

FINGRID OYJ

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## Fingrid Group's Financial Statements Bulletin January–December 2022: Implementation of the company's investment programme proceeded according to plan. The company's finances remained strong in the midst of an energy crisis

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. The information published in this report is based on Fingrid's audited financial statements for 2022, published in connection with this bulletin.

- Fingrid Group's turnover grew to a record high as a consequence of the high price of balancing power. The profit for the period grew significantly due to the positive change in the market value of electricity derivatives hedging loss power procurement. The company's investment program proceeded according to plan, and the biggest annual main grid investments in the company's history were carried out.
- Western sanctions resulted in an end to Finland's electricity imports from Russia on 14 May 2022. The electricity system of Finland worked without any interruptions despite the end of imports.
- It was an exceptional year of operations. As a result of reduced electricity consumption and the waiving of customer fees in December, grid service revenue was significantly lower than the previous year. The company's market-based costs spiked. Correspondingly, the area price differences on Finland's cross-border connections considerably increased Fingrid's share of congestion income. Congestion income was used to finance completed cross-border investments and to compensate for the sharp rise in costs for the benefit of main grid customers.
- Finland's electricity consumption totalled 81.7 (87.1) terawatt hours in 2022.
- Fingrid transmitted 70.1 (72.9) terawatt hours of electricity in its grid, representing 78.4 (77.0) per cent of the total transmission volume in Finland (consumption and inter-TSO).
- The grid transmission reliability rate was 99.99993 (99.99992) per cent.
- In 2022, wind power was connected to the main grid in the amount of 1,940 (743) megawatts.

KEY FIGURES		1-12/22	1-12/21	change %	7-12/22	7-12/21	change %
Turnover	€M	1,815.2	1,090.9	66.4	1,123.1	625.2	79.6
Capital expenditure, gross	€M	276.1	213.5	29.4	154.2	127.9	20.6
- of turnover	%	15.2	19.6		13.7	20.5	
Research and development expenses	€M	1.8	3.0	-40.7	0.8	1.1	-28.3
- of turnover	%	0.1	0.3		0.1	0.2	
Average number of employees		480	440	9.1	486	446	9.0
Number of employees at end of period		489	451	8.4	489	451	8.4
Salaries and bonuses, total	€M	31.9	28.2	12.8	15.6	13.9	12.6
Operating profit	€M	290.4	210.8	37.8	-33.1	104.7	-131.7
- of turnover	%	16.0	19.3		-3.0	16.7	
Profit before taxes	€M	257.4	187.6	37.2	-42.0	93.5	-145.0
- of turnover	%	14.2	17.2		-3.7	15.0	
Profit for the period	€M	205.8	150.1	37.1	-33.6	74.8	-144.9
Comprehensive income for the period	€M	205.8	150.1	37.1	-33.6	74.8	-144.9
Cashflow after capital expenditure	€M	747.5	251.4	197.3	38.2	38.2	0.0
Return on investments (ROI)	%	16.3	11.7				
Return on equity (ROE)	%	30.1	23.5				
Equity ratio	%	22.4	25.3		22.4	25.3	
Interest-bearing net borrowings	€M	322.7	938.5	-65.6	322.7	938.5	

Net gearing		0.4	1.5		0.4	1.5
Dividend, Series A shares	€	52,500.00*	52,500.00			
Dividend, Series B shares	€	19,200.00*	19,200.00			
Equity per share	€	216,469	194,573	11.3		
Number of shares						
– Series A shares	qty	2,078	2,078		2,078	2,078
– Series B shares	qty	1,247	1,247		1,247	1,247
Total	qty	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

## Review by the President & CEO: Sights set on the future in the midst of an energy war

In 2022, the European energy markets faced a new reality after Russia launched a war of aggression against Ukraine.

