FINGRID

FINGRID OYJ
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27.7.2022

FINGRID GROUP'S HALF-YEAR REPORT 1.1.-30.6.2022

Fingrid's consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS). This half-year report has been drawn up in accordance with the IAS 34 Interim Financial Reporting standard and complies with the same accounting principles as those presented in the Group's financial statements for 2021. This half-year report is unaudited. Unless otherwise indicated, the figures in parentheses refer to the same period of the previous year.

The graphs and clarifying texts of the half-year report are available in the attached PDF file.

- Turnover grew due to the high price of electricity with the rise in the imbalance power price. This growth was also driven by the recognition of congestion income accumulating for Fingrid from area price differences as turnover. The accumulation of Russian cross-border transmission income ended in May.
- The exceptional market situation increased the procurement costs of imbalance power and loss power, and raised the power system reserve costs and cross-border congestion costs to all-time highs.
- The Group's operating profit excluding the change in the fair value of derivatives fell year-on-year. Recognising congestion income as turnover and hedging the price of loss power procurement compensate for the rise in market-based costs.
- The profit for the period grew significantly due to the change in the market value of electricity derivatives hedging the loss power procurement price.
- Finland's electricity consumption during the period amounted to 42.1 (44.4) terawatt hours. Fingrid transmitted 36.6 (36.0) terawatt hours of electricity in its grid, representing 78.8 (75.5) per cent of the total transmission volume in Finland (consumption and inter-TSO).
- Fingrid's transmission reliability rate in January–June was 99.999924 (99.99999) per cent.

KEY FIGURES		1-6/22	1-6/21	change %	1-12/21
Turnover	MEUR	692.2	465.7	48.6	1,090.9
Capital expenditure, gross	MEUR	121.9	85.6	42.5	213.4
- of turnover	%	17.6	18.4		19.6
Personnel costs	MEUR	19.3	17.0	13.6	33.6
Operating profit excluding the change in the fair value of derivatives	MEUR	83.5	100.5	-16.9	148.6
- of turnover	%	12.1	21.6		13.6
Operating profit	MEUR	323.6	106.1	204.9	210.8
- of turnover	%	46.7	22.8		19.3
Profit before taxes	MEUR	299.4	94.1	218.0	187.6
- of turnover	%	43.3	20.2		17.2
Profit for the period	MEUR	239.4	75.3	217.8	150.1
Comprehensive income for the period	MEUR	239.4	75.3	217.9	150.1
Net cash flow from operations, after capital expenditure	MEUR	349.2	114.3	205.4	251.4
Equity ratio at the end of the review period	%	26.5	27.5		25.3
Interest-bearing net borrowings at the end of the review period	MEUR	677.4	1,027.5	-34.1	938.5
Net gearing at end of period		0.8	1.7		1.5
Earnings per share	€	72,003.03	22,653.15	217.8	45,150.02
Dividend, Series A shares	€				52,500.00
Dividend, Series B shares	€				19,200.00
Equity per share	€	239,903.65	185,801.01	29.1	194,573.30
Number of shares					
– Series A shares	qty	2,078	2,078		2,078
– Series B shares	qty	1,247	1,247		1,247
Total	qty	3,325	3,325		3,325

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Review by the President & CEO: "Exceptional situation on the energy markets brought us back to the basics: security of supply and reasonably priced electricity"

The exceptional circumstances that began on the energy market in the autumn of 2021 were further intensified when Russia invaded Ukraine. The price of gas rose to record high levels already at the end of last year, and Europe's efforts to end its dependence on Russian energy have maintained the high gas price level. The high price of gas has raised electricity prices to remarkably high levels throughout Europe. In Finland, the price of electricity has remained somewhat lower than in southern areas of Europe due to the low-fossil electricity production in northernmost Europe.

Western sanctions resulted in an end to electricity imports from Russia on Saturday, 14 May 2022. Finland's electricity system coped well with the situation. Finland's long co-operation with its neighbour came to an end. Imports from Russia have played an important role in Finland's electricity procurement in the past. Today, Finland is not dependent on electricity imported from Russia. We are heading along a better path, with Finland most likely becoming energy independent in terms of electricity already next year.

