

## Fingrid's Financial Statements Bulletin January–December 2023: Clean and high-quality electricity system and largest ever grid investments created conditions for electricity consumption growth

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 2023, published in connection with this bulletin.

- The Fingrid Group turnover fell due to the lower electricity price. The profit for the period fell due to a negative change in the fair value of electricity derivatives and currency derivatives linked to capital expenditure and other operating costs. Profit before taxes excluding changes in the fair value of derivatives was higher than in the previous year due to the increase in the allowed profit.
- The company's EUR 4 million investment programme proceeded according to plan, marking the biggest annual investments in the main grid in the company's history, which enables an increase in the production of growing renewable energy and the growth of the power system.
- Grid service fees were waived for six months. The pricing of the balance service was changed three times during 2023 to correspond with operating costs. Significantly less congestion income accumulated compared to 2022.
- Finland's electricity consumption in 2023 amounted to 79.8 (81.6) terawatt hours, of which 83.1 (78.4) per cent was transmitted in Fingrid's grid.
- The grid transmission reliability rate was 99.99995 (99.99993) per cent, the best on record.
- 1,920 (2,251) megawatts of renewable energy production was connected to Fingrid's main grid.

KEY FIGURES		1-12/23	1-12/22	change %	7-12/23	7-12/22	change %
Turnover	€M	1,193.2	1,815.2	-34.3	638.4	1,123.1	-43.2
Capital expenditure, gross	€M	322.0	276.1	16.6	191.3	154.1	24.2
- of turnover	%	27.0	15.2		30.0	13.7	
Research and development expenses	€M	2.4	1.8	35.3	1.2	0.8	62.9
- of turnover	%	0.2	0.1		0.2	0.1	
Average number of employees		517	480	7.7	528	486	8.6
Number of employees at end of period		544	489	11.2	544	489	11.2
Salaries and bonuses, total	€M	35.8	31.9	12.5	17.9	15.6	14.9
Operating profit	€M	1.0	290.4	-99.7	80.5	-33.1	342.8
- of turnover	%	0.1	16.0		12.6	-3.0	
Profit before taxes	€M	1.3	257.4	-99.5	86.4	-42.0	305.5
- of turnover	%	0.1	14.2		13.5	-3.7	
Profit for the period	€M	1.2	205.8	-99.4	69.1	-33.6	305.8
Comprehensive income for the period	€M	1.1	205.8	-99.4	69.1	-33.6	305.8
Cashflow after capital expenditure	€M	-180.3	747.5	-124.1	-137.8	398.3	-134.6
Return on investments (ROI)	%	1.6	16.3				
Return on equity (ROE)	%	0.2	30.1				
Equity ratio	%	20.1	22.4		20.1	22.4	
Interest-bearing net borrowings	€M	535.2	322.7	65.8	535.2	322.7	
Net gearing	%	91.0	44.8		91.0	44.8	
Dividend, Series A shares	€	54 100,00 *	52,500.00				
Dividend, Series B shares	€	19 800,00 *	19,200.00				
Equity per share	€	176,802	216,469	-18.3			
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

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## **Review by the President & CEO: Finland beginning new electrification leap**

“The key themes for 2023 were transmission reliability and the functioning of the electricity market. Price fluctuations were discussed in the media throughout the year, making the functionality of the electricity market a hot topic. Following the crisis winter, the situation was normal, however, and the market mechanism was operating as intended: the electricity price is the result of a balance in production and consumption. Electricity price fluctuations have come to stay as renewable production increases.

The electrification of society and the new kind of industrialisation require substantial amounts of electricity. According to Fingrid’s assessment, as a result of industrial investments, Finland’s electricity consumption could grow as much as 50 per cent this decade. However, any type of electricity does not win the race. It needs to be emission-free, affordable and secure – the kind of electricity we have in Finland. Renewable energy will make Finland a very attractive country for industrial investors. Combining competitive electricity production with strong electricity networks, which transmit electricity reliably from production to consumption, results in a winning solution. In today’s world, reliable electricity networks and the main grid’s ability to connect new projects with the electricity market are some of the most important national competitive factors in industrial projects involving the green transition.

