



POHJOLAN VOIMA

Pohjolan Voima Financial Statements Release

2023



ANNUAL REPORT OF THE BOARD OF DIRECTORS 2023

Operating environment

Russia's offensive war in Ukraine, which started in February 2022, and the ensuing energy crisis in Europe kept electricity prices high over the winter, but the average price of electricity has subsequently fallen. Finland's electrical power system, which is based on a diverse production structure, emerged from the crisis faster than Central Europe. Concerns about security of supply are a key energy policy issue. Teollisuuden Voima's third nuclear power plant unit (OL3) started regular electricity production, which significantly increased Finland's self-sufficiency in electricity production. The continued rapid growth of weather-dependent production has significantly amplified electricity market price fluctuations, and the challenges of balancing the electrical power system have become even more important.

In 2023, electricity consumption in Finland was 80 TWh (82 TWh in 2022). Of this volume, 78 (69) TWh was produced in Finland, while net imports into Finland amounted to 2 (13) TWh. Imported electricity covered 2% (15.9) of Finnish electricity consumption. The increase in nuclear and wind power production capacity substantially decreased the net import of electricity. In 2023, electricity consumption in Finland decreased by 2% year-on-year. Industrial electricity consumption decreased by 6%, and electricity consumption in other sectors remained at almost the same level as in the previous year.

Nord Pool Spot trade amounted to 1,104 (1,077) TWh. The annual average system price in 2022 was at €56.44 (135.86) per MWh, while the annual average of the Finnish area price was €56.47 (154.04) per MWh. Electricity prices have fallen significantly since the previous year, when the price crisis triggered by rising gas prices pushed prices to an extreme level. The rapidly rising wind power capacity has increased price fluctuation and the occurrence of low or negative prices.

The EUA emission allowance price remained high throughout the year, varying between €68 and €105.

The EU revenue cap, introduced in response to the energy crisis, was implemented in Finland with a temporary surtax. Electricity companies must pay a surtax of 30% on the profit from their electricity business in excess of a return of 10%, calculated from the amount of equity committed to the electricity business. The tax is to be paid based on the result for 2023.

The new Government Programme after the parliamentary elections in the spring of 2023 contains several positive energy policies. The Government aims to promote industrial investments and make Finland a clean energy superpower. The Government remains committed to the climate policy, and its attitude towards all forms of energy production relevant to climate change is positive. Clean energy production is to be doubled. The Government is also calling for more weather-independent 'base load power' and the balancing power needed to balance the electrical power system. The promotion of carbon capture, storage and use is also included in the Government Programme.

The Government Programme is positive in terms of Pohjolan Voima's business, i.e. hydropower, thermal power and nuclear power. In the case of nuclear power, the Government's measures include speeding up the reform of the Nuclear Energy Act, welcoming small modular reactors (SMRs) and promoting the acceptability of nuclear

power in the EU. The importance of hydropower as balancing power is recognised, and the attitude towards increasing the volume of hydropower with pumped storage power stations, among other solutions, is positive. The Water Act ‘zero obligation’ project, which was not completed by the previous Government, will be continued, and the national flexibility made possible by the Water Framework Directive will be introduced. The importance of combustion-based energy production in the current challenging situation is also understood.

The work on the EU’s Fit for 55 package has been completed. The measures are part of the EU’s CO₂ emission target, according to which emissions will be reduced by 55% from the 1990 level by 2030. Discussion of the 2040 target has started. The nature restoration regulation to promote biodiversity has been completed. As the EU prepares for the 2024 parliamentary elections, the preparation of the Commission’s post-election work programme has started.

Pohjolan Voima’s heat and power production

In 2023, Pohjolan Voima’s total electricity supply was 17.6 (12.9) TWh. The Group’s own electricity production accounted for 17.0 (12.2) TWh, of which the parent company’s supplies to its shareholders were 16.7 (11.9) TWh. The subsidiaries supplied 0.4 (0.3) TWh to their other shareholders. Purchases from the Nordic electricity markets were 0.6 (0.7) TWh, and sales amounted to 0.5 (0.4) TWh. Heat deliveries were 2.8 (3.1) TWh.

Nuclear power made up 81.5% (72.2) of electricity supply, increasing after the Olkiluoto 3 power plant unit (OL3) started regular electricity production. Teollisuuden Voima Oyj’s (TVO) Olkiluoto nuclear power plant generated 24.7 (16.4) TWh of electricity, of which Pohjolan Voima obtained 14.4 (9.2) TWh, in accordance with its shareholding. The combined capacity factor of the Olkiluoto 1 and 2 plant units was 91.9% (93.0), while OL3’s capacity factor was 75.2% (16.9).

Hydropower accounted for 1.8 (1.7) TWh, or 10.3% (12.9) of the electricity supply. Hydropower production increased from the previous year to close to the production volume of a year with normal water conditions. A total of 0.9 (1.2) TWh of electricity was produced in combined heat and power (CHP) plants. Their share of the total supply was 4.9% (9.6).

In 2023, approximately 99% of the electricity and 90% of the heat produced by Pohjolan Voima was carbon neutral.

