



Finland's Transmission System Operator

FINGRID

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01

Executive summary



Fingrid is the sole transmission system operator (TSO) in continental Finland¹

Fingrid transmits
in its own network
approximately
77%
of electricity
transmitted in Finland

Fingrid manages cross-
border connections between
**Finland and Sweden,
Estonia, Russia and
Norway**

Fingrid continuously
**ensures power
system production
and consumption
balance**
in Finland

¹Kraftnät Åland is the transmission system operator of Åland

Fingrid's network covers entire Finland

14,000

km of power lines

320

km of submarine cable

45,000

towers

116

substations

10

reserve power plants

3

HVDC stations

Fingrid has achieved its targets in 2011-2021

	2011	2021
Net profit (IFRS)	MEUR 33	MEUR 150
Return	Below regulatory allowed	Around regulatory allowed*
Dividend	MEUR 7	MEUR 133**
Efficiency	High benchmark study rankings	High benchmark study rankings
Investments	In schedule and budget	In schedule and budget

*Cumulative deficit approximately MEUR -15 in 2020-2021

** Total amount proposed by Board of Directors

Fingrid has a proven track record of continuously executing its defined strategy

Fingrid has achieved its targets in 2011-2021

Regulation	Fair, stable and predictable TSO regulatory model (until 12/2023)
Ownership	The Finnish state owns 53% and Finnish financial institutions 47%*
Strategic importance	Considered strategically important holding to the Finnish state**
Operating leverage	Construction and maintenance of the electricity transmission network is outsourced
Efficiency & quality	Fingrid is one of the most cost efficient and reliable TSOs worldwide
Financials	Continuously solid profitability
Rating	Fingrid benefits from AA-/A+ ratings (S&P, Fitch***)

* The Finnish state has 71% of the voting rights in the company

** Source: Prime Minister's Office, Finland. (2016). *Government resolution on state-ownership policy*.

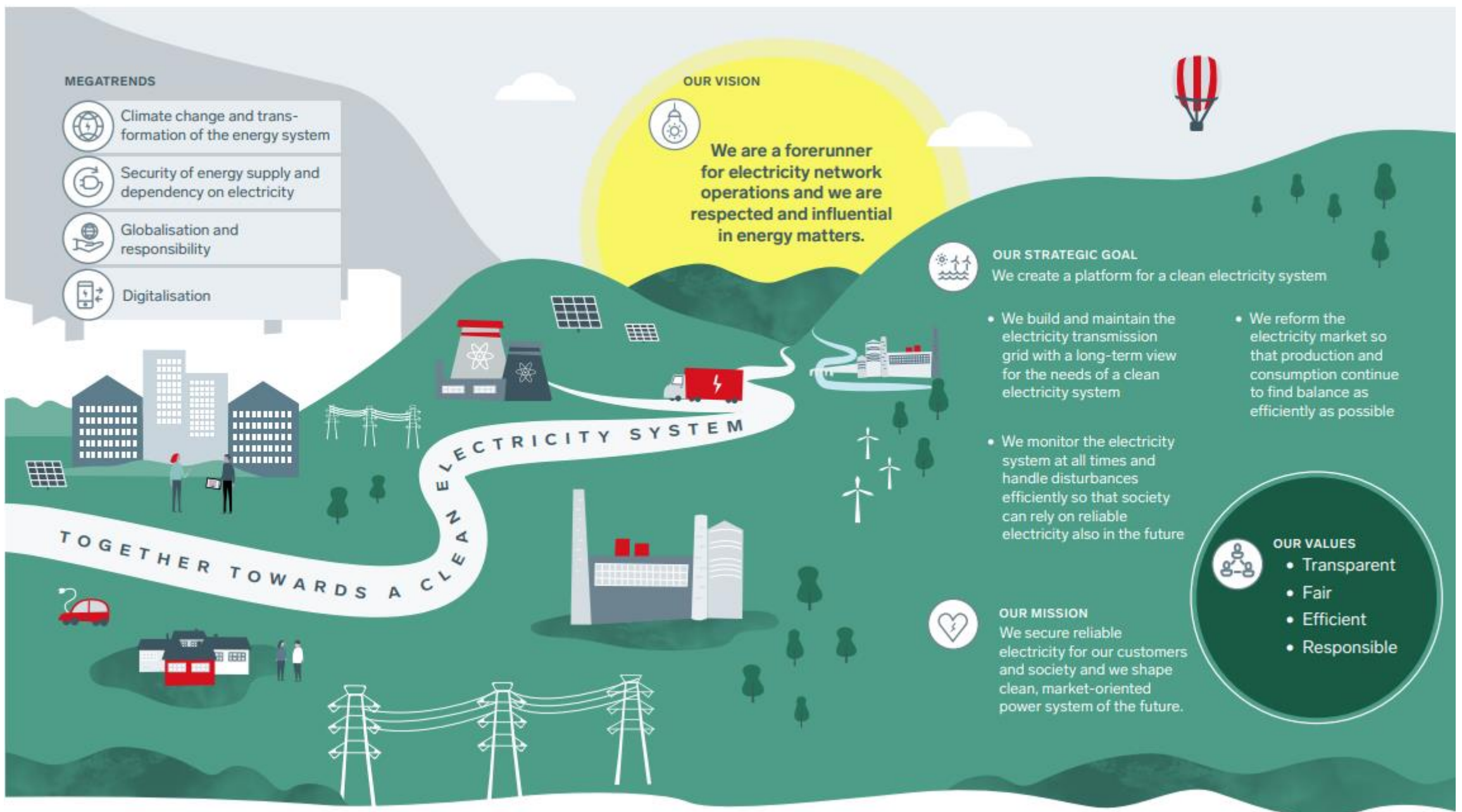
*** Senior unsecured rating from Fitch is 'A+' and issuer default rating 'A'

Fingrid provides a solid long-term investment in the power system in Finland

02

Company overview





Fingrid's strategic framework



Corporate level strategic choices



Focusing on the core mission

We excel in accomplishing our core mission in a changing environment. We do not aim to expand into new businesses or to participate in competitive business.



For the customer

We develop our business operations and operating models actively, together with the customer and with society's interests at heart.



World-class expertise

We ensure the necessary core competence. We cooperate with the best partners. We actively develop competence through a coaching style of management. We innovatively utilise the best technologies.

Market focus

We apply a market-oriented approach in all areas because we believe that well-functioning markets will produce the best and most innovative solutions. We actively foster the integration of the electricity markets in Europe and the Baltic Sea region while also taking into account Finland's best interests.

Efficiency of operations

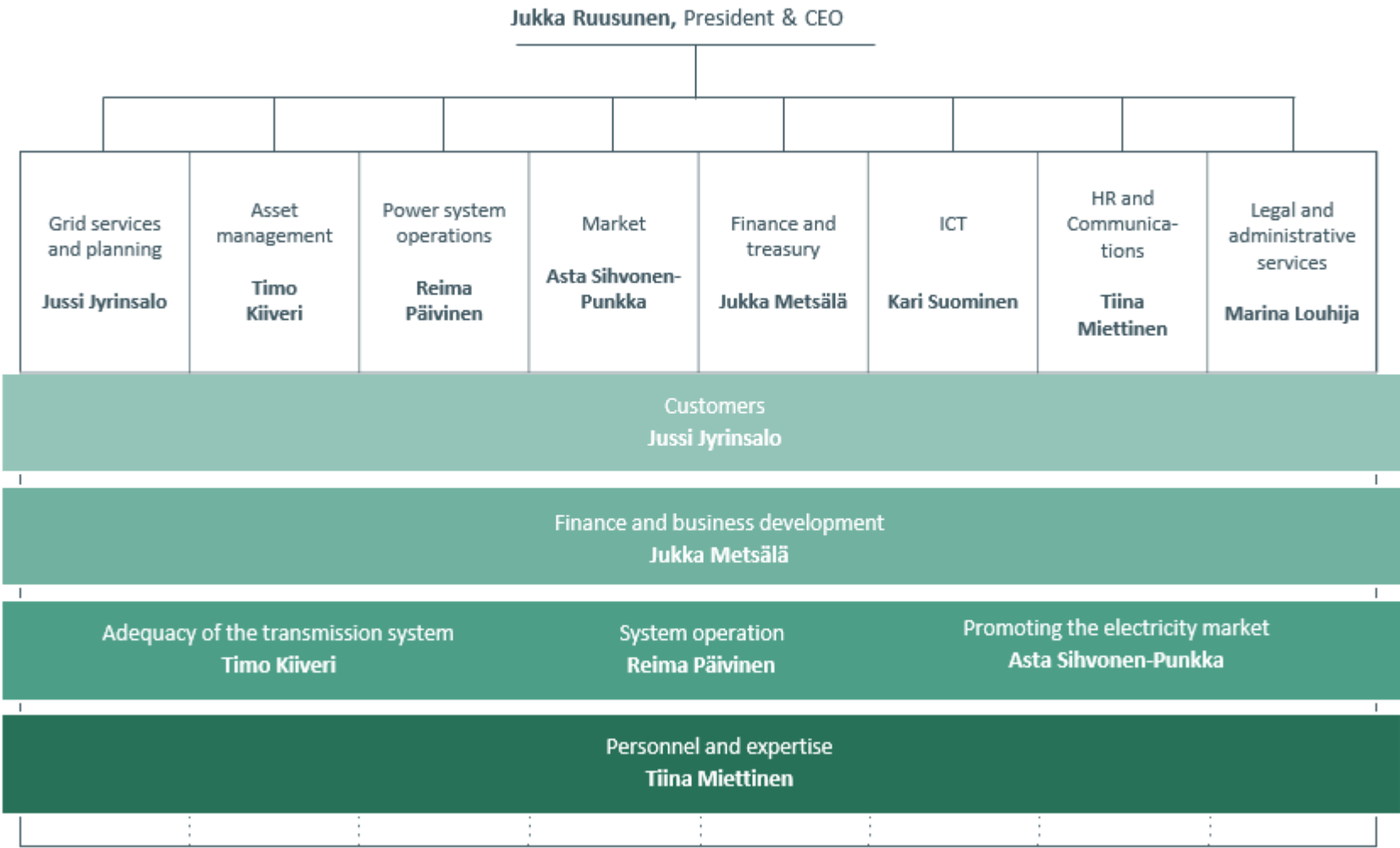
We keep our operations cost-effective as a whole. We anticipate changes using joint situational awareness; we share clear goals, prioritise and measure our operations. That is how we achieve concrete results.

Security and responsibility

During the energy sector transformation, we will maintain the current good level of system security. Corporate responsibility and safety are highlighted in everything we do.



Fingrid operates in a matrix organisation structure



Fingrid's business model



Value created by Fingrid

03

IMPACTS

- › Enabling a climate-neutral energy system
- › Reliable electricity for society and business
- › Well-functioning electricity market
- › Promoting Finland's competitiveness
- › Developing the electricity sector and expertise
- › Financial benefits for stakeholders
- › Employment impact and other local benefits from large capex projects
- › Local changes in land use and the environment and energy losses in electricity transmission

04

CREATION OF VALUE

- › Fingrid's nationwide main grid creates a platform for a clean powersystem. Around 140 kilometres of new grid transmission lines and 10 new or expanded substations.
- › Electricity transmission reliability 99.99992%.
- › The wind power connected to the main grid, 743 megawatts, will reduce future annual indirect emissions by 213,000 CO₂ equivalent tonnes. Reliability of cross-border transmission connections 99.1%.
- › Top cost-effectiveness in European energy regulators' comparison study. Third cheapest in ENTSO-E's European price comparison. Customers perceive that Fingrid works for the benefit of the whole of society (4.3/5).
- › Personnel feel their work is meaningful and are ready to recommend their employer (eNPS 67). LTIF 9.1. Absences from work 1%. Number of training days on average 3/ employee.
- › One of Finland's largest corporate income tax payers (EUR 34 mill.). Payments to providers of capital EUR 147 mill.
- › Investments in the main grid approx. EUR 168 mill. Fingrid personnel's person-years 391 and service suppliers' person-years 703.
- › Direct CO₂ emissions and indirect emissions due to the company's own electricity consumption and losses 142,000 CO₂ equivalent tonnes. Waste utilisation rate 99% and recycling rate 78%.

Fingrid promotes in particular these UN's Sustainable Development Goals



01 RESOURCES

02 BUSINESS PROCESS

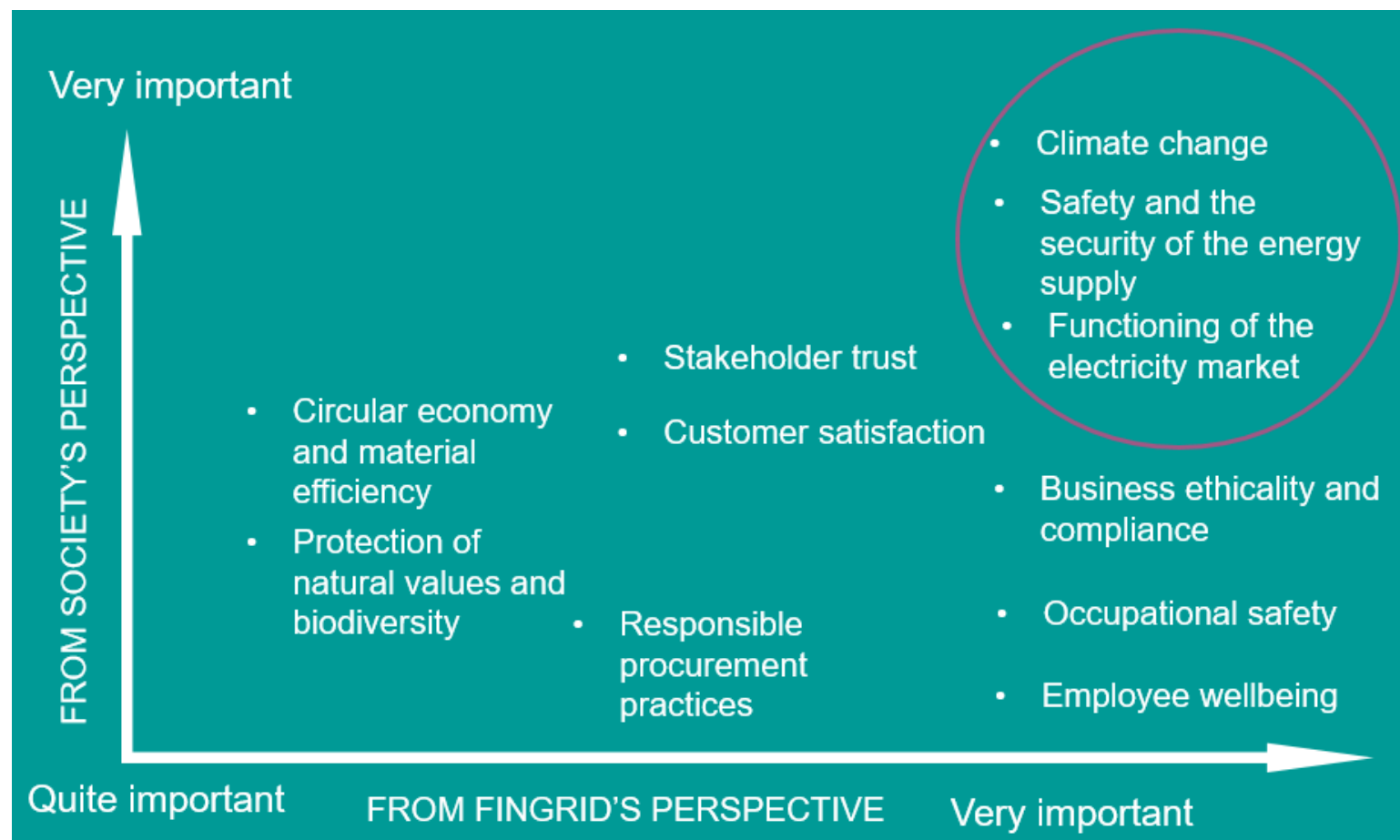
03 IMPACTS

04 CREATION OF VALUE

Fingrid's corporate responsibility management

CORPORATE LEVEL RESPONSIBILITY	› Board of Directors
RESPONSIBILITY FOR CORPORATE ESG TARGETS	› A director nominated by the CEO responsible for each individual corporate ESG target
RESPONSIBILITY FOR EXECUTION OF EACH CORPORATE ESG TARGET	› Nominated director
RESPONSIBILITY FOR DEVELOPMENT AND MONITORING	› Nominated director together with the director responsible for corporate responsibility at Fingrid

Sustainability strategy: key material topics for Fingrid



Corporate responsibility is part of the strategy:

- A strong main grid
- Security of supply
- A functioning electricity market
- Functioning cross-border connections
- Risk and continuity management



Fingrid's main ESG goals

E

- Enabling emission-free electricity generation and greater demand for electricity when Finland is climate-neutral.
- The main grid does not impose constraints on Finland's transition to climate-neutrality, the market balances generation and consumption, system security is good.
- Technical solutions boost the main grid's transmission capacity.
- Fingrid promotes biodiversity in transmission line rights-of-way
- New solutions for the recycling and use of materials (circular economy and material efficiency)
- SF6 gas emissions at a minimum, all new gas-insulated switching substations comply with the selected new technology and are SF6-free. The lowest SF6 gas emissions in the world, when compared with other TSOs.

S

- We ensure reliable, inexpensive and responsive main grid electricity transmission for electricity companies and industry operators.
- We provide electricity market operators with a single electricity price area in Finland while also benefitting from open access to the European electricity market.
- Customer and stakeholder satisfaction is high.
- Fingrid has a productive work community with a high standard of wellbeing, the capacity for renewal, and a diverse personnel structure.
- We are a well-known and desirable place of work with exemplary supervisory work and management practices.
- We look after occupational safety.
- Fingrid constantly enhances its efficiency and productivity and promotes Finland's competitiveness.

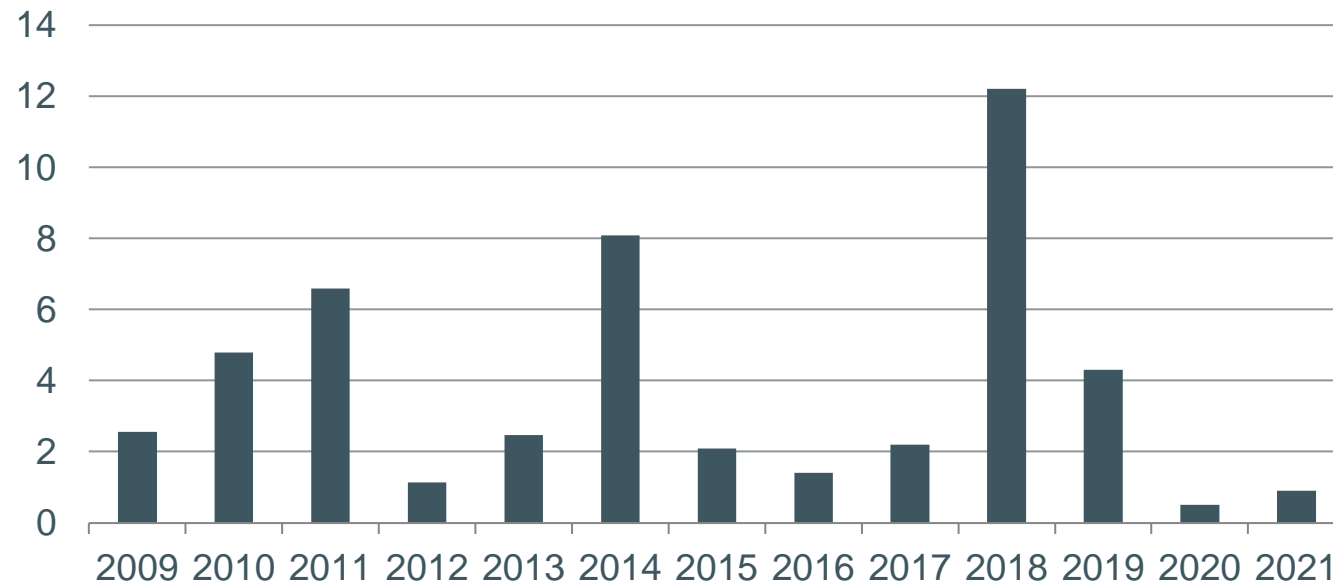
G

- The entire work community is committed to a responsible way of working and open communication.
- Our business complies with good corporate governance principles and applicable regulations.
- Fingrid is recognised for its high standard of information security and its ability to protect personal and business-critical data

