



WELL-BEING WITH
NUCLEAR ELECTRICITY



Interim Report

January-March 2017

Teollisuuden Voima Oyj's Interim Report January 1–March 31, 2017

During the first quarter of the year, Teollisuuden Voima's electricity generation at Olkiluoto 1 and 2 plant units continued safely and reliably. At Olkiluoto 3 EPR, the installation works and process system tests continued. Simulator training for OL3 operating personnel kicked off in February, enabling the completion of licensing training. Posiva's encapsulation plant excavations will be completed during the spring.

Operating Environment

During the first quarter of the year, the use of electricity in Finland decreased by 3.1 percent compared to the corresponding period of the previous year.

The Ministry of Economic Affairs and Employment is preparing an amendment to the Nuclear Energy Act. The Act was circulated for comments during March–April, and after the parliamentary handling it is to enter into force as from the beginning of 2018. Changes will be made to meet the requirements of the directives adopted within the framework of EURATOM. In preparation for the Act, some change requirements related to national legislation, e.g. decommissioning of nuclear facilities, nuclear waste management, and safety arrangements have been examined.

A set of legislative measures on energy, so called “Clean Energy for all Europeans” package published by the European Commission in November 2016 has passed to the European Parliament and Council for consideration. From the nuclear industry's perspective, the most relevant legislative proposals of the Clean Energy package are energy efficiency directive, renewable energy directive, electricity directive, and regulation on the governance of the Energy Union. The legislative process will take approximately two years.

Financial Performance

TVO operates on a cost-price principle (Mankala principle). TVO's goal is not to make profit or pay dividends. The shareholders are charged incurred costs on the price of electricity and thus in principle the profit/loss for the period under review is zero, unless specific circumstances dictate otherwise. The shareholders pay variable costs based on the volumes of energy supplied and fixed costs in proportion to their ownership, regardless of whether they have made any use of their share of the output or not. Because of the Company's operating principle, key indicators based on financial performance will not be presented.

The consolidated turnover for the period under review January 1–March 31, 2017 was EUR 82.4 (January 1–March 31, 2016: EUR 92.8 million). The amount of electricity delivered to shareholders was 3,827.5 (4,049.5) GWh. The lower delivery volume to shareholders was mainly due to lower delivery volume of Meri-Pori coal-fired power plant compared to the previous year.

The consolidated profit/loss was EUR -0.7 (6.3) million.

Financing and Liquidity

TVO's financial situation has developed as planned.

TVO's liabilities (non-current and current) at the end of the period under review, excluding the loan from the Finnish State Nuclear Waste Management Fund relented to shareholders, totaled EUR 4,413.2 (December 31, 2016: 4,521.8) million, of which EUR 479.3 (479.3) million were subordinated shareholder loans. During the period under review, TVO raised a total of EUR 100.0 (0.0) million in non-current liabilities. Repayments during the period under review amounted to EUR 160.7 (0.0) million.

In February 2016, TVO signed a new syndicated revolving credit facility of EUR 1.3 billion. The facility consists of two tranches: EUR 1,000 million 5-year tranche and EUR 300 million 3-year tranche. Both tranches included two one-year extension options, and in January 2017, both of them were extended by one year. In March 2017, TVO also signed bilateral revolving credit facilities totaling EUR 200 million. Both syndicated and bilateral facilities are undrawn.

The OL3 EPR project's share of financing costs has been capitalized in the balance sheet.

TVO uses its right to borrow funds back from the Finnish State Nuclear Waste Management Fund within the framework of legal regulations. On March 31, 2017 the amount of the loan was EUR 655.5 (December 31, 2016: 1,027.1) million and it has been relented to the Company's A-series shareholders. On March 31, 2017 loan from the Finnish State Nuclear Waste Management Fund was decreased by EUR 371.5 (March 31, 2016: increase 18.0) million.

Nuclear Power

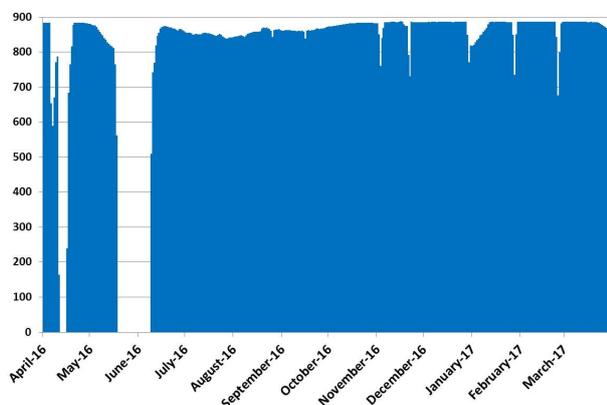
Olkiluoto 1 and Olkiluoto 2

The electricity production of the Olkiluoto power plant units Olkiluoto 1 (OL1) and Olkiluoto 2 (OL2) during the period under review was 3,804 (3,882) GWh. The total load factor was 100.0 (100.0) %.

