

Pohjolan Voima Financial Statements Release



2021

POHJOLAN VOIMA OYJ'S FINANCIAL STATEMENTS RELEASE 2021

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

96% of the electricity produced in 2021 was carbon-neutral

Teollisuuden Voima proceeded in preparing the OL3 EPR plant unit for production

Operating environment

In 2021, electricity consumption in Finland was 86 TWh (82 TWh in 2020). Of this volume, 69 (67) TWh was produced in Finland, while net imports into Finland amounted to 17 (15) TWh. Imported electricity covered 20.1% (18.5%) of Finnish electricity consumption. Most of the imported electricity came from Sweden. In 2021, the consumption of electricity in Finland increased by 5% from the previous year, returning to the pre-pandemic level. Industrial electricity consumption increased by 3%, and electricity consumption in other sectors increased by 10%.

Nord Pool Spot trade amounted to 956 (995) TWh. The annual average system price in 2021 was high, €62.31 (10.93) per MWh, while the annual average of the Finnish area price was €72.34 (28.2) per MWh. The higher prices are the result of several market phenomena such as the increased price of emission allowances, higher fuel prices and worse-than-average water conditions.

The price of the EUA emission allowance experienced strong growth in 2021. The market price was approximately €33 per metric ton at the beginning of the year, compared to approximately €80 per metric ton at the end of the year.

Production, which varies according to the weather, continued to grow. For example, challenges related to the balancing of the electrical power system and the integration of energy flows from different industries by developing hydrogen technology are even more important than before.

Pohjolan Voima's electricity and heat production continued at a normal level despite the ongoing pandemic. Work was carried out using healthy and safe practices; most employees worked remotely.

Climate change is one of the megatrends strongly driving the energy industry. The protection of biodiversity began to emerge as a future megatrend alongside climate change mitigation.

Finland's climate goal is to be carbon neutral by 2035 and carbon negative shortly thereafter. A national energy and climate strategy was prepared under the management of the Ministry of Economic Affairs and Employment, based on low carbon roadmaps for different industries. The Government is expected to submit a report on this to Parliament in early 2022, and any further measures will be outlined in the government discussion on spending limits in April 2022.

The EU tightened its climate target: emissions are to be reduced by at least 55% from the 1990 level by 2030. In the summer, the Commission presented the "Fit for 55" package, which includes several initiatives affecting the energy industry concerning issues such as emissions trading, renewable energy, energy efficiency, carbon sinks and the use of carbon border adjustment mechanisms. Processing of the initiatives by the EU will continue for a couple of years.

In Finland, the Government is preparing a long-term plan for energy taxation. The Government increased the taxation of heating fuels by €105 million at the beginning of 2021. Negotiations on making cost-price nuclear power production exempt from interest expense deduction restrictions continued. The Government continued the preparation of its proposal on the taxation on real estate. The Commission presented its proposal for a directive on ensuring global minimum level taxation which would also cover large domestic groups.

The Government approved water resource management plans for 2022–2027. The decision recognises the important role of hydropower in the electrical power system. The impact of the water resource management plans on the balancing of the electrical power system will be assessed in a separate study.

One of the most significant EU initiatives in 2021 was the sustainable finance taxonomy, which aims to steer funding towards sustainable targets. The taxonomy, which mitigates the impact of climate change and facilitates adaptation, entered into force on 1 January 2022. The Commission published a draft delegated act on nuclear power subsequent to the end of the financial period in early February 2022. Other new initiatives are also expected in early 2022.

Pohjolan Voima's heat and power production

In 2021, Pohjolan Voima's total electricity supply was 12.4 (12.3) TWh. The Group's own electricity production accounted for 11.7 (11.8) TWh, of which the parent company's supplies to its shareholders were 11.3 (11.4) TWh. The subsidiaries supplied 0.5 (0.4) TWh to their other shareholders. Purchases from the Nordic electricity markets were 0.6 (0.5) TWh, and sales amounted to 0.2 (0.4) TWh. Heat deliveries were 3.5 (3.6) TWh.

Nuclear power made up 66.2% (67.3%) of the electricity supply. Teollisuuden Voima's Olkiluoto nuclear power plant generated 14.4 (14.6) TWh of electricity, of which Pohjolan Voima obtained 8.2 (8.3) TWh in accordance with its shareholding. The joint capacity factor of the Olkiluoto plant units was 92.8% (93.5%).

