

An aerial photograph showing a multi-lane highway winding through a vast, dense forest. In the foreground, several high-voltage power lines stretch across the scene, supported by metal towers. The sun is low in the sky, creating a bright lens flare effect over the highway. The forest is a mix of green and yellow-green, suggesting a late summer or early autumn setting. In the far distance, a body of water is visible on the horizon.

Report of the Board of Directors

FINGRID ANNUAL REPORT 2023

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2023



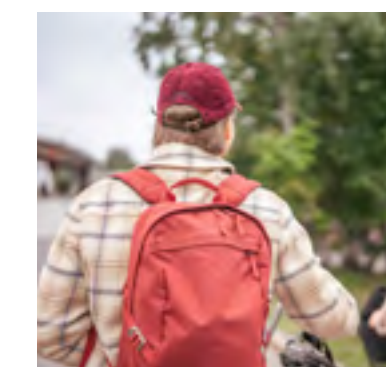
The number of personnel has grown significantly in recent years

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Corporate responsibility is at the core of the company's strategy

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Financial result and financing

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.

Since 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 the relative share

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 electricity 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 regulatory 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.

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 regulatory profit in line with the regulatory method regulating reason-

able return 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 regulatory profit for the 2020–2023 regulatory period is EUR 25 million. Accounting for the deficit in the allowed regulatory profit accumulating in earlier regulatory periods, some EUR 28.5 million, the allowed regulatory profit for the 2020–2023 regulatory period is 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, allocated to costs related to cross-border transmission capacity maintenance-related costs and by recognising it as revenue for the benefit of customers.

| Turnover and other operating income, € million | Jan-Dec/23 | Jan-Dec/22 | July-Dec/23 | July-Dec/22 |
|--|----------------|----------------|--------------|----------------|
| Grid service revenue | 164.5 | 333.7 | 80.9 | 128.8 |
| Sales of imbalance power | 682.6 | 1,160.2 | 339.2 | 776.9 |
| Cross-border transmission income | | 11.1 | | -0 |
| Congestion income | 284.7 | 229.5 | 190.1 | 189.7 |
| Peak load capacity income* | 0.0 | 7.2 | -0 | 0.1 |
| ITC income | 20.8 | 23.1 | 6.7 | 7.8 |
| Datahub income | 20.6 | 15.0 | 10.4 | 8.8 |
| Other turnover | 19.9 | 35.5 | 11.2 | 24.2 |
| Change in the value of derivatives | | 140.9 | | -99 |
| Other operating income | 119.7 | 30.5 | 74.4 | 6.7 |
| Turnover and other income total | 1,312.9 | 1,986.6 | 712.8 | 1,043.3 |

| Costs, € million | Jan-Dec/23 | Jan-Dec/22 | July-Dec/23 | July-Dec/22 |
|---|--------------|--------------|-------------|--------------|
| Purchase of imbalance power | 491.1 | 1,141.2 | 254.6 | 761.9 |
| Loss power costs | 75.2 | 103.9 | 41.2 | 64.2 |
| Depreciation | 123.3 | 107.9 | 64.3 | 55.5 |
| Cost of reserves | 185.6 | 186.9 | 114.1 | 109.9 |
| Personnel costs | 42.8 | 38.1 | 21.5 | 18.7 |
| Grid maintenance costs | 22.5 | 19.6 | 13.9 | 11.5 |
| Costs from transmission rights | 96.2 | | 61.2 | |
| Cost of peak load capacity* | 0.0 | 6.9 | 0.0 | 0.0 |
| ITC charges | 20.7 | 18.1 | 7.0 | 9.1 |
| Other costs | 69.4 | 73.3 | 36.1 | 45.5 |
| Change in the value of derivatives | 185.1 | 0.4 | 18.5 | 0.0 |
| Costs total | 1,311.9 | 1,696.1 | 632.3 | 1,076.4 |
| Operating profit excluding the change in the fair value of commodity derivatives | 186.1 | 149.8 | 99.0 | 66.3 |
| Operating profit of Group, IFRS | 1.0 | 290.4 | 80.5 | -33.1 |

* Peak load capacity income and costs are related to the securing of sufficient electricity supply during peak consumption hours in compliance with the Finnish Peak Load Capacity Act.

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 realised interest rate hedges and the positive change in the market value 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.

Operations

Strategy

Fingrid is Finland's transmission system operator, whose main owners are the State of Finland and Finnish pension and insurance companies.

The company's operations are based on Finnish and EU legislation. In accordance with the Finnish Electricity Market Act, the company develops the main grid, connects new production and consumption to the main grid, maintains a balance between electricity consumption and generation, and promotes the electricity market.

The EU Regulation on the internal market for electricity obligates Fingrid to cooperate within ENTSO-E, the European Network of Transmission System Operators for Electricity, and also regionally with Nordic and Baltic transmission grid companies, to improve the effectiveness of the internal market in electricity. The company's task is to participate in the drawing up and implementation of the market, operating and connection codes and the proposals prescribed in them. Fingrid's operations are supervised and regulated nationally by the Energy Authority, which has granted the company a licence for the transmission grid operations.



