Financial Statements

FINGRID ANNUAL REPORT 2023

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1 Consolidated key figures

CONSOLIDATED KEY FIGURES

		2023 IFRS	2022 IFRS	2021 IFRS	2020 IFRS	2019 IFRS
Extent of operations						
Turnover	MEUR	1,193.2	1,815.2	1,090.9	682.5	789.4
Capital expenditure, gross	MEUR	322.0	276.1	213.5	169.7	126.9
- of turnover	%	27.0	15.2	19.6	24.9	16.1
Research and development expenses	MEUR	2.4	1.8	3.0	4.5	3.4
- of turnover	%	0.2	0.1	0.3	0.7	0.4
Personnel, average		517	480	440	400	384
Personnel at the end of period		544	489	451	408	380
Salaries and remunerations total	MEUR	35.8	31.9	28.2	26.7	22.3
Profitability						
Operating profit	MEUR	1.0	290.4	210.8	118.4	115.5
- of turnover	%	0.1	16.0	19.3	17.3	14.6
Profit before taxes	MEUR	1.3	257.4	187.6	113.3	105.8
- of turnover	%	0.1	14.2	17.2	16.6	13.4
Return on investments (ROI)	%	1.6	16.3	11.7	7.0	6.4
Return on equity (ROE)	%	0.2	30.1	23.5	14.3	11.6

		2023 IFRS	2022 IFRS	2021 IFRS	2020 IFRS	2019 IFRS
Financing and financial position						
Equity ratio	%	20.1	22.4	25.3	27.4	32.0
Interest-bearing net borrowings	MEUR	535.2	322.7	938.5	1,049.0	1,037.2
Net gearing	%	91	45	145	166	151
Share-specific key figures						
Dividend/A shares	€	54,100.00*	52,500.00	52,500.00	53,500.00	58,500.00
Dividend/B shares	€	19,800.00*	19,200.00	19,200.00	19,600.00	21,400.00
Equity/share	€	176,802	216,469	194,573	190,210	206,213
Number of shares at 31 Dec						
– Series A shares	shares	2,078	2,078	2,078	2,078	2,078
– Series B shares	shares	1,247	1,247	1,247	1,247	1,247
Total	**shares**	**3,325**	**3,325**	**3,325**	**3,325**	**3,325**

* The Board of Directors' proposal to the Annual General Meeting on the maximum dividend to be distributed

CALCULATION OF KEY FIGURES

$$\text{Return on investment, \%} = \frac{\text{Profit before taxes + interest and other finance costs}}{\text{Balance sheet total - non-interest-bearing liabilities (average for the year)}} \times 100$$

$$\text{Return on equity, \%} = \frac{\text{Profit for the financial year}}{\text{Equity (average for the year)}} \times 100$$

$$\text{Equity ratio, \%} = \frac{\text{Equity}}{\text{Balance sheet total - advances received}} \times 100$$

$$\text{Dividends per share, €} = \frac{\text{Dividends for the financial year}}{\text{Average number of shares}}$$

$$\text{Equity per share, €} = \frac{\text{Equity}}{\text{Number of shares at closing date}}$$

Interest-bearing net borrowings, € = Interest-bearing borrowings - cash and cash equivalents and financial assets

$$\text{Net gearing, \%} = \frac{\text{Interest-bearing borrowings - cash and cash equivalents and financial assets}}{\text{Equity}} \times 100$$

2 Consolidated financial statements (IFRS)

Introduction

Useful information about Fingrid's financial statements

- Notes are compiled under specific themes to provide the best representation of Fingrid.
- Chapters 3–6 consist of notes to the consolidated financial statements.
- At the start of each section there is an introduction on how the notes were prepared.
- Accounting principles are shown at the end of each note, in a separate box and recognizable by the use of symbol.
- Interesting facts about Fingrid's operating environment are highlighted in infoboxes throughout the notes to the financial statements. The infoboxes can be recognized by the use of symbol.

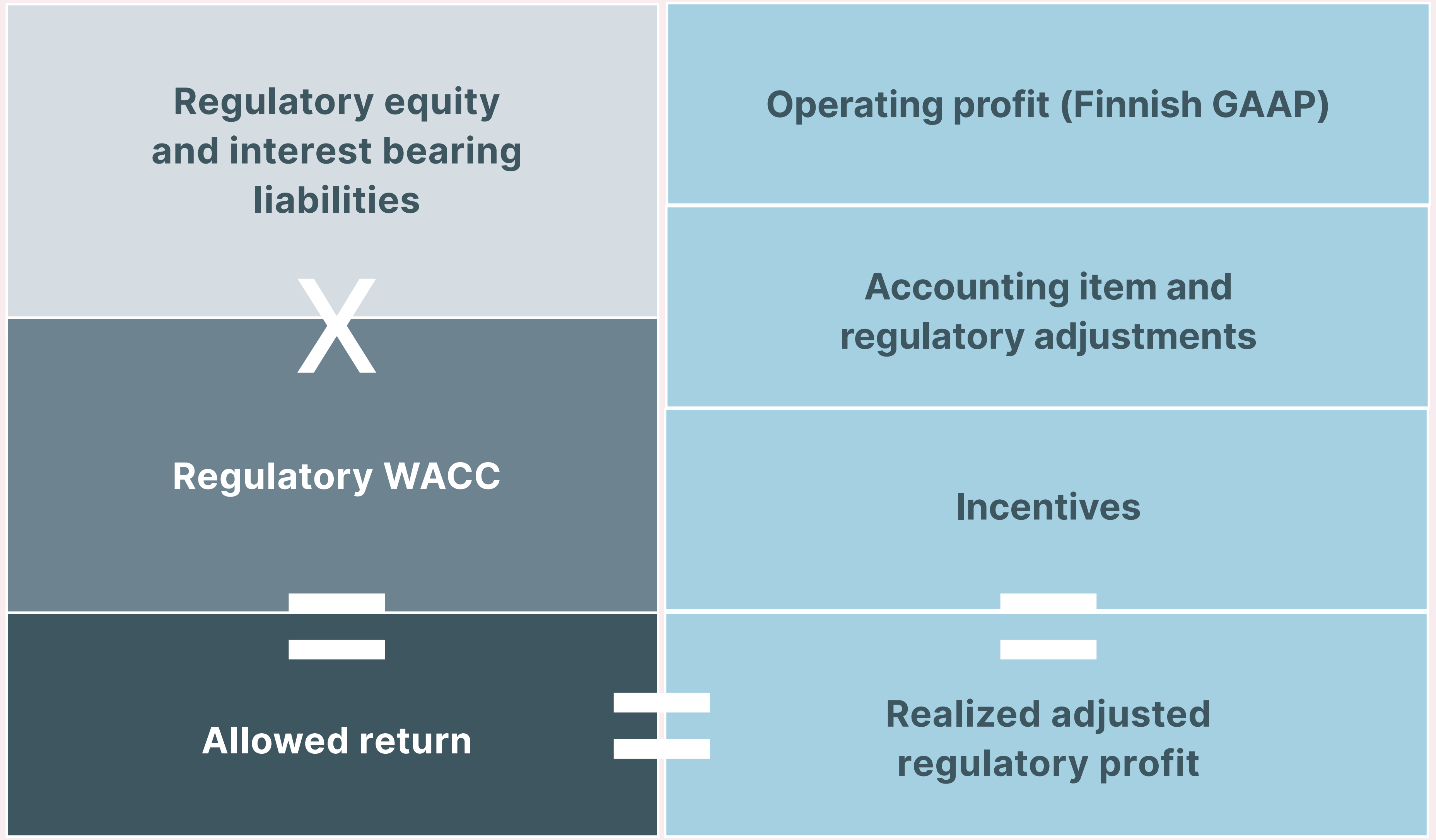
Fingrid’s business model and the regulation of transmission system operations

Fingrid constitutes a natural monopoly as referred to in the Finnish Electricity Market Act (588/2013), with duties defined in legislation. The Energy Authority defines the monitoring methods for Fingrid’s grid operations for two four-year regulatory periods at a time. The fifth regulatory period ended in 2023. The Energy Authority has defined the monitoring methods for the sixth and seventh regulatory periods, i.e. for 2024–2027 and 2028–2031. The monitoring methods define the maximum annual financial regulatory profit for Fingrid by the regulation. The Energy Authority also confirms other terms and conditions for Fingrid’s regulated operations.

The reasonable financial regulatory profit by the regulation forms the starting point for Fingrid’s financial planning and pricing. The turnover to be charged for the services can be calculated by adding operating expenses to the result. The turnover of Fingrid’s main grid segment essentially consists of the fees collected from the grid customers. The bulk of the grid service fees comes from the consumption of electricity, whereas electricity production only contributes a small portion. In addition to electricity consumption, the grid service fees are based on the output from and input into the grid and power-based tariffs. The turnover of the balance services segment comes from the balancing power sold to maintain the national power balance and separate balance service fees, which are used to cover the costs of power system reserve and imbalance management. Fingrid’s total costs consist of the operating expenses, including the costs of the segments mentioned above, and finance costs and taxes, which are excluded from the regulatory calculations. Fingrid’s operations are regulated, including both reporting segments, i.e. the main grid segment and balance services segment.

The so-called adjusted profit, realised in compliance with the regulation, is calculated by adjusting the parent company’s operating profit according to the Energy Market Authority’s regulation methods and by adding the impact of the incentives.

Any realised regulatory profit over a regulatory period that exceeds the allowed return is a surplus that must be offset at the latest during the next regulatory period, e.g. in the form of lower prices for customers or by not carrying out the price increases corresponding to the rise in costs. If the realised regulatory profit over a regulatory period is below the allowed financial result, a deficit is created which Fingrid may recover from customers, e.g. in the form of higher future prices. Surplus or deficit is not booked into the financial statements. Fingrid’s aim is to achieve the allowed financial result in the regulatory period.



In the regulatory period ending in 2023, Fingrid achieved the allowed regulatory profit and recognised EUR 28.5 million in cumulative deficit from the previous regulatory period of 2016–2019. The table below shows Fingrid's own approximation for the realised regulatory profit for 2023.

	2023	2022
WACC (pre-tax)	5.24%	4.13%
Adjusted capital, M€	ca. 3,100	ca. 3,000
Allowed financial result, M€	ca. 165,	ca. 125
Deficit(-)/Surplus(+), M€	ca. 35	ca. 5
Regulatory period 2020-2023 Deficit (-)/Surplus(+), M€	ca. 25	ca. -10
Cumulative Deficit (-)/Surplus(+), M€	ca. -4	

Fingrid also engages in other regulated business operations deviating from the monitoring of reasonable return described above, but their impact on the company's financial result and balance sheet is negligible.

2.1 Income statement

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€1,000	Notes	1 Jan–31 Dec, 2023	1 Jan–31 Dec, 2022
TURNOVER	2	**1,193,182**	**1,815,242**
Other operating income	3	119,729	171,387
Materials and services	6	-914,628	-1,508,975
Personnel expenses	10	-42,782	-38,057
Depreciation	13,14	-123,302	-107,852
Other operating expenses	7,15	-231,192	-41,330
OPERATING PROFIT		**1,008**	**290,416**
Finance income	19	20,922	1,545
Finance costs	19	-21,163	-34,216
Finance income and costs		-241	-32,670
Share of profit of associated companies		572	-364
RESULT BEFORE TAXES		**1,339**	**257,382**
Income taxes		-179	-51,551
RESULT FOR THE FINANCIAL YEAR		**1,160**	**205,831**

€1,000	Notes	1 Jan–31 Dec, 2023	1 Jan–31 Dec, 2022
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be transferred to profit or loss			
Translation reserve		-16	9
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		**1,144**	**205,840**
Profit attributable to:			
Equity holders of parent company		1,160	205,831
Total comprehensive income attributable to:			
Equity holders of parent company		1,144	205,840

2.2 Consolidated balance sheet

ASSETS

€1,000	Notes	31 Dec 2023	31 Dec 2022
NON-CURRENT ASSETS			
Intangible assets:	14		
Goodwill		87,920	87,920
Land use rights		102,463	100,932
Other intangible assets		63,635	63,489
		254,018	**252,341**
Property, plant and equipment:	13		
Land and water areas		24,142	21,390
Buildings and structures		355,298	297,610
Machinery and equipment		642,048	584,972
Transmission lines		695,618	710,465
Other property, plant and equipment		110	110
Prepayments and purchases in progress		271,781	183,811
		1,988,997	**1,798,359**
Right-of-use-assets	15	29,974	28,745
Investments in associated companies	26	13,291	12,734
Other long-term investments	22	75,937	
Other long-term receivables	4	74	74
Derivative instruments	24	6,204	67,205
Deferred tax assets	11	51,513	50,631
TOTAL NON-CURRENT ASSETS		**2,420,008**	**2,210,089**

€1,000	Notes	31 Dec 2023	31 Dec 2022
CURRENT ASSETS			
Inventories	9	19,104	18,698
Derivative instruments	24	36,109	166,646
Trade receivables and other receivables	4,26	66,984	88,275
Other financial assets	22	133,278	349,988
Cash in hand and cash equivalents	21	253,737	383,445
TOTAL CURRENT ASSETS		**509,212**	**1,007,051**
TOTAL ASSETS		**2,929,220**	**3,217,140**

Notes are an integral part of the financial statements.

EQUITY AND LIABILITIES

€1,000	Notes	31 Dec 2023	31 Dec 2022
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	25	55,922	55,922
Share premium account	25	55,922	55,922
Translation reserve	25	-7	9
Retained earnings	25	476,028	607,905
TOTAL EQUITY		**587,866**	**719,759**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	11	106,984	136,260
Borrowings	16	626,628	963,351
Provisions	27	2,870	3,119
Derivative instruments	24	19,867	22,494
Lease liabilities	15,16	28,044	27,035
Accruals	8	507,907	677,435
		1,292,299	**1,829,693**
CURRENT LIABILITIES			
Borrowings	16	340,309	63,047
Derivative instruments	24	1,367	357
Lease liabilities	15,16	3,162	2,748
Trade payables and other liabilities	8	704,217	601,536
		1,049,055	**667,688**
TOTAL LIABILITIES		**2,341,354**	**2,497,382**
TOTAL EQUITY AND LIABILITIES		**2,929,220**	**3,217,140**

Notes are an integral part of the financial statements.

2.3 Consolidated statement of changes in equity

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

€1,000	Share capital	Share premium account	Translation reserve	Retained earnings	Total equity
Balance on 1 Jan 2022	**55,922**	**55,922**	**0**	**535,111**	**646,956**
Comprehensive income					
Profit or loss				205,831	205,831
Other comprehensive income					
Translation reserve			9		9
Total other comprehensive income adjusted by tax effects			**9**		**9**
Total comprehensive income			**9**	**205,831**	**205,840**
Transactions with owners					
Dividend relating to 2021				-133,037	-133,037
Balance on 31 December 2022	**55,922**	**55,922**	**9**	**607,905**	**719,759**
Balance on 1 Jan 2023	**55,922**	**55,922**	**9**	**607,905**	**719,759**
Comprehensive income					
Profit or loss				1,160	1,160
Other comprehensive income					
Translation reserve			-16		-16
Total other comprehensive income adjusted by tax effects			**-16**		**-16**
Total comprehensive income			**-16**	**1,160**	**1,144**
Transactions with owners					
Dividend relating to 2022				-133,037	-133,037
Balance on 31 Dec 2023	**55,922**	**55,922**	**-7**	**476,028**	**587,866**

Notes are an integral part of the financial statements.

