

FINGRID OYJ
ANNUAL REVIEW AND FINANCIAL STATEMENTS
1 January 2021 – 31 December 2021

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1 REPORT OF THE BOARD OF DIRECTORS

1.1 Financial result and financing

Fingrid's consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS). Unless otherwise indicated, the figures in parentheses refer to the same period of the previous year. Fingrid's consolidated financial statements have been drawn up in accordance with the same accounting principles as in 2020, taking into account more detailed instructions on the application of the IAS38 Intangible Assets standard.

The Group's turnover was EUR 1,090.9 (682.5) million. Grid service revenue grew to EUR 394.3 (373.6) million, which was due to the higher energy consumption resulting from the colder winter months compared to the previous year. Electricity consumption in Finland totalled 86.7 (81.7) terawatt hours during the year. Imbalance power sales increased year-on-year, to EUR 600.5 (260.8) million, due to the exceptionally high electricity prices. The cross-border transmission income for the connection between Finland and Russia increased to EUR 34.4 (6.9) million. This was due to the increase in transmission volume arising as a consequence of Finland's larger area price compared to the prices in northwest Russia. As a result of the transmission situation in the Baltic Sea region, ITC income increased to EUR 22.6 (17.1) million. Other operating income rose to EUR 64.9 (5.2) million, with the growth attributed to the rise in the fair value of derivatives related to business operations.

The Group's total costs amounted to EUR 945.0 (569.5) million. Imbalance power costs rose, due to high electricity prices, and totalled EUR 569.5 (234.4) million. Loss power costs amounted to EUR 65.6 (52.6) million. The volume of loss power stayed at the previous year's level. The high price of electricity raised the price of loss power procurement. The realised average price of loss power procurement was EUR 41.34 (33.23) per megawatt hour. The cost of reserves to safeguard the transmission system security increased to EUR 83.7 (63.5) million, mainly due to the increased hours procured for frequency restoration reserves (FRR). Depreciation amounted to EUR 99.9 (98.5) million and grid maintenance costs to EUR 19.9 (22.9) million. Personnel costs increased to EUR 33.6 (31.2) million because of the higher headcount in response to a growing workload, both domestically and in international cooperation.

The Group's operating profit was EUR 210.8 (118.4) million. To recognise changes in the fair value of electricity derivatives and the currency derivatives related to capital expenditure and other operating expenses, EUR 62.2 (3.0) million was recorded in operating profit. The Group's profit before taxes was EUR 187.6 (113.3) million. Profit for the financial year was EUR 150.1 (94.0) million. The equity ratio was 25.3 (27.4) per cent at the end of the year.

Fingrid's total capital expenditure in 2021 amounted to EUR 199.2 (169.7) million. This included a total of EUR 166.1 (137.3) million invested in the transmission grid and EUR 2.4 (9.6) million for reserve power. ICT investments amounted to EUR 28.5 (21.1) million. Of the individual ICT investments, the largest was the Datahub system, a centralised information exchange system for the retail market, which went live in February 2022. A total of EUR 3.0 (4.5) million was used for R&D projects during the year under review.

The parent company's turnover was EUR 1,091.1 (679.8) million, profit for the financial year EUR 133.5 (136.0) million and distributable funds EUR 184.6 million.

Based on the company's own calculations, the result according to the regulatory model that governs grid operations amounts to a surplus of around EUR 15 million for 2021.

Turnover and other operating income, € million

	Jan- Dec/21	Jan- Dec/20	July- Dec/21	July- Dec/20
Grid service revenue	394.3	373.6	185.9	173.7
Sales of imbalance power	600.5	260.8	388.4	139.9
Cross-border transmission income	34.4	6.9	16.9	5.4
Peak load capacity income*	10.8	12.9	3.6	3.6
ITC income	22.6	17.1	12.4	9.0
Other turnover	28.3	11.1	18.0	7.5
Other operating income	64.9	5.2	64.2	4.8
Turnover and other income total	1,155.9	687.7	689.4	343.8

Costs, € million

	Jan- Dec/21	Jan- Dec/20	July- Dec/21	July- Dec/20
Purchase of imbalance power	569.5	234.4	379.0	128.2
Loss power costs	65.6	52.6	38.1	28.1
Depreciation	99.9	98.5	50.6	49.4
Cost of reserves	83.7	63.5	48.1	30.1
Personnel costs	33.6	31.2	16.6	14.9
Grid maintenance costs	19.9	22.9	11.8	12.2
Cost of peak load capacity*	10.4	12.6	3.5	3.5
ITC charges	13.6	10.8	7.1	6.1
Other costs	48.9	42.9	24.4	24.1
Costs total	945.0	569.5	579.0	296.5

Operating profit excluding the change in the fair value of commodity derivatives

	148.6	115.4	49.3	44.5
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Operating profit of Group, IFRS

	210.8	118.4	105.9	63.2
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* Peak load capacity income and costs are related to the securing of sufficient electricity supply during peak consumption hours in compliance with the Finnish Peak Load Capacity Act

Fingrid's credit rating remained high, reflecting the company's strong overall financial situation and debt service capacity. The Group's net financial costs were EUR 23.2 (4.0) million, including EUR 0.7 million in interest expenses on the lease liabilities booked into the balance sheet. The Group's net interest expenses on loans during the year totalled EUR 12.6 (13.3)

million. The change in the fair value of financial derivatives was EUR 9.4 million negative (EUR 3.8 million positive).

Interest-bearing borrowings totalled EUR 1,158.1 (1,174.9) million, of which non-current borrowings accounted for EUR 1,022.6 (1,032.8) million and current borrowings for EUR 135.5 (142.1) million. At the end of the year, the company's interest-bearing borrowings included a total of EUR 31.1 million in lease liabilities, consisting of EUR 2.6 million in short-term liabilities, to be paid within a year.

The company's liquidity remained good. Cash and cash equivalents and other financial assets totalled EUR 219.6 (125.9) million on 31.12.2021. On 30 November 2021, Fingrid signed a revolving credit facility agreement of EUR 300 million tied to the company's sustainability goals, to secure liquidity. The loan period for the revolving credit facility is five years, in addition to which Fingrid has two one-year extension options. In addition, the company has a total of EUR 90 million in overdraft limits with banks to secure liquidity.

The counterparty risk arising from derivative contracts relating to financing was EUR 16.7 (26.2) million. Fingrid's foreign exchange and commodity price risks were hedged.

Fingrid has credit rating service agreements with S&P Global Ratings (S&P) and Fitch Ratings (Fitch). The credit ratings valid on 31 December 2021 remained high and were as follows:

- S&P's rating for Fingrid's unsecured senior debt and long-term company credit rating at 'AA-' and the short-term company credit rating at 'A-1+', with a stable outlook.
- Fitch's rating for Fingrid's unsecured senior debt at 'A+', the long-term company rating at 'A', and 'F1' for the short-term company rating, with a stable outlook.

1.2 Operations

1.2.1 Strategy

Fingrid Oyj is Finland's transmission system operator, owned by the State of Finland and Finnish pension and insurance companies. Fingrid's mission is to secure a reliable supply of electricity for our customers and entire society cost effectively in all circumstances, and to help shape the clean, market-oriented power system of the future.

Fingrid's operations are based on Finnish and EU legislation. The Finnish Electricity Market Act requires us to develop the main grid, maintain a balance between electricity consumption and generation, and improve the preconditions for a well-functioning electricity market. Fingrid produces grid and electricity market services for its customers. The EU Electricity Regulation obligates cooperation within ENTSO-E, the European Network of Transmission System Operators of Electricity, and also regionally within the Baltic Sea region, to promote the functioning of the internal market in electricity. Fingrid participates in the drawing up and implementation of the market, operating and connection codes and the proposals prescribed in them. Fingrid's operations are supervised and regulated by the Energy Authority, which has granted the company a licence for the transmission grid operations.

The business model describes the most important material and immaterial resources at the company's disposal that are necessary for operational processes. The impact of Fingrid's operations and the significant added value they generate show in various ways throughout

Finnish society. The operational model is described in the Business Review and on Fingrid's website.

Vision:

We are an exemplary transmission system operator and a highly esteemed energy influencer.

Values:

Our values guide the work of our professional community and lay a solid foundation for our corporate culture. Fingrid is open, fair, efficient and responsible in all our operations.

Way of working:

Our corporate culture is open, collaborative and renewing, and complies with good governance practices. We are known for our expertise.

We develop our operations for the long term and in cooperation with our customers and other stakeholders. We treat everyone impartially and with respect.

We achieve the bold and ambitious goals set for our operations. We provide high quality and efficiency by combining our core expertise with that of the best players in the world.

We always work responsibly, effectively, and through open interaction. This is how we earn the trust of our customers and stakeholders.

Implementation of the strategy:

Fingrid's strategy is implemented through four perspectives: Customers & Society, Finance, Internal Processes, and Personnel & Expertise. According to the approach chosen by Fingrid for implementing its strategy, all four perspectives are implemented and developed in a mutually balanced way. The strategic perspectives play a key role in the day-to-day management of the company.

From the customers' perspective the company secures reliable electricity and a well-functioning electricity market. We offer services and affordable prices to meet customer needs.

The objective of the **Finance perspective** is to operate cost-effectively and create value for shareholders.

The **perspective of Internal Processes** consists of the company's three operational processes:

- Ensuring transmission capacity: We carry out investments and maintenance safely and efficiently, in a timely fashion.
- System security management: We operate the main grid proactively and reliably.
- Promoting the electricity market: We actively maintain and develop the electricity market.

Fingrid is a specialist organisation in which the objective of the **Personnel & Expertise perspective** is to maintain and develop an open, social, renewing and high-performing work community.

Fingrid has made the following strategic choices:

Focusing on the core mission

- Fingrid excels in accomplishing its core mission in a changing operating environment. The company does not aim to expand into new businesses or to participate in competitive business.

Customer focus

- Fingrid develops its business operations and operating models actively, putting customers' and society's interests first.

World-class expertise

- The necessary core competencies are maintained in-house and Fingrid cooperates with the best partners. Employees' own expertise is developed through a coaching style of management. Fingrid innovatively utilises the best technologies.

Market focus

- Fingrid applies a market-oriented approach in all areas because we believe that well-functioning markets will produce the best and most innovative solutions. Fingrid actively promotes the integration of the electricity markets in Europe and the Baltic Sea region, while also taking into account Finland's best interests.

Efficiency of operations

- We keep our operations cost-effective as a whole. We anticipate changes using joint situational awareness; we share clear goals, prioritise and measure our operations.

Security and responsibility

- Fingrid secures the existing good level of system security in a power system under transformation. Corporate responsibility and safety are highlighted in all activities.

1.2.2 Customers

Fingrid provides grid services and electricity market services to its customers: network operators, electricity producers, electricity-consuming industry and other electricity market operators. Fingrid's operations are largely based on fulfilling statutory duties, and they are conducted with a maximum customer focus, impartially and on equal terms.

Grid services secure reliable transmission of electricity in the main grid in accordance with the needs of utility companies and energy intensive industry. Significant quantities of wind power capacity were under planning and construction in 2021. We received some 300 new enquiries concerning connecting to the grid, which corresponds to more than 50,000 megawatts. Altogether, we have received close to a thousand connection enquiries, mostly to do with wind power, and their total power comes to 140,000 megawatts. We saw an acceleration in the number of enquiries from customers looking to connect new types of electricity consumption sites, such as data centres, hydrogen production and battery storage, directly to the grid.

Fingrid's **electricity market services** provide the electricity market operators with a unified price area for wholesale electricity trading in Finland as well as the benefits of the open

European electricity markets. In 2021, large quantities of electricity were imported to Finland, based on market incentives, throughout the year under review. Finland has been dependent on imported electricity, as the domestic production capacity has not met the demand. The price differences between the Nordic countries, which were large at times, resulted above all from a different production mix and limited transmission capacity.

Based on the latest European comparison, Fingrid's transmission fees are the second most affordable in a peer group of some 20 countries. Fingrid's objective is to remain among the most affordable transmission system operators, and thus also do our part in offering a competitive advantage to companies operating in Finland. We will raise the electricity transmission fees in the main grid by an average of two per cent in 2022. This increase is based especially on the surge in market-based reserve costs. Reserves ensure the power system's balance of electricity production and consumption.

According to the 2021 customer satisfaction survey, our customers' trust in Fingrid remains good. Our customers gave us a Net Promoter Score (NPS) of 41, a good result for a natural monopoly in a business-to-business industry.

Work on the online service portal, 'My Fingrid', continued as a part of overall customer service development. In the portal, customers can view various metrics such as transmission metering, invoicing, reactive power, and disturbance and transmission outage data.

Two major Fingrid Current customer events and several info sessions and webinars targeted at smaller audiences were arranged in 2021.

1.2.3 Main Grid

Investments in Finland's main grid will come to more than two billion euros this decade. The goal of a climate neutral Finland by 2035 means a significant increase in emission-free electricity production and consumption. The grid investments are based on long-term planning, cost-effectiveness, and by meeting the needs of society and the customers. Investments will be required especially due to the stronger growth of wind power production. Grid planning takes place in close cooperation with the customers and the other TSOs in Europe and the Baltic Sea region.

Altogether 600 kilometres of transmission line projects were underway in 2021, and 710 kilometres were under general planning. The total length of the alternative transmission line routes considered in Fingrid's EIA procedures was almost 1,100 kilometres, a new record.

The increasing of the north-south transmission capacity continued during the year under review. As regards major transmission projects, the Forest Line and Lake Line II, 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. In 2021, around 50 substation and transmission line projects were underway. Of the substation projects ten were completed in 2021. In 2022, 20 substations will be completed.

Digitalisation has made maintenance of the grid easier. Using digital condition monitoring, we can achieve better and more up-to-date data on the condition of equipment, allowing for condition-based maintenance. The goal is to have 25 per cent of the company's substations covered by digital condition monitoring by the end of 2022, and have an autonomous

maintenance system in use in 2025 to communicate, with the help of artificial intelligence (AI), what types of preventive maintenance the transmission system needs.

Fingrid owns ten reserve power plants, whose available power is a total of 927 megawatts. Reserve power plants are used only in larger power system disturbances and reserve power plants are not used for commercial electricity production.

In May 2021, 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.

1.2.4 Power system

In 2021, Finland's electricity consumption rose by roughly six per cent compared to the previous year. Underlying the rise in consumption is a colder winter than in the previous year, and the normalisation of industrial consumption compared to the previous year's uncertain situation resulting from the pandemic. Electricity consumption in Finland amounted to 86.7 (81.7) terawatt hours in 2021. Fingrid transmitted a total of 72.9 (68.4) terawatt hours of electricity in its grid, representing 77.3 (77.2) per cent of the total transmission volume in Finland (consumption and inter-TSO).

The electricity consumption peaked at 14,267 (12,388) MWh/h on 18 February between 9 and 10 a.m., with Finland's electricity production contributing 11,191 MWh/h and the remaining 3,076 MWh/h being imported. The area price of electricity on the day-ahead market in Finland was €86.75/MWh during the peak consumption hour. The electricity supply was not in jeopardy during the peak consumption hour.

Electricity transmissions between Finland and Sweden consisted mostly of large imports to Finland. In 2021, 15.9 (18.8) terawatt hours of electricity was imported from Sweden to Finland, and 0.9 (0.3) terawatt hours was exported from Finland to Sweden. The electricity transmissions between Finland and Estonia were dominated by exports from Finland to Estonia, totalling 6.7 (6.6) terawatt hours. Electricity transmission from Russia to Finland amounted to 9.2 (3.0) terawatt hours. The increase in transmission was due to the significantly higher price of Nordic electricity compared to the previous year. In 2021, 0.3 (0.3) terawatt hours of electricity was imported from Norway to Finland.

The transmission reliability rate during the review period was 99.99992 (99.99995) per cent. Disturbances in connection with capex projects caused by human error increased from the previous year. An outage in a connection point in the main grid caused by a disturbance in Fingrid's transmission system lasted an average of 0.9 (0.5) minutes. The cost of the disturbances (regulatory outage costs) was EUR 2.3 (0.9) million, and including the quick reclosures, EUR 5.8 (3.2) million.

The usability and reliability of Fingrid's DC connections have been at a good level, but there were more short-term disturbances than in the previous year. The total duration of the disturbances was increased in particular by the challenging and long-lasting fault in the Fenno-Skan 1 connection.

The volume of transmission losses in the main grid remained at the level of the previous year, 1.5 (1.5) terawatt hours. This was two per cent of Fingrid's transmission volume, which was

72.9 terawatt hours. The losses are affected by the quantity of the electricity consumed and transferred.

Power system operation	Jan- Dec/21	Jan- Dec/20	July- Dec/21	July- Dec/20
Electricity consumption in Finland TWh	86.7	81.7	42.4	39.7
Inter TSO transmission in Finland, TWh	7.6	7.0	4.2	3.5
Transmission within Finland, TWh	94.3	88.6	46.6	43.2
Fingrid's transmission volume TWh	72.9	68.4	36.9	34.2
Fingrid's electricity transmission to customers, TWh	65.2	61.3	32.6	30.6
Fingrid's loss power volume TWh	1.5	1.5	0.8	0.8
Electricity transmission Finland - Sweden				
Exports to Sweden TWh	0.9	0.3	0.5	0.2
Imports from Sweden TWh	15.9	18.8	8.2	9.5
Electricity transmission Finland - Estonia				
Exports to Estonia TWh	6.7	6.6	3.7	3.3
Imports from Estonia TWh	0.1	0.0	0.0	0.0
Electricity transmission Finland-Norway				
Imports from Norway TWh	0.3	0.3	0.2	0.2
Electricity transmission Finland - Russia				
Imports from Russia TWh	9.2	3.0	4.8	1.8

Reserves required to maintain the power balance of the power system were procured from Finland, other Nordic countries, Estonia and Russia. The availability of reserves was good, with the exception of the spring flooding season. Floods also hit northern Finland in the autumn, which restricted the availability of hydropower plants for maintaining the reserves. Electricity consumption and grid energy storage participate increasingly actively in various reserve resources, particularly in the frequency-controlled disturbance reserve and the Fast Frequency Reserve (FFR). Frequency-controlled reserves were sold to Sweden, as in the previous year. Countertrade costs arise from, among other things, transmission grid disturbances and problem situations. Countertrade costs amounted to EUR 2.5 (0.7) million

Counter trade	Jan- Dec/21	Jan- Dec/20	July- Dec/21	July- Dec/20
Counter-trade between Finland and Sweden, €M	0.3	0.1	0.0	0.0
Counter-trade between Finland and Estonia, €M	0.2	0.2	0.2	0.1
Counter-trade between Finland's internal connections, €M	2.0	0.4	0.7	0.3
Total counter-trade, €M	2.5	0.7	0.9	0.4

1.2.5 Electricity market

As economic recovery continued, growing demand and elevated fuel and emissions trading prices raised the price of electricity during the year under review. Record-high electricity prices were seen in the second half of the review period throughout Europe. The high energy price level and the scarcity of hydropower caused electricity prices to rise to a new all-time high throughout the Nordics. The average market price of spot electricity on the power exchange (Nordic system price) was EUR 62.31 (10.93) per megawatt hour. The area price of electricity on the day-ahead market in Finland peaked on 7 December 2021 at EUR 1,000 per megawatt hour, which was the highest price seen on the markets in over a decade. On the balancing power market, on 26 November 2021, the highest prices ever were seen in Finland, Sweden and northern Norway, when balancing power cost EUR 5,000 per megawatt hour.

Large quantities of electricity were imported to Finland, based on market incentives, throughout the year under review. Finland has been dependent on imported electricity, as the domestic production capacity has been insufficient to meet the demand. The cross-border transmission capacity limitations caused by the Swedish transmission grid's congestion impacted several surrounding bidding areas. The most significant in terms of Finland was the limitation of electricity exports from Finland to Sweden using the Fenno-Skan link. Technically, our cross-border transmission connections functioned extremely reliably.

Fingrid's congestion income from cross-border transmission lines totalled EUR 283.8 (146.7) million, of which the cross-border transmission lines between Finland and Sweden accounted for EUR 221.0 (122.7) million. The links between Finland and Estonia generated EUR 62.7 (24.0) million in congestion revenue. A total of EUR 488.7 million in congestion income remained unused at the end of 2021. The congestion income is used, in line with EU regulation, mostly for grid investments to eliminate transmission congestion.

Electricity market	Jan- Dec/21	Jan- Dec/20	July- Dec/21	July- Dec/20
Nordic system price, average €/MWh	62.31	10.93	42.03	10.53
Area price Finland, average €/MWh	72.34	28.02	47.45	23.23
Congestion income between Finland and Sweden, € million*	442.1	245.4	345.9	141.4
Congestion hours between Finland and Sweden %**	60.1	62.8	62.3	63.8
Congestion income between Finland and Estonia, € million*	125.5	48.1	100.8	27.4
Congestion hours between Finland and Estonia %	40.3	32.9	53.3	32.0

* The congestion income between Finland and Sweden and between Finland and Estonia is divided equally between the relevant TSOs. The income and costs of the transmission connections are presented in the tables under 'Financial result'. Congestion income is used for investments aimed at eliminating the cause of congestion.

** The calculation of a congestion hour between Finland and Sweden refers to an hour during which Finland's day-ahead area price differs from Sweden's SE1 or SE3 area price.

To increase the cross-border transmission capacity between Finland and Sweden, a third AC connection, the Aurora Line, to Sweden is currently being prepared, in cooperation with the Swedish TSO. The increased transmission capacity will help to decrease the price disparities between the countries. The transmission link is due for completion in 2025. The Forest Line connection currently under construction will substantially increase the north-south

transmission capacity necessary for the Finnish power system and help to keep Finland as a single price area in electricity trading. The project is due for completion in 2022.

Fingrid's mission is to develop the electricity market. In order for the power system to operate as much on market terms as possible, it is important that the electricity market and the technical system characteristics are optimally in synch. The company has several ongoing projects for developing the electricity market. Key projects include the Nordic Balancing Model, the centralised information exchange system, i.e. Datahub, flexibility market solutions for the transmission grid, and transmission capacity calculation development. The above-mentioned projects moved forward during 2021, but much remains to be done in the coming years.

The Nordic countries will adopt a single balance model and a 15-minute imbalance settlement period (ISP). The single balance model was adopted in November 2021, and, as a result, separate balances for production and consumption were phased out. The 15-minute imbalance settlement period go-live has been confirmed, based on a decision by the Energy Authority, to take place in May 2023.

A centralised information exchange platform for the retail market of electricity, Datahub, went live in February 2022. Datahub will contain data from about 3.8 million accounting points in Finland.

As the energy transformation accelerates, new solutions are needed on market terms to maintain the power system. The flexibility markets are approaching the pilot stage. Flexible response is necessary both for balancing the consumption and production and to support efficient use of the grid infrastructure. Yet another driver of demand response solutions is EU legislation, in relation to which an amendment was proposed for the Finnish Electricity Market Act in the second half of 2021.

The changing needs of the power system require new kinds of properties from the reserves supporting the use of the system. In January 2021, the Nordic TSOs published a proposal on the renewal of the technical requirements for frequency-controlled reserves for comment by stakeholders. In June, we launched a pilot project to look into the feasibility of the new technical requirements together with market parties. Towards the end of 2021, we started up the procurement of an entirely new reserve product for 2022 – a frequency-controlled disturbance reserve down-regulation product acquired for overfrequency disturbances.

Finland's and Estonia's transmission system operators initiated a collaboration for trade in automatic Frequency Restoration Reserve (aFRR) from Estonia to Finland. The first offers came from Estonia in August of 2021.

A flow based capacity calculation methodology will be adopted in the Nordic countries to improve the allocation of transmission capacity available to the markets. The development of the method entered a new phase during the review period when the calculation system required by the new method was trialled in May 2021.

In 2021, Fingrid participated in a working group directed by the Ministry of Economic Affairs and Employment, tasked to promote sector integration in Finland and to produce insights for the national energy and climate strategy to be completed at a later date. Fingrid additionally led strategy work to create a joint vision for the Nordic TSOs and a roadmap on the development of sector integration on the Nordic level. Sector integration can help to achieve a clean energy system both resource- and cost-effectively through the capability to process

energy in the most optimal form in each stage of production, transfers and consumption, such as electricity, heat, gas or liquid.

1.3 Personnel

The main grid's sizable investment programme and ever-increasing international cooperation have contributed to a significant increase in the number of personnel in recent years. The company needs more and more people, for example, substation project managers, ICT specialists, grid developers and electricity market project specialists.

Fingrid Oyj employed 451 (408) persons, including temporary employees, at the end of the year. The number of permanent personnel was 400 (363) and the average age was 44 (44). At the end of the year, 26 (23) per cent of the personnel were women and 74 (77) per cent were men.

Despite the exceptional circumstances due to the pandemic, our personnel's well-being was very good, with few people falling ill, which was ensured by organising the FitGrid campaign together with the Finnish Institute of Occupational Health. Fingrid participated in the Great Place to Work Finland survey and was once again awarded the Great Place to Work[®] certification, with an overall Trust Index score of 87. Ninety-four per cent of our employees considered Fingrid as a whole to be a good place to work. The company's employees gave us a net promoter score (eNPS) of 67.

Fingrid is a specialist organisation where the most important resource is the knowledge and skills of the personnel. It is extremely important for the company to ensure that critical skills are maintained. Measures such as work rotation and swapping tasks within a team, as well as further education are employed to ensure the important knowhow is retained. The approach of securing expertise as a strategic choice improves the quality of personnel planning and helps the company to better prepare for future needs. In 2021, each Fingrid employee received an average of 3 (3) days of training, and the training costs amounted to EUR 1.0 (1.1) million.

Fingrid's goal is zero accidents and zero serious occupational safety deviations. The main grid must be safe for all and it does not cause accidents or health impacts to those living and working in the vicinity of the grid. Occupational health and safety management is steered by Fingrid's occupational health and safety policy and goals and an OHS management system based on the ISO 45001 standard, the scope of which has been limited to the functions and units working with grid construction, maintenance and reserve power plants. The Occupational Safety and Health Act requires an action plan for occupational health and safety, which applies to Fingrid's entire personnel. In 2021, Fingrid's own personnel had 0 (2) lost-time accidents and service providers' personnel 17 (14). Among the lost-time accidents, 1 (5) led to an absence from work of more than 30 days and was classified as serious. The service providers' and Fingrid's combined lost time injury frequency (LTIF) increased from the previous year to 9.1 (11.1) per million worked hours.

1.4 Corporate responsibility

Fingrid is charged with a mission of high responsibility and great societal significance. The company secures reliable electricity for Finns and invests in the main grid, enabling the clean power system of the future. In 2021, a record number of substation projects to connect wind power to the main grid were underway. The greatest societal impacts of Fingrid's operations are related to mitigating climate change, the security and safety of the power system and a well-functioning electricity market. All of these issues are material topics in terms of

responsibility, and are also at the core of the company's strategy. The company's responsibility targets are divided into environmental responsibility, social responsibility and good governance based on the ESG model (Environment, Social, Governance). Targets for 2025 and 2035 have been set for each key factor, with which the implementation of corporate responsibility is steered. Responsibility also impacts the remuneration of the President & CEO and the company executives. Corporate responsibility and compliance management are integrated with the management system and risk management practices. Fingrid's Board of Directors approves the company's Code of Conduct and monitors the achievement of the goals. The President & CEO is responsible for arranging corporate responsibility management and its integration into business operations. The President & CEO and the heads of functions are each responsible for compliance management and corporate responsibility ESG targets within their areas of responsibility.

Since 2016, Fingrid has committed to the United Nations' Global Compact initiative. The company's Code of Conduct is in line with the principles of this global corporate responsibility initiative on human rights, labour, environment and anti-corruption. In the 2021 personnel survey, 96 per cent of the respondents felt that Fingrid employees comply with responsible practices. The company's customers gave us a net promoter score (cNPS) of 41. Fingrid's Code of Conduct includes a requirement to promote diversity in all activities. The company guarantees equal opportunities, rights and treatment to all employees and complies with the principles of non-discrimination, equality and diversity in its personnel policy. Fingrid has made a pledge to support human rights and included it in the Code of Conduct. To ensure that we correctly understand our human rights impacts, Fingrid has carried out an overall assessment in compliance with the due diligence process recommended in the UN's Guiding Principles on Business and Human Rights. Human rights are included in the corporate responsibility commitment Fingrid expects from its suppliers and their realisation is monitored using a risk-based approach. Contract terms are additionally applied to the use of subcontractors and workforce, and to occupational safety and environmental matters. Fingrid promotes through its operations particularly the UN's global Sustainable Development Goals (SDGs) related to climate actions, energy and infrastructure.