Mission

Fingrid ensures reliable and cost-effective electricity for customers and society, and shapes the clean, market-oriented power system of the future.

Vision

The energy system is clean, secure and brings Finland economic wealth. Fingrid is the foundation of the energy system.

Values

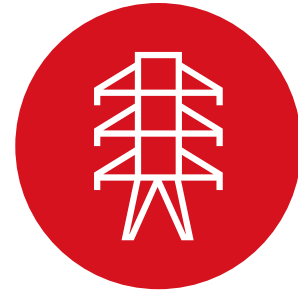
Fingrid is open, fair, efficient and responsible in all its operations. These values guide Fingrid's operations and lay a solid foundation for corporate culture. The realisation of the values is measured and reported on.

Way of working

The corporate culture is open, collaborative and renewing. The company complies with good governance practices. Fingrid employees are known for their expertise. The company develops its operations in cooperation with customers, partners and other stakeholders and treats everyone impartially and with respect. Fingrid achieves the bold and ambitious goals set for its operations and provides high quality and efficiency by combining its core expertise with that of the best players in the world. Fingrid operates responsibly, effectively, and openly, which is how it earns the trust of customers and stakeholders.



Fingrid has made the following strategic choices:



Focusing on the core mission

Fingrid excels in accomplishing its core mission in a changing operating environment. The company will not expand into new businesses or participate in competitive business.



For the customer

Business operations and operating models are actively developed together with the customer and with society's interests at heart.



World-class expertise

The necessary core competencies are maintained in-house, and Fingrid cooperates with the best partners. Fingrid innovatively utilises the best technologies.



Market focus

Fingrid applies a market-oriented approach in all areas because effective markets will produce the best solutions.



Efficiency and productivity

Fingrid's operations are productive. Changes are anticipated using joint situational awareness; clear goals are shared, operations are prioritised and measured. This is how concrete results are ensured.



Security and responsibility

Fingrid secures the existing good level of system security in a power system under transformation. Corporate responsibility and safety are highlighted in all activities.

Strategic focal points of development

Fingrid's strategy defines the four focal points of development that the company focuses on in order to be able to react quickly to the challenges and megatrends arising from the operating environment. The development focal points are used to improve the company's operations and to adopt operating models at the company level, across business and perspective lines.

Customers enabling the transformation

To meet Finland's climate and competitiveness goals, Fingrid must enable the rapid growth of the power system and be able to connect a large volume of electricity consumption and production to the main grid, without sacrificing security and quality. Maintaining high system security cost-effectively requires the availability of all the technical opportunities and flexibilities of production and consumption. Key to achieving this is understanding customers' needs and technical opportunities and the appropriate market solutions and technical solutions selected based on this.

Effectively utilised grid

Fingrid's objective is to cost-effectively increase the utilisation rate of the grid and

enable new customers to be connected in a way that minimises the need for new transmission lines and takes environmental aspects into consideration. This can be achieved by locating major production and demand facilities closer to one another and better harmonising their capacity and loads. The utilisation rate can also be increased by means of flexibility both in production and consumption, and flexible solutions can be developed for the grid.

Extensive and predictable electricity market

Finland competes internationally for green transition investments. In this competition, the extent of the markets and their predictability offer a major competitive advantage. As renewable production increases, the electricity market requires flexibility and reserves that can guarantee the security of electricity supply. Fingrid is responsible for maintaining and developing the reserve markets and increasing their liquidity. The company's aim is to promote an electricity market that functions as an effective whole. This requires fair and easy access to the markets and transparent operations and predictability from the markets.

Operations and expertise in the transformation

A response to the change in the operating environment due to the modernisation of the electricity system requires constant development of the company's operations and expertise. Fingrid develops leadership, competence management and shared operating methods to enable the achievement of the set business results, high productivity and corporate responsibility throughout the company's operations. Going forward, Fingrid will continue to be Finland's most attractive workplace and partner.

Implementation of the strategy

Fingrid's strategy is implemented through four perspectives: Customers & Society, Finance, Internal Processes, and Personnel & Expertise. According to the approach chosen by Fingrid for implementing its strategy, all four perspectives are implemented and developed in a mutually balanced way.

For **Customers and Society** Fingrid is the TSO that provides the best service and offers its customers connections and electricity transmission to meet their needs, as well as pro-market solutions. Fingrid's operations and the resulting effective elec-

tricity system are seen as a key competitive edge for Finland.

From the **Finance** perspective, the company's objective is to act in accordance with best management practices and good governance and to ensure the productivity and responsibility of the operations when implementing the strategy. Fingrid secures shareholder value and customer value responsibly and for the long term, bearing in mind the interests of society. Key capital and risks are managed effectively.

