January-June 2018

Interim Report

POHJOLAN VOIMA

POHJOLAN VOIMA OYJ INTERIM REPORT 1 JANUARY – 30 JUNE 2018

Pohjolan Voima's heat and power production continued at the normal level.
Teollisuuden Voima and the plant supplier consortium companies signed and executed a settlement agreement concerning the completion of the OL3 EPR project and related disputes in March.
Pohjolan Voima issued a bond of €125 million.

Operating environment

Electricity consumption in Finland in January–June 2018 was 45.2 TWh (43.6 TWh in 1 January – 30 June 2017), an increase of 3.7 per cent year-on-year. Of this volume, 35.2 (33.2) TWh was produced in Finland while net imports amounted to 10.0 (10.4) TWh.

The average system price of electricity in Nord Pool in January–June 2018 was €38.8 (29.3) per MWh while the average Finnish area price was €42.0 (31.9) per MWh. The low water levels in the Nordic countries and the increased fuel prices resulted in higher electricity prices.

The price of EU emission allowance rose from the less than €8 per tonne in the beginning of the year to approximately €15 per tonne in June 2018. The steering effect of emissions trading was strengthened for the period of 2021–2030. The amount of emission allowances will be decreased in the emissions trading sector annually to 43% from the 2005 level by 2030. As of 2019, the amount of emission allowances to be transferred to the market stability reserve will be double (24%) for five years.

The Finnish Parliament accepted the changes to the electricity production subsidy system. The auction-based system concerns renewable energy other than hydropower and pertains to a 1.4 TWh amount of renewable energy.

The Government has proposed a more stringent taxation of combined heat and power generation to improve the competitiveness of natural gas over coal. Additionally, during 2018 the Government is expected to submit its proposal to Parliament concerning the Act on banning the use of coal in the future.

A draft bill based on the EU directive to combat aggressive international tax planning prepared by the Ministry of Finance has been circulated for comments. The purpose of the act is to amend the provision on limiting the right to make tax deductions included in the Act on the Taxation of Business Profits and Income from Professional Activity. In its statement, Pohjolan Voima proposed changes to the draft bill to avoid imposing additional burden on the energy sector. The Government is expected to submit its proposal to Parliament early this autumn, and the act is due to enter into force at the beginning of 2019.

EU's decision-making bodies have reached political consensus on the more stringent objectives for energy efficiency and the use of renewable energy. The final decisions will probably be made during the autumn. The processing of the proposals concerning the electricity market will continue after the holiday season. The new objectives have been estimated to give rise to uncertainty on the emission allowance market.

The sustainability of forest-based fuels must be proven for plants with fuel power in excess of 20 MW as of June 2021.

Pohjolan Voima's heat and power production

Pohjolan Voima's electricity deliveries in January–June 2018 totalled 6.2 (5.8) TWh, of which the Group's own electricity production accounted for 5.9 (5.5) TWh. Purchases from the Nordic electricity markets amounted to 0.3 (0.3) TWh and sales 0.2 (0.2) TWh. The parent company's deliveries to its shareholders totalled 5.6 (5.2) TWh and subsidiaries' deliveries to their other shareholders 0.3 (0.3) TWh. Pohjolan Voima's Heat deliveries totalled 2.6 (2.4) TWh.

Pohjolan Voima's electricity deliveries by mode of production:

	1 Jan – 30 Jun 2018	**1 Jan – 30 Jun 2017**	**1 Jan – 31 Dec 2017**
Nuclear power	3.7	3.6	7.6
Hydropower	0.9	0.8	1.8
Combined heat and power	1.1	1.1	1.9
Condensing power	0.2	0.0	0.1
Purchases	0.3	0.3	0.5
Total	**6.2**	**5.8**	**11.9**
Heat deliveries	2.6	2.4	5.5

Key events during the reporting period

On 14 December 2017, PVO-Vesivoima Oy's Board of Directors decided to reorganise the company's hydropower management services. The operation of PVO-Vesivoima Oy's power plants and flow regulation as well as production control will be transferred to UPM Energy Oy's Tampere control room gradually during 2018 in such a way that the transfer will be completed by 1 January 2019. The transfer has proceeded according to plan.