Excellent reliability in the grid

Economic losses caused by disturbances

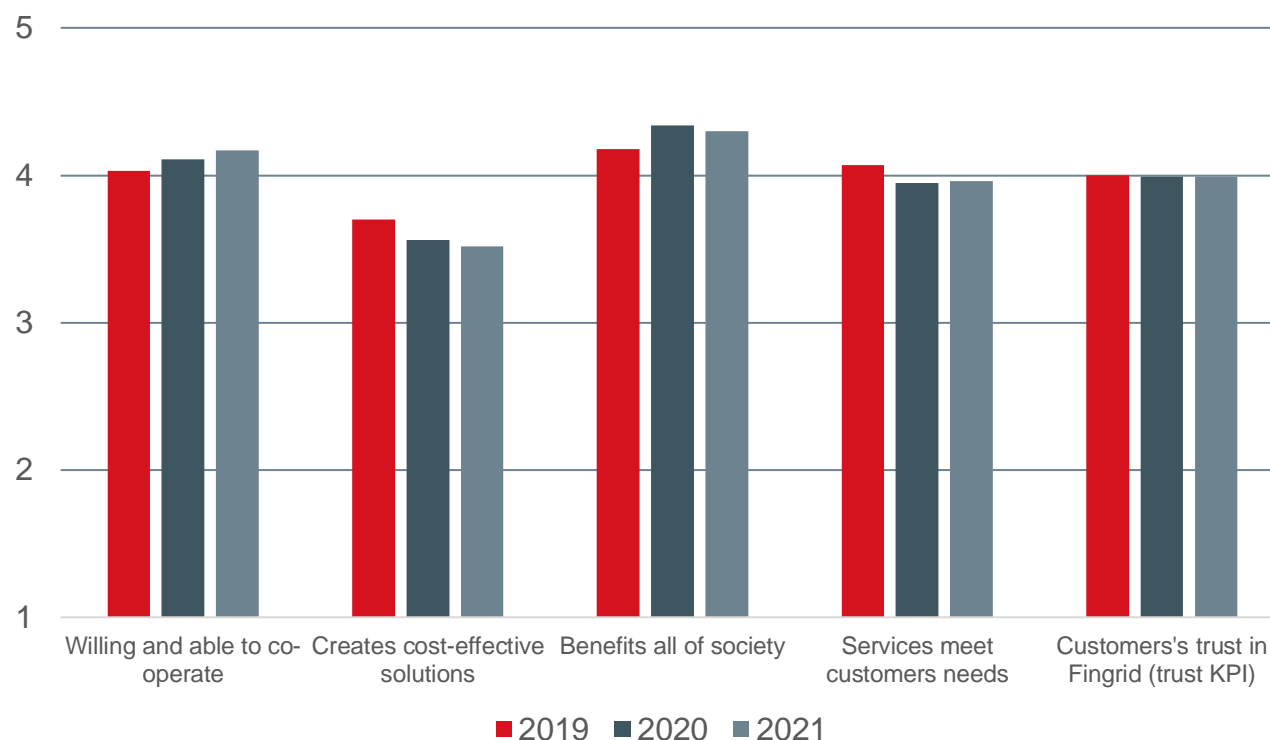
minutes / year / connection point



0.9 minutes
outage per grid
connection point
caused by faults
in the grid in
2021

Customer satisfaction: High quality services

Customers' trust in Fingrid

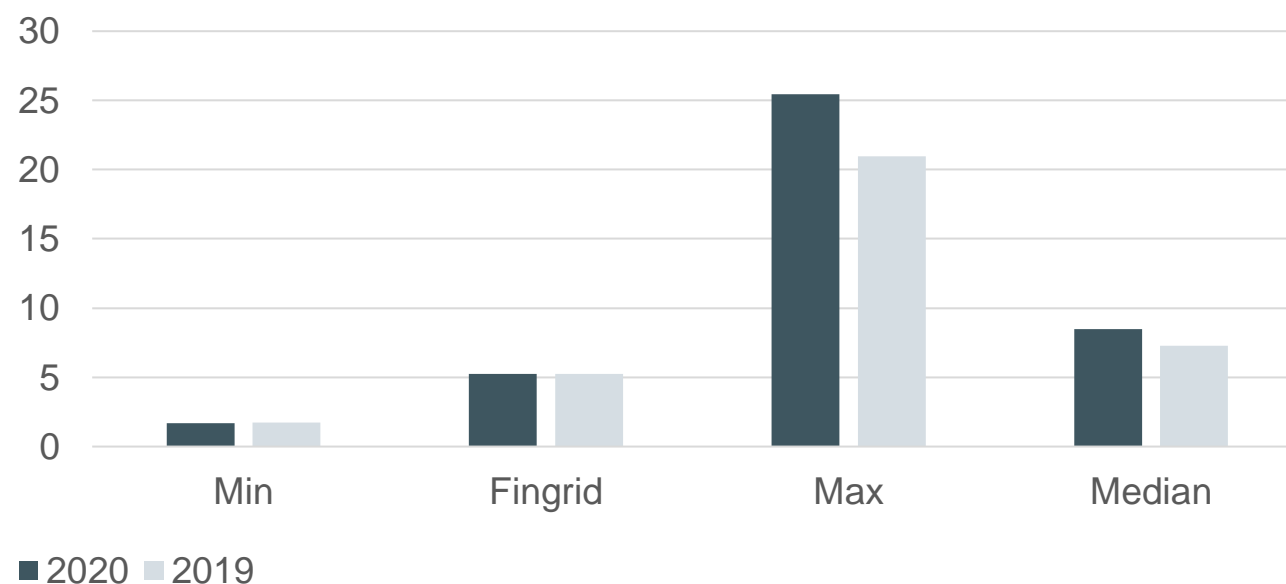


The company wide KPI 'customers' trust in Fingrid was 4.0 (scale 1-5) in 2021

ENTSO-E comparison on grid service fees

European peers 2020

€/MWh



* Source: ENTSO-E

Transmission tariffs for electricity in the Finnish transmission system are the second lowest in Europe

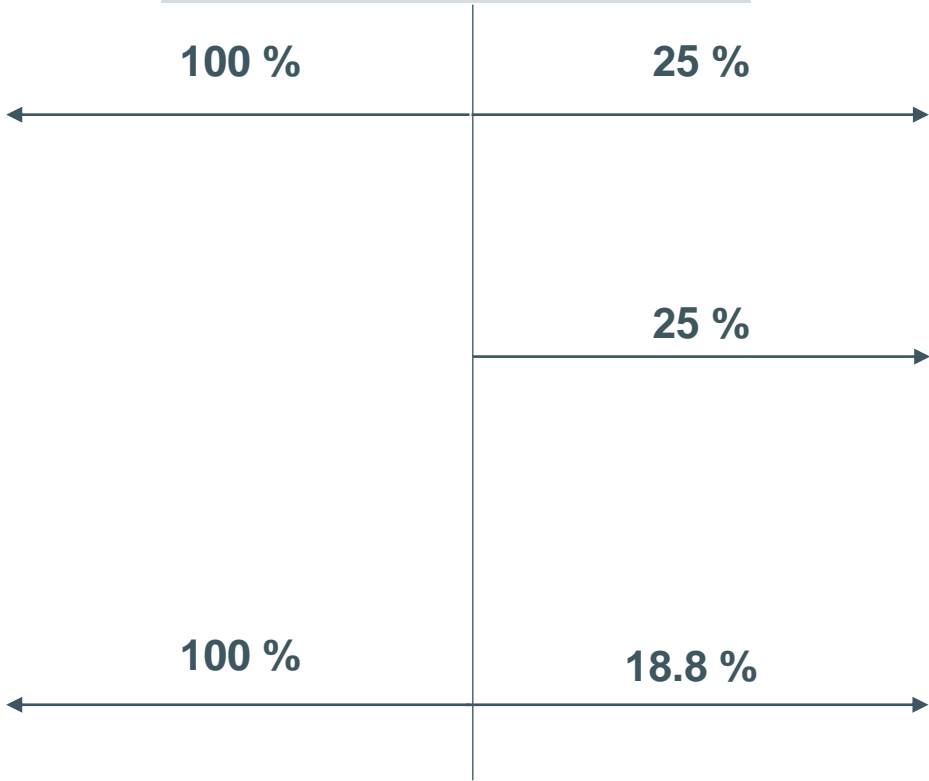
Legal structure

Subsidiaries

Finextra Oy
Peak load capacity and
guarantee of origin service

Fingrid Datahub Oy
Centralized information
exchange in the Finnish power
market. Datahub's operations
began in February 2022

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Associated companies

eSett Oy
Balance settlement process on
behalf of Nordic TSOs

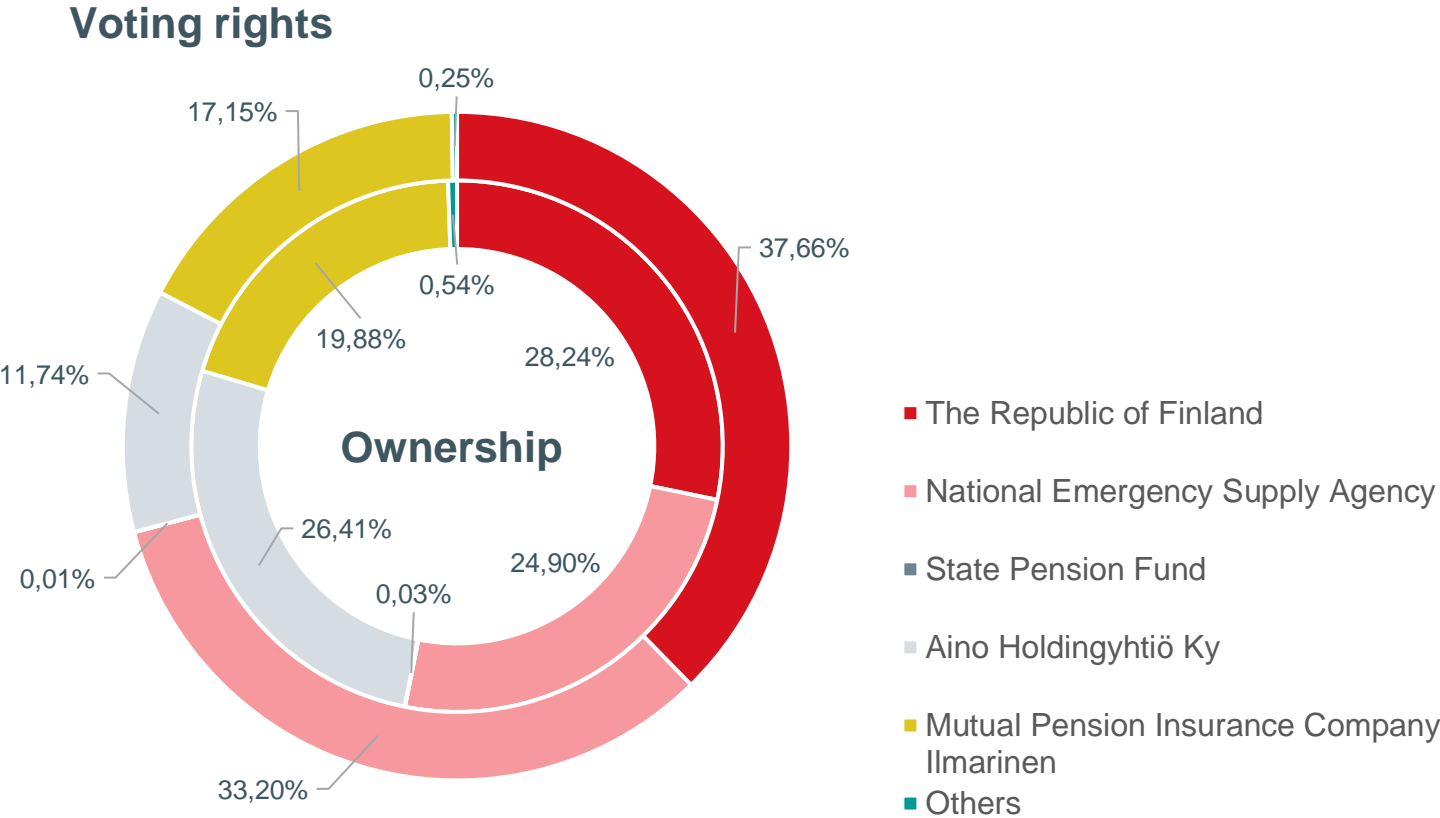
Nordic RCC A/S
Company established in January
2022 for the incorporation of the
operational planning office of the
four Nordic TSOs. The company
will start its operations in July
2022 assuming the tasks of RSC

Long-term investments

TSO Holding AS
Owns 34 % of Nord Pool¹

¹Fingrid's indirect ownership of Nord Pool is 6.4 %

Ownership and voting rights



The State's minimum shareholding requirement in Fingrid is 50.1%.

The State has 70.8% of the voting rights.

03

Operating environment

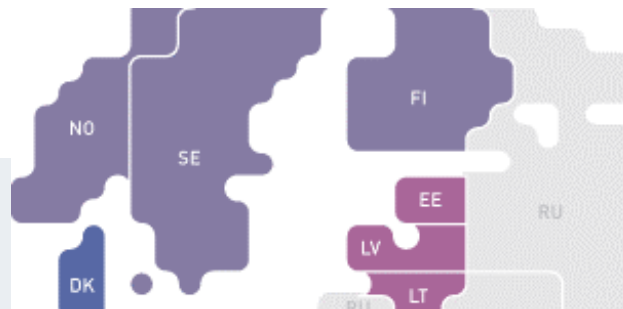


Fingrid's operating environment on three geographical levels



Europe

- Vision: integrated electricity market working on one European grid
- Big changes in the generation fleet (increase in renewables and electrification, reduction of fossil fuel use)
- Electricity market from Helsinki to Lisbon achieved in 2014
- Structural bottlenecks will remain in the grid – investments proceeding slowly



Baltic Sea region

- Strong connection between the Nordic region, Baltic states, Germany and Poland.
- The transmission capacity between Nordic region and Central Europe has been increased substantially in recent years



Finland

- Finland's target is to be carbon neutral by 2035
- Share of renewable wind power increases without subsidies
- Decarbonization efforts increase electricity demand when clean electricity replaces fossil fuels
- Role of cross-border connections increases

Towards a highly developed electricity market in Europe

—
Electricity market from Helsinki to Lisbon since 2014

- Improving efficiency and competitiveness of the power sector
 - efficient market price
 - cross-border trade
 - efficient dispatching via "the invisible hand" of the markets
- Delivering benefits for end-users and trust to market players
- Contributing to the security of supply
- Supporting Green Deal and reaching the climate targets of the EU



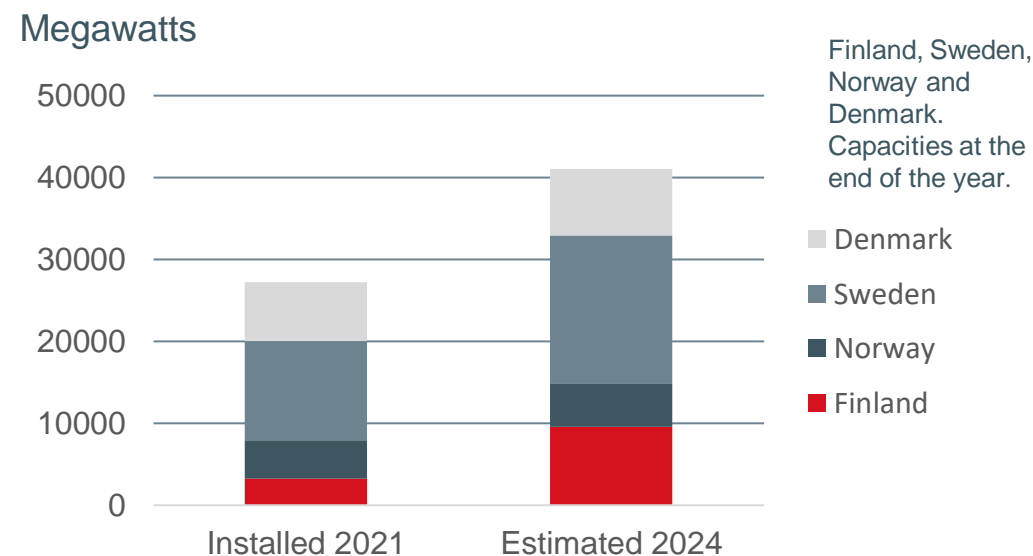
Market coupling

Significant wind power capacity currently under planning and construction

- Finnish installed wind power capacity was ca. 3300 MW at the end of 2021
- By the end of 2024, Finnish wind power is expected to reach 9 GW. Capacity expansion is estimated to be almost entirely market-based
- Nordic wind capacity is expected to reach 40 GW by the end of 2024, compared to 27 GW end of 2021, with most of the growth based on investment decisions already taken
- Integration of wind power is one of the key drivers for Fingrid's grid development, with significant investments already completed and more in the pipeline to enable transition towards a climate neutral society

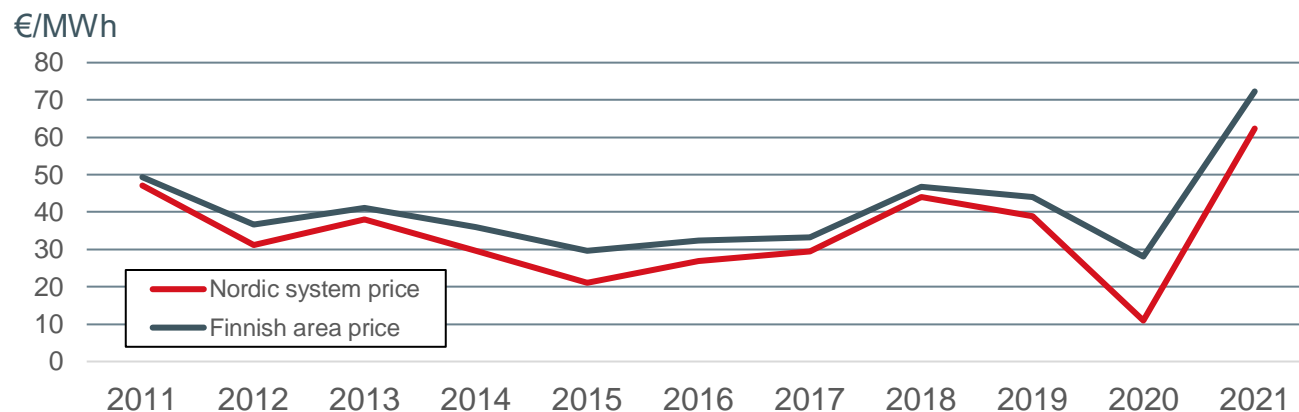
Fingrid promotes the development of market based wind power generation in Finland

Nordic wind capacity is expected to reach 40 GW by the end of 2024, compared to 27 GW at the end of 2021



Development of Nordic electricity spot prices

Yearly average prices in Day-ahead market for years 2011-2021



- 2021 Nordic electricity prices increased clearly compared to the level of earlier years. The average price for year 2021 was highest recorded for the presented eleven years. During the year, the prices increased clearly towards end of the year
 - The main reasons behind the increased prices were increased electricity consumption following the economic recovery from Covid-19 pandemic and increased fuel and emission allowance prices
 - For the beginning of year 2022, the average price has been higher than the 2021 average price, as the prices have stayed on similar level as reached by the end of the year 2021
 - Electricity consumption increased around 6 %, which means that it recovered back to the levels before exceptional year 2020 with low consumption due to the warm weather and Covid-19 pandemic

Nordic 2021 average Day-ahead prices



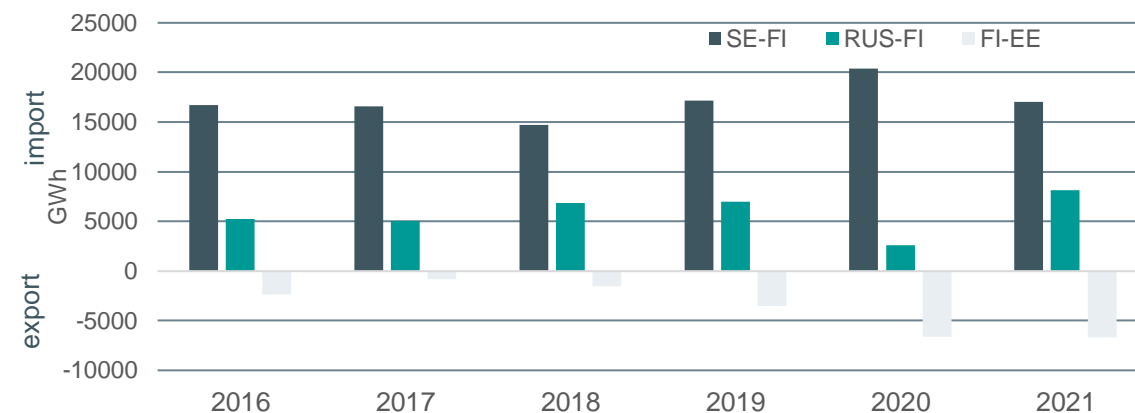
Finland is well-connected in Baltic Sea power market

- Finland is a net importer of electricity mainly from Scandinavia
- Rapid increase of wind power and commissioning of Olkiluoto 3 nuclear power plant are set to reduce the net imports in the next few years
 - Olkiluoto 3 will cover ~10 % of the cold winter peak load in Finland
 - Olkiluoto 3 has started its test period in spring 2022 and the commercial electricity production is expected to start in autumn 2022
- Cross-border lines between Finland and Sweden have a crucial role of limiting price differentials between the markets
- Fingrid has a 24/7 service to ensure continuous specialist availability to solve issues in cross-border connections, and is investing in new transmission capacity between the countries

Finland is expected to become self-sufficient in terms of energy production in 2023 thanks to new upcoming production capacity



Cross-border net trade for last six years



Cross-border transmission between Finland and Russia

- During 2021 imports from Russia increased clearly from the low record year 2020. The increased imports were mainly caused by high Nordic wholesale prices during 2021
- Russia has capacity payment of around 30-60 EUR/MWh on exports to Finland. This has limited the trade after 2011. During 2021 there was also significant trade during the hours with capacity payment due to the high price level in Finland

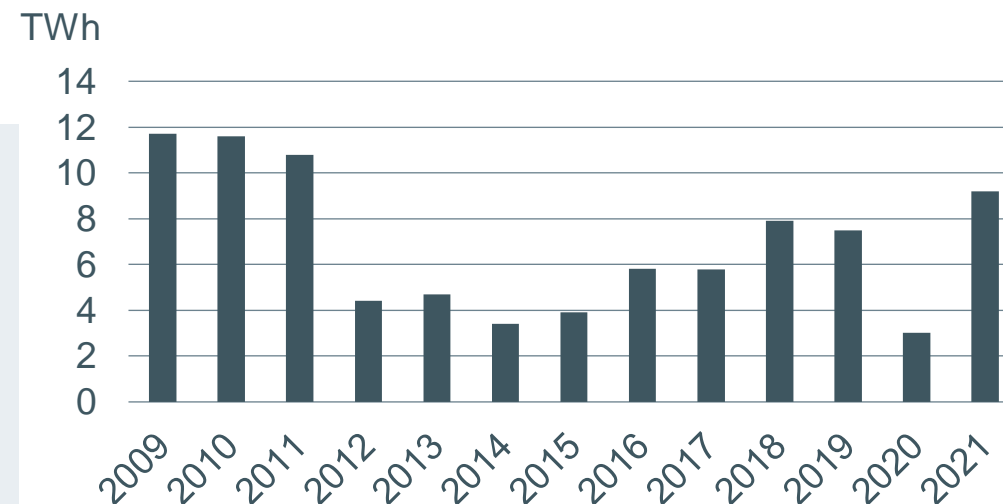
Russia's attack on Ukraine rearranged Europe's energy markets

"Russia's attack on Ukraine will, in time, mean the end of energy co-operation between Russia and the EU countries. Fingrid is, for its part, prepared for that the electricity imports from Russia will end. Finland is not dependent on electricity imported from Russia. The end of imports will increase demand for domestic electricity production, increase the need to import more electricity from Sweden and may decrease electricity exports to Estonia. As Fingrid sees it, the end of imports will stop sales related to cross-border transmission and increase the cost of acquiring electricity system reserves to some extent, as reserves can no longer be purchased from Russia."