As a result of Western sanctions, Finland's electricity imports from Russia ended in May 2022. Imports from Russia have been a significant part of Finland's electricity procurement in past decades. The electricity system of Finland coped well with the situation, but the energy crisis and the end of Russian electricity imports increased uncertainty related to the availability of electricity during winter 2022/2023.

Managing the energy crisis demanded bold actions from us, including the ability to communicate about the electricity shortage. Already in August, we exceptionally published an estimate of the adequacy of electricity. Due to major uncertainty, Finns had to anticipate possible power outages caused by electricity shortages and prepare for electricity-saving measures. In addition to the adequacy of electricity, citizens were also very concerned about the extremely high price of electricity. A timely message gave consumers, companies, authorities and cities time to prepare. In terms of corporate responsibility, companies are expected to offer solutions to society's common challenges. As the outcome of cooperation, Fingrid introduced a power system support procedure that enabled voluntary flexibility in electricity consumption from companies and public sector players during an electricity shortage. The significance of the cooperation was highlighted in our corporate responsibility work during the year under review, as we secured Finnish society's electricity supply during an exceptional period.

The exceptional situation was reflected in Fingrid's finances as a significant increase in market-based costs. As a consequence of the high electricity price, the company's loss power costs grew, despite the company's efforts to hedge against price fluctuations as effectively as possible. The costs of reserves maintaining the power system's operations rose to record-high levels. The high price of electricity also showed in Fingrid's finances as higher purchase and sales prices for imbalance power. The exceptional situation has caused congestion in electricity transmission and led to major area price differences in Europe. The high area price differences increased TSOs' congestion income. We used the record-high congestion income for investments, but also to cover the rise in costs. In addition, we waived the grid service fees for December.

Despite the difficult situation, we successfully rolled out our investment programme. We were able to make progress on demanding transmission line and substation projects as planned – on schedule and on budget. We had a record number of projects in the construction and planning phase. During the

year, we made significant investment decisions to reinforce cross-border connections between countries, to reinforce Finland's internal main grid and to connect our customers' new electricity consumption and production to the main grid. Based on the updated main grid development plan, it was estimated that at least three billion euros will have to be invested in the main grid over the next ten years. Wind power construction continues in Finland, and we have already connected more than 5,000 megawatts of wind power to the main grid. In the coming years, that amount will double.

## Financial result

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 2021.

The exceptional circumstances that began on the energy market in the autumn of 2021 were further intensified when Russia invaded Ukraine. Even before the invasion, the prices of gas and electricity had gone up. The war further increased the price of electricity such that the high price of gas in Europe also increased the price of electricity in the Nordic countries. Western sanctions resulted in an end to Finland's electricity imports from Russia on 14 May 2022. Finland's electricity system worked without any interruptions despite the end of Russian electricity imports. During the year under review, imports from Russia were replaced by imports from Sweden and Estonia, by growing domestic electricity generation, and by reduced and flexible electricity consumption. The exceptional situation on the energy markets and the high price of electricity increased Fingrid's key market-based cost items, such as electricity system reserves, loss power procurement costs and cross-border congestion costs. In addition, sales revenue from the Russian cross-border transmission connection dried up after imports ended, and Fingrid is no longer procuring power system reserves from Russia. However, the overall impacts caused by the exceptional situation in the energy market were minor for the company, as the increase in congestion income offset the increased costs and the lost sales revenue from the Russian cross-border transmission connection.