Hydropower accounted for 2.1 (2.2) TWh, or 16.6% (18.0%) of the electricity supply. Hydropower production somewhat decreased compared to the previous record-breaking hydropower year.

A total of 1.5 (1.3) TWh of electricity was generated in combined heat and power (CHP) plants. Their share of the total supply was 11.9% (10.7%).

In 2021, approximately 96% of the electricity and 81% of the heat produced by Pohjolan Voima was carbon neutral.

<i>Electricity supply (GWh)</i>	2017	2018	2019	2020	2021
<i>Nuclear power</i>	7,602	7,987	8,366	8,279	8,186
<i>Hydropower</i>	1,794	1,524	1,631	2,216	2,056
<i>CHP</i>	1,919	2,065	1,669	1,312	1,471
<i>Condensing power</i>	82	409	0	0	0
<i>Electricity purchases</i>	533	543	423	490	646
<i>Total</i>	11,930	12,528	12,089	12,298	12,360

Key events in 2021

On 26 March 2021, Pohjolan Voima Oyj announced that the Radiation and Nuclear Safety Authority (STUK) had given a fuel loading permit for the Olkiluoto 3 plant unit of the joint venture Teollisuuden Voima Oyj (TVO), and that by granting the permit, STUK had verified TVO's readiness to start the loading of fuel. Fuel loading was completed on 1 April 2021.

On 17 May 2021, Pohjolan Voima Oyj published a stock exchange release reporting that TVO had reached a consensus with the Areva–Siemens Consortium on the terms and conditions of the OL3 EPR project completion. Main principles include replenishment of approximately €600 million to the trust mechanism of the Areva companies agreed in the 2018 Global Settlement Agreement (GSA) as of the beginning of January 2021, covering both parties' own costs from the beginning of July 2021 until the end of February 2022, and an additional compensation from the plant supplier consortium to TVO depending on the time of completion if the OL3 project is not completed until the end of February 2022. Agreements on the amendments to the 2018 Global Settlement Agreement for the OL3 EPR project were signed on 2 June 2021 and entered into force after all the implementation conditions were fulfilled in July 2021.

On 16 December 2021, Pohjolan Voima Oyj announced that TVO had been granted the permission for startup for the OL3 plant unit by the Radiation and Nuclear Safety Authority. The plant unit was started on 21 December 2021.

Pohjolan Voima's shareholders Oulun Energia Oy and Kemira Oyj, which own the G5 series shares entitling them to the energy produced by Laanilan Voima Oy, announced on 19 January 2021 that they are planning to restructure the energy functions in the Laanila industrial district in Oulu. As part of the restructuring, it was decided to end the production operations of Laanilan Voima on 31 March 2021. Because of the restructuring, statutory labour negotiations were held at the company. As a result of the negotiations, some of the employees of Laanilan Voima were transferred to the service of Oulun Energia Oy in May, while some positions were terminated. In connection with the termination of Laanilan Voima's production operations, the extraordinary general meeting decided on 27 May 2021 to reduce Pohjolan Voima's share premium reserve by €2,133,941.69 and to invest the funds in the company's reserve for non-restricted equity. In addition, the Board of Directors was authorised to decide on the distribution of funds as return of capital from the reserve for invested non-restricted equity for a maximum of €7,000,000. The capital return was paid in December 2021.

On 25 October 2021, the extraordinary general meeting approved the sale of Hämeenkyrön Voima Oy's shares to the Metsä Board Corporation. The transaction was concluded after the end of the financial period on 1 January 2022. At the same general meeting, it was decided to reduce the share capital by €359,249.42 to acquire the company's G10 series shares. The share capital reduction and the directed acquisition are related to the sales of the shares in Hämeenkyrön Voima.

Pohjolan Voima Oyj started the planning of a battery solution to advance the storage of energy. The 35 MW battery solution is intended to secure the operation of the electrical power system and increase the flexibility of regulating power. The preliminary

design of the lithium-ion battery solution was completed at the end of the financial period.

Pohjolan Voima published its long-term carbon neutrality target in March 2021. The target is that 99% of electricity production and 85% of heat production will be carbon neutral by 2025.

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.

The Group's liquidity is good. On 31 December 2021, cash and cash equivalents totalled €38 (44) million, and the Group had €329 (350) million of undrawn committed revolving credit facility agreements. The revolving credit facility agreements will mature in June 2023. For short-term funding, the Group had a domestic commercial paper programme of €300 (300) million, of which €100 (99) million was used.

