KEMIJOKI

ONWARD TOGETHER

2017

Financial Statements

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2017 WAS A YEAR OF ACTIVE DISCUSSION

RESPONSIBLE AND PROACTIVE ENERGY PRODUCTION

THE PAST YEAR has been significant for us. We continued the production of renewable hydropower together with our partners, taking the needs of the residents of the riverside into consideration. Our ongoing, long-term Sierilä power plant project took a considerable leap forward. We also continued the series of refurbishments at power plants as planned. During the year, we made recruitments essential for our operations to ensure responsible hydropower production in the future as well.

ELECTRICITY IS THE FOUNDATION of our lifestyle, and it is needed everywhere. The need for regulating power in Finland is expected to double by 2030. In addition to growing power demand, the need for production capacity to ensure the quality of electricity and reliability of grid operation will also increase. As consumption and demand increase, emissions must be cut and climate change contained.

KEMIJOKI EMPLOYEES AND PARTNERS have done excellent work in enabling the efficient production, maintenance and investments of hydropower plants. Well-timed and on-schedule power plant refurbishments led to good total availability: an excellent 96.8%. Due to high water levels this year and the good overall availability, our energy production was 4,891 GWh which would be enough for 700,000 families of four, using 7,000 kWh of electricity per year.

THE DETAILED PLANNING OF OUR SIERILÄ POWER PLANT PROJECT continued throughout the year, and the Supreme Administrative Court validated the power plant project's water management permit. The project was also a topic of intense public conversation. The power plant would produce 155 GWh of energy per year, which is equivalent to the annual electricity needs of 22,000 families of four. The planned power plant would add to the power plant chain that starts from the Lokka reservoir, making it a unified production system. The project was advanced with attention to the natural values of the riverside and working together with the area's residents.

THE CONSTRUCTION OF A COAL-FREE ENERGY SYSTEM is one of Finland's national challenges. Emission-free and renewable hydropower plays a crucial role in this. Hydropower is a topic that stirs emotions, but I feel it is necessary for us to be able to produce other renewable forms of energy as well. Following our strategy, we will carry out plenty of background research, including the assessment of the effects of climate change on our region of operation. We carried out an extensive partner survey for our key partner companies to map out our operations, and we are conducting a resource plan with our eyes set on the year 2030. Our goal is to ensure that we have the capabilities to operate and meet the energy demand also far in the future.

It is important that also hydropower will be on the same footing with other renewable energies with regards to future energy policy decisions. An energy system based on renewables works when hydropower-based regulating power is involved.

THE SERIES OF REFURBISHMENTS continued at the Taivalkoski power plant. The refurbishment of unit 1 was the last of the refurbishments of the three units of the power plant.

The refurbishment of the Pankakoski power plant in Lieksa began at the end of the year. The work was started in 2014, and the series was now continued with the refurbishment of the power plant's unit 1. The refurbishment of the entire power plant will be completed during spring 2018.

TO STRENGTHEN OUR HYDROPOWER EXPERTISE, we recruited experts on electrical and mechanical engineering to hydropower development. Our company has acquired a wealth of silent information during the past decades, and we have sought to ensure that this knowledge stays in the company. We also announced an open position for a telecommunications specialist at the end of the year.

The development and safety of our personnel and entire partner network is a crucial aspect of our operational culture. We launched a corporate responsibility license in a digital learning environment, which every employee of Kemijoki Oy and our partner companies will complete. After completing the license, also our partner companies will have a clear understanding of the meaning of sustainability for Kemijoki Oy as well as of our level of standards in all operations and security.

WE HAVE WORKED TOGETHER with our local stakeholder groups both locally at the riverside and at the national level. In connection with the Sierilä power plant project, we participated in the Oikarainen village association event where we presented the project locally. We also organized a small get-together at the Oikarainen school related to the project. We will continue to have open conversation with the residents of the riverside and other stakeholder groups in the future as well.

We are often perceived as an organization that operates in the north, but we also actively work at rivers Lieksanjoki and Kymijoki. We arranged an open day at the Inkeroinen power plant in Anjalankoski, welcoming approximately 230 visitors interested in the hydropower plant's operations. We also supported the community artwork "Anjalan Vala 2017" designed by children and young people, revealed at a province event which approximately 260 children and young people attended.

For us at Kemijoki, being part of the riverside life means supporting the research and innovations of Lapland's students. We issued grants to the students of Lapland University of Applied Sciences to do their theses.

IN ADDITION TO OBLIGATORY FISH PLANTING, we carried out volunteer work, such as fry planting at rivers Vähäjoki, Marrasjoki and Louejoki. We also planted fish eggs into rivers Laisentiajoki, Tepastojoki and Aakenusjoki. The discussion around migratory fish became even more heated during the year, as the Regional Council of Lapland issued a claim for changing the fisheries obligations concerning the company. We want to focus our resources on actions that quickly increase natural reproduction, instead of a years-long obligation process.

We also continued the work related to the spearhead project of the government's Bioeconomy and clean technologies program at river Lieksanjoki. We have improved the reproduction areas for landlocked salmon and trout, studied questions related to downward migration of smolt, and conducted radiotelemetry monitoring. We have also provided financial support for local fishing control.

I WOULD LIKE TO THANK OUR SKILLED KEMIJOKI OY employees, residents and cooperation partners of the riverside, the competent personnel of our partner companies, municipal representatives and decision-makers as well as each and every one who has participated in the discussion around hydropower. I also want to give thanks for all the comments, feedback and active discussion that has taken place this year!

TUOMAS TIMONEN
CEO

CONTENTS

REPORT OF THE BOARD OF DIRECTORS

Kemijoki Oy is a so-called Mankala company, which means that the main purpose of Kemijoki Oy is to produce electricity at cost price and cost-efficiently for its shareholders. An annual report has been compiled on the Company and its operations in 2017.