In March 2018, Teollisuuden Voima Oyj (TVO) announced that it had signed a comprehensive settlement agreement with the OL3 EPR plant supplier consortium companies. The settlement agreement concerns the completion of the OL3 EPR project and related disputes. The matter is discussed in section "Major legal actions pending". According to the updated timetable provided by the plant supplier in June 2018, regular electricity production at OL3 will begin in September 2019. According to the plant supplier, fuel will be loaded in the reactor in January 2019 and the plant unit will be connected to the national grid in May 2019. According to the ramp-up programme, the plant unit will produce 2–4 TWh of electricity at varying power levels during the period of time between the first connection to the grid and the start of regular electricity production.

In June 2018, Pohjolan Voima Oyj issued a senior unsecured bond of €125 million.

On 8 June 2018, Pohjolan Voima Oyj concluded an asset deal with Power-Deriva Oy where Pohjolan Voima's energy management operations in Harjavalta will transfer to Power-Deriva Oy. The deal will take effect on 1 January 2019.

In June 2018, TVO and its shareholders entered into an agreement on the ownership of shares entitling to a share of Meri-Pori power plant's production capacity. As TVO's owner, Pohjolan Voima Oyj holds shares that carry entitlement to a share of Meri-Pori's production capacity. Fortum will acquire from TVO's other shareholders their shares that entitle to a share of Meri-Pori's production capacity as a result of which Fortum will be entitled to use TVO's share of Meri-Pori's capacity as of the beginning of 2019.

Investments

Pohjolan Voima's total investments, excluding financial investments and the purchase of emission allowances, amounted to €3.1 (2.9) million. The most important investments were made in PVO-Vesivoima Oy, where modernisation of electricity and automation systems at the Raasakka hydropower plant is currently underway.

Between 2004 and 2018, Pohjolan Voima Oyj has invested a total of €780.8 (720.6) million in the new Olkiluoto 3 nuclear power plant currently under construction. The investments are based on the Olkiluoto 3 financing plan, according to which the equity required for the investment is accumulated along with the progress of the project.

Personnel

The number of personnel at the end of the reporting period was 109 people (123), including discontinued operations. The number of employees within the Group has decreased due to a reduction in condensing production, which has also made it necessary for the Group's parent company to reorganise its operations.

Environment

Environmental management systems certified in accordance with ISO 14001 are in use in the majority of Pohjolan Voima's production companies, which helps to ensure the achievement of environmental objectives and continuous improvement of operations. Most of our production companies also use the energy efficiency systems ETJ+ or ISO 50001. 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 irrespective of the record-dry summer. PVO-Vesivoima's statutory stocking has been carried out according to plan. The stocking operations will continue until October.

In cooperation with the Iijoki region municipalities and other regional operators, PVO-Vesivoima has participated in a three-year waterway vision project called Iijoen otva. The project was launched by the Oulu Regional Council in late 2015. The main goals of the project include a shared vision on waterways, the promotion of the restoration of migrating fish, the protection of the Baltic Sea salmon population and the promotion of smaller development measures that will increase the river's value. On 3 February 2017, PVO-Vesivoima and Metsähallitus filed a joint application with the Regional State Administrative Agency for Northern Finland for a water management permit to build fishways. The planning of the construction of the fishway started in November 2017 and the application was publicly announced in March 2018.

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 Kemijoki. In October 2017, the centre filed a similar application concerning Iijoki. In addition to new requirements, these applications involve additions to current obligations. The Regional State Administrative Agency has not yet announced the applications.

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 are included in the national IE Directive transition plan adopted by the European Commission on 10 March 2014. The transition plan provides some flexibility for the adoption of the stricter emission limits. The transition period is from 1 January 2016 to 30 June 2020. During this period, the total sulphur dioxide, nitrogen oxide and particle emissions in tonnes, as well as percentages, will be monitored.

The 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 are allowed four years to adjust their operations to the conclusions. The emission limits will be stricter in future environmental permits. A clarification of the main field of activity was to be filed by 17 February 2018 with the Centres for Economic Development, Transport and the Environment that issued a statement on the main field of activity and the need for reviewing the permit. The power plants have received statements on their main field of activity from the respective Centres for Economic Development, Transport and the Environment. The statements were in accordance with the power plants' proposals except for the co-incineration plant of Porin Prosessivoima Oy. A claim for a revised decision is filed against the statement on its main field of activity with the Regional State Administrative Agency.

Pohjolan Voima Oyj or its subsidiaries, associated companies and joint ventures are not aware of any environmental liabilities that have not been covered. The Group's more detailed environmental information is published on its 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.