Achieving Finland's climate goals requires that the transmission grid under Fingrid's responsibility has sufficient geographical coverage and transmission capacity. The other significant environmental impacts caused by the company's operations are related to landscape changes and land use restrictions, impacts on natural habitats, the climate impact of power losses during electricity transmission, possible contingencies at substations and reserve power plants, and the consumption of natural resources and the climate impact during grid construction and maintenance. From a climate risk viewpoint, Fingrid prepares for the physical risks of extreme weather phenomena, which are becoming more common and more powerful, in the construction and use of the grid. The transition risk, i.e. the transfer to a clean power system, is being prepared for by building the main grid rapidly enough to achieve the climate goals, which means proactive environmental impact assessments, successful stakeholder engagement, fast project permit processes and effective project management. Fingrid's carbon dioxide emissions in 2021 totalled approximately 165,000 carbon dioxide equivalent tonnes. In 2021, the total wind power capacity connected to Fingrid's main grid amounted to roughly 743 megawatts, which will indirectly cut emissions worth around 213,000 carbon dioxide equivalent tonnes in the coming years. In addition, during the year, Fingrid concluded agreements on connecting a total of approximately 1,500 megawatts of wind power production to the electricity grid. Once realised, this will lead to a substantial positive climate impact, indirectly avoiding emissions worth around 438,000 million carbon dioxide equivalent tonnes. A real-time factor for electricity consumed (average of 91 g CO₂/kWh in 2021) is used

in the emissions reporting; the data is published on Fingrid's website as a part of the open electricity market data.

Landowners and other stakeholders were taken into account when building and maintaining the main grid, and environmental impacts were mitigated at all life-cycle stages in accordance with Fingrid's land use and environmental policy. Similarly to occupational safety standards, outsourced contractors and service providers were required to commit to environmentally responsible operating practices through contract terms, training and audits. An environmental impact assessment (EIA) procedure was underway during 2021, covering the environmental impacts of three projects. No significant environmental deviations occurred in grid building and maintenance. The total volume of waste was approximately 8,900 (10,800) tonnes, of which 99 (95) per cent was utilised in some way and 78 (62) per cent was recycled. Fingrid's reserve power plants have an ISO 14001 environmental certification. A total of 5,344 (5,000) units (tCO₂) of emission allowances were returned, 100 per cent of which consisted of purchased emission right units. In 2021, compliance with environmental requirements, occupational safety and contractor obligations was verified in a total of 13 of Fingrid's worksites or maintenance operations. In international goods sourcing, altogether 11 third-party sustainability audits were carried out.

Fingrid makes a commitment and expects its contractual partners to make a commitment to responsibility and good governance in line with the company's values. Even during the exceptional circumstances of the Covid-19 pandemic in 2021 the company was not made aware of any significant deviations having occurred in the compliance with the company guidelines and good governance. The company significantly grew the volume of green financing in its total financing and signed a revolving credit facility agreement of EUR 300 million tied to the company's responsibility targets. In addition, the company was issued a EUR 70 million green investment loan. Fingrid reports on its tax footprint and refrains from any special arrangements to minimise taxes. Fingrid was Finland's 19th largest corporate income tax payer in 2020. Fingrid does not provide any support to political activities. Fingrid's Code of Conduct includes a prohibition on money laundering and corruption, such as blackmail and bribery. The personnel and external stakeholders have a confidential and independent whistle-blower channel available to them, and one report of suspected overcharging was made through it in 2021. An inspection of the invoicing and approval chains did not yield any suspicious results and no more information was forthcoming from the reporter. No breaches of anti-competition laws, incidents of bribery or other corruption, human rights violations or discrimination incidents occurred in Fingrid's operations. One complaint was directed at the company concerning the privacy of private individuals, which resulted in corrective actions.

Fingrid's corporate responsibility performance is reported according to the Global Reporting Initiative framework and the data is verified by an independent external party. In 2021, we prepared for the global standardisation of corporate responsibility reporting by adding the contents of the industry-specific SASB (Sustainability Accounting Standards Board) standard to our reporting. Additionally, we looked into developing reporting in accordance with the EU's Taxonomy Regulation. The reporting obligation under this regulation concerning the financing of climate and eco-friendly projects is not, so far, obligatory for Fingrid, but the company reports in compliance with the regulation on a voluntary basis. The taxonomy's classification system defines electricity transmission to be part of sustainable economic activity, with technical assessment criteria in place for assessing compliance with the taxonomy. In terms of climate change mitigation, the transmission of electricity has been defined as an enabling activity with which other sectors' greenhouse gas emissions can be significantly reduced. In terms of adapting to climate change, the criteria concern the electricity transmission's preparedness for the risks related to physical changes in the climate system.

More information on corporate responsibility work is available in the Corporate Responsibility and Sustainable Development Report to be published on 23 March 2022.

1.5 Internal control and risk management

Fingrid's risks are managed according to the internal control and risk management principles approved by the Board of Directors.

1.5.1 Organisation of internal control

Fingrid's internal control is an integral part of the company's operations and addresses all those operating methods and procedures whose objective it is to ensure:

- effective and profitable operations in line with the company's strategy,
- the reliability and integrity of the company's financial and management information,
- protection of the company's assets,
- compliance with the applicable legislation, guidelines, regulations, agreements and the company's own governance and operating guidelines as well as the quality thereof, and
- a high standard of risk management.

Risk management is planned holistically, with the objective of comprehensively identifying, assessing, monitoring and safeguarding the company's operations, the environment, personnel and assets from various threats and risks.

Continuity management is a part of risk management. Its objective is to improve the organisation's capacity to prepare and to react in the best possible way should risks occur, and to ensure the continuity of operations in such situations.

Further information on internal control, risk management and the foremost risks and factors of uncertainty is available on the company's website.

Board of Directors

The company's Board of Directors is responsible for organising internal control and risk management, and it approves the principles of internal control and risk management every two years or more often, if necessary. The Board defines the company's strategic risks and related management procedures as part of the company's strategy and action plan and monitors their implementation. The Board decides on the operating model for the company's internal audit. The Board regularly receives internal audit and financial audit reports as well as a status update at least once a year on the strategic risks, major business risks and continuity threats relating to the company's operations, and their management and realisation.

Line management and other organisation

Assisted by the executive management group, the President & CEO is responsible for implementing and steering the company's governance, decision-making procedures, control and risk management, and for the assessment of strategic risks, major business risks and continuity threats at the company level, and their related risk management.

The heads of functions are responsible for the practical implementation of the governance, decision-making procedures, controls and risk management for their areas of responsibility, as well as for the reporting of deviations, and the sufficiency of detailed guidelines. The directors appointed to be in charge of threats to continuity management are responsible for drawing up and maintaining continuity management plans and guidelines, and for arranging sufficient training and practice.

The Chief Financial Officer is responsible for arranging procedures, controls and monitoring at the company level as required by the harmonised operating methods of internal control and risk management. The company's General Counsel is responsible at the company level for assuring the legality and regulation compliance of essential contracts and internal guidelines, taking into account the company's interests, as well as for the procedures these require. Each Fingrid employee is obligated to identify and report any risks or control deficiencies she or he observes and to carry out the agreed risk management procedures.

Financial audit

An authorised public accounting company selected by the Annual General Meeting acts as auditor for the company. The company's financial auditor inspects the accounting, financial statements and financial administration for each financial period and provides the AGM with reports required by accounting legislation or otherwise stipulated in legislation. The financial auditor reports on his or her work, observations and recommendations for the Board of Directors and may also carry out other verification-related tasks commissioned by the Board or management.

Internal audit

The Board of Directors decides on the operating model for the company's internal audit. The internal audit acts on the basis of plans processed by the audit committee and approved by the Board. Audit results are reported to the object of inspection, the President & CEO, the audit committee and the Board. Upon decision of the Board, an internal audit outsourced to an authorised public accounting company acts within the company. From an administrative perspective, the internal audit is subordinate to the President & CEO. The internal audit provides a systematic approach to the assessment and development of the efficacy of the company's risk management, monitoring, management and administrative processes, and ensures their sufficiency and functionality as an independent party. The internal audit has the authority to carry out reviews and to access all information that is essential to the audit. Fingrid's internal audit carries out risk-based auditing on the company's various processes.

1.5.2 Foremost risks

Since Fingrid plays a significant role in Finnish society, the impact of risks is assessed from both the company's and society's perspective. Strategic risks are considered to be events that may lead to a material deterioration in the company's ability to operate or in its corporate image or, in the worst-case scenario, events that may lead to the company's operations being called into question by society.

The most significant of the company's three identified strategic risks is a severe disturbance related to the functioning of the power system, leading to a regional or nationwide blackout. Extensive disturbances to the power system can be caused by a technical malfunction, an

extreme weather event, human error, an accident or vandalism. A blackout can paralyse society's functions and cause major damage to Finnish business and industry.

A significant negative change in regulation constitutes a material strategic risk for the company's operations. Financial regulation directly impacts shareholder value, financing and credit ratings.

The third strategic risk for the company's operations is the possibility of a distortion in the corporate culture under the monopoly's protection, which can surface in the form of disregard for sustainability requirements or other unprofessional behaviour.

In addition to strategic risks, business risks identified as substantial, such as accident, asset, information security, procurement, regulatory interest rate and counterparty and refinancing risks, are reported to the company's Board of Directors.

Fingrid's risk management and foremost risks are explored in greater detail in the company's Annual Report and on its website. Fingrid's financing risks are described in more detail in sections 6.2 and 6.3 of the consolidated financial statements. No substantial risks were realised in 2021.

1.6 Board of Directors and corporate management

Fingrid Oyj's Annual General Meeting was held in Helsinki on the 7th of April 2021. The members of the Board of Directors in 2021 were Juhani Järvi (Chair), Päivi Nerg (Deputy Chair), Hannu Linna, Sanna Syri and Esko Torsti.

PricewaterhouseCoopers Oy was elected as the auditor of the company, with Heikki Lassila, APA, serving as the responsible auditor.

The Board of Directors has two committees: the audit committee and the remuneration committee.

The members of the audit committee were Hannu Linna (Chair as of 7 April 2021), Sanna Syri (Chair until 7 April 2021), Juhani Järvi and Päivi Nerg.

The remuneration committee consisted of Juhani Järvi (Chair), Hannu Linna (until 7 April 2021), Sanna Syri (as of 7 April 2021) and Esko Torsti.

Jukka Ruusunen serves as President & CEO of the company. Fingrid has an executive management group which supports the President & CEO in the company's management and decision-making.

Fingrid was well prepared for the exceptional circumstances during the Covid-19 pandemic. The company's management and decision-making was not endangered, and the core operations were successfully continued in a nearly normal manner, despite the exceptional circumstances, by resorting to remote work as needed.

A Corporate Governance Statement, required by the Finnish Corporate Governance Code, has been provided separately. The statement and other information required by the Code are also available on the company's website at www.fingrid.fi.

1.7 Share capital

The company's share capital is EUR 55,922,485.55. Fingrid shares are divided into Series A shares and Series B shares. The number of Series A shares is 2,078 and the number of Series B shares is 1,247. The voting and dividend rights related to the shares are described in more detail in the notes to the financial statements and in the articles of association available on the company's website.

1.8 Events after the review period and estimate of future outlook

Fingrid Group's profit for the 2022 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to decrease somewhat compared to 2021. 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. These are dependent on the variations in outside temperature, precipitation, windiness, and hydrological conditions in the Nordic countries, which affect electricity consumption and electricity prices in Finland and neighbouring areas and thus also grid transmission volumes. The company's debt service capacity is expected to remain stable. The company has analysed the risks linked to the Ukraine conflict from the perspective of the company and Finland's power system. Based on the analysis, the direct risks to Fingrid are minimal, and Finland is not dependent on electricity imported from Russia.

Jukka Metsälä, M.Sc. (Tech.), MBA, was appointed on 7 February 2022 as Fingrid's new CFO and member of the executive management group as of 5 May 2022, and his area of responsibility is the company's finances and treasury, and business development and strategy. Tuomas Rauhala, D.Sc. (Tech.) was appointed on 24 February 2022 as Senior Vice President of Power System Operations and as a member of the executive management group as of 1 June 2022. Metsälä and Rauhala will report to the company's President & CEO Jukka Ruusunen.

A new company, Nordic RCC A/S was established on 18 January 2022 for the incorporation of the operational planning office (Regional Security Coordinator, RSC) of the four Nordic transmission system operators, located in Copenhagen. Nordic RCC A/S will start up its operations on 1 July 2022, when the RSC will terminate its activities.

On 26 January 2022, the European Union granted funding of EUR 127 million for the Aurora Line transmission link between Finland and Sweden. Fingrid's share will be approximately EUR 110 million. The granted funding is part of the Connecting Europe Facility funding instrument. The new AC connection between Finland and Sweden, to be completed in 2025, is the decade's most important grid investment, which had already previously been selected as an EU Project of Common Interest (PCI). The connection is considered to be of common interest for the whole of Europe.

1.9 Board of Directors' proposal for the distribution of profit

The guiding principle for Fingrid's dividend policy is to distribute substantially all of the parent company profit as dividends. When making the decision, however, the economic conditions, the company's near-term capital expenditure and development needs as well as any prevailing financial targets of the company are always taken into account.

Fingrid Oyj's parent company's profit for the financial year was EUR 133,493,880.81 and distributable funds in the financial statements total EUR 184,630,983.13. Since the close of the financial year, there have been no material changes in the company's financial position and, in the Board of Directors' view, the proposed dividend distribution does not compromise the company's solvency.

After the closing date, the Board of Directors has proposed to the Annual General Meeting of shareholders that, on the basis of the balance sheet adopted for the financial period that ended on 31 December 2021, a dividend of EUR 52,500.00 at maximum per share be paid for Series A shares and EUR 19,200.00 at maximum for Series B shares, for a total of EUR 133,037,400.00 at maximum. The dividends shall be paid in two instalments. The first instalment of EUR 35,000.00 for each Series A share and EUR 12,800.00 for each Series B share, totalling EUR 88,691,600.00 in dividends, shall be paid on 4 April 2022. The second instalment of EUR 17,500.00 at maximum per share for each Series A share and EUR 6,400.00 at maximum per share for each Series B share, totalling EUR 44,345,800.00 at maximum in dividends, shall be paid according to the Board's decision after the half-year report has been confirmed, based on the authorisation given to the Board in the Annual General Meeting. The Board has the right to decide, based on the authorisation granted to it, on the payment of the second dividend instalment after the half-year report has been confirmed and it has assessed the company's solvency, financial position and financial development. The dividends that have been decided on with the authorisation given to the Board shall be paid on the third banking day after the decision. It will be proposed that the authorisation remains valid until the next Annual General Meeting.

1.10 Annual General Meeting 2022

Fingrid Oyj's Annual General Meeting is scheduled to be held on 30 March 2022 in Helsinki.

In Helsinki, on 1 March 2022
Fingrid Oyj
Board of Directors

2 CONSOLIDATED KEY FIGURES

CONSOLIDATED KEY FIGURES		2021 IFRS	2020 IFRS	2019 IFRS	2018 IFRS	2017 IFRS
Extent of operations						
Turnover	MEUR	1,090.9	682.5	789.4	852.8	672.0
Capital expenditure, gross	MEUR	199.2	169.7	126.9	92.7	111.1
- % of turnover	%	18.3	24.9	16.1	10.9	16.5
Research and development expenses	MEUR	3.0	4.5	3.4	3.6	2.6
- % of turnover	%	0.3	0.7	0.4	0.4	0.4
Personnel, average		440	400	384	376	352
Personnel at the end of period		451	408	380	380	355
Salaries and remunerations total	MEUR	28.2	26.7	22.3	26.5	24.2
Profitability						
Operating profit	MEUR	210.8	118.4	115.5	241.6	184.8
- % of turnover	%	19.3	17.3	14.6	28.3	27.5
Profit before taxes	MEUR	187.6	113.3	105.8	229.0	163.7
- % of turnover	%	17.2	16.6	13.4	26.9	24.4
Return on investments (ROI)	%	11.7	7.0	6.4	13.2	10.0
Return on equity (ROE)	%	23.5	14.3	11.6	23.3	16.7
Financing and financial position						
Equity ratio	%	25.3	27.4	32.0	36.6	37.8
Interest-bearing net borrowings	MEUR	938.5	1,049.0	1,037.2	974.3	998.9
Net gearing		1.5	1.7	1.5	1.3	1.3
Share-specific key figures						
Dividend/A shares	€	52,500.00 *	53,500.00	58,500.00	67,650.00	68,470.00
Dividend/B shares	€	19,200.00 *	19,600.00	21,400.00	24,750.00	25,050.00
Equity/share	€	194,573	190,210	206,213	232,310	240,017
Number of shares at 31 Dec						
– Series A shares	shares	2,078	2,078	2,078	2,078	2,078
– Series B shares	shares	1,247	1,247	1,247	1,247	1,247
Total	shares	3,325	3,325	3,325	3,325	3,325

* The Board of Directors' proposal to the Annual General Meeting on the maximum dividend to be distributed

CALCULATION OF KEY FIGURES

Return on investment, %	=	$\frac{\text{Profit before taxes + interest and other finance costs}}{\text{Balance sheet total - non-interest-bearing liabilities (average for the year)}} \times 100$
Return on equity, %	=	$\frac{\text{Profit for the financial year}}{\text{Equity (average for the year)}} \times 100$
Equity ratio, %	=	$\frac{\text{Equity}}{\text{Balance sheet total - advances received}} \times 100$
Dividends per share, €	=	$\frac{\text{Dividends for the financial year}}{\text{Average number of shares}}$
Equity per share, €	=	$\frac{\text{Equity}}{\text{Number of shares at closing date}}$
Interest-bearing net borrowings, €	=	Interest-bearing borrowings - cash and cash equivalents and financial assets
Net gearing	=	$\frac{\text{Interest-bearing borrowings - cash and cash equivalents and financial assets}}{\text{Equity}}$

3 CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

INTRODUCTION

How to read Fingrid's financial statements and get the most out of it?

- Notes are compiled under specific themes to provide the best representation of Fingrid
- Chapters 4-7 consist of notes to the consolidated financial statements.
- Accounting principles are linked with the note most relevant for each specific principle.
- Accounting principles are shown at the end of each note, in a separate box and recognizable by the use of symbol



- Interesting facts about Fingrid's operating environment are highlighted in infoboxes throughout the notes to the financial statements. The infoboxes can be recognized by the use of symbol



Fingrid's business model and the regulation of transmission system operations

Fingrid constitutes a natural monopoly as referred to in the Finnish Electricity Market Act (588/2013), with duties defined in legislation. The company's operations, reasonableness in pricing and financial result are regulated and overseen by the Energy Market Authority. The Energy Authority determines Fingrid's allowed financial result over four-year regulatory periods (2020–2023).

Transmission grid operations, in other words the transmission of electricity in the nationwide grid owned by the company and system responsibility, constitutes the bulk of Fingrid's turnover, profit and balance sheet.

The allowed financial result from transmission network operations is calculated by multiplying the total adjusted capital invested in the transmission network operations (transmission network assets valued at the regulatory present value) with the reasonable rate of return defined by the Energy Market Authority.

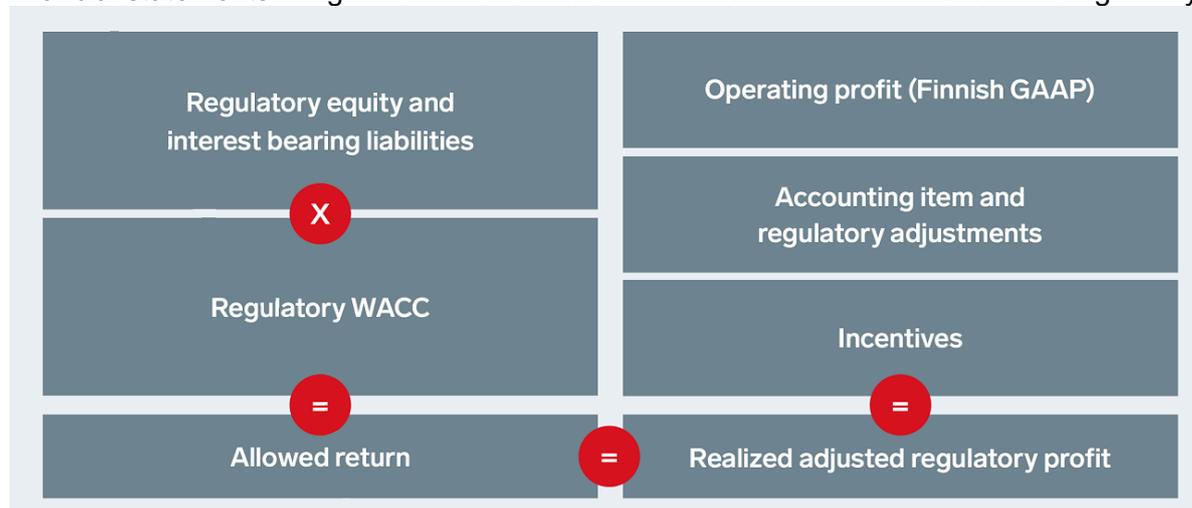
The reasonable financial result allowed by the regulation forms the basis of Fingrid's financial planning and pricing. One can calculate the required amount of turnover by adding operating expenses in the result. Fingrid's transmission grid operations' turnover mainly constitutes from the pricing of the transmitted electricity, in other words the consumption of Fingrid's customers. Fingrid additionally charges fees for output from and input into the grid, and power generation capacity fees. The company determines in advance for the next year the unit prices for the transmission of electricity to recover required turnover. The company's total costs consist of the operating expenses and financial costs and taxes, which are excluded from regulatory calculations.

The so-called adjusted profit, realised in compliance with the regulation, is calculated by adjusting the parent company's operating profit according to the Energy Market Authority's regulation methods and by adding the impact of the incentives.

The regulation incentives are as follows: *Investment incentive* – intended to promote reasonable and cost-effective investments as well as a justified overhaul of components. The incentive impact is created by the

fact that the methods allow the TSO straight-line depreciations based on the replacement value of the transmission network assets. *Quality incentive* – intended to encourage the TSO to improve the quality of electricity transmission. In practical terms this means minimising the calculated negative impact caused by non-transmitted energy. *Efficiency improvement incentive* – intended to encourage the TSO to operate cost-effectively. The efficiency improvement incentive is based on Fingrid's controllable operating costs. *Innovation incentive* – intended to encourage the TSO to develop and use innovative technical and operational solutions in its network operations. In practice, this means adequate R&D resources.

Any realised regulatory profit over a regulatory period that exceeds the allowed return is a surplus that must be returned to the customers in the form of lower future prices. If the realised regulatory profit over a regulatory period is below the allowed return, the result is a deficit which the company may recover from the customers in the form of higher future prices. No regulatory surplus or deficit income is recorded in the financial statements. Fingrid's aim is to achieve the allowed financial result in the regulatory period.



The Energy Authority determines Fingrid's highest allowed financial result over four-year regulatory periods. The Energy Authority has confirmed a cumulative deficit of EUR 28.4 million for the previous regulatory period, 2016–2019. The table below shows Fingrid's own rough approximation for the realised regulatory profit for 2021. Fingrid's aim is to achieve the allowed return during the regulatory period 2020–2023.

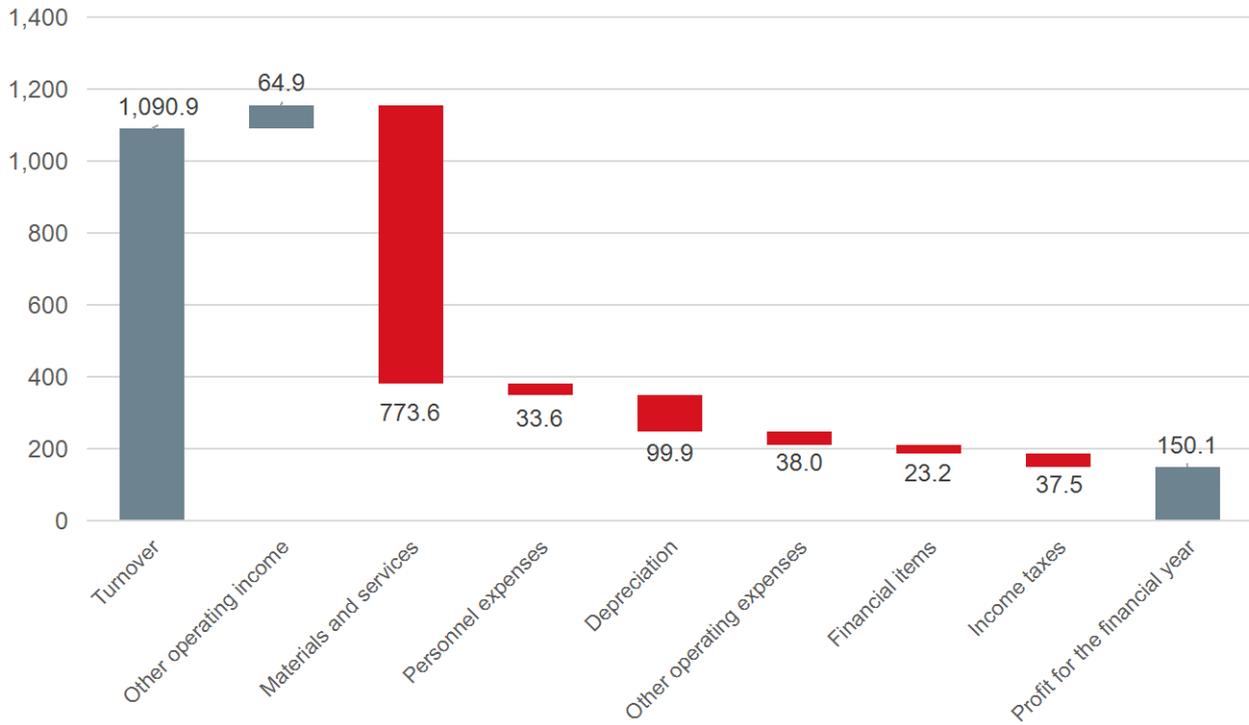
WACC (pre-tax) 2021 (2020)	Adjusted capital 2021 (2020)	Allowed financial result 2021 (2020)	Deficit(-)/Surplus(+) 2021 (2020)	Cumulative Deficit (-)/Surplus(+) 2020-2023
4.52% (4.89%)	Approx. EUR 3,100 (3,000) million	Approx. EUR 140 (145) million	Approx. EUR 15 (-30) million	Approx. EUR -15 million

The company also engages in other regulated business operations, but the impact of these on the company's financial result and balance sheet is negligible.

3.1 Income statement

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
		1 Jan - 31 Dec, 2021	1 Jan - 31 Dec, 2020
	Notes	€ 1,000	€ 1,000
TURNOVER	1	1,090,924	682,456
Other operating income	2	64,937	5,219
Materials and services	5	-773,553	-404,330
Personnel expenses	9	-33,633	-31,207
Depreciation	11,12	-99,884	-98,459
Other operating expenses	6,13	-37,990	-35,304
OPERATING PROFIT		210,801	118,376
Finance income	17	442	9,812
Finance costs	17	-23,660	-13,848
Finance income and costs		-23,217	-4,036
Share of profit of associated companies		48	-1,058
PROFIT BEFORE TAXES		187,631	113,283
Income taxes		-37,507	-19,287
PROFIT FOR THE FINANCIAL YEAR		150,124	93,996
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be transferred to profit or loss			
Translation reserve			1,040
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		150,124	95,036
Profit attributable to:			
Equity holders of parent company		150,124	93,996
Total comprehensive income attributable to:			
Equity holders of parent company		150,124	95,036

Profit for the financial year 2021, MEUR



3.2 Consolidated balance sheet

ASSETS		31 Dec 2021	31 Dec 2020
	Notes	€ 1,000	€ 1,000
NON-CURRENT ASSETS			
Intangible assets:	12		
Goodwill		87,920	87,920
Land use rights		100,868	100,771
Other intangible assets		54,988	35,954
		243,777	224,645
Property, plant and equipment:	11		
Land and water areas		20,406	19,873
Buildings and structures		268,983	250,279
Machinery and equipment		553,324	557,528
Transmission lines		706,077	727,577
Other property, plant and equipment		118	118
Prepayments and purchases in progress		235,206	147,346
		1,784,113	1,702,721
Right-of-use-assets	13	30,239	30,673
Investments in associated companies	24	2,041	2,369
Other long-term investments	22	6,753	9,604
Other long-term receivables	3	68	48
Derivative instruments	23	30,227	44,383
Deferred tax assets	10	27,109	27,504
TOTAL NON-CURRENT ASSETS		2,124,327	2,041,946
CURRENT ASSETS			
Inventories	8	14,233	13,684
Derivative instruments	23	63,644	15,523
Trade receivables and other receivables	3,24	137,675	109,803
Other financial assets	20	120,330	80,243
Cash in hand and cash equivalents	19	99,280	45,645
TOTAL CURRENT ASSETS		435,161	264,899
TOTAL ASSETS		2,559,488	2,306,845

Notes are an integral part of the financial statements.

