

FINGRID GROUP – MANAGEMENT’S REVIEW 1 JANUARY - 30 SEPTEMBER

Fingrid follows a six-month reporting period as referred to in the Securities Markets Act and publishes management’s reviews for the first three and nine months of the year; the Management’s Reviews contain key information illustrating the company’s financial and other development.

The information presented in the Management’s Review relates to the Fingrid Group’s performance in January-September 2020 and the corresponding period of 2019, unless otherwise indicated. The figures presented here have been drawn up in accordance with International Financial Reporting Standards (IFRS). The Management’s Review is not an interim report in accordance with the IAS 34 standard. The figures are unaudited.

- The warmer-than-normal weather in the early part of the year and the resulting lower electricity consumption reduced Fingrid’s turnover and result. Otherwise the year has proceeded in line with expectations.
- Turnover during the period under review amounted to EUR 481.5 (575.9) million and operating profit, excluding the change in the fair value of derivatives, amounted to EUR 76.1 (95.1) million.
- The company’s profitability and liquidity have remained at a good level.

Review by the President & CEO: Finland is on its way towards self-sufficiency in electricity

Finland and the world are now working in earnest to achieve a clean power system. Our operating environment is changing at an increasing pace. In Finland, the most important change is the spectacular emergence of wind power. Fingrid currently has on its desk enquiries related to additional wind power construction worth tens of thousands of megawatts. Finland is well on its way towards self-sufficiency in electricity.

Cleanly produced electricity requires well-functioning transmission connections. We are currently building transmission lines and substations on dozens of sites. Fingrid is having a record year in terms of investment volumes. Despite the exceptional situation caused by the coronavirus pandemic, the investments have progressed as planned.

In addition to the existing connections, wind power from Northern Finland and imported electricity from Sweden will in future be transmitted for consumption in Southern Finland along the Forest Line between Petäjävesi and Oulu and the Lake Line between Lappeenranta and Oulu, which are currently being built. The Forest Line is Fingrid’s largest-ever North-South transmission line project. It is due for completion in 2022. We brought forward the Lake Line project timeline by four years compared to the initial plan to have it up and running in 2026. The Lake Line is currently undergoing an environmental impact assessment. Alongside construction, we are preparing a grid vision which looks into the electricity transmission needs over the coming decades.

The grid service fees will remain unchanged in 2021. Through cost-effective operations, we have managed to keep our pricing at an affordable level, even though the transformation of the power system has significantly increased the need for grid investments. We have been able to lower the fees by more than 10 per cent since 2017.

Fingrid develops the grid for the benefit of its customers and Finnish society. Based on a recent customer satisfaction survey, our customers are very satisfied with Fingrid’s

operations. The Net Promoter Score was 45, significantly up from the previous year's 36. Our customers' trust in Fingrid has remained strong, and our work for the benefit of Finnish society at large is considered a particular strength. This work at Fingrid is performed by committed people. The employee Net Promoter Score in a recent personnel survey was an excellent 71.

Key figures

€M	1-9/20	1-9/19	change %	1-12/19
Turnover	481.5	575.9	-16.4	789.4
Operating profit*	76.1	95.1	-20.0	142.1
Profit before taxes	69.4	76.6	-9.4	105.8
Profit for the period	56.8	61.2	-7.1	84.6
Capital expenditure, gross	104.0	90.0	15.5	126.9
Net cash flow from operations**	126.2	82.8	52.5	263.1
Interest-bearing net debt	1,059.4	1,058.9	0.0	1,037.2
Balance sheet total	2,164.8	2,118.2	2.2	2,145.1
Equity ratio %	27.5	31.3		32.0

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

** Net cash flow from operations, after capital expenditure

- Turnover fell due to the decline in electricity consumption caused by the warm winter, which directly impacts grid service income, and due to the lower price of imbalance power resulting from the lower electricity price. The latter can also be seen in the lower imbalance power costs.
- Consolidated operating profit excluding the change in the fair value of derivatives decreased due to falling grid service income and to the increased reserve costs. Profit for the period was also affected by the negative change in the fair value of electricity derivatives hedging the loss power procurement as well as the positive impact on financing items of selling off the Nord Pool shares.
- The net cash flow from operations was positively impacted by the congestion income from the cross-border transmission connections, EUR 98.3 (59.5) million in total. This income will be fully used in the next few years for investments aimed at improving the transmission connections so that no congestion occurs.

Main business events

- The company announced in September that the grid service fees will remain unchanged in 2021. Thanks to its cost-effective operations, Fingrid has succeeded in keeping its pricing at an affordable level despite the significantly increased need for grid investments. Based on a comparison between transmission system operators, Fingrid's grid prices are the third lowest in Europe.
- The warm autumn has kept electricity consumption at a low level. Between January and September, electricity consumption in Finland totalled 59.0 (63.2) terawatt hours. In the same period, Fingrid transmitted a total of 50.2 (51.1) terawatt hours in its grid, representing 78.3 (76.7) per cent of the total electricity transmission in Finland. During this period, the electricity Fingrid transmitted to its customers amounted to 45.0 (47.7) terawatt hours, which represents 76.2 (75.4) per cent of Finland's total consumption.
- There were no major disturbances in the grid during January–September.
- The coronavirus pandemic did not have any significant impacts on business.
- Fingrid has more than 30 substation projects and numerous transmission line projects underway. During the period under review, investment decisions were made concerning the upgrades of the substation located in Kangasala and the Isohaara substation located in Keminmaa. Among the ongoing transmission line projects, the most important is the extensive construction project of the 400-kilovolt Forest Line between Petäjavesi and Oulu

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and the related Oulujoki construction project. An environmental impact assessment related to the reinforcement of the 400-kilovolt Lake Line between Lappeenranta and Oulu is also starting.

- The Nordic electricity markets' system price rose towards the autumn and area price differences decreased.
- In the customer satisfaction survey, customers' Net Promoter Score rose to 45. The proportion of promoters (grades 9–10) had risen by nine percentage points to 51 per cent. The personnel survey's eNPS (Employee Net Promoter Score) was 71.

The company has not changed its earnings guidance from what is stated in the half-year report of 28 July 2020.

Further information:

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Fingrid is Finland's transmission system operator. We secure reliable electricity for our customers and society cost effectively, and we shape the clean, market-oriented power system of the future.

Fingrid delivers. Responsibly.
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