The overall role of the networks has become extremely critical because electricity production and consumption facilities must be physically connected to one another. At the end of last year, the European Commission published its high-level political action plan to speed up the construction of networks. Finland has long understood the significance of grid infrastructure and developed electricity networks in the long term. Fingrid is implementing its biggest ever, EUR 4 billion, investment programme for the next ten years, which will enable it to significantly increase the connection of emission-free electricity production and use of clean electricity. Building the required transmission connections is a multi-year undertaking. Implementation and financing of the programme requires a stable regulatory environment that supports investments to be used for multiple decades.

Our strength is an wide and predictable electricity market. We are an integral part of the joint European internal market for electricity, and a single price area that covers the whole of Finland offers stability in our operating environment. Ahead of us lie significant market changes that have been under preparation for a long time, i.e. the modernisation of the transmission capacity calculation method and balancing power markets. Due to the transformation of the power system, these changes are necessary and also enable the market to shift to a 15-minute imbalance settlement period instead of an hour.

Alongside the market changes, a continuous challenge is the growing need for reserves required to balance the power system. This is an area where Fingrid’s and the market operators’ interests meet. Participating in the reserve markets by offering production, demand and energy storage facilities’ balancing energy and capacity provide market operators additional earning opportunities. Correspondingly, Fingrid and the whole of Finland’s electricity system benefit from the development of the power system reserve markets’ supply.

Cleaning up the energy system comes down to cooperation – none of us can do it alone. Electricity producers, consumers, network operators, investors, infrastructure developers, service providers as well as authorities are needed to work together towards a shared goal, for Finland’s climate targets and success. In this collaboration, Fingrid acts as the glue between the different stakeholders forming the foundation for the entire energy system.”

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## 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 2022.

Following the crisis winter of 2022, the price of electricity has fallen from its peak thanks to a mild winter and the normal operation of the electricity market. Although the average price of electricity has fallen, the variation in the electricity price has been large, resulting from the fluctuation in weather-dependent production and the availability of production plants and transmission connections. As renewable energy production increases, electricity price variations are here to stay.

The Group turnover fell due to the lower electricity price. Imbalance power sales and procurement costs decreased significantly. Balancing the power system results in fluctuations in turnover, which stems from the increasing weather-dependency of electricity production, and the electricity production and consumption forecast uncertainty. Income from grid service fees decreased to EUR 164.5 (333.7) million, due largely to Fingrid waiving the grid service fees for six months. In addition, the electricity consumption on which grid service revenue is based fell in Finland to 79.8 (81.6) terawatt hours in 2023. Fingrid's congestion income generated through cross-border transmission connections was significantly lower than last year's due to the lower area price differences between Finland and Estonia and Finland and Sweden. Fingrid's congestion income amounted to EUR 260.1 (942.9) million, of which Fingrid's share was EUR 220.9 (942.9) million. Fingrid's income on the financial transmission rights (FTR) issued on the Finland–Estonian border amounted to EUR 57.0 (0.0) million, and the congestion income credited to the holders of corresponding transmission rights was EUR 96.2 (0.0) million. A total of EUR 284.7 (229.5) million in congestion income was recognised in turnover to cover the waiving of grid service fees and operating expenses, and EUR 118.0 (18.8) million in other operating income to cover FTRs and cross-border capacity costs.

