

TEOLLISUUDEN VOIMA OYJ CREDIT INVESTOR PRESENTATION

September 2022
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tvo

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TVO IN BRIEF

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**TVO – AN
EXPERIENCED
PIONEER**

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- Non-listed public limited liability company producing electricity to its shareholders at cost
- Annual production (14.4 TWh), approximately 17% of the total electricity consumption (86 TWh*) in Finland (2021)
- Annual turnover EUR 299 million
- Approximately 980 employees
- Rated BB+ (positive outlook) and BBB- (stable outlook) by S&P and Fitch
- ESG Risk Rating of 23.0 by Sustainalytics, the low-end of the Medium risk category

*) Finnish Energy, Energy Year 2021 (Feb 2022)
Source: TVO, TVO annual report 2021

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OVERVIEW OF UNITS

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Olkiluoto 1 (OL1) and Olkiluoto 2 (OL2)

- OL1 890 MW, OL2 890 MW (BWR), Westinghouse Atom
- Commercial operation since 1979 and 1982
- Modernisation and upgrade in several stages from 660 MW to 890 MW

Olkiluoto 3 EPR* (OL3)

- 1,600 MW (PWR), AREVA-Siemens Consortium
- Under test production phase

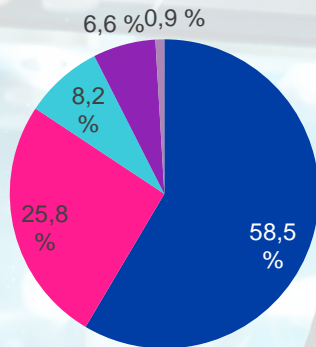
Posiva Oy (Subsidiary, 60%)

- Responsible for the final disposal of spent fuel produced by its shareholders

*) European Pressurized Reactor
BWR: Boiling water reactor
PWR: Pressurized water reactor



Dec 31, 2021



- Pohjolan Voima Oyj (PVO), 58.5%
- Fortum Power and Heat Oy, 25.8%
- Oy Mankala Ab, 8.2%
- EPV Energia Oy, 6.6%
- Kemira Oy, 0.9%

Underlying shareholders by sector

Industrial companies	47%
Municipalities	27%
Fortum	26%

Main shareholders of PVO (Dec 31, 2021):

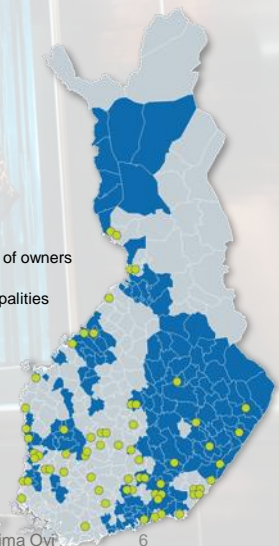
- UPM Energy Oy*: 47.73%
- Stora Enso Oyj (Baa3, BBB-): 15.61%

Shareholder of Fortum Power and Heat Oy:

- Fortum Oyj (BBB, BBB): 100%

TVO's shareholders are Finnish industrial and energy companies - the latter are owned by **131 municipalities**

- Industrial locations of owners
- TVO-owner municipalities



* UPM Energy Oy is the subsidiary of UPM-Kymmene Oy, rated Baa1 by Moody's and BBB by S&P

TVO OWNERSHIP STRUCTURE



TVO KEY INDICATORS 2017–2022 Q3

	2022 Q3	2021	2020	2019	2018	2017
Electricity delivered (GWh)						
OL1/OL2	10 514	14 414	14 563	14 729	14 063	13 385
OL3	1 344					
Total	7 820					
Load factor (%)						
OL1	85.2	95.1	93.7	96.9	87.8	93.1
OL2	95.8	90.4	93.3	92.7	94.3	81.3
Investments (M€)	160	220	56 (***)	369	181	299
OL1/OL2 combined production cost (€/MWh) (*)	24	19	17	15	20	21
Average market price (€/MWh) (**)	104.0	72.2	28.0	44.0	46.8	33.2
OL1/OL2 value creation for shareholders (M€) (****)	841	767	160	427	377	166



*) Including electricity transmission costs, rounded to nearest Integer. Source: TVO annual reports

***) Annual Nord Pool weighted average of Finnish base load daily prices

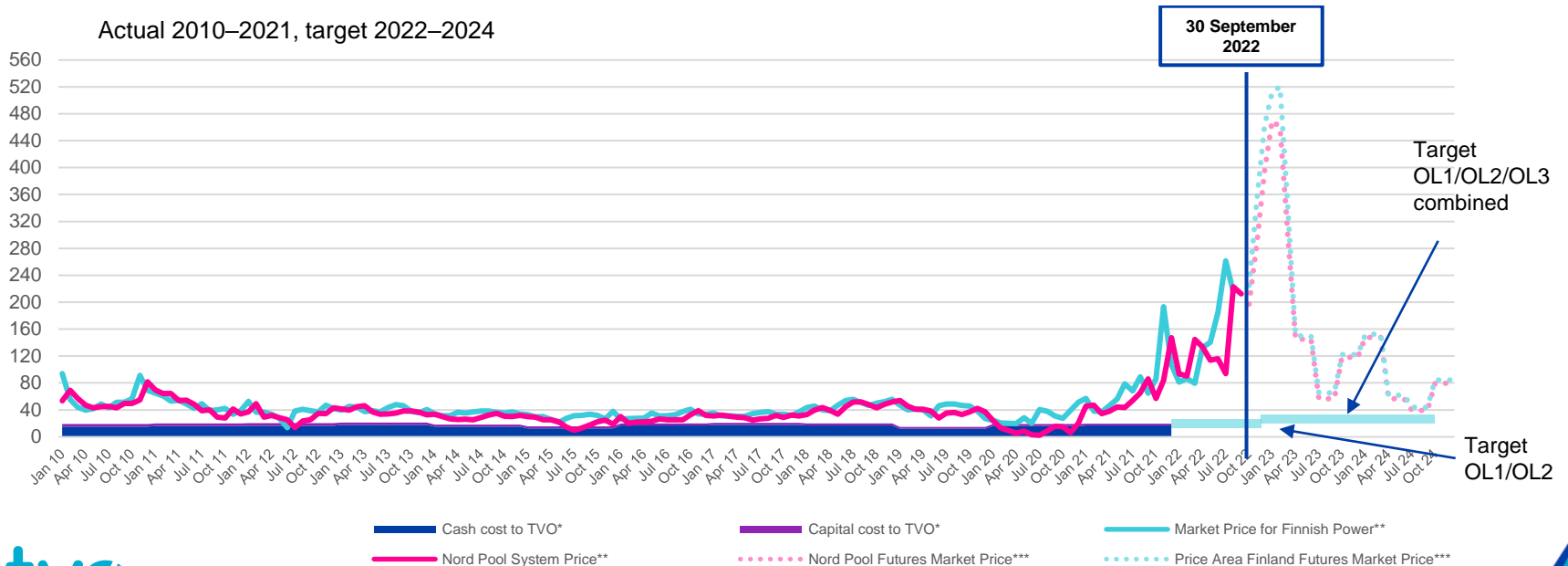
****) Net of OL3 capex and GSA penalties

*****) Calculated simply as (average market price - OL1/OL2 combined production cost) * OL1/OL2 electricity delivered. Actual shareholder position may vary from this.