The perspective of **Internal Processes** consists of the company's three operational processes:

- **Adequacy of the transmission system:** Transmission capacity meets customers' and society's needs. Fingrid operates safely and efficiently. Quality and capacity are at the correct level. Responsibility means actions.
- **System operation:** Electricity is supplied reliably to a carbon-neutral society, and a balance between electricity production and consumption is maintained under all circumstances.
- **Promoting the electricity market:** The electricity market enables a clean

electricity system. The electricity market is developed in Finland according to EU and national legislation by ensuring the interests of customers.

Fingrid is an open, collaborative, renewing and high-performing work community. The objective of the Personnel & Expertise perspective is to be at the leading edge of change and to prepare for the future with world-class expertise. Fingrid is an excellent employer who attracts and retains the best employees.

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.

Fingrid produces grid and electricity market services for its customers.

Grid services guarantee customers smooth connections to the electricity network and reliable transmission of electricity in the main grid that meets consumers' needs. Grid services consist of connection into the main grid and developing, operating and maintaining the grid according to the customer's transmission 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 for electricity production at the end of 2023 was around 360,000 megawatts, roughly half of which was onshore wind power, while offshore wind power and solar power each made up around one quarter. 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 for the green transition. Enquiries looking to connect new types of electricity consumption sites, such as data centers, hydrogen production and battery storage, and the metal industry directly to the main grid have grown, and connection enquiries totalled some 26,000 megawatts at the end of 2023. The growing number of enquiries concerning both production and

consumption is an indication of Finland's good ability to compete in green transition investments. Fingrid plays a key role in enabling this development.

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 market services maintain and expand the reserve markets required to balance the power system and offer the benefits of open European electricity markets. 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. The two subsidiaries wholly owned by Fingrid Oyj, Finextra Oy and Fingrid Datahub Oy, produce services that are not part of actual transmission grid operations or electricity network system responsibility. Fingrid Datahub Oy offers an effective information exchange platform for retail market parties and Finextra Oy provides services related to guarantees of origin (GO).

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. Balance service pricing tracks the development of operating costs. 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 to ensure the fees correspond with the cost development of the operations. 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 used congestion income also for cross-border investment projects and they covered costs resulting from electricity cross-border transmission and the

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Fingrid develops and operates the grid to meet customers' and society's needs.

that Fingrid works for the good of the whole society and appreciate the competence, problem-solving skills and service-mindedness of the company's experts.

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.

The electrification of society is the next step towards carbon neutrality. Electricity

development of cross-border transmission.

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). Customers trust

consumption is forecast to grow significantly, which is why Fingrid updated the main grid development plan for 2024–2033 during the year under review. The goal of the grid investments is to create the conditions for Finland's competitiveness in industrial investments and to enable Finland's carbon neutrality goals' achievement by 2035.

The main grid investment programme is the current best estimate of future investments and is based on future transmission forecasts and customer needs to upgrade the grid. The estimated grid investments included in the development plan amount to roughly four billion euros. The development plan includes 6,100 km of new transmission lines and 128 substation projects, and different alternatives for their implementation are being looked into, taking into account nature and the environment.

In 2023, Fingrid carried out and planned several grid building projects that strengthen electricity transmission capacity and reliability. The projects include both the construction of transmission lines and the substation construction and modernisation projects. During the year under review, the grid investments totalled roughly EUR

310 million, and 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.

Finland's main grid comprises 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. Furthermore, the company has a long tradition of measuring operational efficiency and quality, and participation in international benchmark studies. 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. Fingrid received a Top Performer mention for its substation maintenance. Fingrid has a long track record of digital condition monitoring at substations, using the latest technology and achieving high cost-effectiveness. The system is currently used at 27 substations. The objective is to introduce digital condition monitoring extensively in 2025.

Electricity system

The mild weather and Finns' economical use of electricity reduced electricity consumption in early 2023, but towards the end of the year, electricity consumption returned to its normal level. 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.

The go-live of Olkiluoto 3 and the increasing wind power production boosted Finland very close to a neutral net power balance at an annual level. A lot of electricity was exported to Estonia over the year, and during the summer season, also to Sweden. Electricity was imported from northern Sweden to Finland particularly during the winter season, often at maximum capacity during daytime hours. 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 average Nordic price on the day-ahead market in 2023 was EUR



56.44 (135.86) per megawatt hour, and the area price for Finland was EUR 56.47 (154.04) per megawatt hour. The emission factors of Finnish electricity production and consumption have significantly decreased thanks to clean production and the termination of Russian imports. The emission factor for production was 38.5 (55.21) grams of carbon dioxide per kilowatt hour and for consumption, 35.5 (59.79) grams of carbon dioxide per kilowatt hour.

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. Electricity area price differences between the countries have fallen and congestion income at Finland's cross-border connections has decreased.

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.