The plant units operated safely and reliably during the period under review. OL1's net production was 1,886 (1,935) GWh and the load factor 99.5 (100.0) %. OL2's net production was 1,918 (1,947) GWh and the load factor 100.0 (100.0) %.

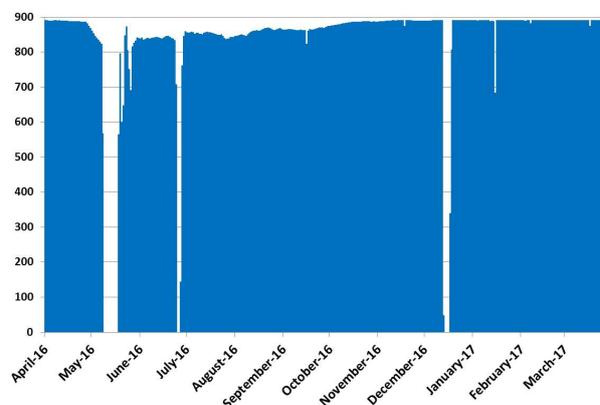
Olkiluoto 1

Average electrical power MW
April 1, 2016–March 31, 2017



Olkiluoto 2

Average electrical power MW
April 1, 2016–March 31, 2017



On January 26, 2017 TVO filed with the Ministry of Economic Affairs and Employment an application for the renewal of the operating license of OL1 and OL2. The renewal of the operating license is applied for from the Government until the end of 2038. The 20-year operating license currently in force must be renewed by the end of 2018.

Olkiluoto 3 EPR

Olkiluoto 3 EPR (OL3 EPR), currently under construction, was procured as a fixed-price turnkey project from a consortium (Supplier) formed by AREVA GmbH, AREVA NP SAS and Siemens AG. As stipulated in the plant contract, the consortium companies have joint and several liability for the contractual obligations. According to the schedule last updated by the Supplier in September 2014, regular electricity production in the unit will commence at the end of 2018.

In 2016, Areva Group announced a restructuring of its business. The restructuring plan apparently involves a transfer of the operations of Areva NP, excluding the OL3 EPR project and certain other operations, to an ad hoc structure which is to be sold to EDF. On November 16, 2016, Areva and EDF announced that they had made a binding agreement on the restructuring, which was announced to be completed during the second semester of 2017. The implementation of the restructuring plan is subject to decisions and clearances, such as those related to the state aid and merger connected with the plan. In January 2017, the EU Commission made a conditional decision on the state aid, and after the reporting period, in April 2017, the Commission has received a merger control notification. TVO requires that the restructuring respects the completion of the OL3 EPR project within the current schedule and that all liabilities of the plant contract are respected.

Most of the construction works for the plant unit have been completed. The installation of the electrical systems, the instrumentation and control system (I&C), and mechanical systems is still in progress. Simulator training for the operating personnel commenced in February 2017.

The first phase of the commissioning of the turbine plant is completed. Some of the systems and components will be kept in operation; the rest has been preserved by the Supplier in accordance with a separate plan. In January 2017, de-preservation was started at the turbine plant.

The workforce at the site at the end of the period under review was about 2,400 persons. Occupational safety at the site remained at a good level.

The pending disputes concerning the plant unit are described in the paragraph 'Pending Court Cases and Disputes'.

All realized costs of the OL3 EPR project that can be recognized in the cost of the asset have been entered as property, plant and equipment in the Group balance sheet.

Nuclear Fuel

During the period under review, nuclear fuel purchases amounted to EUR 15.2 (19.9) million and the amount consumed to EUR 14.0 (13.6) million.

The nuclear fuel and uranium stock carrying value on March 31, 2017 was EUR 232.2 (December 31, 2016: 231.0) million.

Nuclear Waste Management

Under the Finnish Nuclear Energy Act, the Company is responsible for the measures related to nuclear waste management and the related costs.

The liabilities in the consolidated financial statement show a provision related to nuclear waste management liability of EUR 958.9 (December 31, 2016: 954.6) million, calculated according to the international IFRS accounting principles. A corresponding amount, under assets, represents the Company's share in the Finnish State Nuclear Waste Management Fund.

In order to cover the costs of nuclear waste management, TVO makes contributions to the Finnish State Nuclear Waste Management Fund. In December 2016, MEAE set TVO's liability for nuclear waste management at EUR 1,450.1 (1,369.4) million to the end of 2016 and the Company's funding target for 2017 at EUR 1,428.4 (1,369.4) million.

In March 2017, the Finnish State Nuclear Management Fund confirmed TVO's nuclear waste management fee for 2016 at EUR 49.1 (11.4) million, which was paid into the Fund on March 31, 2017 (March 31, 2016). The nuclear waste management fee for 2017 will be confirmed in March 2018.

Final Disposal of Spent Nuclear Fuel

Posiva Oy is in charge of executing in Olkiluoto the final disposal of the spent nuclear fuel generated by its owners, TVO at its power plant in Olkiluoto and Fortum at its power plant in Loviisa.