The Group's turnover reached a record-high EUR 1,815.2 (1,090.9) million. The remarkable increase in turnover is attributed to the high price of balancing power fees, which Fingrid collects to balance the power imbalances of balance responsible parties, and increases in balance service tariffs. The turnover from balance services was EUR 1,160.2 (613.8) million. Grid service revenue decreased to EUR 333.7 (394.3) million, due to lower electricity consumption and to Fingrid waiving the grid service fees for December. Electricity consumption in Finland totalled 81.7 (87.1) terawatt hours during the year. Cross-border transmission between Finland and Russia ended in May 2022. Cross-border transmission income from that connection amounted to EUR 11.1 (34.4) million. The exceptional situation on the electricity market increased the volume of inter-TSO transmission, which caused greater area price differences on Finland's border compared to previous years. Inter-TSO Compensation (ITC) income grew to EUR 23.1 (22.6) million. The congestion income received by Fingrid increased significantly. In 2022, a total of EUR 229.5 (0.0) million in congestion income was recognised in turnover, and EUR 18.8 (0.0) million in other operating income. Other operating income increased to EUR 171.4 (64.9) million. The increase is due to recognising congestion income as turnover and to the increase in the fair value of derivatives related to business operations.

The Group's costs excluding the change in the value of commodity derivatives were EUR 1,695.8 (945.0) million. With the high price of balancing power, electricity trade costs of the balance service increased to EUR 1,141.2 (584.7) million. The exceptional market situation and the high price of electricity increased the costs of market-based loss power and power system reserves, as well as increased congestion costs, which arise from the transmission of electricity across borders from more expensive price areas to lower-priced areas. Loss power costs amounted to EUR 103.9 (65.6) million. The volume of loss power remained at the previous year's level. The realised average price of loss power procurement was EUR 60.32 (41.34) per megawatt hour. The cost of reserves to safeguard the grid's system security increased to EUR 186.9 (68.4) million. Congestion costs increased to EUR 69.4 (24.2) million. Depreciation amounted to EUR 107.9 (99.9) million and grid maintenance costs to EUR 19.6 (19.9) million. Personnel costs grew to EUR 38.1 (33.6) million. The headcount was increased in response to a growing workload, as operations expanded both domestically and in international cooperation.

The Group's operating profit was EUR 290.4 (210.8) million. To recognise changes in the fair value of electricity derivatives and the currency derivatives related to capital expenditure and other operating expenses, EUR 140.6 (62.2) million was recorded in operating profit. The Group's profit before taxes was EUR 257.4 (187.6) million. Profit for the financial year was EUR 205.8 (150.1) million. The increase in costs and the lower level of grid service income was compensated by recognising EUR 248.3 (0.0) million of congestion income as turnover and other operating income. The equity ratio at the end of the financial year was 22.4 (25.3) per cent. The decline in equity was caused, above all, by the increase in the total balance sheet caused by the accumulated congestion income, which decreased the share of equity in the total balance sheet.

The company currently has a EUR 3 billion investment programme under way for the next ten years. Fingrid's total capital expenditure in 2022 amounted to EUR 276.1 (213.5) million. This included a total of EUR 246.0 (180.3) million invested in the transmission grid and EUR 3.7 (2.4) million for reserve power. ICT investments amounted to EUR 11.0 (28.6) 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 1.8 (3.0) million was used for R&D projects during the year under review.

The parent company's turnover was EUR 1,808.7 (1,091.1) million, profit for the financial year EUR 114.4 (133.5) million and distributable funds EUR 166.0 million.

Based on the company's own calculations, the result according to the regulatory model that governs transmission grid operations amounted to a surplus of around EUR 5 million for 2022. In the regulatory period 2020–2023, the result was cumulatively slightly lower than the allowed regulatory profit.

As a consequence of the exceptional situation, the area price differences at the borders of Finland and Sweden and Finland and Estonia grew. This resulted in an increase in congestion income, to EUR 942.9 (283.8) million. The Energy Authority decides on the use of the congestion income received by Fingrid for investments, to cover costs and for use as turnover in line with EU regulation. A regulatory letter submitted to Fingrid by the Energy Authority on 5 October 2022 specified the use of congestion income in 2022 and 2023. The decision concerning the use of congestion income is provided in

conjunction with the company's regulatory decision after each regulatory period. In 2022, a total of EUR 119.6 million of the accumulated congestion income was used for completed investments, mainly the Forest Line, and was reserved for future investment projects that will increase the cross-border transmission capacity. Furthermore, a total of EUR 248.3 (0.0) million in congestion income has been recognised as turnover and other operating income to compensate for the strong growth in market-based costs, and also enabled the waving of grid service fees in December. Fingrid's unused congestion income is recorded in the balance sheet under short- and long-term non-interest-bearing liabilities and cash and cash equivalents and financial assets.