A record-breaking day in electricity production was 27 November 2023, with a total of 14,178 MWh/h of electricity produced in Finland. The wind power production record was broken on 28 November 2023 between 5 and 6 a.m. when 5,551 MWh/h of electricity was produced using wind.

| Power system operation | Jan- Dec/23 | Jan- Dec/22 | July- Dec/23 | July- Dec/22 |
|---|------------------------|------------------------|-------------------------|-------------------------|
| Electricity consumption in Finland TWh | 79.8 | 81.6 | 39.9 | 39.1 |
| Inter TSO transmission in Finland, TWh | 6.5 | 7.8 | 3.2 | 3.5 |
| Transmission within Finland, TWh | 86.3 | 89.4 | 43.1 | 42.6 |
| Fingrid's transmission volume TWh | 71.7 | 70.1 | 36.7 | 33.6 |
| Fingrid's electricity transmission to customers, TWh | 62.4 | 62.0 | 32.1 | 29.8 |
| Fingrid's loss power volume TWh | 1.6 | 1.6 | 0.8 | 0.8 |
| Electricity transmission Finland - Sweden | | | | |
| Exports to Sweden TWh | 2.2 | 1.2 | 0.8 | 0.4 |
| Imports from Sweden TWh | 10.7 | 16.6 | 5.3 | 8.9 |
| Electricity transmission Finland - Estonia | | | | |
| Exports to Estonia TWh | 7.0 | 6.8 | 3.8 | 3.3 |
| Imports from Estonia TWh | 0.1 | 0.0 | 0.0 | 0.0 |
| Electricity transmission Finland - Norway | | | | |
| Imports from Norway TWh | 0.4 | 0.4 | 0.2 | 0.2 |
| Electricity transmission Finland - Russia | | | | |
| Imports from Russia TWh | 0.0 | 3.6 | 0.0 | 0.0 |

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. Fingrid secures system security through countertrade. Fingrid additionally guarantees the cross-border transmission it has confirmed by carrying out countertrades, i.e. purchasing and selling electricity, up until the end of the 24-hour usage period. The causes of countertrade include outages and disturbances in power plants or in the grid.

| Counter trade | Jan- Dec/23 | Jan- Dec/22 | July- Dec/23 | July- Dec/22 |
|--|------------------------|------------------------|-------------------------|-------------------------|
| Counter-trade between Finland and Sweden, €M | 0.1 | 3.8 | 0.1 | 3.8 |
| Counter-trade between Finland and Estonia, €M | 0.7 | 1.7 | 0.6 | 0.2 |
| Counter-trade between Finland's internal connections, €M | 0.1 | 1.8 | -0.0 | 1.2 |
| Total counter-trade, €M | 0.9 | 7.3 | 0.7 | 5.2 |

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.

Due to the concerns related to prices and transmission reliability on the EU's energy markets during the crisis winter of 2022–2023, the EU launched work on reforming the electricity market structures. Early in 2023, the European Commission arranged a public hearing on the reform of the electricity market, to which the European transmission system operators issued a joint response. In addition to this, the Nordic TSOs published a joint statement

which highlighted a commitment to safeguarding the central features of the current electricity market design, such as marginal pricing. During the spring of 2023, the Commission published proposals in which no significant changes were proposed to the market model. Political consensus was reached on the matter in December.

During the year under review, the usability and reliability of transmission connections between Finland and Sweden and Finland and Estonia were good. Electricity area price differences between the countries have levelled out compared to the corresponding period of the previous year, and congestion income along Finland's cross-border connections has decreased. The price difference between Finland and Estonia started to increase in May–June due to, among other things, maintenance work on EstLink 2.

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.

| Electricity market | Jan-Dec/23 | Jan-Dec/22 | July-Dec/23 | July-Dec/22 |
|---|------------|------------|-------------|-------------|
| Nordic system price, average €/MWh | 56.44 | 135.86 | 42.69 | 155.75 |
| Area price Finland, average €/MWh | 56.47 | 154.03 | 52.64 | 202.53 |
| Congestion income between Finland and Sweden, € million* | 229.9 | 1,551.1 | 129.4 | 1,071.4 |
| Congestion hours between Finland and Sweden %** | 37.8 | 74.7 | 39.3 | 74.6 |
| Congestion income between Finland and Estonia, € million* | 290.2 | 334.7 | 185.5 | 188.9 |
| Congestion hours between Finland and Estonia % | 53.6 | 38.2 | 60.7 | 33.2 |

* The congestion income between Finland and Sweden and between Finland and Estonia is divided equally between the relevant TSOs. The income and costs of the transmission connections are presented in the tables under 'Financial result'.

** The calculation of a congestion hour between Finland and Sweden refers to an hour during which Finland's day-ahead area price differs from Sweden's SE1 or SE3 area price.



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 2025. 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) instruments 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 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 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.

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 to adopt 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, an 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 transforming power system calls not only for more personnel, but also for new operating models and partnerships as well as entirely new competence.