2.4 Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT

€1,000	1 Jan–31 Dec, 2023	1 Jan–31 Dec, 2022
Cash flow from operating activities:		
Profit before taxes	1,339	257,382
Adjustments:		
Business transactions not involving a payment transaction:		
Depreciation	123,302	107,852
Capital gains/losses (-/+) on tangible and intangible assets	1,930	-3,519
Other adjustments		-2,513
Share of profit of associated companies	-572	364
Gains/losses from the assets and liabilities recognised in the income statement at fair value	185,088	-140,586
Connection agreements	36,229	14,174
Recognition of congestion income	-402,684	-248,284
Finance income and costs	241	32,670
Impact from changes in the fair value of the investment	4,815	-360
Changes in working capital:		
Change in trade receivables and other receivables	23,796	45,592
Change in inventories	-406	-4,465
Change in trade payables and other liabilities	-30,022	42,742
Congestion income	317,013	942,939
Change in provisions	-34	-151
Interests paid	-35,525	-17,746
Interests received	29,041	7,219
Taxes paid	-34,237	-39,267
Net cash flow from operating activities	219,313	994,040

€1,000	1 Jan–31 Dec, 2023	1 Jan–31 Dec, 2022
Cash flow from investing activities:		
Purchase of property, plant and equipment	-287,931	-250,385
Purchase of intangible assets	-9,969	-16,564
Purchase of other assets	-161,594	-3,924
Proceeds from sale of other assets	60,661	6,503
Proceeds from sale of property, plant and equipment	50	5,032
Repayment of loan receivables	188	375
Dividends received		410
Contributions received	5,547	15,703
Capitalised interest paid	-6,524	-3,728
Net cash flow from investing activities	-399,572	-246,578
Cash flow from financing activities:		
Proceeds from non-current financing (liabilities)		35,000
Payments of non-current financing (liabilities)	-55,996	-47,662
Payments from current financing (liabilities)		-85,216
Dividends paid	-133,037	-133,037
Principal elements of lease payments	-3,131	-2,722
Net cash flow from financing activities	-192,164	-233,638
Change in cash as per the cash flow statement	**-372,424**	**513,823**
Opening cash as per the cash flow statement	**733,433**	**219,609**
Closing cash as per the cash flow statement	**361,009**	**733,433**

Notes are an integral part of the financial statements.

3 Benchmark for TSO operations (IFRS)

- Chapter three contains general information about the Group and the general accounting principles applied to the consolidated financial statements.
- The chapter describes how Fingrid's turnover and result are formed and how they relate to the allowed regulatory profit in compliance with regulation. The impact of the regulation is reflected in Fingrid's day-to-day operations and revenue collection.
- The chapter describes Fingrid's operating receivables and liabilities, as well as the risk management they entail.
- People are Fingrid's most important resource, which is why information related to personnel has been included here, in the first note.
- Fingrid is a substantial tax payer, and Fingrid does not use tax planning. The note on taxes is at the end of this chapter, in chapter 3.9.

3.1 General information about the Group and general accounting principles

Fingrid Oyj is a Finnish public limited liability company responsible for electricity transmission in Finland's main grid. The nationwide grid is an integral part of the power system in Finland. The transmission grid is the trunk network to which major power plants and major consumers, such as industry and regional electricity distribution networks, and cross-border transmission connections are connected.

Finland's main grid is part of the Nordic power system, which is connected to the system in Central Europe via high-voltage direct current transmission links. Finland also has DC links with Russia and Estonia. Cross-border transmission between Finland and Russia ended in May 2022.

The main grid encompasses more than 14,500 kilometres of 400, 220 and 110 kilovolt transmission lines, plus more than 100 substations.

Fingrid is in charge of planning and monitoring the operation of the main grid and for maintaining and developing the system. The company is responsible for the national power balance and for ensuring that electricity consumption and production are always balanced. An additional task is to participate in work carried out by ENTSO-E, the European Network of Transmission System Operators for Electricity, and in preparing European market and operational codes as well as network planning.

Fingrid offers grid and balance services, as well as other services related to the electricity markets, such as data exchange, Financial Transmission Rights (FTR) and the market related to power system reserves, to its contract customers, i.e. electricity producers, network operators and industry. Fingrid serves the electricity market by maintaining adequate electricity transmission capacity, by securing the preconditions of maintaining power balance, by removing bottlenecks in cross-border transmission links and by providing market data.

The consolidated financial statements include the parent company Fingrid Oyj and its wholly owned subsidiaries Finextra Oy and Datahub Oy. The consolidated associated companies are eSett Oy (ownership 25.0%) and Nordic RCC A/S (ownership 25.0%). The Group has no joint ventures.

Fingrid issues bonds under the Euro Medium Term Note (EMTN) programme. Fingrid Oyj's issuances under the EMTN programme are generally listed on the London and Irish stock exchanges. Fingrid shares are not listed. Fingrid has at its disposal a European and national commercial paper programme for procuring short-term financing. The commercial paper programmes are unlisted.

Critical accounting estimates and judgements

When the consolidated financial statements are drawn up in accordance with the IFRS, the company management needs to make estimates and assumptions which have an impact on the amounts of assets, liabilities, income and expenses recorded and conditional items presented. These estimates and assumptions are based on historical experience, understanding of the electricity market's development and other justified assumptions which are believed to be reasonable under the conditions which constitute the foundation for the estimates of the items recognised in the financial statements. The energy markets are undergoing a major transformation. The actual amounts may differ from these estimates. In the financial statements, estimates have been used for example, when specifying the economic lives of tangible and intangible asset items, and in conjunction with deferred taxes and provisions. Critical estimates and judgements by management are described by topic in the notes, and the judgement or estimates related to which are in accordance with the following table.

Estimate of the purchase and sale of imbalance power	Chapter 3.3
Inter-Transmission System Operator Compensation (ITC)	Chapter 3.3
Deferred tax assets and liabilities	Chapter 3.9
Determination of the fair value measurement of grid assets	Chapter 4.1
Determination of the depreciation periods of property, plant and equipment, and intangible assets	Chapter 4.2
Assessment of use of additional options on leases	Chapter 4.3

Operating segments

Main grid segment

The main grid segment includes development & maintenance of the main grid, the connection of new production and consumption to the network, electricity transmission, grid operation and the development of unified electricity markets and reserves related to maintaining the electricity system. The segment's turnover consists of main grid tariff income, connection fees, and income from reactive power and other income related to transmission grid operations. The congestion income portion recognised in turnover is linked to the main grid segment. The segment's expense items include e.g. depreciations of grid investments, reserves to ensure the main grid's operation and the development thereof, the purchase of loss power, congestion costs, countertrades, network maintenance and electricity market development costs. Income and costs caused by transmission grid congestion, financial transmission rights (FTR), gains and losses from the sale of grid assets, and depreciation and amortisation are included in the main grid segment. Seasonal and annual variations are typical in the segment's turnover and operating result.

The main grid segment's turnover fell to EUR 549.0 (647.9) million. Grid service fees were waived in January, February, June, July, November and December. This was compensated by recognising EUR 284,7 million in congestion income in the company's result.

Operating profit declined to EUR 145.8 (215.8) million. The balance services segment's operating result was high during the review period, which temporarily reduced the operating result of the main grid segment, with Fingrid's result being in line with the allowed regulatory profit. No structural changes took place in the main grid segment's profitability compared to previous years.

Balance services segment

The balance services segment includes activities related to national balance management and imbalance settlement, and market development activities. In addition, development of the reserve markets related to balance management and the procurement of the corresponding reserves is included in the balance services segment. The segment's turnover consists of the balance service's tariff income and sales of imbalance power, and the segment's costs consist of purchases of imbalance power, reserve capacity costs and other operational costs related to balance management and imbalance settlement. The balance services segment's information corresponds to the balance service result, separated according to the Electricity Market Act, presented in the parent company's notes to the financial statements..

The balance service's turnover was EUR 700.5 (1,231.9) million as a result of the drop in the price of imbalance power compared with the previous year. Balance service tariffs were increased to €1.7/MWh in January, decreased to €1.2/MWh in May and increased to €1.5/MWh in November.

The balance service's operating result was EUR 68.7 (-58.7) million. Changes in imbalance power tariffs follow the cost development and the accumulation of imbalance power trade's gross profit. Variations in reserve costs were great, and the reserve costs were lower than predicted early in the year and greater than expected towards the end of the year, as a result of which imbalance power tariffs were adjusted. In addition, imbalance power tariffs were used during the reporting period to cover the balance service's losses from previous years.

Main grid segment, MEUR	2023	2022
Turnover	549.0	647.9
Profit before taxes	145.8	215.8

Balance services segment, MEUR	2023	2022
Turnover	700.5	1,231.9
Profit before taxes	68.7	-58.7

Result by business segment

The segment information is FAS-compliant, and it is reconciled with the IFRS consolidated financial statements.

1. SEGMENTS, MEUR

31 Dec 2023

Business segment	Main grid	Balance services	Other activities and eliminations	Group, total
Turnover	549.0	700.5	-56.3	1,193.2
Depreciation	-116.0	-0.7	-6.6	-123.3
Operating profit	145.8	68.7	-213.5	1.0
Finance income and costs			-0.2	-0.2
Profit before taxes				

31 Dec 2022

Business segment	Main grid	Balance services	Other activities and eliminations	Group, total
Turnover	647.9	1,231.9	-64.5	1,815.2
Depreciation	-102.7	-0.4	-4.8	-107.9
Operating profit	215.8	-58.7	133.4	290.4
Finance income and costs			-32.7	-32.7
Profit before taxes				

Other activities include Fingrid's other statutory public service obligations that are not part of actual transmission grid operations or transmission system responsibility. These tasks include peak load capacity services and guarantee-of-origin services for electricity, as well as centralised information exchange services for the electricity markets. The subsidiaries Fingrid Datahub Oy and Finextra Oy oversee these tasks. Other activities also includes the parent company's administrative and ICT services for subsidiaries. Income and expense items between the parent company and subsidiaries are eliminated in the Group reporting. IFRS items include among other things, changes in the market value of electricity derivatives, recognition of connection fees over time according to IFRS 15, and recognition of leases over time according to IFRS 16.

Accounting principles

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 standards as in 2022.

Segment reporting

Starting in June 2023, Fingrid switched to reporting on two operating segments. No changes have taken place in Fingrid's operations or organisational structure. The operating segments reported on by the Group now consist of the main grid segment and the balance services segment. The main grid segment includes development & maintenance of the main grid, the connection of new production and consumption to the network, electricity transmission, grid operation and the development of unified electricity markets. The balance services segment includes activities related to national balance management and imbalance settlement. Promoting the reserve and balancing power markets, which balance the power system, are also included in the balance services segment. Both the main grid segment and the balance services segment are the company's regulated business operations, which are supervised by the Energy Authority. Geographical data is not presented, as Fingrid operates only in Finland. The Group also has other tasks that fall under its statutory public service obligations, and these have been included in other activities within the segment information.

Segment information is reported in a manner consistent with internal reporting to the chief operating decision-maker. In line with the company's management principles, the chief operating decision-maker, who is responsible for allocating resources to the operating segments and for assessing the results of the segments, is the President & CEO.

The segment information is FAS-compliant, and it is reconciled with the IFRS consolidated financial statements. The segments' results are assessed on the basis of the operating result. The segments' combined operating results constitute grid operations' operating profit, which serves as the basis for the calculation of the actual adjusted result compatible with regulation. Costs are allocated to the segments in accordance with the matching principle, which creates a basis for pricing the services. Finance income and costs are not allocated to the segments, as the Group's cash assets are controlled by Group Treasury.

Variations between the segments' results and turnover are typical. The segments form the basis for the calculation of Fingrid's adjusted result compatible with the reasonable return regulation, and thus the results development of one segment can also affect the other segment over time to avoid exceeding the allowed regulatory profit set for the operations. The segments' service prices are adjusted to correspond to costs over time.

Segment information is published every six months as part of the Group's IFRS financial statements and half-year review.

Foreign currency transactions

The consolidated financial statements are presented in euros, which is the functional currency of the parent company. Transactions and financial items denominated in foreign currencies are recognised at the European Central Bank's (ECB) euro foreign exchange reference rate at the transaction date. Receivables and liabilities denominated in foreign currencies are valued in the financial statements at the ECB's reference rate at the closing date. Foreign exchange gains and losses from business are included in the corresponding items above operating profit. Foreign exchange gains and losses from financial instruments are recognised at net amounts in finance income and costs.

3.2 The company's general risk management processes and policies

In the risk management process, the risk factors linked with operative activities, assets and financing are estimated systematically according to unified criteria. The risks are divided into strategic risks and major business risks to be reported to the Board of Directors, and into operational risks. Hedging a risk will be implemented when the cost of the hedge is in reasonable relation to the size of the risk. A general objective is to transfer significant risks by contracts, insurances or derivatives. The risks deemed to be moderate in terms of their impacts are managed by Fingrid independently, through clear controls and other practical measures.

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. Due to the nature of the company's basic mission, risks are also assessed from a societal perspective.

The Board approves the key principles of internal control and risk management and any amendments to them. The Board of Directors approves the primary actions for risk management as part of the corporate strategy, indicators, action plan, and budget. The Board of Directors (audit committee) receives a situation report annually, or more frequently if necessary, on the major risks relating to the operations of the company and on the management of such risks.

In 2023, Fingrid continued the implementation of its enterprise risk management development programme aimed at identifying and managing the interdependencies of individual risks more effectively. The programme is a response to the increasing demands on risk management resulting from the change in the operating environment. The person in charge of implementing the development programme is the company's CFO, who reports on its progress to the company's Board of Directors as part of annual risk management reporting.

3.3 Formation of turnover and financial result

Grid service revenue is mainly determined by electricity consumption. The proportion of the fees allocated to electricity production is small, in compliance with EU legislation. The Energy Market Authority approves the pricing structure for grid services, on the basis of which Fingrid sets the unit prices for electricity transmission during the winter period and for consumption during other times. In addition to consumption invoicing, Fingrid additionally charges fees for output from and input into the grid, and power-based tariffs. Within the framework of grid services, a customer obtains the right to transmit electricity to and from the main grid through its connection point. Fingrid waived the grid service fees for six months in 2023 and used congestion income to offset the substantial increase in costs to the benefit of its customers. More information on congestion income is provided in section 4.1.