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TVO CREATES VALUE TO OWNERS BY PRODUCING STABLE AND LOW-COST POWER

TVO's historical cost of nuclear power has been stable and below the market price



*) Source: TVO annual reports

**) Source: www.nordpoolspot.com

**) Source: www.nasdaqomx.com, 3 October 2022



SUSTAINABILITY

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Production of climate-friendly electricity

Sustainable land use

Spent nuclear fuel generated during operations

Thermal load on the sea caused by cooling water

A radioactive release into the environment during a severe accident

Emissions in the manufacture and delivery of raw materials, products, and services

Storage and handling of hazardous or harmful substances

TVO has identified the following significant environmental and energy aspects of its operations

SUSTAINABILITY AT THE CORE



Source: TVO Environmental Report 2021, found at <https://www.tvo.fi/en/index/investors/financialpublications.html>



SUSTAINABLE DEVELOPMENT GOALS AT TVO



- TVO is committed to supporting the emission reduction targets set out in the Paris Agreement through the production of climate-friendly nuclear electricity in a safe and competitive manner
- TVO promotes the following United Nations' Sustainable Development Goals (SDGs) in its operations:



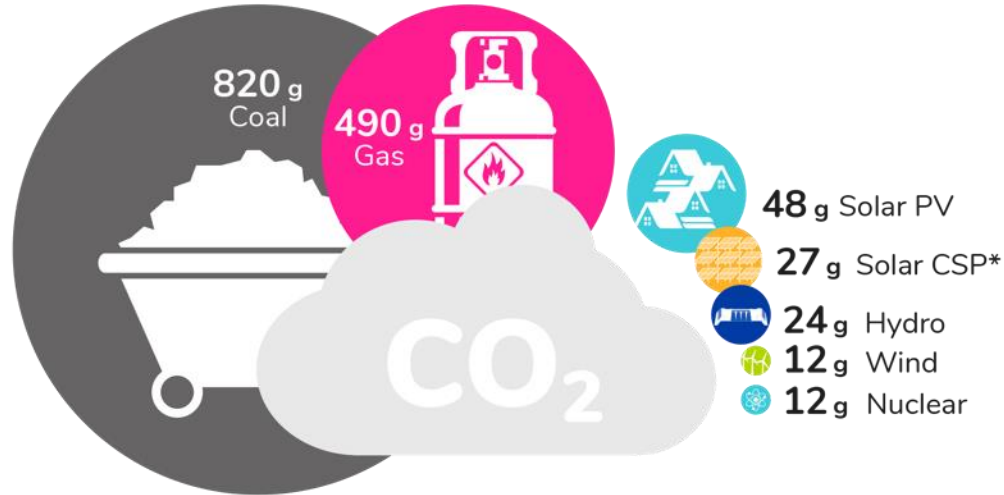
- TVO's sustainability strategy focuses on the development of the SDGs together with TVO's corresponding **material sustainability aspects**:
 - The production of climate-friendly electricity for society
 - An uncompromising safety culture
 - Creating added economic value
 - The well-being of employees and strong networks
 - High-class nuclear and final disposal expertise

EU TAXONOMY

- **In February 2022, the European Commission proposed the inclusion of nuclear energy in the EU Taxonomy, with certain criteria**
- **In its plenary session on 6 July 2022, the European Parliament accepted nuclear power and natural gas to be included in the EU Taxonomy** on sustainable finance in accordance with the European Commission's proposal
- The inclusion of nuclear power in the EU Taxonomy means that it will be classified as an environmentally sustainable investment
- The proposal is to enter into effect as of 1 January 2023

CO₂ EMISSIONS OF DIFFERENT PRODUCTION MODES DURING THEIR LIFECYCLE

Amount of carbon dioxide produced per 1 kWh of energy underlines the sustainability advantages of nuclear:



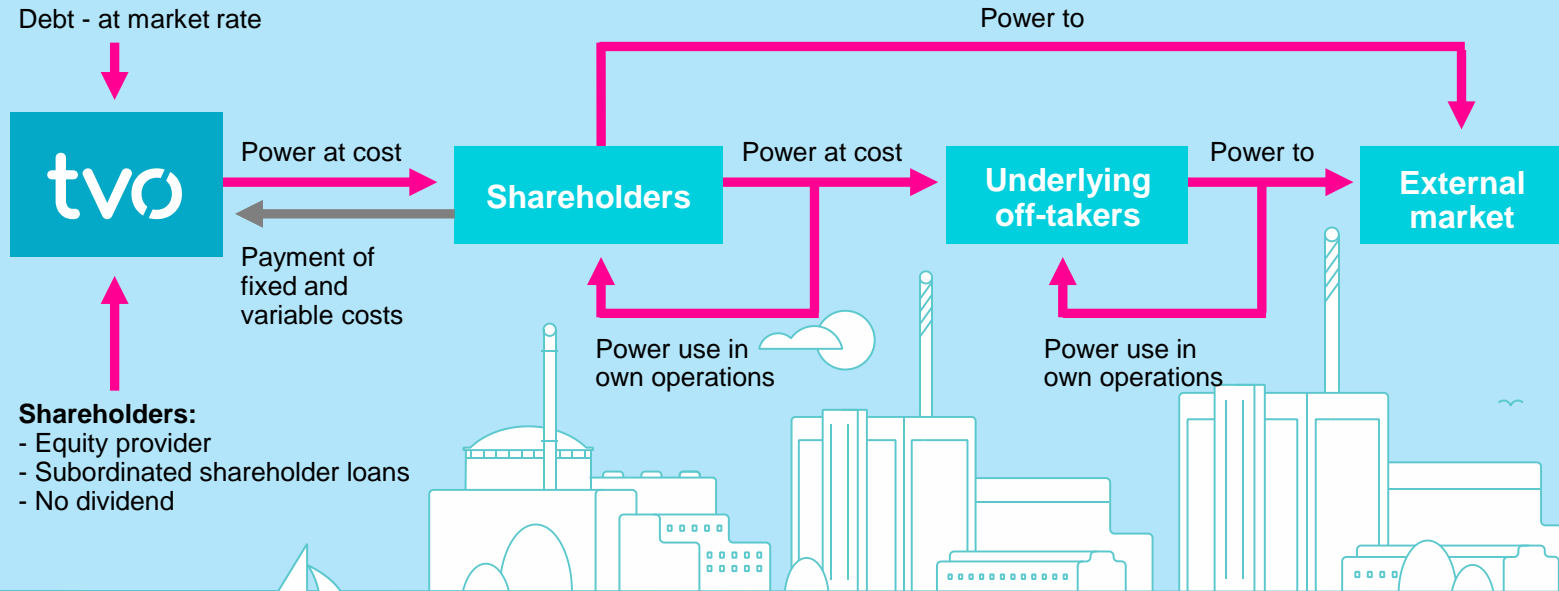
A photograph of two workers in high-visibility vests and hard hats standing in a large electrical substation. The scene is illuminated by the warm, low light of a sunset or sunrise, with the sun positioned behind the workers, creating a lens flare effect. The substation is filled with complex metal structures, including towers and busbars, extending into the distance. The ground is covered in gravel and shows tracks from heavy machinery. The overall atmosphere is industrial and serene.

