

FINGRID GROUP – MANAGEMENT’S REVIEW 1.1.–30.9.2021

Fingrid follows a six-month reporting period as referred to in the Securities Markets Act and publishes Management Reviews for the first three and nine months of the year; the Management 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 and the corresponding period of 2020, 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 weather conditions early on in the year and higher electricity consumption have increased the grid transmission income. The high price of electricity and large area price differences have, in turn, increased imbalance power income and costs, and especially cross-border transmission with Russia and related income. Operatively, the year has proceeded in line with expectations.
- Turnover during the period under review amounted to EUR 690.8 (481.5) million and operating profit, excluding the change in the fair value of derivatives, amounted to EUR 114.3 (76.1) million.
- The company’s profitability and liquidity remained at a good level.

Review by the President & CEO: Strong economic result – biggest ever investment portfolio

The increase in electricity consumption in the first quarters of the year increased grid transmission income in relation to the comparison period. The price of electricity has been unusually high, which has raised imbalance power prices and Fingrid’s turnover. The higher price of imbalance power is also, similarly, reflected in the higher imbalance power costs. Electricity imports from Russia to Finland increased as a consequence of the increase in electricity prices, which increased the cross-border transmission income. All in all, the company’s turnover and result improved clearly compared to the corresponding period of 2020.

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. Our objective is to remain among the most affordable transmission system operators in Europe, and thus also do our part in offering a competitive advantage to Finnish companies.

Our investment portfolio is larger than ever. The company has more than 50 substation projects and numerous transmission line projects underway. These investments enable up to 4,500 megawatts of wind power connections. Several major investment decisions were also made during the period under review. The transmission reliability of the main grid has been excellent throughout the period under review, although it was not possible to avoid all disturbances to customers.

Developing the electricity market took a step forward when the government issued a new decree in August on the electricity supply settlement and measurement. The Nordic electricity markets will transfer to a single balance model as of the start of November. In the single balance model, a separate balance will no longer be calculated for electricity production and

consumption for the Balance Responsible Party. The decree also provides more detailed provisions on the changes brought about by the introduction of the centralised information exchange system for the electricity retail market, i.e. Datahub, on electricity supply settlement. Fingrid's Datahub project is progressing well and will go live in February 2022.

Our customers have been happy with our activities. Smooth, trust-based co-operation between different parties is more important than ever in the massive transformation of the power system. The latest Great Place to Work survey results confirm that Fingrid's personnel are strongly committed to the company, and to the goals of Finnish society.

Key figures

€M	1-9/21	1-9/20	change %	1-12/20
Turnover	690.8	481.5	43.5	682.5
Operating profit*	114.3	76.1	50.4	115.4
Profit before taxes	139.3	69.4	100.6	113.3
Profit for the period	111.3	56.8	96.0	94.0
Capital expenditure, gross	142.0	104.0	36.5	169.7
Net cash flow from operations**	155.0	126.2	22.8	139.9
Interest-bearing net debt	1,032.8	1,059.4	-2.5	1,049.0
Balance sheet total	2,348.3	2,164.8	8.5	2,306.8
Equity ratio %	25.9	27.5		27.4

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

** Net cash flow from operations, after capital expenditure

- The turnover rose due to an increase in electricity consumption, which directly impacts grid service income, and due to more expensive imbalance power resulting from the higher electricity price. The latter can also be seen in the higher imbalance power costs.
- The Group's operating profit, excluding the change in the fair value of derivatives, increased as grid service income, cross-border transmission income and balancing power income grew. Reserve and ICT costs rose somewhat. Profit for the period was increased by the significant positive change in the fair value of electricity derivatives hedging the loss power procurement.
- The net cash flow from operations was increased by the congestion income from the cross-border transmission connections, EUR 129.3 (98.3) million in total. This income will be fully used in the next few years for investments aimed at improving the transmission connections to prevent any congestion.

Main business events

- Electricity consumption started to grow in Finland. Between January-September, electricity consumption in Finland totalled 62.0 (59.3) terawatt hours. In the same period, Fingrid transmitted a total of 53.3 (50.2) terawatt hours in its grid, representing 79.0 (77.9) per cent of the total electricity transmission in Finland. During this period, the electricity Fingrid transmitted to its customers amounted to 47.8 (45.0) terawatt hours, which represents 77.0 (75.8) per cent of Finland's total consumption.
- Fingrid's transmission reliability rate in January–September was 99.99997 (99.99994) per cent. Between January-September, the main grid had one major disturbance. A tower fell along Fingrid's Porvoo-Anttila 110-kilovolt transmission line connection on 23 August 2021, causing significant harm for Fingrid's customers.
- Fingrid has more than 50 substation projects and numerous transmission line projects underway. During the period under review, new investment decisions were made to modernise the Rauma, Seinäjoki and Uusnivala (Nivala) substations. In transmission line projects, a decision was made to invest in the modernisation of the 110-kilovolt transmission line between Hämeenlahti in Jyväskylä and Hännilä in Joroinen, which has reached the end of its service life. At the same time, the Kauppila substation will be modernised. Among the ongoing transmission line projects, the most important is the extensive construction project of the 400-kilovolt Forest Line between Petäjavesi and Oulu

and the related Oulujoki construction project. The environmental impact assessment (EIA) for the 400-kilovolt Lake Line from Oulu to Lappeenranta has been completed and the project is moving into general planning.

- Developing the electricity market took a step forward when the government issued a new decree on 12 August 2021 on the electricity supply settlement and measurement. The decree provides for the adoption of the 15-min imbalance settlement period (ISP) and the single balance model in the power market. Additionally, it issues more detailed provisions on the changes brought about by the introduction of the centralised information exchange system for the electricity retail market, i.e. Datahub, on electricity supply settlement, which concern the entire industry. Fingrid's Datahub project is proceeding according to plan and the Datahub will go live in February 2022.
- In the customer satisfaction survey, the net promoter score (cNPS) fell slightly year-on-year and is now 41 (45).

Events after the review period

- In October, Fingrid announced that the company 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 increase in market-based reserve costs. Fingrid has managed to maintain its cost-efficiency. Based on the latest European comparison, Fingrid's transmission fees are the second most affordable in a peer group of some 20 countries.

The company has not changed its earnings guidance from what is stated in the half-year report of 27 July 2021.

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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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