FINGRID OYJ
www.fingrid.fi

1 March 2022

EQUITY AND LIABILITIES	Notes	31 Dec 2021 € 1,000	31 Dec 2020 € 1,000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	21	55,922	55,922
Share premium account	21	55,922	55,922
Retained earnings	21	535,111	520,602
TOTAL EQUITY		646,956	632,447
NON-CURRENT LIABILITIES			
Deferred tax liabilities	10	106,528	102,938
Borrowings	14	994,173	1,003,855
Provisions	25	3,107	1,368
Derivative instruments	23	2,535	17,689
Lease liabilities	13.14	28,463	28,913
Accruals	7	369,342	214,792
		1,504,147	1,369,554
CURRENT LIABILITIES			
Borrowings	14	132,879	139,817
Derivative instruments	23		3,640
Lease liabilities	13.14	2,603	2,328
Trade payables and other liabilities	7	272,903	159,059
		408,384	304,844
TOTAL LIABILITIES		1,912,532	1,674,398
TOTAL EQUITY AND LIABILITIES		2,559,488	2,306,845

Notes are an integral part of the financial statements.

3.3 Consolidated statement of changes in equity

Attributable to equity holders of the parent company, € 1,000

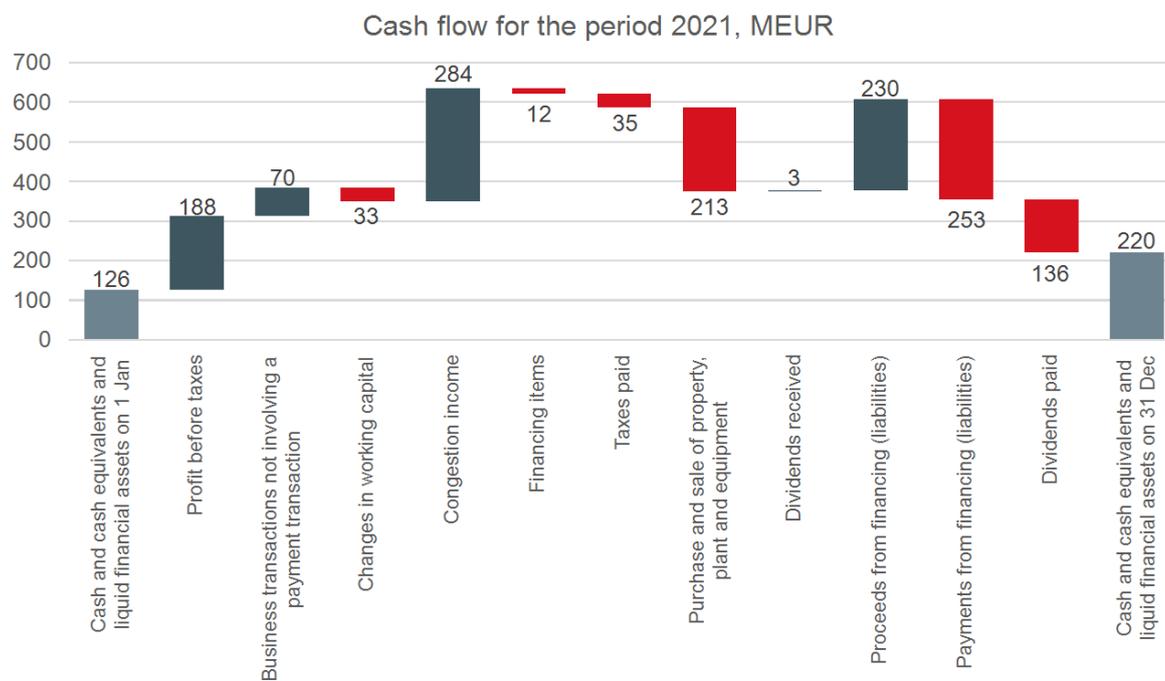
	Share capital	Share premium account	Translation reserve	Retained earnings	Total equity
Balance on 1 Jan 2020	55,922	55,922	-1,040	574,854	685,659
Comprehensive income					
Profit or loss				93,996	93,996
Other comprehensive income					
Translation reserve			1,040		1,040
Total other comprehensive income adjusted by tax effects			1,040		1,040
Total comprehensive income			1,040	93,996	95,036
Transactions with owners					
Dividend relating to 2019				-148,249	-148,249
Balance on 31 December 2020	55,922	55,922	0	520,602	632,447
Balance on 1 Jan 2021	55,922	55,922	0	520,602	632,447
Comprehensive income					
Profit or loss				150,124	150,124
Other comprehensive income					
Total comprehensive income			0	150,124	150,124
Transactions with owners					
Dividend relating to 2020				-135,614	-135,614
Balance on 31 Dec 2021	55,922	55,922	0	535,111	646,956

Notes are an integral part of the financial statements.

3.4 Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT		1 Jan - 31 Dec, 2021	1 Jan - 31 Dec, 2020
	Notes	€ 1,000	€ 1,000
Cash flow from operating activities:			
Profit before taxes		187,631	113,283
Adjustments:			
Business transactions not involving a payment transaction:			
Depreciation		99,884	98,459
Capital gains/losses (-/+) on tangible and intangible assets		69	498
Other adjustments		232	
Share of profit of associated companies		-48	1,058
Gains/losses from the assets and liabilities recognised in the income statement at fair value		-62,201	-10,248
Connection agreements		9,215	9,161
Finance income and costs		23,217	4,036
Impact from changes in the fair value of the investment		-45	47
Changes in working capital:			
Change in trade receivables and other receivables		-25,950	-14,377
Change in inventories		-549	-1,617
Change in trade payables and other liabilities		-6,806	-4,589
Congestion income		283,776	146,748
Change in provisions	25	-44	-26
Interests paid		-18,827	-21,981
Interests received		6,806	9,349
Taxes paid		-35,210	-40,716
Net cash flow from operating activities		461,150	289,085
Cash flow from investing activities:			
Purchase of property, plant and equipment	11	-178,090	-134,512
Purchase of intangible assets	12	-33,518	-23,455
Proceeds from sale of property, plant and equipment		1,206	840
Repayment of loan receivables		375	375
Dividends received		2,904	9,204
Capitalised interest paid	17	-2,582	-1,629
Net cash flow from investing activities		-209,704	-149,177
Cash flow from financing activities:			
Proceeds from non-current financing (liabilities)		35,000	164,667
Payments of non-current financing (liabilities)		-17,662	-67,662
Proceeds from current financing (liabilities)		195,413	50,000
Payments from current financing (liabilities)		-232,351	-93,161
Dividends paid	21	-135,614	-148,249
Principal elements of lease payments		-2,510	-2,429
Net cash flow from financing activities		-157,725	-96,834
Change in cash as per the cash flow statement		93,721	43,074
Opening cash as per the cash flow statement		125,889	82,815
Closing cash as per the cash flow statement	19,20	219,609	125,889

Notes are an integral part of the financial statements.



4 BENCHMARK FOR TSO OPERATIONS (IFRS)

- **This chapter contains first general information about the Group and the general accounting principles applied to the consolidated financial statements.**
- **The chapter focuses on describing how Fingrid's turnover and result are formed and how they relate to the regulatory revenue level. The impact of the regulation is reflected in Fingrid's day-to-day operations and revenue collection.**
- **The chapter also describes Fingrid's operating receivables and liabilities, as well as the risk management they entail.**
- **People are Fingrid's most important resource, which is why information related to personnel has been included here, in the first note.**
- **Fingrid is a substantial tax payer, and Fingrid does not use tax planning. The note on taxes is at the end of this chapter, in chapter 4.9.**

4.1 General information about the Group and general accounting principles

Fingrid Oyj is a Finnish public limited liability company responsible for electricity transmission in Finland's main grid. The nationwide main grid is an integral part of the power system in Finland. The main grid is the trunk network to which major power plants, industrial plants and electricity distribution networks are connected.

Finland's main grid is part of the Nordic power system, which is connected to the system in Central Europe via high-voltage direct current transmission links. Finland also has DC links with Russia and Estonia.

The main grid encompasses more than 14,000 kilometres of 400, 220 and 110 kilovolt transmission lines, plus more than 100 substations.

Fingrid is in charge of planning and monitoring the operation of the main grid and for maintaining and developing the system. An additional task is to participate in work carried out by ENTSO-E, the European Network of Transmission System Operators for Electricity, and in preparing European market and operational codes as well as network planning.

Fingrid offers grid, cross-border transmission and balance services to its contract customers: electricity producers, network operators and the industry. Fingrid serves the electricity market by maintaining adequate electricity transmission capacity, by removing bottlenecks from cross-border transmission links and by providing market data.

The consolidated financial statements include the parent company Fingrid Oyj and its wholly owned subsidiaries Finextra Oy and Datahub Oy. The consolidated associated company is eSett Oy (ownership 25.0%). The Group has no joint ventures.

Fingrid issues bonds under the Euro Medium Term Note (EMTN) programme. Fingrid Oyj's issuances under the EMTN programme are generally listed on the London and Irish stock exchanges. Fingrid shares are not listed.

Critical accounting estimates and judgements

When the consolidated financial statements are drawn up in accordance with the IFRS, the company management needs to make estimates and assumptions which have an impact on the amounts of assets, liabilities, income and expenses recorded and conditional items presented. These estimates and assumptions are based on historical experience and other justified assumptions which are believed to be reasonable under the conditions which constitute the foundation for the estimates of the items recognised in the financial statements. The actual amounts may differ from these estimates. In the financial statements, estimates have been used for example, when specifying the economic lives of tangible and intangible asset items, and in conjunction with deferred taxes and provisions. Critical estimates and judgements by management are described by topic in the notes, and the judgement or estimates related to which are in accordance with the following table.

Estimate of the purchase and sale of imbalance power	Chapter 4.3
Inter-Transmission System Operator Compensation (ITC)	Chapter 4.3
Deferred tax assets and liabilities	Chapter 4.9
Determination of the fair value measurement of grid assets	Chapter 5.1
Determination of the depreciation periods of property, plant and equipment, and intangible assets	Chapter 5.2
Assessment of use of additional options on leases	Chapter 5.3



Accounting principles

Fingrid's consolidated financial statements have been drawn up in accordance with the same standards as in 2020, taking into account more detailed instructions on the application of the IAS 38 Intangible Assets standard.

Segment reporting

The entire business of the Fingrid Group is deemed to comprise grid operations in Finland with system responsibility, only constituting a single segment. There are no essential differences in the risks and profitability of individual products and services. For that reason, segment reporting in accordance with the IFRS 8 standard is not presented. The operating segment is reported in a manner consistent with the internal reporting to the chief operating decision-maker. The chief operating decision-maker is the company's Board of Directors. Fingrid operates only in Finland, which is also why geographical data is not presented.

Foreign currency transactions

The consolidated financial statements are presented in euros, which is the functional currency of the parent company. Transactions and financial items denominated in foreign currencies are recognised at the foreign exchange mid-rate quoted by the European Central Bank (ECB) at the transaction date. Receivables and liabilities denominated in foreign currencies are valued in the financial statements at the mid-rate quoted by the ECB at the closing date. Foreign exchange gains and losses from business are included in the corresponding items above operating profit. Foreign exchange gains and losses from financial instruments are recognised at net amounts in finance income and costs.

4.2 The company's general risk management processes and policies

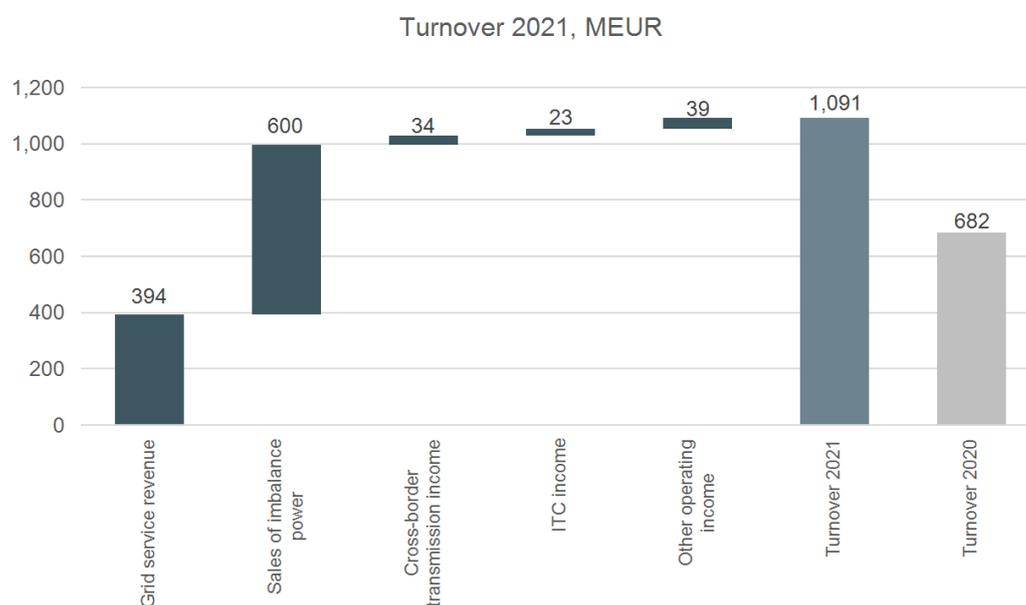
In the risk management process, the risk factors linked with operative activities, assets and financing are estimated systematically according to unified criteria. The risks are divided into strategic risks and major business risks to be reported to the Board of Directors, and into operational risks. Hedging a risk will be implemented when the cost of the hedge is in reasonable relation to the size of the risk. A general objective is to transfer significant risks by contracts, insurances or derivatives. The risks deemed to be moderate in terms of their impacts are managed by Fingrid independently, through clear controls and other practical measures.

Risk management is planned holistically with the objective of comprehensively identifying, assessing, monitoring and safeguarding the company's operations, the environment, personnel and assets from various threats and risks. Due to the nature of the company's basic mission, risks are also assessed from a societal perspective.

The Board approves the key principles of internal control and risk management and any amendments to them. The Board of Directors approves the primary actions for risk management as part of the corporate strategy, indicators, action plan, and budget. The Board of Directors (Audit Committee) receives a situation report annually on the major risks relating to the operations of the company and on the management of such risks.

4.3 Formation of turnover and financial result

Turnover consists of the following:



1. TURNOVER, €1,000	2021	2020
Grid service revenue	394,290	373,569
Sales of imbalance power	600,490	260,823
Cross-border transmission income	34,440	6,918
ITC income	22,633	17,147
Peak load capacity	10,755	12,923
Other operating income	28,317	11,075
Total	1,090,924	682,456

Grid service income mainly consists of the unit price for electricity transmission multiplied by the volume. The Energy Market Authority approves the pricing structure for grid services, on the basis of which Fingrid sets the unit prices for electricity transmission during the winter period and for consumption during other times. The winter period begins on 1 December and ends on the last day of February. Fingrid additionally charges fees for output from and input into the grid, and power generation capacity fees. Fingrid seeks to set the unit prices for electricity transmission each autumn for the next year, for one year at a time. Within the framework of grid services, a customer obtains the right to transmit electricity to and from the main grid through its connection point. Grid service is agreed by means of a grid service contract signed between a customer connected to the main grid and Fingrid.

Each electricity market party must ensure its electricity balance by making an agreement with either Fingrid or some other party. Fingrid buys and sells imbalance power in order to stabilise the hourly power balance of an electricity market party (balance responsible party). Imbalance power trade and pricing are based on a balance service agreement with equal and public terms and conditions. Fingrid is responsible for the continuous power balance in Finland at all times by buying and selling balancing power in Finland. The balance responsible parties can participate in the Nordic balancing power market by submitting bids on their available capacity. The terms and conditions of participation in the balancing power market and the pricing of balancing power are based on the balance service agreement.

Transmission services on the cross-border connections to the other Nordic countries enable participation in the European day-ahead and intraday markets. Fingrid offers electricity transmission service from Russia through its 400 kV cross-border connections. The transmission service is intended for fixed electricity imports and it is based on Fingrid's agreements with the Russian TSO and system operator. The technical terms of the cross-border power lines are defined in the Intersystem Agreement, the operational terms in the Operation Agreement, measurement terms in the Agreement of Electricity Metering and Accounting and the commercial terms are specified in the Agreement of Capacity Allocation. The Customer and Fingrid agree on the terms of the electricity transmission in a transmission service agreement, which is based on the agreements mentioned above. The contractual terms are equal and public. ITC compensation is, for Fingrid, income and/or costs which the transmission system operator receives for the use of its grid by other European transmission system operators and/or pays to other transmission system operators when using their grid to serve its own customers.

The peak load capacity secures the supply security of electricity in situations of the Finnish power system where the planned electricity procurement is not sufficient to cover the anticipated electricity consumption. The peak load capacity system is a special task assigned to Fingrid by the Finnish Energy Authority, based on the Peak Load Capacity Act (117/2011, Act on peak load capacity which secures a balance between electricity production and consumption). The Energy Authority submits the peak load capacity plants for competitive tendering, and Fingrid manages the peak load capacity service as required by the Act. The peak load capacity can consist of both power plants and facilities capable of adjusting their electricity consumption.

2. OTHER OPERATING INCOME, €1,000	2021	2020
Rental income	479	528
Capital gains on fixed assets	494	577
Contributions received	224	547
Gains from measuring derivatives at fair value	62,267	2,830
Other income	1,472	738
Total	64,937	5,219

Turnover and profit from operations 2017-2021, MEUR



Accounting principles

Revenue recognition

Sales recognition takes place on the basis of the delivery of the service. Electricity transmission is recognised once the transmission has taken place, and balance power services are recognised on the basis of the delivery of the service. Indirect taxes and discounts, etc., are deducted from the sales income when calculating turnover.

IFRS 15 Revenue from Contracts with Customers

The fundamental principle of the IFRS 15 standard is that sales revenue should be recognised when control over the goods or the service is transferred to the customer.

A five-step process should be applied when recognising sales revenue:

- Identify the customer contract(s)
- Identify the individual performance obligations
- Determine the transaction price according to the contract
- Allocate the transaction price to individual performance obligations, and
- Recognise revenue when each performance obligation is met.

Sales recognition takes place on the basis of the supply of the service. Electricity transmission is recognised once the transmission has taken place. Balance power services are recognised on the basis of the delivery of the service. Fingrid has defined the performance obligations related to each agreement, and revenue recognition has been examined separately for each performance obligation. When determining the extent to which a performance obligation is met, a single method should be applied for all performance obligations to be met over time. Connection agreements are long term and can be terminated, at the earliest, 15 years from the date when they entered into force. If a customer does not receive an individual item of goods or a service against the connection fee, this must be recognised as revenue in the same way as the other revenue according to the contract, generally over the contract term.

The company reviews the revenue recognition principles for new products or when the business models change.



Judgements and estimates

Estimate of the purchase and sale of imbalance power

The income and expenses of imbalance power are ascertained through a nationwide imbalance settlement procedure, which is based on the Ministry of Employment and Economy's 9 December 2008 decree on the disclosure obligation related to the settlement of electricity delivery. The final imbalance settlement is completed no later than 13 days from the delivery month, which is why the income and expenses of imbalance power in the financial statements are partly based on preliminary imbalance settlement. The estimate is based on the preliminary imbalance settlement information provided by the imbalance settlement. For foreign balances, the calculations have been verified with the foreign counterparties.

Inter-Transmission System Operator Compensation (ITC)

Compensation for the transit transmissions of electricity has been agreed upon through an ITC (Inter-Transmission System Operator Compensation) agreement. The centralised calculations are carried out by ENTSO-E (the European Network of Transmission System Operators of Electricity). ITC compensation is determined on the basis of the compensation paid for use of the grid and transmission losses. The ITC calculations take into account the electricity transmissions between the various ITC agreement countries. ITC compensation can represent both an income and a cost for a transmission system operator. Fingrid's share of the ITC compensation is determined on the basis of the cross-border electricity

transmissions and imputed grid losses. ITC compensation is invoiced retroactively after all parties to the ITC agreement have approved the invoiced sums. Control is carried out monthly. This is why the uninvoiced ITC compensations for 2021 have been estimated in the financial statements. The estimate has been made using actual energy border transmissions in Finland and unit compensations, which have been estimated by analysing the actual figures from previous months and data on grid transmissions during these months.

4.4 Revenue-related receivables and credit risk management

3. TRADE RECEIVABLES AND OTHER RECEIVABLES, €1,000	2021	2020
Non-current:		
Other receivables	68	48
Total	68	48
Current:		
Trade receivables	104,139	80,940
Receivables from associated companies	385	5,720
Accrued income	30,614	19,060
Other receivables	2,537	4,083
Total	137,675	109,803
Total	137,742	109,851
Essential items included in short-term accruals		
	2021	2020
Accruals of sales	23,621	14,086
Accruals of purchases/prepayments	2,359	1,370
Interest receivables	3,625	3,573
Tax assets	1,009	29
Amortized personnel costs		1
Total	30,614	19,060

Credit risk management – customers

According to The Electricity Market Act, the company is obliged to accept distribution network operators joining the grid as well as electricity producers and consumers as its customers. Accordingly, the company cannot choose its customers based on a credit risk analysis or collect different fees from them. In general, collateral are not required from the company's customers to secure sales payments, but in the event of an overdue payment, this is possible. The unit in charge of the customer relationships is responsible for verifying their creditworthiness. The procedure following a customer payment default is defined in the terms and conditions of the Main Grid Contract. At the turn of the year, the company had minor outstanding receivables, of which the credit risk was considered to be low, and the company estimates it will receive these payments. The company has no impairments related to receivables.

Netting of sales receivables and trade accounts payables

The sales receivables and trade accounts payables are netted in the balance sheet as presented in the table below. The netted items are associated with purchases and sales of imbalance power. The company has a legally enforceable right of set-off to these items in any circumstance and will use this right.

4. NETTING OF TRADE RECEIVABLES AND TRADE PAYABLES € 1,000						
	2021			2020		
	Gross amount of trade receivables/trade payables	Amount of netted items	Net amount of trade receivables and trade payables presented in the balance sheet	Gross amount of trade receivables/trade payables	Amount of netted items	Net amount of trade receivables and trade payables presented in the balance sheet
Trade receivables	121,227	-17,088	104,139	101,823	-15,554	86,269
Trade payables	53,784	-17,088	36,696	53,579	-15,554	38,025



Accounting principles

Trade and other receivables

Trade receivables and other receivables are recognised initially at the transaction price; subsequently they are measured at amortised cost using the effective interest rate method. The expected credit losses are assessed based on historical amounts of credit losses, taking into account forward-looking information on economical developments and receivable-specific assessments. Impairment losses are recognised directly, under

other operating expenses, to reduce the carrying amount of the receivables. Fingrid did not have any impairment losses during the periods presented here.

In addition to trade receivables and other receivables, the company has a small amount of loan receivables from associated companies. These are long- and short-term and described in Chapter 7.1. The receivables from associated companies are recognised according to these same accounting principles.

4.5 Operating expenses, liabilities and credit risk management for purchases

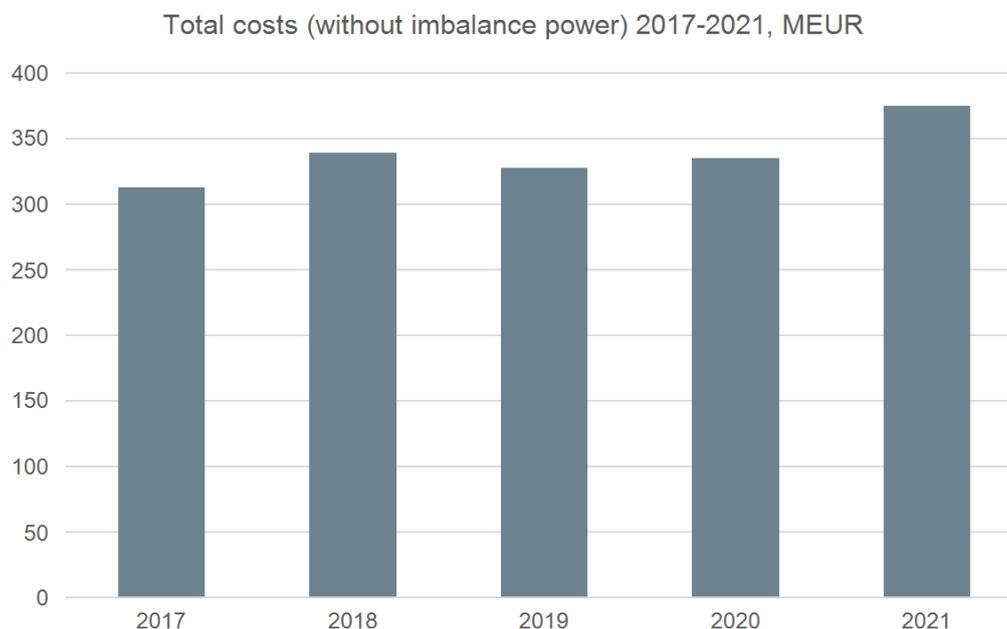
Fingrid's operating expenses consist of and have developed as follows:



Reserve costs are one of the major cost items after imbalance power purchases and depreciation of fixed assets. Reserves are needed to maintain the grid's frequency and system security. Reserves include power plants, demand facilities and energy storage facilities, which are able to adjust their power output as needed. There are many types of reserves and they are divided up based on their purpose. Frequency Containment Reserves are used for the constant control of the frequency, while the Frequency Restoration Reserves are intended to restore the frequency to its normal range, releasing the activated Frequency Containment Reserves back into use. In addition, the Fast Frequency Reserve is used for frequency containment in low inertia situations, in addition to the Frequency Containment Reserve. The frequency of the grid means the balance of electricity production and consumption, which is 50.0 Hz. The grid is balanced when electricity production and consumption are equal.

Cost increases due in particular to new tasks and unexpected external changes affecting operations has been a special characteristic of grid operations in recent years. The new tasks include, among other things, the changes required by the European network codes and the costs for developing these tasks, and developing the Nordic imbalance settlement and the related markets. Some of the new tasks and responsibilities are assigned to Fingrid by law, which means the company must increasingly develop and back up its operations. The cost factors also include society's increasing dependency on the power system, as well as needs related to data security. Fingrid nevertheless continues to be one of the most cost-effective TSOs in the world in international benchmark studies. The Group's R&D costs in 2021 amounted to EUR 3.0 (4.5) million.

Information on loss power costs can be found in chapter 4.7.



5. MATERIALS AND SERVICES, €1,000	2021	2020
Loss power costs	65,591	52,590
Purchase of imbalance power	569,499	234,412
Cost of reserves	83,496	63,536
Peak load capacity costs	10,373	12,618
ITC costs	13,576	10,846
Maintenance management costs	19,414	21,958
Other materials and services	11,604	8,371
Total	773,553	404,330

6. OTHER OPERATING EXPENSES, €1,000	2021	2020
Contracts, assignments etc. undertaken externally	29,068	27,121
Gains/losses from measuring derivatives at fair value	66	-175
Other rental expenses	742	739
Other expenses	8,114	7,619
Total	37,990	35,304

Auditors' fees	2021	2020
PricewaterhouseCoopers Oy		
Auditing fee	141	120
Other fees	37	33
Total	178	153

Auditors' fees are included in other operating expenses

The company's operating model is largely based on outsourcing, including areas such as grid investments, maintenance management and ICT purchases. The company will apply competitive tendering as described in the procurement policy. All purchasing activities are based on impartiality, equality and transparency. Procurement decisions will be made according to previously published financial and qualitative criteria that are verifiable also after the fact. Fingrid aims to ensure that all suppliers and their subcontractors operate in a sustainable manner. A commitment to Fingrid's Supplier Code of Conduct is required from all suppliers.

7. TRADE PAYABLES AND OTHER LIABILITIES, €1,000	2021	2020
Non-current:		
Accruals: congestion income*	369,342	214,792
Total	369,342	214,792
Current:		
Trade payables	34,441	36,064
Trade payables to associated companies	2,254	1,961
Interest payable	12,320	12,576
Value added tax	18	9,780
Collaterals received		923
Electricity tax	899	4,251
Accruals	222,044	92,694
Other debt	926	810
Total	272,903	159,059
Total	642,245	373,851
Essential items included in short-term liabilities	2021	2020
Personnel expenses	8,899	7,536
Accruals of sales and purchases	93,770	80,116
Tax liabilities		708
Congestion income*	119,375	4,334
Total	222,044	92,694

*Information on the accrual and use of congestion income can be found in chapter 5.1.

Credit risk in purchasing

The heads of functions are in charge of counterparty risks related to suppliers. The procurement policy and guidelines, and separate instructions set out the financial criteria required for Fingrid's suppliers and their monitoring.