Source: <https://www.fingrid.fi/en/pages/news/news/2022/fingrid-group--managements-review-1.1.31.3.2022/>

Finland's cross-border transmission with Russia is driven by power market and political developments in EU and Russia

Annual electricity export from Russia to Finland



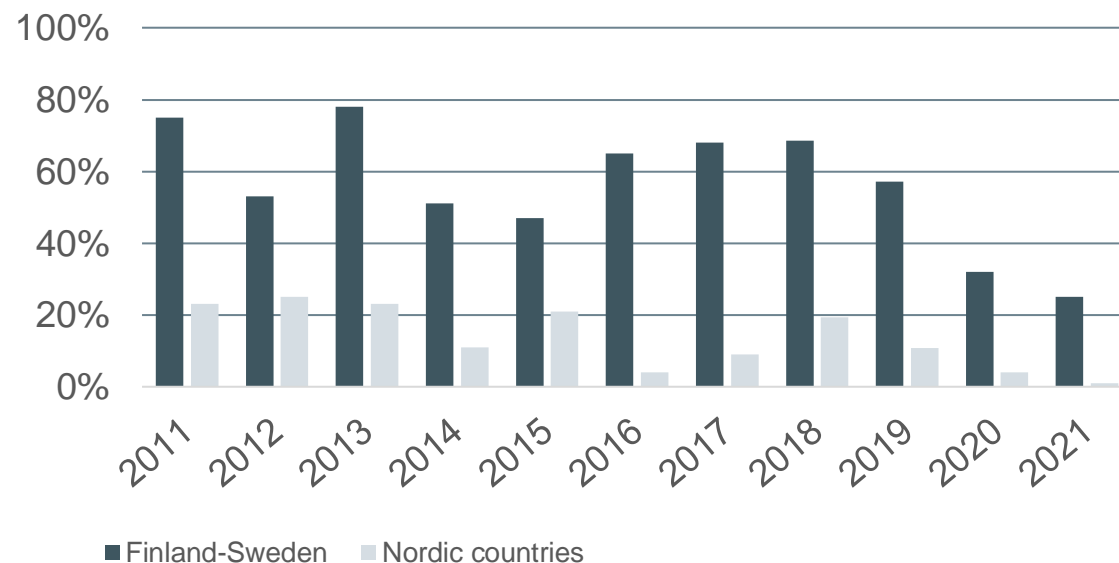
The Baltic Sea region* forms a well-developed regional market

- In 2021 a single price area between Finland and Sweden existed 25 percent of the time and 1 percent of the time between all the Nordic countries
- Price uniformity is impacted by hydrological situation, in addition to interconnector availability
- Price differences between countries result in congestion income, which is split evenly between the countries in which the congestion has occurred
 - The formula to calculate Fingrid's share of congestion income is $\text{Price Difference (€/MWh)} * \text{Cross-Border Transmission (MW)} * 50\%$

* Finland, Sweden, Norway, Denmark, Poland, Estonia, Latvia, Lithuania

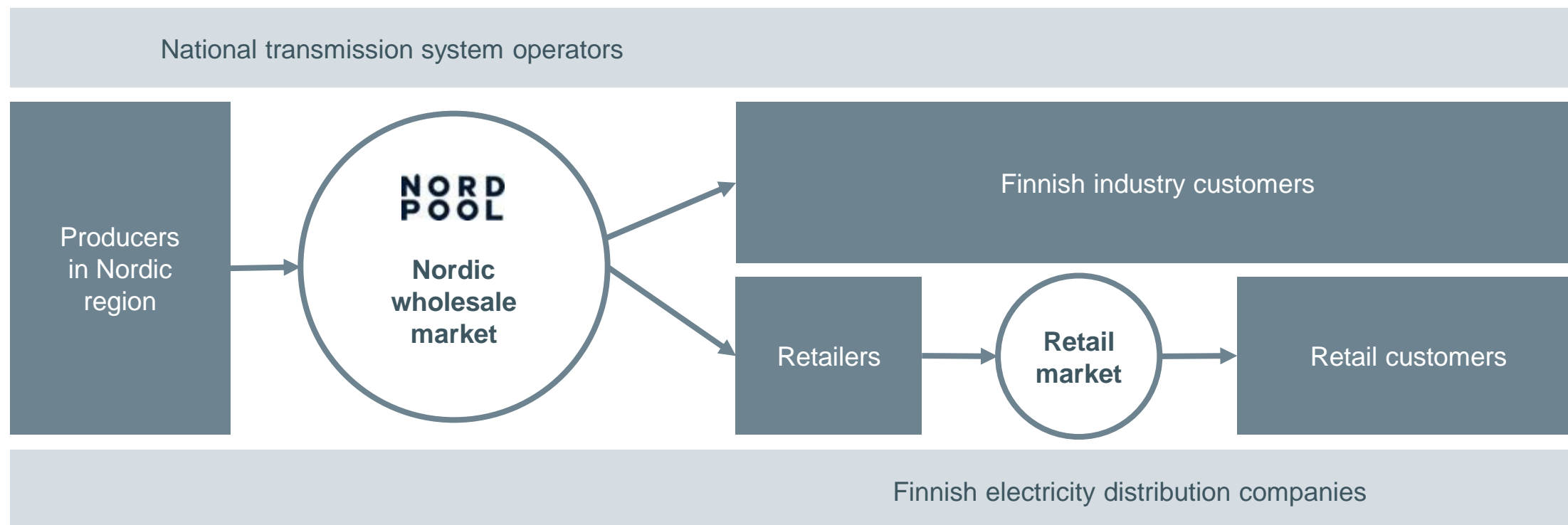
Uniformity of spot prices in the Nordic region

% of time



Physical electricity market structure and business areas in the Baltic Sea area

Power generation is unregulated whereas transmission and distribution are regulated by national authorities



04

Operations

Description of operations



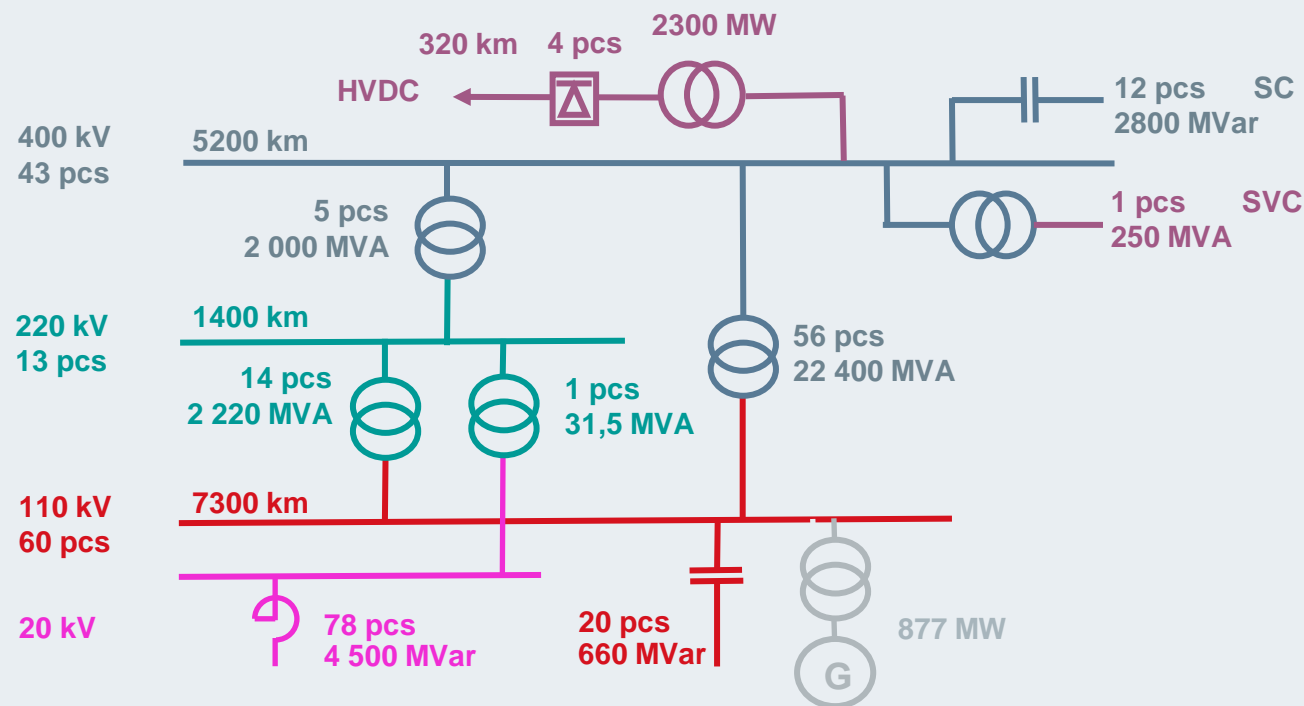
Fingrid owns and operates the transmission network in Finland

Fingrid transmits in its own network approximately **77 %** of electricity transmitted in Finland

Fingrid is a part of ENTSO-E, European Network of Transmission System Operators for Electricity.

Fingrid's 400 kV power lines form the backbone of the electricity transmission network in Finland.

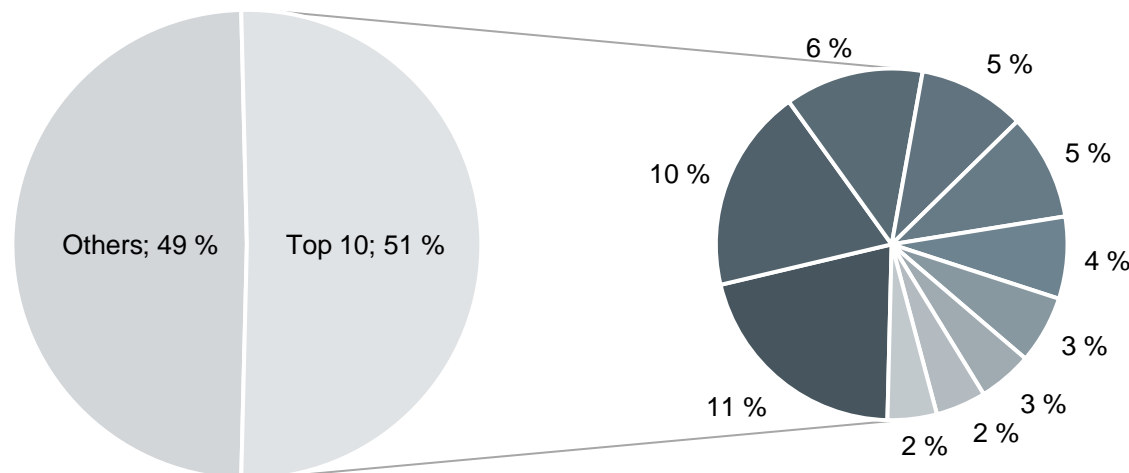
Fingrid also owns and operates 220 kV and 110 kV power lines.



Grid service customer base consists of around 130 entities

Top 10 customers 2021*

* based on grid service income



Credit quality of customer base is solid

- Customers comprise mainly of electricity producers, process industry and electricity distribution companies
- Fingrid is obligated to provide its customers a network connection point
- Ten largest customers account for 51 percent of grid service income

Fingrid continuously maintains the production and consumption balance

Fingrid fulfils its responsibility to maintain real-time balance in all market conditions

Holders of electricity production and loads can submit bids to the balancing market concerning their capacity

Fingrid has created a common Nordic balancing market together with other TSOs in the region

Fingrid's core task is to ensure network functionality with automatic and manual reserves in imbalance situations



Fingrid procures the needed amount of reserve capacity to maintain the balance of the power system

State of the power system – *illustrative example*

Fingrid procures the needed amount of reserve capacity to maintain the balance of the power system

Consumption and production in Finland Info

Consumption 11,172 MW

Production 9,210 MW

- Hydro power 2,382 MW
- Nuclear Power 2,774 MW
- Condensing power 10 MW
- Cogeneration district heating 2,113 MW
- Cogeneration industry 1,455 MW
- Wind power (partly estimated) 406 MW
- Other production (estimate) 70 MW
- Peak load power 0 MW

Net import/export 1,962 MW

Power balance

Info

Production surplus/deficit in Finland 91 MW

Surplus/deficit, cumulative 153 MWh

Instantaneous freq. measurement 49,89 Hz

Time deviation 11,60 s

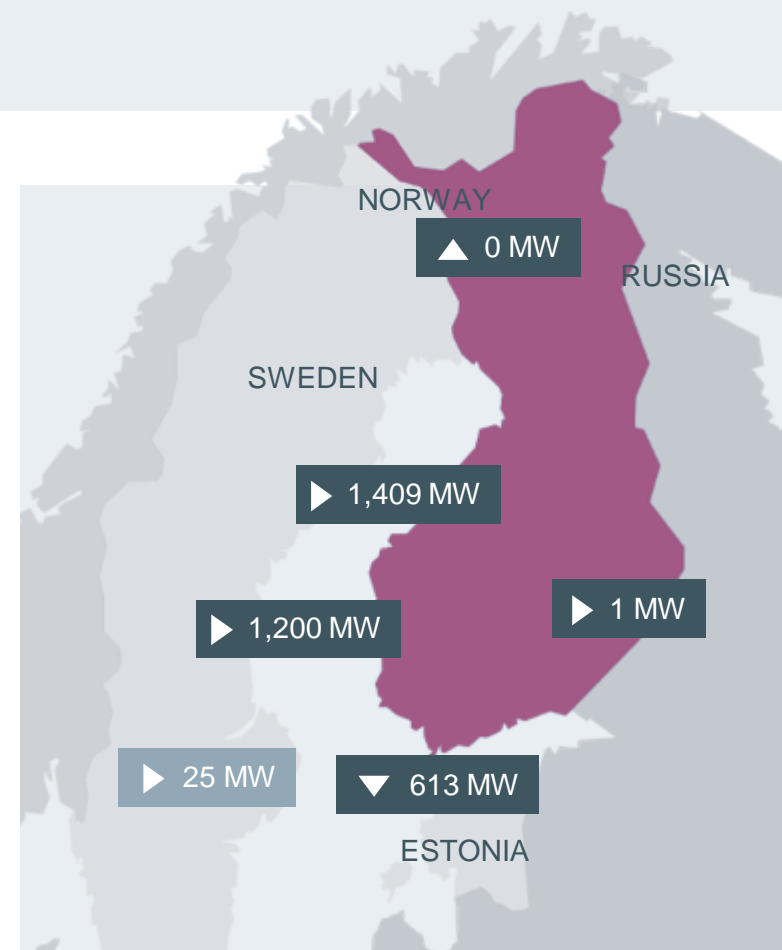
Electricity price in Finland

Info

Elspot area price 31,48 EUR/MWh

Normal power balance

Info



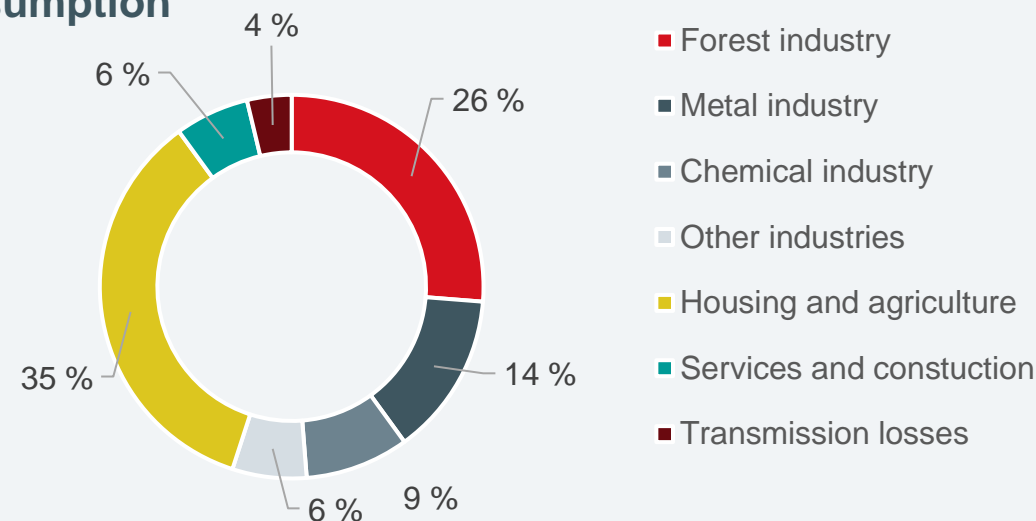
Electricity consumption in Finland

Energy-intensive industry is a major consumer in Finland accounting for 44 % of consumption in 2021

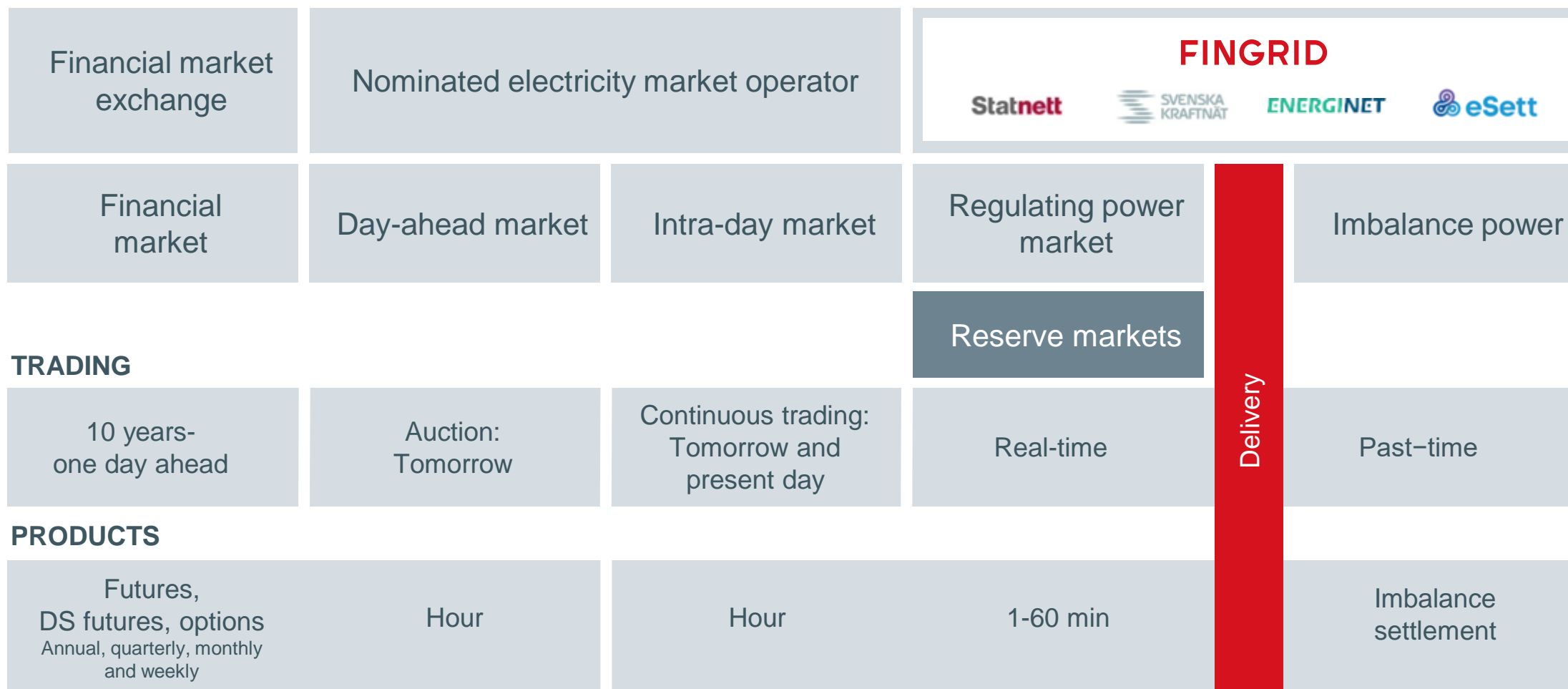
Fingrid continuously maintains production and consumption balance