OPERATING MODEL OF TVO

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TVO'S OPERATING MODEL

Mankala model benefits both TVO as well as its shareholders and off-takers



TVO'S OPERATING MODEL



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- TVO is run according to the **Mankala Principle**, which is a unique model widely applied in the Finnish energy industry
 - Different share classes give access to the output of TVO's different assets proportionally to a shareholder's stake
 - TVO invoices fixed costs one month in advance, minimising its liquidity and working capital needs, variable costs are invoiced monthly based on electricity consumed by each shareholder
- Shareholders are **severally responsible** for the annual costs of the respective asset as **defined in the articles of association** of TVO
 - TVO is a limited liability company, and its shareholders have no personal liability for the indebtedness of TVO
 - The shareholders are not liable for any other costs than those defined in the articles of association, unless otherwise agreed in writing
 - Only the company has the sole right to call upon the responsibility of the shareholders
- In the event that a shareholder does not make its payments, TVO has the right to sell the non-paying shareholder's electricity to other shareholders or to third parties at market price
- Existing shareholders have a right of first refusal to buy shares that may be offered for sale



ELECTRICITY MARKET IN FINLAND

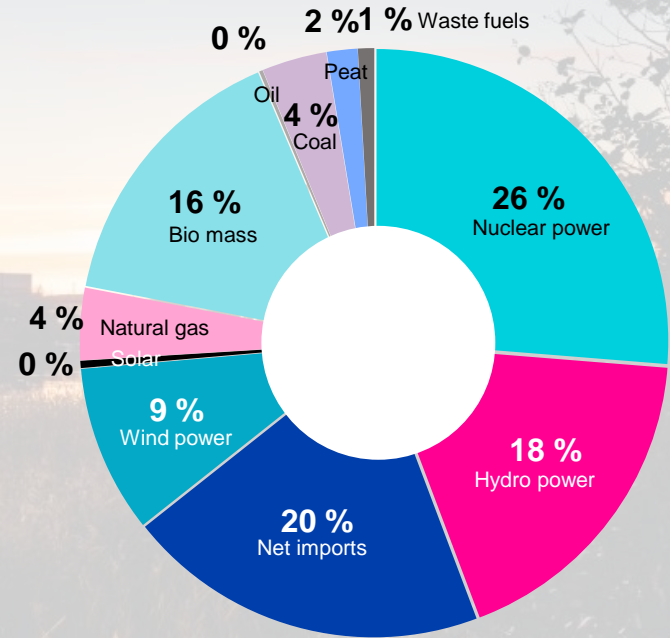
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ELECTRICITY SUPPLY

by energy sources 2021 (86 TWh)



Balanced sources of production, but high share of imports implies further domestic production capacity required

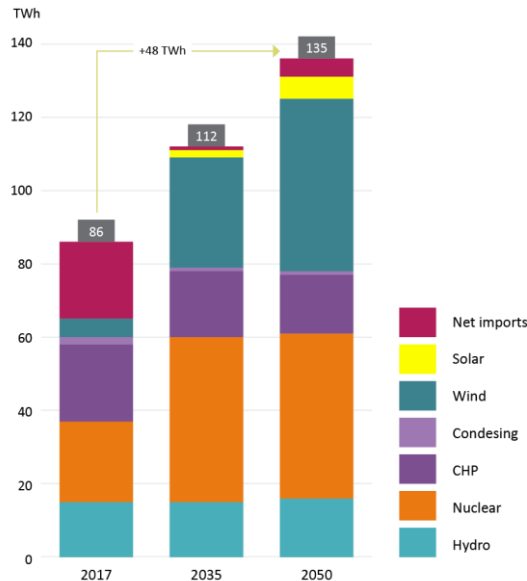


Source: Finnish Energy, Energy Year 2021 (Feb 2022), illustration TVO

EMISSION-FREE ELECTRICITY IN FOCUS

Scenario of strong electrification in Finland, Finnish Energy

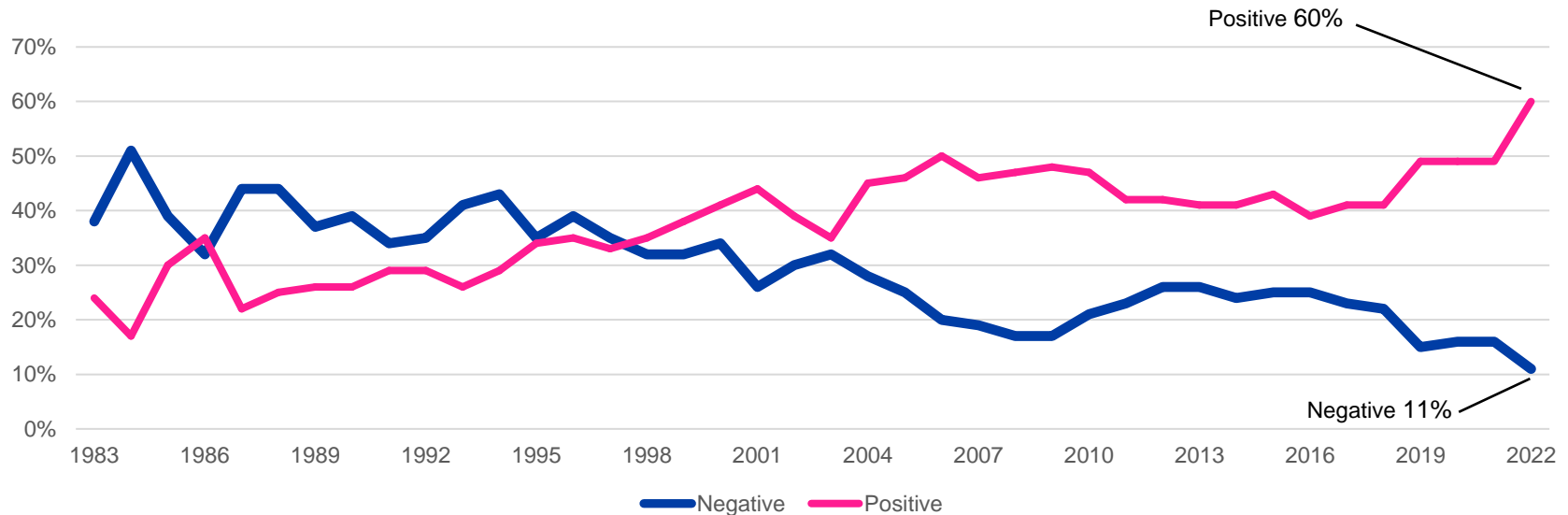
The energy sector is meeting the growing demand for electricity on market terms. Steering of emissions trading safeguards investments in cleaner electricity generation.