General procurement principles

The Group follows three alternative procurement methods when purchasing goods or services. When the value of the purchase is less than 60,000 euros and the benefits of a competitive tender are smaller than the costs of the purchase, the purchase can be executed without a competitive tender or it can be executed through an oral request. A written order or purchasing agreement is always drawn up. When the estimated value of the procurement exceeds 60,000 euros but is below the threshold values applied to public procurements, the procurement is subject to competitive bidding by requesting written bids from the supplier candidates. When the public procurement threshold values that apply to Fingrid (in 2021: EUR 428,000 for goods and services, EUR 5,350,000 for construction projects, EUR 428,000 for design competitions and EUR 5,350,000 for right-of-use agreements) are exceeded, the company follows the public procurement legislation applied to special sectors.

4.6 Inventories

Fingrid prepares for outages by owning and maintaining reserve power plants. The inventories contain fuel for reserve power plants, spare parts for submarine cables, back-up equipment and parts for substations, and repair equipment for transmission lines. The aim of stockpiling is to achieve sufficient preparedness at the substations and on the transmission lines owned by Fingrid in case of faults and events possibly occurring during times of crisis.

8. INVENTORIES, €1,000	2021	2020
Materials and consumables		
Material stocks	9,066	8,636
Fuel stocks	5,167	5,047
Total	14,233	13,684

The use of inventories was entered as an expense of EUR 1.7 (3.0) million.



Accounting principles

Inventories

Inventories are measured at the lower of acquisition cost or net realisable value. The acquisition cost is determined using the FIFO principle. The net realisable value is the estimated market price in normal business reduced by the estimated future costs of completing and estimated costs required by sale. Inventories consist of material and fuel inventories.

4.7 Management of commodity risks

The company is exposed to electricity price and volume risk through transmission losses so that the company must acquire so-called loss power in an amount corresponding to the electricity transmission losses. However, the electricity price and volume risks are not significant to the company's turnover and financial result over time. If the volume of transmitted electricity deviates from the forecasted volume, the result may be a deviation in the company's turnover and financial result. This can lead to a surplus or deficit compared with the allowed reasonable return for the year in question, which the company will aim to offset during the regulatory period.

Loss power purchases and the price hedging thereof are based on the Corporate Finance Principles approved by the Board of Directors. Moreover, the company has a loss power policy, approved by the Executive Management Group, for loss power hedging and purchases, as well as operative instructions, instructions for price hedging and control room instructions. The allowed hedging instruments are defined in the loss power policy. The purpose of price hedging is to reduce the impact of market price volatility and enable sufficient predictability in order to keep the annual pressures on grid pricing of loss energy at a moderate level. The hedging service is procured from an external portfolio manager who decides on the implementation and timing of the hedges according to the specifications of the loss power policy and the given instructions. The purchase price of loss power is hedged using derivatives such that the price hedging of electricity is started three years before the year of delivery, i.e. the hedge horizon is four years at maximum. The goal is that the portfolio manager times the execution of her/his hedging plan, which is based on the loss power forecast, so that the delivery year is fully hedged by the end of September of the preceding year. OTC futures are used for price hedging, the pricing of which is based on NASDAQ OMX Commodities' quotes. The nominal values, fair values and exposures of electricity derivatives are disclosed in table 23.

Commodity risks other than those related to loss energy purchases arise if the company enters into purchasing agreements in which the price of the underlying commodity influences the final price of the investment commodity (commodity price risk). As a rule, commodity price risks and exchange rate risks are fully hedged. A risk that amounts to less than EUR 5 million when realised can be left unhedged for reasons of cost-effectiveness.

4.8 Personnel - the cornerstone of our operations

Fingrid Oyj employed 451 (408) persons, including temporary employees, at the end of the year. The number of permanent personnel was 400 (363). Of the personnel employed by the company, 26 (23) per cent were women and 74 (77) per cent were men. The average age of the personnel was 44 (44).

9. PERSONNEL EXPENSES, €1,000	2021	2020
Salaries and bonuses	28,244	26,669
Pension expenses - contribution-based schemes	4,386	3,635
Other additional personnel expenses	1,003	902
Total	33,633	31,207
Salaries and bonuses of top management	2,113	2,023

Personnel costs amounted to EUR 37.8 (34.1) million, of which EUR 4.2 (2.9) was capitalised to investment projects.

In 2021, the Group applied a remuneration system for senior management; the general principles of the system were accepted by the Board of Directors of Fingrid Oyj on 17 December 2020. The total remuneration of the President & CEO and the members of the Executive Management Group consists of a fixed total salary, a one-year bonus scheme, and a three-year long-term incentive scheme. The maximum amount of the one-year bonus scheme payable to the CEO was 40 per cent of the annual salary and to the other members of the executive management group 25 per cent of the annual salary. The maximum amount of the annual long-term incentive scheme payable to the CEO was 40 per cent and to the other members of the executive management group 25 per cent.

The Group currently has contribution-based pension schemes only. The pension security of the Group's personnel is arranged by an external pension insurance company. Pension premiums paid for contribution-based schemes are recognised as an expense in the income statement in the year to which they relate. In contribution-based schemes, the Group has no legal or factual obligation to pay additional premiums if the party receiving the premiums is unable to pay the pension benefits.

NUMBER OF SALARIED EMPLOYEES IN THE COMPANY DURING THE FINANCIAL YEAR:

	2021	2020
Personnel, average	440	400
Personnel, 31 Dec	451	408



Accounting principles

Employee benefits

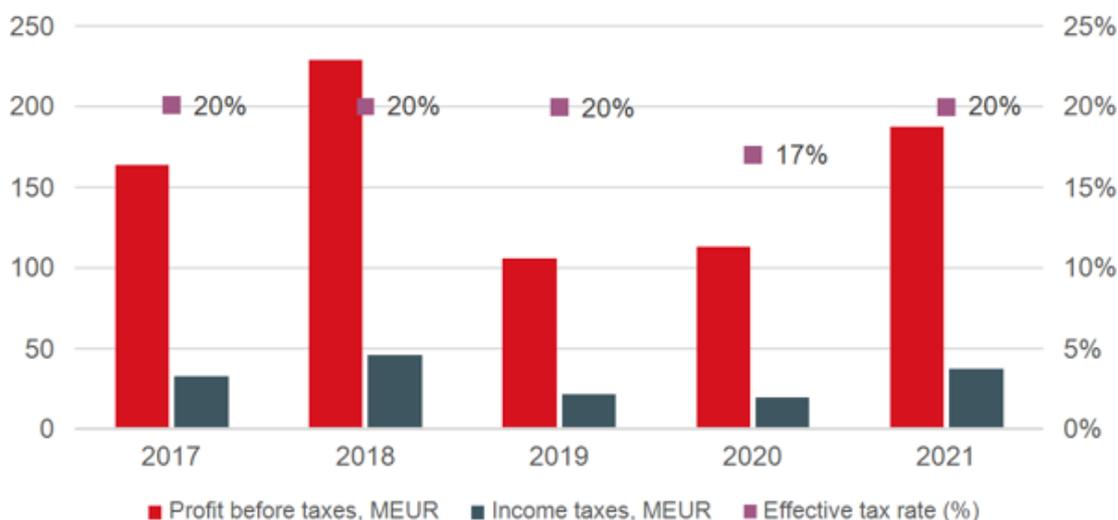
Pension obligations

The company has only defined contribution-based pension schemes. A defined contribution-based pension arrangement refers to a pension scheme according to which fixed contributions are paid into a separate entity, and the Group bears no legal or actual obligation to make additional contributions if the fund does not contain sufficient funds to pay out benefits based on work performed during current and previous financial periods to all employees. Under defined contribution-based pension schemes, the Group pays mandatory, contractual or voluntary contributions into publicly or privately managed pension insurance policies. The Group has no other contribution obligations in addition to those payments. The payments are entered as personnel costs when they fall due. Advance payments are entered in the balance sheet as assets insofar as they are recoverable as refunds or deductions from future payments.

4.9 Taxes

The company will pay its income taxes in accordance with the underlying tax rate, without special tax arrangements. Income taxes consist of direct taxes and the change in deferred tax: EUR -33.5 (-29.8) million and EUR -4.0 (10.4) million respectively. Fingrid's effective tax rate is essentially comparable to Finland's corporate tax rate of 20%. The table below describes the development of Fingrid's effective tax rate.

Taxes 2017-2021



10. DEFERRED TAX ASSETS AND LIABILITIES, € 1,000

Changes in deferred taxes in 2021:

	31 Dec 2020	Recorded in income statement at profit or loss	31 Dec 2021
Deferred tax assets			
Provisions	279	343	621
Trade payables and other liabilities	2,016	-44	1,973
Losses confirmed in taxation	1,784	275	2,059
Derivative instruments	4,427	-3,873	554
Congestion income	7,059	890	7,950
Connection fees (IFRS 15)	11,825	1,843	13,668
Lease liabilities (IFRS 16)	114	52	165
Property, plant and equipment, tangible and intangible assets		118	118
Total	27,504	-395	27,109
Deferred tax liabilities			
Accumulated depreciations difference	-59,779	4,000	-55,779
Property, plant and equipment, tangible and intangible assets	-31,065	-1,406	-32,471
Other receivables	1,076	557	1,633
Other financial assets	-220	9	-211
Borrowings	-1,702	44	-1,658
Derivative instruments	-11,248	-6,793	-18,041
Total	-102,938	-3,590	-106,528

Changes in deferred taxes in 2020:

	31 Dec 2019	Recorded in income statement at profit or loss	31 Dec 2020
Deferred tax assets			
Provisions	279		279
Trade payables and other liabilities	2,059	-43	2,016
Losses confirmed in taxation		1,784	1,784
Derivative instruments	1,519	2,908	4,427
Congestion income	9,003	-1,943	7,059
Connection fees (IFRS 15)	9,993	1,832	11,825
Lease liabilities (IFRS 16)	62	51	114
Total	22,915	4,589	27,504
Deferred tax liabilities			
Accumulated depreciations difference	-69,779	10,000	-59,779
Property, plant and equipment, tangible and intangible assets	-30,206	-859	-31,065
Other receivables	-1,086	2,162	1,076
Other financial assets	-210	-9	-220
Borrowings	-1,744	43	-1,702
Derivative instruments	-5,758	-5,489	-11,248
Total	-108,784	5,846	-102,938



Accounting principles

Income taxes

Taxes presented in the consolidated income statement include the Group companies' accrual taxes for the profit of the financial year, tax adjustments from previous financial years and changes in deferred taxes. Deferred taxes are recorded in accordance with Finland's statutory corporate tax rate of 20%. Taxes are recognised in the income statement unless they are linked with other comprehensive income, in which case the tax is also recognised in other comprehensive income. Such items in the Group consist solely of available-for-sale investments.

Deferred tax assets and liabilities are recognised on all temporary differences between the tax values of asset and liability items and their carrying amounts using the liability method. Deferred tax is recognised using tax rates valid up until the closing date. The deferred tax liabilities arising from the original recognition of goodwill will not be recognised, however. Deferred tax liabilities will also not be recognised if they are caused by the original recognition of the asset or liability and the item is not related to a merger and the transaction will not affect the accounting totals or the taxable revenue during its implementation. The deferred tax assets are shown as non-current receivables and deferred tax liabilities correspondingly as non-current liabilities.

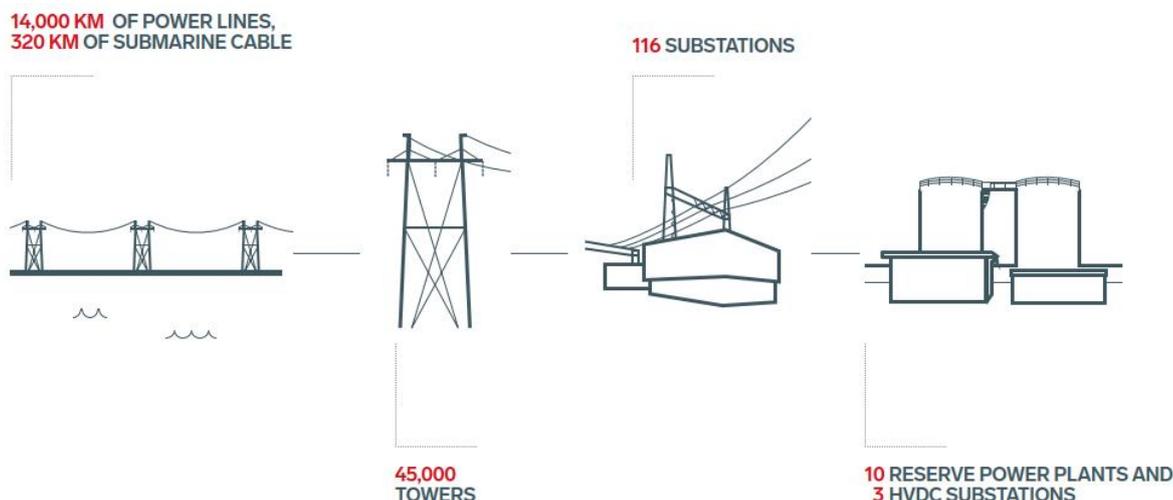
The largest temporary differences result from the depreciation of property, plant and equipment, from financial instruments, and from the use of congestion income for capital expenditures. The deferred tax asset from temporary differences is recognised up to an amount which can likely be utilised against future taxable income.

5 LONG-TERM INVESTOR (IFRS)

- This chapter focusses on Fingrid’s assets, and above the most important ones: Grid assets and the indicators related to them.
- The chapter also takes a look at the company’s goodwill and provides a description of other property, plant and equipment, and intangible assets.

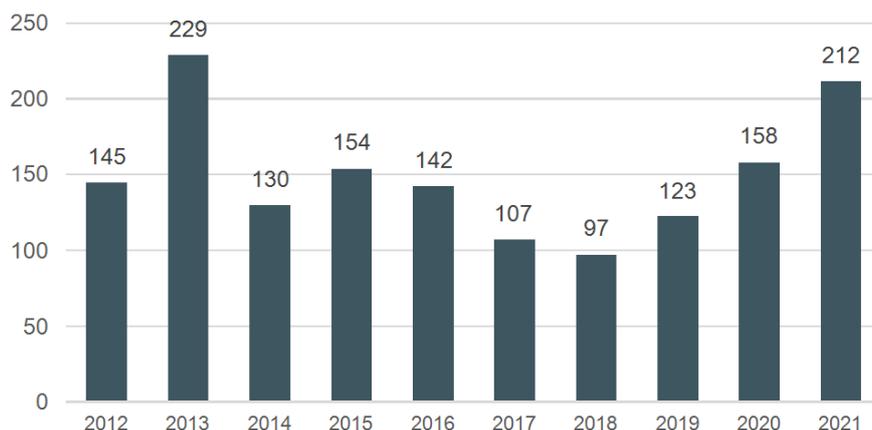
5.1 Grid assets

Fingrid’s grid investment programme promotes the national climate and energy strategy, improves system security, increases transmission capacity and promotes the electricity markets. The annual capital expenditure in the grid has remained extensive.



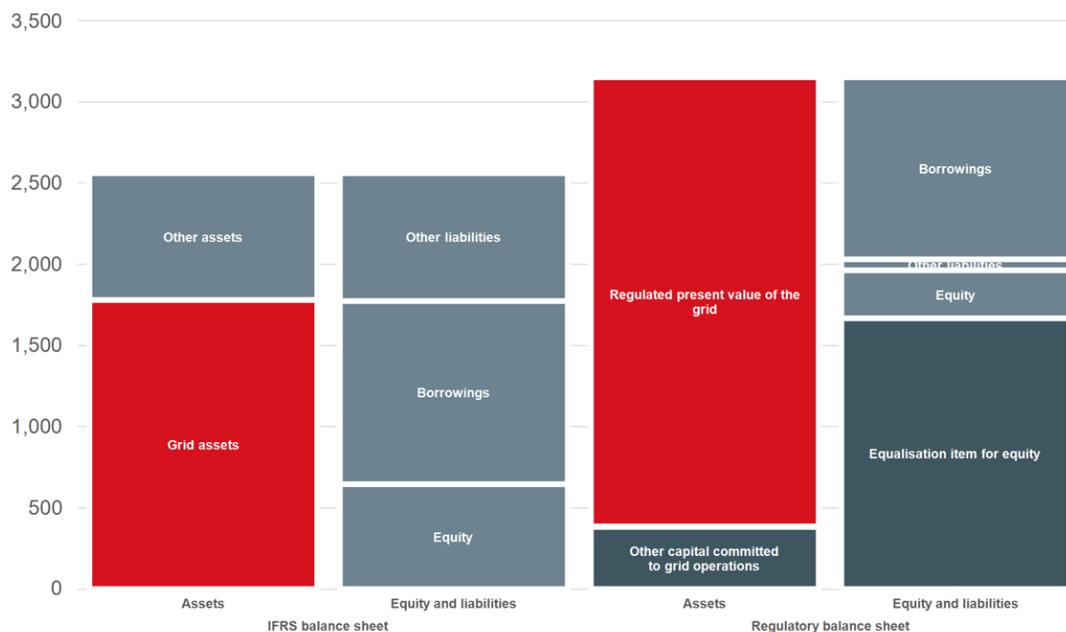
The company’s total capital expenditure in 2021 amounted to EUR 199.2 (169.7) million. This included a total of EUR 166.1 (137.3) million invested in the transmission grid and EUR 2.4 (9.6) million for reserve power. ICT investments amounted to EUR 28.5 (21.1) million and related mainly to the datahub project. A total of EUR 3.0 (4.5) million was used for R&D projects during the year under review. In 2021, around 50 substation and transmission line projects were underway. Of the substation projects ten were completed in 2021. Fingrid’s ongoing major electricity transmission projects included the construction of a transmission line from Oulu to Petäjävesi, the so-called ‘Forest Line’. The construction of a third AC connection to Sweden is under preparation to boost the functioning of international electricity markets. The transmission link is due for completion in 2025. From a climate risk viewpoint, Fingrid prepares for the physical risks of extreme weather phenomena, which are becoming more common and more powerful, in the construction and use of the grid.

Capital expenditure from cash flow total 2012-2021, MEUR



Grid assets are recognised at fair value for the purposes of the company's regulatory balance sheet, as described earlier. The regulatory fair value of the transmission network assets (adjusted replacement cost) is calculated by adding up the adjusted replacement costs for each grid component; these are calculated by multiplying the unit price specified by the Energy Authority with the number of grid components. The adjusted present value in use for a grid component is calculated based on the adjusted replacement cost, using the useful life and mean lifetime data of the grid component.

IFRS balance sheet and regulatory balance sheet 2021, MEUR



Congestion income

Congestion income is generated because of an insufficient transmission capacity between the bidding zones of an electricity exchange. In such cases, the bidding zones become separate price areas, and the transmission link joining them generates congestion income in the electricity exchange as follows: $\text{congestion income [€/h]} = \text{transmission volume in the day-ahead markets [MW]} * \text{area price difference [€/MWh]}$. The basis for this is that a seller operating in a lower priced area receives less for their power than what a buyer pays for it in a higher priced area. The additional income caused by this price difference, i.e. congestion income, remains in the electricity exchange, which then pays the income to the TSOs as per the contractual terms. The congestion income received by a grid owner must be used for the purposes stated in EU Regulation 2019/943, Article 19: guaranteeing the actual availability of the allocated capacity, and maintaining or increasing interconnection capacities through network investments.



Fingrid's congestion income from cross-border transmission lines totalled EUR 283.8 (146.7) million. EUR 488.7 (219.1) million in congestion income was left unused and will be used for future investments to improve the functioning of the electricity market. The Energy Authority has approved the allocation of surplus congestion income for electricity market investments worth EUR 119.4 million during 2022.



Accounting principles

Congestion income

The congestion income is included as accruals in the item Other liabilities in the balance sheet. Of the accruals, congestion income will be recognised in the income statement as other operating income when their corresponding costs, as defined in the regulation, accrue as annual expenses in the income statement. Alternatively, they are entered in the balance sheet against investments, as defined by regulation, to lower the acquisition cost of property, plant and equipment, which lowers the depreciation of the property, plant and equipment in question. Fingrid reports the share to be used during the next year in short-term liabilities.

Public contributions

Public contributions received from the EU or other parties related to property, plant and equipment are deducted from the acquisition cost of the item, and the contributions consequently reduce the depreciation made on the item. Other contributions are distributed as income over those periods when costs linked with the contributions arise. Other contributions received are presented in other operating income.

5.2 Tangible and intangible assets

11. PROPERTY, PLANT AND EQUIPMENT, € 1,000	2021	2020
Land and water areas		
Cost at 1 Jan	19,873	19,640
Increases 1 Jan - 31 Dec	620	234
Decreases 1 Jan - 31 Dec	-87	
Cost at 31 Dec	20,406	19,873
Carrying amount 31 Dec	20,406	19,873
Buildings and structures		
Cost at 1 Jan	350,125	332,015
Increases 1 Jan - 31 Dec	30,932	18,111
Decreases 1 Jan - 31 Dec	-3,015	
Cost at 31 Dec	378,042	350,125

Accumulated depreciation 1 Jan	-99,847	-88,947
Decreases, depreciation 1 Jan - 31 Dec	2,487	
Depreciation 1 Jan - 31 Dec	-11,700	-10,900
Carrying amount 31 Dec	268,983	250,279
Machinery and equipment		
Cost at 1 Jan	1,260,413	1,234,697
Increases 1 Jan - 31 Dec	39,946	28,154
Decreases 1 Jan - 31 Dec	-367	-2,439
Cost at 31 Dec	1,299,992	1,260,413
Accumulated depreciation 1 Jan	-715,526	-673,724
Decreases, depreciation 1 Jan - 31 Dec	343	1,364
Depreciation 1 Jan - 31 Dec	-43,718	-43,165
Carrying amount 31 Dec	541,091	544,887
Transmission lines		
Cost at 1 Jan	1,353,330	1,345,479
Increases 1 Jan - 31 Dec	17,659	8,682
Decreases 1 Jan - 31 Dec	-1,135	-831
Cost at 31 Dec	1,369,854	1,353,330
Accumulated depreciation 1 Jan	-625,753	-588,270
Decreases, depreciation 1 Jan - 31 Dec	516	586
Depreciation 1 Jan - 31 Dec	-38,541	-38,070
Carrying amount 31 Dec	706,077	727,577
Capitalised interest on machinery and equipment and transmission lines		
Cost at 1 Jan	15,610	14,475
Increases 1 Jan - 31 Dec	154	1,134
Cost at 31 Dec	15,763	15,610
Accumulated depreciation 1 Jan	-2,969	-2,423
Depreciation on capitalised interest 1 Jan - 31 Dec	-561	-546
Carrying amount 31 Dec	12,233	12,640
Other property, plant and equipment		
Cost at 1 Jan	118	118
Cost at 31 Dec	118	118
Carrying amount 31 Dec	118	118
Prepayments and purchases in progress		
Cost at 1 Jan	147,346	50,540
Increases 1 Jan - 31 Dec	178,911	154,591
Decreases 1 Jan - 31 Dec	-232	
Transfers to other tangible and intangible assets 1 Jan - 31 Dec	-90,819	-57,785
Cost at 31 Dec	235,206	147,346
Carrying amount 31 Dec	235,206	147,346
Property, plant and equipment	1,784,113	1,702,721

12. INTANGIBLE ASSETS, €1,000	2021	2020
Goodwill		
Cost at 1 Jan	87,920	87,920
Cost at 31 Dec	87,920	87,920
Carrying amount 31 Dec	87,920	87,920
Land use rights		
Cost at 1 Jan	100,707	100,301
Increases 1 Jan - 31 Dec	114	489
Decreases 1 Jan - 31 Dec	-84	-82
Cost at 31 Dec	100,737	100,707
Decreases, depreciation 1 Jan - 31 Dec	131	64
Carrying amount 31 Dec	100,868	100,771
Other intangible assets		
Cost at 1 Jan	85,594	70,016
Increases 1 Jan - 31 Dec	21,732	15,829
Decreases 1 Jan - 31 Dec	-103	-251
Cost at 31 Dec	107,223	85,594
Accumulated depreciation 1 Jan	-49,640	-46,547
Depreciation 1 Jan - 31 Dec	-2,595	-3,093
Carrying amount 31 Dec	54,988	35,954
Carrying amount 31 Dec	243,777	224,645

Land use rights are not depreciated but tested annually for impairment in connection with the testing of goodwill.

The entire business of the Fingrid Group is grid operations in Finland with system responsibility, which the full goodwill of the Group in the balance sheet is fully allocated to. The goodwill included in the balance sheet amounts to EUR 87.9 million and has not changed during the periods under review. Since, per the regulation, the fair value of the net assets included in the company's grid assets is approximately EUR 2,800.0 million compared to the carrying amount of EUR 2,027.9 million in net assets, which includes land use rights and goodwill, the book value of the asset items has not decreased.



Accounting principles

Property, plant and equipment

Grid assets form most of the property, plant and equipment. Grid assets include, among other things, 400 kV, 220 kV, 110 kV transmission lines, direct current lines, transmission line right-of-ways, substations and the areas they encompass (buildings, structures, machinery and equipment, substation access roads), gas turbine power plants, fuel tanks, generators and turbines.

Property, plant and equipment are valued in the balance sheet at the original acquisition cost less accumulated depreciation and potential impairment. If an asset is made up of several parts with useful lives of different lengths, the parts are treated as separate items and are depreciated over their separate useful lives.

When a part of property, plant and equipment that is treated as a separate item is replaced, the costs relating to the new part are capitalised. Other subsequent costs are capitalised only if it is likely that the future economic benefit relating to the asset benefits the Group and the acquisition cost of the asset can be determined reliably. Repair and maintenance costs are recognised in the income statement when they are incurred.

Borrowing costs, such as interest costs and arrangement fees, directly linked with the acquisition, construction or manufacture of a qualifying asset form part of the acquisition cost of the asset item in question. A qualifying asset is one that necessarily requires a considerably long time to be made ready for its intended purpose. Other borrowing costs are recognised as an expense. Borrowing costs included in the acquisition cost are calculated on the basis of the average borrowing cost of the Group.

Property, plant and equipment is depreciated over the useful life of the item using the straight-line method. Depreciation on property, plant and equipment taken into use during the financial year is calculated on an item-by-item basis from the month of introduction. Land and water areas are not depreciated. The expected economic lives are verified at each closing date, and if they differ significantly from the earlier estimates, the depreciation periods are amended accordingly.

The depreciation periods of property, plant and equipment are as follows:

Buildings and structure	
Substation buildings and separate buildings	40 years
Substation structures	30 years
Buildings and structures at gas turbine power plants	20-40 years
Separate structures	15 years
Transmission lines	
Transmission lines 400 kV	40 years
Direct current lines	40 years
Transmission lines 110-220 kV	30 years
Creosote-impregnated towers and related disposal costs	30 years
Aluminium towers of transmission lines (400 kV)	10 years
Optical ground wires	10-20 years
Machinery and equipment	
Substation machinery	10-30 years
Gas turbine power plants	20 years
Other machinery and equipment	3-5 years

Gains or losses from the sale or disposition of property, plant and equipment are recognised in the income statement under either other operating income or expenses. Property, plant and equipment are derecognised in the balance sheet when their economic useful life has expired, the asset has been sold, scrapped or otherwise disposed of to an outsider.

Goodwill and other intangible assets

Goodwill created as a result of the acquisition of enterprises and businesses is composed of the difference between the acquisition cost and the net identifiable assets of the acquired business valued at fair value. Goodwill is allocated to the transmission grid business and is tested annually for impairment. Impairment testing is carried out by comparing the regulatory fair value to the carrying amount of net assets included in the company's grid assets. Regulatory recognition at fair value is presented in chapter 5.1. and impairment is discussed in chapter 5.2

Other intangible assets consist of computer software and land use and emission rights. Computer software is valued at its original acquisition cost and depreciated on a straight line basis during its estimated useful life. Land use rights, which have an indefinite useful life, are not depreciated but are tested annually for impairment.

More on emission rights in chapter 7.2.

Subsequent expenses relating to intangible assets are only capitalised if their economic benefits to the company increase compared to before. In other cases, expenses are recognised in the income statement when they are incurred.

IAS 38 Intangible assets and treatment of costs linked to cloud services

The accounting principles have been updated based on the IFRIC 2021 decision on Configuration or Customisation Costs in a Cloud Computing Arrangement (Software as a Service arrangements). In 2021, EUR 0.7 million in costs were recognised in accordance with the updated practices.

5.3 Lease agreements

The Group's leases mainly relate to office premises. The durations of the leases vary, and they may include options for extension and termination. A right-of-use asset and a corresponding liability are recognised for leases at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost.