TUOTANTO JA INVESTOINNIT

During 2017, the Company's hydropower plants produced a total of 4,891 GWh of electricity, representing 33 per cent of the hydropower electricity produced in Finland. Production exceeded the average by 9 per cent. Water reservoirs decreased by 23 GWh during the year. The fill level of the water reservoirs was 77 per cent at the end of the year, which is slightly above average.

The total availability of power plants affecting production was 96.89 per cent. The availability taking into account only unexpected interruptions caused by disturbances was 99.81 per cent. The longest outage was caused by the refurbishment of unit 1 at Taivalkoski.

The refurbishments of power plants continued. The efficiency of unit 1 of the Taivalkoski power plant improved and the risk of oil spills decreased significantly with the refurbishment, completed in November. The refurbishment of unit 1 at Pankakoski was also begun at the end of November. The refurbishment includes renewing the unit's runner hub to use water as a lubricant as well the generator's stator and the automation and electrical systems. The concrete bridges built in the early 1960s, located at the power station and dam of the Seitakorva power plant, were refurbished in accordance with the current vehicle regulation. The refurbishment programme of dam gates was continued with the refurbishment of Petäjäskoski gate 6. Electric systems were improved with the renewal of the Taivalkoski transformer and Pirttikoski 20 kV power transmission systems.

Detailed planning of the Sierilä hydropower plant was continued. The Supreme Administrative Court confirmed the project's water management permit in May 2017. In accordance with the ruling, Kemijoki Oy had to pay a lump-sum compensation of EUR 4.7 million for the redemption and usage rights granted to the company as well as for the damage to the river system and land areas resulting from the construction and use of the power plant. After the ruling of the Supreme Administrative Court, Kemijoki Oy has a legally valid permit to construct and use the Sierilä power plant and to regulate the river system. The project also has legally valid exemption permits with regards to the Capricornia boisduvaliana and the Moehringia lateriflora. The exemption permit application for the Ranunculus lapponicus was submitted at the start of 2018. The conservation level of the Lapland buttercup is favourable and the Sierilä project does not jeopardise it. Investments totalled EUR 22.1 million.

FINANCES

Cost-efficiency is the Company's main financial goal. The expense structure and operational expenses developed according to plan. Real estate taxes accounted for the single most significant expenditure, amounting to EUR 19.0 million.

The Company's loan portfolio totalled EUR 411.7 million at the end of 2017. The Company's long-term financing loans amounted to EUR 350.2 million. During the year, new long-term financing loans totalling EUR 100 million were taken out. At the end of the year, the Company's short-term financing loans amounted to EUR 61.5 million. Short-term financing and liquidity management have been arranged by way of a commercial paper programme and credit limit arrangements. The Company's liquidity remained good. The average interest rate for financing was 1.08 per cent at the end of the year. The hedging rate of the financing portfolio was 59.4 per cent at the end of the year.

The depreciation difference in the Company's balance sheet was reduced by the maximum amount, EUR 14.4 million. At the end of the year under review, the balance sheet total was EUR 480.3 million. The Company's equity ratio was 12.2 per cent.

Other operating income from services and the selling of property totalled EUR 9.1 million.

Because Kemijoki Oy operates on cost price principle, analysis of financial indicators is not relevant.

ADMINISTRATION AND MANAGEMENT

In addition to valid legislation and the Articles of Association, Kemijoki Oy follows the principles of sound corporate governance. Kemijoki Oy's administration and decision-making are guided by the Articles of Association, the goals and principles of the Company operations and the rules of procedure of the administrative bodies. The Company also complies, as applicable, with the Corporate Governance Code approved by the Finnish Securities Market Association unless the Articles of Association provide otherwise.

The general operating practices of the company, which guide the company's operations, are determined by the Code of Conduct. Our Code of Conduct includes rules for equal treatment as well as anti-bribery and anti-corruption guidelines, among other things. Suspicions or reports of violations of our Code of Conduct principles can be reported through an online notification channel. No reports of unethical conduct have been made.

The highest decision-making body of the Company is the Annual General Meeting. The Annual General Meeting was held on 6 April 2017.

The Company has a Supervisory Board, whose duty is to supervise the administration of the Company, led by the Board of Directors and the CEO, and to instruct the Board in far-reaching and important matters of principle. The Supervisory Board has at least six and at most eleven members.

At the Annual General Meeting, Wille Rydman was elected Chair of the Supervisory Board. Sari Essayah, Hilkka Halonen, Esa Hyvärinen, Henna Kupsala, Mikko Kärnä, Markus Lohi, Juha Mäkelä, Anne Särkilahti and Tatu Rauhamäki were elected as members of the Supervisory Board. The Supervisory Board elected Essayah as Vice Chair.

In 2017, the Supervisory Board had ten members. The Supervisory Board held three meetings, and the average attendance at the meetings was 73 per cent.

Kemijoki Oy's Board of Directors is in charge of the administration and organisation of the Company's activities in compliance with legislation and the Articles of Association. The Board of Directors has at least six and at most eight members.

At the Annual General Meeting, the following were elected to the Board of Directors: Tiina Tuomela (Chair), Risto Andsten, Elina Engman, Tapio Jalonen, Tapio Korpeinen, Pekka Manninen and Jukka Ohtola. The Board of Directors appointed Korpeinen as Vice Chair.

In 2017, the Board of Directors had seven members. The Board of Directors held 10 meetings, and the average attendance at the meetings was 99 per cent. The Board of Directors evaluates its own activities on an annual basis, which was also the case in 2017.

Supported by the Management Team, the CEO is responsible for the company's operations and implementation of strategy.

The Annual General Meeting elected KPMG Oy Ab, a company of Authorised Public Accountants, as Kemijoki Oy's auditor, with Pekka Alatalo, APA, as the principal auditor.