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.

Fingrid commissions personnel surveys each year to support the well-being of personnel. 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 with the Finland's Most Inspiring Workplaces recognition in the mid-sized



eNPS
net promoter
score

75

companies category in 2023. The recognition is awarded annually to workplaces whose employee engagement results are ranked at the national top.

Fingrid responds to changes in the operating environment by continuously developing its operations according to needs. From the personnel, this requires the ability to adapt, initiative and the drive to learn new things. Fingrid offers its employees opportunities to develop and grow their competence. The aim is to secure competence by offering personnel training both in-house and by outsourced providers, as well as through job rotation and switching up duties within teams. Fingrid invests a significant sum annually to develop both the work community and the personal development of each employee. In 2023, each Fingrid employee received an average of 5 (5) days of training, and the training costs totalled EUR 1.4 (1.4) million.

Occupational health and safety come first in all of Fingrid's activities. The company's goal is zero accidents and zero serious occupational safety deviations. Health and safety management is steered by the Fingrid Oyj's occupational health and safety

policy and goals as well as by an OHS management system based on the ISO 45001 standard. During the year under review, the management system was audited and expanded to cover Fingrid's entire personnel, while it previously was limited to the functions and units involved with grid building, maintenance and reserve power plants. Fingrid's own personnel had 0 (0) lost-time accidents in 2023. The service providers' personnel had 14 (10) lost-time accidents, of which 3 (6) were classified as serious. The service providers' and Fingrid's combined lost time injury frequency (LTIF) increased from the previous year to 7.2 (5.4) absences due to accidents at the workplace per million worked hours.



Corporate responsibility

Fingrid is committed to responsible and ethical practices to promote sustainable development. In addition to securing the well-being of society, the company's grid investments enable the green transition and the growth of a future clean energy system. The most material impacts of Fingrid's operations are related to the reliability and security of the electricity system, climate change mitigation, and the growth and effectiveness of the electricity market. Information security and data protection and the impacts of power lines on land use and scenic values are also recognised as key topics, when it is necessary for Fingrid to build new grid sections and to further develop the electricity market to enable the green transition. These material responsibility topics are at the core of the company's strategy.

Fingrid promotes through its operations particularly the UN's global Sustainable Development Goals (SDGs) related to climate actions, energy and infrastructure. Fingrid's responsibility targets are divided into environmental responsibility, social responsibility and good governance based on the ESG model (Environment, Social, Governance). Targets for 2025 and 2035 have been set for each key factor, with which the implementation of corporate responsibility is steered. Corporate responsibility metrics affect the remuneration of the President & CEO and the company executives and is also a part of the entire personnel's remuneration system. Most of the metrics used in the remuneration schemes are also the company's key sustainability KPIs.



Corporate responsibility and compliance management are integrated with Fingrid's strategy, management system and risk management practices. Fingrid's Board of Directors approves the company's Code of Conduct and monitors the achievement of the goals. The President & CEO is responsible for arranging corporate responsibility management and its integration into business operations. The President & CEO and the heads of functions are each responsible for compliance management and corporate responsibility ESG targets within their areas of responsibility.

Fingrid has committed to the United Nations' Global Compact initiative since 2016. The company's Code of Conduct is in line with the principles of this global corporate responsibility initiative on human rights, labour, environment and anti-corruption. In the 2023 survey, Fingrid's personnel gave a score of 4.5 (on a scale from 1 to 5) when surveyed about responsible practices. The net promoter score of Fingrid's employees (eNPS) was 75, and customers' cNPS score was 45.

Fingrid's Code of Conduct includes a human rights commitment. The Code of Conduct also includes a requirement to promote diversity in all activities. The company guarantees equal opportunities, rights and

treatment to all employees and complies with the principles of non-discrimination, equality and diversity in its personnel policy. Human rights and environmental due diligence has for long been a part of applying Fingrid's Code of Conduct. The Code of Conduct further includes an environmental precautionary principle.

Fingrid started sharpening its responsibility focus on human rights in 2016 with an overall assessment of the impacts and risks to human rights. The assessment was carried out in accordance with the UN's Guiding Principles on Business and Human Rights and in compliance with a human rights due diligence process (HRDD). The impact and risk assessment on which the HRDD process is based on was updated during the year under review with support from third-party experts.

Respect for human rights is also included in the corporate responsibility commitment Fingrid expects from its suppliers and their realisation is monitored using a risk-based approach. The suppliers must ensure and oversee, as regards deliveries to Fingrid, that their own suppliers comply with legislation and the agreed corporate responsibility requirements. Contract terms are additionally applied to the use of subcontractors and workforce, and to

occupational safety and environmental matters. In international goods sourcing, altogether 21 (23) third-party sustainability audits were carried out in 2023.