13. LEASES, 1 000 €	2021	2020
Right-of-use-assets:		
Right-of-use-assets, buildings and structures		
Cost at 1 Jan	30,673	32,574
Increases 1 Jan - 31 Dec	2,336	784
Depreciation 1 Jan - 31 Dec	-2,769	-2,685
Cost at 31 Dec	30,239	30,673
Carrying amount 31 Dec	30,239	30,673
Lease liabilities:		
Non-current	28,463	28,913
Current	2,603	2,328
Total	31,066	31,241

Amounts recognised in the income statement

Depreciation of right-of-use assets – buildings	2,769	2,685
Interest costs	623	653
Costs related to short-term leases and leases of low-value assets	734	806

The outgoing cash flow from leases in 2021 totalled EUR 3.1 (3.1) million.



Accounting principles

Lease agreements

Fingrid Oyj mainly acts as a lessee, and most of the leases are for office premises. The lessee recognises all the leases as right-of-use assets and lease liabilities in the balance sheet, except for items of short duration (lease terms of less than 12 months) and of insignificant value. A right-of-use asset and a corresponding liability are recognised in the balance sheet at the date at which the leased asset is available for use by the Group. The right-of-use asset is depreciated as straight-line depreciations, over the shorter of lease term and useful life of the underlying asset. The interest cost of lease liabilities is recorded in finance costs. Lease liability payments are stated in the cash flow of financing activities and the related interest in interest expenses.

The length of the lease period is the time during which the agreement cannot be cancelled. Lease agreements may include extension options and these are taken into account in the length of the lease period, if the management considers it highly likely that they will be used.

The real-estate leases do not clearly define the interest rate implicit in the lease, which is why Fingrid uses as the interest rate an estimate of the company's incremental borrowing rate for real estate leases. The incremental borrowing rate is determined for the entire real-estate lease portfolio, whereby all real-estate leases are discounted using the same interest rate. The discount rates applied in discounting leases under IFRS 16 are based on the market yield on the company's publicly quoted bonds.

Short-term leases or leases of low-value assets, which are expensed in equal instalments, consist of vehicle lease payments, lease payments for land and water areas and lease payments for small machinery and equipment.



Judgements and estimates

Lease agreements concerning right-of-use assets often include extension and termination options. The company's management has estimated how likely it is that the agreements will be extended. The lease period will be reassessed if the option is used or is not used.

6 STRONG FINANCIAL POSITION (IFRS)

- **This chapter focuses on describing how Fingrid's financing is formed and how the related risks are managed, and at the same time, how short-term financial assets that secure liquidity are formed.**
- **The chapter describes the company's principles of capital management, ownership structure and dividend distribution policy.**
- **The end of the chapter contains a summary of all the financial assets and financing liabilities, as well as derivatives, that the company uses solely for risk management purposes. The risks relate to various market risks: the electricity price risk and the interest rate and exchange rate risk. Management of the price and volume risk of electricity is described in chapter 4.7.**

6.1 Capital management

Equity and liabilities as shown in the balance sheet are managed by Fingrid as capital. The balance sheet according to the company's accounting is smaller than the balance sheet under the Energy Authority's transmission operations regulations, in which grid assets have been measured at the regulatory present value in use. The company's borrowings are presented at their carrying amount also on the regulatory balance sheet. Equity on the accounting balance sheet is naturally smaller than equity on the regulatory balance sheet, which balances out the difference in the grid asset carrying amount and the actual present value in use.

The company must have a capital structure to support consistently strong credit ratings, reasonable cost of capital and adequate dividend pay-out capability. The principal aim of Fingrid's capital management and grid asset management is to ensure uninterrupted operations and value retention as well as rapid recovery from any exceptional circumstances.

The company aims to maintain a credit rating of at least 'A-'. The company has not set specific key financial ratio targets for accounting balance sheet or regulatory balance sheet capital management, but instead monitors and controls the overall situation, for which credit ratings and their underlying risk analyses and other parameters create a foundation.

The company's credit rating remained high in 2021. This reflects the company's strong overall financial situation and debt service capacity. Fingrid has credit rating service agreements with S&P Global Ratings (S&P) and Fitch Ratings (Fitch). The credit ratings valid on 31 December 2021 were as follows:

- S&P's rating for Fingrid's unsecured senior debt and long-term company rating at 'AA-' and the short-term company rating at 'A-1+', with a stable outlook.
- Fitch's rating for Fingrid's unsecured senior debt at 'A+', the long-term company rating at 'A', and 'F1' for the short-term company rating, with a stable outlook. The rating is the highest assigned by Fitch to any regulated TSO in Europe.

6.2 The aims and organisation of financing activities and the principles for financial risk management

The company has a holistic approach to the management of financing activities, encompassing external financing, as well as managing liquidity, counterparty and financial risks, and supporting business operations in matters related to financing in general.

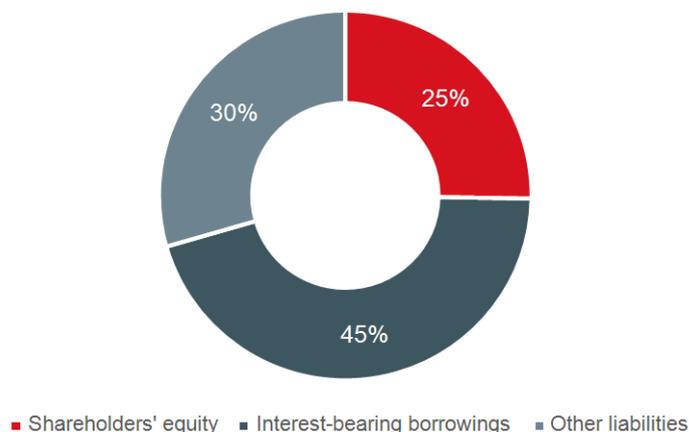
Core aims for financing activities:

- Protecting shareholder value by securing the financing required for the company's business operations, by hedging against the main financial risks and by minimising financial costs within the risk limits;
- Maintaining adequate liquidity even in unexpected situations;
- Long-term financing from diverse sources, taking into account the company's investment plan and cash flow from operating activities as well as credit rating and its criteria;
- Overall optimisation of the interest rate risk, including the interest rate risk of business operations via the Energy Authority's regulatory model (risk-free interest in the so called WACC model) and the company's interest rate risk of net debt;
- Forward-looking financial planning to ensure that the overall impact from the cash flow from operating activities, future investments, maturing loans and future dividends is taken into account when raising funds and optimising the loan portfolio structure.

The Treasury maintains active and consistent dialogue with the credit rating agencies and monitors the key ratios used by the agencies, as well as other generally accepted financial ratios.

Fingrid's financial capital consists of equity and debt financing. The share of equity from the balance sheet total was 25.3% and that of liabilities 74.7% in 2021. The IFRS 16 standard reduced the share of equity by 0.3% points. Regulatory equity was 62.2% and liabilities were 37.8% of the regulatory balance sheet in 2021.

Capital structure 2021



Fingrid Oyj is exposed to market, liquidity, counterparty and credit risks, among others, when the company's financial position is managed. The objective of financial risk management is to foster shareholder value by securing the financing required for the company's business operations, by hedging against the main financial risks and by minimising financing costs within the risk limits.

Corporate finance principles

The Board of Directors of Fingrid Oyj approves the Corporate Finance Principles which define how Fingrid Oyj manages financing as a whole. The external financing of Fingrid Group is carried out by Fingrid Oyj.

Risk management execution and reporting

Fingrid's Chief Financial Officer is responsible for arranging overall risk management in the company, with a key role held by the operative risk management and reporting of financing in line with the company's Corporate Finance Principles and Treasury Policy. The CFO regularly reports to the President & CEO and the Board (audit committee) on the implementation of financing and risk management.

Risk management processes

The Treasury unit is responsible for the operative monitoring of risk management, for the risk system and models and methods used to assess, monitor and report on risks. As part of comprehensive risk management, the Treasury unit is in charge of operative management of the company's guarantee and insurance portfolio.

Fair value hierarchy

In the presentation of fair value, assets and liabilities measured at fair value are categorised into a three-level hierarchy. The appropriate hierarchy is based on the input data of the instrument. The level is determined on the basis of the lowest level of input for the instrument that is significant to the overall fair value measurement.

Level 1: inputs are publicly quoted in active markets.

Level 2: inputs are not publicly quoted and are based on observable market parameters either directly or indirectly.

Level 3: inputs are not publicly quoted and are unobservable market parameters.

6.3 Financial liabilities, financial costs and managing the financial risks

The company takes advantage of the opportunities offered by credit ratings at any given time on the international and domestic money markets. Market-based and diversified financing is sought from several sources. The goal is a balanced maturity profile. Fingrid's existing loan agreements, debt and commercial paper programmes are unsecured and do not include any financial covenants based on financial ratios.

The company operates in the debt capital, commercial paper and loan markets:

- For long-term financing, the company has an international Medium Term Note Programme ("EMTN Programme"), totalling EUR 1.5 billion.
- Fingrid has an international Euro Commercial Paper Programme ("ECP Programme") totalling EUR 600 million.
- Fingrid has a domestic commercial paper programme totalling EUR 150 million.
- Furthermore, Fingrid has bilateral loan agreements with the European Investment Bank (EIB) and the Nordic Investment Bank (NIB).

Green financing

Green financing is an important part of Fingrid's financing strategy and responsible operating model. Fingrid was the first Finnish company to issue a Green Bond in 2017. Green Bonds are used to finance projects that are expected to have long-term net positive environmental impacts. Green Bond projects connect renewable energy production to Fingrid's transmission network, reduce electricity transmission losses and create smart

solutions that save energy and the environment. Fingrid annually reports on the impacts of its Green Bond projects by publishing a separate impact report on its website under Investors. The company's objective is to increase the share of green financing in its total financing.

On 30 November 2021, Fingrid signed a revolving credit facility agreement of EUR 300 million tied to the company's responsibility targets. The loan period for the revolving credit facility is five years, in addition to which Fingrid has two one-year extension options. The revolving credit facility agreement replaced the EUR 300 million revolving credit facility signed in 2015 and is available for use in the company's general financing needs. Fingrid may benefit from the credit facility agreement's lower interest rate margin based on achieving the company's three material responsibility targets:

- Target 1: Connection of wind power to the grid (MW)
- Target 2: Reducing greenhouse gas emissions in electricity transmission losses (tCO_{2e})
- Target 3: Reduction in combined lost time injury frequency (own personnel and service providers), (LTIF)

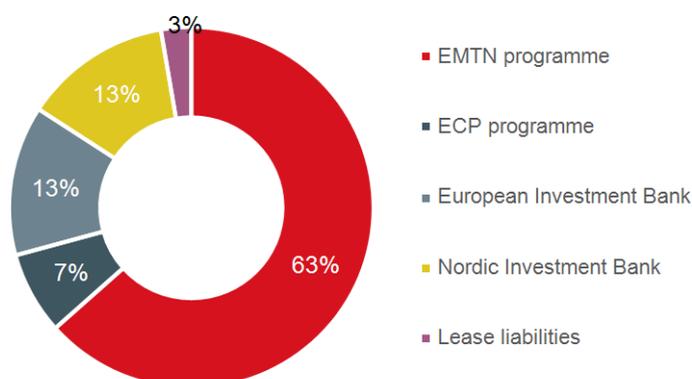
The company's responsibility targets are described in the Corporate Responsibility and Sustainable Development portion of the Annual Report.

During 2021, the Nordic Investment Bank (NIB) awarded Fingrid a 15-year green investment loan for financing the company's investment plan for 2021–2022. The granted EUR 70 million loan can be financed using NIB's green bonds. Green financing supports Fingrid's investments that increase the general reliability of the transmission grid in order to supply electricity to the whole of society and industry.

Fingrid's EMTN programme is listed on the Irish Stock Exchange (Euronext Dublin). As of the start of 2021, Fingrid's EMTN programme's was delisted from the London Stock Exchange. The company's debt issues listed at the end of 2020 are still listed on both the London and Irish stock exchanges. The company did not issue new bonds during 2021.

The graph below illustrates Fingrid's various sources of debt financing. Fingrid sources debt financing mainly from the international debt capital markets.

Total debt by source 2021

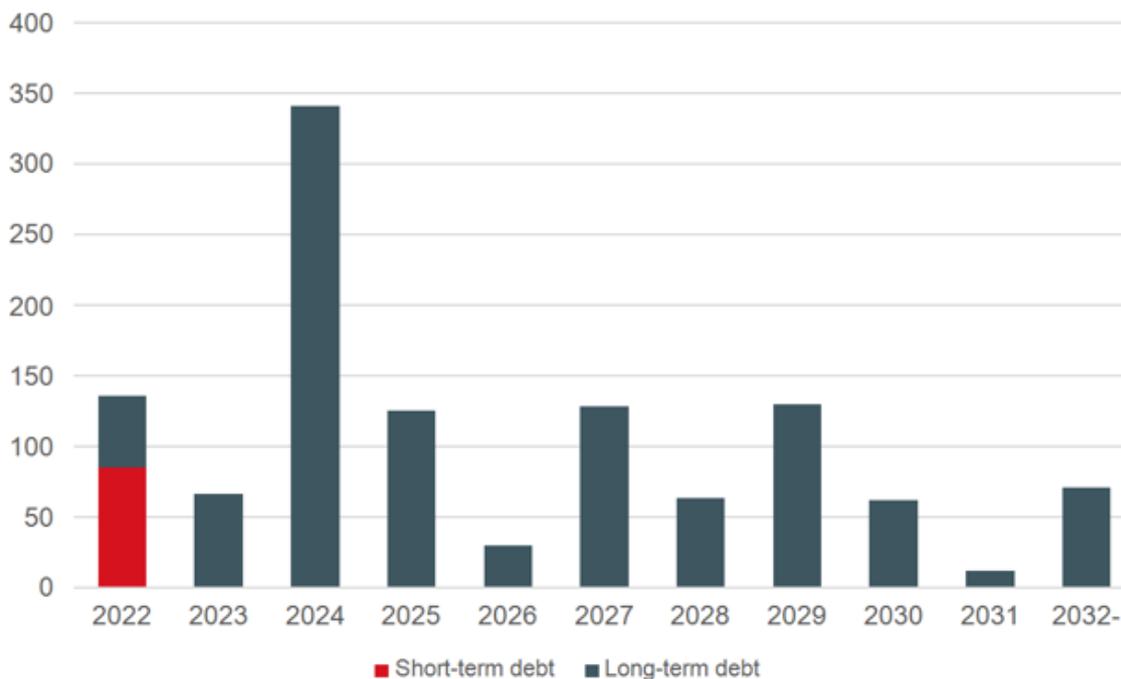


Borrowings are as follows:

14. BORROWINGS, €1,000	2021			2020			Hierarchy level
	Fair value	Balance sheet value	%	Fair value	Balance sheet value	%	
Non-current							
Bonds	766,333	704,281		822,574	731,301		Level 2
Loans from financial institutions	295,850	289,892		277,668	272,554		Level 2
	1,062,183	994,173		1,100,242	1,003,855		
Lease liabilities		28,463			28,913		
		1,022,636	88%		1,032,767	88%	
Current							
Bonds	30,110	30,000					Level 2
Loans from financial institutions	17,809	17,662		67,925	67,662		Level 2
Other loans/Commercial papers (international and domestic)	85,227	85,216		72,090	72,155		Level 2
	133,147	132,879		140,014	139,817		
Lease liabilities		2,603			2,328		
		135,481	12%		142,145	12%	
Total	1,195,330	1,158,118	100%	1,240,256	1,174,913	100%	

The fair values of borrowings are based on the present values of cash flows. Loans raised in various currencies are measured at the present value on the basis of the yield curve of each currency. Borrowings denominated in foreign currencies are translated into euros at the fixing rate quoted by the ECB at the closing date.

Debt maturity profile, MEUR



Non-current financial liabilities in the graph above include a total of EUR 31.1 million in lease liabilities in accordance with IFRS 16.

15. BONDS INCLUDED IN BORROWINGS, €1,000				2021	2020
Currency	Nominal value	Maturity	Interest	Balance sheet value	
EUR	30,000	19 Sep 2022	floating rate	30,000	30,000
EUR	30,000	11 Sep 2023	2.71%	30,000	30,000
EUR	300,000	3 Apr 2024	3.50%	299,649	299,502
EUR	70,000	7 May 2025	0.527%	70,000	70,000
EUR	100,000	23 Nov 2027	1.125%	99,565	99,494
EUR	25,000	27 Mar 2028	2.71%	25,000	25,000
EUR	10,000	12 Sep 2028	3.27%	10,000	10,000
EUR	80,000	24 Apr 2029	2.95%	80,000	80,000
EUR	30,000	30 May 2029	2.888%	30,000	30,000
				674,214	673,996
NOK	100,000	16 Sep 2025	4.31%	10,011	9,551
NOK	500,000	8 Apr 2030	2.72%	50,056	47,754
				60,067	57,305
Bonds, long-term total				704,281	731,301
Bonds, short-term total				30,000	
Total				734,281	731,301

The company defines net debt as the difference between cash in hand, and the financial assets recognized in the income statement at fair value and borrowings as shown in the balance sheet. The development of net debt is actively monitored.

16. RECONCILIATION OF DEBT, €1,000

	Borrowings due within 1 year	Borrowings due after 1 year	Total
Debt on 1 Jan 2020	235,349	884,652	1,120,001
Cash flow from financing activities	-110,823	164,667	53,844
Exchange rate adjustments		2,500	2,500
Other changes not involving a payment transaction	-43	-1,389	-1,432
Transfer to short-term loans	17,662	-17,662	
Debt on 31 Dec 2020	142,145	1,032,767	1,174,913
Cash flow from financing activities	-54,601	35,000	-19,601
Exchange rate adjustments		2,762	2,762
Other changes not involving a payment transaction	275	-231	43
Transfer to short-term loans	47,662	-47,662	-0
Debt on 31 Dec 2021	135,481	1,022,636	1,158,118

Other changes are mainly made up of IFRS 16 impacts.

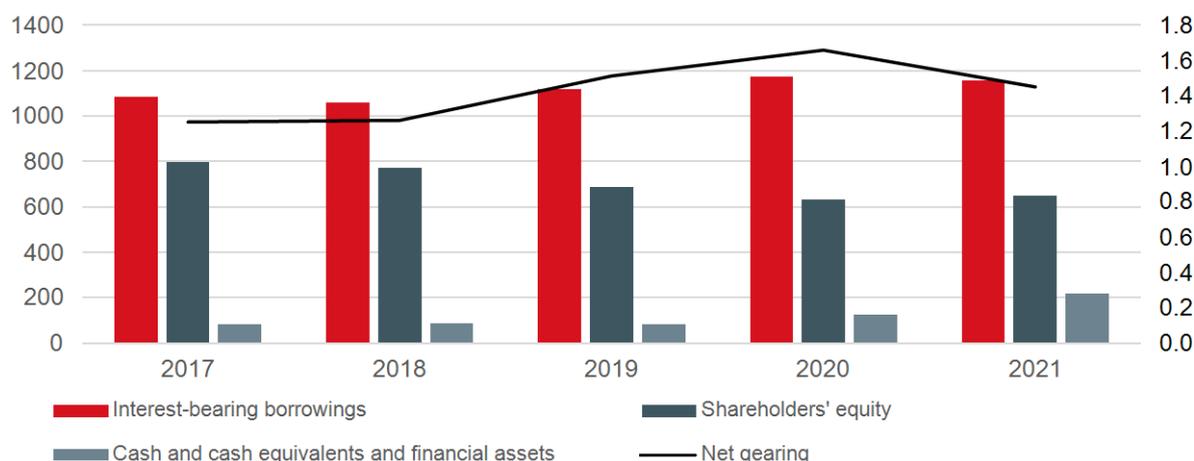
Reconciliation of net debt, € 1,000	2021	2020
Cash in hand and cash equivalents	99,280	45,645
Financial assets recognised in the income statement at fair value	120,330	80,243
Borrowings - repayable within one year	135,481	142,145
Borrowings - repayable after one year	1,022,636	1,032,767
Net debt	938,508	1,049,024

Net debt is the difference between the company's debt and its cash in hand and cash equivalents

Financial assets recognised at fair value through profit and loss are liquid investments traded on active markets.

At the end of the year, the company's borrowings included a total of EUR 31.1 (31.2) million in lease liabilities in accordance with IFRS 16, consisting of EUR 2.6 (2.3) million in short-term liabilities, to be paid within a year, and EUR 28.5 (28.9) million in long-term liabilities, with a maturity date after more than a year.

Capital MEUR and net gearing 2017-2021



Interest income and costs on loans and other receivables are as follows:

17. INTEREST INCOME AND EXPENSES FROM LOANS AND OTHER RECEIVABLES, €1,000	2021	2020
Interest income on financial assets in income statement at fair value	326	185
Interest income on cash, cash equivalents and bank deposits	21	88
Profits from assets recognised at fair value through profit and loss	-2,850	415
Net foreign exchange gains and losses from borrowings, derivatives and FX-accounts	42	767
Dividend income	2,904	8,357
	442	9,812
Interest expenses on borrowings	-18,665	-20,532
Net interest expenses on interest rate and foreign exchange derivatives	6,654	7,897
Gains/losses from measuring derivative contracts at fair value	-12,217	-1,286
Net foreign exchange gains and losses from borrowings, derivatives and FX-accounts	-0	352
Interest expenses on lease liabilities (IFRS 16)	-623	-653
Other finance costs	-1,390	-1,254
	-26,242	-15,477
Capitalised finance costs, borrowing costs; at a capitalisation rate of 1.2 % (note 11)	2,582	1,629
Total	-23,217	-4,036

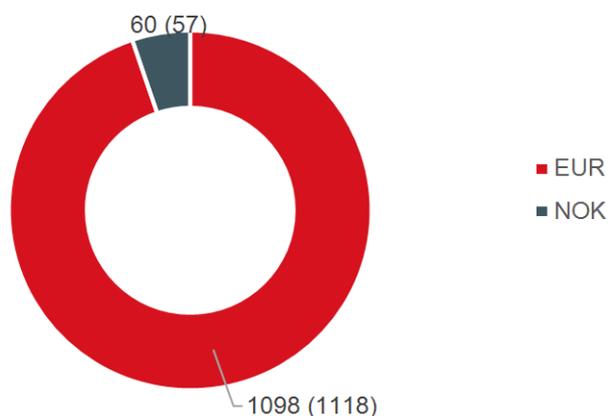
Managing the market risks of debt

Fingrid's borrowings are issued in both fixed and floating interest rates and in several currencies. They thus expose Fingrid's cash flow to interest rate and exchange rate risks. Fingrid uses derivative contracts to hedge against these risks. Fingrid generally holds issued bonds to maturity and thus does not value its bonds in the balance sheet at fair value or hedge against the fair value interest rate risk. The permitted hedging instruments are defined in the Treasury policy and are chosen in order to achieve the most effective hedging possible for the risks in question.

The functional currency of the company is euro. Generally, currency risks and the foreign exchange interest rate risk are fully hedged. A risk that amounts to less than EUR 5 million when realised can be left unhedged for reasons of cost-effectiveness.

Transaction risk

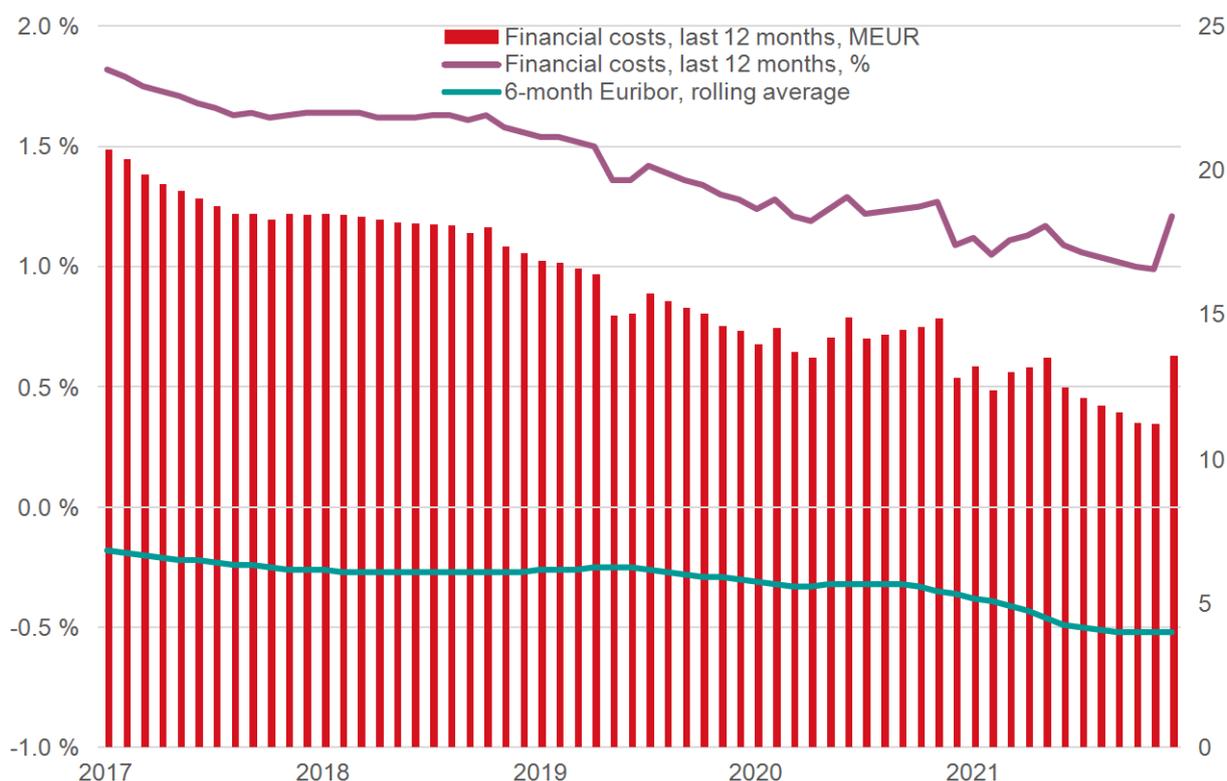
Total debt in original currency 2021, MEUR



The company issues bonds in the international and domestic money and debt capital markets. The company's debt portfolio is spread across euro-denominated and non-euro-denominated currencies. The total foreign-currency-denominated debt portfolio and the related interest rate flows are hedged against the currency risk. The currency risk for each bond is always fully hedged in conjunction with its issuance. The company uses interest rate and cross currency swaps to hedge the exchange rate and interest risk of bonds.

Business-related currency risks are small and they are mainly hedged. During the financial year, the company used foreign exchange forwards to hedge business transaction risks. A summary of the derivatives is presented in Note 23.

Financial costs 2017-2021



The graph 'Financial costs 2017-2021' does not include IFRS 16 interest expenses.

Interest rate risk

The company is only exposed to euro denominated interest rate risk from its business operations, assets and borrowings. The company's borrowings are, both in terms of principal and interest payments, fully hedged against exchange rate risks. Cash and cash equivalents and financial assets recognised in the income statement at fair value are denominated in euros.

Interest rate risk management includes optimisation of future interest rate risk of business operations (risk-free interest in the WACC model described in the next infobox) emerging from the regulatory model specified by the Energy Authority, together with company's net debt interest rate risk.

The interest rate risk from business operations can in part or in its entirety be hedged in terms of the adjusted capital committed to grid operations. The Board of Directors makes a separate decision on the hedging of operational interest rate risks. The interest rate risk included in business operations was not hedged in 2021. The interest rate risk inherent in Fingrid's business operations is caused by changes in the risk-free interest in the WACC model. If the risk-free interest rate rises/falls by one percentage unit, the post-tax WACC rises/falls by 0.9%.

The objective of managing the interest rate risk on the loan portfolio is to minimise interest costs in the long term. The aim is to keep the average interest rate period of the gross interest exposure for the loan portfolio (derivatives and liabilities) at around twelve (12) months. The loan portfolio's interest rate risk arises from market interest rate volatility, which decreases or increases the annual interest expenses on the company's floating-rate loans. When market interest rates increase/decrease, the interest expenses of the floating-rate loans also increase/decrease. The company hedges this so-called cash flow risk with derivatives. The sensitivity of the loan portfolio to interest rate risk is measured by using a Cash Flow at Risk (CFaR) type of model, more specifically the Autoregressive Integrated Moving Average (ARIMA) model. The key parameters of the model are the 3-month and 6-month Euribor rates, of which the historical time series serve as a basis for a forward-looking simulation of the probable future interest expenses for Fingrid's loan portfolio. The exposure on which the sensitivity analysis is calculated includes all of the Group's interest-bearing borrowings, the loan portfolio's derivatives and interest-rate options purchased to hedge against unexpected changes in interest rates. According to the model, there is a 95% (99%) probability that Fingrid's interest expenses will amount to no more than EUR 16.1 (17.2) million during the next 12 months.