<i>Electricity supply (GWh)</i>	2019	2020	2021	2022	2023
<i>Nuclear power</i>	8,366	8,279	8,186	9,336	14,361
<i>Hydropower</i>	1,631	2,216	2,056	1,663	1,806
<i>CHP</i>	1,669	1,312	1,471	1,235	870
<i>Electricity purchases</i>	423	490	646	671	580
<i>Total</i>	12,089	12,298	12,360	12,906	17,617

Key events in 2023

The test production of TVO’s OL3 plant unit continued in early January and again in mid-March after an outage. The test production programme was completed in

April, and regular electricity production started on 16 April 2023. TVO confirmed the provisional takeover of the plant unit for the warranty period, which started on 18 April 2023. The commercial operation of OL3 started on 1 May 2023. The shareholders' right to the electricity produced by OL3 and their liability for the annual costs arising from the electricity production are determined by TVO's articles of association. The start of OL3's regular electricity production and commercial operation will have a positive impact on the volume of electricity supplied by Pohjolan Voima, the Group's turnover, material and service costs, as well as current receivables and current liabilities.

On 30 June 2023, Pohjolan Voima's extraordinary general meeting decided to approve a flue gas condenser plant investment of the subsidiary Porin Prosessivoima Oy and a related share issue. The investment amounted to €16.5 million, and the project started in the autumn of 2023. The investment will improve energy efficiency and reduce fuel demand and the emissions of Porin Prosessivoima's power plant. To realise the investment, Porin Prosessivoima's share capital was increased by a directed share issue of €4.5 million through the offering of all shares in new series L to Pori Energia Oy for subscription. Series L shareholders are entitled to receive heat from the flue gas heat condenser plant. After the completion of the directed share issue, Pohjolan Voima Oyj owns some 89% and Pori Energia Oy some 11% of Porin Prosessivoima.

Pohjolan Voima's subsidiary PVO-Vesivoima decided to invest in a 3 MW ultracapacitor energy storage facility project. Based at the Kierikki hydropower plant along the Iijoki river, it is PVO-Vesivoima's first pilot project for an energy storage technology that can extend the service life of the power plant. The construction of the pilot project is set to begin in 2024.

TVO announced that it would examine the possibility of extending the service life of the Olkiluoto 1 and 2 units by at least ten years, as well as a possible increase of their capacity. The current operating licences are valid until 2038.

Pohjolan Voima Oyj's extraordinary general meeting of 28 November 2023 decided to reduce the parent company's share capital and share premium reserve, to acquire and annul shares in series C2, M and V, and to amend the articles of association. A hearing of creditors in connection with the reduction of restricted equity was in progress at the end of the financial period and will be completed by the end of 2024. The extraordinary general meeting also decided to issue binding instructions on a reduction of the share capital of Pohjolan Voima Oyj's subsidiary Kaukaan Voima Oy.

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 financial risks of Pohjolan Voima's business operations are related to liquidity, market

and credit risks. Financial risk management is covered in note 3 to the consolidated financial statements, Financial risk management.

The Group's liquidity is good. On 31 December 2023, cash and cash equivalents totalled €70 (36) million, and the Group had an unused binding credit facility agreement of €350 (350) million. The credit facility agreement will mature in June 2028 and includes a one-year extension option. For short-term funding, the Group had a domestic commercial paper programme of €300 (300) million, of which €132 (99) million had been used.

The Group's interest-bearing liabilities amounted to €1,190 (1,181) 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 45.0% (44.3).

Consolidated turnover from continuing operations was €840.0 (610.2) million. Consolidated turnover increased as a result of the start of OL3's regular electricity production. The consolidated result for the financial period was €99.6 (3.1) million. The result for the period was affected by the positive results of both the parent company Pohjolan Voima Oyj and the associated companies and joint ventures. The parent company continued the invoicing of the costs incurred during the construction of the OL3 project from the shareholders of B2 series shares as test production continued and commercial production started.

Investments

The total investments of Pohjolan Voima Group, excluding financial investments and the purchase of emission allowances, amounted to €7.9 (7.2) million.

PVO-Vesivoima Oy acquired a new G2 stator for the Raasakka power plant and introduced the hydraulic Fishheart fishway at Raasakka. PVO-Vesivoima's investments totalled €3.9 million. The Group's remaining investments were in replacements and renovations.

Between 2004 and 2023, Pohjolan Voima Oyj invested a total of €991.6 (991.6) million in the OL3 nuclear power plant project. The investments were based on the financing plan for the OL3 EPR project, according to which the equity required for the investment was accumulated as the project progressed. The company's last financial commitment to the project expired on 31 December 2023.

Research and development

Research and development expenditure during the financial period totalled €115 thousand (2022: 64 and 2021: 35).

Personnel

The average number of employees working for the Group was 40 (2022: 42 and 2021: 54). The Group's salaries and fees for the financial period totalled €4.4 million (2022: 4.6 and 2021: 5.9). The average age of permanent employees was 48 (47) years and employee turnover 3.9% (19). The Group conducts an annual personnel satisfaction survey. The top People Power rating of AAA was achieved in the Eezy Flow survey for the fourth year in a row.

The average number of employees working for the parent company was 26 (2022: 27 and 2021: 30). Salaries and fees for the financial period totalled €3.3 million (2022: 3.4 and 2021: 3.7).

