

FINGRID GROUP'S HALF-YEAR REPORT 1.1.-30.6.2021

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 2020. 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 significantly due to the higher price of electricity than in the comparison period, and this directly affected the increase in the price of imbalance power. The higher price of imbalance power is also reflected in the higher imbalance power costs.
- The Group's operating profit, excluding the change in the fair value of derivatives, increased as grid service income and cross-border transmission income grew. Profit for the period was also affected by the positive change in the fair value of electricity derivatives hedging the loss power procurement.
- Fingrid's operations continued according to plan, despite the coronavirus pandemic.
- Finland's electricity consumption during the period amounted to 43.9 (41.7) terawatt hours. Fingrid transmitted 36.0 (34.3) terawatt hours of electricity in its grid, representing 76.2 (75.8) per cent of the total transmission volume in Finland (consumption and inter-TSO).
- Fingrid's transmission reliability rate in January–June was 99.99999 (99.99992) per cent.

KEY FIGURES		1-6/21	1-6/20	change %	1-12/20
Turnover	MEUR	465.7	343.4	35.6	682.5
Capital expenditure, gross	MEUR	86.0	70.3	22.4	169.7
- of turnover	%	18.5	20.5		24.9
Personnel costs	MEUR	17.0	16.3	4.2	31.2
Operating profit excluding the change in the fair value of derivatives	MEUR	100.5	70.9	41.7	115.4
- of turnover	%	21.6	20.6		16.9
Operating profit	MEUR	106.1	55.2	92.2	118.4
- of turnover	%	22.8	16.1		17.3
Profit before taxes	MEUR	94.1	58.5	61.0	113.3
- of turnover	%	20.2	17.0		16.6
Profit for the period	MEUR	75.3	48.2	56.2	94.0
Comprehensive income for the period	MEUR	75.3	49.3	52.9	95.0
Net cash flow from operations, after capital expenditure	MEUR	114.3	101.7	12.3	139.9
Equity ratio at the end of the review period	%	27.5	28.0		27.4
Interest-bearing net borrowings at the end of the review period	MEUR	1,027.5	1,035.8	-0.8	1,049.0
Net gearing at end of period		1.7	1.6		1.7
Earnings per share	€	22,653.15	14,500.57	56.2	28,269.56
Dividend, Series A shares	€				53,500.00
Dividend, Series B shares	€				19,600.00
Equity per share	€	185,801.01	190,921.32	-2.7	190,209.51
Dividend payout ratio, A shares	%				189.3
Dividend payout ratio, B shares	%				69.3
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

Review by the President & CEO: “Excellent system security in the main grid – Fingrid’s unprecedented investment programme is moving forward”

The weather conditions during the first half of 2021 were normal. Electricity consumption grew during the winter compared to last year’s exceptionally warm winter. This increased grid transmission income in relation to the comparison period. Growth in grid transmission turnover resulted from the increased volume, as our grid service fees will remain unchanged from 2020 to 2021. Electricity imports from Russia to Finland increased as a consequence of the increase in Nordic electricity prices, which increased the cross-border transmission income. The company’s turnover and result improved significantly compared to the first half of 2020.

We are building transmission lines and substations at dozens of sites to meet Finland’s electrification needs. The projects have progressed as planned. We have devised a long-term grid vision, based on which we estimate that the main grid will require at least EUR 2 billion in grid investments this decade. They will also lead the way to Finland’s ambitious climate targets. In order to implement the major investment programme, we have developed our operating models and processes so as to allow us to carry out the investments smoothly while also being able to build any optional components reserved for the investment programme if so required. We engage in continuous, open dialogue with our customers and other stakeholders on the future of the energy system to ensure that everyone has the most consistent picture possible of the future of Finland’s energy system.

The system security of the main grid has remained at an excellent level. As a consequence of the ongoing major construction work, there have been many transmission outages, but they have not caused significant harm to our customers. Finland’s electricity system will undergo a major change when Olkiluoto 3, one of the world’s largest nuclear power plants, goes online. We have been preparing for the gradual start-up of the power plant’s electricity generation starting in early autumn of this year and for full-scale tests towards the end of the year. The aim is to start up the commercial operation of the power plant in February 2022.

Emission-free electricity generation means a considerable increase in renewable energy in Finland and other Nordic countries. Besides being emission free, the increase in wind and solar power will have a significant impact on the power system’s technical operation: inertia in the Nordic power system will decrease and the system’s susceptibility to disturbances will increase. The lowest inertia in decades was measured in the Nordic power system in June. A solution to the problem is being sought on the Nordic level.