Electricity consumption was 86 TWh in Finland in 2021. Electricity imports accounted for 17 TWh or 20 % of total consumption

Consumption

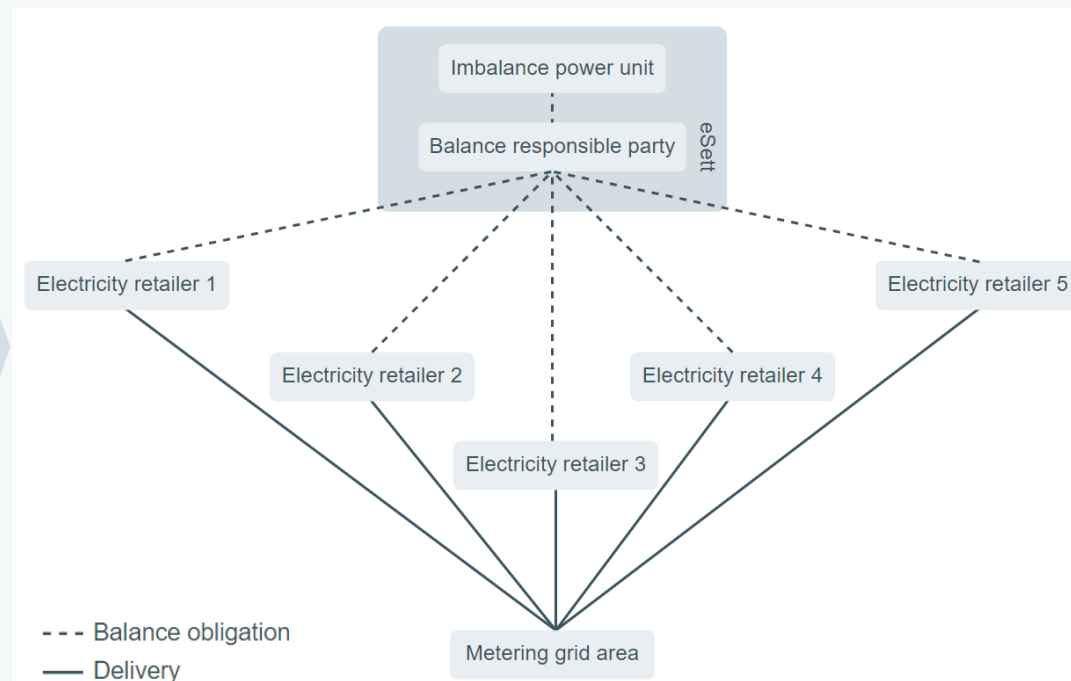


Advanced markets for all time frames



Fingrid is responsible for the imbalance settlement after delivery

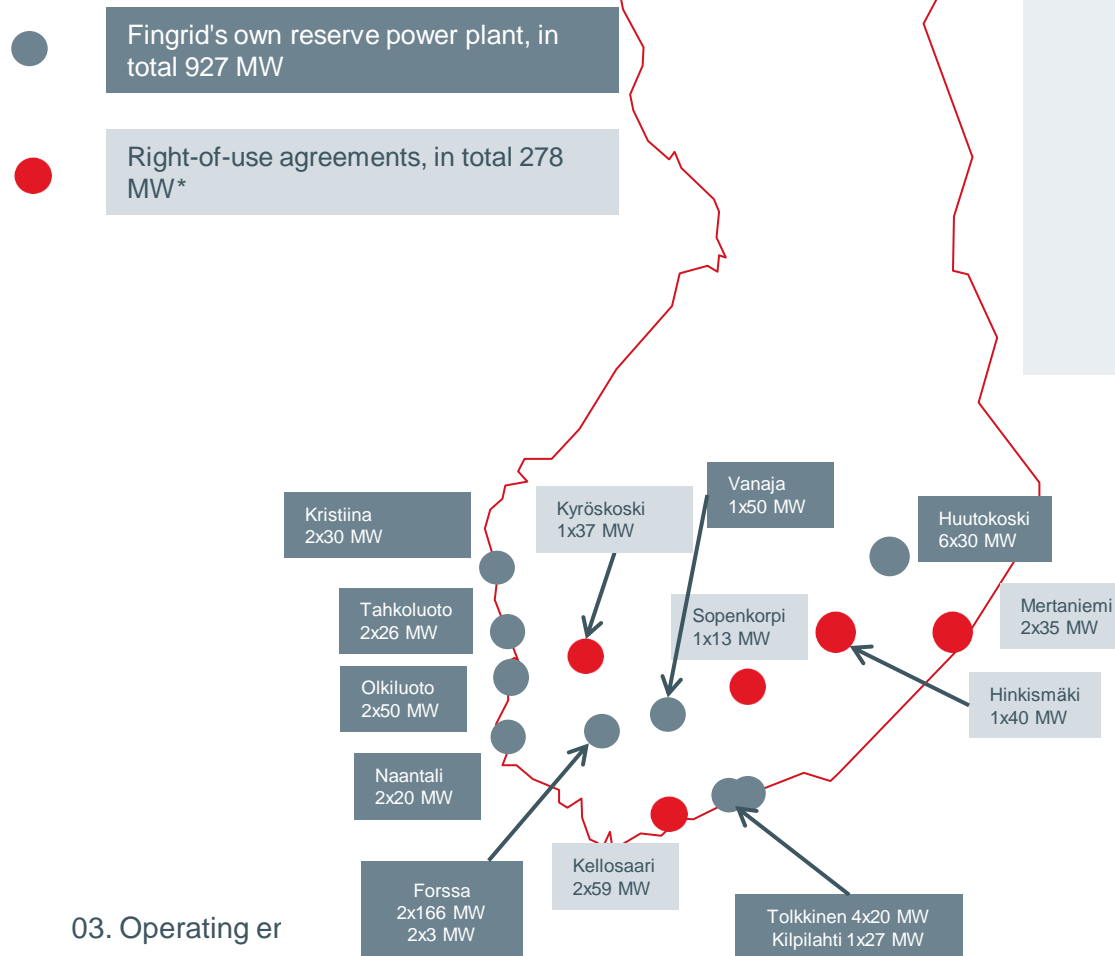
- Each party operating in the electricity market is financially responsible for an hourly imbalance between its electricity production and consumption
- Fingrid acts as an open supplier, which balances the imbalances of these parties after the actual production and consumption has taken place
- A service company, eSett, is responsible for the financial settlement of imbalances on behalf of Fingrid
- eSett is equally owned by TSOs in Finland, Sweden, Norway and Denmark



Fingrid owns an assortment of backup power plants

- Fingrid owns and operates 927 MW of backup power plants and has right-of-use agreements for further 278 MW*. All plants can be activated within minutes
- Backup power plants are not used to sell energy to market but solely as a reserve for imbalances and disturbances in power system
- Fingrid's own power plants are included in the regulatory asset base
- The total capacity of backup power plants comfortably exceeds the capacity of the largest power plant in the network

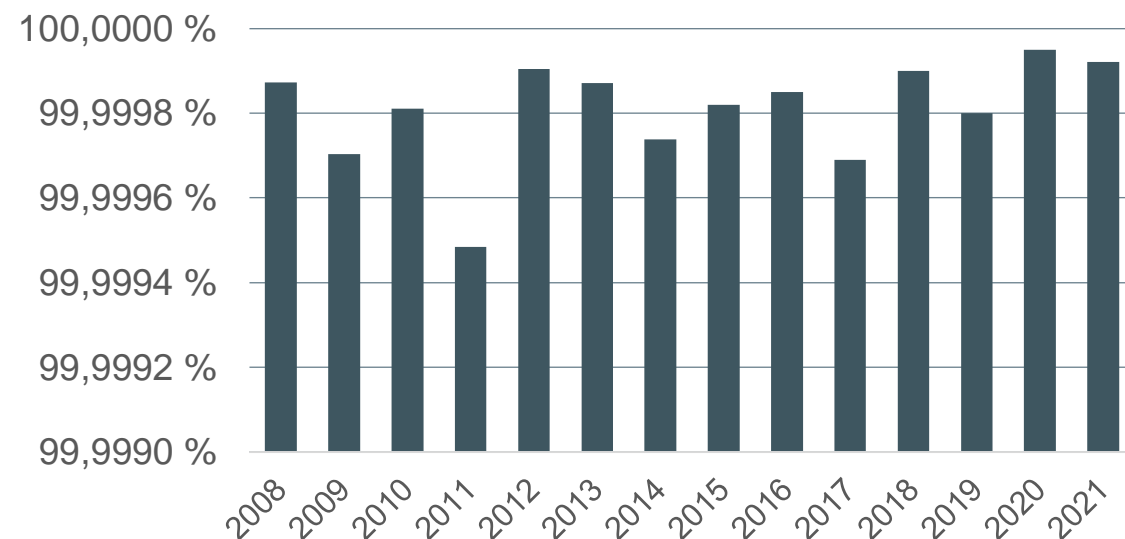
Fingrid's own backup power plants ensure reliable activation of reserves in disturbance situations



*Right-of-use agreements for 278 MW from 1 May 2022 onward

The reliability of the Finnish power system is top class

Transmission network reliability



Transmission network reliability rate of 99.99992% in 2021

- The power system has to withstand a fault in any individual component (N-1)
- The main reasons for disturbances have been lightning and other weather related incidents (storms)
- Major part of the disturbances are cleared with automatic reclosure schemes without any manual switching operations
- The average duration of the connection point outages is usually a couple of minutes per year

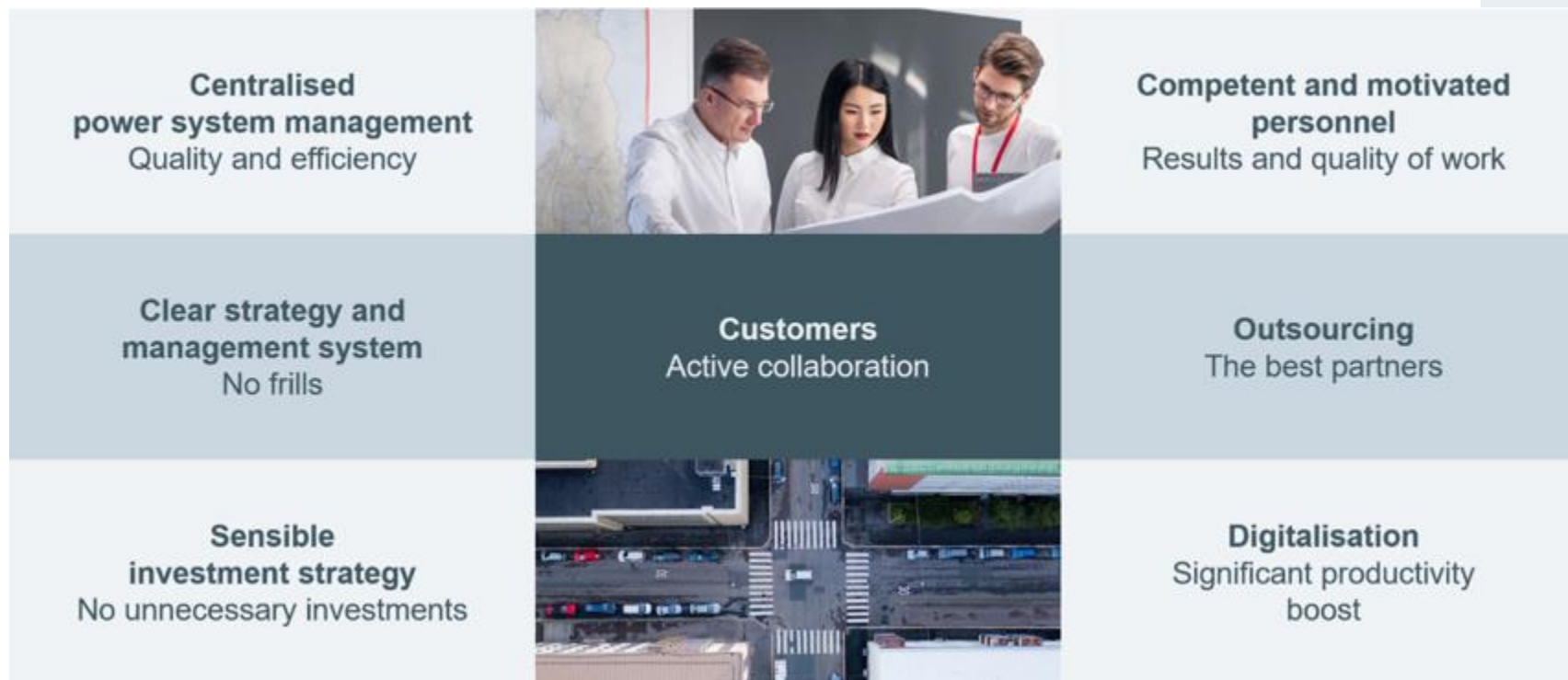
04

Operations

Efficiency of operations



The building blocks of Fingrid's operations



Fingrid's excellence in ITAMS and ITOMS benchmark studies reflect highly efficient operating model

Outsourced grid construction and maintenance

- Core feature of Fingrid's operating model is outsourcing e.g. grid construction and maintenance are outsourced
- Regional maintenance is tendered among external service providers
- Fingrid has around 80 core suppliers, of which 20 account for around 80 percent of total financial value of procurements
- Grid construction projects are tendered among prequalified contractors (system of qualification of contractors)

High operational efficiency and flexibility are achieved through timely competitive tendering of works



Grid maintenance is outsourced

Fingrid uses qualified suppliers only

- A defined qualification process* for equipment suppliers, service providers and contractors
- An evaluation process for qualified suppliers is done annually
- Only qualified suppliers in Fingrid's supplier register are invited to bid for outsourced works
- Sustainability audits are conducted among suppliers
- Suppliers must comply with Fingrid's Supplier Code of Conduct

* In accordance with the EU based public procurement legislation for the sector

High operational efficiency and flexibility are achieved through comprehensive outsourcing arrangements



Hyvinkää – Hikiä transmission line construction site

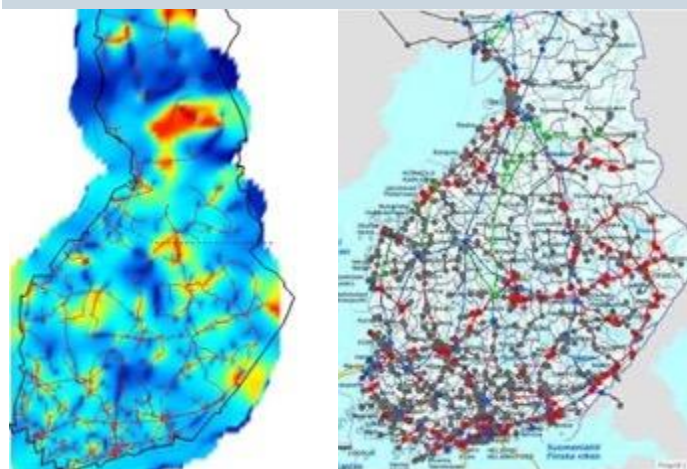
Investing in efficient management of information through digitalisation

- Increasing proactivity in calculations, monitoring and maintenance
- Single source for power system information
 - Improving information access and usability within stakeholders
- Adding cost aspect to operation and power system components
 - Enhanced business planning through cost operational analytics
- System utilisation and further development

For a quick overview of the ELVIS asset management solution see video at: [www.youtube.com](https://www.youtube.com/watch?v=BMM99tIYFBw) key in [BMM99tIYFBw](https://www.youtube.com/watch?v=BMM99tIYFBw)

A single asset management system strengthens Fingrid's operational excellence

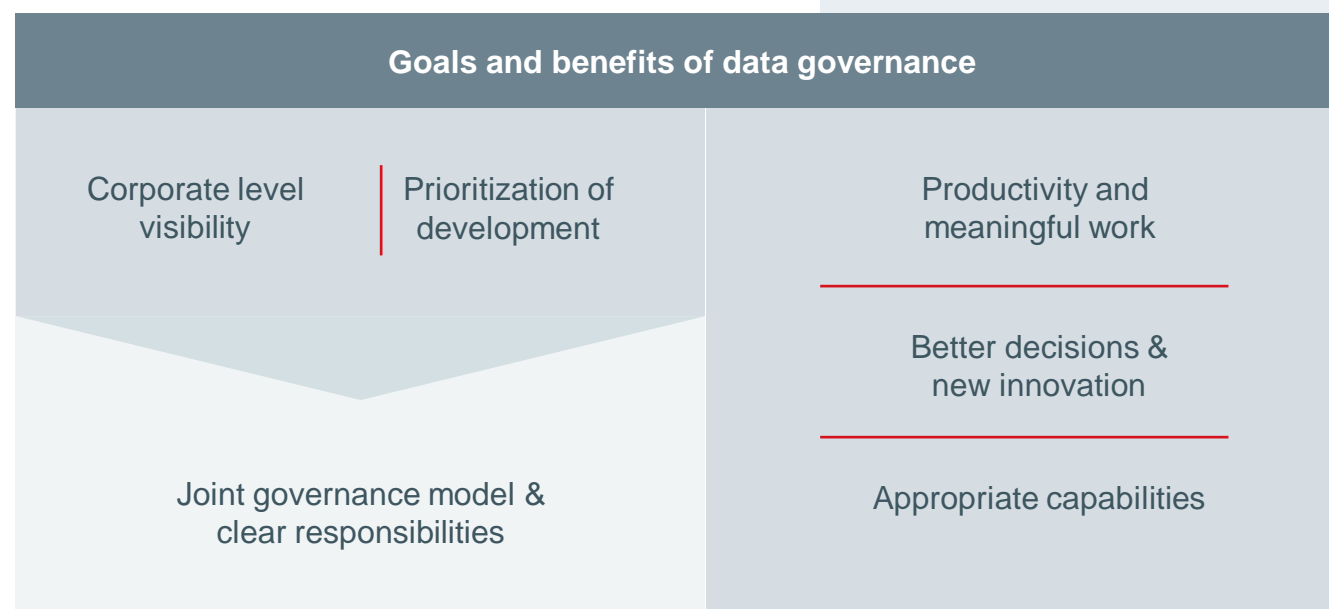
Fingrid's ERP provides real-time network condition on map



Data governance model improves productivity, enables better decision-making and innovations

- The importance of data-based management is growing constantly. Properly maintained data is essential for decision-making
- The importance of data to Fingrid's customers and other stakeholders is significant
- Being in a monopoly position imposes a certain responsibility and data transparency is important in order to gain trust from stakeholders
- A well-managed cybersecurity and network security also require good data management

Fingrid manages data as one of its core assets



Digital technology helps in grid maintenance

Digitalization of grid maintenance results in improved system security and cost savings

- Grid operations have become increasingly digitalized over the years
- The installation of sensors necessary for data acquisition at substations started in 2016 and has continued ever since
- Digital condition monitoring helps in allocating resources and forecasting maintenance needs as efficiently as possible
- Fingrid's vision for 2025 is an autonomous maintenance system that communicates, with the help of artificial intelligence, when any preventive maintenance should be started



Fingrid's efficient operations are highly recognized

Excellent results from international benchmark studies

* Twenty-eight TSOs from around the world participated in the 2018 study

- Fingrid's Asset Management maintains an **ISO55001** Certificate
- Fingrid has continuously ranked among the best TSOs in the International Transmission Operations and Maintenance Study (**ITOMS**)*
- Fingrid took second place in an International Asset Management Study (**ITAMS**) in 2020

ISO55001

ISO 55001 is a framework for an asset management system that will help your business to pro-actively manage the lifecycle of your assets, from acquisition to decommission. This system helps you to manage the risks and costs associated with owning assets, in a structured, efficient manner that supports continual improvement and on-going value creation.

Benefits of ISO 55001

An asset management system provides a structured, best practice approach to managing the lifecycle of assets.