The most essential component of Fingrid's environmental responsibility is the company's significant positive impact on climate change mitigation. The positive climate impact from Fingrid's operations consists of the company's measures to reinforce the main grid and develop the electricity market to meet the needs of both electricity production and the electricity-consuming industries and other societal parties. The company's other significant environmental aspects are related to the impacts on natural habitats, landscape changes and land use restrictions due to transmission lines, the climate impact of power losses during electricity transmission, possible contingencies at substations and reserve power plants, and the consumption of natural resources and the climate impact during grid construction and maintenance.

From a climate risk viewpoint, Fingrid prepares for the physical risks of extreme weather phenomena, which are becoming more common and more powerful, in grid construction and operations. Due to the critical security of supply aspect of the operations, Fingrid has used this approach for

a long time already. Fingrid also prepares for the changes linked with the transition to a clean power system, in other words transition risks, which can affect the operational policies and legislation, technologies, markets and the company's reputation. Managing the power system becomes complex as weather-dependent production increases and variations in electricity consumption and production intensify. This development is also reflected in the costs of maintaining the power system, resulting in an increase in costs as well as an increase in cost-related uncertainty. Fingrid aims to build up the main grid and to find other ways of making the necessary transmission capacity available to meet Finland's climate targets quickly enough. This means proactive environmental impact assessments, successful stakeholder engagement, fast project permit processes and effective project management. In addition to building the main grid, Fingrid seeks to find and implement together with customers solutions that make the use of the main grid more efficient and can increase the number of connections without expanding the grid. In particular the aim is to manage the transition risk arising from



Fingrid is committed to responsible and ethical practices to promote sustainable development.

the changes in grid operations, in the implementation of system responsibility and in the cost structure resulting from the clean power system.

In 2023, Fingrid's direct greenhouse gas emissions and the indirect emissions due to the company's own electricity consumption

and transmission losses (Scope 1 and 2) amounted to roughly 65,000 CO2 equivalent tonnes. Fingrid's greenhouse gas emissions totalled roughly 195,000 CO2 equivalent tonnes when including also the indirect emissions from procurement and supply chains (Scope 1, 2 and 3). In 2023, a total of 1,510 megawatts of wind power and 410 megawatts of solar power was connected to Fingrid's main grid, which will help to indirectly avoid annual emissions worth around 189,000 CO2 equivalent tonnes in the coming years. During the year, Fingrid additionally concluded new agreements on connecting a total of roughly 1,240 megawatts of wind power and 220 megawatts of solar power production to the electricity network. Once realised, this will lead to a substantial positive climate impact, indirectly avoiding annual emissions worth around 152,000

CO2 equivalent tonnes. A real-time factor for electricity consumed (on average 38 g CO2/kWh in 2023) is used in the emissions reporting; the data is published on Fingrid's website as a part of the open electricity market data.

Landowners of the right-of-way areas and other stakeholders were taken into account when building and maintaining the main grid, and environmental impacts were mitigated at all life-cycle stages in accordance with Fingrid's land use and environmental policy. An environmental impact assessment (EIA) procedure was underway in 2023 for six transmission line projects. Similarly to occupational safety standards, outsourced contractors and service providers were required to commit to environmentally responsible operating practices through contract terms, training and audits. Compliance with environmental requirements, occupational safety and contractor obligations was verified in a total of 14 (11) of Fingrid's worksites or maintenance operations. No significant environmental deviations occurred in grid building and maintenance. The total volume of waste was approximately 12,300 (12,000) tonnes, of which 99 (99) per cent was utilised in some way and 78 (82) per cent was recycled. The management of the reserve power plants' environmental

impacts was supported by ISO 14001 environmental certification. A total of 4,757 (6,006) units (tCO2) of emission rights were returned, 100 per cent of which consisted of purchased emission right units.

The basis of good governance in Fingrid is openness and a responsible operating model, as well as the guiding principles for operations. Fingrid's Code of Conduct includes a prohibition on money laundering and corruption, such as blackmail and bribery. Personnel and external stakeholders have a confidential and independent whistleblowing channel available to them. Two reports were made through the channel in 2023, and neither of them was linked with any suspected misconduct. No breaches of anti-competition laws, complaints related to the privacy of private individuals, incidents of bribery or other corruption, human rights violations or discrimination incidents occurred in Fingrid's operations. No significant information security and data protection breaches resulting in adverse business impacts were detected. The company does not support religious or political activities. Fingrid reports on its tax footprint and refrains from any special arrangements to minimise taxes. Fingrid was Finland's 22nd largest corporate income tax payer in 2022.