The excavation to prepare the ground for the encapsulation plant started in November 2016 and the second phase of work in the ventilation building have progressed according to plans. The excavation work at the final disposal facility itself was launched in December 2016 and is

progressing according to plan with the excavation of the first shaft connections of the canister shaft and the vehicle access tunnels leading to the final disposal facility. The excavation work is estimated to take two and a half years.

At the end of March, Posiva's owners submitted the Nuclear Waste Management Annual Report for 2016 to the Ministry of Economic Affairs and Employment.

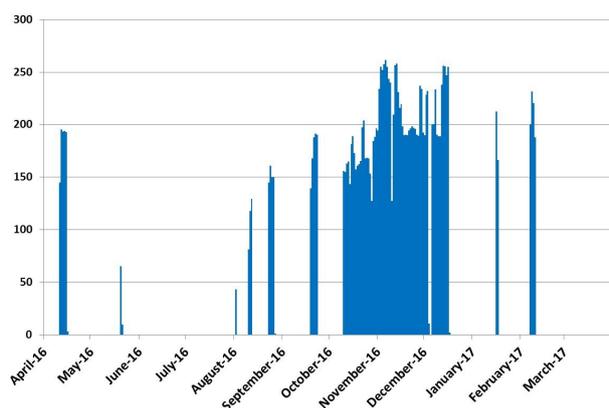
Coal Power

Meri-Pori

The amount of electricity produced by TVO's share at the Meri-Pori coal-fired power plant on January 1–March 31, 2017 was 29.3 (173.8) GWh requiring 10.1 (61.7) thousand tons of coal and 24.3 (147.4) thousand tons of carbon dioxide emission rights.

TVO's share of Meri-Pori's production

Average electrical power MW
April 1, 2016–March 31, 2017



Acquisitions of Tangible and Intangible Assets and Shares

Investments during the period under review were EUR 67.7 (63.4) million. Investments of the parent company were EUR 66.3 (61.8) million, of which EUR 55.2 (58.2) million were allocated to the OL3 project.

At present, several plant modifications are planned and implemented in Olkiluoto to prepare the OL1 and OL2 plant units for the renewal of the operating license in 2018.

During the period under review, emission rights were acquired worth EUR 0.1 (0.8) million. The Company's need for carbon dioxide emission rights for the period under review are covered by acquired emission rights.

Pending Court Cases and Disputes

In 2012, TVO submitted a claim and defence in the International Chamber of Commerce (ICC) arbitration proceedings concerning the delay and the ensuing costs incurred at the Olkiluoto 3 EPR project. In July 2015, TVO updated its quantification estimate of its costs and losses to amount to approximately EUR 2.6 billion until December 2018, which, according to the schedule submitted by the OL3 Supplier in September 2014, is the estimated start of regular electricity production of OL3.

The proceedings were initiated in December 2008 by the OL3 Supplier. The Supplier's monetary claim, as updated in February 2016, was approximately EUR 3.52 billion in total. The sum was based on the Supplier's updated analysis of events that occurred through September 2014, with certain claims quantified to December 31, 2014. The sum included penalty interest (calculated to June 30, 2016) and payments allegedly delayed by TVO under the plant contract amounting to a combined total of approximately EUR 1.45 billion, as well as approximately EUR 135 million in alleged loss of profit.

In November 2016, the ICC Tribunal made a final and binding partial award. In the partial award, the ICC Tribunal addressed the early period of the project (time schedule, licensing and licensability, and system design). This comprised many of the facts and matters that TVO relies upon in its main claims against the Supplier, as well as certain key matters that the Supplier relies upon in its claims against TVO. In doing so, the partial award finally resolved the great majority of these facts and matters in favour of TVO, and conversely rejected the great majority of the Supplier's contentions in this regard. The partial award did not take a position on the claimed monetary amounts. The arbitration proceeding is still going on with further partial awards to come before the final award where the Tribunal will declare liabilities to pay compensation.

TVO considers its claims to be well-founded and has considered and found the claims of the Supplier to be without merit. The partial award provides material confirmation for this position.

TVO has sought to obtain more detailed information from Areva Group on its announced restructuring and its impacts on the OL3 EPR project. As TVO has not received such information it begun legal proceedings at the end of September 2016 before the Commercial Court of Nanterre in France. The aim of this is to urgently obtain this information with a view to securing the assurances that all the necessary financial and other resources, particularly in relation to the EPR technology capabilities, will be allocated for the completion and long-term operation of OL3 EPR and that the Supplier Areva-Siemens will meet all their contractual obligations and liabilities.

The Supplier consortium companies (AREVA GmbH, AREVA NP SAS and Siemens AG) are jointly and severally liable for the plant contract obligations.

TVO has not recorded any receivables or provisions on the basis of claims presented in the arbitration proceedings.

Personnel

The total number of personnel in the Group at the end of the period under review was 759 (December 31, 2016: 747, March 31, 2016: 753). The number of permanent employees in the

Group at the end of the period under review was 740 (December 31, 2016: 721, March 31, 2016: 732).

To support the commissioning of OL3 EPR, a major recruitment campaign was launched in the beginning of the year. The organization will be strengthened with some twenty technical experts. The persons to be recruited will start their work primarily in Engineering and Expert Services, Safety and Security Services or Electricity Production.