Neither the IBOR phase-out of the interbank lending rate or Brexit had an impact on the recognition or valuation of the company's financial items in 2021.



Determination of the reasonable rate of return in regulation and operational interest rate risk

The reasonable rate of return on adjusted capital committed to grid operations is determined by using the weighted average cost of capital model (WACC). The WACC model determined by the Finnish Energy Authority illustrates the average cost of the capital used by the company, where the weights are the relative values of equity and debt. The weighted average of the costs of equity and interest-bearing debt are used to calculate the total cost of capital, i.e. the reasonable rate of return per the regulation. The reasonable return is calculated by multiplying the adjusted capital invested in network operations by the WACC.

$$WACC_{post-tax} = C_E \times \frac{E}{E+D} + C_D \times (1 - ctr) \times \frac{D}{E+D}$$

$WACC_{post-tax}$ = reasonable rate of return after corporate tax

C_E = reasonable cost of equity

C_D = reasonable cost of interest-bearing debt

E = adjusted equity invested in network operations

D = adjusted interest-bearing debt invested in network operations

ctr = current rate of corporate tax

$$C_D = R_r + DP$$

R_r = risk-free interest rate

DP = risk premium of debt

$$C_E = R_r + \beta_{levered} \times (R_m - R_r) + LP$$

R_r = risk-free interest rate

$\beta_{levered}$ = levered beta

R_m = average market return

$R_m - R_r$ = market risk premium

LP = liquidity premium

The above-mentioned reasonable rate of return after taxes is then adjusted with the current rate of corporate tax. This calculation gives the reasonable pre-tax rate of return.

$$WACC_{pre-tax} = \frac{WACC_{post-tax}}{(1 - ctr)}$$

WACC pre-tax = reasonable rate of return before corporate tax

A fixed capital structure is applied to the TSO, whereby the weight of debt capital is 50% and the weight of equity capital is 50%. The pre-tax reasonable rate of return is calculated as follows:

$$WACC_{pre-tax} = \frac{C_E \times 0,5}{(1 - ctr)} + C_D \times 0,5$$

$$R_{k,pre-tax} = WACC_{pre-tax} \times (E + D)$$

$R_{k,pre-tax}$ = pre-tax reasonable return, EUR

$WACC_{pre-tax}$ = reasonable rate of return, %

E = adjusted equity invested in network operations, EUR

D = adjusted interest-bearing debt invested in network operations, EUR

E + D = adjusted capital invested in network operations, EUR

Cost of equity
$C_E = Rr + \beta_{Unlevered} \times (1 + (1 - t) \times D/E) \times (Rm - Rr) + LP$ $C_E = \text{Finnish 10y bond} + 0.4 \times (1 + (1 - 20\%) \times 50/50) \times 5\% + 0.6\%$ $C_E = \text{Finnish 10y bond} + 4.2\%$
Cost of debt
$C_D = R_r + DP$ $C_D = \text{Suomen valtion 10v obligaatio} + 1.26\%$
WACC (pre tax)
$WACC_{post-tax} = C_E \times 50/100 + C_D \times (1 - t) \times 50/100$ $WACC_{post-tax} = \text{Finnish 10y bond} \times 0,9 + 2.60\%$ $WACC_{pre-tax} = \text{Finnish 10y bond} \times 1.125 + 3.26\%$

Parameter	Value to be applied
Risk-free rate (R_r)	Greater of: a) 10-year average of 10-year Finnish government bond rate b) Average of previous year April-September government bond rate
Asset beta ($\beta_{Unlevered}$)	0.4
Market risk premium ($R_m - R_r$)	5.0%
Liquidity premium (LP)	0.6%
Capital structure (D/E)	50/50
Risk premium of debt (DP)	1.26%
Tax rate (t)	20%

Liquidity risk

Fingrid is exposed to liquidity and refinancing risks arising from the redemption of loans, payments and fluctuations in cash flow from operating activities. The liquidity of the company must be arranged so that liquid assets (cash and cash equivalents, and financial assets recognised in the income statement at fair value) and available long-term committed credit lines can cover 110% of the refinancing needs for the next 12 months.

The company has a revolving credit facility agreement of EUR 300 million signed on 30 November 2021. The maturity of the facility is five years. In addition to this, the company has two one-year extension options. The facility is committed and has not been drawn. Additionally, the company has at its disposal a total of EUR 90 million in overdraft limits with banks to secure liquidity.

The refinancing risk is managed by building an even maturity profile such that the share of long-term loans in a single year constitutes less than 30 per cent of the total debt and the average maturity of the company's loan portfolio is at least three years. To secure refinancing, the company makes wide use of diverse sources of financing. The high credit rating and good bank and investor relations enable ready access to the debt capital market and thus minimises the company's debt refinancing risks and financing costs.

The counterparty risks of financing activities are caused by counterparties related to investing (e.g. money market funds), derivatives counterparties and bank counterparties. The company minimises any counterparty risks. As a rule, credit rating categories are the decisive factor in specifying the counterparty limit.

Contractual repayments and interest costs on borrowings are presented in the next table. The repayments and interest amounts are undiscounted values. Finance costs arising from interest rate swaps are often paid in net amounts depending on the nature of the swap. In the following table, they are presented in gross amounts.

18. PAYMENTS UNDER FINANCING AGREEMENTS IN CASH, €1000

31 Dec 2021		2022	2023	2024	2025	2026	2027-	Total
Bonds	- repayments	30,000	30,000	300,000	80,011		295,056	735,067
	- interests	18,831	18,831	18,018	7,518	6,717	18,259	88,174
Loans from financial institutions	- repayments	17,662	33,047	37,673	42,299	26,541	150,333	307,554
	- interests		110	666	1,013	955	7,422	10,167
Commercial papers	- repayments	85,000						85,000
Lease liabilities	- repayments	2,603	2,607	2,595	2,549	2,599	18,113	31,066
	- interests	588	540	492	443	393	1,376	3,831
Currency swaps	- payments	433	430	431	12,943	428	44,975	59,641
Interest rate swaps	- payments	227	227	228	118	10	20	830
Forward contracts	- payments	2,350	1,500	900				4,750
Total		157,694	87,293	361,003	146,893	37,643	535,554	1,326,081
Currency swaps	- receivables	1,793	1,793	1,793	11,804	1,362	55,502	74,047
Interest rate swaps	- receivables	5,130	4,529	4,260	1,997	1,628	1,955	19,499
Forward contracts	- receivables	2,387	1,534	926				4,847
Total		9,309	7,856	6,979	13,801	2,989	57,458	98,393
Total		148,385	79,437	354,023	133,092	34,653	478,097	1,227,688

31 Dec 2020		2021	2022	2023	2024	2025	2026-	Total
Bonds	- repayments		30,000	30,000	299,502	79,551	292,248	731,301
	- interests	18,748	18,736	18,748	17,935	7,435	24,664	106,267
Loans from financial institutions	- repayments	67,662	17,662	33,047	36,273	39,499	146,073	340,216
	- interests	109	-240	-450	-343	-200	2,128	1,005
Commercial papers	- repayments	72,000						72,000
Lease liabilities	- repayments	2,328	2,250	2,258	2,288	2,331	19,785	31,241
	- interests	610	566	521	476	429	1,735	4,337
Currency swaps	- payments	447	442	455	487	13,039	46,235	61,105
Interest rate swaps	- payments	246	244	272	318	192	133	1,406
Forward contracts	- payments	599	1,000	1,500	900			3,999
Total		162,749	70,661	86,352	357,836	142,276	533,002	1,352,876
Currency swaps	- receivables	1,711	1,711	1,711	1,711	11,261	54,249	72,352
Interest rate swaps	- receivables	5,188	5,115	4,458	4,124	1,830	2,963	23,679
Forward contracts	- receivables	590	1,033	1,567	946			4,137
Total		7,489	7,859	7,735	6,781	13,091	57,212	100,168
Total		155,260	62,802	78,617	351,055	129,185	475,790	1,252,709


Accounting principles
Borrowings

Borrowings are initially recognised at fair value net of the transaction costs incurred. Transaction costs consist of bond prices above or below par value, arrangement fees, commissions and administrative fees that are directly related to the loan. Borrowings are subsequently measured at amortised cost; any difference between the loan amount and the amount to be repaid is recognised in the income statement over the loan period using the effective interest rate method. Borrowings are derecognised when they mature and are repaid.

Commitment fees to be paid on credit facilities are entered as transaction costs related to the loan insofar as partial or full utilisation of the facility is likely. In such cases, the fee is capitalized in the balance sheet until the facility is utilised. If there is no proof that loans included in a facility are likely to be drawn in part or in full, the fee will be recognised as an upfront payment for liquidity services and amortized over the maturity of the facility in question.

6.4 Cash and cash equivalents and other financial assets

19. CASH AND CASH EQUIVALENTS, €1,000	2021	2020
Cash assets and bank account balances	99,280	45,645
Total	99,280	45,645

20. OTHER FINANCIAL ASSETS, €1,000	2021	2020	Hierarchy level
Short-term fixed income funds	100,330	80,243	Level 1
Bank deposits, over 3 months	20,000	0	Level 1
Total	120,330	80,243	



Accounting principles

Cash and cash equivalents

Cash and cash equivalents in the balance sheet include cash in hand and bank deposits with an initial maturity of no more than three months. In the cash flow statement, cash and cash equivalents also include other financial assets due to their fully liquid nature. Cash and cash equivalents are derecognised when they mature, are sold or otherwise disposed of.

Other financial assets

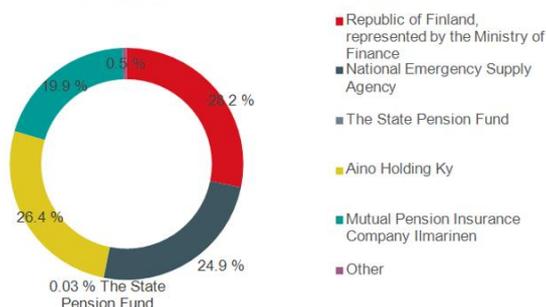
The financial assets classified in this category include current investments in short-term fixed income funds and bank deposits kept for more than three months. Financial assets recognised at fair value in the income statement are entered in the balance sheet at fair value at the settlement date. Subsequently, the financial assets are measured on each reporting day at fair value, and the change in their fair value is recognised in the income statement under finance income and costs. Derivatives are also included in this group but are presented in the balance sheet on their own lines. Accounting principles for derivatives are disclosed in 6.6.

Financial assets are derecognised when they mature, are sold or otherwise disposed of such that their risks and revenues have been transferred.

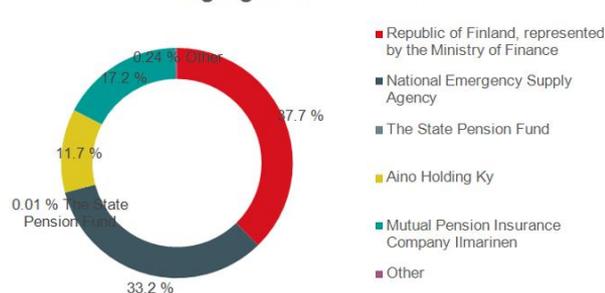
6.5 Equity and dividend distribution

The shareholders' equity is composed of two share classes. The shareholder breakdown and voting rights are illustrated in the following graphs.

Shareholders 31 Dec 2021



Voting rights 31 Dec 2021



SHAREHOLDERS BY CATEGORY 31 DEC 2021	Number of shares	Of all shares %	Of votes %
Public organisations	1,768	53.17	70.87
Financial and insurance institutions	1,557	46.83	29.12
Total	3,325	100.00	100.00

Shareholders, 31 Dec 2021	Number of shares	Of all shares %	Of votes %
Republic of Finland, represented by the Ministry of Finance	939	28.24	37.66
Aino Holding Ky	878	26.41	11.74
National Emergency Supply Agency	828	24.90	33.20
Mutual Pension Insurance Company Ilmarinen	661	19.88	17.15
Imatran Seudun Sähkö Oy	10	0.30	0.13
Fennia Life	6	0.18	0.08
Elo Mutual Pension Insurance	1	0.03	0.01
OP Insurance Ltd	1	0.03	0.01
The State Pension Fund	1	0.03	0.01
Total	3,325	100.00	100.00

The company's share capital is EUR 55,922,485.55. Fingrid shares are divided into Series A shares and Series B shares. The number of Series A shares is 2,078 and the number of Series B shares is 1,247.

The maximum number of shares is 13,300, as in 2020. The shares have no par value.

Series A shares confer three votes each at the Annual General Meeting and Series B shares one vote each. When electing members of the Board of Directors, Series A shares confer 10 votes each at the Annual General Meeting and Series B shares one vote each.

Series B shares have the right before Series A shares to obtain the annual minimum dividend specified below from the funds available for profit distribution. If the annual minimum dividend cannot be distributed in some year, the shares confer a right to receive the undistributed amount from the funds available for profit distribution in the subsequent years; however, such that Series B shares have the right over Series A shares to receive the annual minimum dividend and the undistributed amount.

Fingrid Oyj's Annual General Meeting decides on the annual dividend

Eighty-two per cent of the dividends to be distributed for each financial year is distributed for all Series A shares and eighteen per cent for all Series B shares, however such that EUR twenty million of the dividends to be distributed for each financial year is first distributed for all Series B shares. If the above-mentioned EUR twenty million minimum amount for the financial period is not distributed (all or in part) for Series B shares in a financial period, Series B shares confer the right to receive the undistributed minimum amount in question (or the accumulated undistributed minimum amount accrued during such financial periods) in the next profit distribution, in any disbursements paid out, or in any other distribution of assets prior to any other dividends, disbursements or asset distribution until the undistributed minimum amount has been distributed in full for Series B shares. There are no non-controlling interests.

Equity is composed of the share capital, share premium account, revaluation reserve (incl. fair value reserve), translation reserve, and retained earnings. The translation reserve includes translation differences in the net capital investments of associated companies in accordance with the equity method of accounting. The profit for the financial year is booked in retained earnings.

Share premium account

The share premium account includes the difference between the counter value of the shares and the value obtained. The share premium account consists of restricted equity as referred to in the Finnish Limited Liability Companies Act. The share capital can be increased by transferring funds from the share premium account. The share premium account can be decreased in order to cover losses or, under certain conditions, it can be returned to the owners.

Changes to equity funds during the financial year are presented in the statement of changes in equity.

21. SHAREHOLDERS BY CATEGORY

The share capital is broken down as follows	Number of shares	Of all shares %	Of votes %
Series A shares	2,078	62.50	83.33
Series B shares	1,247	37.50	16.67
Total	3,325	100.00	100.00

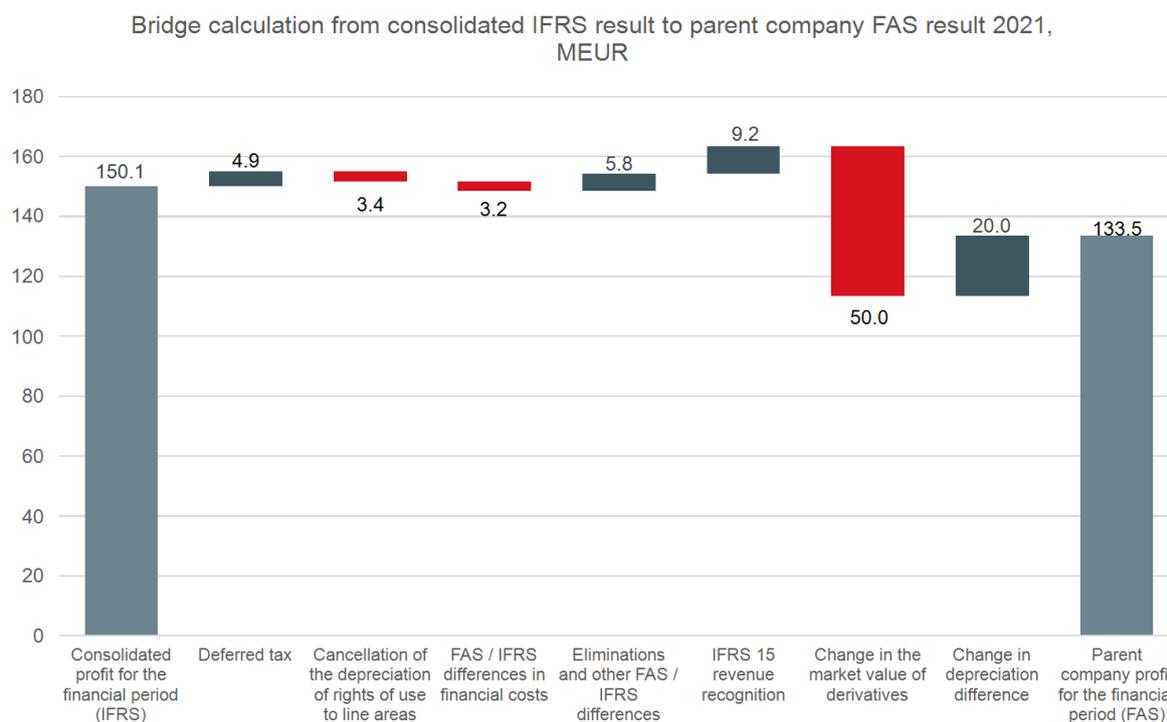
Fingrid's dividends are distributed such that the shareholders receive a reasonable return on their invested capital, but also such that the company's financial position remains stable.

Fingrid Oyj's distributable funds in the financial statements total EUR 184,630,983.13. Based on the 2020 financial statements, EUR 135.6 million was paid in dividends (EUR 148.2). Since the closing date, the Board of Directors has proposed to the Annual General Meeting of shareholders that, on the basis of the balance sheet adopted for the financial period that ended on 31 December 2021, a dividend of EUR 52,500.00 at maximum per share be paid for Series A shares and EUR 19,200.00 at maximum for Series B shares, for a total of EUR 133,037,400.00 at maximum. The dividends shall be paid in two instalments. The first instalment of EUR 35,000.00 for each Series A share and EUR 12,800.00 for each Series B share, totalling EUR 88,691,600.00, shall be paid on 4 April 2022. The second instalment of EUR 17,500.00 at maximum per share for each Series A share and EUR 6,400.00 at maximum per share for each Series B share, totalling EUR 44,345,800.00 at maximum in dividends, shall be paid subject to the Board's decision after the half-year report has been confirmed, based on the authorisation given to the Board in the Annual General Meeting. The Board has the right to decide, based on the authorisation granted to it, on the payment of the second dividend instalment after the half-year report has been confirmed and it has assessed the company's solvency, financial position and financial development. The dividends that have been decided on with the authorisation given to the Board shall be paid on the third banking day after the decision. It will be proposed that the authorisation remains valid until the next Annual General Meeting.

The distributable funds are calculated on the basis of the parent company's equity. Dividends are paid based on the distributable funds of the parent company.

The guiding principle for Fingrid's dividend policy is to distribute substantially all of the parent company profit as dividends. When making the decision, however, the economic conditions, the company's near-term capital expenditure and development needs as well as any prevailing financial targets of the company are always taken into account.

The graph below indicates the differences between the consolidated IFRS income statement and the parent company's FAS income statement.



Accounting principles

Dividend distribution

The Board of Directors' proposal concerning dividend distribution is not recorded in the financial statements. The liability and equity is recognised only after a decision is made by the Annual General Meeting of Shareholders.

6.6 Summary of financial assets, financial liabilities and derivatives

The carrying amounts of Fingrid's financial assets and liabilities by measurement category are as follows:

22. CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY, €1,000				
	Assets/ liabilities recognised in income statement at fair value	Financial assets/liabilities measured at amortised cost	Total	Note
Balance sheet item 31 Dec 2021				
Other long-term investments				
Available-for-sale investments	6,753		6,753	
Interest rate and currency derivatives	15,460		15,460	23
Electricity derivatives	14,767		14,767	23
Loan receivables from associated companies		188	188	
Current financial assets				
Interest rate and currency derivatives	217		217	23
Electricity derivatives	63,427		63,427	23
Loan receivables from associated companies		375	375	24
Trade receivables and other receivables		131,395	131,395	3
Other financial assets	120,330		120,330	20
Cash in hand and cash equivalents		99,280	99,280	19
Financial assets total:	220,954	231,237	452,191	
Non-current financial liabilities:				
Borrowings		1,022,636	1,022,636	14
Interest rate and currency derivatives	2,422		2,422	23
Electricity derivatives	113		113	23
Current financial liabilities:				
Borrowings		135,481	135,481	14
Trade payables and other liabilities		142,787	142,787	7
Financial liabilities total	2,535	1,300,904	1,303,439	

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Balance sheet item 31 Dec 2020	Assets/ liabilities recognised in income statement at fair value	Financial assets/liabilities measured at amortised cost	Total	Note
Other long-term investments				
Available-for-sale investments	9,604		9,604	
Interest rate and currency derivatives	38,221		38,221	23
Electricity derivatives	6,162		6,162	23
Loan receivables		563	563	
Current financial assets				
Interest rate and currency derivatives	8		8	23
Electricity derivatives	15,516		15,516	23
Loan receivables from associated companies		375	375	24
Trade receivables and other receivables		103,945	103,945	3
Other financial assets	80,243		80,243	20
Cash in hand and cash equivalents		45,645	45,645	19
Financial assets total:	149,754	150,527	300,281	
Non-current financial liabilities:				
Borrowings		1,032,767	1,032,767	14
Interest rate and currency derivatives	15,448		15,448	23
Electricity derivatives	2,241		2,241	23
Current financial liabilities:				
Borrowings		142,145	142,145	14
Interest rate and currency derivatives	16		16	23
Electricity derivatives	3,624		3,624	23
Trade payables and other liabilities		130,717	130,717	7
Financial liabilities total	21,329	1,305,629	1,326,958	

At the end of the year, the company's borrowings included a total of EUR 31.1 (31.2) million in lease liabilities in accordance with IFRS 16, consisting of EUR 2.6 (2.3) million in short-term liabilities, to be paid within a year, and EUR 28.5 (28.9) million in long-term liabilities, with a maturity date after more than a year.

Fingrid uses derivatives for hedging purposes only, even though the company does not apply hedge accounting. Bilateral derivative transactions require a valid International Swap Dealers Association's (ISDA) Master Agreement with the counterparty. The derivatives falling under the scope of an ISDA agreement can be netted in conditional circumstances such as default or bankruptcy. The company had derivatives that can be netted as per ISDA at a total fair value of EUR 16.7 (26.2) million in 2021. The management of electricity price risk is described in chapter 4.7. The hedging of interest rate and foreign exchange risks is described in chapter 6.3.

The company's derivative transactions consist of interest rate and cross currency swaps for hedging the loan portfolio, as well as purchased cap options used to mainly hedge the loan portfolio from a sudden change in short-term interest rates. Forward contracts are used to fix the exchange rate for non-euro-denominated contracts related to business operations. The company uses electricity futures and forwards to hedge the price risk of future loss power purchases.

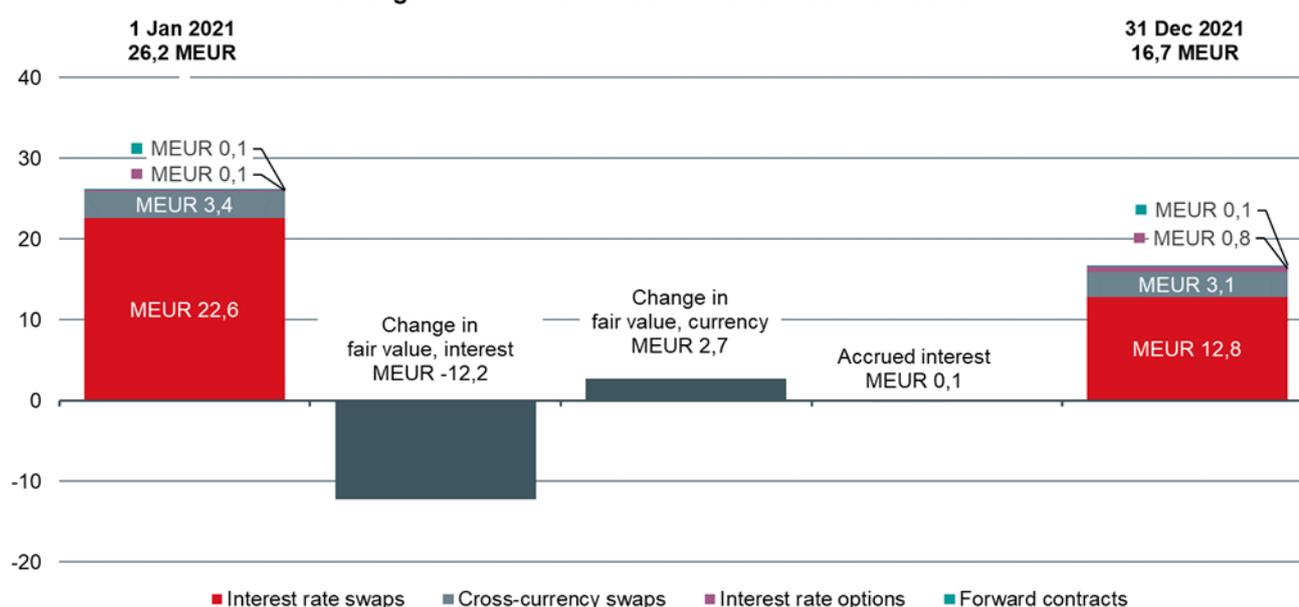
The table below includes all of the Group's derivatives.

23. DERIVATIVE INSTRUMENTS, € 1,000

	2021				2020				Hierarchy level
	Fair value pos. 31.12.21	Fair value neg. 31.12.21	Net fair value 31.12.21	Nominal value 31.12.21	Fair value pos. 31.12.20	Fair value neg. 31.12.20	Net fair value 31.12.20	Nominal value 31.12.20	
Interest rate and currency derivatives									
Cross-currency swaps	5,067	-1,989	3,078	55,990	13,284	-9,911	3,373	55,990	Level 2
Forward contracts	77		77	3,335	117	-16	101	3,983	Level 2
Interest rate swaps	13,384	-567	12,817	305,000	28,258	-5,684	22,574	305,000	Level 2
Bought interest rate options	775		775	550,000	142		142	860,000	Level 2
Total	19,302	-2,556	16,746	914,325	41,801	-15,612	26,190	1,224,973	
Electricity derivatives									
Electricity forward contracts.									
NASDAQ OMX Commodities	78,193	-113	78,081	5.73	21,678	-5,865	15,813	5.51	Level 1
Total	78,193	-113	78,081	5.73	21,678	-5,865	15,813	5.51	

The net fair value of derivatives indicates the realised profit/loss if they had been closed on the last trading day of 2021. The net fair value cannot be used for deriving the net derivative liabilities or receivables in the balance sheet, as accrued interest is taken into account here. The graph below indicates the change of value of all of the company's currency and interest rate derivatives in 2021.

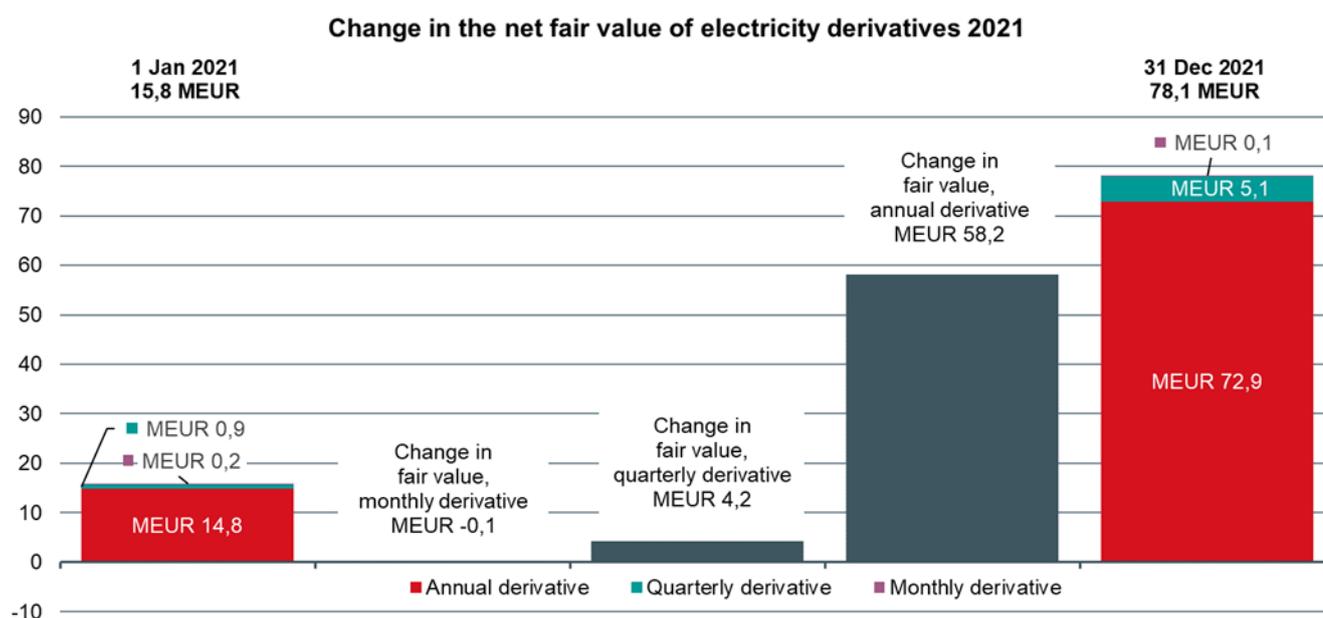
Change in the net fair value of financial derivatives 2021



The purpose of Fingrid's loss power price hedging is to reduce the effect of volatility in market prices on the loss power procurement costs and to give adequate predictability in order to keep the pressures to change transmission fees moderate. The change in the fair value of the electricity derivatives used for hedging the price of Fingrid's loss power purchases recognised in the operating profit was EUR 62.3 positive (EUR 2.8 million positive). The volatility in the fair value of electricity derivatives can be significant. The positive impact on profit resulted from the effect of higher market quotations for electricity derivatives on the fair value of the electricity derivatives. Fingrid holds its bought derivatives to maturity.