Fingrid is responsible for the continuous power balance in Finland at all times by buying and selling balancing power in Finland. Fingrid buys and sells balancing power in order to stabilise the hourly power balances of electricity market operators (balance responsible parties) and this way assumes financial counterparty risk for each balance responsible party. Imbalance power trade and imbalance pricing are based on a balance service agreement with impartial and public terms and conditions.

ITC compensation is, for Fingrid, income and/or costs which the transmission system operator receives for the use of its grid by other European transmission system operators and/or pays to other transmission system operators when using their grid to serve its own customers.

2. TURNOVER, €1,000	2023	2022
Grid service revenue	164,528	333,747
Sales of imbalance power	682,616	1,160,181
Cross-border transmission income		11,067
ITC income	20,753	23,068
Peak load capacity	29	7,190
Congestion income	284,720	229,450
Datahub income	20,636	15,019
Other operating income	19,900	35,519
Total	**1,193,182**	**1,815,242**

3. OTHER OPERATING INCOME, €1,000	2023	2022
Rental income	402	589
Capital gains on fixed assets		4,802
Contributions received	11	115
Congestion income	117,964	18,834
Gains from measuring derivatives at fair value		141,018
Other income	1,352	6,030
Total	**119,729**	**171,387**

Accounting principles

Revenue recognition

Sales recognition takes place on the basis of the delivery of the service. Electricity transmission is recognised once the transmission has taken place, and balance power services are recognised on the basis of the delivery of the service. Congestion income is recognised for each month in accordance with the Energy Authority's approval. Indirect taxes and discounts, etc., are deducted from the sales income when calculating turnover.

IFRS 15 Revenue from Contracts with Customers

The fundamental principle of the IFRS 15 standard is that sales revenue should be recognised when control over the goods or the service is transferred to the customer.

A five-step process should be applied when recognising sales revenue:

- Identification of client contracts
- Identification of distinct performance obligations
- Specification of the contractual transaction price
- Allocation of the transaction price to individual performance obligations, and
- Recognition of sales revenue when each performance obligation is met.

Sales recognition takes place on the basis of the supply of the service. Electricity transmission is recognised once the transmission has taken place. Balance power services are recognised on the basis of the delivery of the service. Fingrid has defined the performance obligations related to each agreement, and revenue recognition has been examined separately for each performance obligation. When determining the extent to which a performance obligation is met, a single method should be applied for all performance obligations to be met over time.

Connection agreements are long term and can be terminated, at the earliest, 15 years from the date when they entered into force. If a customer does not receive an individual item of goods or a service against the connection fee, this must be recognised as revenue in the same way as the other revenue according to the contract, generally over the contract term. The revenue from connection agreements is accrued in IFRS turnover over a period of 15 years.

The company reviews the revenue recognition principles for new products or when the business models change.

Judgements and estimates

Estimate of the purchase and sale of imbalance power

The income and expenses of imbalance power are ascertained through a nationwide imbalance settlement procedure, which is based on the Ministry of Employment and Economy's 9 December 2008 decree on the disclosure obligation related to the settlement of electricity delivery. The final imbalance settlement is completed no later than 13 days from the delivery month, which is why the income and expenses of imbalance power in the financial statements are partly based on preliminary imbalance settlement. The estimate is based on the preliminary imbalance settlement information provided by the imbalance settlement. For foreign balances, the calculations have been verified with the foreign counterparties.

Inter-Transmission System Operator Compensation (ITC)

Compensation for the transit transmissions of electricity has been agreed upon through an ITC (Inter-Transmission System Operator Compensation) agreement. The centralised calculations are carried out by ENTSO-E (the European Network of Transmission System Operators of Electricity). ITC compensation is determined on the basis of the compensation paid for use of the grid and transmission losses. The ITC calculations take into account the electricity transmissions between the various ITC agreement countries. ITC compensation can represent both an income and a cost for a transmission system operator. Fingrid's share of the ITC compensation is determined on the basis of the cross-border electricity transmissions and imputed grid losses. ITC compensation is invoiced retroactively after all parties to the ITC agreement have approved the invoiced sums. Control is carried out monthly. This is why the uninvoiced ITC compensations for 2023 have been estimated in the financial statements. The estimate has been made using actual energy border transmissions in Finland and unit compensations, which have been estimated by analysing the actual figures from previous months and data on grid transmissions during these months.

3.4 Revenue-related receivables and credit risk management

4. TRADE RECEIVABLES AND OTHER RECEIVABLES, €1,000	2023	2022
Non-current:		
Other receivables	74	74
Total	74	74
Current:		
Trade receivables	17,095	34,157
Receivables from associated companies	18,014	192
Accrued income	16,800	30,348
Other receivables	15,074	23,578
Total	66,984	88,275
Total	**67,058**	**88,349**

Essential items included in short-term accruals	2023	2022
Accruals of sales	10,255	27,196
Accruals of purchases/prepayments	2,410	1,836
Interest receivables	4,135	1,316
Total	**16,800**	**30,348**

Credit risk management – customers

According to The Electricity Market Act, the company is obliged to accept regional and distribution network operators joining the grid as well as mainly large electricity producers and consumers that meet certain conditions as its customers. Accordingly, the company cannot choose its customers based on a credit risk analysis or collect different fees from them. In general, collateral are not required from the company's customers to secure sales payments, but in the event of an overdue payment, this is possible. The company's balance service customers are required to have collaterals to cover open imbalance power sales receivables and the estimated future counterparty risk due to the use of imbalance power. The collateral requirements are defined in the terms and conditions of balance service approved by the customer. The collaterals of balance service customers are managed by eSett Oy. Fingrid's unit in charge of customer relationships is responsible for verifying the creditworthiness of main grid customers. The procedure following a customer payment default is defined in the terms and conditions of the Main Grid Contract. At the turn of the year, the company had minor outstanding receivables, of which the credit risk was considered to be low, and the company estimates it will receive these payments. The company has no impairments related to receivables.

Netting of sales receivables and trade accounts payables

The sales receivables and trade accounts payables are netted in the balance sheet as presented in the table below. The netted items are associated with purchases and sales of imbalance power. The company has a legally enforceable right of set-off to these items in any circumstance and will use this right.

5. NETTING OF TRADE RECEIVABLES AND TRADE PAYABLES, €1,000	2023			2022		
	Gross amount of trade receivables/ trade payables	Amount of netted items	Net amount of trade receivables and trade payables presented in the balance sheet	Gross amount of trade receivables/ trade payables	Amount of netted items	Net amount of trade receivables and trade payables presented in the balance sheet
Trade receivables *	101,853	-67,179	34,674	125,351	-91,192	34,159
Trade payables	127,205	-67,179	60,026	163,724	-91,192	72,532

* Including trade payables from associated

Accounting principles

Trade and other receivables

Trade receivables and other receivables are recognised initially at the transaction price; subsequently they are measured at amortised cost using the effective interest rate method.

Possible credit losses are assessed based on historical amounts of credit losses by taking into account forward-looking information on economic developments and receivable-specific assessments. Impairment losses are recognised directly, under other operating expenses, to reduce the carrying amount of the receivables. Fingrid did not have any impairment losses during the periods presented here.

3.5 Operating expenses, liabilities and credit risk management for purchases

Cost increases due to new tasks and external changes on the electricity market affecting operations has been a special characteristic of grid operations in recent years. The new tasks include the changes required by the European network codes and the costs for developing these tasks and developing the Nordic imbalance settlement and the related markets. Some of the new tasks and responsibilities are assigned to Fingrid by law, which means the company must increasingly develop and back up its operations. The cost factors also include the expansion and increased complexity of the electricity system, society's increasing dependency on the electricity system and needs related to information security, as well as the preparation and implementation of the company's extensive investment programme. Fingrid continues to be one of the most cost-effective TSOs in the world in international benchmark studies. An indication of high productivity is also the fact that the operating environment has expanded significantly more than the operating costs have grown. The most significant cost items are the imbalance power procurement, reserve costs and loss power costs.

Reserves are needed to maintain the grid's frequency and system security. The electricity market participants plan in advance the balance of their consumption and production, but the balancing of deviations during the delivery hour requires reserves, which Fingrid acquires from the markets it maintains. Reserves refer to power plants, demand facilities and energy storage facilities, which are able to adjust their electric power as needed. There are many types of reserves, and they are divided up based on their purpose.

Loss power costs arise based on transmission losses in the main grid and the price of electricity. The company hedges against the cost of procuring loss power with derivatives. Information on loss power costs can be found in chapter 3.7.

The Group's R&D costs in 2023 amounted to EUR 2.4 (1.8) million.

6. MATERIALS AND SERVICES, €1,000	2023	2022
Purchase of imbalance power	491,072	1,141,171
Cost of reserves	185,243	186,482
Loss power costs	75,204	103,875
Maintenance management costs	21,081	18,312
ITC costs	20,734	18,078
Peak load capacity costs	0	6,915
Other materials and services	121,294	34,141
Total	**914,628**	**1,508,975**

7. OTHER OPERATING EXPENSES, €1,000	2023	2022
Contracts, assignments etc. undertaken externally	30,090	27,970
Gains/losses from measuring derivatives at fair value	185,088	432
Other rental expenses	1,126	740
Other expenses	14,888	12,189
Total	**231,192**	**41,330**

Auditors' fees	2023	2022
PricewaterhouseCoopers Oy		
Auditing fee	195	149
Other fees	77	52
Total	**272**	**201**

Auditors' fees are included in other operating expenses.

8. TRADE PAYABLES AND OTHER LIABILITIES, €1,000	**2023**	**2022**
Non-current:		
Accruals: congestion income*	387,081	677,435
Other accruals	120,826	
Total	507,907	677,435
Current:		
Trade payables	60,026	57,256
Debts to associated companies	353	15,740
Interest payable	14,418	13,510
Value added tax	637	306
Electricity tax	777	817
Accruals	626,561	507,344
Other debt	1,445	6,564
Total	704,217	601,536
Total	**1,212,124**	**1,278,970**

Essential items included in short-term liabilities	**2023**	**2022**
Personnel expenses	10,691	9,815
Accruals of sales and purchases	26,057	106,163
Tax liabilities	1,163	5,064
Congestion income*	588,650	386,301
Total	**626,561**	**507,344**

*Information on the accrual and use of congestion income can be found in chapter 4.1.

Credit risk in purchasing

The heads of functions are responsible for managing the counterparty risks related to the company's service and equipment suppliers. The procurement policy and guidelines, and separate instructions set out the guarantees and financial eligibility criteria required of Fingrid's suppliers and their monitoring.

General procurement principles

The Group follows three alternative procurement methods when purchasing goods or services. When the value of the purchase is less than 60,000 euros and the benefits of a competitive tender are smaller than the costs of the purchase, the purchase can be executed without a competitive tender or it can be executed through an oral request. A written order or purchasing agreement is always drawn up. When the estimated value of the procurement exceeds 60,000 euros but is below the threshold values applied to public procurements, the procurement is subject to competitive bidding by requesting written bids from the supplier candidates. When the public procurement threshold values that apply to Fingrid (in 2023: EUR 431,000 for goods and services, EUR 5,382,000 for construction projects, EUR 431,000 for design competitions and EUR 5,382,000 for right-of-use agreements) are exceeded, the company follows the public procurement legislation applied to special sectors.

3.6 Inventories

Fingrid prepares for outages by owning and maintaining reserve power plants. The inventories contain fuel for reserve power plants, spare parts for submarine cables, back-up equipment and parts for substations, and repair equipment for transmission lines. The aim of stockpiling is to achieve sufficient preparedness at the substations and on the transmission lines owned by Fingrid in case of faults and events possibly occurring during times of crisis.

9. INVENTORIES, €1,000	2023	2022
Materials and consumables		
Material stocks	10,399	9,915
Fuel stocks	8,705	8,783
Total	**19,104**	**18,698**

The use of inventories was entered as an expense of EUR 1.7 (2.2) million.

Accounting principles

Inventories

Inventories are measured at the lower of acquisition cost or net realizable value. The acquisition cost is determined using the FIFO principle. The net realizable value is the estimated market price in normal business reduced by the estimated future costs of completing and estimated costs required by sale. Inventories consist of material and fuel inventories.

3.7 Management of commodity risks

The company is exposed to electricity price and volume risk through transmission losses so that the company must acquire so-called loss power in an amount corresponding to the electricity transmission losses. A deviation from the predicted volume of electricity transmission can result in a deviation in the company's turnover and operating profit. This can be a surplus or deficit compared with the allowed reasonable return for the year in question, which the company will aim to offset during the regulatory period.

Loss power purchases and the price hedging thereof are based on the Corporate Finance Principles approved by the Board of Directors. The physical loss power is procured from the NordPool power exchange at the day's market price. The price risk of loss power procurement is hedged with electricity derivatives. The purpose of price hedging is to reduce the impact of market price volatility and enable sufficient predictability for loss power cost. The hedging service is outsourced to an external portfolio manager who decides on the implementation and timing of the hedge according to the specifications of the loss power policy and the given instructions. The portfolio manager implements the hedge with an OTC counterparty either directly or via the power exchange. The purchase price of loss power is hedged using derivatives such that the hedge horizon is four years at maximum. The price hedging is implemented with listed futures and forward contracts, including OTC forwards, which did not include collateral requirements in 2023. The counterparty risk of bilateral contracts is managed with counterparty-specific limits.

Commodity risks other than those related to loss energy purchases arise if the company enters into purchasing agreements in which the price of the underlying commodity influences the final price of the investment commodity (commodity price risk). The company uses derivatives to hedge against commodity price risks to the extent that the hedging instruments of the risk in question are cost-effectively available and the risk cannot otherwise be hedged.

A summary of the derivatives is presented in Note 24.

3.8 Personnel – the cornerstone of our operations

Fingrid Oyj employed 544 (489) persons, including temporary employees, at the end of the year. The number of permanent personnel was 493 (439). Of the personnel employed by the company, 26 (25) per cent were women and 74 (75) per cent were men. The average age of the personnel was 43 (43).

10. PERSONNEL EXPENSES, €1,000	2023	2022
Salaries and bonuses	35,828	31,858
Pension expenses - contribution-based schemes	5,751	5,074
Other additional personnel expenses	1,204	1,125
Total	**42,782**	**38,057**
Salaries and bonuses of top management	**2,241**	**2 251**

Personnel costs amounted to EUR 46.8 (42.1) million, of which EUR 4.1 (4.0) million was capitalised to investment projects.

NUMBER OF SALARIED EMPLOYEES IN THE COMPANY DURING THE FINANCIAL YEAR:	2023	2022
Personnel, average	517	480
Personnel, 31 Dec	544	489

In 2023, the Group applied a remuneration system for senior management; the general principles of the system were accepted by the Board of Directors of Fingrid Oyj on 21 December 2022. The total remuneration of the President & CEO and the members of the Executive Management Group consists of a fixed total salary, a one-year bonus scheme, and a three-year long-term incentive scheme. The maximum amount of the one-year bonus scheme payable to the CEO was 40 per cent of the annual salary and to the other members of the executive management group 25 per cent of the annual salary. The maximum amount of the annual long-term incentive scheme payable to the CEO was 40 per cent and to the other members of the executive management group 25 per cent.