In terms of the electricity markets’ operations, concerns have been raised recently by the transmission restrictions on Sweden’s main grid. The restrictions also affect the electricity transmission between Finland and Sweden. Nordic and European projects to renew the reserve markets and to switch to a 15-minute trade period have moved forward, in spite of the complexity of the projects. Fingrid’s Datahub project is progressing well. The production test run started in June, and the system will go live in February 2022.

Financial result

The Group’s turnover in January-June was EUR 465.7 (343.4) million. Grid service income increased to EUR 208.4 (199.8) million in the first half of the year due to the colder winter than in the comparison period. In January-June electricity consumption in Finland totalled 43.9 (41.7) terawatt hours. Imbalance power sales revenue increased to EUR 212.1 (120.9) million, mainly as a result of the higher imbalance power price and raised tariff. The cross-border

transmission income for the connection between Finland and Russia increased to EUR 17.6 (1.5) million from the previous year's level due to the increase in transmission volume arising as a consequence of the larger area price difference. Other operating income totalled EUR 0.7 (0.4) million.

Costs during January-June totalled EUR 366.0 (273.0) million. Due to the higher price of imbalance power, imbalance power costs grew from the previous year's level to EUR 190.5 (106.2) million. Loss power costs amounted to EUR 27.5 (24.5) million. At the end of June, approximately 99 (98) per cent of Fingrid's projected loss power procurement for the remainder of 2021 was, in terms of system price, hedged at an average price of EUR 27.6 (25.4) per megawatt hour. In terms of the Finnish area price difference, roughly 76 (100) per cent of loss power procurement was hedged at an average price of EUR 5.4 (4.6) per megawatt hour. The cost of reserves to safeguard the grid's system security rose to EUR 35.6 (33.4) million as a result of the increased procurement of frequency restoration reserves.

Depreciation during the reporting period totalled EUR 49.3 (49.0) million. Grid maintenance costs declined to EUR 8.1 (10.6) million. Personnel costs amounted to EUR 17.0 (16.3) million.

The Group's operating profit in the first half of the year was EUR 106.1 (55.2) million. Profit before taxes was EUR 94.1 (58.5) million. The differences from the corresponding period of the previous year are mainly explained by the increase in grid service income and cross-border transmission income (change EUR 27.4 million) and by the change in the market value of derivatives (change EUR 11.3 million). Profit for the review period amounted to EUR 75.3 (48.2) million and comprehensive income to EUR 75.3 (49.3) million.

Financing

The Group's net cash flow from operations, with net capital expenditure deducted, was EUR 114.3 (101.7) million during the review period. The equity ratio was 27.5 (28.0) per cent at the end of the review period. The impact of the IFRS 16 standard reduced the share of equity by 0.4 percentage points.

The Group's net financial costs from January through June were EUR 12.1 million (4.3 million positive), including a negative change of EUR 6.7 (EUR 4.7 million negative) million in the fair value of derivatives. The change in the fair value of financial assets was EUR 0.1 million negative (EUR 0.4 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, due to the introduction of the IFRS 16 standard in 2019.

Interest-bearing borrowings totalled EUR 1,132.9 (1,261.3) million, of which non-current borrowings accounted for EUR 1,029.9 (1,044.1) million and current borrowings for EUR 103.0 (217.2) million. On the reporting date, the borrowings included a total of EUR 31.0 (31.7) million in lease liabilities in accordance with IFRS 16, consisting of EUR 2.4 (2.4) million in short-term liabilities maturing within one year, and EUR 28.6 million (29.3) 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 105.4 (225.5) million. The Group additionally has an undrawn committed revolving credit facility of EUR 300 million and a total of EUR 125 million in

uncommitted financing arrangements with banks to secure liquidity. Of the overdraft limits to secure liquidity, EUR 12.7 million were in use on the reporting date.

Customers

According to a study completed in spring 2021, Finland's main grid offers the second-lowest prices for electricity transmission in Europe. The European Network of Transmission System Operators for Electricity (ENTSO-E) compared electricity transmission in 36 countries. 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 are Slovenia, Finland and Norway.

In April 2021, the research company T-Media asked Fingrid's customers to rate the company's activities. An overall reputation score was calculated from the ratings given in eight areas. The results show that Fingrid has an excellent reputation among its customers: the company's reputation score was 4.04 (on a scale of 1 to 5). T-Media's reputation model shows that an organisation's reputation has a major impact on the support it receives from stakeholders to drive matters forward. Fingrid's score for stakeholder support was 4.07.

