

FINGRID GROUP – MANAGEMENT’S REVIEW 1 JANUARY - 31 MARCH 2020

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-March 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 January-March and the resulting lower electricity consumption reduced the company’s turnover and result. Otherwise the first quarter proceeded according to expectations.
- Turnover during the period under review amounted to EUR 199.6 (256.1) million and operating profit, excluding the change in the fair value of derivatives, amounted to EUR 65.2 (78.7) million. The company’s profitability is still good. Liquidity is also good due to the refinancing measures carried out.
- The impacts of the corona epidemic on business have been very limited, for now.

Review by the President & CEO: “Warm start to the year weakened the result”

Due to the mild winter, electricity consumption in the early part of the year has been exceptionally low. Use of electricity has fallen year on year by almost ten per cent. At the end of last year, we decided to maintain the grid transmission fees for 2020 at the 2019 level. Due to the decline in electricity consumption, the company’s financial development in the first quarter has thus been weaker than in the previous year. In accordance with its earlier earnings guidance, Fingrid Group’s profit for the 2020 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to slightly decline compared to the previous year.

The exceptional weather conditions have affected the operations of the entire Nordic electricity market. Due to the mild winter, the winter’s peak demand was just approximately 12,400 MWh/h, which is the lowest peak demand this millennium. The warm winter and the resulting low demand, combined with the high availability of hydropower and wind power, have led to extremely low electricity prices and large area price differences. Finland has imported electricity from Sweden, using the full transmission capacity between the countries, but existing transmission capacity has not been enough to meet the markets’ actual need. Subsequently, major price differences have resulted between the countries from time to time. The high availability of cross-border connections in situations such as this is paramount. We were highly successful in this, because there were no disturbances in our DC connections during the first quarter. In terms of Fingrid’s finances, the market situation can be seen in increased congestion income, which we will use for future transmission grid investments that will improve the operations of the markets.

We have worked methodically to protect ourselves from the corona epidemic and adopted exceptional measures well in advance. As a critical player in the society, we are well prepared for different exceptional situations. We have focussed on the continuity of our operations, but we have simultaneously strived to keep our business going as well as possible in other respects too. Our investment projects have proceeded according to the planned schedules, even in these exceptional circumstances.

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23.4.2020, at 11:00 EET

In its early stages the corona epidemic has not had a major impact on electricity consumption in Finland and Finland's power system has functioned normally. Any economic downturn resulting from the corona epidemic would reduce the electricity consumption of Finnish industry if it were to materialise. This would lead to a decline in grid service income in the short term, which would then be compensated in future years in accordance with the financial regulatory model. A new financial regulatory period began at the start of 2020 and will be in force until the end of 2023.

Key figures

€M	1-3/20	1-3/19	change %	1-12/19
Turnover	199.6	256.1	-22.0	789.4
Operating profit*	65.2	78.7	-17.1	142.1
Profit before taxes	38.9	59.4	-34.4	105.8
Profit for the period	32.9	47.4	-30.7	84.6
Capital expenditure, gross	30.6	32.4	-5.4	126.9
Net cash flow from operations**	68.5	97.3	-29.6	147.7
Interest-bearing net debt	1,066.4	1,049.0	1.7	1,037.2
Balance sheet total	2,133.2	2,101.0	1.5	2,145.1
Equity ratio %	29.0	33.3		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 be seen also in the lower imbalance power costs.
- Operating profit excluding the change in the fair value of derivatives decreased due to falling grid service income. Profit for the period was also affected by the negative change in the fair value of electricity futures used for hedging the loss power procurement.

Main business events

- During January-March, the system security of Fingrid's main grid was at a good level and there were no significant disturbances in the main grid.
- Fingrid's DC connections did not experience any disturbances during the period under review.
- In January through March, electricity consumption in Finland totalled 22,8 (25,3) terawatt hours. In the same period, Fingrid transmitted a total of 18,4 (18,6) terawatt hours of electricity in its grid, representing 75,0 (71,3) per cent of the total electricity transmission in Finland. During this period, the electricity Fingrid transmitted to its customers amounted to 16,6 (17,8) terawatt hours, which represented 72,9 (70,4) per cent of Finland's total consumption.
- Peak demand was reached on 28 February 2020. During the peak consumption hour, the mean active power for electricity consumption was approximately 12,400 megawatts, which is the lowest figure this millennium.
- Fingrid scored top results in ITOMS (The International Transmission Operations & Maintenance Study) and was the only TSO to achieve a Top Performer nomination both in the transmission line and substation maintenance categories. ITOMS looks into the effectiveness of maintenance based on criteria such as maintenance costs and disturbance statistics.
- On 5 December 2019, Fingrid Oyj announced that it had, together with the other owners of Nord Pool Holding AS, entered into a binding agreement to sell 66% of the company's shares to Euronext. The transaction was finalised on 15 January 2020.
- Despite the corona epidemic, Fingrid's investments and maintenance work proceeded according to planned schedules and budgets.

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- Fingrid came in 7th in the mid-sized companies category of the Great Place to Work Finland survey.
- On 20 March 2020, Fingrid Oyj's Annual General Meeting approved the financial statements for 2019 and decided on the dividend payment. The first instalment of the dividend, amounting in total to EUR 100,100,150.00, was paid on 25 March 2020. Juhani Järvi continues as Chair of the Board of Directors, and Päivi Nerg continues as Vice Chair of the Board. The other Board members are Sanna Syri and Esko Torsti and, as a new Board member, Hannu Linna.
- The company strengthened its liquidity through new bilateral financial transactions at the end of March and at the start of April. These transactions can replace, in large part, the company's short-term debt.

The company has not changed its earnings guidance from what is stated in the financial statements of 27 February 2020.

Further information:

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

Fingrid delivers. Responsibly.

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