Key risks and uncertainty factors

The key risks and uncertainty factors involved in Pohjolan Voima's operations are presented in the 2017 report of the Board of Directors.

No major new risks associated with Pohjolan Voima's operations were identified during the reporting period.

Result of operations and financing

Pohjolan Voima operates on an at-cost basis. 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, it is irrelevant to present any financial key indicators to understand the company's business, financial status or result.

The Group's equity ratio at the end of the reporting period was 38.4% (40.5%). The consolidated result of continuing operations at the end of the reporting period was €254.7 (233.9) million. The operations of PVO-Lämpövoima Oy, which was closed down in 2015, have been reported in the Group's financial statements as discontinued operations.
An impairment of the shares entitling to a share of Meri-Pori power plant's production capacity of €10.9 million was recognised in financial items, which will be invoiced to the shareholders of Pohjolan Voima.
The consolidated result for the financial period was €-16.9 (10.2) million.

At the end of June 2018, the Group's interest-bearing liabilities amounted to €1,253 million (31 December 2017: €1,181 million) and cash and cash equivalents to €137.6 million (31 December 2017: €44 million). The Group also had €300 million of undrawn committed credit facilities (31 December 2017: €370 million) and €90 million of undrawn shareholder loan commitments available (31 December 2017: €0 million).

In June 2018, Pohjolan Voima Oyj issued a senior unsecured bond of €125 million. The bond matures on 8 June 2023 and it carries a fixed annual interest of 1.75 percent. Pohjolan Voima Oyj will submit an application to have the bond listed on Nasdaq Helsinki Ltd within 12 months from the date of issuance of the bond. Additionally, Pohjolan Voima Oyj cancelled a €70 million undrawn credit facility in June 2018.

There are no financial covenants in the Group's loan agreements.

Shares and shareholding

Shareholder	**Shareholding (%) 30 June 2018**
EPV Energia Ltd	5.489
Etelä-Suomen Voima Oy	1.482
Helen Ltd	0.619
Ilmarinen Mutual Pension Insurance Company	1.831
Kemira Oyj (incl. Neliapila pension fund)	5.060
Kokkolan Energia Oy	1.845
Kymppivoima Oy	5.907
Metsä Group (Metsäliitto Cooperative, Metsä Fibre, Metsä Board Oyj)	3.657
Myllykoski Oyj*	0.631
Oulun Energia Ltd	0.906
Outokumpu Oyj	0.096
Perhonjoki Ltd	2.167
Town of Pori	1.401
Rautaruukki Corporation	0.090
Stora Enso Oyj	15.608

UPM Energy Oy*	47.686
UPM Paper ENA Oy*	3.457
Vantaa Energy Ltd	0.229
Yara Suomi Oy (incl. pension fund)	1.840

* Member of the UPM-Kymmene Group.

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders held on 20 March 2018 adopted the 2017 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.

Elected as members of the Board of Directors were Tapio Korpeinen, Executive Vice President (UPM-Kymmene Corporation); Seppo Parvi, Chief Financial Officer (Stora Enso Oyj); Jukka Hakkila, Group General Counsel (Kemira Oyj); Anders Renvall, Managing Director (Kymppivoima Oy); Tapani Sointu, Vice President (UPM-Kymmene Corporation); Esa Kaikkonen, Executive Vice President, Strategy (Metsä Group); Rami Vuola, President & CEO (EPV Energia Oy); Heikki Liukas, Senior Advisor (Yara Suomi Oy); and Patrick Wackström, President and CEO (Porvoon Energia Oy). At its inaugural meeting, the Board of Directors elected Tapio Korpeinen as the Chair and Seppo Parvi as the Vice-Chair. The Board of Directors also elected committee members and chairs from among its members.

Extraordinary Meeting of Shareholders

On 8 June 2018, an Extraordinary General Meeting of Shareholders resolved that Pohjolan Voima Oyj and its shareholders will waive their right to the electricity produced by TVO's share of Meri-Pori's capacity. As a shareholder of TVO, Pohjolan Voima Oyj will sell its shares that entitle it to a share of Meri-Pori's production capacity to Fortum as a result of which Fortum will be entitled to use TVO's share of Meri-Pori's capacity as of the beginning of 2019.