As a consequence of the mild winter, grid transmission turnover was lower than predicted during the review period. The high price of electricity shows in Fingrid's finances as higher purchase and sales prices for imbalance power. The difference in electricity area price between Finland and Sweden is reflected in the company's finances as extremely large accumulated congestion income. Similarly, the company will amass significant congestion costs with Finland's balance surplus transferring from Finland to Sweden via northern transmission connections – from Finland's more expensive price area to the very cheap price area of northern Sweden. As a consequence of the high electricity price, the company's loss power costs have also grown, despite the company's efforts to hedge against price fluctuations as effectively as possible. The prices of reserves maintaining the power system's operations rose to record-high levels in the new market situation. The cessation of imports from Russia in May stopped sales income related to cross-border transmission and increased the already high cost of acquiring power system reserves to some extent, as reserves can no longer be purchased from Russia.

Despite the exceptional situation, we have been able to continue our investment programme as planned. We have a record number of projects at the construction phase. The war in Ukraine has inevitably hindered material deliveries and raised costs, but we have found successful solutions through close collaboration with material suppliers and service providers. The resolute continuation of our investment programme is in Finland's best interests. Wind power construction has continued briskly in Finland and we have connected hundreds of megawatts of wind power production to the main grid. We have also engaged in effective co-operation in new projects with large electricity consumers such as data centres and battery manufacturers. Several hydrogen production projects are also taking off in Finland.

We have received a lot of positive feedback on our work. Fingrid received the Hyvä YVA (Good EIA) award for the third time, this year for the environmental impact assessment related to Fingrid's Lake Line power line project. We also won the Finnish Windpower Association's Tuulivoimateko 2021 competition. The competition jury justified its choice by saying that we play an extremely important role in the development of wind power production in Finland. Our efforts to improve personnel well-being and leadership are also reflected in the results. We came second in Oikotie's Great working-life responsibility' survey and third on Great Place to Work Finland's 2022 list in the large companies' series. Fingrid's information security management system was audited and granted the ISO 27001 information security certificate.

Security of supply and reasonably priced electricity have risen to new prominence in the past few months. In these unusual circumstances, Fingrid's contribution to Finnish society is now even more important. This can be seen in our daily work securing the nation's electricity supply and, in the long term, in developing the infrastructure needed for a carbon-neutral Finland, which at the same time will help Finland permanently break away from its dependency on Russia.

Financial result

The Group's turnover from January through June was EUR 692.2 (465.7) million. In the first half of the year, grid service revenue was EUR 204.9 (208.4) million. Electricity consumption in Finland totalled 42.1 (44.4) terawatt hours in January–June. Imbalance power sales revenue increased to EUR 383.3 (212.1) million, mainly as a result of the higher imbalance power price and somewhat due to the raised imbalance power tariff. The cross-border transmission income for the connection between Finland and Russia fell to EUR 11.3 (17.6) million. Cross-border transmission between Finland and Russia ended on 14 May 2022. Congestion income allocated to turnover totaled to EUR 39.8 (0.0) million. Other operating income rose to EUR 251.2 (6.4) million, with the growth largely attributed to the rise in the fair value of electricity derivatives related to business operations.

Costs during January–June totalled EUR 619.4 (366.0) million. Due to the higher price of imbalance power, imbalance power costs grew from the previous year's level to EUR 379.3 (190.5) million. The cost of reserves to safeguard the grid's system security rose to EUR 77.1 (35.6) million as a result of the record-high market price of frequency restoration reserves. Loss power costs grew to EUR 39.7 (27.5) million, resulting from the higher loss power procurement price. At the end of June, approximately 98 (99) per cent of Fingrid's projected loss power procurement for the remainder of 2022 was, in terms of system price, hedged at an average price of EUR 33.1 (27.6) per megawatt hour. In terms of the Finnish area price difference, roughly 82 (76) per cent of loss power procurement was hedged at an average price of EUR 6.7 (5.4) per megawatt hour.