## Financing

Fingrid's credit rating remained high, reflecting the company's strong overall financial situation, its key role as an implementer of climate targets, and its debt service capacity. During the year under review, Fitch Ratings (Fitch) raised Fingrid's long-term company rating to 'A+' and unsecured senior debt rating to 'AA-'. The Group's net financial costs were EUR 32.7 (23.2) million, including EUR 0.6 million in interest expenses on the lease liabilities booked into the balance sheet. Net financial costs grew due to the rise in market interest rates. The Group's net interest expenses on loans during the year totalled EUR 16.7 (12.6) million. The change in the fair value of financial derivatives was EUR 24.8 million negative (EUR 9.4 million negative).

Interest-bearing borrowings totalled EUR 1,056.2 (1,158.1) million, of which non-current borrowings accounted for EUR 990.4 (1,022.6) million and current borrowings for EUR 65.8 (135.5) million. At the end of the year, the company's interest-bearing borrowings included a total of EUR 29.8 million in lease liabilities, consisting of EUR 2.7 million in short-term liabilities, to be paid within a year.

Fingrid's congestion income significantly increased the company's financial assets and thus decreased its net debt. Unused congestion income is part of the company's liquidity management. The company's cash assets are, in line with the Treasury Policy, mainly invested in low-risk fixed income instruments. The company's liquidity remained very good. Cash and cash equivalents and other financial assets totalled EUR 733.4 (219.6) million on 31 December 2022.

The company's interest rate, currency and commodity price risks were hedged in line with Fingrid's hedging policies. The counterparty risk arising from derivative contracts relating to financing was EUR 8.8 (16.7) million.

Fingrid has credit rating service agreements with S&P Global Ratings (S&P) and Fitch Ratings (Fitch). The credit ratings valid on 31 December 2022 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 'AA-', the long-term company credit rating at 'A+', and 'F1' for the short-term company credit rating, with a stable outlook.

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## Customers

Fingrid's operations are largely based on performing statutory duties. We perform this duty with maximum customer focus, on impartial and equal terms. Fingrid provides grid services and electricity market services to its customers: DSOs, electricity producers, electricity-consuming industry and other electricity market operators. The goal is to continuously develop Finland's competitiveness by improving Fingrid's services to cater for the different needs of customers. Fingrid's customer base has diversified in recent years, and the sector has also seen the emergence of entirely new types of customers.

Grid services secure reliable transmission of electricity in the main grid and connection to the electricity network in accordance with the needs of utility companies and energy intensive industry. During the year under review, the enquiries regarding renewable energy connections continued to increase. The total power of new connection enquiries in 2022 was approximately 80,000 megawatts, which is nearly six times the production capacity in Finland at the end of 2022. The sufficiency of connection capacity and the technical functioning of the electricity system already represent a constraint in some places. Electricity consumption is also joining the electrification trend. Electricity generation investments and growth in production capacity create possibilities for consumption investments. 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 main grid.

Our electricity market services offer all industry players a unified price area for electricity trade in Finland, and the opportunity to buy and sell imbalance power. They maintain and expand the reserve markets required to balance the power system and offer the benefits of open European electricity markets. The key grid investment projects serving the electricity market are the Forest Line connection, consolidating the north-south transmission capacity, and the Aurora Line connection between Finland and Sweden. The market rules are being developed and electricity market data is published openly and free-of-charge.

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 continue to operate cost effectively and thus also do its part to offer a competitive advantage to companies operating in Finland.