The simulator training for OL3 operating personnel and shift supervisors commenced in February with normal operation training (21 days/shift). Each shift will be given a total of 45 days of training in the simulator. OL3 plant knowledge training is given to the personnel in different ways in cooperation with the Supplier.

The collective agreements for different groups of personnel in the energy industry were in force in accordance with the so called framework agreement of labor confederations until January 31, 2018.

Annual General Meeting

TVO's Annual General Meeting on March 31, 2017 approved the financial statements for 2016, confirmed the consolidated income statement and balance sheet, and discharged the members of the Board of Directors and the President and CEO from liability.

Eight Board members were re-elected. Two new members, Esa Kaikkonen and Anders Renvall, were elected to the Board. At its organization meeting, the Board elected Lauri Virkkunen as Chairman and Matti Ruotsala as Deputy Chairman. The Board also chose from among its members the members and chairmen of the Board Committees.

Auditing

The Interim Report is unaudited.

Risks and Uncertainty Factors in the Near Future

The major risks and uncertainty factors in TVO's operations have been presented in the 2016 Report of the Board of Directors.

During the period under review, no remarkable new risks connected with the Company's operation have arisen.

Assessment of Year-End Developments

Electricity production is expected to continue as in previous years. The prerequisites for nuclear power production at Olkiluoto are good. Nuclear fuel availability is guaranteed by long-term agreements.

Realization of the OL3 EPR nuclear power plant project and preparing the plant unit for production will be continued. Testing of the process systems continue, and the next important milestone is the cold functional testing scheduled to commence next summer. TVO will continue to support the Supplier to complete the project.

The Meri-Pori coal-fired power plant capacity will be used in accordance with the former principles. Fortum's share of the Meri-Pori power plant has been accepted into the reserve capacity, and TVO is examining the use of its own share in the future.

Posiva's encapsulation plant excavations will be completed during the spring. The ongoing second phase works of the ventilation building will be completed during summer 2017.

Events after the Period under Review

No major events have taken place after the end of the interim report period.

April 24, 2017

Teollisuuden Voima Oyj
Board of Directors

KEY FIGURES OF TVO GROUP

TVO GROUP (IFRS) (M€)	1.1. - 31.3.2017	1.1. - 31.3.2016	1.1. - 31.12.2016
Turnover	82	93	343
Profit/loss for the period	-1	6	-11
Investments ¹⁾	68	63	265
Equity	1 590	1 595	1 589
Subordinated shareholder loans (hybrid equity) (included in the former) ³⁾	479	479	479
Non-current and current interest-bearing liabilities (excluding loan from VYR) ²⁾	4 053	3 749	4 179
Loan from VYR ²⁾	656	1 027	1 027
Provision related to nuclear waste management	959	978	955
Balance sheet total	7 373	7 482	7 952
Equity ratio % ⁴⁾	27,6	29,1	26,6
Average number of personnel	754	751	765

¹⁾ Acquisitions of property, plant and equipment, intangible assets and shares are based on gross investments.

²⁾ The Finnish State Nuclear Waste Management Fund (VYR)

³⁾ Subordinated loans

⁴⁾ Equity ratio % = 100 x $\frac{\text{equity}}{\text{balance sheet total} - \text{provision related to nuclear waste management} - \text{loan from the Finnish State Nuclear Waste Management Fund}}$

KEY FIGURES OF TEOLLISUUDEN VOIMA OYJ

TEOLLISUUDEN VOIMA OYJ (FAS) (M€)	1.1. - 31.3.2017	1.1. - 31.3.2016	1.1. - 31.12.2016
Parent company's interim financial statement has been made in accordance with the Finnish Accounting Standards (FAS).			
Turnover	82	92	340
Profit/loss before appropriations	2	7	3
Fuel costs	15	18	69
Nuclear waste management costs	19	22	73
Capital expenditure (depreciation and financial income and expenses)	13	13	52
Investments ¹⁾	66	62	262
Equity	858	858	858
Appropriations	185	187	183
Non-current and current interest-bearing liabilities (excluding loan from VYR and shareholder loans) ²⁾	3 934	3 598	4 043
Loans from equity holders of the company ³⁾	479	479	479
Loan from VYR ²⁾	656	1 027	1 027
Balance sheet total	6 228	6 282	6 793
Equity ratio % ⁴⁾	27,3	29,0	26,4
Average number of personnel	753	750	764

¹⁾ Acquisitions of tangible and intangible assets and shares are based on gross investments.