The Group currently has contribution-based pension schemes only. The pension security of the Group's personnel is arranged by an external pension insurance company. Pension premiums paid for contribution-based schemes are recognised as an expense in the income statement in the year to which they relate. In contribution-based schemes, the Group has no legal or factual obligation to pay additional premiums if the party receiving the premiums is unable to pay the pension benefits.

Accounting principles

Employee benefits

Pension obligations

The company has only defined contribution-based pension schemes. A defined contribution-based pension arrangement refers to a pension scheme according to which fixed contributions are paid into a separate entity, and the Group bears no legal or actual obligation to make additional contributions if the fund does not contain sufficient funds to pay out benefits based on work performed during current and previous financial periods to all employees. Under defined contribution-based pension schemes, the Group pays mandatory, contractual or voluntary contributions into publicly or privately managed pension insurance policies. The Group has no other contribution obligations in addition to those payments. The payments are entered as personnel costs when they fall due. Advance payments are entered in the balance sheet as assets insofar as they are recoverable as refunds or deductions from future payments.

3.9 Taxes

The company will pay its income taxes in accordance with the underlying tax rate, without special tax arrangements. Income taxes consist of direct taxes and the change in deferred tax: EUR -30.4 (-45.4) million and EUR 30.2 (-6.2) million respectively. Fingrid's effective tax rate is essentially comparable to Finland's corporate tax rate of 20%, taking into account Fingrid's share of the associated company's revenue. In 2023, Fingrid accumulated EUR 28.5 million in depreciation difference, which the company will use to reinforce its financial buffers as the risks in the operating environment increase.

11. DEFERRED TAX ASSETS AND LIABILITIES, €1,000

Changes in deferred taxes in 2023:

Deferred tax assets	31 Dec 2022	Recorded in income statement at profit or loss	31 Dec 2023
Provisions	624	-50	574
Trade payables and other liabilities	1,928	-45	1,883
Losses confirmed in taxation	1,679	-611	1,068
Derivative instruments	4,870	-655	4,214
Congestion income	24,728	-5,014	19,714
Connection fees (IFRS 15)	16,503	7,246	23,749
Lease liabilities (IFRS 16)	208	39	246
Property, plant and equipment, tangible and intangible assets	91	-27	64
Total	**50,631**	**882**	**51,513**
Deferred tax liabilities			
Accumulated depreciations difference	-55,779	-5,700	-61,479
Property, plant and equipment, tangible and intangible assets	-33,740	-1,738	-35,478
Other receivables	987	-672	316
Other financial assets	-139	-963	-1,102
Borrowings	-1,613	45	-1,568
Derivative instruments	-45,976	38,304	-7,673
Total	**-136,260**	**29,276**	**-106,984**

DEFERRED TAX ASSETS AND LIABILITIES, €1,000

Changes in deferred taxes in 2022:

Deferred tax assets	31 Dec 2021	Recorded in income statement at profit or loss	31 Dec 2022
Provisions	621	2	624
Trade payables and other liabilities	1,973	-45	1,928
Losses confirmed in taxation	2,059	-380	1,679
Derivative instruments	554	4,316	4,870
Congestion income	7,950	16,779	24,728
Connection fees (IFRS 15)	13,668	2,835	16,503
Lease liabilities (IFRS 16)	165	42	208
Property, plant and equipment, tangible and intangible assets	118	-27	91
Total	**27,109**	**23,522**	**50,631**
Deferred tax liabilities			
Accumulated depreciations difference	-55,779		-55,779
Property, plant and equipment, tangible and intangible assets	-32,471	-1,268	-33,740
Other receivables	1,633	-646	987
Other financial assets	-211	72	-139
Borrowings	-1,658	45	-1,613
Derivative instruments	-18,041	-27,936	-45,976
Total	**-106,528**	**-29,733**	**-136,260**

Accounting principles

Income taxes

Taxes presented in the consolidated income statement include the Group companies' accrual taxes for the profit of the financial year, tax adjustments from previous financial years and changes in deferred taxes. Deferred taxes are recorded in accordance with Finland's statutory corporate tax rate of 20%. Taxes are recognised in the income statement unless they are linked with other comprehensive income, in which case the tax is also recognised in other comprehensive income. Such items in the Group consist solely of available-for-sale investments.

Deferred tax assets and liabilities are recognised on all temporary differences between the tax values of asset and liability items and their carrying amounts using the liability method. Deferred tax is recognised using tax rates valid up until the closing date. The deferred tax liabilities arising from the original recognition of goodwill will not be recognised, however. Deferred tax liabilities will also not be recognised if they are caused by the original recognition of the asset or liability and the item is not related to a merger and the transaction will not affect the accounting totals or the taxable revenue during its implementation. The deferred tax assets are shown as non-current receivables and deferred tax liabilities correspondingly as non-current liabilities.

The largest temporary differences result from the property, plant and equipment depreciation difference, depreciations, financial instruments, recognition of connection fees, and from the use of congestion income for capital expenditure. The deferred tax asset from temporary differences is recognised up to an amount which can likely be utilised against future taxable income.

4 Long-term investor (IFRS)

- Chapter four focuses on Fingrid's assets, and above all, the most important ones: grid assets and factors affecting them.
- The chapter takes a look at the company's goodwill and provides a description of other property, plant and equipment, and intangible assets.

4.1 Grid assets

The company's total capital expenditure in 2023 amounted to EUR 322.0 (276.1) million. 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. In 2023, Fingrid completed 15 power system substations and 56 kilometres of transmission lines.

Grid assets are recognised at fair value for the purposes of the company's regulatory balance sheet. The regulatory fair value of the transmission network assets (adjusted replacement cost) is calculated by adding up the adjusted replacement costs for each grid component; these are calculated by multiplying the unit price specified by the Energy Authority with the number of grid components. In compliance with the regulatory monitoring method, the unit prices from 2022 are used for calculating the fair value of the main grid in 2023. The adjusted present value in use for a grid component is calculated based on the adjusted replacement cost, using the useful life and mean lifetime data of the grid component.

Congestion income

Congestion income is generated because of an insufficient transmission capacity between the bidding zones of an electricity exchange. In such cases, the bidding zones become separate price areas, and the transmission link joining them generates congestion income in the electricity exchange as follows: congestion income [€/h] = transmission volume in the day-ahead markets [MW] * area price difference [€/MWh]. The basis for this is that a seller operating in a lower priced area receives less for their power than what a buyer pays for it in a higher priced area. The additional income caused by this price difference, i.e. congestion income, remains in the electricity exchange, which then pays the income to the TSOs as per the contractual terms. Congestion income from cross-border connections is divided evenly between the transmission system operators of the two countries. Finland is a single price area and congestion income is not generated from the internal transmission connections. The congestion income received by a grid owner must be used for the purposes stated in EU Regulation 2019/943, Article 19: guaranteeing the actual availability of the allocated capacity, maintaining or increasing interconnection capacities through network investments, covering the costs of maintaining said capacity, and recognising congestion income in the company's turnover.

The long-term transmission rights (LTTR) adopted between Finland and Estonia are Financial Transmission Rights (FTR) from Finland to Estonia, which are issued by the transmission system operators and cleared financially. The underlying asset of FTRs is the price difference between the Finnish and Estonian price areas. The FTRs are offered as yearly and monthly products and cover roughly two thirds of the electricity transmission capacity between Finland and Estonia. The owner of an FTR is entitled to receive a payment when the price difference is positive in the agreed transmission direction. This payment to the FTR holder is included in the costs to be covered by Fingrid's congestion income. The FTRs are distributed to the buyers in an auction on the pan-European trading platform, which determines the price according to the margin pricing principle, at the point where demand and supply meet. The auction prices paid for FTRs are included in the congestion income accrued to Fingrid. In Europe, the Joint Allocation Office (JAO) is responsible for arranging the auctions and maintaining the trading platform.

12. CONGESTION INCOME, €1,000	2023	2022
Unused on 1 Jan	1,063.7	488.7
Accumulated congestion income	317.0	942.9
Incomes matching congestion income	284.7	229.5
Expenses matching congestion income	21.8	18.8
Allocated to transmission right compensations	96.2	0.0
Investments matching congestion income	2.3	119.6
Unused on 31 Dec	975.7	1,063.7

Fingrid's congestion income from cross-border transmission lines totalled EUR 317.0 (942.9) million. EUR 975.7 (1,063.7) million in congestion income remains unused and will be used for future cross-border transmission capacity investments to improve the effectiveness of the electricity market and to cover costs related to cross-border transmission and the operations of the electricity markets; it will also be recognised in the company's turnover to the benefit of customers. The congestion income accrued to Fingrid was lower than the congestion income used, which decreased the amount of accrued congestion income on the balance sheet.

The majority of the accrued unused congestion income was generated during the exceptional energy market conditions of 2022. Unused congestion income is included in the company's financial assets and, in line with the Treasury Policy, mainly invested in low-risk fixed income instruments and used for meeting the company's short-term financial needs. The Energy Authority decides in its regulatory decision for the regulatory period on the use of the congestion income received by Fingrid in line with EU regulation. The Energy Authority issues annually an advance guideline for the use of congestion income in its regulatory letter.

Accounting principles

Congestion income

The congestion income is included as accruals in the item Other liabilities in the balance sheet. Of accruals, congestion income is recognised in the income statement in other operating income in compliance with the accrual of costs defined in regulation and in turnover to the extent that congestion income can be directly recognised for the benefit of grid customers. Alternatively, they are entered in the balance sheet against investments, as defined by regulation, to lower the acquisition cost of property, plant and equipment, which lowers the depreciation of the property, plant and equipment in question. Fingrid reports the share of congestion income to be used during the next year in short-term liabilities.

The Energy Authority's regulatory letters during the regulatory period guide the use of congestion income. The Energy Authority issues a decision on the use of congestion income as part of its supervisory decision on the reasonable return.

Public contributions

Public contributions received from the EU or other parties related to property, plant and equipment are deducted from the acquisition cost of the item, and the contributions consequently reduce the depreciation made on the item. Other contributions are distributed as income over those periods when costs linked with the contributions arise. Other contributions received are presented in other operating income.

Consolidated key figures

Consolidated financial statements (IFRS)

Benchmark for TSO operations (IFRS)

Long-term investor (IFRS)

Strong financial position (IFRS)

Other information (IFRS)

Parent company financial statements (FAS)

Signatures for the annual review and for the financial statements

4.2 Tangible and intangible assets

13. PROPERTY, PLANT AND EQUIPMENT, €1,000	**2023**	**2022**
Land and water areas		
Cost at 1 Jan	21,390	20,406
Increases 1 Jan–31 Dec	2,752	984
Cost at 31 Dec	**24,142**	**21,390**
Carrying amount 31 Dec	**24,142**	**21,390**
Buildings and structures		
Cost at 1 Jan	418,587	378,042
Increases 1 Jan–31 Dec	73,435	41,544
Decreases 1 Jan–31 Dec	-588	-1,000
Cost at 31 Dec	**491,434**	**418,587**
Accumulated depreciation 1 Jan	-120,977	-109,060
Decreases, depreciation 1 Jan–31 Dec	434	693
Depreciation 1 Jan–31 Dec	-15,593	-12,610
Carrying amount 31 Dec	**355,298**	**297,610**
PROPERTY, PLANT AND EQUIPMENT, €1,000	**2023**	**2022**
Machinery and equipment		
Cost at 1 Jan	1,368,163	1,299,992
Increases 1 Jan–31 Dec	111,528	73,245
Decreases 1 Jan–31 Dec	-22,145	-5,074
Cost at 31 Dec	**1,457,547**	**1,368,163**
Accumulated depreciation 1 Jan	-799,904	-758,901
Decreases, depreciation 1 Jan–31 Dec	20,525	4,485
Depreciation 1 Jan–31 Dec	-54,843	-45,489
Carrying amount 31 Dec	**623,325**	**568,259**
Transmission lines		
Cost at 1 Jan	1,403,793	1,369,854
Increases 1 Jan–31 Dec	23,943	43,923
Decreases 1 Jan–31 Dec	-1,426	-9,984
Cost at 31 Dec	**1,426,311**	**1,403,793**

€1,000	**2023**	**2022**
Accumulated depreciation 1 Jan	-693,328	-663,777
Decreases, depreciation 1 Jan–31 Dec	1,219	9,507
Depreciation 1 Jan–31 Dec	-38,583	-39,058
Carrying amount 31 Dec	**695,618**	**710,465**
PROPERTY, PLANT AND EQUIPMENT, €1,000	**2023**	**2022**
Capitalised interest on machinery and equipment and transmission lines		
Cost at 1 Jan	20,924	15,763
Increases 1 Jan–31 Dec	2,818	5,161
Cost at 31 Dec	**23,743**	**20,924**
Accumulated depreciation 1 Jan	-4,211	-3,530
Depreciation on capitalised interest 1 Jan–31 Dec	-809	-681
Carrying amount 31 Dec	**18,723**	**16,714**
Other property, plant and equipment		
Cost at 1 Jan	110	118
Decreases 1 Jan–31 Dec		-7
Cost at 31 Dec	**110**	**110**
Carrying amount 31 Dec	**110**	**110**
Prepayments and purchases in progress		
Cost at 1 Jan	183,811	235,206
Increases 1 Jan–31 Dec	314,308	127,711
Decreases 1 Jan–31 Dec		-6,315
Transfers to other tangible and intangible assets 1 Jan–31 Dec	-226,339	-172,791
Cost at 31 Dec	**271,781**	**183,811**
Carrying amount 31 Dec	**271,781**	**183,811**
Property, plant and equipment	**1,988,997**	**1,798,359**

14. INTANGIBLE ASSETS, €1,000	2023	2022
Goodwill		
Cost at 1 Jan	87,920	87,920
Cost at 31 Dec	**87,920**	**87,920**
Carrying amount 31 Dec	**87,920**	**87,920**
Land use rights		
Cost at 1 Jan	100,932	100,737
Increases 1 Jan–31 Dec	1,531	197
Decreases 1 Jan–31 Dec		-2
Cost at 31 Dec	**102,463**	**100,932**
Decreases, depreciation 1 Jan–31 Dec		
Carrying amount 31 Dec	**102,463**	**100,932**
Other intangible assets		
Cost at 1 Jan	119,002	107,223
Increases 1 Jan–31 Dec	10,761	15,880
Decreases 1 Jan–31 Dec	-1,073	-4,102
Cost at 31 Dec	**128,690**	**119,002**
Accumulated depreciation 1 Jan	-55,513	-52,235
Depreciation 1 Jan–31 Dec	-10,149	-7,082
Other intangible assets	**63,028**	**59,685**
Decreases, depreciation 1 Jan–31 Dec	607	3,804
Carrying amount 31 Dec	**63,635**	**63,489**
Intangible assets	**254,018**	**252,341**

Land use rights are not depreciated but tested annually for impairment in connection with the testing of goodwill.