Kemijoki Oy's internal audits are outsourced. The assessments are reported to the Board of Directors. The Board of Directors approves the internal audit plan annually. In 2017, the internal audit evaluated the company's data and information management, the use and maintenance services at Kymijoki and the use and maintenance services at Lieksanjoki.

The company in 2016 approved for its part a renewed production sharing contract which defines the usage, recording and gainsharing of shareholder electricity. The contract has not yet been signed. In 2017, the Board of Directors commissioned a legal study to examine whether the equal treatment of shareholders is realised in the implementation of the current production sharing regulations. According to the study, the Board of Directors does not have an obligation to act with regards to the contract.

On 31 May 2017, the company's shareholders decided, based on the Board of Directors' proposal, that the Company's shares will be incorporated into the book-entry system and that the incorporation will be carried out through a simplified incorporation model. In the same context, the Articles of Association were altered to the extent that the incorporation into the book-entry system required. All Kemijoki Oy's shares were incorporated into the book-entry system on 20 June 2017.

CORPORATE RESPONSIBILITY

Corporate responsibility has been defined as a key focus area of Kemijoki Oy. The Company's Board of Directors is in charge of the strategic management and supervision of corporate responsibility according to the Board of Directors' rules of procedure. The Board of Directors approves Kemijoki's corporate responsibility programme, operation guidelines and principles and also reviews and approves the corporate responsibility report published annually. The corporate responsibility goals and their achievement is reported to the Annual General Meeting each year.

The CEO, supported by the Management Team, is responsible for the goals of the Company's corporate responsibility strategy and the corporate responsibility programme's results. The CEO reports on the progress of corporate responsibility activities to the Board of Directors on a regular basis. The Management Team is tasked with decision-making, securing sufficient resources and monitoring the progress of the corporate responsibility programme. Corporate responsibility matters are discussed in accordance with the Management Team's rules of procedure and the annual operating plan.

In 2017, the company implemented a corporate responsibility license, which is a digital learning environment. This is a fixed-period license which will be completed by the entire personnel of Kemijoki Oy as well as the employees of contracting partners working for Kemijoki. Every employee of Kemijoki and its partners is required to complete the corporate responsibility license every three years. All Kemijoki's employees had completed the license by the end of 2017. The governing bodies of the company have decided to complete the corporate responsibility license. The corporate responsibility license was also published as the Company's commitment to the Society's Commitment to Sustainable Development 2050 initiative.

The goals and measures of Kemijoki's corporate responsibility are reported in more detail in the online corporate responsibility report and GRI chart available on the company's website..

RISK MANAGEMENT

The goal of risk management is to ensure the continuity and development of the Company's operations and to support the Company in achieving its strategic and financial goals. The Board of Directors reviews the Company's risk management guidelines and related instructions annually. The Board also discusses the key risks related to the Company's activities and their management.

The CEO is responsible for the proper organisation of risk management according to the guidelines of the Board's risk management policy. The risks are surveyed on a regular basis. With the help of the surveys, the Company assesses the level of risk management and drafts recommendations for actions to develop it further.

The Company's most important property, the power plants and dams, has been insured according to the insurance policy approved by the Board of Directors. Systematic maintenance of power plants and dams as well as the constant development of operating processes are used as safeguards against risks. A fire or a major machine breakdown at a power plant or a dam rupture could cause substantial damage to property as well as losses due to unplanned interruptions. The key risks also involve increasingly stringent and ambiguous environmental legislation and potential changes in taxation, tax-like fees and obligations. When legislative provisions allow for several interpretations, this breeds insecurity in the investment environment and undermines the predictability of permit processes. Prolonged permit processes also have economic impacts. Increasing taxes, tax-like fees or obligations would further add to the Company's operating expenses. The potential update of fisheries fees should be limited so that the financial strain of electricity production does not increase in addition to current obligations and voluntary activities.

The Company manages financial risks according to the financing policy approved by the Board of Directors. Environmental risks are managed according to the environmental management system. Risks associated with personnel are taken into account in the human resources policies and plans related to personnel development. Risks associated with the Company's data security are managed by way of adequate technical solutions and training and instructions given to the personnel.

KEY FIGURES FOR THE GROUP 2013-2014 AND KEY FIGURES FOR THE PARENT COMPANY 2015-2017

	2013	2014	2015	2016	2017
Turnover MEUR	36,5	38,8	38,7	43,5	**42,4**
Other operating income MEUR	20,7	18,1	21,5	11,6	**9,1**
Operating expenses excl. real estate tax MEUR	44,5	45,0	38,5	41,2	**38,9**
Real estate tax MEUR	17,2	18,1	17,9	19,2	**19,0**
Salaries and benefits paid to personnel MEUR	11,8	6,1	3,7	3,9	**3,6**
Profit/loss for the financial period MEUR	-7,0	-10,4	0,8	0,8	**0,8**
Equity ratio %	19,0	17,0	17,0	14,3	**12,23**
Balance sheet total MEUR	457,8	452,9	474,2	477	**482,0**
Gross investments MEUR	12,6	14,4	33,3	16,5	**22,1**
Research and development MEUR	0,1	0,1	0,4	0,2	**0,0**
Average number of personnel	218	78	44	40	**36**

ENVIRONMENTAL ISSUES

Hydropower is the most significant form of renewable electricity production and it plays a central role in curbing climate change. In addition to its good qualities, hydropower also has adverse environmental effects which stem from the construction of new power plants, the regulating usage of existing power plants and the regulation of waterways. To reduce adverse environmental impacts, about 8.7 per cent of the turnover, EUR 3.7 million, was used for environmental management in 2017. Fisheries obligations accounted for EUR 2.7 million of this sum.

On 17 March 2017, Lapland's Centre of Economic Development, Transport and the Environment submitted its application to the Regional State Administrative Agency for Northern Finland for changing Kemijoki's fisheries obligations. The comprehensive obligations required in the amendment application is excessive and in conflict with a sustainable migrant fish solution. The Regional State Administrative Agency for Northern Finland had not announced the application by the end of the year.