Depreciation during the review period grew to EUR 52.4 (49.3) million. Grid maintenance costs amounted to EUR 8.1 (8.1) million. Personnel costs grew to EUR 19.3 (17.0) million.

The net impact of congestion costs with Finland's balance surplus transferring from Finland to Sweden and Norway, grew to 28.4 (7.3) EUR million.

The Group's operating profit for the first six months of the year was EUR 323.6 (106.1) million. Profit before taxes was EUR 299.4 (94.1) million. The differences from the corresponding period of the previous year are mainly explained by the change in the market value of derivatives (change EUR 224.8 million). Profit for the review period amounted to EUR 239.4 (75.3) million and comprehensive income to EUR 239.4 (75.3) million.

Financing

The Group's net cash flow from operations, with net capital expenditure deducted, was EUR 349.2 (112.5) million during the review period. The equity ratio was 26.5 (27.5) per cent at the end of the review period. The impact of the IFRS 16 standard reduced the share of equity by 0.3 percentage points.

The Group's net financial costs from January through June were EUR 23.8 million (12.1 million), including a negative change of EUR 20.8 (EUR 6.7 million negative) million in the fair

value of derivatives. The change in the fair value of financial assets was EUR 1.1 million negative (EUR 0.1 million negative). The net financial costs included EUR 0.3 (0.3) million in interest expenses on the lease liabilities entered into the balance sheet, in accordance with the IFRS 16 standard.

Interest-bearing borrowings totalled EUR 1,101.6 (1,132.9) million, of which non-current borrowings accounted for EUR 1,043.6 (1,029.9) million and current borrowings for EUR 58.1 (103.0) million. On the reporting date, the borrowings included a total of EUR 31.1 (31.0) million in lease liabilities in accordance with IFRS 16, consisting of EUR 2.7 (2.4) million in short-term liabilities maturing within one year, and EUR 28.3 million (28.6) in long-term liabilities maturing after more than a year.

The Group's liquidity remained good. Cash assets and financial assets at the end of the review period amounted to EUR 424.3 (105.4) million. The Group additionally has an undrawn committed revolving credit facility of EUR 300 million and a total of EUR 90 million in uncommitted financing arrangements with banks to secure liquidity.

Customers

Co-operation with customers has continued to be very close and the volume of connection enquiries has grown significantly. The total capacity for electricity production connection enquiries is more than 170,000 megawatts. The majority of the enquiries concerning connections have to do with wind power, but some have also concerned large-scale solar power plants. Many projects related to electricity use are underway. The most significant one is Microsoft's data centre region in Espoo, Kirkkonummi and Vihti. Additionally, various projects involving hydrogen production are under planning around Finland.

At the start of the year, Fingrid announced its Verkkokiikari service, which shows aggregated data on the grid's connection possibilities in different periods as well as information about electricity production projects that are under planning or under way. Based on feedback, the Verkkokiikari service will be developed further by adding opportunities to connect consumption to the service.

In the annual comparison of electricity transmission prices implemented by the European Network of Transmission System Operators for Electricity (ENTSO-E), Finland was still the second most affordable in 2021. The comparison involved 36 countries all in all. Nineteen of the countries are EU/EEA countries comparable with Finland, with large geographic areas and main grids operating at various voltages. The cheapest of these were Slovenia, Finland and Norway.

Main grid

Fingrid's capital expenditure in the main grid is growing from the previously estimated two billion euros to approximately three billion within the next decade. This growth in capital expenditure is the result of the considerable increase in electricity production and consumption related to the electrification of Finland. This is reflected in a growing north–south transmission demand and the need for new cross-border transmission connections to Sweden and Estonia.

Today, the main grid involves some 14,000 kilometres of transmission lines and 120 substations. A total of 619 kilometres of new transmission lines and 63 new substations are under construction. The largest electricity transmission projects are the Forest Line and Lake

Line projects increasing Finland's north–south transmission capacity and the Aurora Line connection between Finland and Sweden. These projects constitute a significant part of the electricity network infrastructure that Finland needs to become carbon neutral.