The entire business of the Fingrid Group is grid operations in Finland with system responsibility, which the full goodwill of the Group in the balance sheet is fully allocated to. The goodwill included in the balance sheet amounts to EUR 87.9 million and has not changed during the periods under review. Since, per the regulation, the fair value of the net assets included in the company's grid assets is approximately EUR 2,865.0 million compared to the carrying amount of EUR 2,243.0 million in net assets, which includes land use rights and goodwill, the book value of the asset items has not decreased.

Accounting principles

Property, plant and equipment

Grid assets form most of the property, plant and equipment. Grid assets include, among other things, 400 kV, 220 kV, 110 kV transmission lines, direct current lines, transmission line right-of-ways, substations and the areas they encompass (buildings, structures, machinery and equipment, substation access roads), gas turbine power plants, fuel tanks, generators and turbines.

Property, plant and equipment are valued in the balance sheet at the original acquisition cost less accumulated depreciation and potential impairment. If an asset is made up of several parts with useful lives of different lengths, the parts are treated as separate items and are depreciated over their separate useful lives.

When a part of property, plant and equipment that is treated as a separate item is replaced, the costs relating to the new part are capitalised. Other subsequent costs are capitalised only if it is likely that the future economic benefit relating to the asset benefits the Group and the acquisition cost of the asset can be determined reliably. Repair and maintenance costs are recognised in the income statement when they are incurred.

Borrowing costs, such as interest costs and arrangement fees, directly linked with the acquisition, construction or manufacture of a qualifying asset form part of the acquisition cost of the asset item in question. A qualifying asset is one that necessarily requires a considerably long time to be made ready for its intended purpose. Other borrowing costs are recognised as an expense. Borrowing costs included in the acquisition cost are calculated on the basis of the average borrowing cost of the Group.

Property, plant and equipment is depreciated over the useful life of the item using the straight-line method. Depreciation on property, plant and equipment taken into use during the financial year is calculated on an item-by-item basis from the month of introduction. Land and water areas are not depreciated. The expected economic lives are verified at each closing date, and if they differ significantly from the earlier estimates, the depreciation periods are amended accordingly.

The depreciation periods of property, plant and equipment are as follows:

Buildings and structure	
Substation buildings and separate buildings	40 years
Substation structures	30 years
Buildings and structures at gas turbine power plants	20-40 years
Separate structures	15 years
Transmission lines	
Transmission lines 400 kV	40 years
Direct current lines	40 years
Transmission lines 110-220 kV	30 years
Creosote-impregnated towers and related disposal costs	30 years
Aluminium towers of transmission lines (400 kV)	10 years
Optical ground wires	10–20 years
Machinery and equipment	
Substation machinery	10–30 years
Gas turbine power plants	20 years
Other machinery and equipment	3–5 years

Gains or losses from the sale or disposition of property, plant and equipment are recognised in the income statement under either other operating income or expenses. Property, plant and equipment are derecognised in the balance sheet when their economic useful life has expired, the asset has been sold, scrapped or otherwise disposed of to an outsider.

Goodwill and other intangible assets

Goodwill created as a result of the acquisition of enterprises and businesses is composed of the difference between the acquisition cost and the net identifiable assets of the acquired business valued at fair value. Goodwill is allocated to the transmission grid business and is tested annually for impairment. Impairment testing is carried out by comparing the regulatory fair value to the carrying amount of net assets included in the company's grid assets. Regulatory recognition at fair value is presented in chapter 4.1. and impairment is discussed in chapter 4.2.

Other intangible assets consist of computer software and land use and emission rights. Computer software is valued at its original acquisition cost and depreciated on a straight line basis during its estimated useful life. According to IFRIC's 2021 agenda resolution on the interpretation of the IAS 38 standard, cloud service software (SaaS) does not meet the criteria of an intangible asset if the software is managed by a service provider. The costs of the configuration and tailoring services for the cloud services in question are recognised as a cost for the financial year if the service linked to the cloud service can be separated from other SaaS services. If the service cannot be separated from the other SaaS services, the costs are recognised as a prepayment, which is recognised as a cost during the contractual period of the SaaS services.

Land use rights, which have an indefinite useful life, are not depreciated but are tested annually for impairment.

More on emission rights in chapter 6.2.

Subsequent expenses relating to intangible assets are only capitalised if their economic benefits to the company increase compared to before. In other cases, expenses are recognised in the income statement when they are incurred.

4.3 Lease agreements

The Group's leases mainly relate to office premises. The durations of the leases vary, and they may include options for extension and termination.

A right-of-use asset and a corresponding liability are recognised for leases at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost.

15. LEASES, €1,000	2023	2022
Right-of-use-assets:		
Right-of-use-assets, buildings and structures		
Cost at 1 Jan	28,745	30,239
Increases 1 Jan–31 Dec	4,554	1,439
Deprecation 1 Jan–31 Dec	-3,325	-2,934
Cost at 31 Dec	29,974	28,745
Carrying amount 31 Dec	**29,974**	**28,745**
Lease liabilities:		
Non-current	28,044	27,035
Current	3,162	2,748
Total	**31,206**	**29,783**

Amounts recognised in the income statement		
Depreciation of right-of-use assets – buildings	3,325	2,934
Interest costs	631	612
Costs related to short-term leases and leases of low-value assets	1,054	831

The outgoing cash flow from leases in 2023 totalled EUR 3.8 (3.3) million.

Accounting principles

Lease agreements

Fingrid Oyj mainly acts as a lessee, and most of the leases are for office premises. The lessee recognises all the leases as right-of-use assets and lease liabilities in the balance sheet, except for items of short duration (lease terms of less than 12 months) and of insignificant value. A right-of-use asset and a corresponding liability are recognised in the balance sheet at the date at which the leased asset is available for use by the Group. The right-of-use asset is depreciated as straight-line depreciations, over the shorter of lease term and useful life of the underlying asset. The interest cost of lease liabilities is recorded in finance costs. Lease liability payments are stated in the cash flow of financing activities and the related interest in interest expenses.

The length of the lease period is the time during which the agreement cannot be cancelled. Lease agreements may include extension options and these are taken into account in the length of the lease period, if the management considers it highly likely that they will be used.

The real-estate leases do not clearly define the interest rate implicit in the lease, which is why Fingrid uses as the interest rate an estimate of the company's incremental borrowing rate for real estate leases. The incremental borrowing rate is determined for the entire real-estate lease portfolio, whereby all real-estate leases are discounted using the same interest rate. The discount rates applied in discounting leases under IFRS 16 are based on the market yield on the company's publicly quoted bonds.

Short-term leases or leases of low-value assets, which are expensed in equal instalments, consist of vehicle lease payments, lease payments for land and water areas and lease payments for small machinery and equipment.

Judgements and estimates

Lease agreements concerning right-of-use assets often include extension and termination options. The company's management has estimated how likely it is that the agreements will be extended. The lease period will be reassessed if the option is used or is not used.

5 Strong financial position (IFRS)

- Chapter five describes how Fingrid's financing is formed and the related risk management. The chapter also presents how short-term financial assets that maintain liquidity are formed.
- The end of the chapter contains a summary of the financial assets and financing liabilities, as well as derivatives, that the company uses exclusively for risk management purposes. The risks relate to various market risks, i.e. the electricity and commodity price risk and the interest rate and exchange rate risk. Management of the electricity price and volume risk is described in chapter 3.7.
- The chapter describes the company's principles of capital management, ownership structure and dividend distribution policy.

5.1 Capital management

Equity and liabilities as shown in the balance sheet are managed by Fingrid as capital.

The company must have a capital structure to support consistently strong credit ratings, reasonable cost of capital and adequate dividend pay-out capability. The principal aim of Fingrid's capital management and grid asset management is to ensure uninterrupted operations and value retention as well as rapid recovery from any exceptional circumstances.

The company aims to maintain a credit rating of at least 'A-'. The company has not set specific key financial ratio targets for accounting balance sheet or regulatory balance sheet capital management, but instead monitors and controls the overall situation, for which credit ratings and their underlying risk analyses and other parameters create a foundation.

The company's credit rating remained high in 2023. This reflects the company's strong overall financial situation, its key role as an implementer of climate targets, and its debt service capacity. Fingrid has credit rating service agreements with S&P Global Ratings (S&P) and Fitch Ratings (Fitch).

5.2 The organisation of financing activities and the principles for financial risk management

The company has a holistic approach to the management of financing activities, encompassing external financing, as well as managing liquidity, counterparty and financial risks, and supporting business operations in matters related to financing in general.

Fingrid's financial capital consists of equity and debt financing. The share of equity from the balance sheet total was 20.1% and that of liabilities 79.9% in 2023. The IFRS 16 standard reduced the share of equity by 0.2% points. Regulatory equity was 68.3% and liabilities were 31.7% of the regulatory balance sheet in 2023.

Fingrid Oyj is exposed to several types of financing risk in the management of its overall financing. The objective of financial risk management is to foster shareholder value by securing the financing required for the company's business operations, by hedging against the main financial risks and by minimising financing costs within the risk limits.

The derivative instruments used for hedging are approved annually in the Treasury Policy. The company uses derivative instruments to hedge interest rate, foreign exchange and commodity risks.

Corporate finance principles

The Board of Directors of Fingrid Oyj approves the Corporate Finance Principles which define how Fingrid Oyj manages financing as a whole, including a minimum target for the company's credit rating. The external financing of Fingrid Group is carried out by Fingrid Oyj.

Risk management execution and reporting

Fingrid's Chief Financial Officer is responsible for arranging overall risk management in the company, with a key role held by the operative risk management and reporting of financing in line with the company's Corporate Finance Principles and Treasury Policy. The CFO regularly reports to the President & CEO and the Board (audit committee) on the implementation of financing and risk management.

Risk management processes

The Treasury unit is responsible for the operative monitoring of risk management, for the risk system and models and methods used to assess, monitor and report on risks. As part of comprehensive risk management, the Treasury unit is in charge of operative management of the company's guarantee and insurance portfolio.

Fair value hierarchy

In the presentation of fair value, assets and liabilities measured at fair value are categorised into a three-level hierarchy. The appropriate hierarchy is based on the input data of the instrument. The level is determined on the basis of the lowest level of input for the instrument that is significant to the overall fair value measurement.

Level 1: inputs are publicly quoted in active markets.
Level 2: inputs are not publicly quoted and are based on observable market parameters either directly or indirectly.
Level 3: inputs are not publicly quoted and are unobservable market parameters.

5.3 Financial liabilities, financial costs and managing the financial risks

The company takes advantage of the opportunities offered by credit ratings at any given time on the international and domestic money markets. Market-based and diversified financing is sought from several sources. The goal is a balanced maturity profile. Fingrid's existing loan agreements, debt and commercial paper programmes are unsecured and do not include any financial covenants based on financial ratios. The EUR 1.5 billion EMTN programme designed for Fingrid's long-term financing is listed on the Irish Stock Exchange (Euronext Dublin).

Green financing

Green financing is a key component of Fingrid's financing strategy and responsible operating model. The company's objective is to substantially increase the share of green financing in its total financing. In 2023, Fingrid established a new Green Finance Framework to integrate Fingrid's sustainable strategy, which enables Finland to reach its climate goals, further into the company's financing activities. In connection with establishing the framework, Fingrid also established a EUR 600 million Green Euro Commercial Paper Programme, which will be used to cover short-term financing needs with commercial papers with a maturity of no more than one year.

16. BORROWINGS, €1,000	2023			2022			Hierarchy level
	Fair value	Balance sheet value	%	Fair value	Balance sheet value	%	
Non-current							
Bonds	368,977	368,086		657,551	671,506		Level 2
Loans from financial institutions	262,780	258,541		296,316	291,845		Level 2
	631,756	**626,628**		**953,867**	**963,351**		
Lease liabilities		28,044			27,035		
		654,671	66%		**990,386**	94%	
Current							
Bonds	299,560	299,955		29,935	30,000		Level 2
Loans from financial institutions	40,669	40,355		33,166	33,047		Level 2
	340,229	**340,309**		**63,101**	**63,047**		
Lease liabilities		3,162			2,748		
		343,471	34%		**65,795**	6%	
Total	**971,985**	**998,143**	100%	**1,016,968**	**1,056,181**	100%	

The fair values of borrowings are based on the present values of cash flows. Loans raised in various currencies are measured at the present value on the basis of the yield curve of each currency. Borrowings denominated in foreign currencies are translated into euros at the mid-rates quoted by the ECB at the closing date.

17. BONDS INCLUDED IN BORROWINGS, €1,000				2023	2022
Currency	Nominal value	Maturity	Interest	Balance sheet value	
EUR	30,000	11 Sep 2023	2,71%		30,000
EUR	300,000	3 Apr 2024	3,50%	299,955	299,802
EUR	70,000	7 May 2025	0,527%	70,000	70,000
EUR	100,000	23 Nov 2027	1,125%	99,708	99,636
EUR	25,000	27 Mar 2028	2,71%	25,000	25,000
EUR	10,000	12 Sep 2028	3,27%	10,000	10,000
EUR	80,000	24 Apr 2029	2,95%	80,000	80,000
EUR	30,000	30 May 2029	2,888%	30,000	30,000
				614,662	644,438
NOK	100,000	16 Sep 2025	4,31%	8,896	9,511
NOK	500,000	8 Apr 2030	2,72%	44,482	47,557
				53,378	57,068
Bonds, long-term total				368,086	671,506
Bonds, short-term total				299,955	30,000
Total				**668,041**	**701,506**

18. RECONCILIATION OF DEBT, €1,000

	Borrowings due within 1 year	Borrowings due after 1 year	Total
Debt on 1 Jan 2022	**135,481**	**1,022,636**	**1,158,118**
Cash flow from financing activities	-85,216	-12,662	-97,879
Exchange rate adjustments		-2,999	-2,999
Other changes not involving a payment transaction	146	-1,204	-1,058
Transfer to short-term loans	15,385	-15,385	
Debt on 31 Dec 2022	**65,795**	**990,386**	**1,056,181**
Cash flow from financing activities		-55,996	-55,996
Exchange rate adjustments		-3,689	-3,689
Other changes not involving a payment transaction	368	1,278	1,647
Transfer to short-term loans	277,308	-277,308	
Debt on 31 Dec 2023	**343,471**	**654,671**	**998,143**

Other changes are mainly made up of IFRS 16 impacts.

Reconciliation of net debt, €1,000	**2023**	**2022**
Cash in hand and cash equivalents	253,737	533,445
Financial assets recognised in the income statement at fair value	107,272	199,988
Purchase of other assets	101,943	
Borrowings - repayable within one year	343,471	65,795
Borrowings - repayable after one year	654,671	990,386
Net debt	**535,191**	**322,748**

Financial assets recognised at fair value through profit and loss are liquid investments traded on active markets. Purchase of other assets consists of investments in debt instruments. Net debt is the difference between the company's debt and its cash in hand and cash equivalents, and purchase of other assets. The development of net debt is monitored actively.