Major legal actions pending

TVO was a party an arbitration procedure compliant with the rules of the International Chamber of Commerce (ICC) concerning the delay of the construction of the OL3 EPR and the related costs. The arbitration procedure began in December 2008 at the initiative of the plant supplier.

In July 2015, TVO updated its estimated costs and losses that amounted to approximately €2.6 billion until December 2018, at which time regular electricity production should begin at the Olkiluoto 3 EPR according to the timetable provided by the plant supplier in September 2014. The compensation demand updated by the plant supplier in April 2017 amounted to approximately €3.59 billion. This sum was based on an updated analysis provided by the plant supplier regarding the events up until September 2014, and up until the end of December 2014 with regard to some claims. The sum included past-due interest (until the end of June 2017), around €1.58 billion in payment items postponed by TVO pursuant to the plant delivery contract, and around €132 million in lost profit as claimed by the plant supplier.

The arbitration tribunal issued three final and binding partial decisions in 2016 and 2017 on the principal matters pending before it. In the partial decisions the majority of the matters were decided in favour of TVO, and the majority of the plant supplier's claims regarding these matters were rejected. The monetary claims made by the parties were not addressed in the partial decisions.

In March, TVO announced that it had signed a comprehensive settlement agreement concerning the completion of the OL3 EPR project and related disputes with the plant supplier consortium companies, Areva NP, Areva GmbH and Siemens AG, as well Areva SA, the parent company of Areva companies owned 100% by the State of France. The agreement entered into force at the end of March.

TVO has announced that, under the terms and conditions of the agreement:

In order to provide and maintain adequate and competent technical and human resources for the completion of the OL3 EPR project, Areva will source the necessary additional resources from Framatome S.A.S., whose majority owner is Electricité de France (EDF).

The supplier consortium companies undertake that the funds dedicated to the completion of the OL3 EPR project will be sufficient and will cover all applicable guarantee periods, including setting up a trust mechanism funded by Areva companies to secure the financing of the costs of completion of the OL3 EPR project.

The turnkey principle of the OL3 EPR plant contract and the joint and several liability of the supplier consortium companies remain in full force.

The agreement also noted the plant supplier's most recent timetable according to which regular electricity production in the unit would have commenced in May 2019.

The arbitration was settled by financial compensation of €450 million to be paid to TVO in two instalments by the plant supplier consortium companies.

The parties withdraw all on-going legal actions related to the OL3 EPR project, including the arbitration and the appeals pending before the General Court of the European Union.

The supplier consortium companies are entitled to receive an incentive payment, in a maximum amount of €150 million, upon timely completion of the OL3 EPR project In the event that the supplier consortium companies fail to complete the OL3 EPR project by the end of 2019, they will pay a delay penalty to TVO, the sum of which will depend on the actual time of completion of the OL3 EPR project, but which may not exceed €400 million.

TVO received the first payment of €328 million of the settlement amount in March 2018 upon entry into force of the settlement agreement in March 2018. The second payment of €122 million is payable upon completion of the OL3 EPR project or, in any event, on 31 December 2019 at the latest. TVO announced that it made a provision of €150 million in the first quarter of 2018 reflecting the maximum amount of the incentive payment payable to the supplier consortium companies for timely completion of the OL3 project. According to the updated timetable concerning the commissioning of the plant unit received by TVO from the plant supplier in June 2018, regular electricity production in OL3 will commence in September 2019, so €50 million of the provision was discharged during the second quarter of 2018. These settlement payments to TVO, any incentive payment by TVO and any penalty payable to TVO due to any additional project delay have all be taken into account in calculating the final cost of the OL3 EPR project.

In 1989, the predecessors of PVO-Lämpövoima Oy and Fortum Power and Heat Oy (FPH) signed a cooperation agreement that provides the parties with a permanent right to use certain power plant structures and equipment owned by the other party. The agreement concerns the Tahkoluoto coal power plant owned by PVO-Lämpövoima and the Meri-Pori coal power plant owned by FPH. Production operations at PVO-Lämpövoima's Tahkoluoto power plant ended in 2015. For this reason, PVO-Lämpövoima terminated the cooperation agreement in March 2017. FPH contested the termination. In August 2017, based on an application filed by FPH for injunctive relief, the District Court of Helsinki ordered PVO-Lämpövoima to allow FPH to continue its use of the structures and equipment of the Tahkoluoto power plant in accordance with the cooperation agreement. In September 2017, FPH started arbitration proceedings, in accordance with the arbitration rules of the Helsinki Region Chamber of Commerce, concerning PVO-Lämpövoima's termination of the cooperation agreement. At the same time, FPH filed a complaint with the District Court of Helsinki with regard to Pohjolan Voima Oyj, demanding that the permanent rights of use should also be valid in relation to Pohjolan Voima Oyj. PVO-Lämpövoima Oy and Pohjolan Voima Oyj have refuted all the claims presented by FPH.