Corporate sustainability

Corporate social responsibility is an intrinsic part of our strategy. Our strategy slogan 'We create decisive power to strengthen competitiveness and contribute to a better tomorrow' reflects our sense of responsibility. In line with the strategic theme 'sustainable production on market terms', we aim to be a responsible operator and reconcile competitive carbon neutral production with biodiversity. Our strategy emphasises sustainability in all our business operations.

Pohjolan Voima is committed to compliance with all applicable laws and regulations. The Group's operating principles include principles on human rights, labour rules and anti-corruption. Pohjolan Voima expects its partners to comply with the same principles.

Pohjolan Voima has selected four of the UN Sustainable Development Goals, which we promote through our operations: affordable and clean energy, decent work and economic growth, life on land, and partnership for the goals. An annually updated sustainability programme to ensure compliance with the UN Sustainable Development Goals has been prepared.

In 2023, we prepared a new Group-wide sustainability programme for 2024–2027 based on a double materiality analysis conducted in the spring and the Pohjolan Voima strategy updated in 2022. We also continued our other sustainability efforts. Sustainability is one of our strategic capabilities, and targets for its development and related measures were set. We strengthened our approach to responsible decision-making and updated our Supplier Code of Conduct to cover biodiversity. We continued the development of sustainability communications and reporting, and we also prepared for the commitment to the Science Based Targets initiative. In addition, we were able to realise 80% of the measures specified for 2023 in our biodiversity plan.

A total of 99% (97) of our electricity and 90% (80) of our heat production was carbon neutral. The increase in carbon neutrality in electricity production was due to the commissioning of the OL3 nuclear power plant and the divestment of the coal-fired Vaskiluoto power plant. The major increase in the carbon-neutral share of heat production was the result of an increase in the share of wood-based fuels and a reduction in the use of peat and other fossil fuels. On the other hand, the 2022 reference year was exceptional due to a strike in the forest industry and Russia's military aggression against Ukraine. These affected fuel procurement at the time.

For more information about Pohjolan Voima's sustainability targets and the related work, visit the company's website at www.pohjolanvoima.fi/en.

Reporting according to the EU taxonomy

Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, i.e. the EU taxonomy, was published in 2020. The aim of the taxonomy is to increase sustainable investments and direct capital flows towards technologies and businesses that are considered sustainable. The Regulation defines six environmental targets. The criteria for climate change mitigation and adaptation were published in a delegated climate regulation on 4 June 2021. A supplementary delegated act on nuclear power and natural gas, related to the climate change mitigation and adaptation criteria, was adopted on 5 July 2022, and based on it, nuclear power and gas were included in the EU taxonomy as 'transitional

activities' from 1 January 2023. A delegated act for the other four environmental targets was published in July 2023, and companies will have to report under it from 1 January 2024, covering the year 2023. Pohjolan Voima is not obliged to report in accordance with the taxonomy, but the company has reported the taxonomy eligibility of its business in the 2021 financial statements and its taxonomy compliance in the 2022 Annual Report due to the importance of its financial activities and will publish a taxonomy report for 2023 as part of the Annual Report during week 12. Taxonomy reporting will be mandatory for Pohjolan Voima in accordance with the CSRD schedule, i.e. from 2025 onwards. Pohjolan Voima's identified taxonomy-eligible activities focus on the climate change mitigation target. The assessment and the results are based on the information and interpretations of the EU Regulation available at the time of reporting, covering the criteria of 'substantial contribution' and 'do no significant harm' for the corresponding activities. In addition, compliance with the minimum safeguards has been assessed.

Environment

Of Pohjolan Voima's production companies, Kaukaan Voima, Kymin Voima, Porin Prosessivoima, PVO-Vesivoima, Rauman Biovoima, Alholmens Kraft and Teollisuuden Voima have ISO 14001 environmental management systems, EES+ energy efficiency management systems or ISO 50001 energy management systems in place. The systems ensure that environmental and energy efficiency targets are met and verify continuous improvement. Some of the systems are certified. In addition, all production companies have signed energy efficiency agreements for the 2017–2025 period.

Water levels were regulated, and hydropower plants operated in compliance with the permit conditions. In line with its obligations, PVO-Vesivoima stocked the Iijoki and Kemijoki rivers and the adjacent sea area with around 2.7 (2.8) million fry during the reporting period.

PVO-Vesivoima is involved in several cooperation projects related to the development of waterways. The Lohi Iijokeen (Salmon to Iijoki) project (2022–2024) is a continuation of a long chain of projects on migratory fish in the Iijoki river. Project measures include smolt monitoring in the Haapakoski and Pahkakoski rapids, testing and development of a downstream migration route, the transfer of smolt and anadromous fish, a fry transplanting programme and the production of a video about the Iijoki river. Preparation of a follow-up project, Lohi Iijokeen 2, was started in late 2023.