- The expansion and strengthening of emissions trading is the most important instrument for 2030 and beyond
- No need for instruments that overlap with emissions trading, for example, those based on national taxation
- Functioning of the electricity market must be promoted with pan-European legislation
- Public funding should be aimed at energy demonstration and pilot projects

DEVELOPMENT OF NUCLEAR POWER ACCEPTANCE, FINLAND, 1983–2022

Public support exists for nuclear power





OL1 AND OL2

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OL1 AND OL2 PRINCIPLES FOR DEVELOPMENT

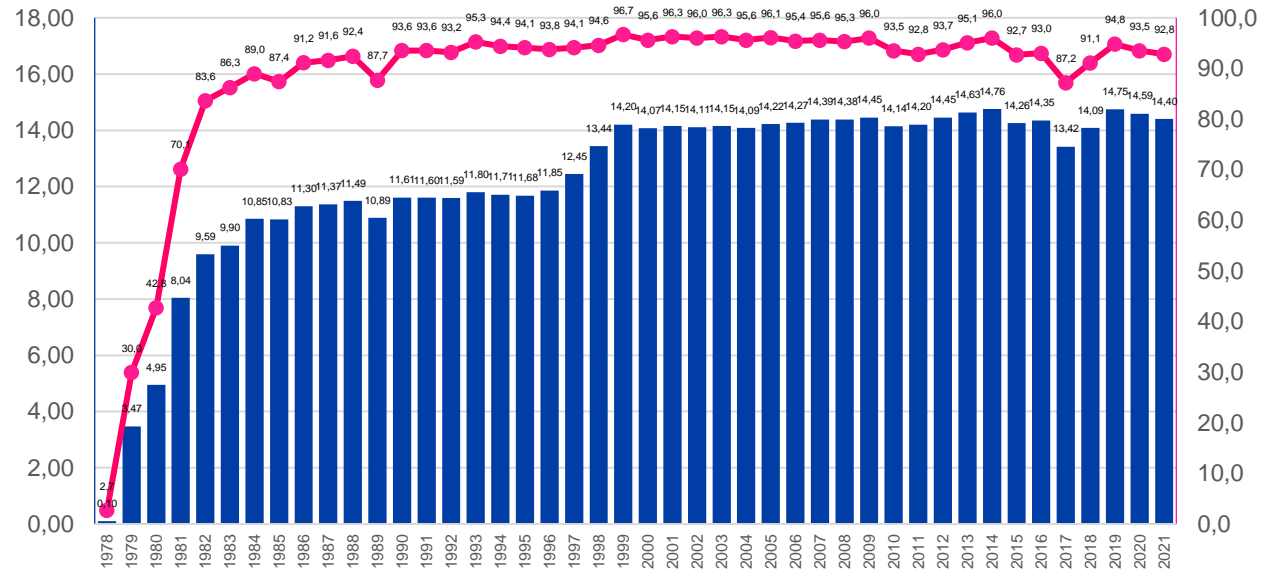
- Long-term capacity factors rank among the global top
- Annual combined production over 14 TWh
- Plant units continually maintained and developed to improve the reliability and safety of the units, for example:
 - Completion of replacement of the main circulation pumps in 2018
 - Replacement of emergency diesel generators for OL1 and OL2 ongoing
 - First unit installed in July 2020
- In **September 2018**, the Finnish Government approved the extension of the operating licence until 2038



STRONG TRACK RECORD OF OL1 AND OL2

- OL1 and OL2 plants have regularly achieved load factors among the highest within their global peer group
- High load factors indicate stability and safety of operations
- Consistently (>20 years) high stability also spreads fixed costs over a maximum volume of output

Production TWh



A photograph of the OL3 EPR nuclear power plant site. The central focus is a large, modern industrial building with a prominent white dome and a tall red chimney. The building is situated on a rocky shore next to a body of water. In the foreground, there are tall, dry reeds on the right and green bushes on the left. The sky is clear and blue. The text 'OL3 EPR PROJECT' is overlaid in large white letters on the left side of the image.