On 8 June, PVO-Lämpövoima Oy, Pohjolan Voima Oyj and FPH signed an agreement by which the parties agree upon the cancellation of all pending processes and legal proceedings and the transfer of the assets jointly used by PVO-Lämpövoima's Tahkoluoto power plant and FPH's Meri-Pori power plant under the cooperation agreement to FPH, along with a land area that will be sold to FPH as part of the arrangements. The ownership changes will take effect on 1 January 2019.

Events after the reporting period

Ilkka Tykkyläinen started as President and CEO of Pohjolan Voima Oyj on 15 August 2018. Tykkyläinen took over this position from Lauri Virkkunen, who retired.

Outlook

During the current financial year, the power and heat production is expected to continue the same way as in the preceding years.

The processing of the operating license for TVO's OL1 and OL2 units is expected to be completed during the second half of the year.

The preparation of OL3 EPR nuclear power plant units for production operations will continue. TVO will support the plant supplier in the completion of the project. After the completion of hot tests, preparations for the loading of fuel were commenced at OL3, which is expected to last for several months. TVO will submit a few supplementary documents to the authorities that mainly relate to the observations made during the hot tests following which OL3 will have the preconditions to receive a statement and safety assessment from the Radiation and Nuclear Safety Authority and a resolution on the operating license from the Government.

The concept and cost optimisation phase of Posiva's final disposal project will continue until the end of 2018. A full-scale in situ system test (FISST) in ONKALO will continue during 2018.

Helsinki 23 August 2018

Pohjolan Voima Oyj
Board of Directors

FINANCIAL STATEMENT SUMMARY AND NOTES TO THE FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 000 €	Note	**1.1. - 30.6.2018**	1.1. - 30.6.2017	1.1. - 31.12.2017
Continuing operations				
Sales	1	**254 757**	**233 961**	**453 603**
Other operating income		13 136	20 918	21 968
Materials and services		-204 026	-182 794	-352 573
Personnel expenses		-5 050	-5 387	-10 511
Depreciation, amortisation and impairment	2	-19 601	-19 624	-39 484
Other operating expenses		-24 780	-23 079	-52 016
Share of (loss)/profit of associates and joint ventures		-13 106	-8 915	-9 424
Operating profit or loss		**1 330**	**15 080**	**11 563**
Finance income		1 285	3 698	4 329
Finance costs		-18 605	-7 818	-14 063
Finance costs - net		**-17 320**	**-4 120**	**-9 734**
Profit before income tax		**-15 990**	**10 960**	**1 829**
Income tax expense		0	-5	838
Profit for the period from continuing operations		**-15 990**	**10 955**	**2 667**
Discontinued operations				
Profit/loss from discontinued operations		**-922**	**-782**	**-1 570**
Profit for the period		**-16 912**	**10 173**	**1 097**
Other comprehensive income:				
Items, that may be reclassified later to profit or loss				
Share of other comprehensive income of associates				
Changes in the fair value of available-for-sale financial assets		0	190	-8
Cash flow hedging		1 067	-2 647	-5 368
Other comprehensive income for the period		1 067	-2 457	-5 376
Total comprehensive income for the period		**-15 845**	**7 716**	**-4 279**
Profit attributable to:				
Owners of the parent		-17 192	-1 531	-10 392
Non-controlling interest		280	11 704	11 489
		-16 912	10 173	1 097
Total comprehensive income attributable to:				
Owners of the parent		-16 125	-3 988	-15 768
Non-controlling interest		280	11 704	11 489
		-15 845	7 716	-4 279