The voluntary migratory fish collaboration that began at the Kemijoki and Ounasjoki river area in the spring of 2016 advanced according to plan, and the action plan for revitalising the migratory fish stock was completed. By the end of 2017, approximately EUR 1 million of key project funding was secured for seven projects comprising several actors, resulting from multi-level collaboration. In addition, EUR 4.5 million of key project funding has been requested for the Taivalkoski fish catching device. The Company also participated in restoring the stock of landlocked salmon and brown trout at Lieksanjoki river by funding the rehabilitation of breeding areas.

PERSONNEL

At the beginning of the year, the Company employed 38 persons and, at the end of the year, 36 persons. During the year under review, three persons retired from the Company and two new persons were recruited. The absence due to sickness rate of personnel was 1.5, which is significantly lower than in the previous year (2.7).

The level of occupational safety in the Company is good. No accidents occurred to Kemijoki Oy's personnel during the year under review. However, one serious and one minor accident occurred among partners in outsourced operations. The serious accident resulted in a sick leave of several months. In addition, a highly dangerous situation occurred during the erection of the stop logs at the Petäjäskoski gate construction site, which did not lead to accidents of material damages.

The accident frequency rate of Kemijoki Oy was 0 in 2017, but factoring in the work done by partners for the company, the accident frequency rate was 7.3. In the previous year, the accident frequency rate of the entire partner network was 0. In 2016, the average accident frequency rate in the energy industry was 11.5.

BONUS AND INCENTIVE SYSTEMS

Kemijoki Oy uses a performance bonus system for both management and personnel. The Board of Directors approves the principles of the performance bonus system. Performance bonuses for both personnel and management and the factors determining them comply with the guidelines on remuneration of company management and key personnel as detailed in Appendix 2 of the Finnish Government Resolution on State Ownership Steering Policy, published on 13 May 2016.

The performance bonus system supports the attainment of the Company's financial and operational goals. Employees may also be rewarded with a bonus for exceptionally good performance that produces added value for the Company.

The Board of Directors approves the pay and the grounds for performance bonuses for the CEO and the Management Team. The compensation payable to the CEO and the Management Team consists of a basic salary and a performance bonus.

The performance bonus for the CEO is based on the Company's targets. The amount of performance bonus payable depends on how well the Company's financial and operational targets are attained, and it is no more than 40 per cent of the fixed annual salary. The performance bonus is paid to the CEO until the end of his or her contract in accordance with the criteria approved by the Board of Directors.

The Company's CEO has signed an executive agreement that includes no pension benefits. The retirement age of the CEO is based on the current pension legislation. If the company discontinues the CEO's contract, he or she will be paid a separate compensation equal to six months' salary in addition to six months' severance pay.

The criteria for the performance bonus for the Management Team are set by the Board of Directors and are based on how well the Company's financial and operational targets are attained. The amount of performance bonus payable is no more than 30 per cent of the fixed annual salary.

The fees payable to the members of the Supervisory Board and the Board of Directors are determined at the Annual General Meeting.

OUTLOOK FOR THE NEAR FUTURE

The goal is to submit the investment proposal of the Sierilä power plant project to the shareholders for review during the first half of 2018.

The refurbishments of power plants and environmental investments will be continued according to plan. The turbine shaft of Taivalkoski unit 2 will be changed and the main transformer 1 at Ossauskoski will be renewed during 2018. Pankakoski unit 2 will be refurbished and the refurbishment of Lieksankoski unit 2 will be commenced in 2018. The refurbishments include replacing oil with water as a lubricant for the runner hubs of the turbines, reducing environmental risks. Preparing the refurbishment programme of Kitinen will be continued with the preparing of the refurbishment of Porttipahta.

Decisions regarding the refurbishment investment into the Ossauskoski fish farm and the development of Voimalohi Oy operations will be made during 2018.

The voluntary migratory fish work at the Kemijoki and Ounasjoki river area will be continued based on the collaboration agreement renewed on 1 January 2018. Volunteer work at Lieksanjoki to restore the stock of landlocked salmon and brown trout will continue together with different actors.

EVENTS AFTER THE ACCOUNTING PERIOD

The Government rejected the Regional Council of Lapland's Natura exemption application regarding the Kemihaara reservoir in February 2018.

PROPOSAL FOR DISTRIBUTION OF PROFIT

The total sum of distributable profit available to the Company amounted to EUR 9,613,718.43 as of 31 December 2017. After the end of the financial year, no changes have taken place that would have a significant effect on the Company's operations.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.34 per share, as stated in the Articles of Association, be paid to the B-series shares, amounting to EUR 794,575.92.

The Annual General Meeting will be held in Helsinki on 10 April 2018, at 12:00 noon.

Espoo, 5 February 2018

KEMIJOKI OY

FINANCIAL STATEMENTS 31 DECEMBER 2017

PROFIT AND LOSS ACCOUNT

	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Turnover	**42 363 369,84**	**43 534 481,14**
Other operating income	9 087 916,33	11 596 243,91
Materials and services		
Materials, supplies	-2 615 507,02	-2 431 520,99
External services	-13 966 643,51	-14 231 438,35
Personnel expenses	-3 572 701,96	-3 924 083,55
Depreciation, amortization and value adjustments	-14 537 423,20	-14 619 123,79
Other operating expenses	-23 205 964,32	-25 230 184,78
Profit (loss)	**-6 446 953,84**	**-5 305 626,41**
Financial income and expenses	-7 015 519,45	-7 796 224,92
Profit/loss before appropriations and taxes	**-13 462 473,29**	**-13 101 851,33**
Appropriations		
Change in depreciation (+ increase / - decrease)	14 382 378,78	13 949 470,73
Income taxes	-125 329,57	-53 043,48
Profit for the financial period	**794 575,92**	**794 575,92**

