 | 3 709 |
| Purchased electricity | 234 | 266 | 486 | 415 |

3 CHANGES IN INTANGIBLES ASSETS AND PROPERTY, PLANT AND EQUIPMENT

| 1 000 € | 31.12.2020 | 31.12.2019 |
|--|----------------|------------|
| Opening balance | 758 933 | 781 613 |
| IFRS 16 additions 1.1.2019 | 0 | 10 926 |
| Depreciation, amortization and impairment | -39 050 | -39 894 |
| Depreciation, amortization and impairment, discontinued operations | 0 | -363 |
| Additions | 10 674 | 9 399 |
| Disposals | -4 099 | -2 766 |
| Change in accounting estimates | 0 | 18 |
| Closing balance | 726 458 | 758 933 |

4 INTEREST-BEARING NET DEBT AND LIQUIDITY

| 1 000 € | 31.12.2020 | 31.12.2019 |
|--|-------------------|------------|
| Current interest bearing liabilities | 182 836 | 228 307 |
| Non-current interest bearing liabilities | 1 050 743 | 981 865 |
| Interest bearing liabilities | 1 233 579 | 1 210 172 |
| Loan receivables | 559 733 | 409 153 |
| Cash and equivalents | 44 462 | 62 521 |
| Interest bearing net debt | 629 384 | 738 498 |
| Liquidity, unused committed credit facilities and debt programs | 31.12.2020 | 31.12.2019 |
| Cash and cash equivalents | 44 462 | 62 367 |
| Unused committed credit facilities | 350 000 | 300 000 |
| Total | 394 462 | 362 367 |
| In addition: | | |
| Unused commercial paper program | 201 000 | 200 000 |

5 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Discontinued operations

| 1 000 € | 1.1. - 31.12.2020 | 1.1. - 31.12.2019 |
|--|-------------------|-------------------|
| Income | 677 | 9 978 |
| Costs | -3 369 | -7 051 |
| Profit before income tax | -2 692 | 2 927 |
| Profit from discontinued operations | -2 692 | 2 927 |

Cash flow from discontinued operations

| 1 000 € | 31.12.2020 | 31.12.2019 |
|--------------------------------------|--------------|------------|
| Cash flows from operating activities | 1 712 | -1 358 |
| Cash flows from investing activities | 853 | 1 236 |
| Cash flows total | 2 565 | -122 |

Board of Directors of PVO-Lämpövoima Oy decided 27 October 2015 to propose, that the electricity production of condensing power plants in Kristiinankaupunki and Pori Tahkoluoto will be terminated. PVO's extraordinary shareholders' meeting approved the decision 13 November 2015. PVO-Lämpövoima's operations are presented in the financial statement 2015-2020 as discontinued operations. PVO-Lämpövoima's tangible assets and inventory are presented as assets held for sale.

Assets held for sale

| 1 000 € | 31.12.2020 | 31.12.2019 |
|-----------------|--------------|------------|
| Tangible assets | 2 556 | 2 556 |
| Inventory | 0 | 212 |
| Total | 2 556 | 2 768 |

There were no liabilities related to assets held for sale in 2020 nor 2019.

6 FINANCIAL INSTRUMENTS

The Group has not made any significant changes in policies regarding risk management during the reporting period. Aspects of the Group's financial risk management objective and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2019.

| | 31.12.2020 | | 31.12.2019 | |
|---|----------------|---------------|----------------|---------------|
| | Net fair value | Nominal value | Net fair value | Nominal value |
| 1 000 € | | | | |
| Interest rate swaps, non-hedge accounting | -10 549 | 247 000 | -10 154 | 247 000 |

Financial assets and liabilities by measurement categories and fair value hierarchy as of 31 December 2020

| 1 000 € | Fair value through profit and loss | Financial liabilities carried at amortised cost | Carrying value | Fair value, when different to book value | Level 1 | Level 2 | Level 3 |
|---|------------------------------------|---|------------------|--|----------------|---------------|------------|
| | | | | | | | |
| Non-current financial assets | | | | | | | |
| Other financial assets | 484 | | 484 | | | | 484 |
| Loan receivables | | 559 733 | 559 733 | | | | |
| Other receivables | | 36 797 | 36 797 | | | | |
| | 484 | 596 530 | 597 014 | | | | |
| Current financial assets | | | | | | | |
| Cash and cash equivalents | | 44 312 | 44 312 | | | | |
| Loan receivables | | 150 | 150 | | | | |
| Trade and other receivables | | 52 467 | 52 467 | | | | |
| Prepayments and accrued income | | 22 542 | 22 542 | | | | |
| | | 119 471 | 119 471 | | | | |
| Total | 484 | 716 001 | 716 485 | | | | |
| Non-current financial liabilities | | | | | | | |
| Borrowings from associates and joint ventures | | 350 000 | 350 000 | | | | |
| Borrowings | | 272 885 | 272 885 | | | | |
| Bonds | | 274 157 | 274 157 | 272 740 | 272 740 | | |
| Lease liabilities | | 153 701 | 153 701 | | | | |
| Derivative financial instruments | 10 549 | | 10 549 | | | 10 549 | |
| | 10 549 | 1 050 743 | 1 061 292 | | | | |
| Current financial liabilities | | | | | | | |
| Loans and commercial papers | | 169 914 | 169 914 | | | | |
| Trade payables and other current liabilities | | 49 513 | 49 513 | | | | |
| Lease liabilities | | 12 922 | 12 922 | | | | |
| | | 232 349 | 232 349 | | | | |
| Total | 10 549 | 1 283 092 | 1 293 641 | | 272 740 | 10 549 | 484 |