Customer satisfaction with Fingrid's services is assessed through an annual survey. In the 2022 survey, Fingrid's net promoter score from customers increased to +50 from the previous year's score of +41.

## Main grid

Development of the main grid is based on anticipating the needs of customers and society, correctly timed grid construction, promoting the functioning of the electricity market, cost-effectiveness, and managing the ageing of the grid.

In autumn, Fingrid published four scenarios on the power system's development. The purpose of the electricity system vision work is to provide clearer situational awareness of the energy transformation and its impacts and to analyse the main grid's development needs.

In spring, Fingrid increased its ten-year investment programme from two to three billion euros. The growth in investments is a consequence of the electrification of society and the transition of electricity production forms to renewable energy.

Finland's main grid comprised altogether 14,500 kilometres of transmission lines and 121 substations in 2022. The main grid represents a totality of assets amounting to several billion euros, which is why, besides building a new network, high-quality maintenance management and correctly timed replacement investments are also important components of the main grid's life-cycle management.

In 2022, Fingrid completed 16 substations and 500 kilometres of transmission lines. A total of 740 kilometres of transmission lines were under general planning, and four projects reached the environmental impact assessment phase. During the year under review, four investment decisions to build transmission lines were made. The most significant project completed in 2022 is the roughly 300-km-long, 400-kilovolt Forest Line, which strengthens the electricity transmission capacity between northern and southern Finland. Modernisation work on the Oulujoki and North Karelia electricity networks was also completed during the year under review.

North-south transmission capacity and cross-border connections are being further reinforced. Construction of the Aurora Line, i.e. the electricity transmission connection between Finland and Sweden, began in autumn 2022. The Aurora Line will increase the transmission capacity between the two countries: from Finland to Sweden by roughly 900 megawatts, and from Sweden to Finland by some 800 megawatts. Fingrid is also planning the construction of the new Aurora Line 2 together with Svenska kraftnät. At the end of 2022, a decision was made to reinforce the Lake Line connection, which will increase Finland's north-south transmission capacity.

Fingrid's asset management has been certified since 2016 according to the international ISO 55001 standard, and it was re-certified in October. Lloyd's Register carried out a certification-related audit at Fingrid. No deviations arose during the audit.

## Power system

In 2022, Finland's electricity consumption decreased by roughly six per cent compared to the previous year. Behind the decrease in consumption is the mild winter and the major electricity saving measures in Finland related to the exceptional situation caused by Russia's attack on Ukraine. The at-times record-high price of electricity contributed to the reduction of consumption.

Electricity consumption in Finland amounted to 81.7 (87.1) terawatt hours in 2022. Fingrid transmitted a total of 70.1 (72.9) terawatt hours of electricity in its grid, representing 78.4 (77.0) per cent of the total transmission volume in Finland (consumption and inter-TSO).

In winter 2021/2022, electricity consumption peaked at 13,767 (14,267) MWh/h on 11 January 2022 between 8 and 9 am, with Finland's electricity production contributing 11,215 MWh/h and the remaining 2,552 MWh/h being imported.

The electricity transmitted between Finland and Sweden mostly consisted of large imports from Sweden to Finland. In 2022, 16.6 (15.9) terawatt hours of electricity was imported from Sweden to Finland, and 1.2 (0.9) terawatt hours was exported from Finland to Sweden. The electricity

transmissions between Finland and Estonia were dominated by exports from Finland to Estonia, totalling 6.8 (6.7) terawatt hours. Electricity transmission from Russia to Finland amounted to 3.6 (9.2) terawatt hours. Finland's electricity imports from Russia ended in May 2022. In 2022, 0.4 (0.3) terawatt hours of electricity was imported from Norway to Finland.

Reserves required to maintain the power balance of the power system were procured from Finland, other Nordic countries, Estonia and, in early 2022, Russia. There were challenges at times in the availability of reserves, and reserve costs increased significantly.