In December 2020, the Regional State Administrative Agency for Northern Finland granted a water management permit applied for by PVO-Vesivoima and Metsähallitus for the Raasakka fishway. The Raasakka fishway project is awaiting the outcome of appeals by stakeholders against the construction licence. Possible alternative migration solutions for the Raasakka area were further explored in 2023. The hydraulic Fishheart fishway was commissioned at the Raasakka power plant in July 2023, and it will remain in use at least until the end of the 2025 season. Measures to return migratory fish to the old natural riverbed of the Iijoki river at Raasakka continued. In March 2022, the municipality of Ii, PVO-Vesivoima, and the South and North Ii fishery collectives signed an agreement on the development of the old Iijoki riverbed at Raasakka in 2022 and 2023. In 2023, PVO-Vesivoima ran more water and arranged migratory fish monitoring at the Uiskari fishway. An agreement to start preparing a two-year follow-up project for the development of the old Raasakka

riverbed in early 2024 was made. Furthermore, a modelling project for the old Raasakka riverbed continued in 2023 with the aim of creating a realistic picture of the potential of the old Raasakka riverbed as a spawning area for migratory fish and a migration route to the regulating dam. Sounding of the riverbed is now complete, and the project will continue in 2024 with flow and habitat modelling based on the sounding data.

In March 2017, the Centre for Economic Development, Transport and the Environment (ELY Centre) for Lapland filed a petition of appeal 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 ELY Centre filed a similar petition concerning the Iijoki river. In addition to entirely new requirements, these involve additions to the current obligations. The Regional State Administrative Agency gave public notice of the petition concerning Iijoki in February 2020 and of the one concerning Kemijoki in June 2020. PVO-Vesivoima submitted complaints regarding both petitions to the Regional State Administrative Agency. In 2021, PVO-Vesivoima submitted its rejoinder to the petitioner's accounts and statements issued by the Finnish Environment Institute. The petitioner submitted its rejoinder to the statements in April 2022, and PVO-Vesivoima submitted its rejoinder to this rejoinder in June 2022. In May 2023, the fisheries authority of the Lapland ELY Centre supplemented both applications with water resource and marine environment management plans and operation and management plans for the local fishery regions. PVO-Vesivoima submitted rejoinders to the supplements in June 2023. The Regional State Administrative Agency for Northern Finland did not issue a decision on either matter during 2023.

All the thermal power plants operated by the Group fall within the sphere of the Emissions Trading Act (Päästökauppalaki 1270/2023). Carbon dioxide emissions from the production of electricity and heat amounted to 0.2 (0.6) million tonnes. The notes to the financial statements only report the CO₂ emissions of the subsidiaries, which amounted to 0.1 (0.3) million tonnes. Emissions into the air remained at the previous year's level. Sulphur dioxide emissions amounted to 0.2 (0.5) thousand tonnes, nitrogen oxide emissions to 1.3 (1.5) thousand tonnes, and particle emissions to 0.05 (0.1) thousand tonnes.

BAT conclusions related to the reference document on best available techniques for large combustion plants (LCP-BREF) were published on 17 August 2017. Power plants whose main field of activity is energy production had four years to adjust their operations to the conclusions. The transition period is longer for some industrial power plants. Some of Pohjolan Voima's power plants have already renewed their environmental permits, while others will renew them in the coming years under transition period provisions. However, all power plants are prepared to operate in accordance with the LCP BAT. The emission limits for new environmental permits will be stricter.

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 website at www.pohjolanvoima.fi/en. TVO provides information on the environmental issues related to nuclear power generation on its website at <https://www.tvo.fi/en/index.html> and in a separate corporate social responsibility report.

Risk management

Risk management aims to ensure the realisation of the strategy and the achievement of the business goals, as well as to 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 the identification and analysis of these risks. 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 and impact.

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

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 involve the revenue generation capacity of TVO's OL3 plant unit.

Although there have been few interruptions to OL3's electricity generation since the end of its test production phase, there are uncertainties related to OL3's availability during the first operating cycle due to any possible unexpected events. These uncertainties are managed by means of systematic maintenance and monitoring of the plant unit. If OL3 fails to achieve the planned load factor or operating cost structure, the Finnish national grid limits the capacity level, or costs incurred by TVO due to grid load limitation make it not profitable to operate at full power, there is a risk of production costs exceeding the target. This risk has been examined using various scenarios affecting OL3's profit yielding capacity. The risk has also been examined in terms of the adequacy of Fingrid Oyj's grid load limitation and the resulting costs to TVO.

TVO is implementing several risk management measures to secure OL3's profit-yielding capacity. Examples include careful preparation for the first annual outage, securing spare parts that affect availability and utilising experience gained from the Flamanville and Taishan sister plants in the preparation for OL3's annual outage.

TVO is closely monitoring compliance with the terms and conditions of the settlement agreement, which was signed in March 2018 and supplemented in June 2021, and the progress of OL3's warranty period, to ensure that they will be implemented in accordance with the plant supplier's schedule, while ensuring the availability of financial and technical resources.

Share capital and share issues

On 31 December 2023, Pohjolan Voima's share capital was €55.0 (55.0) million, and the total number of shares was 32,295,513 (32,295,513).