The Group's interest-bearing liabilities amounted to €1,198 (1,234) 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 40.6% (40.7%). Consolidated turnover from continuing operations was €470.6 (411.5) million. Operations of PVO-Lämpövoima Oy, the plants of which were closed down in 2015, have been reported in the consolidated financial statements as discontinued operations. The consolidated result for the financial period was €-27.0 (-17.9) million. The loss for the financial period was mainly affected by the profit share from the joint venture TVO.

Investments

Total investments of Pohjolan Voima Group, excluding financial investments and the purchase of emission allowances, amounted to €6.9 (8.1) million.

PVO-Vesivoima Oy invested in an overhaul of the Jumisko hydropower plant, a reform of the operations management system and a downstream migration route for migratory fish constructed at the Haapakoski power plant. PVO-Vesivoima's investments totalled €5.1 million. The Group's remaining investments were made in replacements and renovations.

Between 2004 and 2021, Pohjolan Voima Oyj invested a total of €991.6 (991.6) million in the OL3 nuclear power plant currently under the test production. The invest-

ments are based on the financing plan for the OL3 EPR project, according to which the equity required for the investment will be accumulated as the project progresses.

Research and development

Research and development expenditure during the financial period totalled €35 thousand (2020: 78 and 2019: 84).

Personnel

The average number of employees working for the Group was 54 (2020: 82 and 2019: 89), including the discontinued operations. The number of employees decreased due to the closure of Laanilan Voima's operations. The Group's salaries and fees for the financial period, including the discontinued operations, totalled €5.9 million (2020: 7.2 and 2019: 7.6). The average age of permanent employees was 47 (45) years.

The average number of employees working for the parent company was 30 (2020: 35 and 2019: 35). Salaries and fees for the financial period totalled €3.7 million (2020: 3.9 and 2019: 4.0).

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 and Environmental and Energy Efficiency Policy. 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.

Important sustainability achievements in 2021 included 96% of the production being carbon neutral, the completion of Finland's first downstream migration solution at the Haapakoski hydropower plant on the Iijoki river, being awarded the title of Finland's most inspiring workplace for the third time in a row as a result of our personnel survey and starting work to safeguard biodiversity.

More information about Pohjolan Voima's sustainability goals and the related work is available on the company's website at www.pohjolanvoima.fi.

Pohjolan Voima and the EU taxonomy

The EU Taxonomy Regulation was introduced as a common classification system for sustainable economic activities. The aim of the taxonomy is to scale-up sustainable investments and direct capital flows towards technologies and businesses that are considered sustainable. For the 2021 financial period, large public interest entities only need to provide information on the share of taxonomy-eligible and non-taxonomy-eligible economic activities in their total turnover, investments and operating costs. Pohjolan Voima is not obliged to report according to the Taxonomy Regulation but has assessed its eligibility due to the remarkability of the financial operations.

Pohjolan Voima's different production methods are treated differently regarding eligibility for the taxonomy. In the case of nuclear power, the preparation of the taxonomy criteria remains ongoing, and a decision on the inclusion of nuclear power in the taxonomy from 1 January 2023 will be made during the spring of 2022. The Commission published a draft delegated act on nuclear power in early February 2022. Due to the open situation on the closing date, €0 of Pohjolan Voima's nuclear power related turnover is taxonomy-eligible according to the currently valid Taxonomy Regulation. Pohjolan Voima did not carry out any nuclear related investments in 2021.

Hydropower electricity production is included in the taxonomy's "substantial contribution to climate change mitigation" category, which means that it is business included in the scope of the taxonomy. According to our current interpretation, €16 million of Pohjolan Voima's hydropower-related turnover and €5 million of capital expenditure are taxonomy-eligible under the current Taxonomy Regulation.

Cogeneration of heat/cool and power from bioenergy is included in the taxonomy's category "substantial contribution to climate change mitigation", which means that they are businesses included in the scope of the taxonomy. According to our current interpretation, €135 million of Pohjolan Voima's CHP turnover and €2 million of capital expenditure are taxonomy-eligible under the current Taxonomy Regulation.

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 the production companies are using the ETJ+ energy efficiency system or an ISO 50001 energy management system. Some of these systems are certified. Nearly all our production companies have also signed energy efficiency agreements for the 2017–2025 period. Furthermore, the environmental management system of TVO (a joint venture of Pohjolan Voima) is EMAS-registered.