OL3 EPR PROJECT

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OL3 EPR SCHEDULE

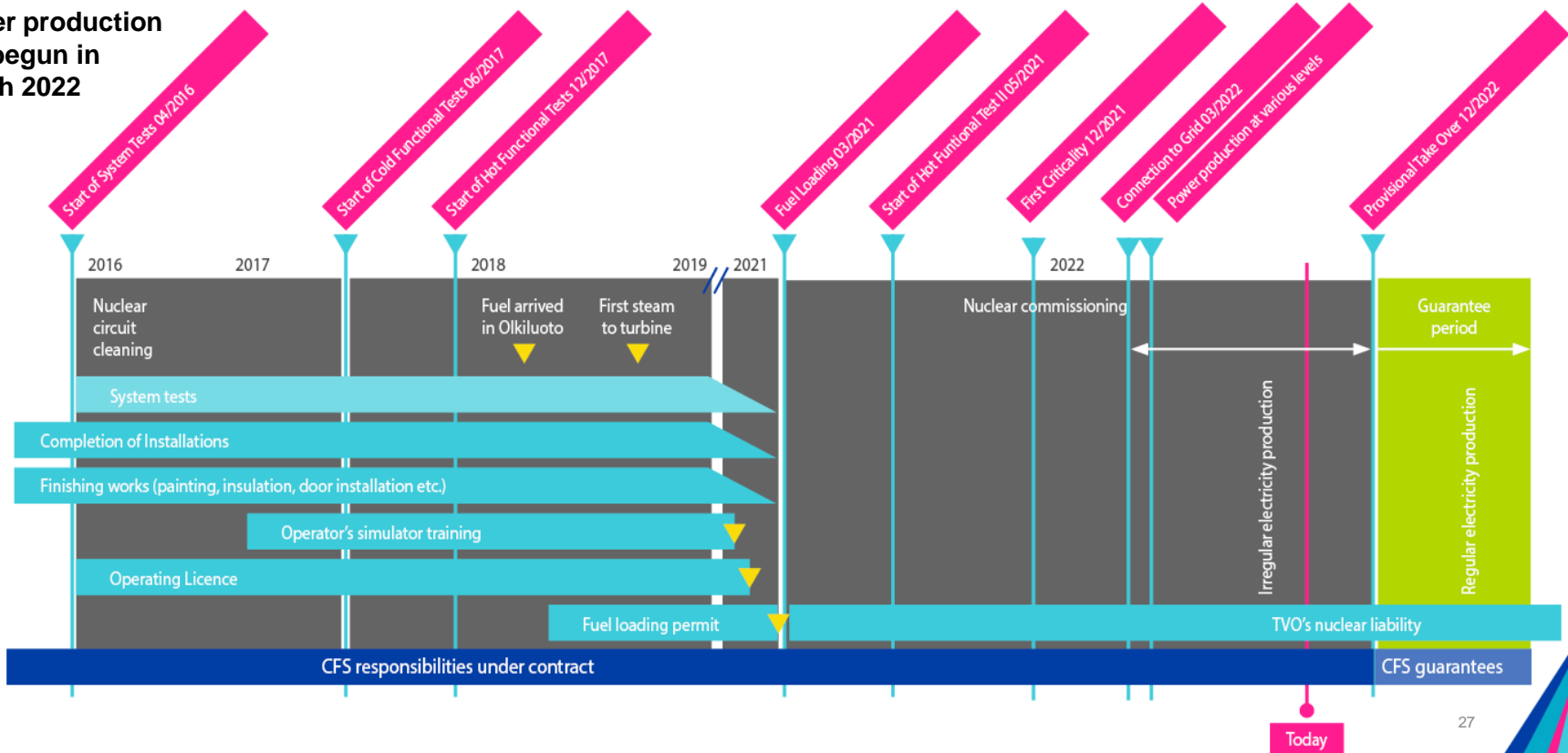
- Operating licence granted March 2019
- Fuel Loading in March 2021, completed
- Start-up of the reactor in December 2021
- Start of electricity production in March 2022
- Scheduled start of regular electricity production and subsequent Provisional Take Over (PTO) expected in December 2022

AMENDMENT TO OL3 EPR SETTLEMENT AGREEMENT

- **Amendment** to the Global Settlement Agreement (GSA) in 2018 **signed in June 2021**
- The Areva companies' **trust mechanism**, established in the GSA, **remains and has been further replenished** by Areva with approximately **EUR 600 million** as of the beginning of January 2021
- The **parties are to cover their own costs** for the period **between July 2021 and 28 February 2022**
- In the event that the OL3 EPR project is not completed by the end of February 2022, the **Supplier shall pay to TVO an additional delay compensation** until 30 September 2022. The amount of the additional compensation depends on the actual completion date of the project and in any case is **limited to a maximum of EUR 56.7 million**
- The penalty amount of **EUR 400 million** agreed in the GSA 2018 is **paid in two instalments**: 1) ~EUR 200 million that has been executed in connection with the GSA amendment becoming effective, 2) The remaining ~EUR 200 million will be paid **when OL3 EPR regular electricity production starts or 31 March 2023 at the latest**
- The **turnkey principle** of the OL3 EPR plant contract and the joint and several liability of the supplier consortium companies **remains in full force**