Financial instruments that are measured at fair value in the balance sheet are presented according to fair value measurement hierarchy:

Level 1: quoted prices in active markets for identical assets or liabilities. Interest-bearing liabilities at level 1 consist of listed bonds.

Level 2: inputs other than quoted price included within Level 1 that are observable for the assets or liability, either directly or indirectly

Level 3: inputs for the assets or liability that is not based on observable market data (unobservable inputs)

The fair value of other financial instruments are not materially different from their carrying amount. Other financial assets in Fair value through profit or loss -category include unlisted shares for which the fair value cannot be reliably determined.

7 RELATED PARTY TRANSACTIONS

Transactions with related parties, 1000 €

Related party transactions relate to normal business operations of Pohjolan Voima.

| | 31.12.2020 | | | |
|-------------------------------|------------|-----------|-------------|-------------|
| | Sales | Purchases | Receivables | Liabilities |
| Associates and joint ventures | 745 | 191 088 | 610 148 | 361 669 |
| UPM-Kymmene Group | 171 022 | 64 736 | 19 292 | 6 487 |
| 31.12.2019 | | | | |
| | Sales | Purchases | Receivables | Liabilities |
| Associates and joint ventures | 5 217 | 179 892 | 458 268 | 205 151 |
| UPM-Kymmene Group | 158 844 | 65 020 | 13 226 | 9 551 |

8 CONTINGENT LIABILITIES AND ASSETS AND PURCHASE COMMITMENTS

| <u>1 000 €</u> | <u>31.12.2020</u> | <u>31.12.2019</u> |
|---|-------------------|-------------------|
| On behalf of own loans | | |
| Pledged deposits | 38 | 40 |
| Other contingent liabilities | 8 469 | 4 962 |
| On behalf of associated companies and joint ventures | | |
| Guarantees | 30 | 30 |
| Guarantee according to Nuclear Energy Act | 54 457 | 44 290 |
| Total | 62 994 | 49 322 |

Guarantee under the Nuclear Energy Act

According to the Finnish Nuclear Energy Act, Teollisuuden Voima, a joint venture of which Pohjolan Voima owns 58.5%, is obliged to fund the decommissioning of nuclear power plants and final disposal of spent nuclear fuel through the Finnish State Nuclear Waste Management Fund.

The amount of the contingent liability is determined by the administrative authority (Ministry of Employment and Economy) based on the Nuclear Energy Act. The directly enforceable guarantees relating to Nuclear waste management given by the shareholders of Teollisuuden Voima Oyj cover the uncovered portion of nuclear waste management liability as well as a liability for any unforeseen expenses of nuclear waste management in accordance with the Nuclear Energy Act. The directly enforceable guarantee given by Pohjolan Voima is 54.5 million Euros (31 December 2019: 44.3 million Euros).

Investment commitments

Joint ventures

Pohjolan Voima Oyj has committed to an investment into the nuclear power plant Olkiluoto 3 EPR built by Teollisuuden Voima Oyj during 2004 to 2020. The commitment consists of a 432 million Euros investment, a shareholder loan of 108 million and an additional shareholder loan of a maximum of 693 million Euros. As at 31 December 2020 Pohjolan Voima Oyj has fulfilled 992 (31 December 2019: 841) million Euros of its commitments. Investments are based on the financial plan of Olkiluoto 3 EPR, according to which capital is raised in accordance with the progress of the project.

9 EVENTS AFTER THE REPORTING PERIOD

Pohjolan Voima's shareholders Oulun Energia Oy and Kemira Oyj, which own Pohjolan Voima's G5 series shares for the energy produced by Laanilan Voima, announced on 19 January 2021 that they are planning to restructure the energy functions in the Laanila industrial district. According to the announcement, the restructuring means that Laanilan Voima Oy's operational business will be shut down and the current operations will be terminated in spring 2021.

Due to the planned restructuring, Laanilan Voima Oy will start statutory labour negotiations. The employer's preliminary plans may lead to the termination of Laanilan Voima's employees' employment contracts. The effects on the company's financial status will be evaluated based on the decisions made after the end of the negotiations.