Close co-operation with customers continued, despite the coronavirus situation. Electronic devices were used to maintain contact and hold a number of customer events. Enquiries concerning wind power connection already surpassed the 100,000-megawatt limit. Fingrid has developed the processing of the enquiries and built information systems to help base connections and network planning on a common situational picture. The company's goal is to also offer customers use of the situational picture by the end of 2021 to better account for the current and future connection capacity of the grid when planning their own projects. The company has made the implementation of grid investments smoother in many ways by taking its customers' needs into account.

Main grid

In the first half of the year, Fingrid published a vision of the long-term development needs and solutions of the main grid. This grid vision is based on scenarios of the future electricity production and consumption structure. The report indicates that, in order for Finland to reach its carbon neutrality target, grid investments amounting to billions of euros will be necessary over the next ten years.

As regards major transmission projects, the Forest Line and Lake Line, as well as the Aurora Line connection to Sweden, constitute a significant part of the electricity network infrastructure that Finland needs to become carbon neutral. Fingrid has more than 530 kilometres of transmission lines and 37 substations currently under construction.

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 or next to the current power lines, running from Petäjavesi through Haapavesi and further up to Muhos. Of the construction work, the foundation work for the connection is close to being finalised. Assembly of the transmission line towers and work on the conductors have progressed according to their original schedule, and the Forest Line will be completed in its entirety in autumn 2022.

The planned reinforcement of the Lake Line from Oulu to Lappeenranta has reached the environmental impact assessment phase. The transmission line is more than 290 kilometres long. The new 400/110 kilovolt transmission line is being planned primarily alongside the

current transmission lines. In the northernmost section of the connection, the old transmission line will be replaced. Based on the plans, construction work on the Lake Line will begin in winter 2023/2024, and the transmission link is due for completion in 2026.

In co-operation with Svenska kraftnät, Fingrid is planning a new transmission connection from Messaure in northern Sweden to Pyhänselkä, south of Oulu. The estimated cost of the approximately 380-kilometre-long connection line, called the Aurora Line, is EUR 250 million, and it is expected to be completed in 2025. The transmission line will even out the electricity price differences between the countries and improve the availability of electricity in Finland.

Early in the year, Fingrid and Svenska kraftnät agreed to continue using the Fenno-Skan 1 connection until 2040.

Fingrid is modernising the old electricity transmission network and substations in North Karelia. The project involves the modernisation of 112 kilometres of 110 kV power lines in total. The project includes modernisation of two substations and in addition one entirely new substation will be built. So far, the Kontiolahti substation and the Kontiolahti–Uimaharju section of the transmission line have been completed. The Kontiolahti–Palojärvi section of the transmission line and the Palojärvi substation are still under construction. Construction work is also in progress in the Muhos–Vaala and Imatra–Varkaus sections of the transmission line.

Fingrid has several substation projects under construction in order to transmit the rapidly the growing wind power production for consumption. In connection with the Forest Line transmission line, construction on the Petäjavesi, Pysäysperä and Toivila substations and the Hoikansalmi and Pihlajaranta series capacitor stations is under way.

In addition to those mentioned above, the Pyhänselkä, Kärppiö, Tammisto, Jylkkä, Kellarijänkä and Kangasala substations are under construction in various parts of Finland. The reason behind building new substations and the need for expansion is largely the increased wind power production and enabling its transmission from production to consumption.

Fingrid decided on several new capital expenditure projects during the review period. Wind power connections in particular have increased the need for investments.

- An investment decision was made on the construction of the Valkeus substation in Northern Ostrobothnia to promote wind power investments. The project is due for completion in 2023.
- The Imatra–Huutokoski transmission line, which secures electricity transmission in South Savo and South Karelia, is being modernised. The original 110 kV transmission line, which was taken into use in 1934, has reached the end of its service life. The new power line will guarantee Fingrid's electricity transmission reliability in South Savo and reinforce the main grid's transmission capability in different operational situations in South Karelia. A new transmission line spanning 130 kilometres will be built, and the project will be completed during 2023.
- Fingrid is expanding the Alajärvi substation in South Ostrobothnia. Electricity generated by wind power can be transmitted for consumption once Fingrid expands and modernises substation equipment at the Alajärvi substation, which is important in terms of wind power projects. The intention is to connect close to 2,000 megawatts of new production capacity to the station in the coming years. The construction work in

the substation contract will mainly be carried out by the end of 2021. Electrical equipment installations will take place in 2022.