The Forest Line will substantially increase the north–south transmission capacity necessary for the Finnish electricity system. The roughly 300-kilometre-long, 400-kilovolt transmission link is being built in place of and in part next to the current transmission lines, running from Petäjävesi through Haapavesi and further up to Muhos. The commissioning of the entire connection is scheduled for autumn 2022. The project has meant a major effort of around one million worked hours for many contractors and subcontractors.

The Lake Line, a more than 290-kilometre-long, 400-kilovolt transmission connection running north to south from Oulu towards Lappeenranta, has made it to the general planning stage. The expropriation permit application will be submitted to the authorities in autumn 2022. The project will move on to the competitive tendering phase in 2023 and be completed in 2026.

The new 400-kilovolt Aurora Line transmission connection to be built between northern Finland and northern Sweden has moved into the construction project tendering phase since the start of the year and the first contracts have been signed. Work began with the removal of trees from worksites in June and construction work will begin in the autumn. The EU granted the Aurora Line EUR 127 million as part of the Connecting Europe Facility funding instrument. The Aurora Line will be completed in 2025.

In addition to the three largest transmission line projects, the modernisation of the 110-kilovolt transmission line between Hämeenlahti in Jyväskylä and Hännilä in Joroinen is underway. The project is moving forward according to plan and construction will take place between 2023 and 2025. At the same time, the 110-kilovolt Kauppila substation will be modernised, and construction work already began in June. New climate-friendly technology free of SF6 insulating gas will be used at the Kauppila substation. The project is part of Fingrid's wider strategy to eliminate SF6 dielectric gas at its new substations and to adopt more sustainable technology.

In addition to transmission lines, Fingrid is building several new substations and modernising old ones. The substations operate as the electricity network's nodes through which electricity production and electricity consumption are connected to the electricity system.

Construction work is also ongoing at the Valkeus substation in Northern Ostrobothnia, the Tuovila substation near Vasa, the Seinäjoki substation undergoing modernisation, the Arkkukallio substation in Isojoki and the Alajärvi substation.

Planning of the Rauma substation and planning of the shunt compensation extension for the Uusnivala substation in Nivala are underway. The tendering process for the expansion of the Simojoki substation located in Simo municipality has commenced.

The commissioning of the Virkkala substation in Lohja, which uses new climate-friendly technology free of SF6 insulating gas, began in July.

The extension of the life cycle of the Fenno-Skan 1 connection between Finland and Sweden until 2040 is progressing as planned and the majority of the projects involved are either at the planning or procurement phase.

During the review period, Fingrid made decisions to invest in the refurbishment of the Salo substation and the modernisation of the Vajukoski substation located in Sodankylä and the

Utsjoki substation. The projects will enable the connection of more wind power to the main grid. In addition, a decision was made to invest in a second transformer for the Kymi substation, which will allow for the further development of energy-intensive industry in the area.

Occupational safety improved at Fingrid's transmission line and substation worksites and the number of accidents fell year-on-year.

Electricity system operations

Finland's electricity consumption in January–June amounted to 42.1 (44.4) terawatt hours. Inter-TSO transmission in the same period amounted to 4.3 (3.4) terawatt hours. The total electricity transmission in Finland was 46.4 (47.8) terawatt hours. Over the same period, Fingrid transmitted a total of 36.6 (36.0) terawatt hours of electricity in its grid, representing 78.8 (75.5) per cent of the total electricity transmission in Finland. During this period, the electricity Fingrid transmitted to its customers amounted to 32.2 (32.6) terawatt hours, which represented 76.4 (73.5) per cent of Finland's total electricity consumption.

The electricity consumption peak for this year was reached on 11 January, at a load of 13,767 megawatts. Unusually, the consumption peak for the entire winter season was reached already on 8 December 2021. The electricity supply was not in jeopardy during the peak consumption hour.

In January–June, the system security of Fingrid's grid system was at a very good level and there were no significant grid disturbances. The grid's transmission reliability rate during the review period was 99.999924 (99.99999) per cent. Fingrid is prepared for the impacts of extreme weather phenomena on the electricity system and raised disturbance-clearing readiness three times during the period under review.