²⁾ The Finnish State Nuclear Waste Management Fund (VYR)

³⁾ Subordinated loans

⁴⁾ Equity ratio % = 100 x
$$\frac{\text{equity + appropriations + loans from equity holders of the company}}{\text{balance sheet total - loan from the Finnish State Nuclear Waste Management Fund}}$$

ELECTRICITY DELIVERED TO EQUITY HOLDERS OF THE COMPANY (GWh)

	1.1. - 31.3.2017	1.1. - 31.3.2016	1.1. - 31.12.2016
Nuclear power	3 798	3 876	14 323
Coal-fired power	29	174	563
Total	3 827	4 050	14 886

TVO GROUP

CONSOLIDATED FINANCIAL STATEMENT IN BRIEF AND NOTES**CONSOLIDATED INCOME STATEMENT**

EUR 1 000	1.1. - 31.3.2017	1.1. - 31.3.2016	1.1. - 31.12.2016
Turnover	82 428	92 755	343 398
Work performed for own purposes	2 966	2 424	10 718
Other income	2 870	2 931	11 155
Materials and services	-28 794	-33 693	-158 329
Personnel expenses	-13 013	-13 477	-59 507
Depreciation and impairment charges	-13 694	-13 549	-54 807
Other expenses	-23 049	-20 439	-91 608
Operating profit/loss	9 714	16 952	1 020
Finance income	3 139	4 664	16 189
Finance expenses	-13 709	-15 348	-30 042
Total finance income and expenses	-10 570	-10 684	-13 853
Share of the profit/loss of joint ventures	108	0	2 301
Profit/loss before income tax	-748	6 268	-10 532
Income taxes	0	-1	-1
Profit/loss for the period	-748	6 267	-10 533

Profit/loss for the period attributable to:

Equity holders of the company	-748	6 267	-10 533
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1 000	1.1. - 31.3.2017	1.1. - 31.3.2016	1.1. - 31.12.2016
Profit/loss for the period	-748	6 267	-10 533
Other comprehensive items			
Items that may be reclassified to profit or loss in subsequent periods:			
Changes in fair values of the available-for-sale investments	171	109	-371
Cash flow hedges	2 412	-22 012	-7 490
Total other comprehensive profit/loss items for the period	2 583	-21 903	-7 861
Total comprehensive profit/loss for the period	1 835	-15 636	-18 394

Total comprehensive profit/loss for the period attributable to:

Equity holders of the company	1 835	-15 636	-18 394
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TVO GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1 000	31.3.2017	31.3.2016	31.12.2016
Assets			
Non-current assets			
Property, plant and equipment	5 089 113	4 899 945	5 040 266
Intangible assets	7 635	7 976	7 758
Loans and other receivables	658 776	1 030 465	1 030 307
Investments in joint ventures	3 420	1 009	3 312
Investments in shares	1 934	1 934	1 934
Derivative financial instruments	83 978	90 850	95 795
Share in the Finnish State Nuclear Waste Management Fund	958 885	978 411	954 631
Total non-current assets	6 803 741	7 010 590	7 134 003
Current assets			
Inventories	251 394	253 156	249 424
Trade and other receivables	42 352	49 025	46 553
Derivative financial instruments	6 420	9 933	9 998
Fund units	150 185	50 494	200 014
Cash and cash equivalents	119 077	109 178	312 236
Total current assets	569 428	471 786	818 225
Total assets	7 373 169	7 482 376	7 952 228
Equity and liabilities			
Capital and reserves attributable to equity holders of the company			
Share capital	606 193	606 193	606 193
Share premium reserve and statutory reserve	242 383	242 383	242 383
Fair value and other reserves	7 303	-9 322	4 720
Subordinated shareholder loans (hybrid equity)	479 300	479 300	479 300
Retained earnings	254 968	276 171	256 656
Total equity	1 590 147	1 594 725	1 589 252
Liabilities			
Non-current liabilities			
Provision related to nuclear waste management	958 885	978 411	954 631
Loan from the Finnish State Nuclear Waste Management Fund	655 518	1 027 050	1 027 050
Bonds	2 746 467	2 488 354	2 749 544
Other financial liabilities	1 151 093	462 279	1 053 700
Derivative financial instruments	52 132	47 647	58 547
Total non-current liabilities	5 564 095	5 003 741	5 843 472
Current liabilities			
Current financial liabilities	101 575	743 897	309 394
Derivative financial instruments	1 570	6 588	7 742
Advance payments received	41 609	44 461	41 609
Trade payables	9 178	6 606	17 005
Other current liabilities	64 995	82 358	143 754
Total current liabilities	218 927	883 910	519 504
Total liabilities	5 783 022	5 887 651	6 362 976
Total equity and liabilities	7 373 169	7 482 376	7 952 228

TVO GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1 000	Share capital	Share premium reserve and statutory reserve	Fair value and other reserves	Subordinated shareholder loans (hybrid equity)	Retained earnings	Attributable to equity holders of the company	Total equity
Equity 1.1.2017	606 193	242 383	4 720	479 300	256 656	1 589 252	1 589 252
Profit/loss for the period	0	0	0	0	-748	-748	-748
Other comprehensive items:							
Changes in fair values of the available-for-sale investments	0	0	171	0	0	171	171
Cash flow hedges	0	0	2 412	0	0	2 412	2 412
Subordinated shareholder loans (hybrid equity)	0	0	0	0	0	0	0
Interest paid of subordinated shareholder loans (hybrid equity)	0	0	0	0	-940	-940	-940
Equity 31.3.2017	606 193	242 383	7 303	479 300	254 968	1 590 147	1 590 147