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 waterways and the sea area with around 2.3 (2.6) million fry during the reporting period.

PVO-Vesivoima is participating in the Iijoki project on migratory fish in 2020–2022, which continues the migratory fish spearhead project of 2017–2020. Finland's first downstream migration route for migratory salmon fry, included in the project, was completed in Haapakoski in November 2021. The project also promotes the Raasakka fishway. Three appeals have been lodged with the Vaasa Administrative Court against the water resources management permits granted to the fishways in December 2020.

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. PVO-Vesivoima submitted complaints regarding both appeals to the Regional State Administrative Agency. In 2021,

PVO-Vesivoima submitted its response to the appellant's accounts and statements issued by the Finnish Environment Institute.

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 (0.6) million tonnes. The notes to the financial statements only indicate the carbon dioxide emissions of the subsidiaries, 0.3 (0.4) million tonnes. Emissions into the air declined somewhat from the previous year, except for nitrogen oxides. Sulphur dioxide emissions amounted to 0.5 (0.5) thousand tonnes, nitrogen oxide emissions to 1.8 (1.6) thousand tonnes and particle emissions to 0.1 (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 will have to adjust their operations to the conclusions within four years. The first power plants prepared their applications for the review of their environmental permits in 2018, and the work on permits has continued in 2021. 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 website 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 the 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 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 are related to the schedule of TVO's OL3 EPR project, the consortium company Areva's sufficient financial capacity to fulfil its re-

sponsibilities until the end of the guarantee period and the profit-yielding capacity of the OL3 project. Under the plant contract, electricity production was scheduled to start at the end of April 2009. The completion of the project, however, has been delayed. Electricity production will start at a 25 percent power output which is approximately 400 MW, in March 2022. OL3's Regular electricity production will start in July 2022.

A risk related to planned completion refers to a situation where commercial use cannot be started as planned, which leads to additional costs.

TVO executed several risk management measures related to the OL3 EPR project in 2021 to improve TVO's readiness to commission the plant unit and the operation of three nuclear power plant units. TVO closely monitors the compliance of the conditions set in the settlement agreement in March 2018 and amendments to the agreement in June 2021 and ascertains that the commissioning of OL3 is executed according to the schedule provided by the Plant Supplier and that financial and technical resources are secured.

If the OL3 EPR project fails to reach the projected output level, load factor, or operating cost structure during the warranty period, or if the output level is restricted by the main grid, there is a risk that the production costs will increase in comparison to the objective. This risk has been analysed using various scenarios influencing OL3's profit-yielding capacity.

TVO will ensure that operating experience gained from the Taishan sister plant are utilised during the nuclear commissioning of OL3.

The COVID-19 pandemic has only had minor effects on Pohjolan Voima's business. Pohjolan Voima has taken extensive precautions to safeguard its employees' health and safety and to ensure energy production.

Share capital and share issues

On 31 December 2021, Pohjolan Voima's share capital was €55.3 (55.3) million and the total number of shares was 32,509,113 (32,509,113). In accordance with the decision of the extraordinary general meeting on 25 October 2021, the company initiated a procedure to reduce the share capital by €359,249.42. The reduction procedure was registered on 2 December 2021 and remains ongoing.

In November 2020, Pohjolan Voima raised 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 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 new shareholder loan commitments totalling €238 million, which remained unused at the end of the financial period. In connection with the shareholder loan commitments, rights of option 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.

No share issues were carried out during the financial year.

Table: Pohjolan Voima Oyj's shareholders

Shareholder	Shareholding, % 31 December 2021	Shareholding, % 31 December 2020
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	1.803
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	2.208
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	1.476
UPM Energy Ltd*)	47.727	47.727
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

The following persons were elected as ordinary members of the Board of Directors by the annual general meeting on 25 March 2021: 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, Vice President (UPM-Kymmene Corporation); Esa Kaikkonen, CEO (Metsä Tissue Oyj); Rami Vuola, President & CEO (EPV Energy Ltd); Juha-Pekka Weckström, CEO (Helen Oy); and Jouni Lampinen, Director, Corporation Governance Department (City of Pori).

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 (19) times in 2021. The company's CEO was Ilkka Tykkyläinen, M.Sc. (Eng.), eMBA.