19. INTEREST INCOME AND EXPENSES FROM LOANS AND OTHER RECEIVABLES, €1,000	2023	2022
Interest income on financial assets in income statement at fair value	7,638	742
Interest income on cash, cash equivalents and bank deposits	13,284	644
Profits from assets recognised at fair value through profit and loss		-360
Net foreign exchange gains and losses from borrowings, derivatives and FX-accounts	-0	0
Dividend income		410
Other finance income		110
	20,922	**1,545**
Interest expenses on borrowings	-29,582	-20,775
Net interest expenses on interest rate and foreign exchange derivatives	3,748	4,693
Gains/losses from measuring derivative contracts at fair value	435	-19,595
Net foreign exchange gains and losses from borrowings, derivatives and FX-accounts	-570	-108
Interest expenses on lease liabilities (IFRS 16)	-631	-612
Interest expenses on financial assets in income statement at fair value		-360
Other finance costs	-1,088	-1,187
	-27,688	**-37,944**
Capitalised finance costs, borrowing costs;		
at a capitalisation rate of 2.7% (note 13)	6,524	3,728
Total	**-241**	**-32,670**

Managing the market risks of debt

The company issues bonds in the international and domestic money and debt capital markets. Fingrid's borrowings are issued in both fixed and floating interest rates and in several currencies. They thus expose Fingrid's cash flow to interest rate and exchange rate risks. Fingrid uses derivative contracts to hedge against these risks. Fingrid generally holds issued bonds to maturity and thus does not value its bonds in the balance sheet at fair value or hedge against the fair value interest rate risk. The currency risks related to bonds and the interest rate risk of foreign currency are fully hedged.

Transaction risk

The company uses derivatives to fully hedge against exchange rate risks when it is cost-effective to do so and against commodity price risks to the extent that the hedging instruments of the risk in question are cost-effectively available and hedging cannot otherwise be implemented, for instance, through contracts. During the financial year, the company used currency and metal derivatives to hedge business transaction risks. A summary of the derivatives is presented in Note 24.

Interest rate risk

The company is only exposed to euro denominated interest rate risk from its business operations, assets and borrowings. The company's borrowings are, both in terms of principal and interest payments, fully hedged against exchange rate risks. Cash and cash equivalents and financial assets recognised in the income statement at fair value are denominated in euros.

The interest rate risk inherent in Fingrid's operations is caused by changes in the risk-free interest in the WACC model. If the risk-free interest rate rises/falls by one percentage unit, the pre-tax WACC rises/falls by 1.125 percentage units.

The objective of managing the interest rate risk on the loan portfolio is to minimise interest costs in the long term. The aim is to keep the average interest rate period of the gross interest exposure for the loan portfolio (derivatives and liabilities) at around twelve (12) months. The loan portfolio's interest rate risk arises from market interest rate volatility, which decreases or increases the annual interest expenses on the company's floating-rate loans. When market interest rates increase/decrease, the interest expenses of the floating-rate loans also increase/decrease. The company hedges this so-called cash flow risk with derivatives.

Determination of the reasonable rate of return in regulation and operational interest rate risk

The reasonable rate of return on adjusted capital committed to grid operations is determined by using the weighted average cost of capital model (WACC). The WACC model determined by the Finnish Energy Authority illustrates the average cost of the capital used by the company, where the weights are the relative values of equity and debt. The weighted average of the costs of equity and interest-bearing debt are used to calculate the total cost of capital, i.e. the reasonable rate of return per the regulation. The reasonable return is calculated by multiplying the adjusted capital invested in network operations by the WACC.

Liquidity risk

Fingrid is exposed to liquidity and refinancing risks arising from the redemption of loans, payments and fluctuations in cash flow from operating activities. The liquidity of the company must be arranged so that liquid assets (cash and cash equivalents, and financial assets recognised in the income statement at fair value) and available long-term committed credit lines can cover 110% of the refinancing needs for the next 12 months.

The company has a revolving credit facility agreement of EUR 300 million signed on 30 November 2021. The revolving credit facility's loan period extends until 30 November 2028. The facility is committed and has not been drawn. Additionally, the company has at its disposal a total of EUR 90 million in overdraft limits with banks to secure liquidity.

The refinancing risk is managed with the aim of building an even maturity profile in which the share of long-term loans in a single year constitutes less than 30 per cent of the total debt and the average maturity of the company's loan portfolio is at least three years. To secure refinancing, the company makes wide use of diverse sources of financing. The high credit rating and good bank and investor relations enable ready access to the debt capital market and thus minimises the company's debt refinancing risks and financing costs.

The counterparty risks of financing activities are caused by asset management companies, derivatives counterparties, insurance companies and bank counterparties. The company minimises any counterparty risks and can, if necessary, demand guarantees from counterparties to strengthen its risk position. As a rule, credit rating categories are the decisive factor in specifying the counterparty limit.

Contractual repayments and interest costs on borrowings are presented in the next table. The repayments and interest amounts are undiscounted values. Finance costs arising from interest rate swaps are often paid in net amounts depending on the nature of the swap. In the following table, they are presented in gross amounts.

20. PAYMENTS UNDER FINANCING AGREEMENTS IN CASH, 1000 €

31 Dec 2023		2024	2025	2026	2027	2028	2029-	Total
Bonds	repayments	300,000	78,896		100,000	35,000	154,482	**668,378**
	interests	17,818	7,318	6,566	6,566	5,441	5,646	**49,355**
Loans from financial institutions	repayments	40,355	46,381	30,623	28,718	28,718	124,101	**298,896**
	interests	11,742	6,420	4,776	4,241	3,773	17,387	**48,339**
Lease liabilities	repayments	3,162	3,110	3,170	3,225	3,064	15,475	**31,206**
	interests	583	524	464	403	342	909	**3,226**
Cross-currency swaps	payments	2,843	2,197	1,551	1,587	1,654	3,405	**13,238**
Interest rate swaps	payments	9,492	3,915	2,609	2,746	288		**19,050**
Currency derivatives	payments	3,517	1,080	1,067				**5,664**
Total		**389,511**	**149,842**	**50,825**	**147,487**	**78,280**	**321,406**	**1,137,352**
Cross-currency swaps	receivables	1,593	1,977	1,210	1,210	1,210	3,630	**10,830**
Interest rate swaps	receivables	3,805	1,821	1,452	1,452	327		**8,857**
Currency derivatives	receivables	3,370	992	992				**5,355**
Bought interest rate options	receivables	5,233						**5,233**
Total		**14,002**	**4,790**	**3,654**	**2,662**	**1,537**	**3,630**	**30,275**
Total		**375,510**	**145,052**	**47,171**	**144,825**	**76,744**	**317,776**	**1,107,078**

31 Dec 2022		2023	2024	2025	2026	2027	2028-	Total
Bonds	repayments	30,000	300,000	79,511		100,000	192,557	**702,068**
	interests	18,741	17,928	7,428	6,649	6,649	11,338	**68,735**
Loans from financial institutions	repayments	33,047	39,073	45,099	29,341	27,436	150,896	**324,892**
	interests	9,602	10,955	8,469	6,754	5,859	25,469	**67,109**
Lease liabilities	repayments	2,748	2,732	2,685	2,738	2,786	16,094	**29,783**
	interests	564	513	462	409	356	1,075	**3,380**
Cross-currency swaps	payments	2,211	2,716	2,751	2,001	2,016	6,006	**17,701**
Interest rate swaps	payments	8,754	9,037	5,192	3,732	3,788	372	**30,877**
Currency derivatives	payments	10,808	2,349	1,080	1,067			**15,304**
Total		**116,477**	**385,304**	**152,678**	**52,691**	**148,891**	**403,807**	**1,259,848**
Cross-currency swaps	receivables	1,703	1,703	2,113	1,294	1,294	5,174	**13,282**
Interest rate swaps	receivables	3,801	3,805	1,821	1,452	1,452	327	**12,657**
Currency derivatives	receivables	10,743	2,250	1,034	1,034			**15,061**
Bought interest rate options	receivables	9,797	4,720					**14,517**
Total		**26,044**	**12,478**	**4,968**	**3,779**	**2,746**	**5,501**	**55,517**
Total		**90,433**	**372,825**	**147,710**	**48,912**	**146,145**	**398,306**	**1,204,331**

Accounting principles

Borrowings

Borrowings are initially recognised at fair value net of the transaction costs incurred. Transaction costs consist of bond prices above or below par value, arrangement fees, commissions and administrative fees that are directly related to the loan. Borrowings are subsequently measured at amortised cost; any difference between the loan amount and the amount to be repaid is recognised in the income statement over the loan period using the effective interest rate method. Borrowings are derecognised when they mature and are repaid.

Commitment fees to be paid on credit facilities are entered as transaction costs related to the loan insofar as partial or full utilisation of the facility is likely. In such cases, the fee is capitalized in the balance sheet until the facility is utilised. If there is no proof that loans included in a facility are likely to be drawn in part or in full, the fee will be recognised as an upfront payment for liquidity services and amortized over the maturity of the facility in question.

5.4 Summary of the cash and cash equivalents, financial assets, financial liabilities and derivatives

21. CASH AND CASH EQUIVALENTS, €1,000	2023	2022
Cash assets and bank account balances	128,737	383,445
Bank deposits, max. 3 months	125,000	
Total	**253,737**	**383,445**

22. OTHER FINANCIAL ASSETS, €1,000	2023	2022	Hierarchy level
Non-current:			
Purchase of other assets	75,937	0	Level 1
Total	75,937	0	
Current:			
Fixed income funds	107,272	199,988	Level 1
Purchase of other assets	26,006	150,000	Level 2
Total	133,278	349,988	
Total	**209,214**	**349,988**	

Purchase of other assets is a part of the company's overall liquidity management. These investments consist of debt instruments. The total market value of the 'purchase of other assets' items amounted to EUR 102.6 million on 31 December 2023.

The carrying amounts of Fingrid's financial assets and liabilities by measurement category are as follows:

23. CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY, €1,000

Balance sheet item 31 Dec 2023	Assets/liabilities recognised in income statement at fair value	Financial assets/liabilities measured at amortised cost	Total	Note
Other long-term investments:				
Available-for-sale investments		75,937	75,937	
Interest rate and currency derivatives	43		43	24
Electricity derivatives	6,161		6,161	24
Metal derivatives				24
Current financial assets:				
Interest rate and currency derivatives	5,428		5,428	24
Electricity derivatives	30,626		30,626	24
Metal derivatives	55		55	24
Loan receivables from associated companies				26
Trade receivables and other receivables		49,494	49,494	4
Other financial assets	107,272	26,006	133,278	22
Cash in hand and cash equivalents		253,737	253,737	21
Financial assets total:	**149,585**	**405,174**	**554,759**	

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY, €1,000

	Assets/liabilities recognised in income statement at fair value	Financial assets/liabilities measured at amortised cost	Total	Note
Non-current financial liabilities:				
Borrowings		654,671	654,671	16
Interest rate and currency derivatives	18,022		18,022	24
Electricity derivatives	1,845		1,845	24
Metal derivatives				24
Current financial liabilities:				
Borrowings		343,471	343,471	16
Interest rate and currency derivatives	426		426	24
Electricity derivatives	901		901	24
Metal derivatives	40		40	24
Trade payables and other liabilities		100,855	100,855	8
Financial liabilities total	**21,234**	**1,098,997**	**1,120,231**	

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY, €1,000

Balance sheet item 31 Dec 2022	Assets/liabilities recognised in income statement at fair value	Financial assets/liabilities measured at amortised cost	Total	Note
Other long-term investments:				
Interest rate and currency derivatives	11,197		11,197	24
Electricity derivatives	55,710		55,710	24
Metal derivatives	37		37	24
Current financial assets:				
Interest rate and currency derivatives	3,098		3,098	24
Electricity derivatives	163,308		163,308	24
Metal derivatives	45		45	24
Loan receivables from associated companies		188	188	26
Trade receivables and other receivables		62,671	62,671	4
Other financial assets	199,988	150,000	349,988	22
Cash in hand and cash equivalents		383,445	383,445	21
Financial assets total:	**433,381**	**596,304**	**1,029,684**	
Non-current financial liabilities:				
Borrowings		990,386	990,386	16
Interest rate and currency derivatives	22,232		22,232	24
Current financial liabilities:				
Borrowings		65,795	65,795	16
Interest rate and currency derivatives	161		161	24
Trade payables and other liabilities		192,669	192,669	8
Financial liabilities total	**22,393**	**1,248,850**	**1,271,243**	

Accounting principles

FINANCIAL INSTRUMENTS

Classification of financial assets and liabilities

The Group classifies the financial assets and liabilities in accordance with its business model and in compliance with IFRS 9. The classification is accomplished on the basis of the objective of the business model and the contract-based cash flows from the investments.

Cash and cash equivalents

Cash and cash equivalents on the balance sheet consist of cash in hand and bank deposits with an initial maturity of no more than three months. In the cash flow statement, cash and cash equivalents also include fixed income funds due to their liquid nature. Cash and cash equivalents are derecognised when they mature, are sold or otherwise disposed of.

Other financial assets

The financial assets classified in this category on the balance sheet consist of short-term investments in fixed income funds, bank deposits kept for more than three months, and money market securities and other short-term fixed income instruments linked with an asset management contract. The asset management investments are booked on the balance sheet at amortised cost. On the cash flow statement, they are booked in 'Cash flow from investing activities'. Financial assets recognised at fair value in the income statement are booked into the balance sheet at fair value at the settlement date. Subsequently, the financial assets are measured on each reporting day at fair value, and the change in their value is recognised in the income statement under finance income and costs. Derivatives are also included in this group but are presented on the balance sheet on their own lines.

Investments

The 'Other long-term investments' on the balance sheet consist of investments in listed bonds linked with the asset management contract, in which the maturity of an individual bond is no more than three years. The asset management investments are booked on the balance sheet at amortised cost. On the cash flow statement, they are booked in 'Cash flow from investing activities'. The Group actively tests each instrument for impairment and if the impairment criteria are met, the impairment is booked into the income statement.

Financial assets are derecognised when they mature, are sold or otherwise disposed of such that their risks and revenues have been transferred.

Financial liabilities

Financial liabilities consist of loans and derivative instruments. Loans are items recognised at amortised cost. Loans are recognised in accounting with transaction costs deducted, after which the loans are measured at amortised cost using the effective interest rate method.