EUR 1 000	Share capital	Share premium reserve and statutory reserve	Fair value and other reserves	Subordinated shareholder loans (hybrid equity)	Retained earnings	Attributable to equity holders of the company	Total equity
Equity 1.1.2016	606 193	242 383	12 581	479 300	271 542	1 611 999	1 611 999
Profit/loss for the period	0	0	0	0	6 267	6 267	6 267
Other comprehensive items:							
Changes in fair values of the available-for-sale investments	0	0	109	0	0	109	109
Cash flow hedges	0	0	-22 012	0	0	-22 012	-22 012
Subordinated shareholder loans (hybrid equity)	0	0	0	0	0	0	0
Interest paid of subordinated shareholder loans (hybrid equity)	0	0	0	0	-1 638	-1 638	-1 638
Equity 31.3.2016	606 193	242 383	-9 322	479 300	276 171	1 594 725	1 594 725

TVO GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1 000	31.3.2017	31.3.2016	31.12.2016
Operating activities			
Profit/loss for the period	-748	6 267	-10 533
Adjustments:			
Income tax expenses	0	1	1
Finance income and expenses	10 570	10 684	13 853
Depreciation and impairment charges	13 694	13 549	54 807
Share of the profit/loss of joint ventures	-108	0	-2 301
Other non-cash flow income and expenses	-8 480	-10 478	-408
Sales profit/loss of property, plant and equipment and shares	-81	0	-101
Change in working capital:			
Increase (-) or decrease (+) in non-interest-bearing receivables	187	-23 799	-18 435
Increase (-) or decrease (+) in inventories	-720	-1 892	996
Increase (+) or decrease (-) in short-term non-interest-bearing liabilities	-51 335	19 024	63 974
Interest paid and other finance expenses	-1 504	-2 538	-2 724
Interest received	5 700	8 100	8 183
Taxes paid	0	-2	-1
Cash flow from operating activities	-32 825	18 916	107 311
Investing activities			
Acquisition of property, plant and equipment	-100 814	-168 236	-343 479
Proceeds from sale of property, plant and equipment	0	0	203
Acquisition of intangible assets	-104	-358	-376
Acquisition of shares	0	0	-6
Proceeds from sale of shares	108	0	0
Loan receivables granted	371 532	-18 000	-18 135
Repayments of loans granted	0	0	276
Cash flow from investing activities	270 722	-186 594	-361 517
Financing activities			
Withdrawals of long-term loans	100 000	18 000	993 000
Repayment of long-term loans	-533 103	-849	-376 915
Investments in fund units	50 000	50 000	-100 000
Interest paid of subordinated shareholder loans (hybrid equity)	0	0	-4 448
Increase (-) or decrease (+) in interest-bearing receivables	0	0	13
Increase (+) or decrease (-) in current financial liabilities	-47 953	89 469	-65 444
Cash flow from financing activities	-431 056	156 620	446 206
Change in cash and cash equivalents	-193 159	-11 058	192 000
Cash and cash equivalents at the beginning of period	312 236	120 236	120 236
Cash and cash equivalents at the end of period	119 077	109 178	312 236

TVO GROUP

NOTES TO THE INTERIM REPORT

ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting -standard. The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended on 31 December 2016. Additionally the changes according to the revised IAS/IFRS standards have been adopted.

MANAGEMENT'S CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of Interim Report requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. The actual results may differ from these estimates. Significant assumptions made by the management in applying Group's accounting policies and crucial uncertainties were the same as the ones applied to the annual financial statements as for the year ended on 31 December 2016.

COMPARABILITY OF THE INCOME STATEMENT

The total cost estimate based on a new nuclear waste management technical plan and schedule was updated in June 2016. Updated cost estimate decreased the provision related to the nuclear waste management and finance expenses and increased the amount of materials and services. The overall effect on profit for the period is negative because the amount of the share in the Finnish State Nuclear Waste Management Fund and the provision related to nuclear waste management are equal and the difference is entered as an adjustment to materials and services. Moreover, the costs for spent fuel disposal are expensed during the operating time of the plant, based on fuel usage, and the impact of any changes to the plan and schedules will be recognized immediately in the income statement based on fuel used by the end of each accounting period. The negative profit impact of the updates and changes is mainly non-recurring. See note Assets and provisions related to nuclear waste management obligation.

TVO GROUP

SEGMENT REPORTING**Segment structure in TVO**

The Group has two reportable segments; nuclear power and coal power.

The electricity of the nuclear power segment is produced at two nuclear power plant units, Olkiluoto 1 and Olkiluoto 2 (OL1 and OL2). A new unit, Olkiluoto 3 (OL3), is under construction at Olkiluoto. The subsidiary of TVO, TVO Nuclear Services Oy (TVONS), of which operation is related to nuclear power, is also included in the nuclear power segment.

The electricity of coal-fired power segment is produced by TVO share at the Meri-Pori coal-fired power plant.

Segment calculation principles

TVO Group discloses in the segment information; turnover, profit/loss for the period and assets, which the chief operation decision maker follows.