BALANCE SHEET

	31 Dec 2017	31 Dec 2016
ASSETS		
Fixed assets		
Intangible assets	27 563 588,00	28 134 188,80
Tangible assets	444 161 573,76	436 061 098,57
Investments	402 152,13	402 152,13
	472 127 313,89	**464 597 439,50**
Current assets		
Long-term receivables	42 405,00	252 405,00
Short-term receivables	5 702 516,71	7 340 377,16
Cash in hand and in bank	2 405 079,12	4 814 193,57
	8 150 000,83	**12 406 975,73**
Total assets	**480 277 314,72**	**477 004 415,23**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	41 285 753,60	41 285 753,60
Contingency fund	693 754,63	693 754,63
Invested unrestricted equity fund	6 972 602,00	6 972 602,00
Retained earnings	1 846 540,51	1 846 540,51
Profit for the financial period	794 575,92	794 575,92
	51 593 226,66	**51 593 226,66**
Accumulated appropriations	**7 140 261,85**	**21 522 640,63**
Obligatory provisions	**322 989,00**	**322 989,00**
Liabilities		
Long-term liabilities	350 180 557,02	259 675 540,18
Short-term liabilities	71 040 280,19	143 890 018,76
	421 220 837,21	**403 565 558,94**
Total equity and liabilities	**480 277 314,72**	**477 004 415,23**

CASH FLOW STATEMENT

EUR 1,000	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Cash flow from operating activities		
Profit (loss) before extraordinary items	-13 462	-13 102
Adjustments		
Planned depreciation	14 537	14 619
Other non-cash flow items		
Financial income and expenses	7 016	7 799
Profits from sales of assets		
Other adjustments	-64	-213
Cash flow before change in working capital	**8 026**	**9 103**
Change in working capital:		
Increase (+)/ decrease (-) of short-term business receivables without interest	1 846	-456
Increase (+)/ decrease (-) of short-term loans without interest	1 358	726
Operating cash flow before financing items and taxes	**11 231**	**9 373**
Interest and charges paid from other operating financing expenses	-7 297	-7 743
Dividends received	7	0
Interests received from operating activities	26	1
Direct paid taxes	-123	-54
Cash flow before extraordinary items	3 843	1 577
Cash flow from operating activities (A)	**3 843**	**1 577**
Cash flow from investments		
Investments in tangible and intangible assets	-22 091	-15 938
Proceeds from disposal of tangible and intangible assets	87	2 018
Proceeds from disposal of investments	0	0
Proceeds from disposal of shares in subsidiaries and associated undertakings	0	188
Cash flow from investments (B)	**-22 003**	**-13 732**

EUR 1,000	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Cash flow from financing activities		
Withdrawals of long-term loans	100 000	50 000
Repayments of long-term loans	-89 238	-48 315
Withdrawals of short-term loans	5 784	
Repayments of short-term loans		14 295
Sale of own shares		
Dividends paid and other distribution of profit	-795	-795
Cash flow from financing activities (C)	**15 751**	**15 185**
Change in liquid assets (A+B+C) increase (+) / decrease (-)	**-2 409**	**3 030**
Liquid assets at the beginning of the financial period	4 814	1 784
Liquid assets at the end of the financial period	**2 405**	**4 814**

ACCOUNTING POLICIES 2017

EXTENT OF THE FINANCIAL STATEMENTS

The financial statements have been compiled in accordance with the Finnish Accounting Act and valid rules and regulations governing accounting in Finland.

FIXED ASSETS

Fixed assets have been entered in the balance sheet at their original acquisition cost as the direct acquisition and cost price from which depreciation according to plan has been deducted. Depreciation according to plan has been calculated according to straight-line depreciation based on the economic impact of the item. The depreciation plan corresponds to that of the previous year.

ENTRY OF FINANCIAL INSTRUMENTS

Financial instruments are entered at acquisition cost. Derivative instruments are for hedging and are intended to be retained to maturity. The cash flow from financial instruments will be realised at the same time as the cash flow from the instruments below. The exchange difference and amortized interest of derivatives have been entered in the financial statements. The fair value of hedging derivative contracts is presented in the notes to the financial statements as an off-balance-sheet item.

FINANCIAL ASSETS

Financing securities have been entered at acquisition cost.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017

	2017	2016
OTHER OPERATING INCOME		
Proceeds from the disposal of fixed assets	63 980,20	860 388,40
Rents received	1 252 972,48	1 087 411,24
Sale of services	7 340 674,04	9 070 457,59
Other	430 289,61	577 986,68
Total	**9 087 916,33**	**11 596 243,91**
NUMBER OF EMPLOYEES		
Personnel at the end of the year		
Clerical employees	36	38
Other employees	0	0
Total	**36**	**38**
Average number of employees	**37**	**40**
PERSONNEL EXPENSES		
Wages and compensation	2 995 053,52	3 276 745,22
Pension expenses	451 681,71	495 687,85
Other social security expenses	125 966,73	151 650,48
Total	**3 572 701,96**	**3 924 083,55**
MANAGEMENT SALARIES AND COMPENSATION		
Supervisory Board, Board of Directors and CEO	**379 466,00**	**371 071,00**
PERSONNEL EXPENSES CAPITALIZED UNDER FIXED ASSETS	**384 215,50**	**483 793,59**
DEPRECIATION AND VALUE ADJUSTMENTS		
Amortization on intangible assets	1 027 300,15	813 903,40
Depreciation on tangible assets		
Buildings and structures	1 775 443,48	1 733 421,69
Hydraulic structures	2 252 834,83	2 245 248,82
Machinery equipment	9 481 844,74	9 826 549,88
Total	**14 537 423,20**	**14 619 123,79**