- Reduced risks associated with ownership of assets – anything from unnecessary maintenance costs and inefficiency to accident prevention
- Improved quality assurance for customers/regulators – where assets play a key role in the provision and quality of products and services
- New business acquisition - stakeholders gain confidence from the knowledge that a strategy is in place to ensure assets meet the necessary safety and performance requirements

Source: <https://www.bsigroup.com/en-GB/Asset-Management/Getting-started-with-ISO-55001/>

Fingrid's overall efficiency is confirmed also by the regulators

- Study conducted for the Council of European Energy Regulators (CEER) in 2019
- Comparison of total efficiency: costs of grid construction, maintenance, planning and administration
- Fingrid was ranked a top performer among the 17 European TSOs included in the study
- Fingrid performed well in a similar study prepared for CEER already in 2013



Project CEER-TCB18 – Pan-European cost-efficiency benchmark for electricity transmission system operators
July 2019

04

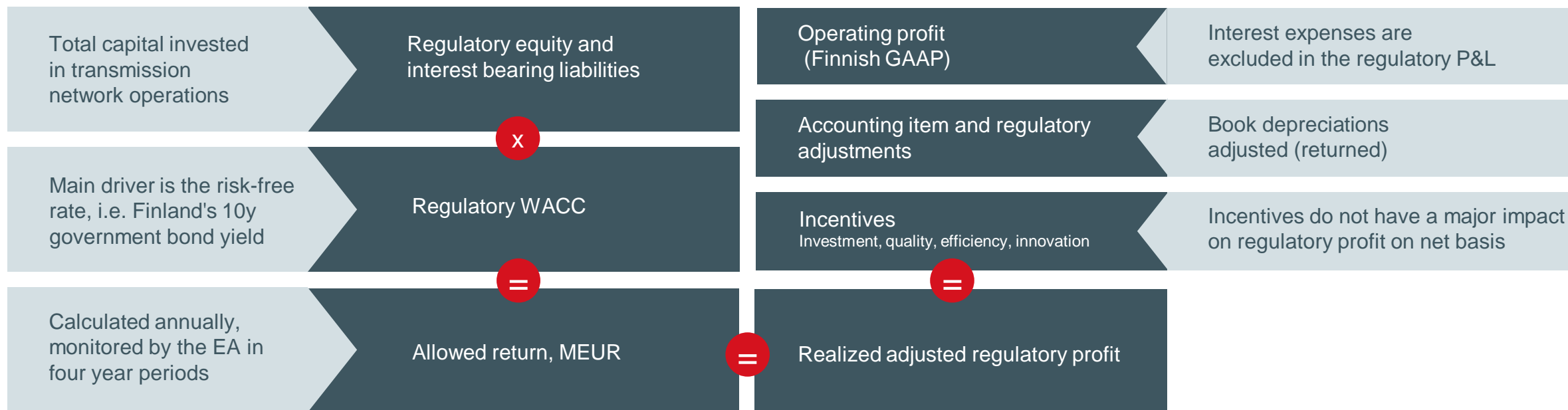
Operations

Earnings model



Regulatory capital and WACC defined by the Energy Authority set the allowed return

Fingrid aims to match realized regulatory profit and allowed return over the regulatory period



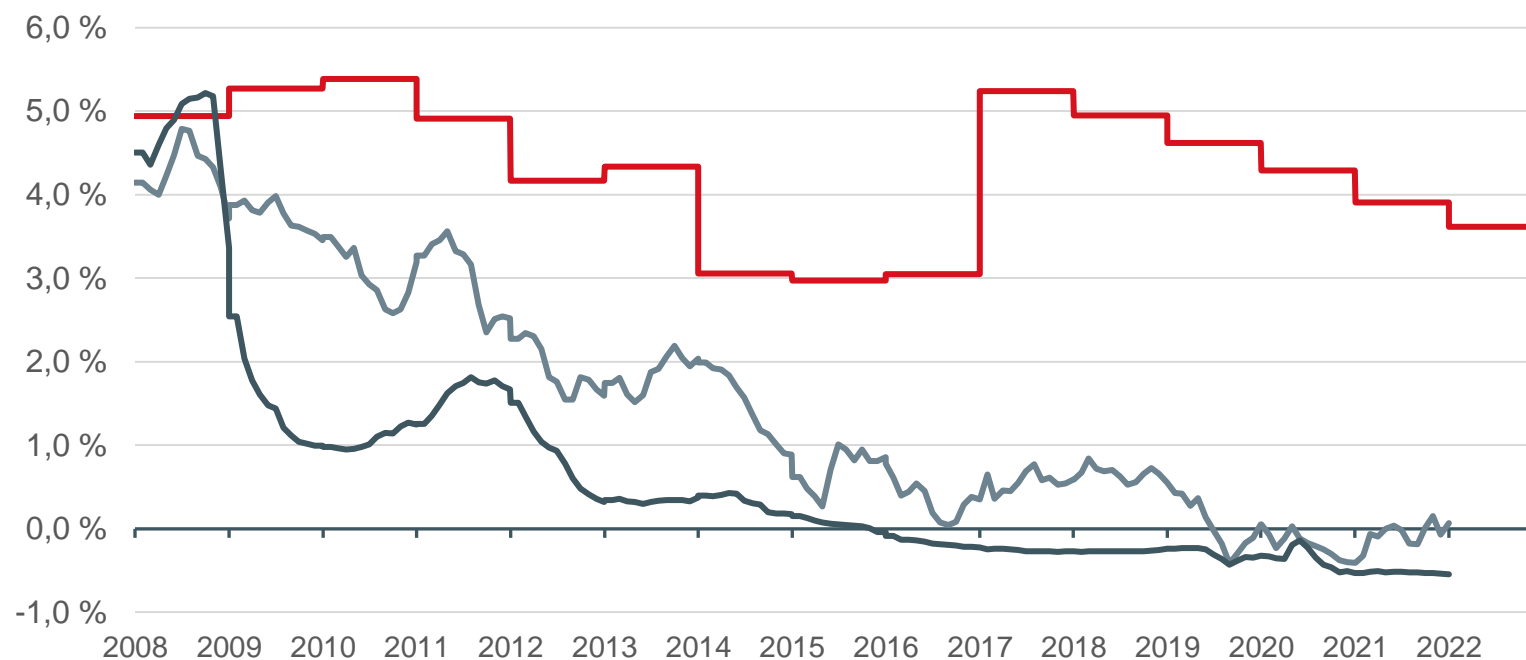
Calculation of WACC in the regulatory model 2016-2023

The core parameter defining yearly WACC is the yield of the Republic of Finland's 10-year bond

Cost of equity	Parameter	Value to be applied
$C_E = R_f + \beta_{debt\ free} \times (1 + (1 - t) \times D/E) \times (R_m - R_f) + LP$ $C_E = \text{Finnish 10y bond} + 0,4 \times (1 + (1 - 20\%) \times 50/50) \times 5\% + 0,6\%$ $C_E = \text{Finnish 10y bond} + 4,2\%$	Risk-free rate (R_f)	Greater of: a) 10-year average of 10-year Finnish government bond rate b) Average of previous year April-September government bond rate
Cost of debt	Asset beta ($\beta_{debt\ free}$)	0,4
$C_D = R_f + DP$ $C_D = \text{Finnish 10y bond} + 1,26\%$	Market risk premium ($R_m - R_f$)	5,0%
WACC (pre tax)	Liquidity premium (LP)	0,6%
$WACC_{post-tax} = C_E \times 50/100 + C_D \times (1 - t) \times 50/100$ $WACC_{post-tax} = \text{Finnish 10y bond} \times 0,9 + 2,60\%$ $WACC_{pre-tax} = \text{Finnish 10y bond} \times 1,125 + 3,26\%$	Capital structure (D/E)	50/50
	Risk premium of debt (DP)	1,26%
	Tax rate (t)	20%

The current regulatory model benefits from relatively stable WACC* without capping upside

Pre-tax WACC for 2022 calendar year 4,13% (4,52% in 2021)



— WACC, post-tax
— Finnish government 10 year bond
— Euribor 6 monts

The regulatory model applies the higher of
i) 10y average of Finnish Government (FinGov) 10y bond yield or
ii) April–September average of 10y FinGov as risk free rate in WACC

* Regulatory WACC 2007 – 2015 calculated as post-tax basis. From 2016 regulatory model applies pre-tax WACC.

Calculating the allowed return in euros: WACC x Regulatory capital

- Allowed return in euros is calculated as follows:

$$R_{\text{pre-tax}} = \text{WACC}_{\text{pre-tax}} \times (D+E)$$

E = regulatory amount of equity

D = regulatory amount of interest-bearing debt

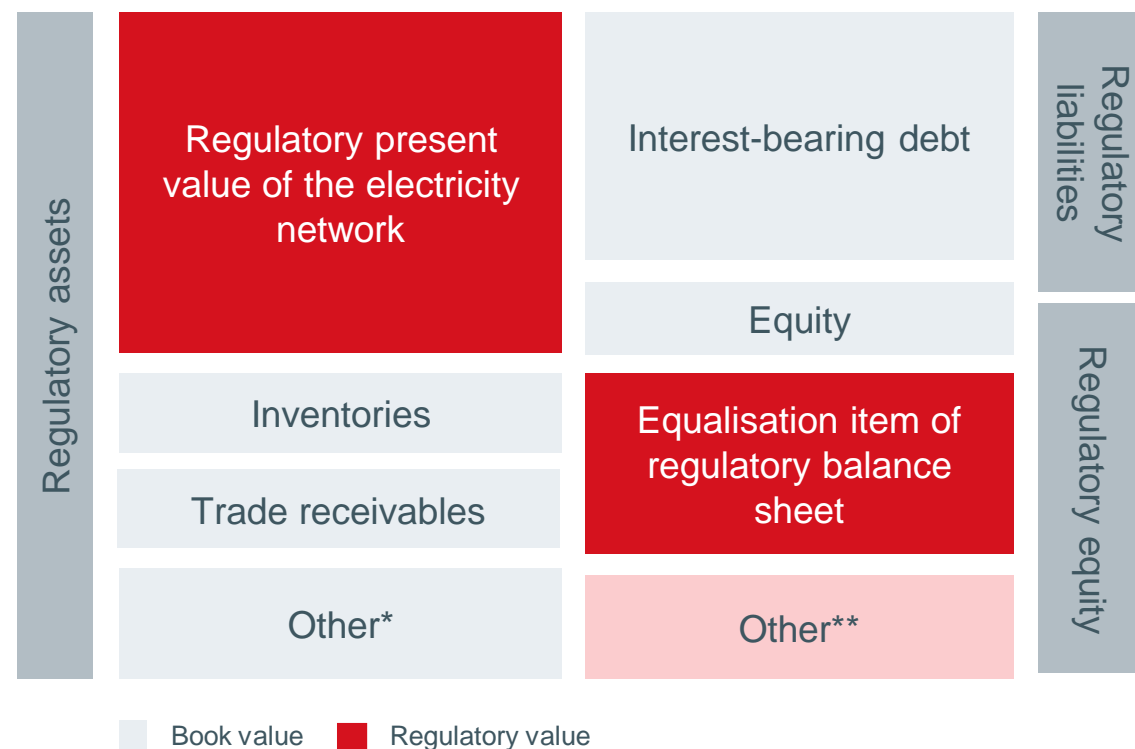
$$R_{\text{pre-tax 2021}} = 4,52\% \times \sim 3,100 \text{ M€} = \sim 140 \text{ M€}$$

- Regulatory capital is equal to the sum of regulatory equity and liabilities**
- The equalisation item in the equity section of balance sheet balances regulatory equity and liabilities with regulatory assets

*Including regulatory cash

**Other is excluded from regulatory capital. Other includes deferred tax liabilities, non-interest bearing debt, provisions for liabilities and charges

Calculating regulatory balance sheet



Calculating regulatory capital

- Regulatory capital (equity and liabilities) of the electricity network is derived from the adjusted replacement value of the electricity network assets
- The adjusted replacement value is calculated by valuing all components with list values provided by the Energy Authority
- All components have expected lifetimes, which are used to adjust the replacement values of the components to come up with the regulatory present value of the electricity network
- An equalisation item of equity is used to match regulatory equity and liabilities with regulatory assets

ADJUSTED REPLACEMENT VALUE OF THE ELECTRICITY NETWORK
*= list price of component x quantity (for all grid components)**

** Price list is updated together with regulation methods (once in 8 years)*

adjustment by using expected lifetimes of grid components

REGULATORY PRESENT VALUE OF THE ELECTRICITY NETWORK

$$= \sum \left(\left(1 - \frac{\text{average age}}{\text{lifetime}} \right) \times \text{adjusted replacement value of all electricity network assets} \right)$$

other adjusted current and non-current assets are added

REGULATORY ASSETS
= adjusted other noncurrent assets + adjusted other current assets + regulatory present value of the electricity network

regulatory equity is adjusted to match regulatory equity and liabilities with regulatory assets

REGULATORY ASSETS
= adjusted other noncurrent assets + adjusted other current assets + regulatory present value of the electricity network

Regulatory assets are mainly based on regulatory present value of the electricity network

Components in calculation of regulatory assets in regulatory model 2016-2023

Regulatory present value of the electricity network	Based on the unit prices of components in the beginning of the regulatory period and component age / maximum age in regulation
Unit prices of components	Prices were updated to replacement value in 2016 based on the unit prices (5Y historical project data)
Investments under construction	Investments under construction are included in the RAB in book value
IT systems	Value in RAB and regulatory depreciation is the book value
Regulatory allowed cash	10 % of regulated turnover

Limited contribution from incentives and adjustments to allowed return 1/2

Incentives in calculation of realized regulatory profit in regulatory model 2016-2023

Investment incentive	Promotes reasonable and cost-efficient investments by allowing straight-line depreciations based on the replacement value of the transmission network assets. Components are included in depreciation in replacement value as long as they are utilized
Quality incentive	Cost for the society from non-delivered electricity caused by disturbances and fast reclosing operation, max +/- 3 % of allowed return, benchmarked against 8-year historical average
Efficiency improvement	Target: 0%, max +/- 5 % of allowed return, benchmarked against 4-year historical average
Innovation incentive	Maximum 1,0 % of turnover is reimbursed in allowed return

Limited contribution from incentives and adjustments to allowed return 2/2

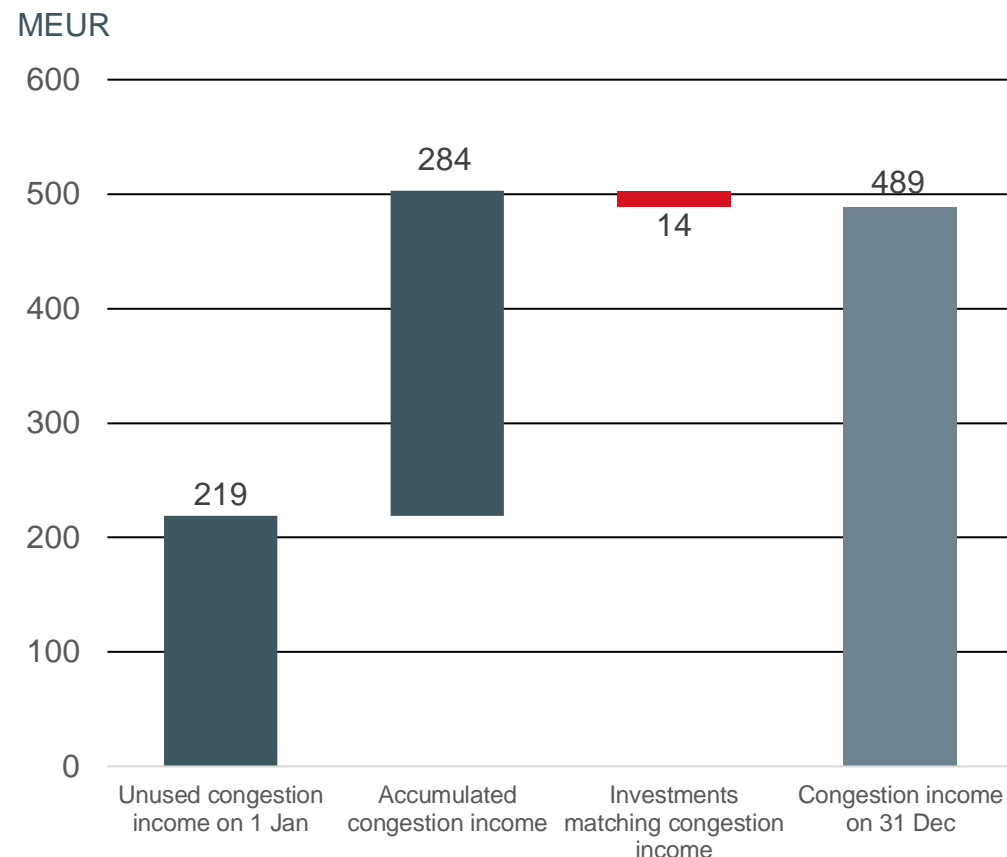
Adjustments in calculation of realized regulatory profit in regulatory model 2016-2023

Congestion income	Treated separately from the regulatory allowed return but investments financed with congestion income affect realized regulatory profit through regulatory depreciations
Inflation adjustment to regulatory depreciation	Indexed annually with CPI to match current replacement value



Congestion income

Congestion income 2021



Congestion income is used to remove bottlenecks between the bidding zones of an electricity exchange

- Since 1 Jan 2016, congestion income is no longer reported in Fingrid's turnover
- In 2021, MEUR 284 of congestion income was accumulated. MEUR 489 in congestion income was left unused and will be used in accordance with EU regulation and the decisions by the Energy Authority
- The Energy Authority has approved MEUR 119 of congestion income to be used for electricity market investments during 2022
- Realized regulatory profit is positively affected by congestion income because investments financed with congestion income are included in regulatory depreciation but not in book depreciation

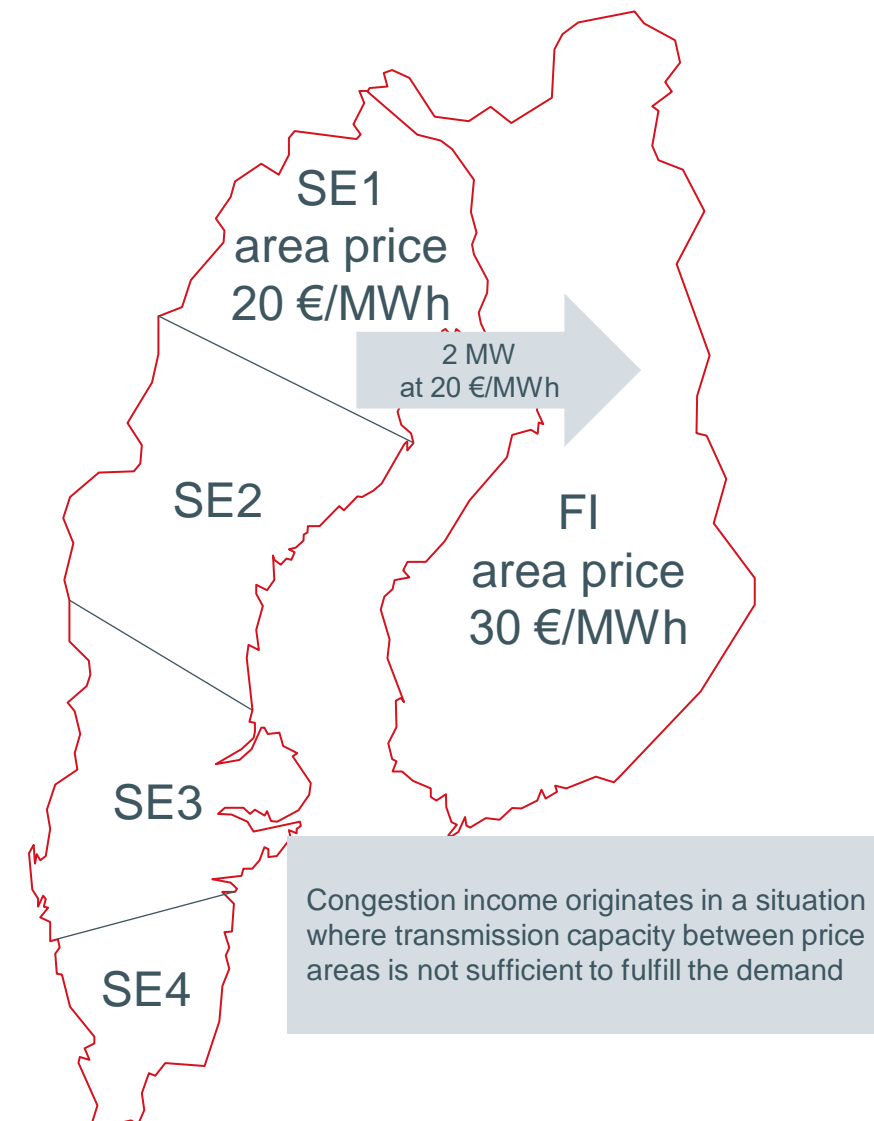
Congestion income generation

– *illustrative example*

Illustrative example on how congestion income is generated

- Nord Pool determines for the hour 19.00 – 20.00 (a day ahead) area price in Finland at 30 €/MWh and in Sweden SE1 bidding area at 20 €/MWh
- Cross-border transmission capacity between Finland and Sweden is illustratively limited to 2 MW but the consumption in Finland is greater than that, i.e. there is not enough transmission capacity to fulfill all the demand in Finland with the lower prices in Sweden (congestion)
- 2 MWh is transmitted from Sweden to Finland
 - A producer in Sweden SE1 receives $2\text{MW} \times 20 \text{ €/MWh}$, i.e. 40 €
 - A consumer in Finland pays $2\text{MW} \times 30 \text{ €/MWh}$, i.e. 60 €
- There is extra cash (congestion income) generated at the Nord Pool i.e. the difference between paid and received funds, 20 €
 - Fingrid receives 10 € and the Swedish TSO receives 10 €
- All congestion income is used for investments reducing congestions according to EU regulation