CONSOLIDATED BALANCE SHEET

1 000 €	Note	**30 June 2018**	30 June 2017	31 December 2017
ASSETS				
Non-current assets				
Intangible assets	2	283 104	282 953	283 364
Property, plant and equipment	2	514 639	547 655	531 077
Investments in associated companies and joint ventures		721 247	747 612	744 184
Available-for-sale financial assets		496	586	505
Loans and other receivables		385 740	325 136	385 962
Non-current assets total		**1 905 226**	**1 903 942**	**1 945 092**
Current assets				
Inventories		4 254	4 957	5 190
Trade and other receivables		101 702	132 082	86 452
Cash and cash equivalents		137 602	49 108	43 857
Current assets total		**243 558**	**186 147**	**135 499**
Assets held for sale		5 972	15 405	8 845
Total assets		**2 154 756**	**2 105 494**	**2 089 436**
Equity				
Equity attributable to owners of the parent				
Share capital		65 293	64 108	65 293
Share issue		0	49 305	0
Share premium		216 822	220 292	216 822
Reserve for invested non-restricted equity		326 683	281 045	328 869
Revaluation reserve		-1 399	453	-2 466
Retained earnings		177 786	201 653	192 792
Total		**785 185**	**816 856**	**801 310**
Non-controlling interests		**42 477**	**36 776**	**42 197**
Total equity		**827 662**	**853 632**	**843 507**
LIABILITIES				
Non-current liabilities				
Provisions		4 454	3 848	4 491
Borrowings	3	1 107 836	1 001 781	1 040 611
Other non-current liabilities		4 373	2 069	2 993
Non-current liabilities total		**1 116 663**	**1 007 698**	**1 048 095**
Current liabilities				
Borrowings	3	145 500	195 722	140 126
Trade and other payables		64 931	48 442	57 708
Current liabilities total		**210 431**	**244 164**	**197 834**
Liabilities related to assets held for sale		0	0	0
Total liabilities		**1 327 094**	**1 251 862**	**1 245 929**
Total equity and liabilities		**2 154 756**	**2 105 494**	**2 089 436**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

1 000 €	**30 June 2018**	30 June 2017	31 December 2017
Cash flow from operating activities			
Profit before income taxes	-15 990	10 955	2 667
Adjustments, total	49 739	14 392	42 563
Change in working capital	-4 273	-3 964	-447
Cash generated from operations	**29 476**	**21 383**	**44 783**
Finance cost, net	-5 620	-7 745	-12 490
Income taxes paid	-4	35	36
Net cash generated from operating activities	**23 851**	**13 673**	**32 329**
Cash flow from investing activities			
Capital expenditure	-3 086	-3 139	-6 458
Proceeds from sales of fixed assets	319	8 403	6 738
Changes in non-current receivables and available-for-sale financial assets	15	16 843	-41 274
Cash flow from investing activities	**-2 752**	**22 107**	**-40 994**
Cash flow before financing activities	**21 099**	**35 780**	**-8 665**
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	0	0	49 305
Acquisition and annulment of own shares	0	0	-296
Net charge in loans and other financing activities	72 601	-25 402	-42 169
Dividends paid to non-controlling interests	0	-15 304	-15 304
Cash flow from financing activities	**72 601**	**-40 706**	**-8 464**
Net increase (+)/decrease (-) in cash and cash equivalents	**93 700**	**-4 926**	**-17 129**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 000 €	Share capital	Share issue	Share premium	Fair value reserve	Reserve for invested non-restricted equity	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interest	Total equity
Balance at 1.1.2017	**64 108**	**49 305**	**220 292**	**2 910**	**286 190**	**198 039**	**820 844**	**41 035**	**861 879**
Comprehensive income									
Profit or loss						-1 531	-1 531	11 704	10 173
Other comprehensive income:									
Cash flow hedges				-2 647			-2 647		-2 647
Changes in the fair value of available-for-sale financial assets				190			190		190
Total comprehensive income for the period	**0**	**0**	**0**	**-2 457**	**0**	**-1 531**	**-3 988**	**11 704**	**7 716**
Transactions with owners									
Transfer to retained earnings					-5 145	5 145	0		0
Transfer to reserve for invested non-restricted equity								-659	-659
Transactions with owners total	**0**	**0**	**0**	**0**	**-5 145**	**5 145**	**0**	**-659**	**-659**
Dividends to non-controlling interest							0	-15 304	-15 304
Balance at 30.6.2017	**64 108**	**49 305**	**220 292**	**453**	**281 045**	**201 653**	**816 856**	**36 776**	**853 632**
Balance at 1.1.2017	**64 108**	**49 305**	**220 292**	**2 910**	**286 190**	**198 039**	**820 844**	**41 035**	**861 879**
Comprehensive income									
Profit or loss						-10 392	-10 392	11 489	1 097
Other comprehensive income:									
Cash flow hedges				-5 368			-5 368		-5 368
Changes in the fair value of available-for-sale financial assets				-8			-8		-8
Total comprehensive income for the period	**0**	**0**	**0**	**-5 376**	**0**	**-10 392**	**-15 768**	**11 489**	**-4 279**
Transactions with owners									
Proceeds from shares issued	1 481	-49 305			47 824		0		0
Transfer to retained earnings					-5 145	5 145	0		0
Non-controlling interest of a liquidated and sold group companies							0	4 977	4 977
Adjustment relating to former business combinations of a company dissolved			-3 470				-3 470		-3 470
Acquisition and annulment of own shares	-296						-296		-296
Transactions with owners total	**1 185**	**-49 305**	**-3 470**	**0**	**42 679**	**5 145**	**-3 766**	**4 977**	**1 211**
Dividends to non-controlling interest							0	-15 304	-15 304
Balance at 31.12.2017	**65 293**	**0**	**216 822**	**-2 466**	**328 869**	**192 792**	**801 310**	**42 197**	**843 507**
Balance at 1.1.2018	**65 293**	**0**	**216 822**	**-2 466**	**328 869**	**192 792**	**801 310**	**42 197**	**843 507**
Comprehensive income									
Profit or loss						-17 192	-17 192	280	-16 912
Other comprehensive income:									
Cash flow hedges				1 067			1 067		1 067
Total comprehensive income for the period	**0**	**0**	**0**	**1 067**	**0**	**-17 192**	**-16 125**	**280**	**-15 845**
Transactions with owners									
Transfer to retained earnings					-2 186	2 186	0		0
Transactions with owners total	**0**	**0**	**0**	**0**	**-2 186**	**2 186**	**0**	**0**	**0**
Balance at 30.6.2018	**65 293**	**0**	**216 822**	**-1 399**	**326 683**	**177 786**	**785 185**	**42 477**	**827 662**