From January through June, 7.8 (7.8) terawatt hours of electricity were imported from Sweden to Finland, and 0.8 (0.4) terawatt hours were exported from Finland to Sweden. The transmission capacity between the countries was limited during the period for just over a month due to the project and maintenance work performed on the electricity system in Sweden.

Electricity exports to Estonia in January–June were high, as in the previous year, totalling 3.6 (3.0) terawatt hours. Very small amounts of electricity were imported from Estonia to Finland during the review period. The transmission capacity between the two countries functioned reliably. No annual maintenance was performed on the EstLink 1 and EstLink 2 cross-border connections during the review period due to the current state of the electricity market.

Electricity imports from Russia to Finland in January–June amounted to 3.6(4.4) terawatt hours. In the beginning of the year, more electricity was imported from Russia due to the high prices of Nordic electricity. To guarantee system security, the transmission capacity of Russia's cross-border connections was restricted as of 24 April. In addition, during the test run of the Olkiluoto 3 nuclear power plant, the import capacity of Russia's transmission connections was restricted to zero. Electricity trading from Russia was discontinued fully on 14 May. Electricity was not exported from Finland to Russia during the review period.

The Olkiluoto 3 nuclear power plant was connected to the main grid on 12 March as part of the test run of the plant. The connection took place with no problems and made it possible to continue the testing of the plant while connected to the electricity system. Testing of the

plant's operation will continue prior to commercial use, which is scheduled to begin in December 2022.

Electricity market

The past winter was milder than average, which reduced electricity consumption. The hydrological situation in the Nordic countries was above the normal long-term level in northern areas, but well below the normal level in southern areas. The prices of fuels used in electricity production have risen since last autumn and they continue to rise, which has elevated the price of electricity throughout Europe. Increasing wind power capacity is felt as increasing variation in power production. Electricity imports from Russia ended on 14 May 2022. There has been a high level of electricity imports, particularly from northern Sweden to Finland, often reaching the maximum level during daytime. Electricity exports from Finland to Estonia were high. Together with congestion in the transmission connections, the situation has led to significant area price differences between northern and southern areas in the Nordics.
In January–June, the average Nordic price on the day-ahead market was EUR 115.62 (42.03) per megawatt hour, and the area price for Finland was EUR 104.73 (47.45) per megawatt hour.

The usability and reliability of transmission connections between Finland and Sweden and Finland and Estonia have been good. Fingrid and Estonia's TSO Elering signed a letter of intent in June in which they agreed on starting the planning of a third submarine cable connection between Finland and Estonia. The EstLink 3 connection is estimated to achieve completion by 2035.

During the review period, the electricity area price differences between the countries have significantly raised congestion income along Finland's cross-border connections. Congestion income between Finland and Sweden totalled EUR 479.8 (96.2) million in January–June. Congestion income between Finland and Estonia amounted to EUR 145.9 (24.6) million in January–June. Fingrid's share of the congestion income is 50 per cent.

Fingrid increased the imbalance power tariffs of the balance responsible parties in both February and May in the review period. The increases were the result of a rise in costs in market-based electricity system reserves.

Fingrid actively implements several multi-year electricity market development projects in order to manage the energy transformation and change in the electricity production structure, and to meet the requirements of transforming European legislation. Key projects include the Nordic Balancing Model for revamping the TSOs' balance management and imbalance settlement, developing the reserve markets required by the electricity system, and a new transmission capacity calculation method.

A centralised information exchange platform for the retail market of electricity, Datahub, went live in February 2022, with the goal of speeding up and modernising the market parties' information exchange. The Datahub contains and processes data on some 3.8 million Finnish accounting points. Fingrid is responsible for the functioning and development of Datahub. Datahub's direct customers are electricity sales companies and DSOs.

The importance of reserves maintaining the electricity system's operations is increasing as the production of renewable electricity grows. Fingrid started up national procurement of the automatic Frequency Restoration Reserve (aFRR) on the joint Nordic market platform in January. This is the first step towards a joint Nordic capacity market, which enabled the Nordic harmonisation of market rules and will expand the reserve market. The renewal of the

Nordic balancing power market, i.e. the mFRR energy markets, and the launch of the automatic time-of-use-period will be postponed from the planned schedule to October–November 2023 due to the ICT implementation proving more challenging than expected.