The transmission reliability rate during the year under review was 99.99993 (99.99992) per cent. An outage in a connection point in the main grid caused by a disturbance in Fingrid's transmission system lasted an average of 4.7 (0.9) minutes. The cost of the disturbances (regulatory outage costs) was EUR 2.0 (2.3) million, and including the quick reclosures, EUR 4.7 (5.8) million.

The usability and reliability of Fingrid's DC connections have been at a very good level. There were fewer disturbances in 2022 than in 2021, and capacity was rapidly recovered for use in the markets. The total duration of disturbances was affected, in particular, by a prolonged fault in the EstLink 1 connection at the end of the year. The exceptional situation on the electricity markets also affected the planned maintenance outage schedules, which were removed from the spring and winter seasons on a risk basis.

The volume of transmission losses in the main grid increased from the level of the previous year and amounted to 1.6 (1.5) terawatt hours. This was 2.3 per cent of Fingrid's total transmission volume of 70.1 terawatt hours. The losses are affected by the quantity of the electricity consumed and transferred.

Countertrade costs arise from, among other things, transmission grid disturbances and problem situations. Countertrade costs totalled EUR 7.3 (2.5) million. The costs were raised by, among other things, the high price of electricity, disturbances in cross-border transmission connections and countertrade resulting from local transmission outages around Finland.

## Electricity market

Record-high electricity prices on the electricity markets dominated public debate throughout the year. Problems related to the availability of fuels and high fuel prices increased the price of electricity everywhere in Europe. The supply crisis was exacerbated by problems related to the usability of France's and Sweden's nuclear power plants. In particular, the scarcity of hydroelectric power in southern Norway raised the price level in the Nordic countries. In Finland, the market was anticipating the successful test run of Olkiluoto 3 in summer 2022 and the start date for its commercial operation, which ultimately did not happen during the year under review.

The second half of the year was marked by concern over the adequacy of electricity. The crisis set in motion a series of political measures at both the EU level and within member states. In autumn, the EU agreed on a Council Regulation to address high energy prices and reduce electricity demand. Finns were urged to prepare for possible power outages caused by electricity shortages. Fingrid launched a voluntary power system support procedure for using electricity sparingly in November 2022.



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High electricity prices were reflected in the electricity derivative markets. The strong price increase in the day-ahead market increased the collaterals required from the parties and caused liquidity problems for companies. Support packages and loan arrangements aimed at securing the operating conditions of companies were rolled out in Europe and Finland.

Prices on the European day-ahead market reached the highest possible level allowed by the price cap. In April, France and the Netherlands came close to the price cap in the markets at the time, i.e. EUR 3,000 per megawatt hour, triggering an increase of EUR 1,000 per megawatt hour in the price cap as required by the automatic mechanism under European regulation. The new price cap of EUR 4,000 euros per megawatt hour was reached in Lithuania, which restarted the automatic increase mechanism. The increase was not imposed, because the EU's energy ministers demanded a freeze on the price cap. Since the freezing of the price cap in the Nordic balancing power markets did not happen, the price cap in Finland's balancing power market rose, in line with the Energy Authority's decision, to EUR 10,000 per megawatt hour on 1 November 2022. The average market price of spot electricity on the power exchange (Nordic system price) was EUR 135.86 (62.31) per megawatt hour.

The cross-border transmission capacity limitations as a result of the Swedish transmission grid's congestion also affected the markets in 2022. The most significant limitation for Finland was the limitation of electricity exports from Finland to Sweden using the Fenno-Skan link. The technical availability of cross-border connections were good during the year. Transmission outages related to maintenance work, investments and fault repairs were implemented both on the cross-border connections between Sweden and Finland and on connections within the countries.

Fingrid's congestion income from cross-border transmission lines totalled EUR 942.9 (283.8) million, of which the cross-border transmission lines between Finland and Sweden accounted for EUR 775.6 (221.0) million. The links between Finland and Estonia generated EUR 167.4 (62.7) million in congestion income.