- The Virkkala substation in Lohja is being modernised using a new, climate-friendly, SF₆-free gas technology. The project is part of Fingrid's decision to systematically eliminate SF₆ dielectric gas at its substations and to transition to using environmentally friendly dielectric gas in new sites.
- Several new wind power projects are currently under way south of Kristiinankaupunki. In April, Fingrid made an investment decision concerning the Arkkukallio substation to be built in the municipality of Isojoki. Of the wind power projects to be connected to Arkkukallio's 400/110 kV substation, the plan is to connect some 500 MW to the substation by the end of 2024, and roughly 800 MW by the end of 2028. Due to the large number of connections, the Arkkukallio station will be built as a larger substation with two 400 MVA main transformers.
- Fingrid is expanding the Tuovila substation near Vaasa to meet the area's growing electricity production and consumption. The underlying reason for the investment is the area's growing wind power production and the battery material plant that is planned for Vaasa. Major changes in electricity production and consumption demand reinforcing the grid and improving its system security. The expanded substation will be commissioned sometime in 2023.

As the outcome of the company's technical innovation work, Fingrid will significantly increase the electricity transmission capacity between northern and southern Finland through dynamic shunt compensation. The additional transmission capacity of hundreds of megawatts will be achieved quickly, cost effectively and in an environmentally friendly manner. The solution will benefit all of Finland, as it will enable the electricity generated in northern Finland to be transmitted for consumption in the south, while also ensuring that Finland remains a wholesale electricity price area.

In May, Fingrid ranked second in an international asset management survey that assesses the tactical level of TSOs' asset management. The International Transmission Asset Management Study (ITAMS) has now been carried out six times, and Fingrid has received a top ranking each time.

Power system operations

In January-June Finland's electricity consumption during the period amounted to 43.9 (41.7) terawatt hours. Inter-TSO transmission in the same period amounted to 3.4 (3.5) terawatt hours. The total electricity transmission in Finland was 47.3 (45.2) terawatt hours. Fingrid transmitted a total of 36.0 (34.3) terawatt hours in its grid, representing 76.2 (75.8) per cent of the total electricity transmission in Finland. During this period, the electricity Fingrid transmitted to its customers amounted to 32.6 (30.7) terawatt hours, which represented 74.2 (73.5) per cent of Finland's total consumption.

Peak demand was reached on 18 February 2021, when the hourly average load reached 14,267 megawatts between 9 and 10 am. During this hour, the average power generation in Finland amounted to 11,191 megawatts and the remaining 3,076 megawatts of the average load was imported from Sweden, Russia and Estonia. 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 99.99999 (99.99992) per cent.

From January-June, 7.8 (9.3) terawatt hours of electricity were imported from Sweden to Finland, and 0.4 (0.1) terawatt hours were exported from Finland to Sweden. Transmission capacity between the countries was partly limited for brief periods during the review period due to project and maintenance work on the Swedish side.

Electricity exports to Estonia in January-June were high, as in the previous year, amounting to 3.0 (3.3) terawatt hours. Only very small amounts of electricity were imported from Estonia to Finland during the review period. The transmission capacity between the two countries functioned reliably, although there were some planned restrictions on EstLink1 in June in connection with annual maintenance.

Between January-June, 4.4 (1.2) terawatt hours of electricity was imported from Russia to Finland. Electricity imports from Russia have increased in 2021 compared to last year, due to the higher electricity prices in the Nordics. Export capacity to Russia was restricted from May until the beginning of June due to restoration work carried out on the Russian side. Import capacity was fully available. Electricity was not exported from Finland to Russia during the review period.

Electricity market

The past winter was average in terms of weather. Long spells of below-zero temperatures increased electricity consumption, and also the hydrological situation throughout the Nordic countries has returned closer to normal from last year’s exceptionally high level. The increased electricity consumption, coupled with transmission restrictions, resulted in significant area price disparities in the Nordic countries. There has been a high level of electricity imports from Sweden to Finland, often reaching the maximum level during daytime, in turn causing major price differences between Finland and particularly northern Sweden. In January-June, the average Nordic price on the day-ahead market was EUR 42.03 (10.53) per megawatt hour, and the area price for Finland was EUR 47.45 (23.23) per megawatt hour.

The availability and reliability of the DC connections between neighbouring countries have also been high, except for a few disturbances. In the first half of the year, the Fenno–Skan 1 connection experienced a technically challenging fault that caused several longer disturbances. Disturbance-clearing and fault elimination measures were highly successful, and the connections were quickly restored and made available to the market.

In the electricity market, concerns have been raised about the extensive transmission restrictions in the Swedish grid since the end of March; the restrictions also affect electricity transmission between Finland and Sweden. The restrictions have concerned electricity transmission between Finland’s and central Sweden’s SE3 bidding area, which is served by two DC connections – Fenno-Skan 1 and 2 – with a total capacity of 1,200 megawatts. The extent of the restrictions has varied, and the restrictions have prevented, either fully or partly, the export of electricity from Finland to the SE3 bidding area. Electricity exports from Finland to Sweden have been low in recent years, with electricity typically imported from Sweden to Finland. Restricting electricity export opportunities, however, weakens the competitive position of Finnish electricity producers on the common European electricity market.