The Group's costs, excluding the change in the value of commodity derivatives, amounted to EUR 1,126.8 (1,695.8) million. Due to the lower price of balancing power, the costs of purchased imbalance power fell to EUR 491.1 (1,141.2) million. Due to a lower electricity price and lower area price differences for electricity, the congestion costs resulting from the surplus in the national electricity balance amounted to EUR 15.5 (69.4) million. Loss power costs came to EUR 75.2 (103.9) million, which resulted from the lower average loss power procurement price of EUR 45.09 (60.32) per megawatt hour. The amount of loss power procured was 1.7 (1.7) terawatt hours. The cost of reserves to safeguard the grid's system security and power balance were on par with the previous year and amounted to EUR 185.6 (186.9) million, despite the higher procurement volume. Due to the progress made in the company's extensive investment programme, depreciation grew to EUR 123.3 (107.9) million. Grid maintenance costs grew to EUR 22.5 (19.6) million. Personnel costs grew to EUR 42.8 (38.1) million, which mainly correlates with the increase in the number of personnel required for the expansion of the operations and the increasing complexity of the power system.

The Group's operating profit excluding the change in the fair value of derivatives was EUR 186.1 (149.8) million. The Group's profit before taxes was EUR 1.3 (257.4) million. The result was improved by the growth in the company's allowed profit and the decrease in the Group's net financial costs. The result was weakened by a negative change of EUR -185.1 (140.6) million in the fair value of electricity derivatives and currency derivatives linked to capital expenditure and other operating costs. The market value of electricity derivatives fell as a result of the decline in the electricity price and maturity of derivatives. Electricity derivatives amounted to 4.0 TWh (4.5 TWh) at the end of 2023. Profit for the financial year was EUR 1.2 (205.8) million. The equity ratio at the end of the financial year was 20.1 (22.4) per cent.

The company currently has a EUR 4 billion investment programme under way for the next ten years. In 2023, the company's total investments grew to EUR 322.0 (276.1) million due to increasing capital expenditure to enable the green transition and growing electricity consumption. This included a total of EUR 303.8 (246.0) million invested in the transmission grid and EUR 2.8 (3.7) million for reserve power. ICT investments amounted to EUR 8.8 (11.0) million. A total of EUR 2.4 (1.8) million was used for R&D projects during the year under review.

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The parent company's turnover was EUR 1,209.7 (1,808.7) million, profit for the financial year EUR 141.4 (114.4) million and distributable funds EUR 174.4 (166.0) million.

The allowed profit in line with the regulatory method regulating reasonable profit in transmission grid operations rose in 2023 from the previous year, which was the result of a higher interest rate level, the company's increased investments and utilisation of accumulated deficits. Based on the company's own calculations, the allowed regulatory profit amounts to a surplus of around EUR 35 million for 2023. The cumulative surplus on the allowed profit for the 2020–2023 regulatory period was EUR 25 million. Accounting for the deficit in the allowed profit accumulating in earlier regulatory periods, some EUR 28.5 million, the allowed profit for the 2020–2023 regulatory period was in deficit.

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 in 2023 specifies the use of congestion income in 2024. The decision concerning the use of congestion income is provided in conjunction with the regulatory decisions given for each of the company's regulatory periods, after each regulatory period. Fingrid's unused congestion income is recorded on the balance sheet under short- and long-term non-interest-bearing liabilities. Congestion income will be used for future investments increasing cross-border transmission capacity, to allocate cross-border transmission capacity to maintenance-related costs and by recognising it as revenue for the benefit of customers.

## Financing

The Group's net financial costs were EUR 0.2 (32.7) million, including EUR 0.6 million in interest expenses on the lease liabilities booked into the balance sheet. Net financial costs fell after the increase in the interest rate level increased finance income on cash and cash equivalents and due to the positive change in the market value of actual interest rate swaps and derivatives hedging loans. The change in the fair value of financial derivatives was EUR 4.9 million negative (EUR 24.8 million negative).

Interest-bearing borrowings totalled EUR 998.1 (1,056.2) million, of which non-current borrowings accounted for EUR 654.7 (990.4) million and current borrowings for EUR 343.5 (65.8) million. At the end of the year, the company's interest-bearing borrowings included a total of EUR 31.2 million in lease liabilities, consisting of EUR 3.2 million in short-term liabilities, to be paid within a year.