	2017	2016
OTHER OPERATING EXPENSES		
Rents	59 688,11	72 086,33
Leasing rents	154 567,75	119 336,59
Real estate taxes	18 962 069,02	19 219 211,66
Other	4 029 639,44	5 819 550,20
Total	**23 205 964,32**	**25 230 184,78**
FINANCIAL INCOME AND EXPENSES		
Dividend income		
From others	7 373,00	0,00
Profits from the sale of shares	0,00	0,00
Interest received		
Other interest received		
From others	25 754,21	1 350,29
Financial income total	**25 754,21**	**1 350,29**
Interest paid		
To others	-6 602 708,84	-7 476 650,60
Interest paid total	**-6 602 708,84**	**-7 476 650,60**
Other financial income		
From others		
Other financial expenses	-445 937,82	-320 924,61
Financial income and expenses total	**-7 015 519,45**	**-7 796 224,92**
CHANGE IN DEPRECIATION DIFFERENCE		
Other long-term costs	916 268,06	813 903,40
Buildings and constructions	1 740 783,45	1 127 727,45
Hydraulic structures	2 251 143,83	2 245 248,82
Machinery and equipment	9 474 183,44	9 762 591,06
Total	**14 382 378,78**	**13 949 470,73**
INCOME TAXES		
Income taxes on ordinary operating activities	**125 329,57**	**53 043,48**

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017

INTANGIBLE AND TANGIBLE ASSETS

	Acquisition cost	Increase	Decrease	Accumulated depreciation	Balance sheet value 31 Dec 2017
Intangible assets					
Other long-term expenses	65 378 792,04	496 692,06	63 285,34	38 248 610,76	27 563 588,00
Tangible assets					
Land and water areas	43 378 205,47	31 488,52	146 513,84	0,00	43 263 180,15
Buildings and constructions	138 899 127,26	3 185 514,41	2 036 914,59	60 789 669,12	79 258 057,96
Hydraulic structures	195 168 919,22	4 620 220,82	0,00	93 890 392,15	105 898 747,89
Machinery and equipment	375 494 214,37	9 117 541,69	8 016,50	206 561 098,22	178 042 641,34
Advance payments and ongoing acquisitions	27 567 267,56	22 070 652,95	11 938 974,09	0,00	37 698 946,42
Total	**780 507 733,88**	**39 025 418,39**	**14 130 419,02**	**361 241 159,49**	**444 161 573,76**
Shares and holdings	**590 118,95**	**0,00**	**187 966,82**	**0,00**	**402 152,13**
Total	**846 476 644,87**	**39 522 110,45**	**14 381 671,18**	**399 489 770,25**	**472 127 313,89**

Machinery and equipment directly serving electricity production	**2017**	**2016**
Underpreciated part of acquisition cost as at 31 Dec	145 483 731,03	150 249 571,23

Planned depreciation periods	
Other long-term expenses	mainly 80 years
Power plant buildings	80 years
Other buildings and constructions	20 - 60 years
Hydraulic structures	80 years
Principal power plant units	40 years
Other machinery and equipment	10 - 30 years
Fixtures and vehicles	5 years

Calculation on distributable equity 31 Dec	**2017**	**2016**
Retained earnings	1 846 540,51	1 846 540,51
Profit for the financial period	794 575,92	794 575,92
Invested unrestricted equity fund	6 972 602,00	6 972 602,00
Other distributable funds	0,00	0,00
Capitalised development expenditures	0,00	0,00
Profit for the financial period	**9 613 718,43**	**9 613 718,43**

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017

INVESTMENTS	SHARES		
	Participating interests	Other	Yhteensä
Acquisition cost as at 1 Jan 2017	168 187,92	233 964,21	402 152,13
Decrease (+) / Increase (-)			0,00
Acquisition cost as at 31 Dec 2017	168 187,92	233 964,21	402 152,13
Book value as at 31 Dec 2017	**168 187,92**	**233 964,21**	**402 152,13**

SHARES AND HOLDINGS	Group interest %
Shares in associated undertakings owned by parent company	
Voimalohi Oy, Kemi	50,0

SALARIES AND COMPENSATION PAID TO THE SUPERVISORY BOARD,
BOARD OF DIRECTORS AND CEO OF KEMIJOKI OY IN 1 JANUARY 2017 - 31 DECEMBER 2017

	Salaries and fringe benefits	Incentive pay	Total
Chairman of the Supervisory Board	7 000		7 000
Deputy Chairman of the Supervisory Board	1 200		1 200
Members of the Supervisory Board	8 000		8 000
Chairman of the Board of Directors	25 200		25 200
Deputy Chairman of the Board of Directors	16 200		16 200
Members of the Board of Directors	73 200		73 200
CEO	191 292	55 193	246 485
Total	**316 343**	**56 674**	**379 466**

FEES PAID BY KEMIJOKI OY TO THE AUDITOR

	2017	2016
Audit fees	**24 420**	**28 556**
Other fees	**4 743**	**5 978**

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017

ITEMISATION OF RECEIVABLES	2017	2016
Short-term		
Accounts receivable	4 479 074,02	6 566 655,30
	0,00	0,00
Receivables from associated undertakings	488 759,95	457 212,76
Other receivables	609 017,26	153 620,58
Prepayments and accrued income	125 665,48	162 888,52
Total	**5 702 516,71**	**7 340 377,16**

SUBSTANTIAL ITEMS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME		
Employee retirement fund receivables	93 898,82	122 492,69
Income tax		
Other	31 766,66	40 395,83
Total	**125 665,48**	**162 888,52**

SHARE CAPITAL BY SHARE TYPE

		31.12.2017		2016
	number of shares	nominal value	number of shares	nominal value
Hydropower shares				
(A-series, 1 vote)	105 956	1 790 656,40	105 956	1 790 656,40
Monetary shares				
(B-series, 1 vote)	2 336 988	39 495 097,20	2 336 988	39 495 097,20
Total	**2 442 944**	**41 285 753,60**	**2 442 944**	**41 285 753,60**

Hydroelectric shares entitle shareholders to purchase the electric power produced by the company.
Monetary shares entitle to receive dividend.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017