The sensitivity of the fair value of electricity derivatives in relation to changes in the price of electricity is measured as the difference a 10 per cent fluctuation in market price would have on outstanding electricity derivatives on the reporting date. An increase/decrease of 10 per cent in the market price of electricity would have an impact of EUR 18.5 million/EUR –18.5 million on the Group's profit before taxes.

The graph below illustrates the net fair value of the company's electricity derivatives and the change in it in 2021.



Accounting principles

FINANCIAL INSTRUMENTS

Classification of financial assets and liabilities

The Group classifies the financial assets and liabilities in accordance with its business model and in compliance with IFRS 9. The classification is accomplished on the basis of the objective of the business model and the contract-based cash flows from the investments.

Financial assets

Other financial assets can include bank deposits of more than three months and investments in short-term fixed income funds.

Investments in short-term fixed income funds and bank deposits of more than three months have been classified and entered at fair value in the income statement.

The Group actively tests each instrument for impairment and if the impairment criteria are met, the impairment is entered in the income statement.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank deposits with an initial maturity of no more than three months. Cash and cash equivalents are recognised at amortised cost.

Financial liabilities

Financial liabilities consist of loans and derivative instruments. Loans are items recognised at amortised cost. Loans are recognised in accounting with transaction costs deducted, after which the loans are measured at amortised cost using the effective interest rate method.

Other long-term investments

The company has recognised long-term investments at fair value. The value of the shares is determined by the company's sole asset, i.e. the value of Nord Pool AS's shares. This has been calculated by using the most recent market value of the shares, which has been verified against the offers received during the planned sales process.



Accounting principles

Derivative instruments

Derivatives are initially recognised at fair value according to the date the derivative contract is entered into and are subsequently re-measured at fair value. Changes in the fair value of derivatives are recognised in the income statement under finance income and costs. The company uses derivative contracts only for hedging purposes according to the Corporate Finance principles, the Treasury policy and the loss energy policy.

Electricity derivatives

The company enters into electricity derivative contracts in order to hedge the price risk of electricity purchases in accordance with the loss power forecast.

Interest and currency derivatives

The company enters into derivative contracts in order to hedge loans' interest rate and foreign exchange risk and the foreign exchange risk of purchases in compliance with the Corporate Finance Principles approved by the Board of Directors.

The fair value of derivatives on the reporting date are based on calculation methods in line with market practice. Foreign exchange forwards have been measured at the forward prices. Interest rate and currency swaps have been measured at the present value on the basis of the yield curve of each currency. Interest rate options have been valued using generally accepted option pricing models in the market.

The Group does not apply hedge accounting, and the rules applied to hedge accounting according to IFRS 9 do not affect the company's accounting procedures.

7 OTHER INFORMATION (IFRS)

- This chapter contains the rest of the notes.
- First comes a joint presentation of the Group companies and related parties' data.
- After that, other notes follow in the same sequence they appear in the income statement and balance sheet.

7.1 Group companies and related parties

The Group has two Fingrid's wholly-owned subsidiaries, Finextra Oy and Fingrid Datahub Oy.

Finextra Oy is a subsidiary wholly-owned by Fingrid Oyj established to handle the statutory public service obligations not included in actual grid operations or transmission system responsibility. These tasks include peak load capacity services and guarantee-of-origin services for electricity. Through Finextra, the cost of public service tasks is separated from the cost of grid operations, which makes it possible to ensure the unequivocal transparency of the different operations. The Energy Authority oversees Finextra's operations and reasonable returns from its services. The aim of Finextra is to carry out the assigned duties cost effectively, making use of joint resources. The allowed annual return on peak load capacity services is EUR 75,000. The allowed return on guarantee-of-origin services for the regulatory period started on 1 January 2020 was approximately EUR 43,000. The realised return during the regulatory period by 31 December 2021 consisted of a deficit of roughly EUR 80,000.

Fingrid Datahub Oy is a subsidiary wholly-owned by Fingrid Oyj established in 2016 to handle the operations linked to the datahub. Key duties of the subsidiary is to offer and develop centralised electricity market information exchange services and other related services to the market parties and to govern the register information required by the electricity markets. The datahub is a centralised information exchange system for retail markets that stores data from all of Finland's 3.8 million electricity metering points. The information contained in the Datahub is used by approximately 100 electricity suppliers and over 80 distribution network companies serving electricity consumers. The go-live of the Datahub system was in February 2022.

The consolidated associated company is eSett Oy (ownership 25.0%). eSett manages the Nordic Balance Settlement (NBS).

The investments in associated companies included in the balance sheet are composed of the following:

24. INVESTMENTS IN ASSOCIATED COMPANIES, € 1,000	2021	2020
Non-current		
Interests in associated companies	1,854	1,806
Loan receivables from associated companies	188	563
Current		
Loan receivables from associated companies	375	375
Total	2,416	2,744

Receivable from an associated company consists of a loan receivable from eSett Oy. The main terms and conditions are as follows:

Associated company loan:

The loan capital is EUR 0.6 (0.9) million and the annual interest rate is 1.5 per cent, on top of the 12-month Euribor. The loan repayment is ten equal instalments every six months. The amount of the loan capital is one quarter of the total loan that eSett's owners have granted the company proportionate to their holdings. The terms of the loan are the same as the loan terms for eSett's other owners.

Financial summary of associated companies, €1,000

	Non-current		Current assets			Dividends received during the financial period	Ownership (%)
	Assets	Liabilities	Assets	Liabilities	Turnover		
2021							
eSett Oy	5,953	750	131,157	128,945	7,469	158	25.0
	Non-current		Current assets			Dividends received during the financial period	Ownership (%)
	Assets	Liabilities	Assets	Liabilities	Turnover		
2020							
eSett Oy	5,792	2,250	45,098	41,416	7,726	379	25.0

The Group's associated companies indicated in the tables are treated in the consolidated financial statements using the equity method of accounting.

Equity investments in associated companies, € 1,000	2021	2020
Cost at 1 Jan	1,806	11,012
Increases	48	
Decreases		-9,189
Share of profit		-6
Translation reserve		-11
Carrying amount 31 Dec	1,854	1,806

There are no material temporary differences related to associated companies on which deferred tax assets or liabilities have been recognised.

The subsidiaries, associated company and parent company (Fingrid Oyj) described above are related parties of the Group. In addition, the shareholder entities mentioned in chapter 6.5 and the top management and its related parties are also considered related parties. The top management is composed of the Board of Directors, the President & CEO, and the executive management group. All transactions between Fingrid and related parties take place on market terms. The company has not lent money to the top management, and the company has no transactions with the top management. At the close of the reporting period, the Republic of Finland owned 53.1 per cent of the company's shares. The Finnish Parliament has authorised the Ministry of Finance to reduce the state's ownership in Fingrid Oyj to no more than 50.1 per cent of the company's shares and votes. The company applies in its related party disclosures the practical relief as defined in IAS 24.25.

Transactions with associated companies, € 1,000	2021	2020
Sales	38	105
Expense adjustments	8	13
Purchases	1,991	2,178
Receivables	10	5,342
Liabilities	2,254	1,961
Loan receivables	563	938



Accounting principles

Subsidiaries

The subsidiaries encompass all companies over which the Group has control (including structured entities). The Group is considered to have control over a company if the Group's holding results in exposure to variable returns or if the Group is entitled to variable returns and it can influence these returns by exercising its control over the company. The subsidiaries are consolidated into the consolidated financial statements starting from the day on which the Group gained control over the company. Consolidation is discontinued once the control ceases to exist.

Consolidation of operations is carried out using acquisition cost method.

Transactions, receivables and liabilities between Group companies and any unrealised profits from internal transactions are eliminated. Unrealised losses are also eliminated unless the transaction indicates an impairment of the disposed asset. If necessary, the financial statements of the subsidiaries have been adjusted to correspond to the accounting principles applied by the Group.

Associated companies

The associated companies include all companies over which the Group has significant influence but no control or joint control. This is generally based on a shareholding amounting to 20–50% of the votes.

Investments in associated companies are initially recognised at the acquisition cost and subsequently handled using the equity method. According to the equity method, investments are initially recorded at the acquisition cost and this is subsequently adjusted by recognising the Group's share of the profit or loss after the time of acquisition in the income statement and the Group's share of any changes in the investment object's other comprehensive income in other comprehensive income. Any dividends received or to be received from the associated companies and joint ventures are deducted from the investment's carrying amount.

If the Group's share of the losses of an investment recognised according to the equity method equals or exceeds the Group's holding in the company in question, including any other non-current receivables without collaterals, the Group will not recognise any additional losses unless it has obligations or it has made payments on behalf of the company.

A share corresponding to the Group's ownership interest is eliminated from the unrealised profits between the Group and its associated companies and joint ventures. Any unrealised losses are also eliminated unless the transaction indicates an impairment of the disposed asset. If necessary, the accounting principles applied by the investments to be recognised according to the equity method have been adjusted to correspond to the principles applied by the Group.

7.2 Other notes

Emission rights

Fingrid's reserve power plants are subject to an environmental permit and covered by the EU's emissions trading scheme. Emission rights purchased in 2021 amounted to 5,105 units (tCO₂). Emissions trading had minor financial significance for Fingrid. CO₂ emissions included in emissions trading totalled 5,344 tonnes in 2021 (5,000).


Accounting principles
Emission rights

Emission rights acquired free of charge are recognised in intangible assets at their nominal value, and purchased emission rights at their acquisition cost. A liability is recognised for emission rights to be returned. If the Group has sufficient emission rights to cover the return obligations, the liability is recognised at the carrying amount corresponding to the emission rights in question. If there are not sufficient emission rights to cover the return obligations, the liability is recognised at the market value of the emission rights in question. No depreciation is recognised on emission rights. They are derecognised in the balance sheet at the time of transfer when the actual emissions have been ascertained. The expense resulting from the liability is recognised in the income statement under the expense item 'Materials and services'. Capital gains from emissions rights are recognised under other operating income.

25. PROVISIONS, € 1,000

	2021	2020
Provisions for creosote-impregnated towers 1 Jan	1,368	1,393
Provisions used	1,784	
Provisions used	-44	-26
Provisions 31 Dec	3,107	1,368


Accounting principles
Provisions

A provision is recorded when the Group has a legal or factual obligation based on an earlier event and it is likely that fulfilling the obligation will require a payment, and the amount of the obligation can be estimated reliably. The provisions are valued at the present value of the costs required to cover the obligation. The discounting factor used in calculating the present value is chosen so that it reflects the market view of the time value of money at the assessment date and the risks pertaining to the obligation.

26. COMMITMENTS AND CONTINGENT LIABILITIES, €1,000

	2021	2020
Pledges	483	490
Other financial commitments		
Rent security deposit, guarantee	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	532	681
Commitment fee for subsequent years	1,250	276
	1,820	994
Unrecognised investment commitments	230,799	200,141

The investment commitments consist of agreements signed by the company to carry out grid construction projects and to procure the datahub system.

Payment obligations from right-of-use agreements for reserve power plants:

In one year	8,535	8,810
In more than one year and less than five years	19,610	24,486
In more than five years	8,722	12,159
Total	36,867	45,456

Under its system responsibility, Fingrid is also obligated to maintain a rapid response disturbance reserve to prepare for disruptions to the power system. In order to ensure the availability of this disturbance reserve, Fingrid has, in addition to its reserve power plant capacity, acquired power plant capacity suited to this purpose by long-term Right-of-use agreements.

EVENTS AFTER THE CLOSING DATE

Fingrid Group's profit for the 2022 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to decrease somewhat compared to 2021. 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. These are dependent on the variations in outside temperature, precipitation, windiness, and hydrological conditions in the Nordic countries, which affect electricity consumption and electricity prices in Finland and neighbouring areas and thus also grid transmission volumes. The company's debt service capacity is expected to remain stable. The company has analysed the direct risks linked to the Ukraine conflict from the perspective of the company and Finland's power system. Based on the analysis, the risks to Fingrid are minimal, and Finland is not dependent on electricity imported from Russia.

Jukka Metsälä, M.Sc. (Tech.), MBA, was appointed on 7 February 2022 as Fingrid's new CFO and member of the executive management group as of 5 May 2022, and his area of responsibility is the company's finances and treasury, and business development and strategy. Tuomas Rauhala, D.Sc. (Tech.) was appointed on 24 February 2022 as Senior Vice President of Power System Operations and as a member of the executive management group as of 1 June 2022. Metsälä and Rauhala will report to the company's President & CEO Jukka Ruusunen.

A new company, Nordic RCC A/S was established on 18 January 2022 for the incorporation of the operational planning office (Regional Security Coordinator, RSC) of the four Nordic transmission system operators, located in Copenhagen. Nordic RCC A/S will start up its operations on 1 July 2022, when the RSC will terminate its activities.

On 26 January 2022, the European Union granted funding of EUR 127 million for the Aurora Line transmission link between Finland and Sweden. Fingrid's share will be approximately EUR 110 million. The granted funding is part of the Connecting Europe Facility funding instrument. The new AC connection between Finland and Sweden, to be completed in 2025, is the decade's most important grid investment, which had already previously been selected as an EU Project of Common Interest (PCI). The connection is considered to be of common interest for the whole of Europe.

GROUP'S CONTACT INFORMATION AND APPROVAL OF THE FINANCIAL STATEMENTS

Fingrid Oyj is a Finnish public limited liability company incorporated under the Finnish Companies Act. Fingrid's consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. Fingrid's registered office is in Helsinki at the address P.O. Box 530 (Läkkisepäntie 21, 00620, Helsinki), 00101 Helsinki.

A copy of the consolidated financial statements is available on the website fingrid.fi or at Fingrid Oyj's head office.

The amounts in the financial statements are expressed in thousands of euros and are based on the original acquisition costs, unless otherwise stated in the accounting principles or notes.

Fingrid Oyj's Board of Directors has accepted the publication of these financial statements in its meeting on 1 March 2022. In accordance with the Finnish Companies Act, the shareholders have the opportunity to adopt or reject the financial statements in the shareholders' meeting held after their publication. The shareholders' meeting can also amend the financial statements.

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8 Parent company financial statements (FAS)

8.1 Parent company income statement

		Jan-Dec/2021	Jan-Dec/2020
	Notes	€	€
TURNOVER	2	1,091,127,329.60	679,761,088.99
Other operating income	3	2,663,322.17	2,387,376.73
Materials and services	4	-764,768,389.00	-392,887,919.08
Personnel costs	5	-33,711,021.18	-31,288,465.38
Depreciation and amortisation expense	6	-99,923,012.18	-98,490,649.66
Other operating expenses	7,8	-39,991,155.47	-38,046,809.01
OPERATING PROFIT		155,397,073.94	121,434,622.59
Finance income and costs	9	-9,283,492.17	-3,755,056.47
PROFIT BEFORE APPROPRIATIONS AND TAXES		146,113,581.77	117,679,566.12
Appropriations			
Change in depreciation difference		20,000,000.00	50,000,000.00
Income taxes	10	-32,619,700.96	-31,665,202.54
PROFIT FOR THE FINANCIAL YEAR		133,493,880.81	136,014,363.58

Notes are an integral part of the financial statements.

8.2 Parent company balance sheet

ASSETS		31 Dec 2021	31 Dec 2020
	Notes	€	€
Intangible assets:			
Other intangible assets	12	65,738,210.44	68,449,068.80
		65,738,210.44	68,449,068.80
Tangible assets			
	13		
Land and water areas		20,407,442.48	19,874,372.86
Buildings and structures		268,923,781.58	250,216,480.78
Machinery and equipment		539,754,722.10	543,419,211.39
Transmission lines		692,247,023.19	713,280,864.76
Other property, plant and equipment		117,516.35	117,516.35
Prepayments and purchases in progress		232,037,080.05	146,605,500.10
		1,753,487,565.75	1,673,513,946.24
Interests in Group companies		843,310.86	843,310.86
Interests in associated companies		1,500,675.00	1,500,675.00
Other shares and interests		6,586,678.95	6,586,678.95
		8,930,664.81	8,930,664.81
TOTAL NON-CURRENT ASSETS		1,828,156,441.00	1,750,893,679.85
Inventories			
	15	14,232,769.37	13,683,632.00
Loan receivables from Group companies	16	57,064,069.33	34,569,737.78
Loan receivables from associated companies	16	187,500.00	562,500.00
Deferred tax assets	10	7,949,781.12	7,059,301.53
Other receivables	16	67,645.43	47,991.93
		65,268,995.88	42,239,531.24
Trade receivables		99,707,737.23	76,490,165.63
Receivables from Group companies	17	1,203,495.93	1,030,989.34
Receivables from associated companies	18	384,568.92	5,720,334.69
Other receivables		3,698,231.18	3,821,201.20
Prepayments and accrued income	19,20	30,023,870.00	19,569,147.32
		135,017,903.26	106,631,838.18
Financial securities	21	119,525,165.40	79,372,646.16
Cash in hand and bank receivables	21	99,279,656.50	45,645,221.78
TOTAL CURRENT ASSETS		433,324,490.41	287,572,869.36
TOTAL ASSETS		2,261,480,931.41	2,038,466,549.21

Notes are an integral part of the financial statement.

SHAREHOLDERS' EQUITY AND LIABILITIES		31 Dec 2021	31 Dec 2020
	Notes	€	€
EQUITY	22		
Share capital		55,922,485.55	55,922,485.55
Share premium account		55,922,485.55	55,922,485.55
Profit from previous financial years		51,137,102.32	50,736,938.74
Profit for the financial year		133,493,880.81	136,014,363.58
TOTAL SHAREHOLDERS' EQUITY		296,475,954.23	298,596,273.42
ACCUMULATED APPROPRIATIONS	23	278,896,757.27	298,896,757.27
PROVISIONS FOR LIABILITIES AND CHARGES	30	3,107,000.00	1,367,646.78
LIABILITIES			
Non-current liabilities			
Bonds	24,25	700,989,990.71	730,989,990.90
Loans from financial institutions		289,891,774.84	272,554,112.51
Accruals	29	369,341,658.70	214,791,522.82
		1,360,223,424.25	1,218,335,626.23
CURRENT LIABILITIES			
Bonds	24	30,000,000.00	
Loans from financial institutions		17,662,337.71	67,662,337.71
Trade payables		28,626,829.35	26,471,817.91
Liabilities to Group companies	26	597,840.94	511,585.92
Liabilities to associated companies	27	2,254,468.07	1,961,280.55
Other liabilities	28	87,017,749.89	87,868,793.69
Accruals	29	156,618,569.70	36,794,429.73
		322,777,795.66	221,270,245.51
TOTAL LIABILITIES		1,683,001,219.91	1,439,605,871.74
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,261,480,931.41	2,038,466,549.21

Notes are an integral part of the financial statements.

8.3 Parent company cash flow statement

	Note	1 Jan - 31 Dec, 2021 €	1 Jan - 31 Dec, 2020 €
Cash flow from operating activities:			
Profit before taxes		146,113,581.77	117,679,566.12
Adjustments:			
Depreciation		99,923,012.18	98,490,649.66
Capital gains/losses (+/-) on tangible and intangible assets		68,954.26	498,043.56
Interest and other finance costs		9,283,492.17	3,755,056.47
Changes in working capital:			
Change in trade receivables and other receivables		-27,111,697.50	-14,679,567.98
Change in inventories		-549,137.37	-1,616,774.14
Change in trade payables and other liabilities		-5,916,736.31	-12,271,967.87
Congestion income		283,775,995.54	146,748,285.71
Change in provisions		-44,400.00	-25,500.00
Interest paid		-20,784,954.35	-22,956,513.27
Interest received		6,805,836.61	9,347,852.85
Taxes paid	10	-35,219,463.12	-40,694,783.57
Net cash flow from operating activities		456,344,483.88	284,274,347.54
Cash flow from investing activities:			
Purchase of property, plant and equipment	13	-178,089,707.31	-134,512,015.15
Purchase of intangible assets	12	-12,500,171.24	-11,795,943.33
Proceeds from sale of property, plant and equipment	13	1,206,000.00	840,000.00
Loans granted		-21,500,000.00	-12,500,000.00
Repayment of loan receivables		375,000.00	375,000.00
Dividends received	9	3,014,393.53	9,375,264.20
Net cash flow from investing activities		-207,494,485.02	-148,217,694.28
Cash flow from financing activities:			
Proceeds from current financing (liabilities)		195,413,049.53	227,337,686.48
Payments of current financing (liabilities)		-232,351,337.04	-270,498,378.92
Proceeds from non-current financing (liabilities)		35,000,000.00	164,666,785.78
Payments of non-current financing (liabilities)		-17,662,337.67	-67,662,337.66
Change in group account receivables and liabilities		130,626.32	1,374,855.93
Dividends paid	22	-135,614,200.00	-148,248,800.00
Net cash flow from financing activities		-155,084,198.86	-93,030,188.39
Change in cash and cash equivalents and financial assets		93,765,800.00	43,026,464.87
Cash and cash equivalents and financial assets 1 Jan		125,142,075.78	82,115,610.91
Cash and cash equivalents and financial assets 31 Dec	21	218,907,875.78	125,142,075.78

Notes are an integral part of the financial statements.

1. ACCOUNTING PRINCIPLES

Fingrid Oyj's financial statements have been drawn up in accordance with the Finnish Accounting Standards (FAS). The items in the financial statements are valued at original acquisition cost.

Foreign currency transactions

Commercial transactions and financial items denominated in foreign currencies are recognised at the foreign exchange mid-rate quoted by the European Central Bank (ECB) at the transaction date. Interest-bearing liabilities and receivables and the derivatives hedging these items are valued at the mid-rate quoted by the ECB at the closing date. Foreign exchange gains and losses on interest-bearing liabilities and receivables, and on the instruments hedging these items, are recognised at maturity under finance income and costs. Foreign exchange rate differences arising from the derivatives used to hedge commercial currency flows are recognised to adjust the corresponding item in the income statement.

Interest and currency derivatives

Interest rate and currency swaps, foreign exchange forwards and interest rate options are used, in accordance with the Treasury Policy, to hedge the interest rate and foreign exchange risk, as well as the commercial items, in Fingrid's balance sheet items. The accounting principles for derivative contracts are the same as for the underlying items. The interest rate items of interest rate and cross-currency swaps and interest rate options are accrued and recognised in the income statement under interest income and costs. The interest portion of forward foreign exchange contracts hedging the interest-bearing liabilities and receivables is accrued over the maturity of the contracts and recognised under finance income and costs. Premiums paid or received on interest rate options are accrued over the hedging period.

Electricity derivatives

Fingrid hedges its loss power purchases against price risk by employing futures and forwards traded on the NASDAQ OMX Oslo ASA. There can also be trading in the OTC market in instruments corresponding to Nasdaq OMX Oslo ASA's financial instruments. The profits and losses arising from these contracts are used to adjust the loss energy purchases in the income statement in the period in which the hedging impacts profit or loss.

Research and development expenses

Research and development expenses are treated as annual expenses.

Valuation of fixed assets

Fixed assets are capitalised under immediate acquisition cost. Planned straight-line depreciation on the acquisition price is calculated on the basis of the useful life of the fixed asset. Depreciation on fixed assets taken into use during the financial year is calculated on an item-by-item basis from the month of introduction.

The depreciation periods are as follows:

Goodwill	20 years
Other non-current expenses:	
Rights of use to line areas	30–40 years
Other rights of use according to useful life, maximum	10 years
Computer software	3–5 years
Buildings and structures	
Substation buildings and separate buildings	40 years
Substation structures	30 years
Buildings and structures at gas turbine power plants	20–40 years
Separate structures	15 years
Transmission lines	
Transmission lines 400 kV	40 years
Direct current lines	40 years
Transmission lines 110–220 kV	30 years
Creosote-impregnated towers and related disposal costs*	30 years
Aluminium towers of transmission lines (400 kV)	10 years
Optical ground wires	10–20 years
Machinery and equipment	
Substation machinery	10–30 years
Gas turbine power plants	20 years
Other machinery and equipment	3–5 years

*Disposal costs are discounted at present value and added to the value of the fixed asset and recognised under provisions for liabilities and charges.

Goodwill is depreciated over a 20-year period, since grid operations are a long-term business in which income is accrued over several decades.

Emission rights

Emission rights are treated in accordance with the net procedure in conformance with statement 1767/2005 of the Finnish Accounting Board.

Valuation of inventories

Inventories are recognised according to the FIFO principle at acquisition cost, or at the lower of replacement cost or probable market price.

Cash in hand, bank receivables and financial securities

Cash in hand and bank receivables include cash assets and bank balances. Financial securities are investments in short-term fixed income funds or time deposits in banks. Quoted securities and comparable assets are valued at the lower of original acquisition cost or probable market price.

Interest-bearing liabilities

Fingrid's non-current interest-bearing liabilities consist of loans from financial institutions and bonds issued under the Euro Medium Term Note (EMTN) programme. The current interest-bearing liabilities consist of commercial papers issued under the domestic and international programmes and of the current portion of noncurrent borrowings and bonds maturing within a year. The outstanding notes under the programmes are denominated in euros and foreign currencies. Fingrid has both fixed and floating rate debt. The interest is accrued over the maturity of the debt. The differential of a bond issued over or under par value is accrued over the life of the bond. The arrangement fees of the revolving credit facilities are, as a rule, immediately recognised as an expense, and the commitment fees are recognised as an expense over the maturity of the facility.

Financial risk management

The principles applied to the management of financial risks are presented in chapters 6.2 and 6.3 of the Notes to the Consolidated Financial Statements.

Income taxes

Taxes include the accrued tax corresponding to the profit for the financial year as well as tax adjustments for previous financial years.

Deferred taxes

The company enters deferred tax assets for the congestion income it uses for investments, and they become taxable income and tax in the year in which they were used. The tax assets entered for congestion income are recognised in accordance with the depreciation used in taxation for investments covered by congestion income. Congestion income allocated to investments is entered as a reduction in acquisition cost. For the rest, deferred tax assets and liabilities are not recorded in the income statement or balance sheet, but are instead presented in the notes.

2. TURNOVER BY BUSINESS AREA

The business of Fingrid Oyj comprises entirely transmission grid business with system responsibility. For that reason, there is no distribution of turnover by business area.