During the review period, the company's cash assets fell due to the use of congestion income generated in 2022 for waiving grid service fees and due to covering the rising costs of the grid operations instead of raising grid service tariffs. Cash and cash equivalents and other financial assets totalled EUR 387.0 (733.4) million on 31.12.2023. The company's financial position remained strong.

## Customers

Fingrid's operations are largely based on performing statutory duties. This task is performed with maximum customer focus, on impartial and equal terms. Fingrid's customers include distribution system operators (DSOs), electricity producers, industries consuming electricity and other electricity market operators. Thanks to the energy transformation, the customer base has become more diverse in recent years and, for example on the reserve markets, entirely new kinds of customers have entered the picture, supporting the power system's balance and quality.

Grid services guarantee customers smooth connections to the electricity network and reliable transmission of electricity in the main grid that meets consumers' needs. The connection enquiries received by Fingrid for clean electricity production and green technology industrial projects continued to grow. The total capacity of new connection enquiries at the end of 2023 was around 360,000 megawatts. Electrification is also making headway in electricity consumption, with the increase in clean energy production capacity and secure transmission of electricity enabling the implementation of industrial consumption investments in the green transition. Enquiries looking to connect new types of electricity consumption sites, such as data centres, hydrogen production and battery storage, and the metal industry directly to the main grid have grown and connection enquiries amounted to some 26,000 megawatts at the end of 2023.

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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 as well as other market-based solutions to ensure the high quality of the power system. Electricity markets are supported by grid investments reinforcing the transmission connections. Cross-border transmission connections offer access to the European electricity markets and give the markets the largest possible transmission capacity.

Fingrid's key customer fees related to services are the grid service fee and balance service fee. The objective of the company's pricing is to match the company's costs and allowed regulatory profit at any given time. Fluctuations especially in the procurement costs of the power system reserves have steered Fingrid to review balance service fees three times during the reporting year. Fingrid announced that it will update the grid connection fees to match the rise in substation connection construction costs in accordance with the principles for the grid connection fees as of 1 January 2024. Due to exceptionally large area price differences in 2022, Fingrid accumulated a significant amount of congestion income. During 2023, Fingrid waived grid service fees for six months. This reduced grid customers' fees by altogether some EUR 220 million.

Fingrid gauges the satisfaction of its customers with its services and operations with annual surveys. In the autumn 2023 survey, Fingrid's net promoter score from customers was +45 (+50).

## Main grid

Fingrid develops and operates the grid to meet customers' and society's needs. The starting points are the anticipation of needs, correctly timed grid construction, promoting the effectiveness of the electricity market, cost-effectiveness, and managing the ageing of the grid.

The long-term development of the grid ensures that the electricity transmission grid and the entire electricity system meet the requirements set for it in a rapidly changing operating environment. Fingrid updated the main grid development plan for 2024–2033 during the year under review. The development plan is the current best estimate of future investments and is based on future transmission forecasts and the need to upgrade the grid. The estimated grid investments included in the plan amount to roughly four billion euros, including 6,100 kilometres of new transmission line and 128 substation projects.

In 2023, some EUR 310 million were invested in the main grid. During the year, altogether 15 substation projects and roughly 60 kilometres of transmission lines were completed. A total of 555 kilometres of transmission lines were under general planning, and six projects were in the environmental impact assessment phase. During the period under review, investment decisions were made to build 254 kilometres of transmission line.

The construction of the most important main grid investment of the decade, the 400-kilovolt Aurora Line cross-border connection, which will strengthen electricity transmission capacity between Finland and Sweden, moved forward as planned and in October, the government issued the expropriation permit for the construction of the project's second phase. Some of the more significant transmission line projects in Finland during the reporting year were the upgrading of the 400-kilovolt Lake Line transmission line in the area between Kajaani, Iisalmi and Lapinlahti, increasing the north–south electricity transmission capacity, and the 400-kilovolt underground cable connection being built in Helsinki, to increase transmission capacity to match the growth in the capital region's electricity consumption.