24. DERIVATIVE INSTRUMENTS, €1,000

€1,000	2023				2022				Hierarchy level
Interest rate and currency derivatives	Fair value pos. 31.12.23	Fair value neg. 31.12.23	Net fair value 31.12.23	Nominal value 31.12.23	Fair value pos. 31.12.22	Fair value neg. 31.12.22	Net fair value 31.12.22	Nominal value 31.12.22	
Cross-currency swaps		-7,944	-7,944	55,990		-4,607	-4,607	55,990	Level 2
Currency derivatives	7	-340	-333	5,172	109	-356	-247	11,901	Level 2
Interest rate swaps	283	-10,164	-9,882	280,000	302	-17,430	-17,128	280,000	Level 2
Bought interest rate options	5,181		5,181	300,000	13,884		13,884	550,000	Level 2
Total	**5,471**	**-18,448**	**-12,977**	**641,162**	**14,294**	**-22,393**	**-8,099**	**897,891**	
Electricity derivatives									
Electricity forward contracts	36,787	-2,746	34,041	4,0	219,475	-458	219,017	4,5	Level 2
Total	**36,787**	**-2,746**	**34,041**	**4,0**	**219,475**	**-458**	**219,017**	**4,5**	
Metal derivatives									
Metal swaps	55	-40	15	302	81		81	342	Level 2
Total	55	-40	15	302	81		81	342	

The net fair value of derivatives indicates the realised profit/loss if they had been closed on the last trading day of 2023. Accounting practices for electricity derivatives were redefined during the 2023 financial year, and the comparative disclosures for 2022 were adjusted to reflect the new booking practice. The fair value of electricity derivatives is no longer booked specifically for each product but instead per contract. The adjustment applies to note 24 and note 23.

The company uses derivative instruments to hedge interest rate, foreign exchange and commodity risks and, by default, holds the contracts until maturity. The derivative instruments used for hedging are approved annually. A valid framework agreement (ISDA or other agreement) must be in place with the derivative counterparty before concluding a transaction. The derivatives falling under the scope of an ISDA agreement can be netted in conditional circumstances such as default or bankruptcy. The company had financial and metal derivatives that can be netted as per ISDA at a total fair value of EUR -13.0 (-8.1) million on 31 December 2023. In addition, the company had electricity derivatives with OTC counterparties that can be netted as per a framework agreement at a total fair value of EUR 34.0 (219.0) million.

The derivative transactions hedging the company's loan portfolio consist of interest rate and cross currency swaps as well as purchased cap options, which serve to hedge most of the loan portfolio from a sudden change in short-term interest rates. During the financial year, the company used currency and metal derivatives to hedge business transaction risks. Currency derivatives are used to fix the exchange rate for non-euro-denominated contracts related to business operations. Electricity derivatives are designed to hedge the price risk of future loss power purchases. Metal derivatives are used to hedge against the metal price risk arising from purchases insofar as it cannot otherwise be managed, typically with fixed contracts between the supplier and client. The management of electricity price risk is described in chapter 3.7.

The sensitivity of the loan portfolio to interest rate risk is measured by using a Cash Flow at Risk (CFaR) type of model, more specifically the Autoregressive Integrated Moving Average (ARIMA) model. The key parameters of the model are the 3-month and 6-month Euribor rates, where the historical time series serve as a basis for a forward-looking simulation of the probable future interest expenses for Fingrid's loan portfolio. The exposure on which the sensitivity analysis is calculated includes all of the Group's interest-bearing borrowings, the loan portfolio's derivatives and interest-rate options purchased to hedge against unexpected changes in interest rates. According to the model, there is a 95% probability that Fingrid's interest expenses will amount to a maximum of EUR 31.6 million during the next 12 months.

The sensitivity of the net fair value of currency derivatives to exchange rates on the reporting date is measured as a 10 per cent change in exchange rates between the euro and foreign currencies. The sensitivity analyses gauge changes in the spot and future rates on the reporting date while keeping the other factors constant. If the euro had been 10% stronger/weaker compared to foreign currencies on 31 December 2023, the impact on the Group's profit before taxes would have been EUR 0.4 million negative/EUR 0.5 million positive.

The change in the fair value of the electricity derivatives used for hedging the price of Fingrid's loss power purchases recognised in the operating profit was EUR 185.0 negative (EUR 140.9 million positive). The volatility in the fair value of electricity derivatives can be significant. The negative impact on profit resulted from the effect of lower market quotations for electricity derivatives on the fair value of the electricity derivatives. Fingrid holds its bought derivatives to maturity. In 2023, 2.63 TWh of electricity derivatives reached maturity, and 2.20 TWh of new derivatives were taken, amounting a negative net change of 0.44 TWh.

The sensitivity of the fair value of electricity derivatives in relation to changes in the price of electricity is measured as the difference a 10 per cent fluctuation in market price would have on outstanding electricity derivatives on the reporting date. An increase/decrease of 10 per cent in the market price of electricity would have an impact of EUR 13.9 million/EUR –13.9 million on the Group's profit before taxes.

The change in the fair value of metal derivatives was EUR 0.1 million negative. The sensitivity of the fair value of metal derivatives in relation to the price of metals is measured as the difference a 20 per cent fluctuation in market price would have on outstanding metal derivative contracts on the reporting date. An increase/decrease of 20 per cent in the market price of metals would have an impact of EUR 0.5 million positive/EUR 0.5 million negative on the Group's profit before taxes.

Accounting principles

Derivative instruments

Derivatives are initially recognised at fair value according to the date the derivative contract is concluded, and are subsequently re-measured at fair value. The fair value of derivatives on the reporting date are based on calculation methods in line with market practice. Changes in the fair value of derivatives are recognised directly in the income statement. The Group does not apply hedge accounting, and the rules applied to hedge accounting according to IFRS 9 do not affect the company's accounting procedures. The company uses derivative contracts only for hedging purposes according to the Corporate Finance Principles, the Treasury Policy and the loss power policy.

Electricity derivatives

The company enters into electricity derivative contracts in order to hedge the price risk of electricity purchases in accordance with the loss power forecast.

Metal derivatives

The company concludes metal derivative agreements to hedge against the metal price risk arising from purchases.

Interest and currency derivatives

The company enters into derivative contracts in order to hedge loans' interest rate and foreign exchange risk and the foreign exchange risk of purchases. A derivative asset or liability is recognised at its original fair value. Derivatives are measured at fair value at the closing date, and the change in fair value is recognised in the income statement under finance income and costs. Currency derivatives have been measured at the forward prices. Interest rate and currency swaps have been measured at the present value on the basis of the yield curve of each currency. Interest rate options have been valued using generally accepted option pricing models in the market.

5.5 Equity and dividend distribution

The company's share capital is EUR 55,922,485.55. Fingrid 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 maximum number of shares is 13,300, as in 2022. The shares have no par value.

Series A shares confer three votes each at the Annual General Meeting and Series B shares one vote each. When electing members of the Board of Directors, Series A shares confer 10 votes each at the Annual General Meeting and Series B shares one vote each.

Series B shares have the right before Series A shares to obtain the annual minimum dividend specified below from the funds available for profit distribution. If the annual minimum dividend cannot be distributed in some year, the shares confer a right to receive the undistributed amount from the funds available for profit distribution in the subsequent years; however, such that Series B shares have the right over Series A shares to receive the annual minimum dividend and the undistributed amount.

Fingrid Oyj's Annual General Meeting decides on the annual dividend

Eighty-two per cent of the dividends to be distributed for each financial year is distributed for all Series A shares and eighteen per cent for all Series B shares, however such that EUR twenty million of the dividends to be distributed for each financial year is first distributed for all Series B shares. If the above-mentioned EUR twenty million minimum amount for the financial period is not distributed (all or in part) for Series B shares in a financial period, Series B shares confer the right to receive the undistributed minimum amount in question (or the accumulated undistributed minimum amount accrued during such financial periods) in the next profit distribution, in any disbursements paid out, or in any other distribution of assets prior to any other dividends, disbursements or asset distribution until the undistributed minimum amount has been distributed in full for Series B shares. There are no non-controlling interests.

Equity is composed of the share capital, share premium account, revaluation reserve (incl. fair value reserve), translation reserve, and retained earnings. The translation reserve includes translation differences in the net capital investments of associated companies in accordance with the equity method of accounting. The profit for the financial year is booked in retained earnings.

Share premium account

The share premium account includes the difference between the counter value of the shares and the value obtained. The share premium account consists of restricted equity as referred to in the Finnish Limited Liability Companies Act. The share capital can be increased by transferring funds from the share premium account. The share premium account can be decreased in order to cover losses or, under certain conditions, it can be returned to the owners.

Changes to equity funds during the financial year are presented in the statement of changes in equity.

SHAREHOLDERS BY CATEGORY 31 DEC 2023	Number of shares	Of all shares %	Of votes %
Public organisations			
Financial and insurance institutions	1,557	46.83	29.12
Total	**3,325**	**100.00**	**100.00**

Shareholders, 31 Dec 2023	Number of shares	Of all shares %	Of votes %
Republic of Finland, represented by the Ministry of Finance	1,227	36.90	49.20
Aino Holding Ky	878	26.41	11.74
Mutual Pension Insurance Company Ilmarinen	661	19.88	17.15
National Emergency Supply Agency	540	16.24	21.67
Imatran Seudun Sähkö Oy	10	0.30	0.13
Fennia Life	6	0.18	0.08
Elo Mutual Pension Insurance	1	0.03	0.01
OP Insurance Ltd	1	0.03	0.01
The State Pension Fund	1	0.03	0.01
Total	**3,325**	**100.00**	**100.00**

25. SHAREHOLDERS BY CATEGORY

The share capital is broken down as follows	Number of shares	Of all shares %	Of votes %
Series A shares	2,078	62.50	83.33
Series B shares	1,247	37.50	16.67
Total	**3,325**	**100.00**	**100.00**

Fingrid's dividends are distributed such that the shareholders receive a reasonable return on their invested capital, but also such that the company's financial position remains stable.

Fingrid Oyj's distributable funds in the financial statements total EUR 174,350,037.55. Based on the 2022 financial statements, EUR 133.0 (133.0) million was paid in dividends. Since 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 shall be paid in two instalments. The first 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, shall 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, shall be paid subject 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 shall be paid on the third banking day after the decision. It will be proposed that the authorisation remains valid until the next Annual General Meeting.

The distributable funds are calculated on the basis of the parent company's equity. Dividends are paid based on the distributable funds of the parent company.

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.

The table below indicates the differences between the consolidated IFRS income statement and the parent company's FAS income statement.

BRIDGE CALCULTION FROM IFRS RESULT TO FAS RESULT, MEUR	2023	2022
Consolidated profit for the financial period (IFRS)	**1.2**	**205.8**
Deferred tax	-35.2	23.0
Cancellation of the depreciation of rights of use to line areas	-3.5	-3.4
FAS / IFRS differences in financial costs	-6.6	-3.8
Eliminations and other FAS / IFRS differences	-6.8	-0.4
IFRS 15 revenue recognition	36.2	14.2
Change in the market value of derivatives	184.7	-121.0
Change in depreciation difference	-28.5	0.0
Parent company profit for the financial period (FAS)	**141.4**	**114.4**

Accounting principles

Dividend distribution

The Board of Directors' proposal concerning dividend distribution is not recorded in the financial statements. The liability and equity is recognised only after a decision is made by the Annual General Meeting of Shareholders.

6 Other information (IFRS)

- Chapter six contains the rest of the notes.
- First, a presentation of the Group companies and related parties information is described in their own section.
- Later, other notes follow in the same sequence they appear in the income statement and balance sheet.

6.1 Group companies and related parties

The Group has two Fingrid's wholly-owned subsidiaries, Finextra Oy and Fingrid Datahub Oy.

Finextra Oy is a subsidiary wholly-owned by Fingrid Oyj established to handle the statutory public service obligations not included in actual grid operations or transmission system responsibility. These tasks include peak load capacity services and guarantee-of-origin services for electricity.

No power plants participated in the peak load capacity system in 2023. The Energy Authority oversees Finextra's operations and reasonable returns from its services.

Fingrid Datahub Oy handles the operational activities linked to the Datahub and is responsible for the system development of Datahub. The key duties of the subsidiary are to offer and develop centralised electricity market information exchange

services and other related services for electricity market participants and to govern the register information of consumption sites required by the electricity market. The datahub is a centralised information exchange system for retail markets that stores data from all of Finland's 3.8 million electricity metering points.

The associated companies, eSett Oy (holding 25.0 per cent) and Nordic RCC A/S (holding 25.0 per cent), have been consolidated accordingly. Nordic RCC supports Nordic TSOs in managing system security and sets the electricity system's transmission capacities.

The investments in associated companies included in the balance sheet are composed of the following:

26. INVESTMENTS IN ASSOCIATED COMPANIES, 1000 €	**2023**	**2022**
Non-current		
Interests in associated companies	13,291	12,734
Current		
Loan receivables from associated companies		188
Total	**13,291**	**12,922**

Financial summary of associated companies, €1,000

2023	**Non-current**		**Current assets**				
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Turnover**	**Profit/loss**	**Ownership (%)**
eSett Oy	5,516		108,955	105,473			
Nordic RCC AS	42,321	2,469	13,593	9,433	30,579	1,204	25.0

2022	**Non-current**		**Current assets**				
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Turnover**	**Profit/loss**	**Ownership (%)**
eSett Oy	5,991		150,966	148,640	8,493	880	25.0
Nordic RCC AS	40,324	2,606	9,938	4,844	13,138	-1,946	25.0

The Group's associated companies indicated in the tables are treated in the consolidated financial statements using the equity method of accounting.

The company has an equity investment in Danish kroner in an associated company, which results in exposure to translation risk. The translation risk is not significant, and the company does not hedge against this risk.

Equity investments in associated companies, €1,000	**2023**	**2022**
Cost at 1 Jan	12,734	1,854
Increases	580	11,469
Decreases	-8	-597
Translation reserve	-16	9
Carrying amount 31 Dec	**13,291**	**12,734**

There are no material temporary differences related to associated companies on which deferred tax assets or liabilities have been recognised.

The subsidiaries, associated companies and parent company (Fingrid Oyj) described above are related parties of the Group. In addition, the shareholder entities mentioned in chapter 5.5 and the top management and its related parties are also considered related parties. The top management is composed of the Board of Directors, the President & CEO, and the executive management group. All transactions between Fingrid and related parties take place on market terms. The company has not lent money to the top management, and the company has no transactions with the top management. At the close of the reporting period, the Republic of Finland owned 53.1 per cent of the company's shares. The Finnish Parliament has authorised the Ministry of Finance to reduce the state's ownership in Fingrid Oyj to no more than 50.1 per cent of the company's shares and votes. The company applies in its related party disclosures the practical relief as defined in IAS 24.25.

Transactions with associated companies, €1,000	**2023**	**2022**
Sales	17	18
Expense adjustments	-1	8
Purchases	9,670	4,928
Receivables	18,014	4
Liabilities	353	15,740
Loan receivables		188

Accounting principles

Subsidiaries

The subsidiaries encompass all companies over which the Group has control. The Group is considered to have control over a company if the Group's holding results in exposure to variable returns or if the Group is entitled to variable returns and it can influence these returns by exercising its control over the company. The subsidiaries are consolidated into the consolidated financial statements starting from the day on which the Group gained control over the company. Consolidation is discontinued once the control ceases to exist.

Consolidation of operations is carried out using acquisition cost method.

Transactions, receivables and liabilities between Group companies and any unrealised profits from internal transactions are eliminated. Unrealised losses are also eliminated unless the transaction indicates an impairment of the disposed asset. If necessary, the financial statements of the subsidiaries have been adjusted to correspond to the accounting principles applied by the Group.