TURNOVER, €1,000	2021	2020
Grid service income	403,504	382,730
Imbalance power sales	600,490	260,823
Cross-border transmission	34,440	6,918
ITC income	22,633	17,147
Other operating income	30,060	12,142
Total	1,091,127	679,761

3. OTHER OPERATING INCOME, €1,000	2021	2020
Rental income	475	526
Capital gains of fixed assets	494	577
Contributions received	224	547
Other income	1,471	738
Total	2,663	2,387

4. MATERIALS AND SERVICES, €1,000	2021	2020
Purchases during the financial year	650,978	295,605
Loss energy purchases	65,591	52,590
Change in inventories, increase (-) or decrease (+)	-549	-1,617
Materials and consumables	716,021	346,578
Services	48,748	46,310
Total	764,768	392,888

5. PERSONNEL EXPENSES, €1,000	2021	2020
Salaries and bonuses	28,308	26,739
Pension expenses	4,397	3,660
Other personnel expenses	1,007	889
Total	33,711	31,288

Salaries and bonuses of the members of the Board of Directors and President and CEO, €1,000

	2021	2020
Juhani Järvi, Chairman (since 6 June 2014)	43	43
Päivi Nerg, Vice Chairman (since 28 March 2018)	36	26
Sanna Syri, Member of the Board (since 14 April 2015)	22	23
Esko Torsti, Member of the Board (since 22 March 2012)	22	22
Anu Hämäläinen, Member of the Board (until 20 March 2020)		7
Hannu Linna, Member of the Board (since 20 March 2020)	22	17
Jukka Ruusunen, President and CEO	506	504

Number of salaried employees in the company during the financial year:

Personnel, average	417	382
Personnel, 31 Dec	428	389

6. DEPRECIATION ACCORDING TO PLAN, €1,000	2021	2020
Other non-current expenses	6,565	6,958
Buildings and structures	11,697	10,896
Machinery and equipment	43,586	43,033
Transmission lines	38,074	37,603
Total*	99,923	98,491
* depreciation on the electricity grid (notes 12 and 13)	96,440	94,423
7. OTHER OPERATING EXPENSES, €1,000	2021	2020
Contracts, assignments etc. undertaken externally	25,009	23,651
Grid rents	241	255
Other rental expenses	3,498	3,384
Other costs	11,243	10,757
Total	39,991	38,047
8. AUDITORS' FEES, €1,000	2021	2020
PricewaterhouseCoopers Oy		
Auditing fee	125	106
Other fees	37	33
Total	162	139
9. FINANCE INCOME AND COSTS, €1,000	2021	2020
Dividend income from Group companies	110	
Dividend income from others	2,904	8,357
Interest income from Group companies	1,234	815
Interest income from associated companies	8	13
Interest and other finance income from others	6,756	10,097
	11,012	19,282
Interest and other finance costs to others	-20,296	-23,037
	-20,296	-23,037
Total	-9,283	-3,755
10. INCOME TAXES, €1,000	2021	2020
Income taxes for the financial year	33,522	29,760
Income taxes for the previous financial years	-12	-38
Changes in deferred taxes	-890	1,943
Total	32,620	31,665
The company will pay its income taxes in accordance with the underlying tax rate, with no tax planning		
Deferred tax assets in balance sheet, €1,000		
On temporary differences from congestion income	7,950	7,059
Total	7,950	7,059
Deferred tax assets and liabilities of balance sheet, €1,000		
Deferred tax assets		
On temporary differences	621	279
	621	279

Deferred tax liabilities		
On temporary differences	529	186
On appropriations	55,779	59,779
	56,309	59,966
Total	55,687	59,687

11. GOODWILL, €1,000	2021	2020
Cost at 1 Jan	128,664	128,664
Cost at 31 Dec	128,664	128,664
Accumulated depreciation according to plan 1 Jan	-128,664	-128,664
Accumulated depreciation in excess of plan 31 Dec	0	0

12. INTANGIBLE ASSETS, €1,000	2021	2020
Cost at 1 Jan	176,916	175,780
Increases 1 Jan–31 Dec	3,975	1,469
Decreases 1 Jan–31 Dec	-188	-333
Cost at 31 Dec	180,704	176,916
Accumulated depreciation according to plan 1 Jan	-108,467	-101,572
Decreases, depreciation according to plan 1 Jan–31 Dec	67	64
Depreciation according to plan 1 Jan–31 Dec	-6,565	-6,958
Carrying amount 31 Dec	65,738	68,449
Accumulated depreciation difference 1 Jan	-45,400	-47,252
Changes in depreciation difference reserve 1 Jan–31 Dec	841	1,852
Accumulated depreciation in excess of plan 31 Dec	-44,559	-45,400

*Net capital expenditure in electricity grid, €1,000	2021	2020
Carrying amount 31 Dec	61,251	64,880
Carrying amount 1 Jan	-64,880	-68,679
Depreciation according to plan 1 Jan–31 Dec	4,122	4,108
Decreases 1 Jan–31 Dec	121	270
Total	614	579

13. TANGIBLE ASSETS, €1,000	2021	2020
Land and water areas		
Cost at 1 Jan	19,874	19,641
Increases 1 Jan–31 Dec	620	234
Decreases 1 Jan–31 Dec	-87	
Cost at 31 Dec	20,407	19,874
Buildings and structures		
Cost at 1 Jan	350,025	331,914
Increases 1 Jan–31 Dec	30,932	18,111
Decreases 1 Jan–31 Dec	-3,015	
Cost at 31 Dec	377,942	350,025
Accumulated depreciation according to plan 1 Jan	-99,808	-88,912
Decreases, depreciation according to plan 1 Jan–31 Dec	2,487	
Depreciation according to plan 1 Jan–31 Dec	-11,697	-10,896
Carrying amount 31 Dec	268,924	250,216

Accumulated depreciation difference 1 Jan	-13,538	-13,400
Changes in depreciation difference reserve 1 Jan–31 Dec	-1,047	-138
Accumulated depreciation in excess of plan 31 Dec	-14,584	-13,538
Machinery and equipment		
Cost at 1 Jan	1,256,286	1,230,589
Increases 1 Jan–31 Dec	39,946	28,135
Decreases 1 Jan–31 Dec	-367	-2,439
Cost at 31 Dec	1,295,864	1,256,286
Accumulated depreciation according to plan 1 Jan	-712,867	-671,198
Decreases, depreciation according to plan 1 Jan–31 Dec	343	1,364
Depreciation according to plan 1 Jan–31 Dec	-43,586	-43,033
Carrying amount 31 Dec	539,755	543,419
Accumulated depreciation difference 1 Jan	-3,053	-29,213
Changes in depreciation difference reserve 1 Jan–31 Dec	10,532	26,160
Accumulated depreciation in excess of plan 31 Dec	7,479	-3,053
Transmission lines		
Cost at 1 Jan	1,334,769	1,326,918
Increases 1 Jan–31 Dec	17,659	8,682
Decreases 1 Jan–31 Dec	-1,135	-831
Cost at 31 Dec	1,351,293	1,334,769
Accumulated depreciation according to plan 1 Jan	-621,488	-584,471
Decreases, depreciation according to plan 1 Jan–31 Dec	516	586
Depreciation according to plan 1 Jan–31 Dec	-38,074	-37,603
Carrying amount 31 Dec	692,247	713,281
Accumulated depreciation difference 1 Jan	-236,906	-259,033
Changes in depreciation difference reserve 1 Jan–31 Dec	9,674	22,126
Accumulated depreciation in excess of plan 31 Dec	-227,232	-236,906
Other property, plant and equipment		
Cost at 1 Jan	118	118
Cost at 31 Dec	118	118
Prepayments and purchases in progress		
Cost at 1 Jan	146,606	50,294
Increases 1 Jan–31 Dec	176,779	152,942
Transfers to other tangible and intangible assets 1 Jan - 31 Dec	-91,349	-56,631
Cost at 31 Dec	232,037	146,606
Tangible assets total*	1,753,488	1,673,514
*Net capital expenditure in electricity grid, €1,000		
Carrying amount 31 Dec	1,719,854	1,647,656
Carrying amount 1 Jan	-1,647,656	-1,589,030
Depreciation according to plan 1 Jan–31 Dec	92,318	90,315
Decreases 1 Jan–31 Dec	1,183	1,319
Total	165,699	150,260

Fingrid's reserve power plants are included in the property, plant and equipment of the transmission system.

14. INVESTMENTS, €1,000	2021	2020
Interests in Group companies		
Cost at 1 Jan	843	843
Cost at 31 Dec	843	843
Interests in associated companies		
Cost at 1 Jan	1,501	8,087
Transfers between items 1 Jan–31 Dec		-6,587
Cost at 31 Dec	1,501	1,501
Other shares and interests		
Cost at 1 Jan	6,587	
Transfers between items 1 Jan–31 Dec		6,587
Cost at 31 Dec	6,587	6,587
Investments total	8,931	8,931

15. INVENTORIES, €1,000	2021	2020
Materials and consumables at 31 Dec	14,233	13,684
Total	14,233	13,684

16. OTHER NON-CURRENT RECEIVABLES, €1,000	2021	2020
Loan receivables from Group companies	57,064	34,570
Loan receivables from associated companies	188	563
Deferred tax assets	7,950	7,059
Other non-current receivables	68	48
Total	65,269	42,240

17. RECEIVABLES FROM GROUP COMPANIES, €1,000	2021	2020
Current:		
Trade receivables		138
Interest receivables	663	424
Other receivables	541	469
Total	1,203	1,031

18. RECEIVABLES FROM ASSOCIATED COMPANIES, €1,000	2021	2020
Current:		
Interest receivables	2	3
Loan receivables	375	375
Prepayments and accrued income	8	13
Other receivables		5,329
Total	385	5,720

19. ACCRUED INCOME, €1,000	2021	2020
Interest and other financial items	4,411	4,577
Accruals of sales and purchases	24,612	14,992
Tax assets	1,001	
Total	30,024	19,569

20. UNRECORDED EXPENSES AND PAR VALUE DIFFERENTIALS ON THE ISSUE OF LOANS INCLUDED IN ACCRUED INCOME, €1,000	2021	2020
Par value differentials	786	1,004

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1 March 2022

21. CASH AND CASH EQUIVALENTS, €1,000	2021	2020
Short-term fixed income funds	99,525	79,373
Cash in hand and bank receivables	99,280	45,645
Bank deposits	20,000	
Total	218,805	125,018

22. SHAREHOLDERS' EQUITY, €1,000	2021	2020
Share capital 1 Jan	55,922	55,922
Share capital 31 Dec	55,922	55,922
Share premium account 1 Jan	55,922	55,922
Share premium account 31 Dec	55,922	55,922
Profit from previous financial years 1 Jan	186,751	198,986
Dividend distribution	-135,614	-148,249
Profit from previous financial years 31 Dec	51,137	50,737
Profit for the financial year	133,494	136,014
Shareholders' equity 31 Dec	296,476	298,596
Distributable shareholders' equity	184,631	186,751

Number of shares	Series A shares	Series B shares	Total
1 Jan 2021	2,078	1,247	3,325
31 Dec 2021	2,078	1,247	3,325

Series A shares confer three votes each at the Annual General Meeting and Series B shares one vote each. When electing members of the Board of Directors, Series A shares confer 10 votes each at the Annual General Meeting and Series B shares one vote each.

Series B shares have the right before Series A shares to obtain the annual dividend specified below from the funds available for profit distribution. If the annual dividend cannot be distributed in some year, the shares confer a right to receive the undistributed amount from the funds available for profit distribution in the subsequent years; however, such that Series B shares have the right over Series A shares to receive the annual dividend and the undistributed amount.

Fingrid Oyj's Annual General Meeting decides on the annual dividend.

Eighty-two (82) per cent of the dividends to be distributed for each financial year is distributed for all Series A shares and eighteen (18) per cent for all Series B shares, however such that EUR twenty (20) million of the dividends to be distributed for each financial year is first distributed for all Series B shares. If the above-mentioned EUR twenty (20) million minimum amount for the financial period is not distributed (all or in part) for Series B shares in a financial period, Series B shares confer the right to receive the undistributed minimum amount in question (or the accumulated undistributed minimum amount accrued during such financial periods) in the next profit distribution, in any disbursements paid out, or in any other distribution of assets prior to any other dividends, disbursements or asset distribution until the undistributed minimum amount has been distributed in full for Series B shares.

There are no non-controlling interests.

23. ACCUMULATED APPROPRIATIONS, €1,000	2021	2020
Accumulated depreciation from the difference between depreciation according to plan and depreciation carried out in taxation	278,897	298,897
Total	278,897	298,897

24. BONDS, €1,000				2021	2020
Currency	Nominal value	Maturity	Interest	Balance sheet value	
EUR	30,000	19 Sep 2022	floating rate	30,000	30,000
EUR	30,000	11 Sep 2023	2.71%	30,000	30,000
EUR	300,000	3 Apr 2024	3.50%	300,000	300,000
EUR	70,000	7 May 2025	0.527%	70,000	70,000
EUR	100,000	23 Nov 2027	1.125%	100,000	100,000
EUR	25,000	27 Mar 2028	2.71%	25,000	25,000
EUR	10,000	12 Sep 2028	3.27%	10,000	10,000
EUR	80,000	24 Apr 2029	2.95%	80,000	80,000
EUR	30,000	30 May 2029	2.888%	30,000	30,000
				675,000	675,000
NOK	100,000	16 Sep 2025	4.31%	12,512	12,512
NOK	500,000	8 Apr 2030	2.72%	43,478	43,478
				55,990	55,990
Bonds, long-term total				700,990	730,990
Bonds, short-term total				30,000	
Total				730,990	730,990

25. LOANS FALLING DUE IN FIVE YEARS OR MORE, €1,000	2021	2020
Bonds	288,478	288,478
Loans from financial institutions	150,333	146,073
Total	438,811	434,552

26. LIABILITIES TO GROUP COMPANIES, €1,000	2021	2020
Current:		
Other liabilities	598	512
Total	598	512

27. LIABILITIES TO ASSOCIATED COMPANIES, €1,000	2021	2020
Current:		
Trade payables	2,254	1,961
Total	2,254	1,961

28. OTHER LIABILITIES, €1,000	2021	2020
Current:		
Other loans/Commercial papers (international and domestic)	85,216	72,155
Value added tax	15	9,760
Electricity tax	899	4,251
Advances received		923
Other liabilities	887	779
Total	87,018	87,869

29. ACCRUALS, €1,000	2021	2020
Non-current:		
Congestion income	369,342	214,792
Total	369,342	214,792
Current:		
Interest and other financial items	12,320	12,576
Salaries and additional personnel expenses	8,572	7,265
Accruals of sales and purchases	16,351	11,911
Tax debts		708
Congestion income	119,375	4,334
Total	156,619	36,794
Total	525,960	251,586

*Information on the accrual and use of congestion income can be found in note 34

30. PROVISIONS FOR LIABILITIES AND CHARGES, €1,000	2021	2020
Creosote-impregnated and CCA-impregnated wooden towers, disposal costs	3,107	1,368
Total	3,107	1,368

31. DERIVATIVE AGREEMENTS, €1,000

	2021				2020				Hierarchy level
	Fair value pos. 31.12.21	Fair value neg. 31.12.21	Net fair value 31.12.21	Nominal value 31.12.21	Fair value pos. 31.12.20	Fair value neg. 31.12.20	Net fair value 31.12.20	Nominal value 31.12.20	
Interest rate and currency derivatives									
Cross-currency swaps	5,067	-1,989	3,078	55,990	13,284	-9,911	3,373	55,990	Level 2
Forward contracts	77		77	3,335	117	-16	101	3,983	Level 2
Interest rate swaps	13,384	-567	12,817	305,000	28,258	-5,684	22,574	305,000	Level 2
Bought interest rate options	775		775	550,000	142		142	860,000	Level 2
Total	19,302	-2,556	16,746	914,325	41,801	-15,612	26,190	1,224,973	
Electricity derivatives									
Electricity forward contracts. NASDAQ OMX Commodities	78,193	-113	78,081	5.73	21,678	-5,865	15,813	5.51	Level 1
Total	78,193	-113	78,081	5.73	21,678	-5,865	15,813	5.51	

32. COMMITMENTS AND CONTINGENT LIABILITIES, €1,000	2021	2020
Rental liabilities		
Liabilities for the next year	3,640	3,471
Liabilities for subsequent years	32,019	33,299
	35,658	36,770
Right-of-use agreements		
Liabilities for the next year	8,535	8,810
Liabilities for subsequent years	28,332	36,645
	36,867	45,456
Pledges given as collateral for regulatory charges	483	490
Other financial commitments		
Rent security deposit, guarantee	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	532	681
Liabilities for subsequent years	1,250	276
	1,820	994
Unrecognised investment commitments	221,407	182,678
The investment commitments consist of agreements signed by the company to carry out grid construction projects.		

33. SEPARATION OF BUSINESSES IN ACCORDANCE WITH THE ELECTRICITY MARKET ACT

Imbalance power and regulating power

Each electricity market party must ensure its electricity balance by making an agreement with either Fingrid or some other party. Fingrid buys and sells imbalance power in order to stabilise the hourly power balance of an electricity market party (balance responsible party). Imbalance power trade and pricing are based on a balance service agreement with equal and public terms and conditions.

Fingrid is responsible for the continuous power balance in Finland by buying and selling balancing power in Finland. The balance responsible parties can participate in the Nordic balancing power market by submitting bids on their available capacity. The terms and conditions of participation in the regulating power market and the pricing of balancing power are based on the balance service agreement.

Fingrid is responsible for organising national imbalance settlement. As of the beginning of May 2017, Fingrid has transferred the imbalance settlement to eSett Oy, a company jointly owned by the Finnish, Swedish, Norwegian and Danish transmission system operators. The balance settlement takes place after the utilisation hours by determining the actual electricity generation, consumption and electricity trade. The outcome of the balance settlement is power balances for each party to the electricity trade.

Management of balance operation

In accordance with a decision by the Energy Market Authority, Fingrid Oyj shall separate the duties pertaining to national power balance operation by virtue of Chapter 12 of the Electricity Market Act. The management of balance operation is a part of grid operations.

The income statement of the balance service unit is separated by means of cost accounting as follows:

Income	direct
Separate costs	direct
Production costs	matching principle
Administrative costs	matching principle
Depreciation	matching principle in accordance with Fingrid Oyj's depreciation principle
Finance income and costs	on the basis of imputed debt
Income taxes	based on result

The average number of personnel during 2021 was 8 (8). The operating profit was -0.4 (-1.4) per cent of turnover.

MANAGEMENT OF BALANCE OPERATION, SEPARATED INCOME STATEMENT	1 Jan - 31 Dec, 2021	1 Jan - 31 Dec, 2020
	€1,000	€1,000
TURNOVER	627,765	272,451
Materials and services	-627,991	-274,114
Personnel costs	-859	-751
Depreciation and amortisation expense	-504	-540
Other operating expenses	-984	-907
OPERATING PROFIT	-2,574	-3,861
Finance income and costs	8	13
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	-2,566	-3,849
Appropriations	-59	-208
PROFIT/LOSS FOR THE FINANCIAL YEAR	-2,625	-4,057

MANAGEMENT OF BALANCE OPERATION, SEPARATED BALANCE SHEET

ASSETS	31 Dec 2021	31 Dec 2020
	€1,000	€1,000
NON-CURRENT ASSETS		
Intangible assets		
Other non-current expenses	707	278
Tangible assets		
Machinery and equipment	55	105
Investments		
Interests in associated companies	1,501	1,501
TOTAL NON-CURRENT ASSETS	2,263	1,884
CURRENT ASSETS		
Non-current		
Loan receivables from associated companies	188	563
Current receivables		
Trade receivables	16,547	3,891
Receivables from associated companies	10	5,332
Other receivables	13,200	1,044
	29,757	10,267
Cash in hand and bank receivables	1	1
TOTAL CURRENT ASSETS	29,945	10,831
TOTAL ASSETS	32,208	12,714

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec 2021	31 Dec 2020
	€1,000	€1,000
EQUITY		
Share capital	32	32
Share premium account	286	286

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Profit from previous financial years	10,008	14,065
Profit for the financial year	-2,625	-4,057
TOTAL SHAREHOLDERS' EQUITY	7,700	10,326
ACCUMULATED APPROPRIATIONS	-551	-610
LIABILITIES		
Current liabilities		
Trade payables	2,921	822
Liabilities to Group companies	19,883	216
Liabilities to associated companies	2,254	1,961
	25,059	2,999
TOTAL LIABILITIES	25,059	2,999
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	32,208	12,714

Development of information exchange

It is Fingrid's task to develop the exchange of information required for electricity trade and imbalance settlement as set out in the Electricity Market Act. Fingrid's information exchange services are part of the electricity markets' information exchange environment. In order to develop the effective and accurate exchange of information, Fingrid works in close co-operation with e.g. electricity market parties, interest groups, service providers, supervisory authorities, legislators, organisations that develop national and international communications and other transmission system operators.

In accordance with a decision by the Energy Market Authority, Fingrid Oyj must separate the duties pertaining to the development of information exchange by virtue of Chapter 12 of the Electricity Market Act. The development of information exchange is a part of grid operations.

The separation of the income statement for the development of information exchange is realised by means of cost accounting as follows:

Income	direct
Separate costs	direct
Administrative costs	matching principle
Income taxes	based on result

	1 Jan - 31 Dec, 2021	1 Jan - 31 Dec, 2020
DEVELOPMENT OF INFORMATION EXCHANGE, SEPARATED INCOME STATEMENT	€1,000	€1,000
TURNOVER	407	519
Other operating expenses	-194	-202
OPERATING PROFIT	213	317
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	213	317
Income taxes	-43	-63
PROFIT/LOSS FOR THE FINANCIAL YEAR	170	253

DEVELOPMENT OF INFORMATION EXCHANGE, SEPARATED BALANCE SHEET

	31 Dec 2021	31 Dec 2020
ASSETS	€1,000	€1,000
CURRENT ASSETS		
Receivables from Group companies	160	
Other receivables	2	30
TOTAL CURRENT ASSETS	162	30
TOTAL ASSETS	162	30

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec 2021	31 Dec 2020
	€1,000	€1,000
EQUITY		
Share capital	3	3
Profits/losses from previous financial years	-105	-358
Profit for the financial year	170	253
TOTAL SHAREHOLDERS' EQUITY	68	-103
LIABILITIES		
Current liabilities		
Trade payables	94	21
Liabilities to Group companies		112
	94	133
TOTAL LIABILITIES	94	133
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	162	30

Grid operations

Grid operations refers to licensed electricity system operation that takes place on the electricity grid. Electricity system operations are defined in Chapter 1 of the Electricity Market Act (588/2013) and grid operations are defined in Chapter 5. Of Fingrid Oyj's operations, activities related to the management of the power reserve system and guarantees of origin for electricity, as well as the datahub project that was started in 2015 are not included in grid operations. Operations that are not part of grid operations constitute 'other operations' as referred to in Chapter 12 of the Electricity Market Act and must be separated from grid operations in accordance with that Chapter.

The income statement and balance sheet of grid operations and other operations have, in compliance with Chapter 12 of the Electricity Market Act, been separated by means of cost accounting as follows:

Income	direct
Separate costs	direct
Production costs	matching principle
Administrative costs	matching principle
Depreciation	matching principle in accordance with Fingrid Oyj's depreciation principle
Finance income and costs	on the basis of imputed debt
Income taxes	based on result
Balance sheet items	matching principle

	TRANSMISSION SYSTEM OPERATION	OTHER OPERATION
	1 Jan - 31 Dec, 2021	1 Jan - 31 Dec, 2021
SEPARATED INCOME STATEMENT	€1,000	€1,000
TURNOVER	1,088,921	2,207
Other operating income	2,663	
Materials and services	-764,768	
Personnel costs	-33,302	-409
Depreciation and amortisation expense	-99,923	
Other operating expenses	-38,194	-1,797
OPERATING PROFIT	155,397	0
Finance income and costs	-10,627	1,344
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	144,770	1,344
Appropriations	20,000	
Income taxes	-32,351	-269
PROFIT/LOSS FOR THE FINANCIAL YEAR	132,419	1,075

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SEPARATED BALANCE SHEET

ASSETS	TRANSMISSION SYSTEM OPERATION	OTHER OPERATION
	31 Dec 2021 €1,000	31 Dec 2021 €1,000
Intangible assets:		
Other intangible assets	65,738	
	65,738	
Tangible assets		
Land and water areas	20,407	
Buildings and structures	268,924	
Machinery and equipment	539,755	
Transmission lines	692,247	
Other property, plant and equipment	118	
Prepayments and purchases in progress	232,037	
	1,753,488	
Investments:		
Interests in Group companies		843
Interests in associated companies	1,501	
Other shares and interests	6,587	
	8,087	843
TOTAL NON-CURRENT ASSETS	1,827,313	843
CURRENT ASSETS		
Inventories	14,233	
Receivables		
Non-current		
Loan receivables from Group companies		57,064
Loan receivables from associated companies	188	
Deferred tax assets	7,950	
Other receivables	68	
	8,205	57,064
Current		
Trade receivables	99,708	
Receivables from Group companies	57,286	1,203
Receivables from associated companies	385	
Other receivables	2,227	
Prepayments and accrued income	31,495	
	191,100	1,203
Financial securities	119,525	
Cash in hand and bank receivables	99,280	
TOTAL CURRENT ASSETS	432,343	58,268
TOTAL ASSETS	2,259,656	59,111

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SEPARATED BALANCE SHEET

	TRANSMISSION SYSTEM OPERATION	OTHER OPERATION
SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec 2021	31 Dec 2021
	€1,000	€1,000
EQUITY		
Share capital	55,920	3
Share premium account	55,922	
Profit from previous financial years	51,102	35
Profit for the financial year	132,419	1,075
TOTAL SHAREHOLDERS' EQUITY	295,363	1,113
ACCUMULATED APPROPRIATIONS	278,897	
PROVISIONS FOR LIABILITIES AND CHARGES	3,107	
LIABILITIES		
Non-current liabilities		
Bonds	700,990	
Loans from financial institutions	289,892	
Accruals	369,342	
	1,360,223	
Current liabilities		
Bonds	30,000	
Loans from financial institutions	17,662	
Trade payables	28,627	
Liabilities to Group companies		57,883
Liabilities to associated companies	2,254	
Other liabilities	87,007	11
Accruals	156,514	104
	322,065	57,998
TOTAL LIABILITIES	1,682,289	57,998
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,259,656	59,111

Other non-current assets included in the separated balance sheet for grid operations
SEPARATED BALANCE SHEET

	TRANSMISSION SYSTEM OPERATION
ASSETS	31 Dec 2021
	€1,000
Intangible assets:	
Other intangible assets	4,487
	4,487
Tangible assets	
Land and water areas	17,283
Buildings and structures	10,971
Machinery and equipment	2,615
Transmission lines	2,647
Other property, plant and equipment	118
Prepayments and purchases in progress	232,037
	265,670
TOTAL NON-CURRENT ASSETS	270,157

34. CONGESTION INCOME IN GRID OPERATIONS

The congestion income received by a grid owner must be used for the purposes stated in EU Regulation 2019/943, Article 19: guaranteeing the actual availability of the allocated capacity and maintaining or increasing interconnection capacities through network investments. As a consequence of the change in the regulation governing Fingrid's grid pricing, the company will include the congestion income received after 1 January 2016 as accruals in the item other liabilities in the balance sheet. Of the accruals, congestion income will be recognised in the income statement as other operating income when their corresponding costs, as defined in the regulation, accrue as annual expenses in the income statement. Alternatively, they are entered in the balance sheet against investments, as defined by regulation, to lower the acquisition cost of property, plant and equipment, which lowers the depreciation of the property, plant and equipment in question. The congestion income received before 1 January 2016 was recognised in turnover. EUR 488.7 million in congestion revenue remains unused and will be used for future investments to improve the functioning of the electricity market.

Congestion income, €1,000	2021	2020
Congestion income on 1 Jan	219,126	72,378
Accumulated congestion income	283,776	146,748
Investments matching congestion income	-14,186	
Congestion income on 31 Dec	488,716	219,126

Countertrade

In terms of the costs arising from countertrade used to safeguard system security in grid operations, congestion income may be used to offset countertrade costs arising from cross-border transmission connections.

Counter trade, €1,000	2021	2020
Countertrade between Finland and Sweden	260	91
Countertrade between Finland and Estonia	209	226
Countertrade between Finland's internal connections	2,030	370
Total counter-trade	2,499	687

35. EMISSION RIGHTS

The use of emission rights had no impact on the financial result in 2021.

	2021	2020
Total CO ₂ emissions tCO ₂	5,344	5,000

36. PERMANENT LOCATION IN DENMARK IN INCOME TAXATION

Joint Nordic operational planning organisation

Fingrid has established, jointly with Svenska Kraftnät, Statnett and Energinet.dk, the Nordic Regional Security Coordinator (Nordic RSC) in Copenhagen for inter-TSO operational planning between the countries. The unit includes Fingrid employees who provide the service for Fingrid's parent company, and this operation constitutes a permanent location in terms of income taxation and is income taxable to Denmark. The unit became operational in summer 2018.

	1 Jan - 31 Dec, 2021	1 Jan - 31 Dec, 2020
INCOME STATEMENT	€1,000	€1,000
TURNOVER	2,365	1,279
Personnel costs	-349	-189
Other operating expenses	-1,903	-1,029
OPERATING PROFIT	113	61
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	113	61
Income taxes	-25	-13
PROFIT/LOSS FOR THE FINANCIAL YEAR	88	48

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1 March 2022

9 SIGNATURES FOR THE ANNUAL REVIEW AND FOR THE FINANCIAL STATEMENTS

Helsinki, 1 March 2022

Juhani Järvi
Chair

Päivi Nerg
Deputy Chairman

Sanna Syri

Esko Torsti

Hannu Linna

Jukka Ruusunen
President & CEO

Auditor's notation

A report on the audit carried out has been submitted today.

Helsinki, 1 March 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila, APA