In 2023, Finland's main grid comprised some 14,500 kilometres of transmission lines and 128 substations. 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. Fingrid's asset management has been certified since 2016 according to the international ISO 55001 standard. In the review year's International Transmission Operations and Maintenance Study (ITOMS), Fingrid once again received the highest grade for the system security of its main grid, and the maintenance costs in relation to system security were lower than the average.

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## Power system

In early 2023, electricity consumption fell, but recovered to its usual level towards year-end. Electricity consumption in Finland amounted to 79.8 (81.6) terawatt hours in 2023. Fingrid transmitted a total of 71.7 (70.1) terawatt hours of electricity in its grid, representing 83.1 (78.4) per cent of the total transmission volume in Finland (consumption and inter-TSO). The volume of transmission losses in the main grid remained at the level of the previous year, 1.6 (1.6) terawatt hours. This was 2.2 per cent of Fingrid's total transmission volume.

In winter 2022–2023, electricity consumption peaked at 12,192 (13,767) MWh/h on Thursday 9 March 2023 between 8 and 9 a.m. Electricity generated in Finland accounted for 11,240 megawatts of the total consumption, and the remaining share was imported from Sweden. The area price of wholesale electricity in Finland was EUR 158.09/MWh during the peak consumption hour. The consumption peak for the entire year, 13,210 MWh, was reached on 27 November 2023 between 5 and 6 p.m.

In 2023, 10.7 (16.6) terawatt hours of electricity was imported from Sweden to Finland, and 2.2 (1.2) terawatt hours was exported from Finland to Sweden. The electricity transmissions between Finland and Estonia were dominated by exports from Finland to Estonia, totalling 7.0 (6.8) terawatt hours. In 2023, 0.4 (0.4) terawatt hours of electricity was imported from Norway to Finland. During the year under review, the usability and reliability of transmission connections between Finland and Sweden and Finland and Estonia were good.

Transmission reliability reached its best-ever result during the review period and amounted to 99.99995 (99.99993) 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 0.8 (4.7) minutes. The cost of the disturbances (regulatory outage costs) was EUR 3.6 (4.7) million. The calculation is based on the calculation model approved by the Energy Authority.

Countertrade costs arise from, among other things, transmission grid disturbances and problem situations. In the year under review, countertrade costs totalled EUR 0.9 (7.3) million. The decline in costs was due to the good reliability of cross-border connections and the lower price of electricity compared to the previous year.

## Electricity market

In the electricity market, the price of electricity fell as a whole. This was the result of, among other things, a mild winter, the good hydrological situation that continued throughout the year and the regular electricity production that took off at Olkiluoto 3 in April. A new topic of discussion on the electricity market was the large fluctuations in the electricity price. Behind the price fluctuations can be found the disappearance of balancing power as the energy system becomes cleaner, the increase in weather-dependent electricity production, the impacts of the expansion of the electricity market on the electricity price formation, and Finland's location between two different price areas.

Fingrid's congestion income from cross-border transmission lines totalled EUR 317.0 (942.9) million. Congestion income between Finland and Sweden totalled EUR 114.9 (775.6) million. The links between Finland and Estonia generated EUR 145.1 (167.4) 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 and is planned for completion in 2024. The construction of a fourth connection line between Finland and Sweden is planned for the early 2030s. Also EstLink 3, the third submarine cable to Estonia, is at the planning stage. The increased transmission capacity will support a decrease in the price disparities between the countries.

Fingrid and the Estonian TSO Elering have in use financial transmission rights (FTR) for the Finland–Estonia border, allowing them to reserve transmission capacity and support the operations of the wholesale electricity market. Transmission rights give market operators new opportunities to hedge electricity prices in long-term electricity trade. During the year under review, all auctions were implemented as planned and transmission rights were granted in full, taking into account the maintenance of the EstLink cross-border connections. At the end of the review period, Fingrid

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submitted to the Energy Authority its proposal for improving the price risk hedging opportunities between Finland and Sweden. Fingrid proposed investments and other development measures that promote the effectiveness of the physical electricity market and financial markets for electricity.