Corporate responsibility performance is reported according to the Global Reporting Initiative framework and the data is verified by an independent external party. In 2023, Fingrid started to prepare for the disclosures required by the Corporate Sustainability Reporting Directive (CSRD) and for a unified reporting format also in compliance the International Financial Reporting Standards (IFRS). The preparations for disclosure in alignment with the EU Taxonomy Regulation were also continued. The taxonomy is designed to support sustainable finance by channelling money into projects that are sustainable in terms of climate change and the environment. The reporting obligation under

this regulation is not, for the time being, obligatory for Fingrid, but the company reports in compliance with the regulation on a voluntary basis. Electricity transmission is classified as a taxonomy-eligible sustainable economic activity, which has technical assessment criteria in place for assessing taxonomy-alignment. In terms of climate change mitigation, the transmission of electricity has been defined as an enabling activity with which other sectors' greenhouse gas emissions can be significantly reduced. In terms of adapting to climate change, the criteria concern the electricity transmission's preparedness for the risks related to physical changes in the climate system. In the year under review,

calculations were made on the portions of Fingrid's operations that are taxonomy-eligible and meet the assessment criteria related to climate change mitigation. Measures were additionally taken to ensure that the company meets the minimum safeguards of social responsibility in its operations and has in place procedures to oversee their compliance. This applies both to the company's own operations and business relationships, in compliance with the due diligence obligation. More information on the EU Taxonomy and overall corporate responsibility work in 2023 is available in the Sustainable Business and Responsibility report to be published on 14 March 2024.

Internal control and risk management

Fingrid's risks are managed according to the internal control and risk management principles approved by the Board of Directors.

Organisation of internal control

Fingrid's internal control is an integral part of the company's operations and addresses all those operating methods and procedures whose objective it is to ensure:

- effective and profitable operations in line with the company's strategy,
- the reliability and integrity of the company's financial and management information,
- protection of the company's assets,
- compliance with the applicable legislation, guidelines, regulations, agreements and the company's own gov-

ernance and operating guidelines as well as the quality thereof, and

- a high standard of risk management.

Risk management is planned holistically, with the objective of comprehensively identifying, assessing, monitoring and safeguarding the company's operations, the environment, personnel and assets from various threats and risks.

Continuity management is a part of risk management. Its objective is to improve the organisation's capacity to prepare and to react in the best possible way should risks occur, and to ensure the continuity of operations in such situations.

Further information on internal control, risk management and the foremost risks and



factors of uncertainty is available on the company's website.

Board of Directors

The company's Board of Directors is responsible for organising internal control and risk management, and it approves the principles of internal control and risk management every two years or more often, if necessary. The Board defines the company's strategic risks and related management procedures as part of the company's strategy and action plan and monitors their implementation. The Board decides on the operating model for the company's internal audit. The Board regularly receives internal audit and financial audit reports as well as a status update at least once a year on the strategic risks, major business risks and continuity threats relating to the company's operations, and their management and realisation.

Line management and other organisation

Assisted by the executive management group, the President & CEO is responsible for implementing and steering the company's governance, decision-making procedures, control and risk management, and for the assessment of strategic risks, major business risks and continuity threats

at the company level, and their related risk management.

The heads of functions are responsible for the practical implementation of the governance, decision-making procedures, controls and risk management for their areas of responsibility, as well as for the reporting of deviations and the sufficiency of detailed guidelines. The directors appointed to be in charge of threats to continuity management are responsible for drawing up and maintaining continuity management plans and guidelines, and for arranging sufficient training and practice.

The Chief Financial Officer is responsible for arranging procedures, controls and monitoring at the company level as required by the harmonised operating methods of internal control and risk management. The company's General Counsel is responsible at the company level for assuring the legality and regulation compliance of essential contracts and internal guidelines, taking into account the company's interests, as well as for the procedures these require. Each Fingrid employee is obligated to identify and report any risks or control deficiencies she or he observes and to carry out the agreed risk management procedures.

Financial audit

An authorised public accounting company selected by the Annual General Meeting acts as auditor for the company. The company's financial auditor inspects the accounting, financial statements and governance for each financial period and provides the AGM with reports required by accounting legislation or otherwise stipulated in legislation. The financial auditor reports on his or her work, observations and recommendations for the Board of Directors and may also carry out other verification-related tasks commissioned by the Board or management.

Internal audit

The Board of Directors decides on the operating model for the company's internal audit. The internal audit acts on the basis of plans processed by the audit committee and approved by the Board. Audit results are reported to the object of inspection, the President & CEO, the audit committee and the Board. Upon decision of the Board, an internal audit outsourced to an authorised public accounting company acts within the company. From an administrative perspective, the internal audit is subordinate to the President & CEO. The internal audit provides



Risk management is planned and implemented holistically.

a systematic approach to the assessment and development of the efficacy of the company's risk management, monitoring, management and governance processes, and ensures their sufficiency and

functionality as an independent party. The internal audit has the authority to carry out reviews and to access all information that is essential to the audit. Fingrid's internal audit carries out risk-based auditing on the company's various processes.

Foremost risks

Since Fingrid plays a significant role in Finnish society, the impact of risks is assessed from both the company's and society's perspective. Strategic risks are considered to be events that may lead to a material deterioration in the company's ability to operate or in its corporate image or, in the worst-case scenario, events that may lead to the company's operations being called into question by society.