OVERVIEW OF OL3 PROJECT

Power production
has begun in
March 2022

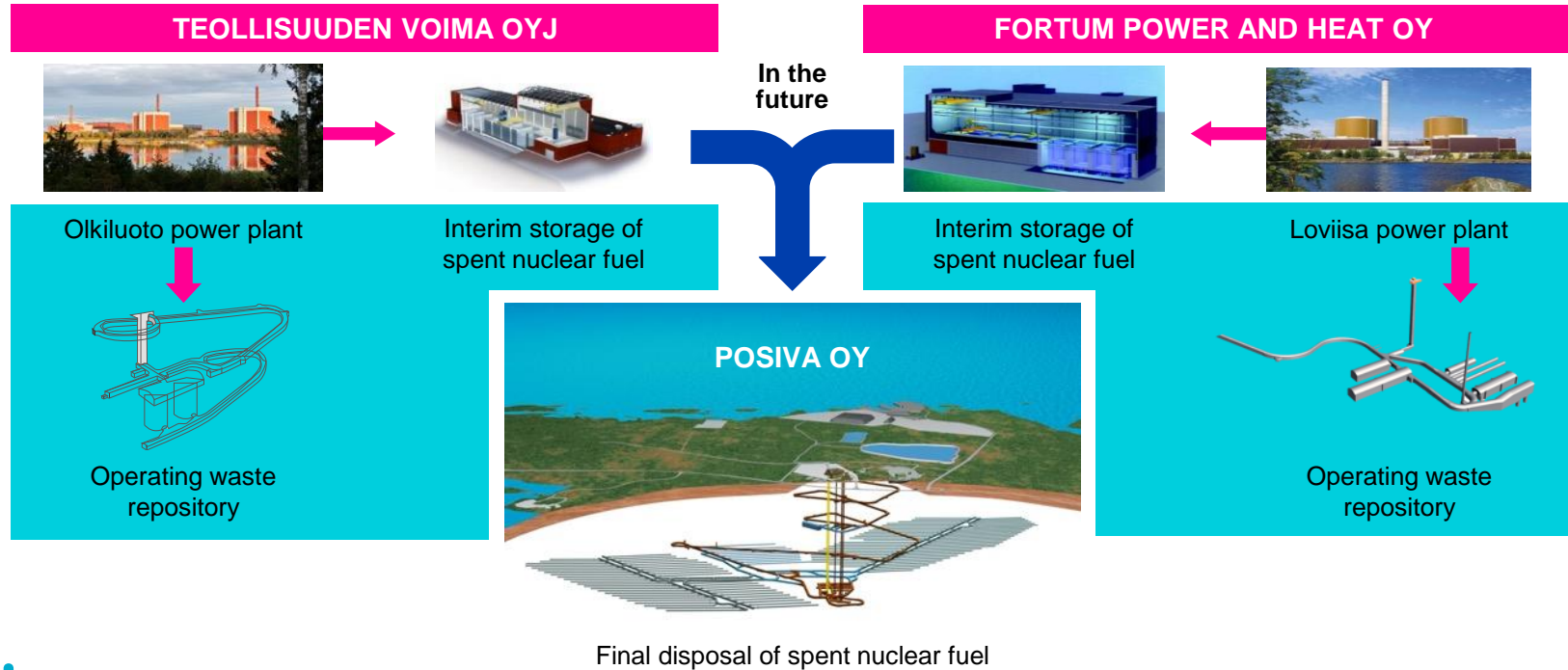




NUCLEAR WASTE MANAGEMENT

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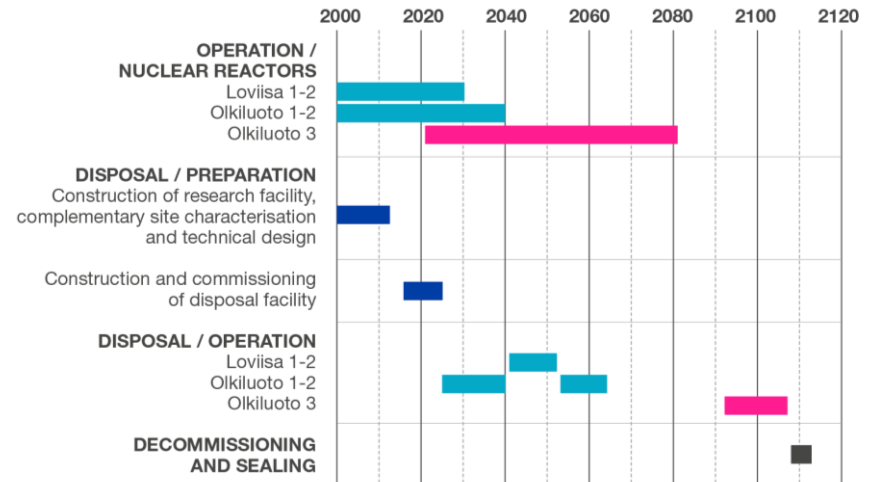
IMPLEMENTATION OF SPENT FUEL DISPOSAL



SPENT FUEL DISPOSAL AND ITS TIMETABLE

- Unlike most other nuclear power producing countries, Finland has made a political decision about the final disposal of spent fuel and nuclear waste - Olkiluoto was selected as the site for this purpose
- Funds have been collected for future costs out of the price for nuclear electricity to the State Nuclear Waste Management Fund
- Work is in progress to build an underground rock characterisation facility which will be part of the final storage
- Posiva was granted construction licence for the final disposal facility of spent nuclear fuel in **November 2015**
- The Radiation and Nuclear Safety Authority in Finland (STUK) has concluded in the decision it issued in **November 2016**, that Posiva is in the position to start the construction of the final disposal facility
- Excavation work for the first tunnels for the final disposal facility started in **December 2016**. In **May 2021**, Posiva announced it started the excavation of the actual final disposal tunnels, where the spent nuclear fuel will be stored
- Posiva submitted the application for the operating licence for the encapsulation and final disposal facility to the Ministry of Economic Affairs and Employment of Finland in **December 2021**

Schedule of spent fuel disposal



SCHEDULE FOR FINAL DISPOSAL OF SF



ALL NECESSARY NUCLEAR WASTE MANAGEMENT IN OLKILUOTO

Spent fuel interim storage facility

Cooling of fuel assemblies removed from the reactor building in water pools excavated in rock

Decommissioning waste repository

Space reservation for decommissioning waste

Operating waste repository – VLJ

Final disposal of intermediate and low-level waste

Spent nuclear fuel repository

The underground research facility ONKALO®

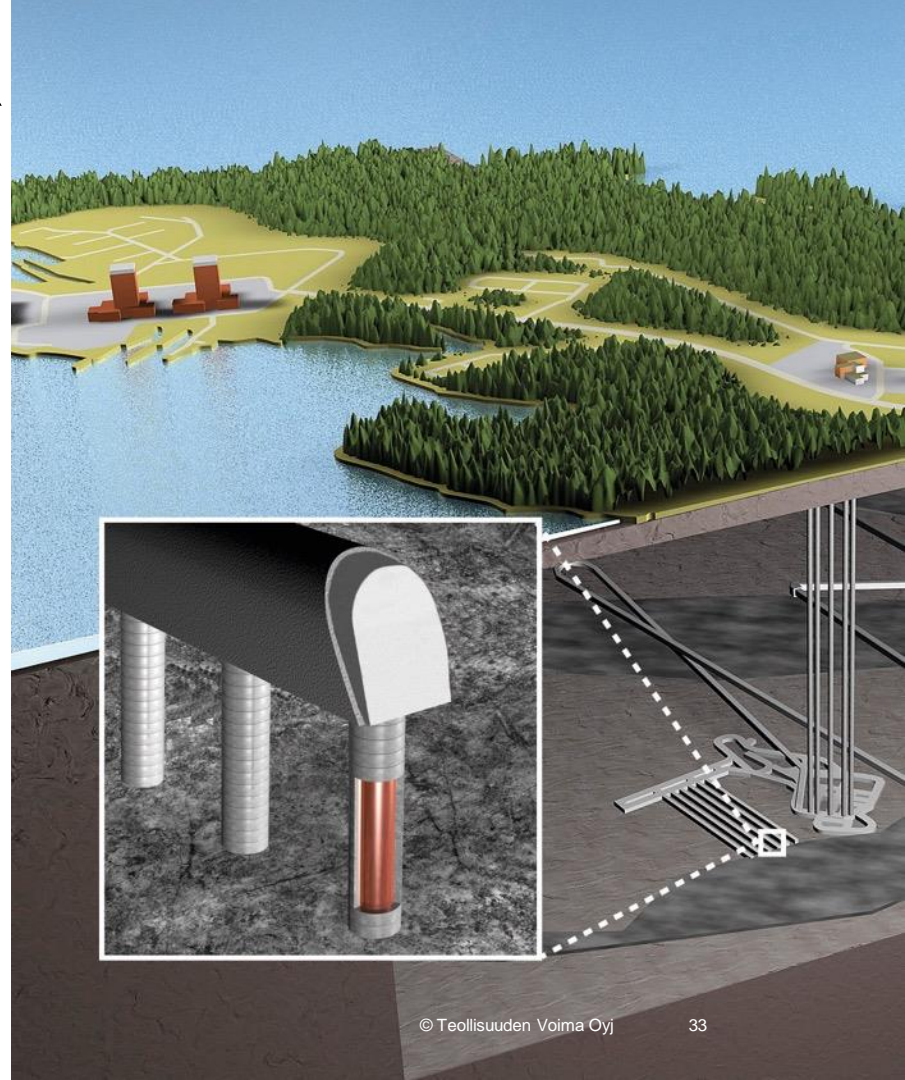
FINANCING OF NUCLEAR WASTE MANAGEMENT

The Finnish State Nuclear Waste Management Fund

- A guarantee fund towards all future nuclear waste management costs
- The Finnish Government annually assesses TVO's liability for future nuclear waste management costs as well as the funding target
- TVO's contribution is assessed by the Fund

Financing of the Fund

- TVO's annual operational costs as well as its share of Posiva's costs are charged in the annual electricity cost
- The annual incremental increase of the Fund's resources is covered by earned interest of the Fund and TVO's waste management contribution to the Fund
- According to new legislation, applicable from 2022, company borrowing is limited to 60% of the fund balance and broader investments are allowed
- The Fund has started investing based on the new legislation during summer of 2022.