	2017	2016
CHANGES IN SHAREHOLDERS' EQUITY		
Share capital as at 1 Jan	41 285 753,60	41 285 753,60
Share capital as at 31 Dec	**41 285 753,60**	**41 285 753,60**
Contingency fund as at 1 Jan	693 754,63	693 754,63
Contingency fund as at 31 Dec	**693 754,63**	**693 754,63**
Invested unrestricted equity fund as at 1 Jan	6 972 602,00	6 972 602,00
Issue of own shares		
Invested unrestricted equity fund as at 31 Dec	**6 972 602,00**	**6 972 602,00**
Retained earnings as at 1 Jan	2 641 116,43	2 641 116,43
Distribution of dividend	-794 575,92	-794 575,92
Used by the Board of Directors for general purposes		
Retained earnings as at 31 Dec	**1 846 540,51**	**1 846 540,51**
Profit for the financial period	794 575,92	794 575,92
Total shareholders' equity	**51 593 226,66**	**51 593 226,66**
Distributable funds	**9 613 718,43**	**9 613 718,43**
ACCUMULATED APPROPRIATIONS		
Accumulated depreciation difference		
Other long-term expenses	10 747 620,36	11 663 888,42
Buildings and constructions	9 972 145,37	11 712 928,82
Hydraulic structures	15 377 115,28	17 628 259,11
Machinery and equipment	-28 956 512,72	-19 482 435,72
Deferral		
Total	**7 140 368,29**	**21 522 640,63**
OBLIGATORY PROVISIONS		
Pension provision	322 989,00	322 989,00
LONG-TERM LIABILITIES		
Long-term debts		
Loans from financial institutions	302 017 543,85	211 512 527,01
Bonds	48 163 013,17	48 163 013,17
Total	**350 180 557,02**	**259 675 540,18**

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017

	2017	2016
Debts due in five years or more		
Loans from financial institutions	**83 426 171,22**	**87 198 101,04**
SHORT-TERM LIABILITIES		
Loans from financial institutions	61 474 737,55	60 433 918,11
Bonds	0,00	75 000 000,00
Accounts payable	6 445 124,67	5 907 644,38
Other loans	719 164,03	149 361,32
Accruals and deferred income	2 401 253,94	2 399 094,95
Total	**71 040 280,19**	**143 890 018,76**
SUBSTANTIAL ITEMS INCLUDED IN ACCRUALS AND DEFERRED INCOME		
Salaries, including social security cost	923 247,48	1 029 698,57
Interest	731 853,02	980 545,78
Other	746 153,44	388 850,60
Total	**2 401 253,94**	**2 399 094,95**
ANNETUT VAKUUDET JA VASTUUSITOUMUKSET		
Contingent and other liabilities		
Guarantees		
On own behalf	14 666 666,72	16 500 000,04
On behalf of associated undertakings	34 554,40	37 155,00
On behalf of others	0,00	350 000,00
Leasing agreements		
Amounts payable during the current financial period	71 727,12	94 964,99
Amounts payable during the following financial periods	42 573,30	83 429,58
Residual value liabilities	0,00	0,00
Total	**14 815 521,54**	**17 065 549,61**

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2017

	2017	2016
Derivative contracts		
Interest rate derivatives		
Market value	-3 730 388,00	-4 888 563,82
Value of underlying asset	96 414 474,00	107 220 717,21
Not entered as income	-3 476 601,00	-4 613 584,12
Exchange and interest rate swaps		
Market value	-10 253 079,00	-7 394 076,89
Value of underlying asset	39 632 938,00	42 921 761,33
Not entered as income	-1 746 402,00	-2 202 245,56
Options, puts and calls		
Market value	-550 972,00	-45 820,38
Value of underlying asset	100 000 000,00	50 000 000,00
Not entered as income	-508 325,00	-31 528,71

All derivative contracts have been made to hedge loans against changes of interest rates and exchange rates in accordance with the financing policy approved by the Board of Directors. The hedged loans and their hedging derivative contracts are inversely congruent. Interest rate swaps are used to change the variable interest rate of the loan to be hedged to a fixed rate. The terms and conditions of an interest rate swap with interest rate floor are consistent with the loan to be hedged. Currency and interest rate swaps are used to change the currency of a NOK-denominated loan to euro while the exchange rate remains fixed. The exchange rate difference as well as the amortised interest of derivatives are recorded in the financial statements. The 12-month interest flow risk calculated for derivatives and interest-bearing loans on 31 December 2017 is EUR -1.2 million and the duration is 2.3 years.

Other financial liabilities not entered in the balance sheet

VAT LIABILITY ON PROPERTIES
The company is obliged to revise the VAT deductions made on real estate investments completed between 2013 and 2017 if the taxable use of those properties decreases during the review period. The maximum liability is EUR 1 209 488,84 and the final year of the review is 2019.

RETIREMENT OBLIGATIONS
The uncovered obligation is booked as obligatory pension provision. The retirement obligation is partlycovered with voluntary pension insurance. The other retirement obligations in the company have been insured in external Pension Insurance companies and in the Kemijoki Pension Fund.

PROPOSAL FOR THE DISTRIBUTION OF PROFIT BY THE BOARD OF DIRECTORS

The total sum of distributable profit available to the parent company amounts to EUR 9,613,718.43.

No significant changes have taken place in the company's financial position since the end of the financial year. The company's liquidity is good and in the view of the Board of Directors, the proposed distribution does not jeopardise the company's solvency.