The most significant of the company's three identified strategic risks is a severe disturbance related to the functionality of the power system, leading to a regional or nationwide blackout. Extensive disturbances to the power system can be caused

by a technical malfunction, an extreme weather event, human error, an accident or vandalism. A blackout can paralyse society's functions and cause major damage to Finnish business and industry.

A significant negative change in regulation constitutes a material strategic risk for the company's operations, affecting the company's responsibilities, scope of its mission and financial preconditions. Financial regulation directly impacts shareholder value, financing and credit ratings, and this way creates the framework for the company's investment programme and mitigation of financial risk.

The third strategic risk for the company's operations is the possibility of a distortion in the corporate culture under the cover of monopolistic operations, which can surface in the form of disregard for sustainability requirements or other unprofessional behaviour.

In addition to the strategic risks, the Board of Directors regularly receives reports on business risks that have been identified as material and which are related to financial regulation, the electricity market, customer activities, the investment programme, information security, personnel and safe-

guarding the company's assets. This category additionally includes various risks linked with major financial value, such as compliance, the management of electricity transmission, solvency and liquidity, the management of loss power and reserves, and counterparty risks.

As the company's operating environment changes, the risk of the operations has grown. A weather-dependent, expanding electricity system and large-capacity production units increase the significance of power system management and balance service business in the company's operations. The expanding, increasingly complex electricity system will increase the share of market-based costs, such as reserve, loss power and congestion costs, of the company's total costs and also their significance in corporate finances. Predicting the market-based costs will be increasingly difficult due to the volatility of electricity prices and transmission conditions. The company's major investment programme will increase the number of planned outages and the related transmission restrictions. The company will compensate some of the volatility of market-based costs in customer pricing by recognising congestion income as revenue also in 2024. Fingrid

assumes a significant financial risk of the balance responsible parties by maintaining the national power balance. The changes in the price of imbalance power can also unexpectedly increase the company's counterparty risks, which the company mitigates mainly by the collaterals required from the balance responsible parties and by other operational terms specified in the terms and conditions of the balance service.

The company's operations, its financial preconditions and the possibilities to mitigate risk are regulated by the Energy Authority. The decisions on the methods of overseeing transmission grid operations for 2024–2027 and 2028–2031 and on the terms and conditions of balance service, including the collaterals required from the balance responsible parties, were received at the end of 2023.

Fingrid's risk management and foremost risks are explored in greater detail in the company's annual report and on its website. Fingrid's financing risks are described in more detail in sections 5.2 and 5.3 of the consolidated financial statements. No substantial risks were realised in 2023.



Board of Directors and corporate management

Fingrid Oyj's Annual General Meeting was held in Helsinki on 31 March 2023. In 2023, the Board of Directors consisted of Hannu Linna (Chair), Leena Mörttinen (Deputy Chair and member as of 31 March 2023), Päivi Nerg (Deputy Chair and member until 31 March 2023), Jero Ahola (as of 31 March 2023), Anne Jalkala (as of 31 March 2023), Jukka Reijonen and Sanna Syri (until 31 March 2023).

PricewaterhouseCoopers Oy was elected as the auditor of the company, with Martin Grandell, Authorised Public Accountant KHT, serving as the responsible auditor.

The Board of Directors has two committees: the audit committee and the remuneration committee.

The members of the audit committee were Hannu Linna (Chair until 31 March 2023), Leena Mörttinen (Chair and member as of 31 March 2023), Jero Ahola (as of 31 March 2023) and Päivi Nerg (until 31 March 2023).

The members of the remuneration committee were Hannu Linna (Chair), Anne Jalkala (as of 31 March 2023), Jukka Reijonen and Sanna Syri (until 31 March 2023).

Jukka Ruusunen served as President & CEO of the company. He retired on 31 December 2023. Asta Sihvonen-Punkka was appointed Fingrid's President & CEO as of 1 January 2024. Fingrid has an executive management group which supports the President & CEO in the company's management and decision-making.

A Corporate Governance Statement, required by the Finnish Corporate Governance Code, has been provided separately. The statement and other information required by the Code are also available on the company's website at www.fingrid.fi.



Share capital

The company's share capital is EUR 55,922,485.55. Fin-grid shares are divided into Series A shares and Series B shares. The number of Series A shares is 2,078 and the number of Series B shares is 1,247. The voting and dividend rights related to the shares are described in more detail in the notes to the financial statements and in the articles of association available on the company's website.



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.

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 required the Finnish and Swedish TSOs to 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 a proposal with the Energy Authority to change 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 company's 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 system 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 accruing 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 at the Market Court. 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 return 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 return 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 the presented decision. Fingrid's goal is a solution that would also enable the future development of the main electricity 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 dividend 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, 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.



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



Fingrid delivers. Responsibly.

For more detailed information on Fingrid and the contact persons for various functions, see the company's website at www.fingrid.fi

Fingrid Oyj

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