

# Pohjolan Voima Financial Statements Release

2020



## FINANCIAL STATEMENTS RELEASE 2020

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

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

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

### Operating environment

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

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

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

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

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

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

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

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

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

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

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

### **Pohjolan Voima's heat and power production**

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

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

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

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

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

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

## Key events in 2020

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

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

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

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

## Result from operations and financing

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

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

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

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

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

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

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

## Investments

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

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

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

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

### Research and development

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

### Personnel

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

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

### Responsibility

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

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

### Environment

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

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

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

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

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

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

All the thermal power plants operated by the Group fall within the sphere of the Emissions Trading Act. Carbon dioxide emissions from the production of electricity and heat amounted to 0.6 (0.9) million tonnes. The notes to the financial statements only report CO<sub>2</sub> emissions of the subsidiaries, which amounted to 0.4 (0.5) million tonnes. These figures do not include the emissions of 0.0 (0.0) million tonnes from PVO-Lämpövoima, which is reported as a discontinued operation. Other emissions into the air also decreased from the previous year. Sulphur dioxide emissions amounted to 0.5 (0.7) thousand tonnes, nitrogen oxide emissions to 1.6 (1.9) thousand tonnes and particle emissions to 0.1 (0.1) thousand tonnes.

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

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

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

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

## **Risk management**

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

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

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

## **Key risks and uncertainties**

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

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

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

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

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

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

### Share capital and share issues

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

No share issues were carried out during the financial year.

Table: Pohjolan Voima Oyj's shareholders

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

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

### Management

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

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

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

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

### **Major legal actions pending**

No major legal actions were pending during the reporting period.

### **Events after the end of the financial period**

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

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

### **Outlook**

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

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

### **Proposal of the Board of Directors regarding the distribution of profit**

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

**KEY FIGURES INCLUDING CALCULATION**

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

FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

**CONSOLIDATED BALANCE SHEET**

1 000 €	Note	31.12.2020	31.12.2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3	283 569	285 659
Property, plant and equipment	3	442 889	473 274
Investments in associated companies and joint ventures		734 764	753 768
Other financial assets		484	484
Loans and other receivables		596 530	445 987
<b>Non-current assets total</b>		<b>2 058 236</b>	<b>1 959 172</b>
<b>Current assets</b>			
Inventories		9 210	9 131
Trade and other receivables		75 159	72 966
Cash and cash equivalents	4	44 312	62 367
<b>Current assets total</b>		<b>128 681</b>	<b>144 464</b>
Assets held for sale		2 556	2 768
<b>Total assets</b>		<b>2 189 473</b>	<b>2 106 404</b>

**EQUITY**

**Equity attributable to owners of the parent**

Share capital		55 321	55 321
Share premium		205 999	205 999
Reserve for invested non-restricted equity		327 644	327 644
Revaluation reserve		-15 747	-2 881
Subordinated shareholders loans (hybrid equity)		90 347	0
Retained earnings		186 132	204 444
<b>Total</b>		<b>849 696</b>	<b>790 527</b>

**Non-controlling interests**

<b>Total equity</b>		<b>890 768</b>	<b>831 213</b>
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**LIABILITIES**

**Non-current liabilities**

Provisions		5 064	5 020
Borrowings	4	1 050 743	981 865
Other non-current liabilities		10 549	10 154
<b>Non-current liabilities total</b>		<b>1 066 356</b>	<b>997 039</b>

**Current liabilities**

Borrowings	4	182 836	228 307
Trade and other payables		49 513	49 845
<b>Current liabilities total</b>		<b>232 349</b>	<b>278 152</b>

<b>Total liabilities</b>		<b>1 298 705</b>	<b>1 275 191</b>
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<b>Total equity and liabilities</b>		<b>2 189 473</b>	<b>2 106 404</b>
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

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

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

## NOTES TO THE FINANCIAL STATEMENTS REPORT

### BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

### IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

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

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

## 1 SEMIANNUAL SEGMENT INFORMATION

### TURNOVER BY SEGMENTS

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

### PROFIT/LOSS FOR THE PERIOD BY SEGMENTS

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

### ASSETS BY SEGMENTS

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

### LIABILITIES BY SEGMENTS

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

## 2 REVENUE

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

### Electricity delivered to shareholders (GWh)

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

### 3 CHANGES IN INTANGIBLES ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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

### 4 INTEREST-BEARING NET DEBT AND LIQUIDITY

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

### 5 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

#### Discontinued operations

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

#### Cash flow from discontinued operations

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

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

#### Assets held for sale

1 000 €	31.12.2020	31.12.2019
Tangible assets	2 556	2 556
Inventory	0	212
<b>Total</b>	<b>2 556</b>	2 768

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

## 6 FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

## 7 RELATED PARTY TRANSACTIONS

### Transactions with related parties, 1000 €

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

	31.12.2020			
	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	745	191 088	610 148	361 669
UPM-Kymmene Group	171 022	64 736	19 292	6 487

	31.12.2019			
	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	5 217	179 892	458 268	205 151
UPM-Kymmene Group	158 844	65 020	13 226	9 551

**8 CONTINGENT LIABILITIES AND ASSETS AND PURCHASE COMMITMENTS**

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

**Guarantee under the Nuclear Energy Act**

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

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

**Investment commitments**

**Joint ventures**

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

**9 EVENTS AFTER THE REPORTING PERIOD**

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

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