Major legal actions pending

On 30 September 2021, PVO-Lämpövoima Oy submitted an application to the Arbitration Institute of the Finland Chamber of Commerce on the commencement of arbitration proceedings in a dispute between PVO-Lämpövoima and Alfa Oil Oy. The dispute concerns a failure of Alfa Oil to meet its obligations under a deed of sale on a rock storage facility signed on 4 July 2018 by PVO-Lämpövoima and Alfa Oil. The matter is still pending.

Events after the end of the financial period

On 25 October 2021, Pohjolan Voima Oyj announced a decision of the extraordinary general meeting to approve the sale of shares in Hämeenkyrön Voima Oy to Metsä Board Corporation. The share transaction took place on 1 January 2022. The same meeting also decided on the repayment of capital amounting to €11,602,350.58 from the company's reserve for invested non-restricted equity. The repayment of capital took place on 5 January 2022.

Pohjolan Voima Oyj published on 3 February 2022 a stock exchange release stating that Teollisuuden Voima Oyj has announced that the OL3 EPR plant unit's electricity production starts at the end of February, and regular electricity production starts in July 2022. The start of electricity production is postponed due to modification needs observed during the test production phase. Teollisuuden Voima Oyj specified on 12 February 2022 that the plant unit's electricity production will start in March 2022.

Outlook

During the current financial period, power and heat production is expected to continue as in the preceding year at the plants owned by Pohjolan Voima.

OL3's test production phase will be continued with the aim of starting regular electricity production in July 2022. During the test production phase, the output of the plant unit will be increased in stages from around 400 MW to 1,300 MW. TVO will carefully follow the fulfilment of the conditions according to the 2018 GSA and the amendment agreements signed in June 2021 as well as the commissioning stages of OL3 so that they are carried out according to the Plant Supplier's schedule ensuring financial and technical resources.

Proposal of the Board of Directors regarding the distribution of profit

On 31 December 2021, the parent company's distributable funds totalled €302,067,180.10, of which net profit for the financial period amounted to €-7,103,531.61. 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. - 31.12.2021	1.7. - 31.12.2020	1.1. - 31.12.2021	1.1. - 31.12.2020
Sales	216	201	471	411
Operating profit or loss	-8	-9	-20	-3
Balance sheet total	2 174	2 189	2 174	2 189
Investments	3	6	7	8
Equity on assets ratio	41%	41%	41%	41%
Average number of personnel	54	82	54	82
Equity on assets ratio			31.12.2021	31.12.2020
Equity, 1000 €			882 279	890 768
Total assets, 1000 €			2 174 091	2 189 473
EQUITY ON ASSETS RATIO (%)			41%	41%

FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 000 €	Note	1.7. - 31.12.2021	1.7. - 31.12.2020	1.1. - 31.12.2021	1.1. - 31.12.2020
Continuing operations					
Sales	2	215 616	201 399	470 550	411 492
Other operating income		2 157	332	2 512	1 134
Materials and services		-177 775	-152 982	-370 729	-313 338
Personnel expenses		-2 582	-4 041	-7 105	-8 385
Depreciation, amortisation and impairment	3	-15 890	-18 837	-51 883	-39 050
Other operating expenses		-27 172	-28 117	-47 584	-48 948
Share of (loss)/profit of associates and joint ventures		-2 647	-6 790	-15 735	-6 138
Operating profit or loss		-8 293	-9 036	-19 974	-3 233
Finance income		4 583	1 589	8 408	2 958
Finance costs		-7 523	-6 800	-14 826	-14 960
Finance costs - net		-2 940	-5 211	-6 418	-12 002
Profit/loss before income tax		-11 233	-14 247	-26 392	-15 235
Income tax expense		-1	2	-1	1
Profit/loss for the period from continuing operations		-11 234	-14 245	-26 393	-15 234
Discontinued operations					
Profit/loss from discontinued operations		493	-1 304	-557	-2 692
Profit/loss for the period		-10 741	-15 549	-26 950	-17 926
Other comprehensive income:					
Items, that may be reclassified later to profit or loss					
Share of other comprehensive income of associates					
Cash flow hedging		11 552	-7 169	25 952	-12 866
Other comprehensive income for the period		11 552	-7 169	25 952	-12 866
Total comprehensive income for the period		811	-22 718	-998	-30 792
Profit attributable to:					
Owners of the parent		-9 735	-15 286	-26 731	-18 312
Non-controlling interest		-1 006	-263	-219	386
		-10 741	-15 549	-26 950	-17 926
Total comprehensive income attributable to:					
Owners of the parent		1 817	-22 455	-779	-31 178
Non-controlling interest		-1 006	-263	-219	386
		811	-22 718	-998	-30 792