Fingrid's task is to develop the electricity market. Several significant modernisations are currently being implemented on the electricity market and this will continue in upcoming years, taking the electricity market in a more real-time and market-driven direction. Key projects include the Nordic Imbalance Settlement 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 effectiveness of the electricity system.

Finland switched to a 15-minute imbalance settlement period on 22 May 2023, based on the Energy Authority's decision. In addition to imbalance settlement, a large proportion of the power system's measurements switched over to the 15-minute resolution, simultaneously enabling Finland's intraday markets' trading using 15-minute products.

In order to ensure efficient grid operation and system security, the Nordic TSOs are preparing a new flow-based transmission capacity calculation method. The goal is to adopt the new calculation method in the final quarter of 2024.

The changes in the electricity system will increase the need for reserves in balancing the power system. The automated Nordic mFRR energy markets will be adopted in December 2024. The reserve markets are also expanding into Europe. Fingrid is preparing to connect to PICASSO, the European market platform for the automatic Frequency Restoration Reserve (aFRR), in summer 2024. Simultaneously, European aFRR energy market will be established in Finland. Also under preparation is connecting in the future to the European mFRR energy markets' MARI market platform.

## Personnel

Changes in the operating environment have significantly affected the number, tasks and skill requirements of Fingrid's personnel. The drivers behind these changes are the energy transformation and the unprecedented grid construction programme in support of it, as well as the requirements for the development of the electricity market.

The number of personnel has grown significantly in recent years. Fingrid Oyj employed 544 (489) persons, including temporary employees, at the end of the year. The number of permanent personnel was 493 (439) and the average age was 43 (43). At the end of the year, 26 (25) per cent of the personnel were women and 74 (75) per cent were men.

A comprehensive PeoplePower survey was carried out in 2023. According to the results, Fingrid's strengths include atmosphere at work, leadership and business culture, trust in the employer and commitment. Fingrid maintained its excellent AAA PeoplePower rating, with an index of 83.9 on a scale from 1 to 100. Only around six per cent of all the surveyed organisations annually achieve the AAA rating. The company's employees gave Fingrid a net promoter score (eNPS) of 75.

Based on the PeoplePower survey results, Fingrid was awarded the Finland's Most Inspiring Workplaces recognition in the mid-sized companies category in 2023.

## Legal proceedings and proceedings by authorities

Teollisuuden Voima Oyj ("TVO") 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.

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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 requested 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 filed an appeal against the decision to ACER's Board of Appeal on 14 November 2022. The Board of Appeal issued its resolution on the appeal on 24 October 2023, where it confirmed ACER's original decision. Fingrid submitted to the Energy Authority on 22 December 2023 its proposal for improving the price risk hedging opportunities between Finland and Sweden.

Fingrid received an expropriation permit for the widening of the Torna–Lautakari right-of-way for the neutral line on 27 October 2022. In the kick-off meeting for the expropriation procedure on 1 December 2022, the expropriation committee decided that the expropriating party is obligated to assume responsibility for the tree stands within the scope of the rights and restrictions set in the expropriation permit, unless otherwise agreed. The final meeting of the expropriation procedure was held on 16 November 2023. Fingrid has appealed the decision concerning the Torna–Lautakari tree stands' expropriation to the Southwest Finland District Court's Land Rights Court on 22 December 2023.

On 20 December 2023, Fingrid Datahub Oy filed an appeal with the Energy Authority on the model concerning Fingrid Datahub Oy's financial regulation for the regulatory period 2024–2027 and simultaneously proposed that the regulatory model be developed further.

## Events after the review period and future outlook

Fingrid Group's result for the 2024 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to increase compared to 2023. This estimation includes the recognition 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 2024. 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 availability and price of flexible power production and power system flexibility will influence the cost of the reserves necessary for managing the power balance and safeguarding system security. Fluctuations in the electricity market prices and availability of flexibility will increase uncertainty in the company's market-based costs. The company's debt service capacity is expected to remain stable.