In November 2020, Pohjolan Voima took out a total of €90 million of the shareholder loan commitments that it had received from its shareholders in 2018. The

shareholder loans received from shareholders are accompanied by rights of option issued by the company, which entitle the holder to convert the shareholder loan receivable into B2 series shares. The granted rights of option entitle the holder to a maximum of 1,613,347 new B2 shares. The subscription period for the rights of option began on 1 January 2021. No rights of option were exercised during the financial period. In December 2020, Pohjolan Voima received shareholder loan commitments totalling €238 million, which expired unused on 31 December 2023. Rights of option for two separate series were also issued in connection with the shareholder loan commitment. The 1B/2020 right of option expired simultaneously with the shareholder loan commitments. The share subscription period of the remaining right of option, 1A/2020, began on 1 January 2023 and gives entitlement to up to 3,599,472 new B2 shares. No rights of option were exercised during the financial period.

No share issues were realised during the financial period.

Table: Pohjolan Voima Oyj's shareholders

Shareholder	Shareholding, % 31 December 2023	Shareholding, % 31 December 2022
EPV Energy Ltd	5.525	5.525
Helen Ltd	0.623	0.623
Ilmarinen Mutual Pension Insurance Company	1.843	1.843
Kemira Oyj (incl. Neliapila pension fund)	5.093	5.093
Kokkolan Voima Oy	1.815	1.815
Kymppivoima Oy	5.946	5.946
Metsä Group (Metsäliitto Cooperative, Metsä Fibre, Metsä Board Oyj)	3.020	3.020
Myllykoski Oyj*)	0.635	0.635
Oulun Energia Ltd	0.912	0.912
Outokumpu Oyj	0.097	0.097
Perhonjoki Ltd	2.222	2.222
City of Pori	1.376	1.376
Rautaruukki Corporation	0.091	0.091
Stora Enso Oyj	15.711	15.711
Finnish Power Ltd	1.486	1.486
UPM Energy Ltd*)	48.043	48.043
UPM Communication Papers Ltd*)	3.480	3.480
Vantaa Energy Ltd	0.230	0.230
Yara Suomi Oy (incl. pension fund)	1.852	1.852

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

Management

On 23 March 2023, the annual general meeting appointed the following persons to the Board of Directors: Tapio Korpeinen, Chief Financial Officer (UPM-Kymmene Corporation), Seppo Parvi, Chief Financial Officer (Stora Enso Oyj), Jukka Hakkila, Group General Counsel (Kemira Oyj), Anders Renvall, Managing Director (Kymppivoima Oy), Tomi Sederholm, Senior Vice President (UPM-Kymmene Corporation), Esa Kaikkonen, Chief Executive Officer (Metsä Tissue Corporation), Rami Vuola, President & CEO (EPV Energy Ltd), Roger Holm, CEO (Katternö Group), and Antti Vilkuna, CEO (Finnish Power Ltd and SV Hydro Power Ltd), who resigned from the Board on 31 December 2023.

At its inaugural meeting, the Board 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 13 (15) times in 2023. The company's CEO was Ilkka Tykkyläinen, M.Sc. (Eng.), eMBA.

Major legal actions pending

The Group had no pending legal actions at the end of the financial period.

Events after the end of the financial period

Måns Holmberg, CEO at Porvoo Energia Oy was appointed as a member of the Board of Directors by the unanimous decision made by the shareholders on 30 January 2024.

Outlook

During the current financial period, power and heat production are expected to continue as normal.

TVO is preparing for OL3's first annual outage in March. It will be followed by the maintenance and refuelling outages of OL1 and OL2. TVO will closely monitor compliance with the terms and conditions of the settlement agreement, which was signed in March 2018 and supplemented in June 2021. The terms and conditions apply until the end of the warranty period.

Proposal of the Board of Directors regarding the distribution of profit

On 31 December 2023, the parent company's distributable funds totalled €332,262,824.51, of which the net profit for the financial period amounted to €30,299,441.07. The Board of Directors proposes to the annual general meeting that a total dividend of €21,050,000 will be distributed from the distributable funds incurred from the sale of the shares of Fingrid Oyj in 2011. The dividend is to be distributed to the shares of C, C2, M and V series of shares that are entitled to the dividend from the funds incurred from Fingrid Oyj share sale. The remaining distributable assets will be left in distributable reserves. There have been no material changes in the company's financial position since the end of the financial period, and in the Board's opinion, the proposed profit distribution will not jeopardise the company's solvency.

KEY FIGURES INCLUDING CALCULATION

M€	1.7. - 31.12.2023	1.7. - 31.12.2022	1.1. - 31.12.2023	1.1. - 31.12.2022
Sales	464	329	840	610
Operating profit or loss	81	13	120	-16
Balance sheet total	2 317	2 242	2 317	2 242
Investments	4	3	8	7
Equity on assets ratio	45%	44%	45%	44%
Average number of personnel	40	42	40	42
Equity on assets ratio			31.12.2023	31.12.2022
Equity, 1000 €			1 041 414	994 133
Total assets, 1000 €			2 316 752	2 242 440
EQUITY ON ASSETS RATIO (%)			45%	44%

FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 000 €	Note	1.7. - 31.12.2023	1.7. - 31.12.2022	1.1. - 31.12.2023	1.1. - 31.12.2022
Continuing operations					
Sales	2	464 249	328 685	839 966	610 193
Other operating income		930	564	1 411	1 436
Materials and services		-403 648	-271 687	-708 970	-507 350
Personnel expenses		-2 609	-2 533	-5 530	-5 458
Depreciation, amortisation and impairment	3	-15 569	-15 556	-31 105	-31 204
Other operating expenses		-27 060	-27 234	-48 735	-46 801
Share of (loss)/profit of associates and joint ventures		65 121	1 091	73 425	-36 786
Operating profit or loss		81 414	13 330	120 462	-15 970
Finance income		17 918	12 635	30 969	27 114
Finance costs		-32 024	-8 792	-49 723	-15 637
Finance costs - net		-14 106	3 843	-18 754	11 477
Profit/loss before income tax		67 308	17 173	101 708	-4 493
Income tax expense		-1 707	8 226	-5 901	8 226
Profit/loss for the period from continuing operations		65 601	25 399	95 807	3 733
Discontinued operations					
Profit/loss from discontinued operations		4 004	-401	3 774	-623
Profit/loss for the period		69 605	24 998	99 581	3 110
Other comprehensive income:					
Items, that may be reclassified later to profit or loss					
Share of other comprehensive income of associates					
Cash flow hedging		-38 610	47 317	-52 607	123 865
Other comprehensive income for the period		-38 610	47 317	-52 607	123 865
Total comprehensive income for the period		30 995	72 315	46 974	126 975
Profit attributable to:					
Owners of the parent		70 922	25 685	99 965	3 248
Non-controlling interest		-1 317	-687	-384	-138
		69 605	24 998	99 581	3 110
Total comprehensive income attributable to:					
Owners of the parent		32 312	73 002	47 358	127 113
Non-controlling interest		-1 317	-687	-384	-138
		30 995	72 315	46 974	126 975

CONSOLIDATED BALANCE SHEET

1 000 €	Note	31.12.2023	31.12.2022
ASSETS			
Non-current assets			
Intangible assets	3	283 668	285 942
Property, plant and equipment	3	323 690	345 568
Deferred tax assets		2 330	8 231
Investments in associated companies and joint ventures		852 017	832 060
Other financial assets		695	471
Loans and other receivables		601 918	610 631
Non-current assets total		2 064 318	2 082 903
Current assets			
Inventories		14 269	13 630
Trade and other receivables		168 056	110 244
Cash and cash equivalents	4	70 109	35 511
Current assets total		252 434	159 385
Assets held for sale		-	152
Total assets		2 316 752	2 242 440
EQUITY			
Equity attributable to owners of the parent			
Share capital		54 962	54 962
Share premium		203 865	203 865
Reserve for invested non-restricted equity		311 176	311 176
Revaluation reserve		81 463	134 070
Subordinated shareholders loans (hybrid equity)		90 347	90 347
Retained earnings		257 060	161 243
Total		998 873	955 663
Non-controlling interests		42 541	38 470
Total equity		1 041 414	994 133
LIABILITIES			
Non-current liabilities			
Provisions		3 842	5 562
Borrowings	4	1 045 922	1 067 707
Non-current liabilities total		1 049 764	1 073 269
Current liabilities			
Borrowings	4	144 041	113 128
Trade and other payables		81 533	61 910
Current liabilities total		225 574	175 038
Total liabilities		1 275 338	1 248 307
Total equity and liabilities		2 316 752	2 242 440

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

1 000 €	1.7. - 31.12.2023	1.7. - 31.12.2022	1.1. - 31.12.2023	1.1. - 31.12.2022
Cash flow from operating activities				
Profit/loss for the period	69 605	24 998	99 581	3 110
Adjustments, total	-34 740	2 398	-18 810	47 761
Change in working capital	2 036	-32 458	-44 070	-13 729
Cash generated from operations	36 901	-5 062	36 701	37 142
Finance cost, net	3 580	-390	-950	-10 112
Income taxes paid	-	-5	-	-5
Net cash generated from operating activities	40 481	-5 457	35 751	27 025
Cash flow from investing activities				
Capital expenditure	-3 684	-2 738	-7 631	-6 737
Proceeds from sales of fixed assets	-506	12	-414	357
Proceeds from the dissolved joint venture	1 669	-	1 669	-
Proceeds from sale of subsidiaries	-	-	-	11 962
Net cash used in investing activities	-2 521	-2 726	-6 376	5 582
Cash flow before financing activities	37 960	-8 183	29 375	32 607
Cash flow from financing activities				
Acquisition and annulment of own shares	-	-	-	-359
Equity refunds paid	-	-	-	-11 602
Interest paid of subordinated shareholders loans (hybrid equity)	-2 179	-360	-3 717	-636
Net charge in loans and other financing activities	8 618	1 664	8 940	-22 037
Net cash used in financing activities	6 439	1 304	5 223	-34 634
Net increase (+)/decrease (-) in cash and cash equivalents	44 399	-6 879	34 598	-2 027
Cash and cash equivalents at beginning of year	25 710	42 390	35 511	38 430
Cash and cash equivalents of subsidiaries sold	-	-	-	-892
Cash and cash equivalents at end of the period	70 109	35 511	70 109	35 511