To increase the cross-border transmission capacity between Finland and Sweden, a third AC connection, called the Aurora Line, is under construction in cooperation with the Swedish TSO. The increased transmission capacity will support to decrease the price disparities between the countries. The transmission link is due to be completed by 2025 at the latest. During the year under review, Finland's internal transmission connections were reinforced as the Forest Line between central Finland and Oulujoki was completed. The Forest Line will significantly 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. After the Forest Line, north-south transmission capacity will be reinforced between Lappeenranta and Oulu in connection with the Lake Line, which is scheduled for completion in 2026.

At the end of the year under review, Fingrid and the Estonian TSO Elering adopted transmission rights for the Finland-Estonia border in order to support the operations of the wholesale electricity markets. Transmission rights give market operators new opportunities to hedge electricity prices in long-term electricity trade.

Fingrid's task is to develop the electricity market. The market access of versatile and flexible resources as well as diverse trading opportunities close to the electricity consumption hour promote the efficient operation of the electricity market and the market entry of new players. Key projects include the Nordic Balancing Model and transmission capacity calculation development. Moreover, a wide

array of development work is under way to promote the market entry of flexible resources that support the functionality of the electricity system.

The Nordic countries will adopt a 15-minute imbalance settlement period (ISP). The 15-minute imbalance settlement period go-live in Finland has been confirmed, based on a decision by the Energy Authority, to be 22 May 2023. Initially, the go-live will mean processing the electricity grid's metering data and settling imbalances in 15-minute time periods.

The changes in the electricity system will increase the need for automatically activated reserves in balancing the power system. During the year under review, the capacity market for aFRRs initially operated nationally, but at the end of the year, approval for limited cross-border trade from authorities was obtained. Finland joined the Nordic markets and trading began on 24 December 2022. In Finland, unlike other Nordic countries, cross-border transmission capacity can only be allocated against the current transmission direction of the day-ahead electricity market. Fingrid can therefore only purchase aFRR down regulation capacity from other Nordic countries, and correspondingly, other Nordic TSOs can only purchase aFRR up regulation capacity from Finland.

On 21 February 2022, Finland introduced a centralised information exchange system for the retail market of electricity, called Datahub, which stores, in accordance with the Electricity Market Act, data from some 3.8 million electricity accounting points. In December, Datahub was successfully upgraded to version 2.0, which enables, among other things, support for the 15-minute measurement period and imbalance settlement, and energy communities.

## Personnel

The operating environment of Fingrid's personnel has changed quite a bit in recent years, and 2022 was no exception. The energy transformation and the unprecedented main grid construction programme that supports it, as well as the requirements for the development of the electricity market, have increased the workload. The modernisation of the electricity system calls not only for more manpower, but also for entirely new competence, particularly for managing weather-dependent electricity production in the power system.

Fingrid Oyj employed 489 (451) persons, including temporary employees, at the end of the year. The number of permanent employees was 439 (400) and the average age was 43 (44). At the end of the year, 25 (26) per cent of the personnel were women and 75 (74) per cent were men.

Fingrid surveyed the well-being of its employees in 2022 with a PeoplePower employee experience survey. According to the results, Fingrid's strengths include atmosphere at work, trust in the employer and commitment. Fingrid again achieved the excellent AAA PeoplePower rating, with an index of 83.4 on a scale from 1 to 100. Only around six per cent of all the surveyed organisations annually achieve the highest AAA rating category. The company's employees gave us a net promoter score (eNPS) of 72.

Fingrid ranked in third place in the Great Place to Work survey's list of large Finnish companies in 2022. Achieving third place in this list is a testimony to Fingrid's long-term efforts in areas such as developing bold supervisory work.