The chief operation decision maker follows reporting according to Finnish Accounting Standards (FAS). Adjustments made under IFRS accounting policies are reported in group level.

TURNOVER BY SEGMENTS

EUR 1 000	31.3.2017	31.3.2016	31.12.2016
Nuclear power	79 279	84 289	315 076
Coal-fired power	3 149	8 466	28 322
Total	82 428	92 755	343 398

PROFIT/LOSS FOR THE PERIOD BY SEGMENTS

EUR 1 000	31.3.2017	31.3.2016	31.12.2016
Nuclear power	2 836	7 808	5 927
Coal-fired power	-680	-655	-2 435
Profit/loss before appropriations (FAS)	2 156	7 153	3 492
The impact of the nuclear waste management obligation	-3 305	-1 072	-17 143
The impact of financial instruments	24	5	-2
Other IFRS adjustments	269	181	819
Share of the profit/loss of joint ventures	108	0	2 301
Total (IFRS)	-748	6 267	-10 533

ASSETS BY SEGMENTS

EUR 1 000	31.3.2017	31.3.2016	31.12.2016
Nuclear power	6 211 747	6 251 500	6 769 274
Coal-fired power	16 253	30 978	24 240
Total (FAS)	6 228 000	6 282 478	6 793 514
The impact of the nuclear waste management obligation	1 051 326	1 090 227	1 050 376
The impact of financial instruments	52 073	65 545	66 204
The impact of finance leases	56 606	58 310	56 577
Other IFRS adjustments	-17 245	-14 184	-16 744
Share of the profit/loss of joint ventures	2 409	0	2 301
Total (IFRS)	7 373 169	7 482 376	7 952 228

TVO GROUP

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR 1 000	31.3.2017	31.3.2016	31.12.2016
Opening net book amount	5 040 266	4 852 768	4 852 768
Increase	67 514	62 253	262 336
Decrease	-5 376	-1 795	-26 671
Depreciation and impairment charges	-13 381	-13 281	-53 586
Accumulated depreciation from deduction	90	0	5 419
Closing net book amount	5 089 113	4 899 945	5 040 266

CHANGES IN INTANGIBLE ASSETS

EUR 1 000	31.3.2017	31.3.2016	31.12.2016
Opening net book amount	7 758	7 128	7 128
Increase	190	1 115	3 038
Decrease	0	0	-2 412
Depreciation and impairment charges	-313	-267	-1 221
Accumulated depreciation from deduction	0	0	1 225
Closing net book amount	7 635	7 976	7 758

TVO GROUP

FINANCIAL RISK MANAGEMENT

The objectives of financial risk management and finance policy are the same as those applied to the annual financial statement for the year ended 31 December 2016.

DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values of the derivative financial instruments *

EUR 1 000	31.3.2017	31.3.2016	31.12.2016
Interest rate swaps	2 449 518	2 129 518	2 449 518
Forward foreign exchange contracts and swaps ¹⁾	155 678	148 105	150 467
Cross-currency swaps	696 181	856 898	856 911
Total	3 301 377	3 134 521	3 456 897

1) Forward contracts are mainly used for hedging fuel purchases against currency risk. The opposite forward contracts, which have been acquired to adjust these hedging amounts are netted in the table with each other, whereby the nominal describes the protected position.

Fair values of the derivative financial instruments *	31.3.2017			31.3.2016			31.12.2016		
	Positive	Negative	Total	Positive	Negative	Total	Positive	Negative	Total
EUR 1 000									
Interest rate swaps									
Cash flow hedges	0	-21 767	-21 767	0	-31 649	-31 649	0	-26 821	-26 821
Fair value hedges	25 926	-1 696	24 230	35 768	-1 843	33 925	29 490	-2 277	27 213
Forward foreign exchange contracts and swaps									
Cash flow hedges	26 391	-2	26 389	21 118	-228	20 890	32 508	-1 108	31 401
Cross-currency swaps									
Non-hedges	37 468	-30 042	7 426	43 898	-20 515	23 383	43 795	-36 085	7 710
Total	90 398	-53 702	36 696	100 784	-54 235	46 549	105 793	-66 289	39 503

* Cross-currency swaps related to Private Placements included.

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DISCLOSURE OF FAIR VALUE MEASUREMENTS BY THE LEVEL OF FAIR VALUE MEASUREMENT HIERARCHY

EUR 1 000	31.3.2017			31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value						
Derivative financial instruments at fair value through profit or loss		38 080			43 795	
Derivative financial instruments designated as cash flow hedges		26 391			32 508	
Derivative financial instruments designated as fair value hedges		25 926			29 490	
Available-for-sale investments						
Investments in listed companies	0			0		
Investments in other stocks and shares			0			0
Total	0	90 398	0	0	105 793	0
Financial liabilities at fair value						
Derivative financial instruments at fair value through profit or loss		30 236			36 085	
Derivative financial instruments designated as cash flow hedges		21 769			27 928	
Derivative financial instruments designated as fair value hedges		1 696			2 277	
Total	0	53 702	0	0	66 289	0

On 31 March 2017, TVO has also unquoted shares worth EUR 1,934 (1,934) thousand that are measured at acquisition cost because their fair value cannot be reliably determined.