MEUR	2016	2017	2018	2019	2020
CONGESTION INCOME	39,9	25,8	29,7	73,0	146,7

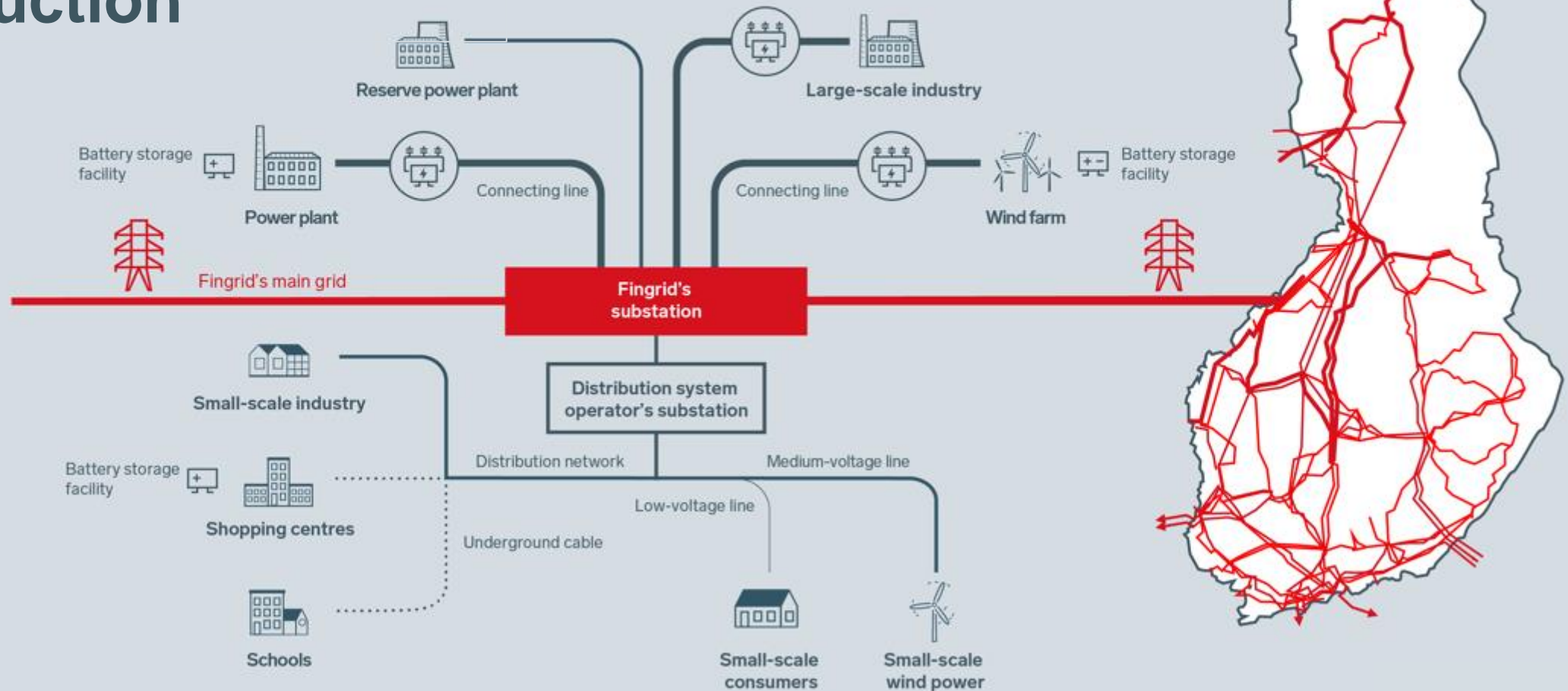


04

Operations Pricing



Grid service pricing is applied on both consumption and production



Grid service pricing is applied on both consumption and production

Fingrid defines the grid service pricing structure (in co-operation with its customers), which is approved by the Energy Authority

Transmission prices are seasonally adjusted and charged on consumption and use of grid

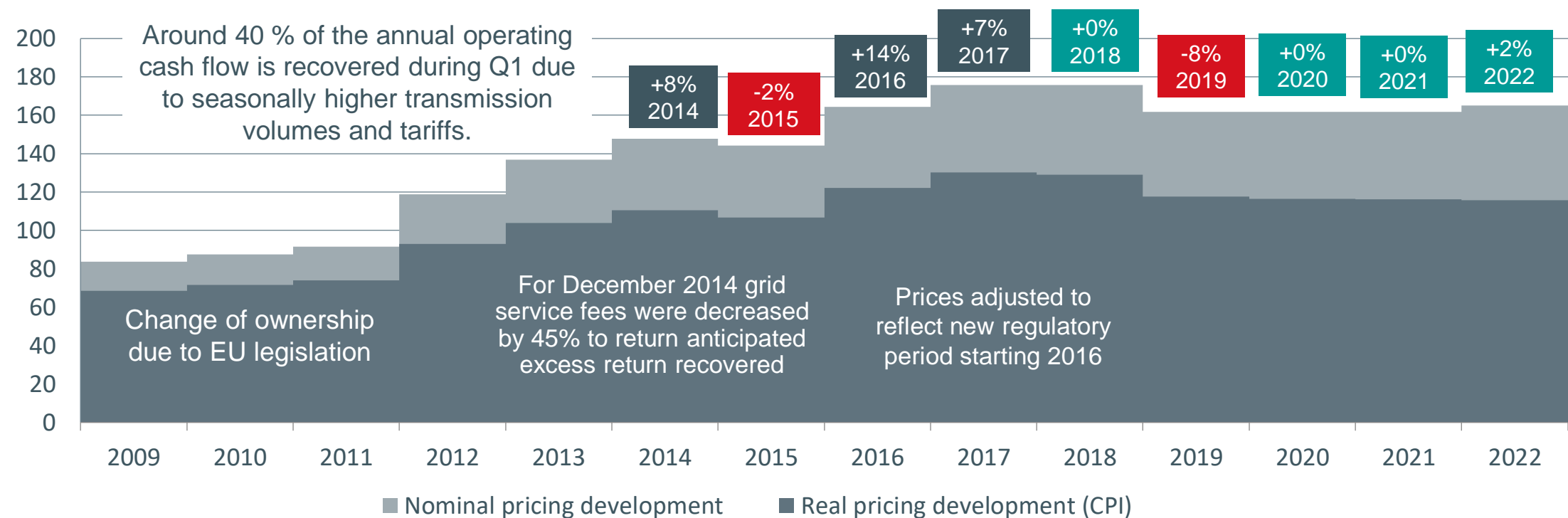
Pricing EUR/MWh	2022
Consumption, winter period*	8.96
Consumption, other times	2.55
Output from the grid	0.92
Input into the grid	0.61
Power plant capacity fee	1,900 €/MW/a
Reactive power fee	1,000 €/Mvar/m
Reactive energy fee	5 €/Mvarh

* Winter period: 1.12.-28.2. on Monday – Friday 07.00 – 21.00

Grid service pricing is applied on both consumption and production

Grid service fees have been lowered by more than 10 per cent (in real terms) since 2017

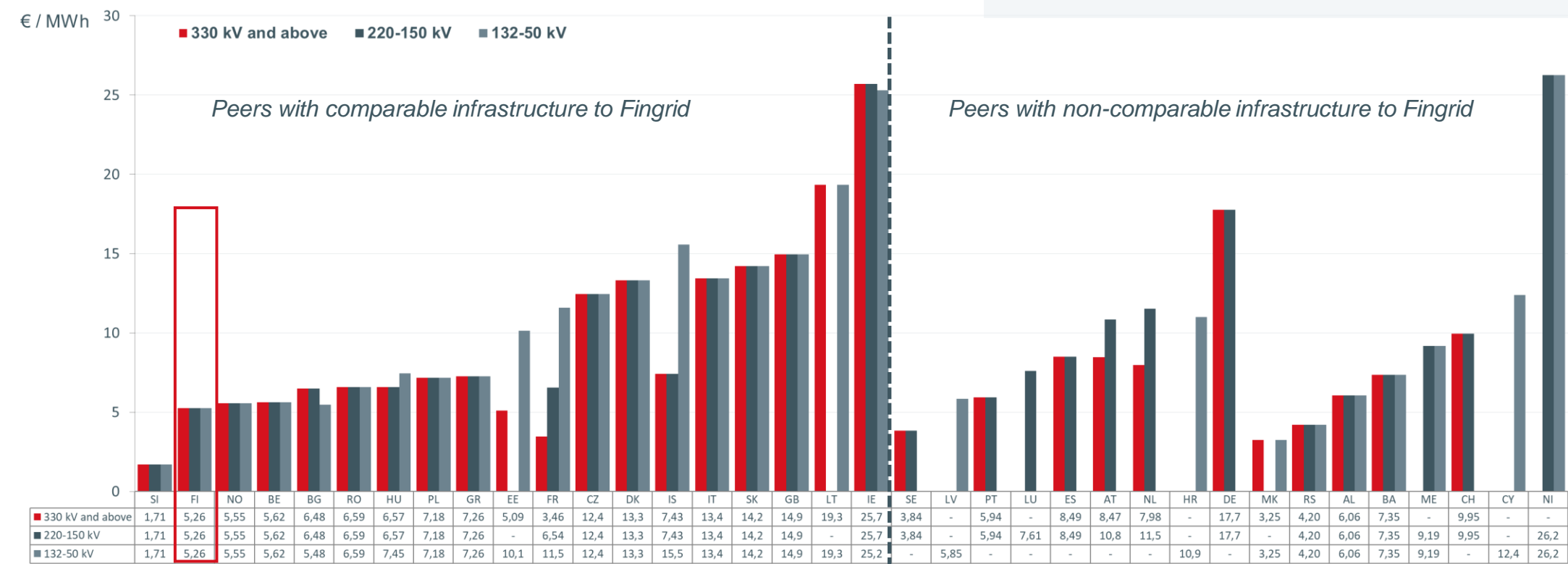
Index (1998=100)



Transmission charges from generation to consumption

Fingrid's effectiveness and efficiency enable low charges – second lowest transmission tariffs in Europe

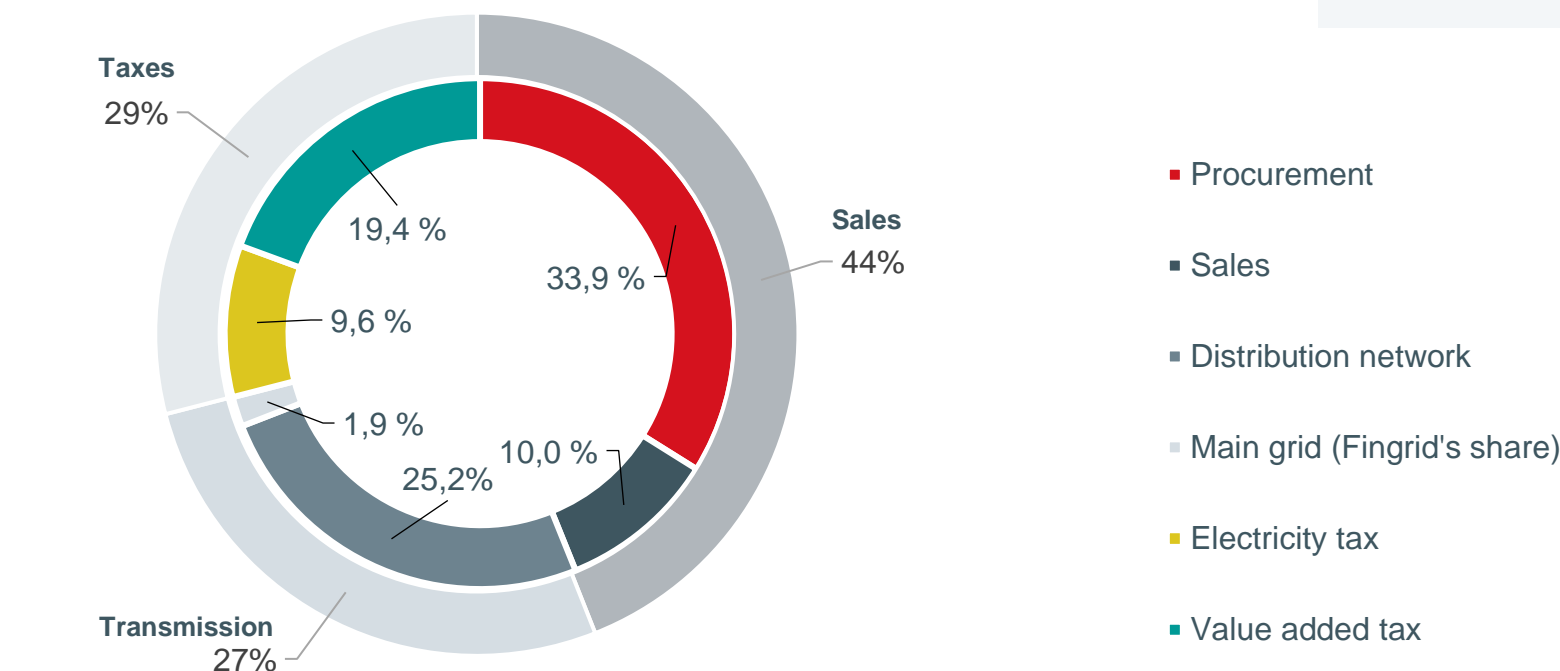
Transmission charges from generation to consumption in Europe 2020 – including EU and ETA countries Source: Entso-e



Breakdown of the electricity price for the consumer

Household consumer's electricity price

Consumption 5,000 kWh/year

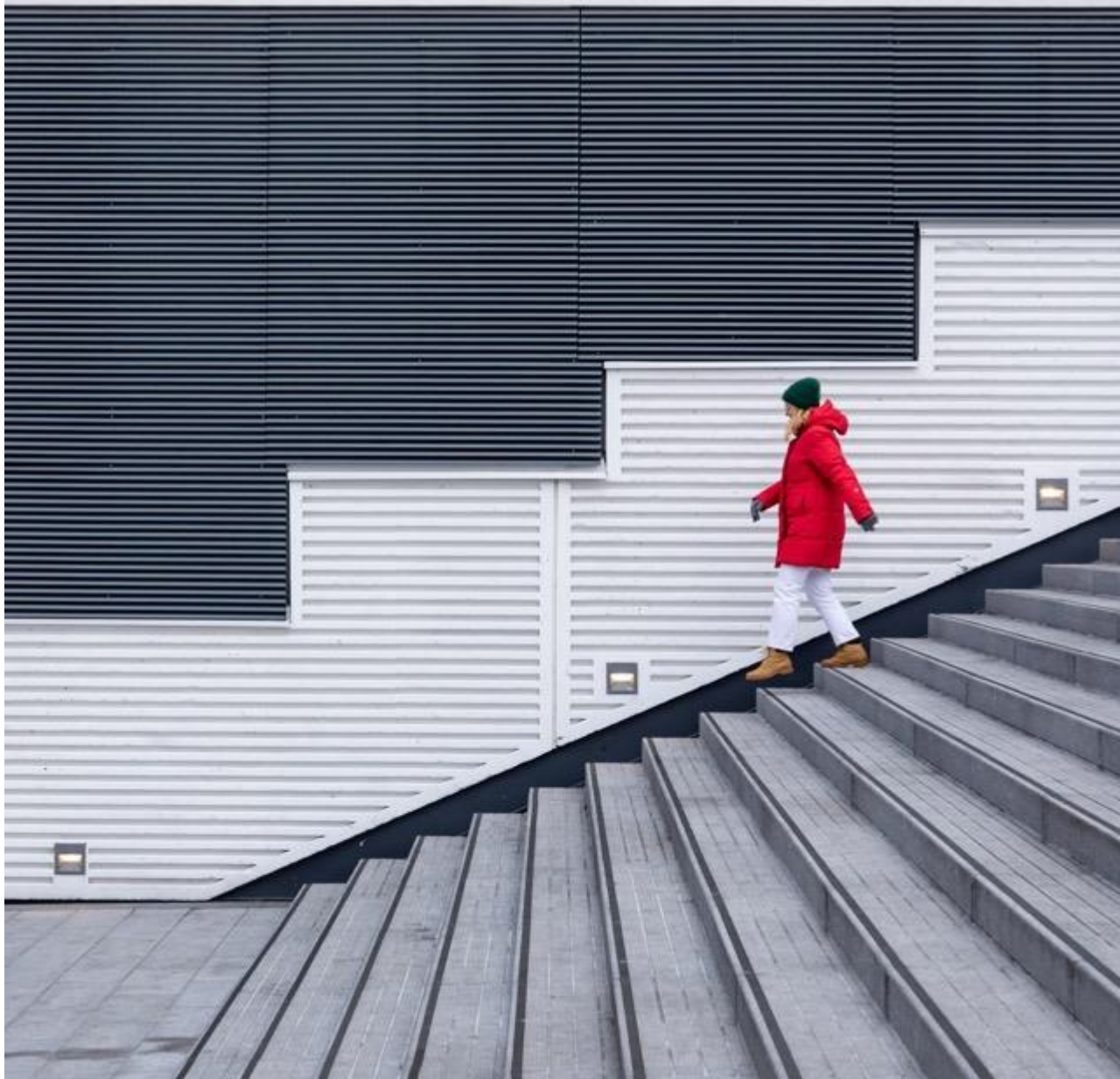


Fingrid's share of the electricity price for the consumer is 1,9%

Source: Energy Authority as per 1 January 2022

04

Operations Investments



Investments are based on 5–25-year grid development plans

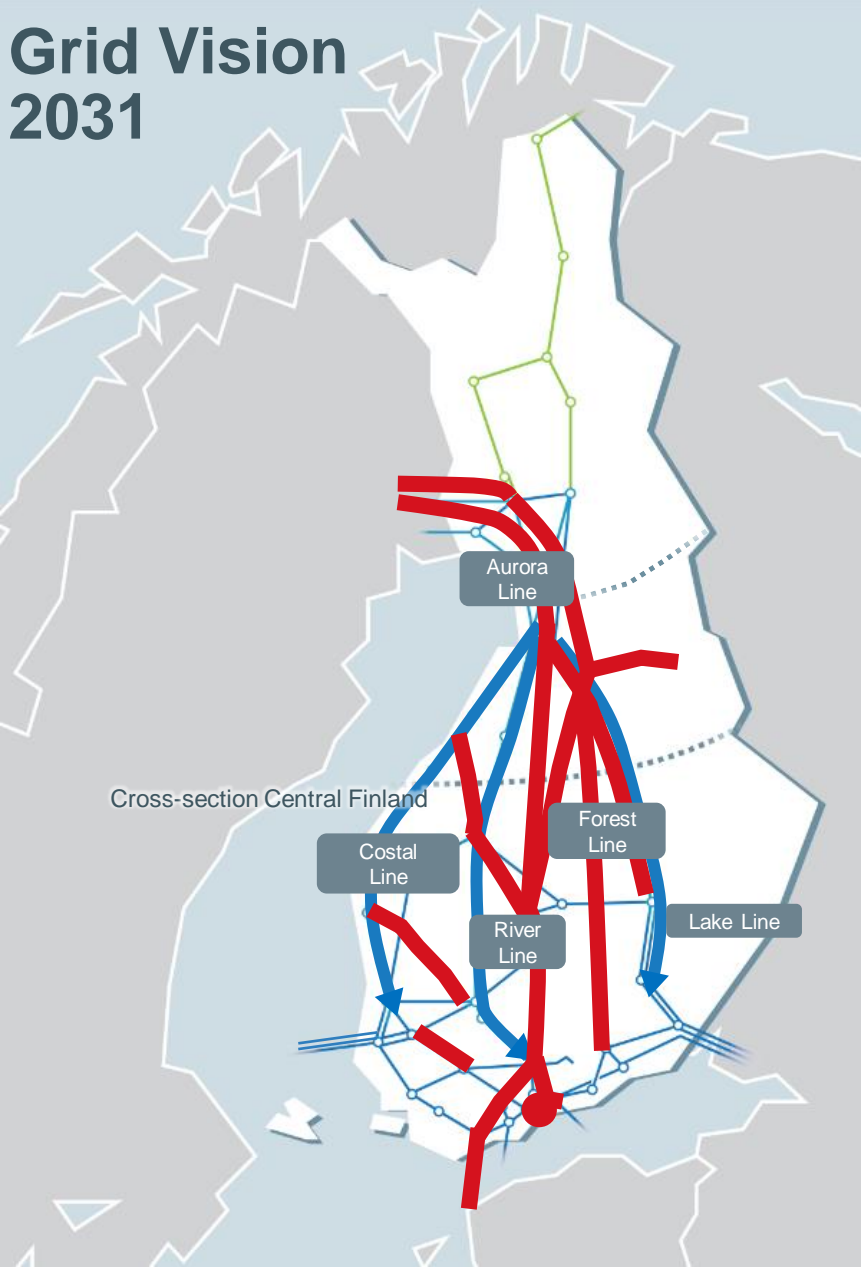
- Grid development plans are prepared at three levels, i.e. European, regional and national
- Fingrid decides on investments based on customers' needs, transmission system security and network capacity
- Fingrid's network construction is contracted with fixed price contracts
- Before network construction commences all environmental and planning permits are in place