NOTES TO THE INTERIM REPORT

Accounting policies

The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended on 31 December 2017. Additionally the changes according to the revised IAS/IFRS standards have been adopted.

The preparation of interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement 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 he 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.

1 REVENUE

1 000 €	**1-6/2018**	1-6/2017	2017
Sales of electricity produced	**157 781**	150 427	293 484
Sales of heat produced	**75 331**	70 909	132 635
Sales of purchased electricity	**17 759**	8 662	19 482
Other sales	**3 886**	3 963	8 002
Total	**254 757**	233 961	453 603

Electricity delivered to shareholders (GWh)			
Electricity produced	**5 876**	5 510	11 397
Heat produced	**2 562**	2 427	3 960
Purchased electricity	**342**	283	533

2 CHANGES IN INTANGIBLES ASSETS AND PROPERTY, PLANT AND EQUIPMENT

1 000 €	**30 June 2018**	30 June 2017	31 Dec 2017
Opening balance	**814 441**	848 366	848 366
Depreciation, amortization and impairment	**-19 601**	-19 624	-39 484
Depreciation, amortization and impairment, discontinued operations	**-181**	-272	-362
Additions	**3 851**	3 312	7 217
Disposals	**-767**	-1 174	-1 296
Closing balance	**797 743**	830 608	814 441

3 INTEREST-BEARING NET DEBT AND LIQUIDITY

1 000 €	**30 June 2018**	30 June 2017	31 Dec 2017
Short-term interest bearing liabilities	**145 500**	195 722	140 126
Long-term interest bearing liabilities	**1 107 836**	1 001 781	1 040 611
Interest bearing liabilities			
Cash and equivalents	**137 602**	49 108	43 857
Interest bearing net debt	**1 115 734**	1 148 395	1 136 880

Liquidity, unused committed credit facilities and debt programs	**30 June 2018**	30 June 2017	31 Dec 2017
Cash and cash equivalents	**137 602**	49 108	43 857
Unused committed credit facilities	**300 000**	370 000	370 000
Total	**437 602**	**419 108**	**413 857**
In addition:			
Unused commercial paper program	220 000	190 000	190 000

4 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 2017.