Electricity transmission capacity management will enhance the operations of the electricity system. Testing of the new Nordic flow-based capacity calculation methodology alongside the current method started up in March and will continue for at least a year. The new calculation method will improve the allocation of capacity available to the markets. The goal is to adopt the method in late 2023.

Personnel

The total number of personnel employed by the Group averaged 472 (432) with an average of 417 (370) in a permanent employment relationship. Personnel costs amounted to EUR 19.3 (17.0) million. Wages and salaries amounted to EUR 16.3 (14.4) million, which equals 2.3 (3.1) per cent of the turnover.

Fingrid came in third on the Great Place to Work Finland list in the large companies' series. In 2020, the company came in seventh in the large companies' series. In the 'Great working-life responsibility' survey Fingrid came in second in the large companies' series. In the two previous years the company was the best.

As in previous years, Fingrid is part of the Responsible Summer Job campaign, which challenges employers to offer young people successful summer job experiences of good quality. This year, the company is employing altogether 64 people in various summer jobs throughout Finland.

Legal proceedings and proceedings by authorities

On 30 June 2022, the Energy Authority asked Fingrid to submit a statement of defense to the request for an investigation filed by Teollisuuden Voima Oyj ("TVO"). The request for an investigation is related to the claims by TVO that Fingrid has neglected its obligation to develop the main grid in accordance with the Finnish Electricity Market Act and/or other applicable legislation, and that, as a result, it has placed unauthorized restrictions on connecting the Olkiluoto 3 nuclear power plant to the main grid, and that Fingrid is in breach of its administrative obligations linked to carrying out its public administrative task. Fingrid's view is that the claims made by TVO are unfounded.

Other matters

On 30 March 2022, Fingrid Oyj's Annual General Meeting approved the financial statements for 2021 and decided on the dividend payment. The first instalment of the dividend, totalling EUR 88,691,600.00, was paid on 4 April 2022. **Hannu Linna** was re-elected as a Board member and elected as a new Chair of the Board of Directors. **Päivi Nerg** was re-elected as Deputy Chair. **Sanna Syri** was re-elected as a Board member. **Sami Kurunsaari** and **Jukka Reijonen** were elected as new Board members.

Jukka Metsälä, M.Sc. (Tech.), MBA, was appointed as Fingrid's new CFO and member of the executive management group effective 5 May 2022, and his area of responsibility is the company's finances and treasury, as well as business development and strategy. **Tuomas Rauhala**, D.Sc. (Tech.) was appointed as Senior Vice President of Power System Operations

and as a member of the executive management group effective 1 June 2022. Metsälä and Rauhala will report to the company's President & CEO Jukka Ruusunen.

Events after the review period and outlook for the rest of the year

A new company, Nordic RCC A/S, was established for the incorporation of the Copenhagen-based operational planning office (Regional Security Coordinator, RSC) of the four Nordic transmission system operators, starting its operations on 1 July 2022.

On 27 July 2022, the Board of Directors decided, in compliance with the authorisation granted by the AGM, that the second instalment of dividends shall be paid after the half-year report has been approved and the Board has assessed the company's solvency, financial position and financial performance. Based on the Board's authorisation from the AGM, the second instalment of EUR 17,500.00 for each Series A share and EUR 6,400.00 for each Series B share, totalling EUR 44,345,800.00 in dividends, will be paid on 1 August 2022.

The exceptional situation on the electricity markets is expected to continue during the current financial period. The high price of energy and large transmission volumes in the main grid increase uncertainty in the company's major market-based cost items such as loss power, power system reserves and cross-border transmission costs. Area price differences at the borders between Finland and Sweden and Finland and Estonia will increase Fingrid's share of congestion income during the financial period.

In July, Fingrid announced an increase in imbalance power tariffs. The new prices will enter into force on 1 September 2022. The basis for the price hike is the record-high procurement cost for market based electricity system reserves.

The company's debt service capacity is expected to remain stable. The company has not changed its earnings guidance from what is stated in the Financial Statements Bulletin of 1 March 2022.

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