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## Legal proceedings and proceedings by authorities

Teollisuuden Voima Oyj ("TVO") has lodged a request for an investigation with the Energy Authority on 25 May 2022 related to the claims by TVO that Fingrid has neglected its obligation to develop the main grid as stated in the Finnish Electricity Market Act and/or other applicable legislation, and that, as a result, it has placed unlawful restrictions on connecting the Olkiluoto 3 nuclear power plant to the grid, and that Fingrid is in breach of its administrative obligations linked to carrying out its public administrative task. Fingrid's view is that the claims made by TVO are unfounded. Fingrid lodged a statement of defence with the Energy Authority concerning the claims made by TVO in its request for an investigation.

The EU Agency for the Cooperation of Energy Regulators (ACER), on 14 September 2022, made a decision on long-term price risk hedging opportunities between Finland and Sweden. In its decision, ACER requests that the Finnish and Swedish TSOs ensure the availability of other long-term cross-zonal hedging products and develop the necessary arrangements for providing hedging products. Fingrid, on 14 November 2022, filed an appeal against the decision to ACER's Board of Appeal.

## Events after the review period and future outlook

On 16 February 2023, the National Emergency Supply Agency (NESA) transferred, without compensation, 288 shares of the transmission system operator Fingrid Oyj to the State of Finland, represented by the Ministry of Finance. After the share transfer, the State directly owns a total of 1,227 of Fingrid Oyj's Series A shares, which corresponds to a 36.9 per cent shareholding. NESA holds a total of 540 Fingrid Oyj's Series A shares, which corresponds to a 16.2 per cent shareholding. No cash consideration was paid for the share transfer, and the transfer does not cause a change in Fingrid Oyj's ownership steering and share management by the State. The State of Finland will thus own, directly and through NESA, 53.1 per cent of Fingrid's Series A shares, which gives the State 70.9 per cent of the voting rights in Fingrid.

Fingrid Group's result for the 2023 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to increase compared to 2022. This estimation includes the recording of congestion income in the company's turnover and other operating income. The implementation of the investment programme is proceeding, which raises the level of investments in 2023. The sustained exceptional situation on the electricity markets increases the uncertainty of the company's market-based costs. Increasing weather dependence in electricity production poses a challenge to forecasting electricity transmission and increases fluctuations in the national power balance and its maintenance. The company's debt service capacity is expected to remain stable.

The company has analysed the risks linked to the war in Ukraine 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. The impacts of the war are seen at Fingrid mainly through the market prices of electricity. Area price differences at the borders between Finland

and Sweden and Finland and Estonia will increase Fingrid's share of congestion income during the financial period. The Energy Authority decides on the use of the congestion income received by Fingrid in line with EU regulation. A regulatory letter submitted to Fingrid by the Energy Authority on 5 October 2022 specifies the use of congestion income in 2023. The decision concerning the use of congestion income is provided in conjunction with the company's regulatory decision after each regulatory period. The current regulatory period for steering the reasonable return ends on 31 December 2023.

On 12 October 2022, Fingrid announced that it would waive grid service fees for January, February and June of 2023. The company moreover plans to waive grid service fees for three other months in the latter half of 2023. A separate decision on that will be made by summer 2023. The goal is also, in future, to use congestion income actively for investments that will increase cross-border transmission capacity and to cover operating costs to benefit Fingrid's customers.

#### **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 114,372,621.08 and distributable funds in the financial statements total EUR 165,966,204.21. 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 2022, 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 5 April 2023. 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.

FINGRID OYJ  
www.fingrid.fi

2.3.2023

## Annual General Meeting 2023

Fingrid Oyj's Annual General Meeting is scheduled to be held on 31 March 2023 in Helsinki.

In Helsinki, on 2 March 2023  
Fingrid Oyj  
Board of Directors

### Downloads:

Financial statements bulletin 2022  
Corporate governance statement 2022.pdf  
Remuneration report 2022.pdf  
Annual review and financial statements 2022.pdf  
ESEF report 2022.zip