FINANCIAL UPDATE

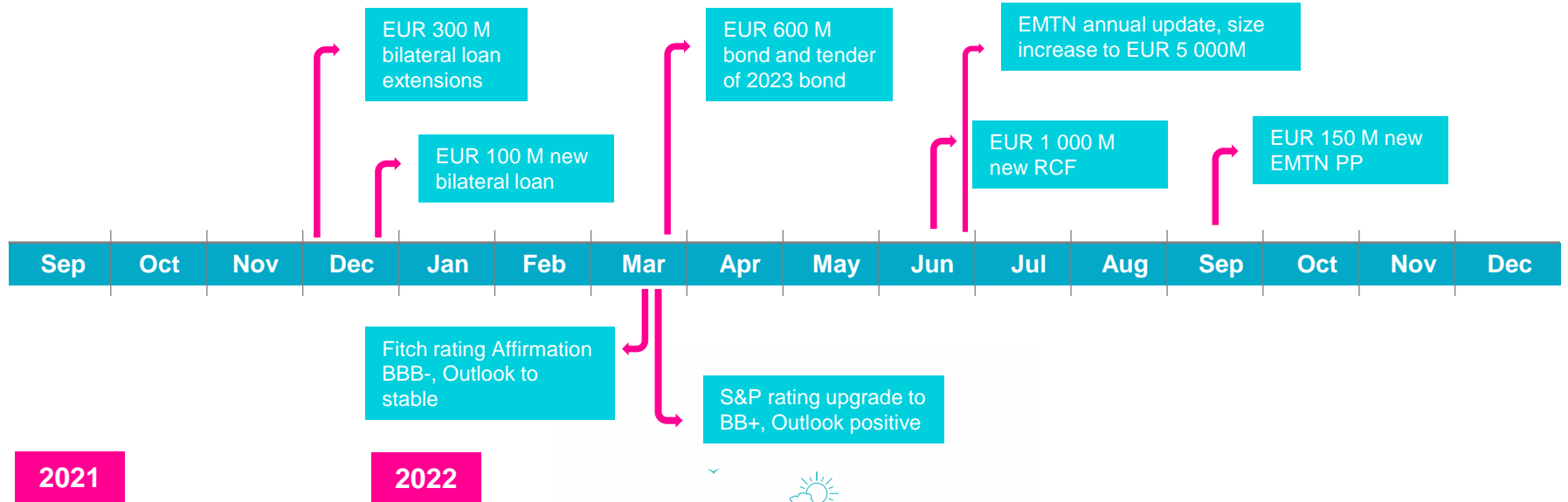
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FINANCIAL SITUATION DEVELOPING AS PLANNED, LIQUIDITY REMAINS STRONG

- The long-term goal of the Company is to maintain an equity ratio of at least 25 percent (31.7% at the end of Q3 2022 with a covenant level at 25%)
- TVO operates in both the domestic money market and the international capital markets
 - EUR 5.0 billion Euro Medium Term Note programme (EMTN) listed on the Luxembourg Stock Exchange
 - EUR 1.0 billion domestic commercial paper programme
- Credit facilities
 - EUR 1.0 billion syndicated revolving credit facility, maturing June 2025
 - EUR 400 million subordinated shareholder loan commitment

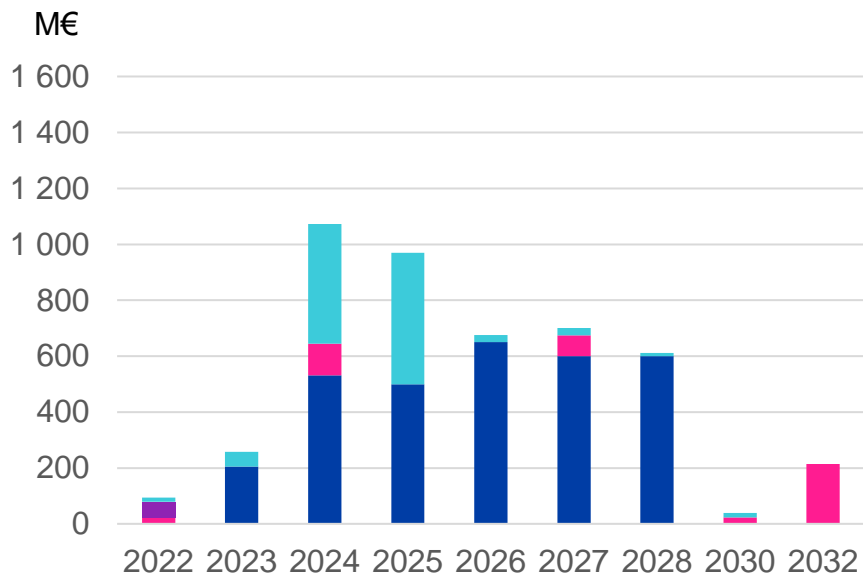
Credit ratings		
	Long-term	Outlook
S&P Global Ratings	BB+	Positive
Fitch Ratings	BBB-	Stable
Japan Credit Rating Agency	A+	Negative