On 21 September 2023, Fingrid announced that it will waive grid service fees for January, February and June of 2024. The company moreover plans to waive grid service fees for three other months in the latter half of 2024. A separate decision on that will be made by summer 2024. 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.

On 2 January 2024, Fingrid appealed the Energy Authority's decision on the terms and conditions of balance service. The appeal mainly concerns the collateral model for balance responsible parties presented in the decision. In November 2023, the Energy Authority issued a decision on the terms and conditions for balance responsible parties, which include the principles for how collateral requirements are determined. The Energy Authority's decision includes major changes to the current collateral terms and conditions and sets apart Finland's collateral model from that used in other Nordic countries. The most significant changes to the current collateral model include a major reduction in the required collaterals, elimination of the requirement to provide an adequate additional collateral and a possible collateral ceiling.

On 29 January 2024, Fingrid appealed the Energy Authority's decision on the methods concerning the specification of the profit for the electricity transmission grid operations for the sixth regulatory period 1 January 2024–31 December 2027 and seventh regulatory period 1 January 2028–31 December 2031 at the Market Court. According to Fingrid's assessment, the decision on the regulatory methods is a significant weakening of the electricity transmission grid operations' reasonable profit regulatory method that expired at year-end. In Fingrid's view, the assessment of impacts in preparing the regulatory model decision has been deficient and there are still issues open to interpretation related to



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the presented decision. Fingrid's goal is a solution that would also enable the future development of the grid, allowing the hundreds of billions in green transition investments in Finland to be implemented as planned.

On 15 February 2024, Fingrid appealed the decision given by the Energy Authority on 11 January 2024 on the scope of the national transmission system operator's systems responsibility regarding the grid connection of the OL3 nuclear power plant at the Market Court. Teollisuuden Voima Oyj ("TVO") 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. The Energy Authority states in its decision on 11 January 2024 that Fingrid fulfilled its development, connection and transmission obligations in accordance with the Electricity Market Act. The Energy Authority also found the 1,300 MW power limit specified in Fingrid's connection terms justified and did not find Fingrid to have restricted Olkiluoto 3's access to the grid.

HiQ Finland Oy (named changed on 6 February 2024 to Friends Technology Oy) presented a claim for a revised decision and filed an appeal with the Market Court on Fingrid's procurement decision related to the procurement of the user license for an integration platform on 6 February 2024. On 16 February 2024, Fingrid revoked its procurement decision and reported on 19 February 2024 to the Market Court that the procurement decision had been revoked. Following the revoking of the procurement decision, the Market Court will decide on the claim for legal costs presented by HiQ Finland Oy. Fingrid considers the claim for legal costs to be excessive.

## **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 141,421,233.34 and distributable funds in the financial statements total EUR 174,350,037.55. 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 2023, a dividend of EUR 54,100.00 at maximum per share be paid for Series A shares and EUR 19,800.00 at maximum for Series B shares, for a total of EUR 137,110,400.00 at maximum. The dividends will be paid in two instalments. The first instalment of EUR 36,000.00 for each Series A share and EUR 13,200.00 for each Series B share, totalling EUR 91,268,400.00 in dividends, will be paid on 26 March 2024. The second instalment of EUR 18,100.00 at maximum per share for each Series A share and EUR 6,600.00 at maximum per share for each Series B share, totalling EUR 45,842,000.00 at maximum in dividends, will 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 will be paid on the third banking day after the decision. The authorisation is proposed to remain valid until the next Annual General Meeting.

FINGRID OYJ  
www.fingrid.fi

27.2.2024

## Annual General Meeting 2024

Fingrid Oyj's Annual General Meeting is scheduled to be held on 21 March 2024 in Helsinki.

In Helsinki, on 27th February 2024  
Fingrid Oyj  
Board of Directors