CONSOLIDATED BALANCE SHEET

1 000 €	Note	31.12.2021	31.12.2020
ASSETS			
Non-current assets			
Intangible assets	3	284 091	283 569
Property, plant and equipment	3	368 611	442 889
Investments in associated companies and joint ventures		744 981	734 764
Other financial assets		471	484
Loans and other receivables		596 530	596 530
Non-current assets total		1 994 684	2 058 236
Current assets			
Inventories		6 131	9 210
Trade and other receivables		103 371	75 159
Cash and cash equivalents	4	38 430	44 312
Current assets total		147 932	128 681
Assets held for sale		31 475	2 556
Total assets		2 174 091	2 189 473
EQUITY			
Equity attributable to owners of the parent			
Share capital		55 321	55 321
Share premium		203 865	205 999
Reserve for invested non-restricted equity		322 778	327 644
Revaluation reserve		10 205	-15 747
Subordinated shareholders loans (hybrid equity)		90 347	90 347
Retained earnings		158 910	186 132
Total		841 426	849 696
Non-controlling interests		40 853	41 072
Total equity		882 279	890 768
LIABILITIES			
Non-current liabilities			
Provisions		6 076	5 064
Borrowings	4	1 082 398	1 050 743
Other non-current liabilities		4 662	10 549
Non-current liabilities total		1 093 136	1 066 356
Current liabilities			
Borrowings	4	116 087	182 836
Trade and other payables		61 486	49 513
Current liabilities total		177 573	232 349
Liabilities related to assets held for sale		21 103	-
Total liabilities		1 291 812	1 298 705
Total equity and liabilities		2 174 091	2 189 473

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

1 000 €	1.7. - 31.12.2021	1.7. - 31.12.2020	1.1. - 31.12.2021	1.1. - 31.12.2020
Cash flow from operating activities				
Profit/loss for the period	-10 741	-15 549	-26 950	-17 926
Adjustments, total	23 827	30 605	76 227	56 653
Change in working capital	-13 603	-11 468	-12 040	-3 309
Cash generated from operations	-517	3 588	37 237	35 418
Finance cost, net	-2 869	-2 597	-11 959	-9 409
Income taxes paid	-1	97	-1	12
Net cash generated from operating activities	-3 387	1 088	25 277	26 021
Cash flow from investing activities				
Capital expenditure	-3 456	-5 208	-7 216	-7 515
Proceeds from sales of fixed assets	718	155	971	569
Changes in non-current receivables	-	-150 580	-	-150 580
Net cash used in investing activities	-2 738	-155 633	-6 245	-157 526
Cash flow before financing activities	-6 125	-154 545	19 032	-131 505
Cash flow from financing activities				
Equity refunds paid	-7 000	-	-7 000	-
Withdrawals of subordinated shareholders loans (hybrid equity)	-	90 347	-	90 347
Interest paid of subordinated shareholders loans (hybrid equity)	-267	-	-491	-
Net charge in loans and other financing activities	-1 741	33 162	-17 423	23 103
Net cash used in financing activities	-9 008	123 509	-24 914	113 450
Net increase (+)/decrease (-) in cash and cash equivalents	-15 133	-31 036	-5 882	-18 055
Cash and cash equivalents at beginning of year	53 563	75 348	44 312	62 367
Cash and cash equivalents at end of the period	38 430	44 312	38 430	44 312

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 1.1.2020	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
Balance at 1.1.2021	55 321	205 999	-15 747	327 644	90 347	186 132	849 696	41 072	890 768
Comprehensive income									
Profit or loss for the period						-26 731	-26 731	-219	-26 950
Other comprehensive income:									
Cash flow hedges			25 952				25 952		25 952
Total comprehensive income for the period	0	0	25 952	0	0	-26 731	-779	-219	-998
Transactions with owners									
Interest paid of subordinated shareholders loans (hybrid equity)						-491	-491		-491
Refund of reserves				-7 000			-7 000		-7 000
Transfer to reserve for invested non-restricted equity		-2 134	2 134				0		0
Transactions with owners total	0	-2 134	0	-4 866	0	-491	-7 491	0	-7 491
Balance at 31.12.2021	55 321	203 865	10 205	322 778	90 347	158 910	841 426	40 853	882 279

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 2020. The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2020.