TVO'S RECENT FINANCIAL ACTIVITIES



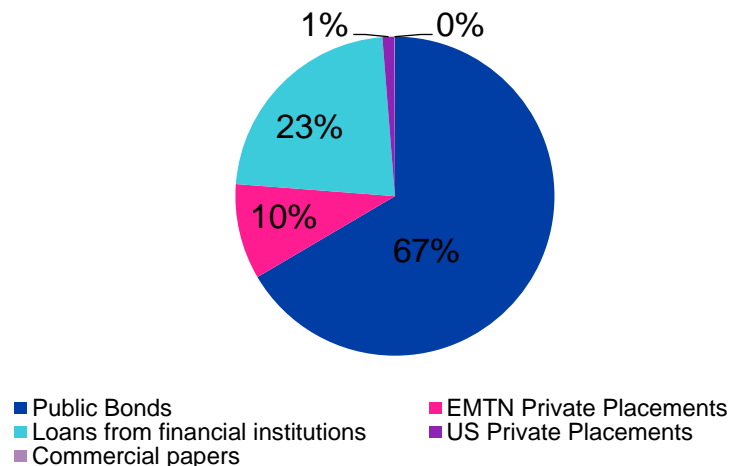
DEBT MATURITY PROFILE, GROUP

Well spread maturity profile and diversified funding sources



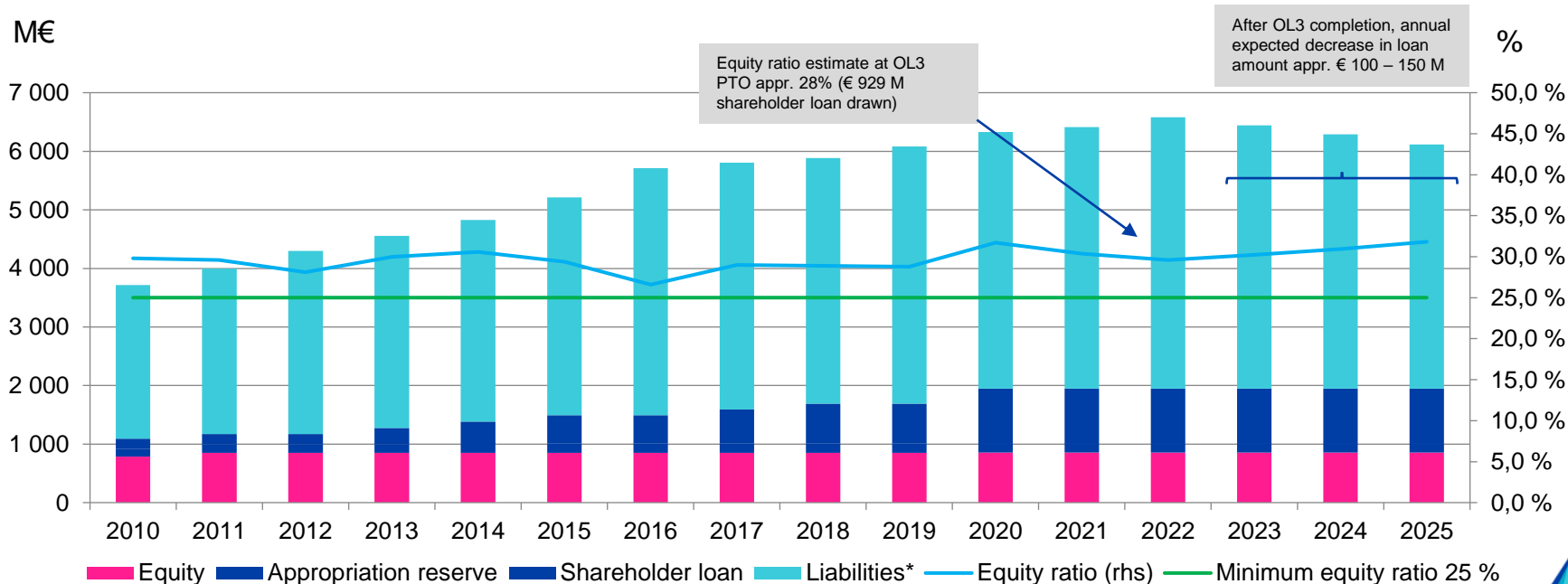
Debt structure 30.9.2022
Loan amount € 4,638 M

In addition, the Group has subordinated shareholder loans (hybrid equity) totalling € 929 M.



TVO BALANCE SHEET AND EQUITY RATIO (FAS), ILLUSTRATIVE

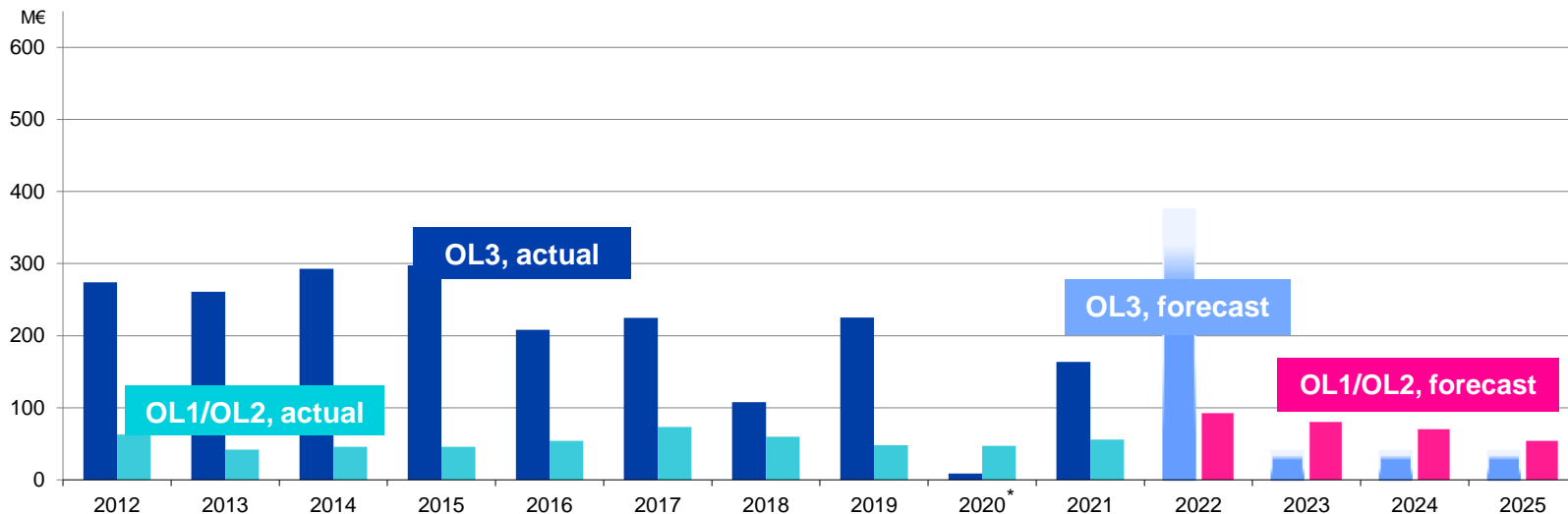
(OL3 EPR commercial operation, scheduled to start in July 2022)



*) Excluding loan from the Finnish State Nuclear Waste Management Fund
 Note: 2014 – 2021 based on audited information, 2022 onwards as company target levels

CAPEX CASH FLOW PROGRAM OL1/OL2/OL3

Capex expected to be more moderate in the years to come upon the completion of OL3



Note: As of 31.12.2021 OL3 capitalized investment approximately EUR 5.1 billion. According to the Plant Supplier's latest project schedule, TVO's current cost estimate, and the effects of the Global Settlement Agreement as amended, TVO estimates that its total investment in the OL3 EPR project will be approximately EUR 5.8 billion, which includes also nuclear fuel to be used during electricity production, totaling approximately EUR 250 million, which will be part of current assets when OL3 starts commercial operation.

*) Year 2020 OL3 actual capex including GSA penalties.

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