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 1.1.2022	55 321	203 865	10 205	322 778	90 347	158 910	841 426	40 853	882 279
Comprehensive income									
Profit or loss for the period						3 248	3 248	-138	3 110
Other comprehensive income:									
Cash flow hedges			123 865				123 865		123 865
Total comprehensive income for the period	0	0	123 865	0	0	3 248	127 113	-138	126 975
Transactions with owners									
Interest paid of subordinated shareholders loans (hybrid equity)						-915	-915		-915
Non-controlling interest of the sold group companies								-2 245	-2 245
Acquisition and annulment of own shares	-359						-359		-359
Refund of reserves				-11 602			-11 602		-11 602
Transactions with owners total	-359	0	0	-11 602	0	-915	-12 876	-2 245	-15 121
Balance at 31.12.2022	54 962	203 865	134 070	311 176	90 347	161 243	955 663	38 470	994 133
Balance at 1.1.2023	54 962	203 865	134 070	311 176	90 347	161 243	955 663	38 470	994 133
Comprehensive income									
Profit or loss for the period						99 965	99 965	-384	99 581
Other comprehensive income:									
Cash flow hedges			-52 607				-52 607		-52 607
Total comprehensive income for the period	0	0	-52 607	0	0	99 965	47 358	-384	46 974
Transactions with owners									
Interest paid of subordinated shareholders loans (hybrid equity)						-4 148	-4 148		-4 148
Increase in non-controlling interest								4 455	4 455
Transactions with owners total	0	0	0	0	0	-4 148	-4 148	4 455	307
Balance at 31.12.2023	54 962	203 865	81 463	311 176	90 347	257 060	998 873	42 541	1 041 414

NOTES TO THE FINANCIAL STATEMENTS RELEASE

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 2022. The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2022.

The preparation of the half-year financial report 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.

The test production of Teollisuuden Voima Oyj's Olkiluoto 3 plant unit continued in early 2023 and the regular electricity production started on 16 April 2023. Further, the commercial operation started on 1 May 2023. The start of the regular and commercial electricity production affect the comparability of Group's consolidated income statement and balance sheet and increase the volume of electricity supplied by Pohjolan Voima, turnover, material and service costs as well as current receivables and current liabilities.

1 SEMIANNUAL SEGMENT INFORMATION

TURNOVER BY SEGMENTS

1 000 €	1.7. - 31.12.2023	1.7. - 31.12.2022	1.1. - 31.12.2023	1.1. - 31.12.2022
Hydropower	19 493	26 756	37 092	45 661
Thermal power	122 027	154 403	280 602	337 401
Nuclear power	340 160	131 057	548 879	229 216
Other	73 918	121 692	147 904	184 984
Internal sales	-91 348	-105 223	-174 511	-187 069
Total	464 250	328 685	839 966	610 193
Discontinued operations	4 083	42	4 027	65

PROFIT/LOSS FOR THE PERIOD BY SEGMENTS

1 000 €	1.7. - 31.12.2023	1.7. - 31.12.2022	1.1. - 31.12.2023	1.1. - 31.12.2022
Hydropower	2 711	2 316	3 149	2 405
Thermal power	-7 151	-4 898	-821	-5 332
Nuclear power	61 009	23	63 961	-38 884
Other	9 032	27 958	29 518	45 544
Total	65 601	25 399	95 807	3 733
Discontinued operations	4 004	-401	3 774	-623

ASSETS BY SEGMENTS

1 000 €	31.12.2023	31.12.2022
Hydropower	442 272	454 592
Thermal power	318 081	329 596
Nuclear power	1 356 262	1 336 112
Other	213 891	128 370
Other non-current receivables	5 302	14 015
Elimination	-21 056	-20 860
Other current receivables	2 000	614
Total	2 316 752	2 242 440

LIABILITIES BY SEGMENTS

1 000 €	31.12.2023	31.12.2022
Hydropower	148 225	163 696
Thermal power	162 683	180 232
Nuclear power	782 581	782 581
Other	202 905	142 658
Elimination	-21 056	-20 860
Total	1 275 338	1 248 307

2 REVENUE

1 000 €	1.7. - 31.12.2023	1.7. - 31.12.2022	1.1. - 31.12.2023	1.1. - 31.12.2022
Sales of electricity produced	370 716	173 568	624 780	339 088
Sales of heat produced	57 826	57 164	132 944	128 671
Sales of purchased electricity	11 785	64 548	27 959	97 269
Other sales	23 922	33 405	54 282	45 165
Total	464 249	328 685	839 966	610 193

Electricity delivered to shareholders (GWh)

Electricity produced	9 257	6 275	17 037	12 234
Heat produced	1 194	1 158	2 880	3 128
Purchased electricity	320	317	580	671

3 CHANGES IN INTANGIBLES ASSETS AND PROPERTY, PLANT AND EQUIPMENT

1 000 €	31.12.2023	31.12.2022
Opening balance	631 510	652 702
Depreciation, amortization and impairment	-31 105	-31 204
Additions	9 012	13 650
Disposals	-2 059	-3 638
Closing balance	607 358	631 510