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's 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 had no material impact on Group's financing.

1 SEMIANNUAL SEGMENT INFORMATION

TURNOVER BY SEGMENTS

1 000 €	1.7. - 31.12.2021	1.7. - 31.12.2020	1.1. - 31.12.2021	1.1. - 31.12.2020
Hydropower	15 122	10 729	29 525	23 869
Thermal power	123 484	157 838	326 149	324 365
Nuclear power	82 066	77 599	169 552	158 797
Other	54 179	28 518	91 748	56 397
Internal sales	-59 235	-73 285	-146 424	-151 936
Total	215 616	201 399	470 550	411 492
Discontinued operations	2 657	62	2 716	244

PROFIT/LOSS FOR THE PERIOD BY SEGMENTS

1 000 €	1.7. - 31.12.2021	1.7. - 31.12.2020	1.1. - 31.12.2021	1.1. - 31.12.2020
Hydropower	247	-3 168	-3 329	-3 764
Thermal power	-4 195	-2 437	-7 931	-565
Nuclear power	1 604	-9 187	-21 278	-10 908
Other	-2 471	547	6 145	3
Total	-4 815	-14 245	-26 393	-15 234
Discontinued operations	494	-1 304	-557	-2 692

ASSETS BY SEGMENTS

1 000 €	31.12.2021	31.12.2020
Hydropower	447 687	429 171
Thermal power	386 716	430 009
Nuclear power	1 245 756	1 233 990
Other	113 316	116 528
Elimination	-19 384	-20 225
Total	2 174 091	2 189 473

LIABILITIES BY SEGMENTS

1 000 €	31.12.2021	31.12.2020
Hydropower	159 195	137 351
Thermal power	214 226	246 091
Nuclear power	782 581	812 249
Other	153 470	112 690
Other non-current liabilities	4 662	10 549
Elimination	-22 322	-20 225
Total	1 291 812	1 298 705

2 REVENUE

1 000 €	1.7. - 31.12.2021	1.7. - 31.12.2020	1.1. - 31.12.2021	1.1. - 31.12.2020
Sales of electricity produced	126 229	129 737	279 937	261 843
Sales of heat produced	58 252	60 860	138 731	130 451
Sales of purchased electricity	30 384	6 672	42 215	10 412
Other sales	751	4 130	9 667	8 786
Total	215 616	201 399	470 550	411 492

Electricity delivered to shareholders (GWh)

	1.7. - 31.12.2021	1.7. - 31.12.2020	1.1. - 31.12.2021	1.1. - 31.12.2020
Electricity produced	6 161	5 998	11 713	11 807
Heat produced	1 354	993	3 374	3 054
Purchased electricity	324	234	645	486

3 CHANGES IN INTANGIBLES ASSETS AND PROPERTY, PLANT AND EQUIPMENT

1 000 €	31.12.2021	31.12.2020
Opening balance	726 458	758 933
Depreciation, amortization and impairment	-51 883	-39 050
Additions	11 949	10 674
Disposals	-2 810	-4 099
Transferred to assets held for sale	-31 012	-
Closing balance	652 702	726 458

4 INTEREST-BEARING NET DEBT AND LIQUIDITY

1 000 €	31.12.2021	31.12.2020
Current interest bearing liabilities	116 087	182 836
Non-current interest bearing liabilities	1 082 398	1 050 743
Interest bearing liabilities	1 198 485	1 233 579
Loan receivables	559 733	559 733
Cash and equivalents and other current financial assets	38 765	44 462
Interest bearing net debt	599 987	629 384
Liquidity, unused committed credit facilities and debt programs	31.12.2021	31.12.2020
Cash and equivalents and other current financial assets	38 765	44 462
Unused committed credit facilities	350 000	350 000
Total	388 765	394 462
In addition:		
Unused commercial paper program	200 000	201 000

5 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Discontinued operations

1 000 €	1.7. - 31.12.2021	1.7. - 31.12.2020	1.1. - 31.12.2021	1.1. - 31.12.2020
Income	3 540	217	3 810	677
Costs	-3 047	-1 605	-4 367	-3 369
Profit before income tax	493	-1 388	-557	-2 692
Income tax expense	-	84	-	-
Profit from discontinued operations	493	-1 304	-557	-2 692