All Fingrid's investment projects have been done in schedule and budget

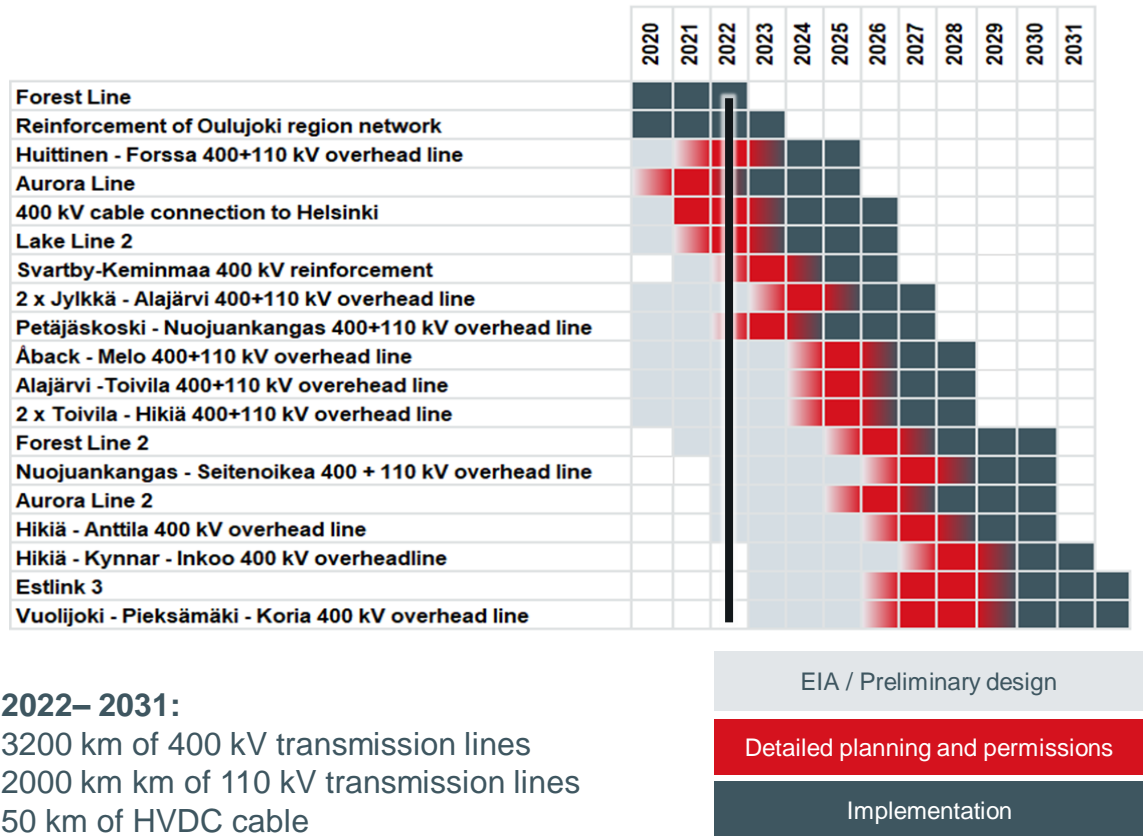


Forest Line 400 kV Oulu – Petäjävesi 2022
Third 400 kV AC interconnection between Sweden and Finland (Aurora Line) 2025
Huittinen – Forssa 400 kV OHTL 2025
400 kV cable connection to Helsinki 2021-26
Lake Line 2 400kV Nuoja – Huutokoski 2026
Reinforcement of cross section Kemijoki- Oulujoki 2027
Svarthby-Keminmaa 400 kV reinforcement 2026
Jylkkä – Alajärvi OHTL 400 kV 2027
Åback – Melo 400 kV 2028

Alajärvi - Toivila 2 x 400+110 kV OHTL 2028
Extension of the Forest Line 2 x 400+110 kV Toivila – Hikiä 2028
Metsälinjan tuplaaminen 400+110 kV Nuojuankangas – Petäjävesi 2030
Nuojuankangas-Seitenoikea 400+110 kV OHTL 2030
Third 400 kV AC interconnection between Sweden and Finland (Aurora Line 2) 2030
Hikiä - Anttila 400 kV OHTL 2030
Hikiä – Kynnar - Inkoo 400 OHTL 2030
Estlink 3 HVDC-cable 2032
Vuolijoki-Pieksämäki-Koria 400 kV OHTL 2032



Flexible and long-term investment strategy



2022– 2031:

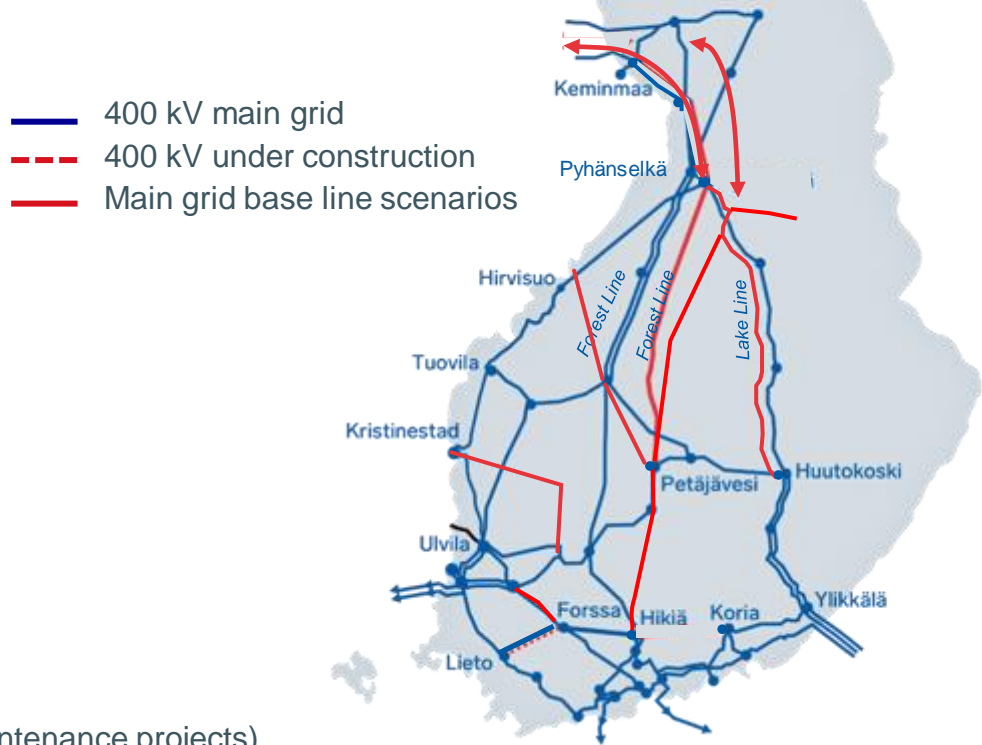
3200 km of 400 kV transmission lines

2000 km km of 110 kV transmission lines

50 km of HVDC cable

About 200 substation projects (includes new substation projects, expansion projects and maintenance projects)

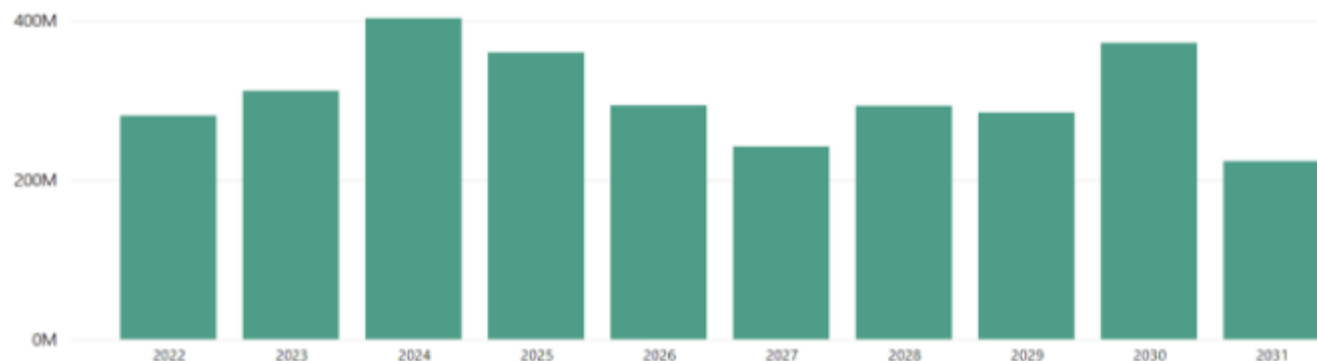
Fingrid has a long-term planning horizon for investments



Investments in the main grid rise to EUR 3 billion over the next ten years

Over the next ten years, Fingrid will invest a record EUR 3 billion in the main grid. The investments will enable electrification and the increasing pace of construction of renewable electricity generation, as demanded by the energy revolution. As part of this investment programme, Fingrid is planning to build new cross-border connections to Sweden and Estonia.

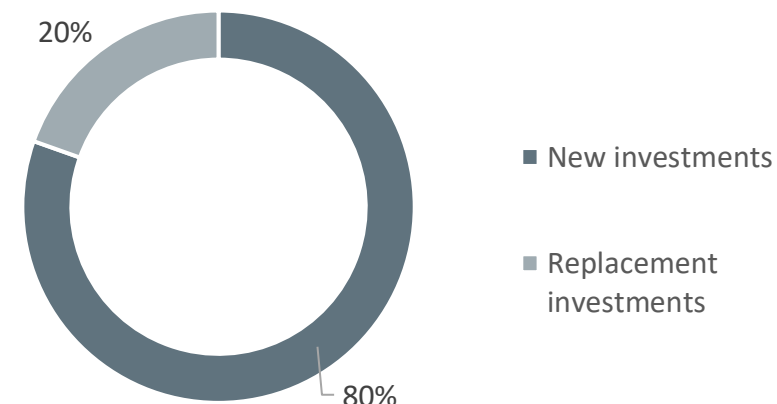
Source: <https://www.fingrid.fi/en/pages/news/news/2022/investments-in-the-main-grid-rise-to-eur-3-billion/>



Investments are driven by network aging, market development and connecting new production capacity

Investments in 2022–2031

EUR 3.0 bn



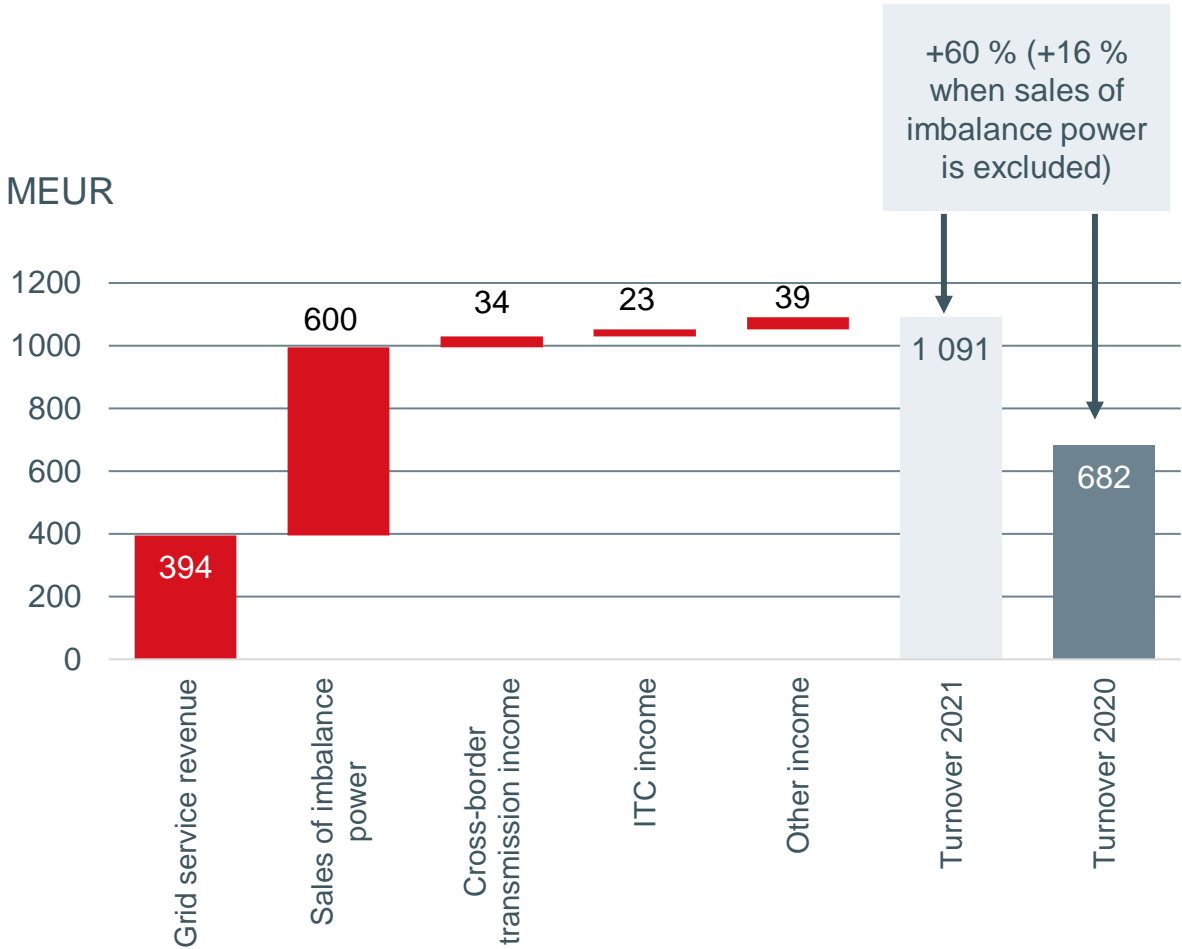
05

Financials

Financial
performance



IFRS turnover breakdown in 2021



Breakdown of main sources of turnover

Grid service revenue

- Grid service revenue consists mainly of the unit price for electricity transmission multiplied by electricity consumption and production

Sales of imbalance power

- Fingrid sells and purchases imbalance power in order to stabilise the hourly power balance of the balance responsible parties
- Sales of imbalance power is driven by market prices
- The net of imbalance power sales and purchases is slightly positive and used to cover reserve costs
- Imbalance power boosts turnover as well as costs

Cross-border transmission income

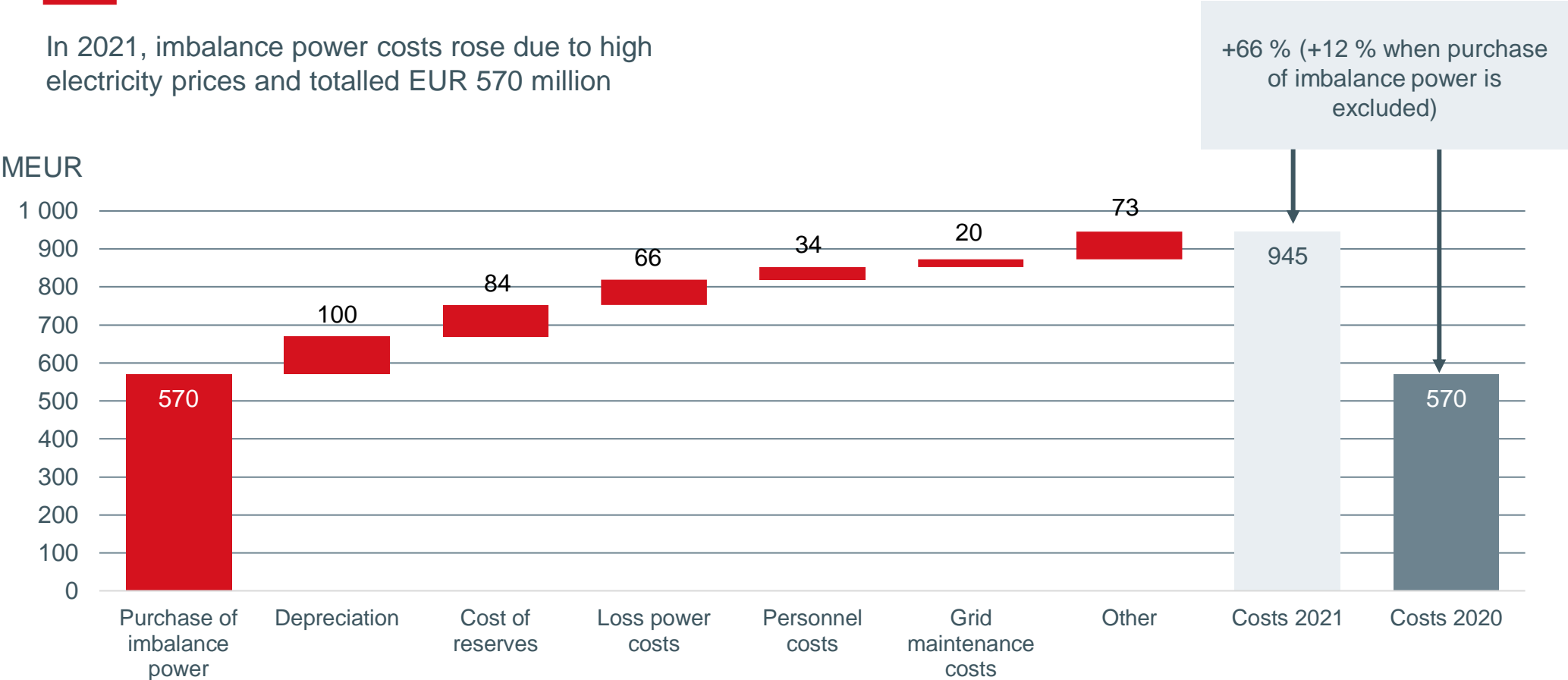
- Fingrid offers transmission services on the cross-border connections with Russia available to all electricity market parties. The contractual terms are equal and public.

ITC income (Inter TSO Compensation)

- Income received for the use of Fingrid's grid by other European TSOs

IFRS cost breakdown 2021

In 2021, imbalance power costs rose due to high electricity prices and totalled EUR 570 million



Breakdown of main costs

Purchase of imbalance power

- Fingrid sells and purchases imbalance power in order to stabilise the hourly power balance of the balance responsible parties
- The net of imbalance power sales and purchases is slightly positive and used to cover reserve costs
- Imbalance power boosts turnover as well as costs

Depreciation

- The level of yearly depreciations are stable thanks to continuous and stable investments

Cost of reserves

- Fingrid maintains reserve power to balance the frequency of the electricity grid
- The cost of reserves is recovered in grid network tariff and payments collected in balance services



Cost of loss power

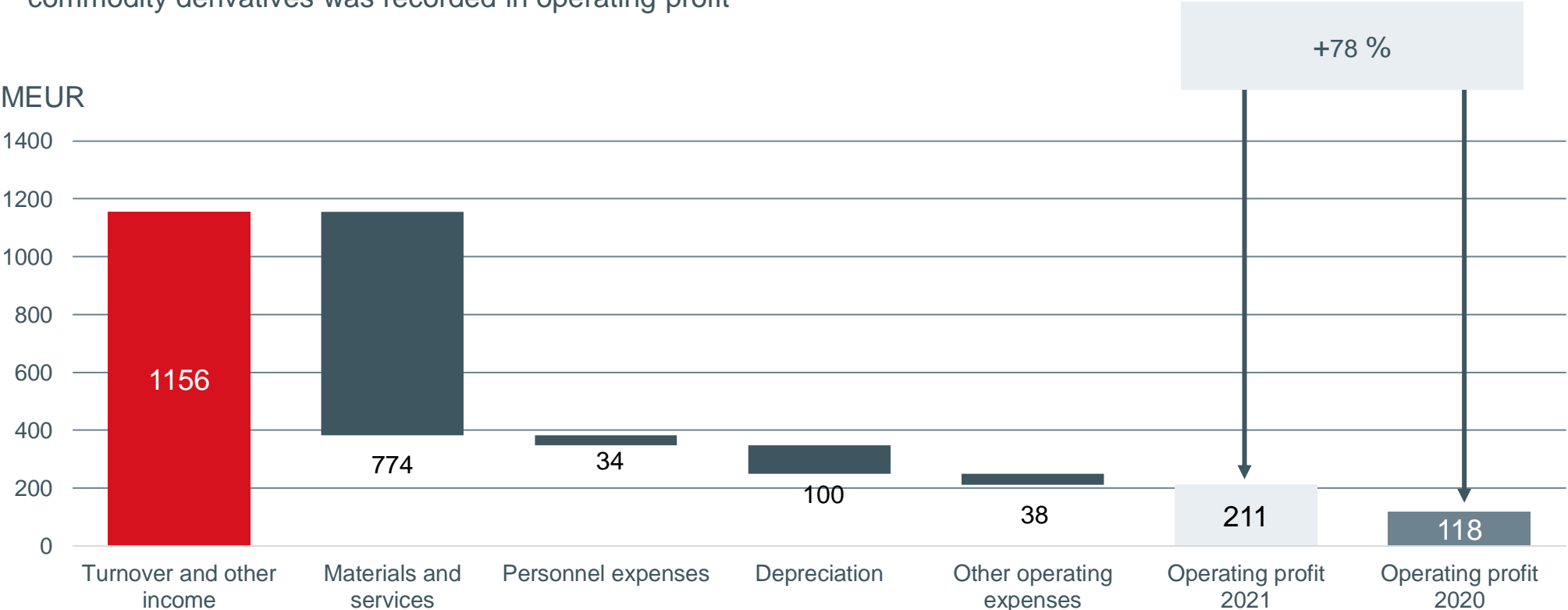
- Loss power is hedged up to four years in advance to ensure stable tariff

Personnel costs

- Fingrid's personnel costs are moderate thanks to outsourcing model used in most operations

IFRS operating profit in 2021

In 2021, change of EUR 62 million in the fair value of commodity derivatives was recorded in operating profit



Fingrid Oyj consolidated profit and loss (IFRS)

IFRS profit and loss 2017–2021 in MEUR

	2021	2020	2019	2018	2017
TURNOVER AND OTHER INCOME	1156	685	794	864	675
Materials and services	-774	-404	-491	-483	-302
Personnel expenses	-34	-31	-26	-32	-29
Depreciation	-100	-98	-98	-100	-97
Other operating expenses	-38	-32	-63	-7	-62
OPERATING PROFIT (EBIT)	211	118	116	242	185
<i>EBIT-%</i>	<i>18 %</i>	<i>17 %</i>	<i>14 %</i>	<i>28 %</i>	<i>27 %</i>
Finance income and costs	-23	-4	-11	-15	-23
PROFIT BEFORE TAXES*	188	113	106	229	164
Income taxes	-38	-19	-21	-46	-33
PROFIT FOR THE PERIOD	150	94	85	183	131
Other comprehensive income**	0	1	0	0	-1
TOTAL COMPREHENSIVE INCOME	150	95	85	183	130

* Includes share of profit of associated companies

** Other comprehensive income consists of cash flow hedges, translation reserves and available-for-sale financial assets.