	30 June 2018		30 June 2017		31 Dec 2017	
1 000 €	**Net fair value**	**Nominal value**	Net fair value	Nominal value	Net fair value	Nominal value
Interest rate swaps, non-hedge accounting	**-4 511**	**262 000**	-2 438	277 000	-3 001	272 000

Financial assets and liabilities by measurement categories and fair value hierarchy as of 30 June 2018

1 000 €	Fair value through profit and loss	Amortised cost	Book value	Fair value	Level 2	Level 3
Non-current financial assets						
Available-for-sale investments	496		496	496		496
Loan receivables		348 921	348 921	348 921		
Other receivables		36 819	36 819	36 819		
	496	385 740	386 236	386 236		
Current financial assets						
Cash and cash equivalents		137 602	137 602	137 602		
Loan receivables		258	258	0		
Trade and other receivables		62 160	62 160	62 160		
Prepayments and accrued income		39 284	39 284	39 284		
	0	239 304	239 304	239 046		
Total	**496**	**625 044**	**625 540**	**625 282**		
Non-current financial liabilities						
Borrowings from associates and joint ventures		195 859	195 859	195 859		
Borrowings		761 186	761 186	761 186		
Secured financial liabilities		150 790	150 790	150 790		
Derivative financial instruments	4 373		4 373	4 373	4 373	
	4 373	1 107 836	1 112 209	1 112 209		
Current financial liabilities						
Loans and commercial papers		87 014	87 014	87 014		
Trade and other payables		64 793	64 793	64 793		
Secured financial liabilities		58 486	58 486	58 486		
Derivative financial instruments	138		138	138	138	
	138	210 293	210 431	210 431		
Total	**4 511**	**1 318 129**	**1 322 640**	**1 322 640**		

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
Level 2: inputs other than quoted price included within Level 1 that are observable for the assets or liability, either directly (i.e. prices)
Level 3: inputs for the assets or liability that is not base on observable market data (unobservable inputs)
The fair value of financial instruments are not materially different from their carrying amount.

5 RELATED PARTY TRANSACTIONS

Transactions with related parties, 1000 €

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

	30 June 2018			
	Sales	**Purchases**	**Receivables**	**Liabilities**
Associates and joint ventures	**6 489**	**125 886**	**413 148**	**228 081**
UPM-Kymmene Group	**99 977**	**34 890**	**17 468**	**8 638**

	30 June 2017			
	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	2 830	112 501	349 887	218 330
UPM-Kymmene Group	92 793	35 742	17 075	6 801

	31 Dec 2017			
	Sales	Purchases	Receivables	Liabilities
Associates and joint ventures	3 378	224 743	411 191	221 868
UPM-Kymmene Group	181 026	65 480	18 036	9 847

6 CONTINGENT LIABILITIES AND ASSETS AND PURCHASE COMMITMENTS

1 000 €	**30 June 2018**	30 June 2017	31 Dec 2017
On behalf of own loans			
Pledged deposits	**70**	90	90
Other contingent liabilities	**202 198**	204 988	203 881
On behalf of associated companies and joint ventures			
Guarantees	**33**	35	35
Guarantee according to Nuclear Energy Act	**77 227**	106 494	106 494
Total	**279 528**	311 607	310 500

Guarantee under the Nuclear Energy Act

According to the Finnish Nuclear Energy Act, Teollisuuden Voima, a joint venture of which Pohjolan Voima owns 58.47%, 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 77.2 (30 June 2017: 106,5; 30 Dec 2017: 106.5) 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 Voiman Oyj during 2004 to 2018. The commitment consists of a 432 million Euros investment, a shareholder loan of 108 million and an additional shareholder loan of a maximum of 451.4 million Euros. As at 30 June 2018 Pohjolan Voima Oyj has fulfilled 780.6 (30 June 2017: 720.6; 30 Dec 2017: 780.6) 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.

OPERATING LEASES

The Group has leased the Helsinki, Harjavalta, Nokia and Oulu office spaces. The lease expire in 2022 for the Helsinki office. Other leases are valid for the time being. The contracts include the possibility to continue the lease period after the expiration date of the initial contract period.

1 000 €	**30 June 2018**	30 June 2017	31 Dec 2017
No later than 1 year	591	643	649
Later than 1 year and no later than 5 years	1 679	2 209	1 955
Later than 5 years	92	3	95
Total	**2 362**	**2 855**	**2 699**