The Board of Directors shall propose to the General Meeting that

- a dividend of EUR 0.34 per share, as stated in the Articles of Association, be paid to the

B-series shares not owned by the company at the moment of distribution	794 575,92 €
- to be transferred to retained earnings	8 819 142,51 €
	9 613 718,43 €

Espoo, 5 February 2018

Tiina Tuomela

Risto Andsten — Elina Engman

Tapio Jalonen — Tapio Korpeinen

Jukka Ohtola — Pekka Manninen

Tuomas Timonen
CEO

AUDITOR'S SIGNATURE

An audit report has been given today

Espoo, 5 February 2018

KPMG Oy Ab
company of Authorised Public Accountants

Pekka Alatalo
APA

AUDITOR'S REPORT

TO THE ANNUAL GENERAL MEETING OF KEMIJOKI OY

FINANCIAL STATEMENTS AUDIT STATEMENT

We have audited the financial statements of Kemijoki Oy (Finnish Business ID 0192171-7) for the financial year 1 January 2017 to 31 December 2017. The financial statements comprise the balance sheet, profit and loss account, cash flow statement and notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial performance and the financial position of the Company, in accordance with current Finnish legislation on the preparation of financial statements, and comply with legal requirements.

JUSTIFICATION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities which comply with good auditing practice are introduced in more detail in section Responsibility of the Auditor. In accordance with ethical requirements in Finland that concern our audit, we are independent of the Company and we have also fulfilled the other ethical responsibilities of these requirements. In our opinion, we have obtained a sufficient amount of applicable audit evidence to provide a basis for our audit opinion.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO are responsible for the preparation of the financial statements and for ensuring that they give a true and fair view in accordance with current Finnish legislation concerning the preparation of financial statements and comply with legal requirements. The Board of Directors and the CEO are also responsible for internal control deemed necessary in order to prepare financial statements which are free of material misstatement due to fraud or error.

While preparing the financial statements, the Board of Directors and the CEO are obligated to assess the Company's ability to continue its operations and, where applicable, present matters which concern continuity of operations and that the financial statements have been prepared based on continuity of operations. The financial statements are prepared based on continuity of operations except if it is intended to dissolve the Company or to close its operations or no other realistic alternative exists.

RESPONSIBILITY OF THE AUDITOR

Our aim is to obtain reasonable assurance about whether the financial statements are free from material misstatement due to fraud or error as well as to provide an auditor's report with our opinion. Reasonable assurance is a high level of assurance. However, it does not guarantee that material misstatement is always detected during auditing conducted in accordance with good auditing practice. Misstatement can be caused by fraud or error, and they are considered material if alone or together they can reasonably be expected to affect financial decisions based on the financial statements.

Good auditing practice entails that we apply professional judgement and maintain professional scepticism during the auditing process. In addition:

- We identify and assess the risks of material misstatement, whether due to fraud or error, plan and implement audit practices for these risks, and we obtain sufficient and appropriate evidence to provide a basis for our audit opinion. The risk that material misstatement due to fraud remains undetected is greater than the risk that material misstatement due to error remains undetected as fraud may linked to coaction, falsification, purposefully withholding information or presenting erroneous information or disregarding internal control.
- We consider the internal control relevant for the auditor's report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the information presented on them.
- We form a conclusion on whether it has been appropriate for the Board of Directors and the CEO to prepare the financial statements based on a presumption of operations continuing, and based on the audit evidence that we have obtained we form a conclusion on whether uncertainty, connected to events or circumstances, which could cause notable reason to doubt the Company's ability to continue its operations, exists. If we conclude that such uncertainty exists, we must draw the reader's attention to information presented in the financial statements concerning uncertainty in our auditor's report or, if the information concerning uncertainty is insufficient, we must adapt our statement. Our conclusions are based on audit evidence acquired by the date of issue of the auditor's report. Adverse events or circumstances may, however, cause the Company to be unable to continue its operations.
- We evaluate the financial statements, including all information presented in the financial statements, overall presentation, structure and content, and whether the financial statements describe the business and events it is based on correctly and adequately.

We communicate with administrative bodies on, for instance, the planned scope and timing of the auditor's report and significant audit findings, including potential deficiencies in internal control which we identify during the auditing process.

OTHER REPORTING RESPONSIBILITIES

OTHER INFORMATION

The Board of Directors and the CEO are responsible for other information. Other information comprises the information in the report of the Board of Directors. Our opinion on the financial statements does not include other information.

Our duty is to read the information in the report of the Board of Directors in connection with auditing the financial statements and to evaluate whether the information contradicts information in the financial statements or information we have acquired during auditing or whether it appears to be otherwise incorrect. It is also our duty to evaluate whether the report of the Board of Directors has been prepared in accordance with applicable legislation.

In our opinion, the report of the Board of Directors is consistent with the financial statements and the report of the Board of Directors has been prepared in accordance with legislation applied to the preparation of a report of the Board of Directors.

If, based on the work that we have conducted on the information included in the report of the Board of Directors, we conclude that there is material misstatement in the other information in question, we must report the matter. We have nothing to report regarding this.

OTHER STATEMENTS

We recommend that the financial statements be approved. We recommend that the members of the Board of Directors and the CEO be granted discharge from liability for the financial period covered in this audit.

Espoo, 5 February 2018

KPMG OY AB

Pekka Alatalo
Authorised Public Accountant (KHT)

STATEMENT BY THE SUPERVISORY BOARD

The Supervisory Board has examined the financial statements of Kemijoki Oy for 2017, as well as the report by the Board of Directors, the proposal by the Board of Directors for the use of distributable funds and the audit report submitted by the Company's auditor, all of which the Supervisory Board finds acceptable. The Supervisory Board recommends that the financial statements be adopted, and agrees with the proposal of the Board of Directors as to the manner of distributing profit.

The Supervisory Board hereby states that the instructions given by it have been followed and that it has received the information needed for carrying out its duties from the Board of Directors of the Company and from the CEO.

Helsinki, 8 March 2018

Wille Rydman	Sari Essayah
Hilkka Halonen	Esa Hyvärinen
Henna Kupsala	Mikko Kärnä
Markus Lohi	Juha Mäkelä
Tatu Rauhamäki	Anne Särkilahti

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WE ARE PART OF LIFE AT THE RIVERSIDE