4 INTEREST-BEARING NET DEBT AND LIQUIDITY

1 000 €	31.12.2023	31.12.2022
Current interest bearing liabilities	144 041	113 128
Non-current interest bearing liabilities	1 045 922	1 067 707
Interest bearing liabilities	1 189 963	1 180 835
Loan receivables	559 733	559 733
Cash and equivalents and other current financial assets	70 109	35 544
Interest bearing net debt	560 121	585 558
Liquidity, unused committed credit facilities and debt programs	31.12.2023	31.12.2022
Cash and equivalents and other current financial assets	70 109	35 544
Unused committed credit facilities	350 000	350 000
Total	420 109	385 544
In addition:		
Unused commercial paper program	168 000	201 000

5 DISCONTINUED OPERATIONS, ASSETS HELD FOR SALE AND DISPOSALS

Discontinued operations

1 000 €	1.7. - 31.12.2023	1.7. - 31.12.2022	1.1. - 31.12.2023	1.1. - 31.12.2022
Income	4 944	438	5 228	559
Costs	-645	-839	-1 159	-1 182
Profit before income tax	4 299	-401	4 069	-623
Income tax expense	-295	-	-295	-
Profit from discontinued operations	4 004	-401	3 774	-623

Cash flow from discontinued operations

1 000 €	1.7. - 31.12.2023	1.7. - 31.12.2022	1.1. - 31.12.2023	1.1. - 31.12.2022
Cash flows from operating activities	-1 844	-343	-2 535	1 885
Cash flows from investing activities	874	48	959	136
Cash flows total	-970	-295	-1 576	2 021

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 2015-2022 as discontinued operations. PVO-Lämpövoima's tangible assets and inventory are presented as assets held for sale in 2023 and 2022.

Assets held for sale

1 000 €	31.12.2023	31.12.2022
Tangible assets	-	152
Total	-	152

Disposals

Assets and liabilities	2022
Intangible assets	1 314
Property, plant and equipment	29 698
Trade and other receivables	3 222
Cash and cash equivalents	892
Total assets	35 126
Non-controlling interests	2 245
Provisions	291
Borrowings	18 215
Trade and other payables	2 596
Total liabilities	23 347
Sold net assets	11 779
Gain/loss on sale	183
Total consideration	11 962
Cash consideration received	11 962
Cash and cash equivalents disposed of	-892
Net cash flow	11 070

There were no disposals in 2023.

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 2022.

1 000 €	31.12.2023		31.12.2022	
	Net fair value	Nominal value	Net fair value	Nominal value
Interest rate swaps, non-hedge accounting	7 302	250 000	14 629	235 000

Financial assets and liabilities by measurement categories and fair value hierarchy as of 31 December 2023

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	695		695				695
Loan receivables		559 733	559 733				
Derivative financial instruments	5 302		5 302			5 302	
Other receivables		36 883	36 883				
	5 997	596 616	602 613			5 302	695
Current financial assets							
Cash and cash equivalents		70 109	70 109				
Derivative financial instruments	2 000		2 000			2 000	
Trade and other receivables		113 658	113 658				
Prepayments and accrued income		52 399	52 399				
	2 000	236 165	238 165			2 000	
Total	7 997	832 781	840 778			7 302	695
Non-current financial liabilities							
Borrowings from associates and joint ventures		350 000	350 000				
Borrowings		443 000	443 000				
Bonds		149 889	149 889	145 808	145 808		
Lease liabilities		103 033	103 033				
		1 045 922	1 045 922	145 808	145 808		
Current financial liabilities							
Loans and commercial papers		133 649	133 649				
Trade payables and other current liabilities		81 533	81 533				
Lease liabilities		10 392	10 392				
		225 574	225 574				
Total		1 271 496	1 271 496	145 808	145 808		

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.

	31.12.2023			
	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	1 534	582 515	647 671	540 068
UPM-Kymmene Group	403 648	88 425	44 217	11 432
	31.12.2022			
	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	25 413	274 712	623 808	359 750
UPM-Kymmene Group	258 748	104 518	27 297	14 966

The end of the test production and the start of the commercial operation of Teollisuuden Voima Oyj's OL3 plant unit decrease the sales to joint ventures and increase the energy purchases as well as receivables and liabilities.

8 CONTINGENT LIABILITIES AND ASSETS AND PURCHASE COMMITMENTS

1 000 €	31.12.2023	31.12.2022
On behalf of own loans		
Pledged deposits	-	33
Other contingent liabilities	140 829	141 012
On behalf of associated companies and joint ventures		
Guarantees	26	28
Guarantee according to Nuclear Energy Act	331 436	317 991
Total	472 291	459 064

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 331 (318) million Euros.

Investment commitments

Joint ventures

Pohjolan Voima Oyj committed to the investment into the nuclear power plant Olkiluoto 3 EPR built by Teollisuuden Voiman Oyj during 2004 to 2023. The commitment consisted 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 2023 Pohjolan Voima Oy had paid 992 (992) million Euros of its commitments. The last financial commitment given by the Company expired on 31 December 2023.

9 EVENTS AFTER THE REPORTING PERIOD

Måns Holmberg, CEO at Porvoon Energia Oy was appointed as a member of the Board of Directors by the unanimous decision made by the shareholders on 30 January 2024.