Due to constraints on the transmission connections between the countries, total congestion income in the review period is at a high level, similar to the corresponding period last year. Congestion income between Finland and Sweden in January-June totalled EUR 96.2 (104.0) million. Congestion income between Finland and Estonia in January-June totalled EUR 24.6 (20.7) million. Fingrid's share of the congestion income is 50 per cent. In accordance with the regulation on congestion income, Fingrid will allocate the congestion income received for capital expenditure to improve the functioning of the electricity markets.

Ongoing development projects in the electricity market are related to the change in the structure of electricity production due to the energy transformation and to making this change possible, as well as to the implementation of European legislation. Fingrid is involved in both Nordic and European projects to reform the reserve markets and the method of calculating transmission capacity and to prepare for the electricity market's transition from the current one-hour trading and balance settlement period to a 15-minute period. The projects have mainly been progressing on schedule, despite their demanding nature. Co-ordinating between the Nordic TSOs, Fingrid applied for a derogation period extending to 22 May 2023 for the adoption of the 15-min imbalance settlement period (ISP), and the Energy Authority granted the derogation.

Preparations to adopt a centralised information exchange system for electricity retail markets, i.e. the Datahub, moved forward. The first production test run was successfully carried out from 9–24 June 2021 in close co-operation with the industry. During the test run, the introduction of the Datahub was practiced, and real production events that take place in the market were simulated. The Datahub will go live in February 2022.

Personnel

The total number of personnel employed by the Group averaged 432 (390) with an average of 370 (344) in a permanent employment relationship. Personnel costs amounted to EUR 17.0 (16.3) million. Wages and salaries amounted to EUR 14.4 (14.0) million, which equals 3.1 (4.1) per cent of the turnover.

As a consequence of the coronavirus pandemic, the company has focussed on interaction between personnel and management. The President & CEO has, for example, held reviews for personnel at regular intervals throughout the pandemic. In spring, the company launched strategy work that personnel actively took part in, commenting on the changes taking place in the operating environment and on stakeholders' expectations, as well as on how they affect each person's work.

Fingrid was chosen as the most responsible employer in Finland for the second time. The company ranked first also in 2020. The Most Responsible Employer was announced at the end of May in connection with Oikotie's Responsible Employer study. 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 54 people in various summer jobs throughout Finland.

Other matters

On 7 April 2021, Fingrid Oyj's Annual General Meeting approved the financial statements for 2020 and decided on the dividend payment. The first instalment of the dividend, totalling EUR 89,980,000.00, was paid on 12 April 2021. Juhani Järvi continues as Chair of the Board of

Directors, and Päivi Nerg continues as Vice Chair of the Board. The other Board members are Hannu Linna, Sanna Syri and Esko Torsti.

Legal proceedings and proceedings by authorities

An accident took place on a worksite in Laukaa, Finland, on 25 August 2017, where an employee of Revilla y Garcia S.L. died after having fallen from a transmission line tower. The plaintiff has dropped its previous claims related to the work accident against Fingrid (the client linked with the accident), the main contractor Technolines S.R.L. filial i Finland, and its sub-contractor Revilla y Garcia S.L.

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

On 27 July 2021, 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 authorisation received by the Board, the second dividend instalment of EUR 18,000.00 for each Series A share and EUR 6,600.00 for each Series B share, totalling EUR 45,634,200.00 in dividends, will be paid on 30 July 2021.

Fingrid Group's profit for the 2021 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to clearly improve on the previous year. The main reasons for the improvement in the result are the positive impacts of the colder months early in the year compared to the same period last year and the growth in cross-border transmission volumes on transmission income.

The company's own calculations indicate that the result according to the regulatory model that governs transmission grid operations will show a surplus for 2021, which will compensate for last year's deficit. The company's debt service capacity is expected to remain stable.

Results forecasts for the financial year are complicated especially by the uncertainty related to grid service revenue, ITC income and cross-border transmission income, and to reserve and loss power costs. The income and costs are dependent on the outside temperatures, wind conditions, rainfall and changes in the hydrological conditions in the Nordic countries. These have an impact on the electricity production and consumption and consequently on the transmission and prices of electricity in Finland and in the surrounding areas.

Further information:

Jukka Ruusunen, President and CEO, Fingrid Oyj, tel. +358 40 593 8428

Jan Montell, Chief Financial Officer, Fingrid Oyj, tel. +358 40 592 4419