Fair value estimation

The derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at fair value. The fair values are determined using a variety of methods and financial valuation techniques, and assumptions are based on market quotations at the balance sheet date (Level 2). The fair value of the interest rate swaps is the present value of the estimated future cash flows. The forward contracts are measured using the market quotes at the closing date.

BOOK VALUES OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

EUR 1 000	31.3.2017			31.12.2016		
	Financial liabilities measured at amortized cost	Book Value	Fair value	Financial liabilities measured at amortized cost	Book Value	Fair value
Non-current liabilities						
Other financial liabilities*	3 897 559	3 897 559	4 030 494	3 803 244	3 803 244	3 897 776

*Bonds and EUR-fixed loans included

For other financial assets and liabilities than the ones presented in the table, the book value corresponds to their fair value.

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ASSETS AND PROVISION RELATED TO NUCLEAR WASTE MANAGEMENT OBLIGATION

The balance sheet contains assets and liabilities concerning the nuclear waste management obligation

EUR 1 000	31.3.2017	31.3.2016	31.12.2016
The carrying value of TVO's share in the Finnish State Nuclear Waste Management Fund (non-current assets)	958 885	978 411	954 631
Provision related to nuclear waste management (non-current liabilities)	958 885	978 411	954 631

TVO's legal liability as stated in the Nuclear Energy Act and the Company's share in the Finnish State Nuclear Waste Management Fund

EUR 1 000	31.3.2017	31.3.2016	31.12.2016
Liability for nuclear waste management according to the Nuclear Energy Act	1 450 100	1 369 400	1 450 100
Funding target obligation	1 428 400	1 369 400	1 428 400
TVO's share in the Finnish State Nuclear Waste Management Fund	1 428 400	1 369 400	1 379 700
Difference between the liability and TVO's share of the fund	21 700	0	70 400

The costs of decommissioning of the power plant and disposal of spent fuel are covered by the provision related to the nuclear waste management obligation. Cost estimates are updated annually and the technical plans and total cost estimates every third year.

The total cost estimate based on a new nuclear waste management technical plan and schedule was updated in June 2016. The updated cost estimate in June 2016 decreased the provision related to the nuclear waste management and finance expenses and increased the amount of materials and services. The provision on balance sheet compared to the value at the end of the previous year was decreased by EUR 23.3 million. The effect of revised cost estimate to the consolidated income statement compared to the previous estimate were EUR 28.1 million increase in materials and services and EUR 24.0 million decrease in finance expenses.

The overall effect on profit for the period in June 2016 was negative because the amount of the share in the Finnish State Nuclear Waste Management Fund and the provision related to nuclear waste management are equal and the difference is entered as an adjustment to materials and services.

Moreover, the costs for spent fuel disposal are expensed during the operating time of the plant, based on fuel usage, and the impact of any changes to the plan and schedules will be recognized immediately in the income statement based on fuel used by the end of each accounting period.

TVO contributes funds to the Finnish State Nuclear Waste Management Fund to cover future obligations based on the legal liability calculated according to the Nuclear Energy Act. The difference between the funding obligation target decided by the Ministry of Employment and the Economy (MEE) and TVO's actual share of the Finnish State Nuclear Waste Management Fund is paid in Q1 each year. TVO's share in the Finnish State Nuclear Waste Management Fund on March 31, 2017 is EUR 1,428.4 million. The carrying amount in the balance sheet is EUR 958.9 million. The difference is due to the fact that IFRIC 5 limits the carrying amount of TVO's interest in the Finnish State Nuclear Waste Management Fund to the amount of the related liability since TVO does not have control over the Finnish State Nuclear Waste Management Fund.

The Ministry of Employment and Economy (MEE) has adopted the procedure mentioned in the Nuclear Energy Act (section 40, subsection 3) and specified in the Government Decision 1339/1996 for a temporary reduction of the funding target when confirming Teollisuuden Voima Oyj's funding target obligation for 2017.

TVO has issued the State the shareholders' guarantees as security to cover the unexpected events as determined in the Nuclear Energy Act. The guarantees are presented in the note Obligations and other commitments.

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OBLIGATIONS AND OTHER COMMITMENTS**Pledged promissory notes and financial guarantees**

EUR 1 000	31.3.2017	31.3.2016	31.12.2016
Pledged promissory notes to the Finnish State Nuclear Waste Management Fund	655 518	1 027 050	1 027 050
Guarantees given by shareholders related to the nuclear waste management obligation	144 530	137 620	144 530

Investment commitments

Agreement-based commitments regarding the acquisition of property, plant and equipment:

EUR 1 000	31.3.2017	31.3.2016	31.12.2016
OL1 and OL2	122 000	137 000	129 000
OL3	727 000	789 000	735 000
Total	849 000	926 000	864 000

Pending Court Cases and Disputes

Pending Court Cases and Disputes are to be found on page 7.