- In 2021, imbalance power sales increased year-on-year, to EUR 600 million, due to the exceptionally high electricity prices
- Since 2016, congestion income is no longer presented as turnover in profit and loss statement
- Employee expenses remain at notably low level due to outsourced operating model

Fingrid Oyj consolidated assets (IFRS)

Fingrid will invest EUR 3 billion in the grid resulting in next ten years

IFRS assets 2017–2021 in MEUR

	2021	2020	2019	2018	2017
Intangible assets	244	225	212	190	188
Tangible assets	1784	1703	1643	1 634	1 676
Right-of-use-assets	30	31	33		
Investments (associated companies and available for sale)	9	12	11	12	10
Receivables	57	72	52	58	46
NON-CURRENT ASSETS	2124	2042	1951	1894	1 920
Inventories	14	14	12	12	14
Derivative instruments	64	16	4	19	0
Trade receivables and other receivables	138	110	95	100	96
Financial assets recognised in income statement at fair value	120	80	67	71	73
Cash and cash equivalents	99	46	16	14	10
CURRENT ASSETS	435	265	193	216	193
TOTAL ASSETS	2559	2307	2145	2 110	2 113

- Tangible assets are expected to increase due to higher investments in coming years
- Tangible assets were on average 76 % of total assets
- Current assets on average 11 % of total assets

Fingrid Oyj consolidated liabilities (IFRS)

Accrued congestion income liability increases the balance sheet

IFRS liabilities 2017–2021 in MEUR

	2021	2020	2019	2018	2017
Share capital and premium	112	112	112	112	112
Retained earnings	535	521	575	662	687
Other equity	0	0	-1	-1	0
EQUITY	647	632	686	772	798
Borrowings	994	1004	854	772	813
Other non-current liabilities	510	366	147	131	141
NON-CURRENT LIABILITIES	1504	1370	1001	903	954
Borrowings	133	140	235	288	269
Derivative instruments	3	4	0	4	8
Trade payables and other liabilities	273	161	222	142	84
CURRENT LIABILITIES	408	305	458	434	361
TOTAL EQUITY AND LIABILITIES	2559	2307	2145	2 110	2 113

- Current liabilities on average total 17 % of total equity and liabilities
- Trade payables on average 41 % of current liabilities
- Borrowings (current and non-current) totalled on average 50 % of total equity and liabilities
- Unused congestion liability is booked in accruals in other current and non-current liabilities

Fingrid Oyj consolidated cash flow (IFRS)

Strong cash flow after investments despite growing investments

IFRS cash flow 2017–2021 in MEUR

	2021	2020	2019	2018	2017
Cash flow from operations	494	310	240	303	273
Change in working capital	-33	-21	25	-18	-40
Net cash flow from operations	461	289	265	285	233
Net cash flow from investments	-210	-149	-117	-82	-107
Net cash flow after investments	251	140	148	204	126
Net borrowings	-22	51	21	-29	-24
Dividends paid	-136	-148	-171	-174	-98
Net cash flow from financing activities	-158	-97	-150	-202	-122
Net change in cash and cash eqv.	94	43	-2	2	4
Cash and cash equivalents 1 Jan	126	83	85	84	80
Cash and cash equivalents at the end of period	220	126	83	85	84

- Strong operating cash flow
- Peak investment years still ahead to enable climate-neutral Finland by 2035
- Cash and cash equivalents increased in 2021 mainly due to growth of congestion income

05

Financials

Financing



Financial risk management principles

Fingrid applies a conservative financial policy

Liquidity risk

- Cash, cash equivalents and committed credit facilities cover at least 110 percent of short-term debt
- Undrawn MEUR 300 revolving credit facility (RCF)
- MEUR 90 overdraft facilities
- Continuous cash flow forecasting

Credit and counterparty risk

- Prequalification of suppliers based on predetermined financial criteria
- Continuous credit risk analysis and monitoring
- Counterparty credit rating requirements and limits
- ISDAs in force for derivatives

Refinancing risk

- Refinancing in any given year less than 30 % of total debt
- Even maturity profile
- Diversified funding sources
- Strong credit rating from at least two major rating agencies

Market price risk

- Derivatives only for hedging purposes
- Interest rate risk hedging of debt; convergence towards 12 months' average interest re-fixing time
- Loss power hedging horizon up to 4 years, target to fully hedge the delivery year

Fingrid debt programme overview

- Long presence in the capital and money markets since 1998 with debt programmes:
 - EMTN Programme, MEUR 1,500 since 1998
 - ECP Programme, MEUR 600 since 1998
 - CP Programme, MEUR 150 since 1998
- MEUR 300 sustainability KPI linked Revolving Credit Facility (RCF) until 2026 (+2 one-year extension options) is provided by the company's relationship banks. The facility supports the company's liquidity reserve and is undrawn
- In addition, Fingrid has bilateral facility agreements with banks to support liquidity
- Long-term bilateral loans provided by the European Investment Bank (EIB) and Nordic Investment Bank (NIB)

Fingrid is a well-established issuer on international private and public debt capital markets

Fingrid's core relationship banks are the dealers of the EMTN Programme



New (11/2021) MEUR 300 RCF (5+1+1yrs) linked to 3 KPIs focused on Fingrid's ESG priorities

- It is important that the KPIs selected for the sustainability linked loan facility are core to Fingrid's sustainability strategy
- As such they are ambitious, transparent and reported as part of the Group's annual sustainability reporting
- These 3 KPIs reflect the key elements of Fingrid's sustainability strategy as presented in our materiality matrix and are reliably measured



KPI #1: Connection of wind power

New connection agreements per annum in megawatt (MW)



KPI #2: GHG emissions from transmission losses

Reduction of GHG emissions from transmission losses measured in tons of CO₂ equivalent (t CO₂ e)



KPI #3: Lost time injury frequency (LTIF)

Reduction of Combined LTIF (own personnel and service providers)

Fingrid to increase use of Green Financing

- In 2017 Fingrid established a framework enabling green financing for eligible investment projects and issued inaugural EUR 100 million Green Bond
- Fingrid's investor base grew thanks to the Green Bond because new, long-term and specifically green finance focused debt investors participated in the issue
- In 2021 Fingrid signed a MEUR 300 revolving credit facility tied to responsibility targets and a MEUR 70 green investment loan
- Fingrid's capex program covers next 10 years on a rolling basis. Green financing eligible investments are regularly screened from the capex program. In the 2020 screening, around MEUR 180 of Green Bond eligible investments were identified
- One of Fingrid's corporate ESG targets is to increase the share of green financing in the company's total funding portfolio
- Fingrid's corporate responsibility and sustainable development report is available at https://www.fingrid.fi/globalassets/dokumentit/en/annual-report/2021/fingrid_ojy_corporate_responsibility_and_sustainable_development_2021.pdf



<https://www.fingrid.fi/en/pages/investors/financing/green-financing/>

Since 2019 Fingrid reports as Green Bond impacts also the amount of estimated CO2 emissions avoided on investments related to renewable power generation

These impacts are estimated at around 258 000 CO2t equivalent in 2021. The impacts have been verified by an independent external verifier Mitopro Oy.

A summary of the estimated impacts to be achieved from the funded projects¹⁾

Project	Renewable capacity ²⁾				Transmission losses reduced	
	Cumulative until 12/2019	Cumulative until 12/2020	Cumulative until 12/2021	New renewable capacity estimated in next three years ³⁾	Total estimated impact	12/2021
Reconducting of Isohauva-Rauvala 110 kV transmission line	100 MW	100 MW	100 MW	0 MW	100 MW	approx. 60%
New 220 kV substation Kauhajoki	50 MW	50 MW	50 MW	0 MW	50 MW	n/a
New 110 kV substation Säkylä	200 MW	100 MW	250 MW	350 MW	600 MW	n/a
Refurbishment and expansion of Tervakoski substation	100 MW	100 MW	200 MW	0 MW	200 MW	n/a
Expansion of Tervakoski substation	50 MW	100 MW ⁴⁾	100 MW	150 MW	300 MW	n/a
Expansion of Pihlajoki substation and a new 400/220 kV transformer	100 MW	100 MW	100 MW	200 MW	300 MW	n/a
New 110 kV-Porvoo 400 kV transmission line	n/a	n/a	n/a	n/a	n/a	approx. 90%
New 400/110 kV transformer substation Isokangas	50 MW	50 MW	50 MW	300 MW	350 MW	n/a
New 400/110 kV transformer at Kivimänttä substation	150 MW	250 MW ⁴⁾	350 MW	200 MW	550 MW	n/a
New 110 kV-Osmo 400 kV transmission line	n/a	n/a	n/a	n/a	n/a	approx. 80%
New Lampi-Heikkilä 400 kV transmission line	n/a	n/a	n/a	n/a	n/a	approx. 80%
Total by these investments	750 MW	850 MW	1150 MW	1250 MW	2400 MW	n/a
Total estimated CO2 eqv avoided p.a.	211 000	267 000	258 000	362 000	620 000	n/a

¹⁾ Approximations
²⁾ Directly connected or through enhanced transmission capacity by these investments
³⁾ Estimated upon completion 2023, in addition to impacts estimated until 2021
⁴⁾ Revised from 2020 report

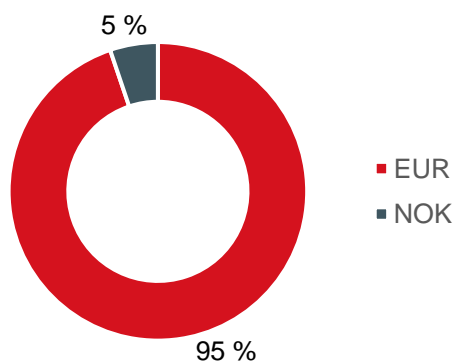
Green Bond Investor Letter and Impact Report | Projects financed with the Green Bond proceeds | Health, Safety and Environment | Independent Limited Assurance Report | Scope 3: Projects financed under the EUR 100 million green bond | 12

Weighted average debt maturity was 5,7 years at the end of December 2021

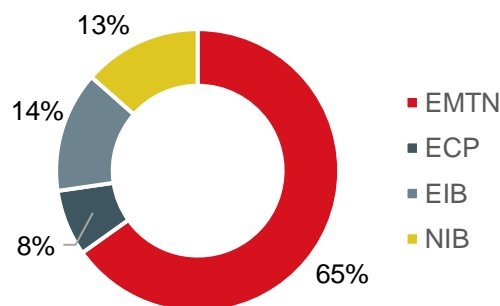
Debt maturity profile is well-distributed

- Fingrid aims to maintain a well-distributed debt maturity profile
- Debt portfolio consists mostly of private placements and a couple of public bonds

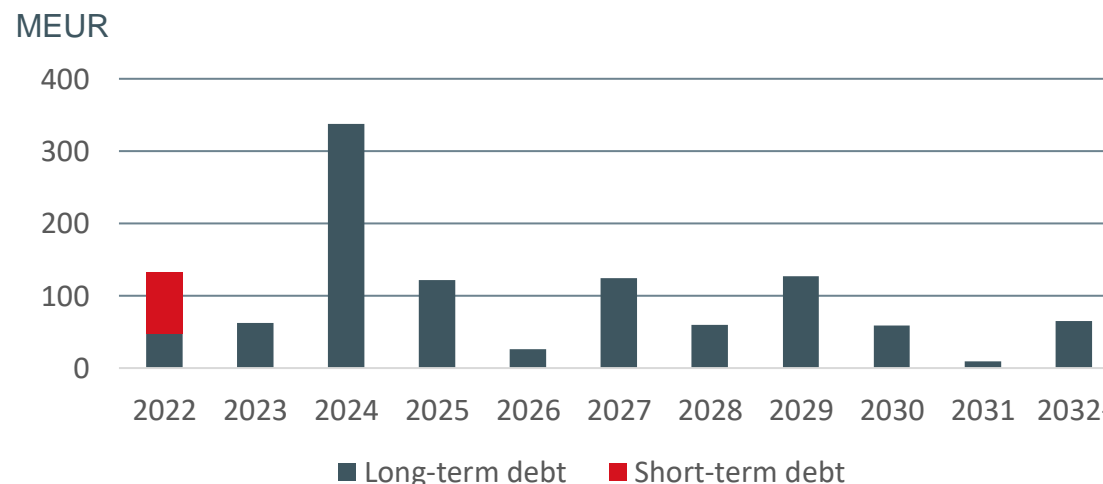
Total debt by currency
12/2021



Total debt by source
12/2021



Debt maturity profile as of 31 December 2021



Short-term debt*	12% of total	MEUR 133**
Long-term debt	88% of total	MEUR 994**
Total gross debt		MEUR 1 127**

* Debt maturing in next 12 months

** Balance sheet values, lease liabilities according to IFRS 16 not included

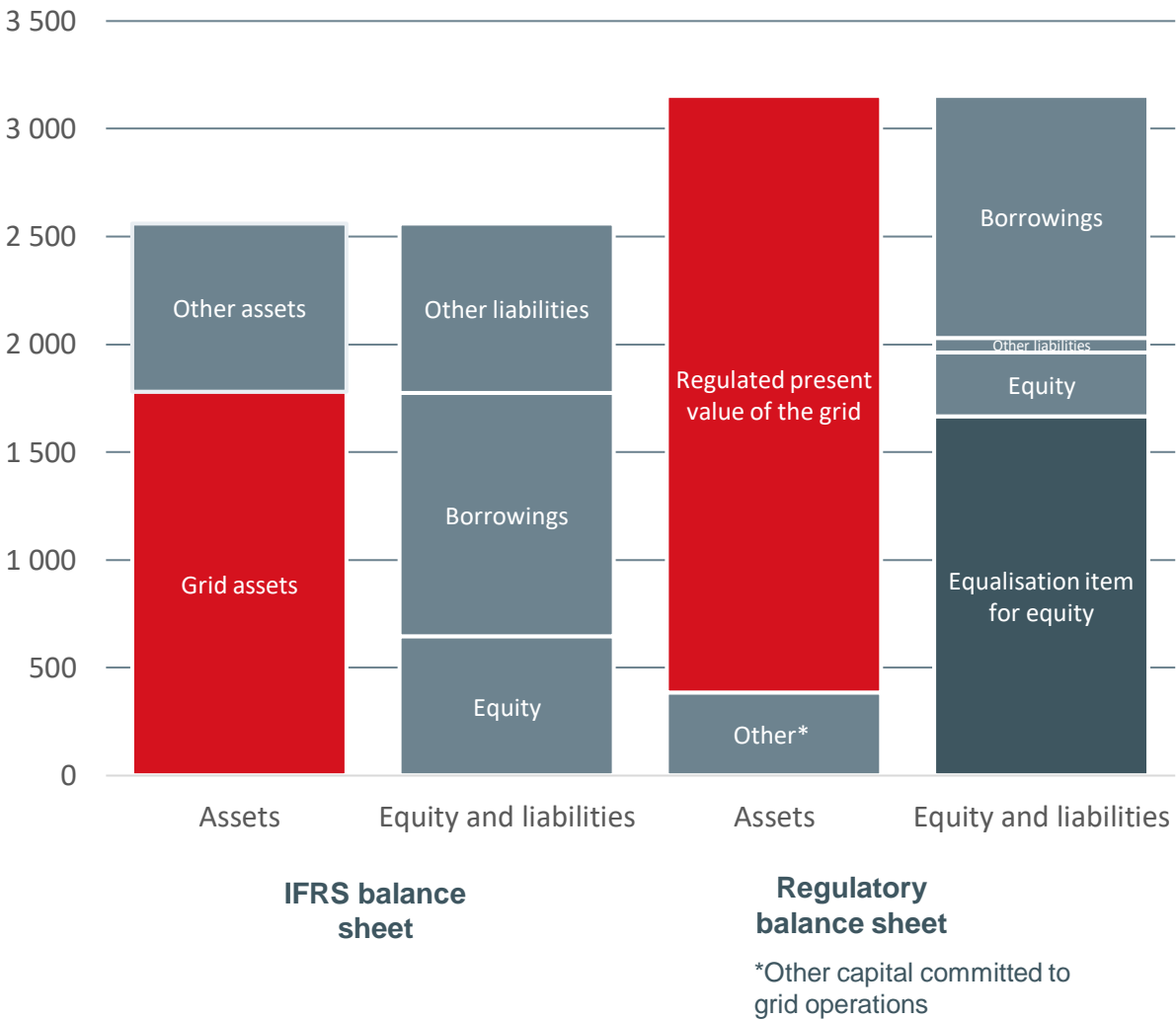
Strong capital structure

- Total shareholders' equity and liabilities amount to MEUR 2,559
- Regulatory balance sheet amount to around MEUR 3,100 which is used as adjusted capital in calculation of allowed financial result
- Grid assets are recognised at fair value for the purposes of the company's regulatory balance sheet



Equity to total assets ratio is 25% (IFRS) and 62% (regulatory)

IFRS and regulatory capital structure as of 31 December 2021, MEUR



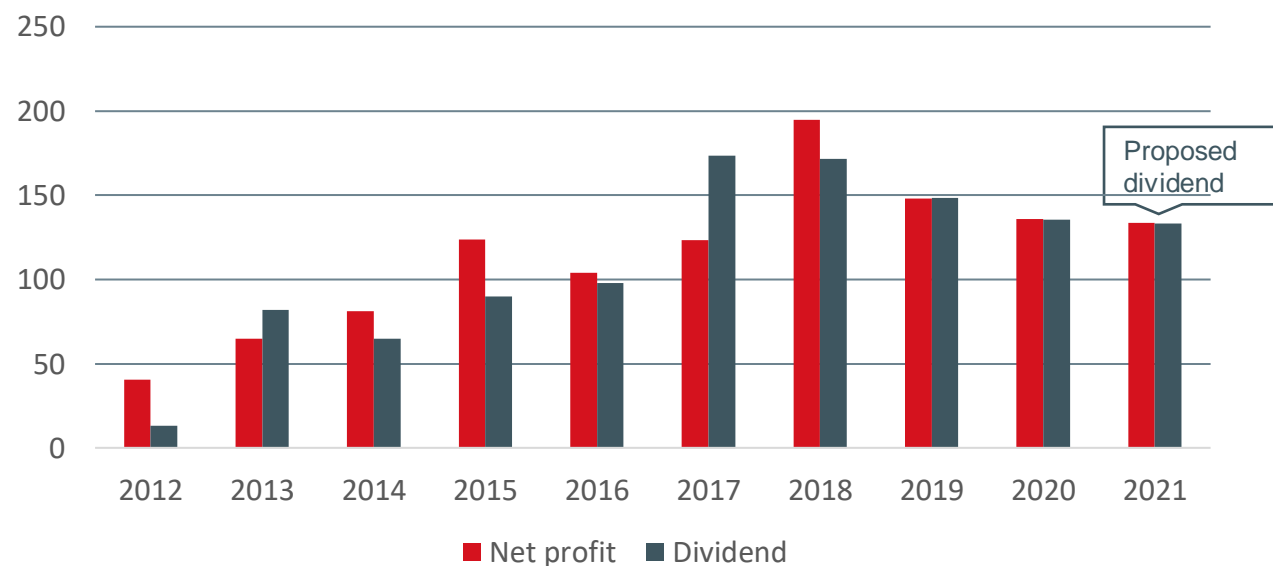
Fingrid targets to distribute substantially all of the parent company profit as dividend

- The guiding principle is to distribute substantially all of the parent company profit as dividend
- MEUR 133 proposed dividend i.e. 100% of 2021 parent company FAS net profit
- Prevailing conditions and investment needs are always considered before taking decision on dividend to be paid
- This will enable long-term implementation of the strategy while allowing operative flexibility

Dividend policy aims to ensure reasonable return and take company's financial targets into account

FAS net profit and paid dividends in 2012-2021

MEUR



06

Ratings



Key rating factors according to the rating agencies

Fingrid's low business risk profile and supportive regulatory framework are key credit strengths

S&P Global

The supportive regulatory framework in Finland implies a stable operating environment. Fingrid's operations comprise solely regulated activities, and it is therefore highly dependent on the underlying TSO regulation in Finland. We view Finland's regulatory framework for the fifth regulatory period (2020-2023) as stable and predictable.

Fitch

Fingrid's 'A' rating is the highest that Fitch assigns to a regulated network in Europe, reflecting a very strong business and financial profile. The company benefits from a benign regulatory framework, which includes the ability to set its own tariffs to the extent of allowed profits as defined by the authority.

Fingrid aims to maintain high credit ratings

Fingrid is committed to maintain credit rating at least at 'A-' level in all circumstances

S&P
A-1+/AA- Stable

Short-term/ Issuer
Rating

"The stable outlook reflects our assumption that Fingrid will remain strategically important to the Finnish government as Finland's monopoly TSO, with stable and predictable underlying earnings supported by a favorable regulatory framework."

S&P Global, 27 October 2021

Fitch
F1/A+
Stable

Short-term/ Senior
Unsecured

"The rating affirmation of Fingrid Oyj mainly reflects the company's strong business profile and regulatory framework, with high cash flow visibility until 2023. It also considers the company's sizeable capex plan, which is largely aimed at accommodating renewables growth in Finland and developing cross-border interconnections, as well as a financial policy to distribute substantially all its profit as dividend."

Fitch Ratings, 6 December 2021

Thank you!

Fingrid Oyj

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FINGRID