Cash flow from discontinued operations

1 000 €	1.7. - 31.12.2021	1.7. - 31.12.2020	1.1. - 31.12.2021	1.1. - 31.12.2020
Cash flows from operating activities	-670	-2 207	-1 773	1 712
Cash flows from investing activities	768	775	907	853
Cash flows total	98	-1 432	-866	2 565

Pohjolan Voima's extraordinary general meeting approved on 25 October 2021 the sale of shares in Hämeenkyrön Voima Oy to Metsä Board Corporation. The share transaction took place after the end of the financial period on 1 January 2022. Hämeenkyrö Voima's intangible and tangible assets as well as receivables are presented as assets held for sale and liabilities accordingly as liabilities related to assets held for sale in 2021.

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 2015-2021 as discontinued operations. PVO-Lämpövoima's tangible assets and inventory are presented as assets held for sale in 2021 and 2020.

Assets held for sale

1 000 €	31.12.2021	31.12.2020
Intangible assets	1 315	-
Tangible assets	29 877	2 556
Trade and other receivables	283	-
Total	31 475	2 556

Liabilities related to assets held for sale

1 000 €	31.12.2021	31.12.2020
Provisions	291	-
Borrowings	18 216	-
Trade and other payables	2 596	-
Total	21 103	-

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 2020.

1 000 €	31.12.2021		31.12.2020	
	Net fair value	Nominal value	Net fair value	Nominal value
Interest rate swaps, non-hedge accounting	-4 927	263 000	-10 549	247 000

Financial assets and liabilities by measurement categories and fair value hierarchy as of 31 December 2021

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	471		471				471
Loan receivables		559 733	559 733				
Other receivables		36 797	36 797				
	471	596 530	597 001				
Current financial assets							
Cash and cash equivalents		38 430	38 430				
Loan receivables		335	335				
Trade and other receivables		75 288	75 288				
Prepayments and accrued income		27 748	27 748				
		141 801	141 801				
Total	471	738 331	738 802				
Non-current financial liabilities							
Borrowings from associates and joint ventures		350 000	350 000				
Borrowings		337 150	337 150				
Bonds		274 429	274 429	278 450	278 450		
Lease liabilities		120 819	120 819				
Derivative financial instruments	4 662		4 662			4 662	
	4 662	1 082 398	1 087 060				
Current financial liabilities							
Loans and commercial papers		105 623	105 623				
Trade payables and other current liabilities		61 221	61 221				
Lease liabilities		10 464	10 464				
Derivative financial instruments	265		265			265	
	265	177 308	177 573				
Total	4 927	1 259 706	1 264 633		278 450	4 927	471

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.

	31.12.2021			
	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	24 427	205 866	628 331	361 821
UPM-Kymmene Group	188 971	74 915	24 062	7 653
	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

8 CONTINGENT LIABILITIES AND ASSETS AND PURCHASE COMMITMENTS

1 000 €	31.12.2021	31.12.2020
On behalf of own loans		
Pledged deposits	34	38
Other contingent liabilities	18 792	8 469
On behalf of associated companies and joint ventures		
Guarantees	30	30
Guarantee according to Nuclear Energy Act	286 664	54 457
Total	305 520	62 994

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 286.7 (54.5) million Euros. The guarantee increased during the reporting period as OL3-plant unit was included in the guarantee.

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 2021. 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 2021 Pohjolan Voima Oy has fulfilled 992 (992) 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

On 25 October 2021, Pohjolan Voima Oyj announced a decision of the extraordinary general meeting to approve the sale of shares in Hämeenkyrön Voima Oy to Metsä Board Corporation. The share transaction took place on 1 January 2022. The same meeting also decided on the repayment of capital amounting to €11,602,350.58 from the company's reserve for invested non-restricted equity. The repayment of capital took place on 5 January 2022.

Pohjolan Voima Oyj published on 3 February 2022 a stock exchange release stating that Teollisuuden Voima Oyj has announced that the OL3 EPR plant unit's electricity production starts at the end of February, and regular electricity production starts in July 2022. The start of electricity production is postponed due to modification needs observed during the test production phase. Teollisuuden Voima Oyj specified on 12 February 2022 that the plant unit's electricity production will start in March 2022.