Associated companies

The associated companies include all companies over which the Group has significant influence but no control or joint control. This is generally based on a shareholding amounting to 20–50% of the votes.

Investments in associated companies are initially recognised at the acquisition cost and subsequently handled using the equity method. According to the equity method, investments are initially recorded at the acquisition cost and this is subsequently adjusted by recognising the Group's share of the profit or loss after the time of acquisition in the income statement and the Group's share of any changes in the investment object's other comprehensive income in other comprehensive income. Any dividends received or to be received from the associated companies and joint ventures are deducted from the investment's carrying amount.

If the Group's share of the losses of an investment recognised according to the equity method equals or exceeds the Group's holding in the company in question, including any other non-current receivables without collaterals, the Group will not recognise any additional losses unless it has obligations or it has made payments on behalf of the company.

A share corresponding to the Group's ownership interest is eliminated from the unrealised profits between the Group and its associated companies and joint ventures. Any unrealised losses are also eliminated unless the transaction indicates an impairment of the disposed asset. If necessary, the accounting principles applied by the investments to be recognised according to the equity method have been adjusted to correspond to the principles applied by the Group.

6.2 Other notes

Emission rights

Fingrid's reserve power plants are subject to an environmental permit and covered by the EU's emissions trading scheme. Emission rights purchased in 2023 amounted to 7,000 units (tCO2). Emissions trading had minor financial significance for Fingrid. CO2 emissions included in emissions trading totalled 4,757 (6,006) tonnes in 2023.

Accounting principles

Emission rights

Emission rights acquired free of charge are recognised in intangible assets at their nominal value, and purchased emission rights at their acquisition cost. A liability is recognised for emission rights to be returned. If the Group has sufficient emission rights to cover the return obligations, the liability is recognised at the carrying amount corresponding to the emission rights in question. If there are not sufficient emission rights to cover the return obligations, the liability is recognised at the market value of the emission rights in question. No depreciation is recognised on emission rights. They are derecognised in the balance sheet at the time of transfer when the actual emissions have been ascertained. The expense resulting from the liability is recognised in the income statement under the expense item 'Materials and services'. Capital gains from emissions rights are recognised under other operating income.

27. PROVISIONS, €1,000	2023	2022
Provisions for creosote-impregnated towers 1 Jan	3,119	3,107
Increase in provisions		163
Decrease in provisions	-215	
Provisions used	-34	-151
Provisions 31 Dec	**2,870**	**3,119**

Accounting principles

Provisions

A provision is recorded when the Group has a legal or factual obligation based on an earlier event and it is likely that fulfilling the obligation will require a payment, and the amount of the obligation can be estimated reliably. The provisions are valued at the present value of the costs required to cover the obligation. The discounting factor used in calculating the present value is chosen so that it reflects the market view of the time value of money at the assessment date and the risks pertaining to the obligation.

28. COMMITMENTS AND CONTINGENT LIABILITIES, €1,000	**2023**	**2022**
Pledges	**289**	**283**
Other financial commitments		
Rent security deposit	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	599	522
Commitment fee for subsequent years	1,302	1,250
	1,939	**1,810**
Unrecognised investment commitments	**520,930**	**316,497**

The investment commitments consist of agreements signed by the company to carry out grid construction projects and to procure the datahub system.

Payment obligations from right-of-use agreements for reserve power plants:	**2023**	**2022**
In one year	4,237	8,500
In more than one year and less than five years	11,576	14,770
In more than five years	4,241	5,285
Total	**20,055**	**28,555**

Under its system responsibility, Fingrid is also obligated to maintain a rapid response disturbance reserve to prepare for disruptions to the power system. In order to ensure the availability of this disturbance reserve, Fingrid has, in addition to its reserve power plant capacity, acquired power plant capacity suited to this purpose by long-term Right-of-use agreements.

Legal proceedings and proceedigns 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 closing date

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 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 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 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 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 Frends 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.

Group's contact information and approval of the financial statements

Fingrid Oyj is a Finnish public limited liability company incorporated under the Finnish Companies Act. Fingrid's consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. Fingrid's registered office is in Helsinki at the address P.O. Box 530 (Läkkisepäntie 21, 00620, Helsinki), 00101 Helsinki.

A copy of the consolidated financial statements is available on the website fingrid.fi or at Fingrid Oyj's head office.

The amounts in the financial statements are expressed in thousands of euros and are based on the original acquisition costs, unless otherwise stated in the accounting principles or notes.

Fingrid Oyj's Board of Directors has accepted the publication of these financial statements in its meeting on 27 February 2024. In accordance with the Finnish Companies Act, the shareholders have the opportunity to adopt or reject the financial statements in the shareholders' meeting held after their publication. The shareholders' meeting can also amend the financial statements.

7 Parent company financial statements (FAS)

7.1 Parent company income statement

	Notes	Jan-Dec/2023 €	Jan-Dec/2022 €
TURNOVER	2	**1,209,655,756.33**	**1,808,655,910.56**
Other operating income	3	119,723,400.41	30,368,229.41
Materials and services	4	-914,897,529.81	-1,502,334,281.59
Personnel costs	5	-41,017,969.50	-36,857,050.42
Depreciation and amortisation expense	6	-116,699,688.17	-103,099,128.51
Other operating expenses	7,8	-42,274,017.62	-39,688,247.85
OPERATING PROFIT		**214,489,951.64**	**157,045,431.60**
Finance income and costs	9	-9,218,380.50	-14,164,501.10
PROFIT BEFORE APPROPRIATIONS AND TAXES		**205,271,571.14**	**142,880,930.50**
Appropriations			
Change in depreciation difference		-28,500,000.00	0.00
Income taxes	10	-35,350,337.80	-28,508,309.42
PROFIT FOR THE FINANCIAL YEAR		**141,421,233.34**	**114,372,621.08**

Notes are an integral part of the financial statements.

7.2 Parent company balance sheet

	Notes	31 Dec 2023 €	31 Dec 2022 €
ASSETS			
Intangible assets:			
Other intangible assets	12	69,858,133.75	67,003,464.10
		69,858,133.75	67,003,464.10
Tangible assets	13		
Land and water areas		24,142,922.17	21,390,895.06
Buildings and structures		355,246,091.65	297,554,684.20
Machinery and equipment		622,169,509.33	567,041,338.29
Transmission lines		682,722,040.23	697,101,924.61
Other property, plant and equipment		110,452.46	110,452.46
Prepayments and purchases in progress		266,338,242.13	181,961,718.12
		1,950,729,257.97	**1,765,161,012.74**
Interests in Group companies		16,895,995.35	16,895,995.35
Interests in associated companies		12,736,342.75	12,736,342.75
Other investments		75,244,605.50	
		104,876,943.60	**29,632,338.10**

	Notes	31 Dec 2023 €	31 Dec 2022 €
TOTAL NON-CURRENT ASSETS		**2,125,464,335.32**	**1,861,796,814.94**
Inventories	**15**	**19,104,410.38**	**18,698,053.52**
Loan receivables from Group companies	16	35,416,295.43	43,904,337.63
Deferred tax assets	10	19,714,345.52	24,728,381.92
Other receivables	16	74,010.35	74,010.35
		55,204,651.30	**68,706,729.90**
Trade receivables		14,780,596.17	32,161,631.91
Receivables from Group companies	17	5,866,737.85	5,795,123.61
Receivables from associated companies	18	18,014,145.71	191,699.06
Other receivables	19	15,905,662.85	24,628,336.41
Prepayments and accrued income	20,21	19,993,024.51	32,686,585.55
		74,560,167.09	**95,463,376.54**
Financial securities	22	**127,802,770.76**	**349,314,320.46**
Cash in hand and bank receivables	22	**253,737,021.96**	**383,444,760.76**
TOTAL CURRENT ASSETS		**530,409,021.49**	**915,627,241.18**
TOTAL ASSETS		**2,655,873,356.81**	**2,777,424,056.12**

Notes are an integral part of the financial statement.

	Notes	31 Dec 2023 €	31 Dec 2023 €
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY	23		
Share capital		55,922,485.55	55,922,485.55
Share premium account		55,922,485.55	55,922,485.55
Profit from previous financial years		32,928,804.21	51,593,583.13
Profit for the financial year		141,421,233.34	114,372,621.08
TOTAL SHAREHOLDERS' EQUITY		**286,195,008.65**	**277,811,175.31**
ACCUMULATED APPROPRIATIONS	24	**307,396,757.27**	**278,896,757.27**
PROVISIONS FOR LIABILITIES AND CHARGES	31	**2,870,000.00**	**3,119,000.00**
LIABILITIES			
Non-current liabilities			
Bonds	25,26	370,989,990.71	670,989,990.71
Loans from financial institutions		258,541,293.04	291,844,821.79
Accruals	30	387,080,551.92	677,434,593.92
		1,016,611,835.67	**1,640,269,406.42**

	Notes	31 Dec 2023 €	31 Dec 2023 €
CURRENT LIABILITIES			
Bonds	25	300,000,000.00	30,000,000.00
Loans from financial institutions		40,354,810.83	33,046,953.09
Trade payables		59,452,721.57	56,181,802.55
Liabilities to Group companies	27	4,426,772.61	4,845,445.40
Liabilities to associated companies	28	352,920.00	15,739,663.46
Other liabilities	29	2,176,258.60	7,339,593.16
Accruals	30	636,036,271.61	430,174,259.46
		1,042,799,755.22	**577,327,717.12**
TOTAL LIABILITIES		**2,059,411,590.89**	**2,217,597,123.54**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,655,873,356.81**	**2,777,424,056.12**

Notes are an integral part of the financial statements.

7.3 Parent company cash flow statement

	1 Jan–31 Dec, 2023 €	1 Jan–31 Dec, 2022 €
Cash flow from operating activities:		
Profit before taxes	205,271,571.14	142,880,930.50
Adjustments:		
Depreciation	116,699,688.17	103,099,128.51
Capital gains/losses (+/-) on tangible and intangible assets	1,930,195.41	-3,566,658.78
Interest and other finance costs	9,218,380.50	14,164,501.10
Recognition of congestion income	-402,684,378.02	-248,284,424.39
Other adjustments		-2,513,333.37
Changes in working capital:		
Change in trade receivables and other receivables	24,114,031.54	43,055,106.21
Change in inventories	-406,356.86	-4,465,284.15
Change in trade payables and other liabilities	-30,982,445.20	46,543,682.08
Congestion income	317,013,106.23	942,938,568.99
Change in provisions	-33,820.00	-151,240.00
Interest paid	-41,711,184.12	-20,875,826.94
Interest received	31,109,125.94	7,218,673.36
Taxes paid	-34,205,731.99	-39,253,671.61
Net cash flow from operating activities	195,332,182.74	980,790,151.51

	1 Jan–31 Dec, 2023 €	1 Jan–31 Dec, 2022 €
Cash flow from investing activities:		
Purchase of property, plant and equipment	-287,931,456.19	-250,385,495.58
Purchase of intangible assets	-8,622,699.69	-7,969,162.05
Purchase of other assets	-161,593,939.24	-3,923,671.06
Proceeds from sale of other assets	60,661,474.12	6,503,393.75
Proceeds from sale of property, plant and equipment	50,000.00	5,032,228.00
Contributions received	5,547,158.04	15,702,841.96
Loans granted		-6,000,000.00
Repayment of loan receivables	8,675,542.20	375,000.00
Dividends received	150,000.00	457,890.41
Net cash flow from investing activities	-383,063,920.76	-240,206,974.57
Cash flow from financing activities:		
Payments of current financing (liabilities)		-85,216,382.79
Proceeds from non-current financing (liabilities)		35,000,000.00
Payments of non-current financing (liabilities)	-55,995,671.01	-47,662,337.67
Change in group account receivables and liabilities	-474,253.41	4,516,063.28
Dividends paid	-133,037,400.00	-133,037,400.00
Net cash flow from financing activities	-189,507,324.42	-226,400,057.18
Change in cash and cash equivalents and financial assets	**-377,239,062.44**	**514,183,119.76**
Cash and cash equivalents and financial assets 1 Jan	**733,090,995.54**	**218,907,875.78**
Cash and cash equivalents and financial assets 31 Dec	**355,851,933.10**	**733,090,995.54**

Notes are an integral part of the financial statements.

7.4 Notes to the financial statements of parent company

1. ACCOUNTING PRINCIPLES

Fingrid Oyj's financial statements have been drawn up in accordance with the Finnish Accounting Standards (FAS). The items in the financial statements are valued at original acquisition cost.

Foreign currency transactions

Commercial transactions and financial items denominated in foreign currencies are recognised at the foreign exchange mid-rate quoted by the European Central Bank (ECB) at the transaction date. Interest-bearing liabilities and receivables and the derivatives hedging these items are valued at the mid-rate quoted by the ECB at the closing date. Foreign exchange gains and losses on interest-bearing liabilities and receivables, and on the instruments hedging these items, are recognised at maturity under finance income and costs. Foreign exchange rate differences arising from the derivatives used to hedge commercial currency flows are recognised to adjust the corresponding item in the income statement.

Interest and currency derivatives

Interest rate and currency swaps, currency derivatives and interest rate options are used, in accordance with the Treasury Policy, to hedge the interest rate and foreign exchange risk, as well as the commercial items, in Fingrid's balance sheet items. The accounting principles for derivative contracts are the same as for the underlying items. The interest rate items of interest rate and cross-currency swaps and interest rate options are accrued and recognised in the income statement under interest income and costs. The interest portion of currency derivative contracts hedging the interest-bearing liabilities and receivables is accrued over the maturity of the contracts and recognised under finance income and costs. Premiums paid or received on interest rate options are accrued over the hedging period.

Electricity derivatives

Fingrid hedges its loss power purchases against price risk with listed futures and forward contracts, and on the OTC market, with contracts comparable to financial products. The profits and losses arising from these contracts are used to adjust the loss energy purchases in the income statement in the period in which the hedging impacts profit or loss.

Metal derivatives

The company concludes metal derivative agreements to hedge against the metal price risk arising from purchases.

Research and development expenses

Research and development expenses are treated as annual expenses.

Valuation of fixed assets

Fixed assets are capitalised under immediate acquisition cost. Planned straight-line depreciation on the acquisition price is calculated on the basis of the useful life of the fixed asset. Depreciation on fixed assets taken into use during the financial year is calculated on an item-by-item basis from the month of introduction.

The depreciation periods are as follows:

Goodwill	20 years
Other non-current expenses:	
Rights of use to line areas	30–40 years
Other rights of use according to useful life, maximum	10 years
Computer software	3–10 years
Buildings and structures	
Substation buildings and separate buildings	40 years
Substation structures	30 years
Buildings and structures at gas turbine power plants	20–40 years
Separate structures	15 years
Transmission lines	
Transmission lines 400 kV	40 years
Direct current lines	40 years
Transmission lines 110–220 kV	30 years
Creosote-impregnated towers and related disposal costs*	30 years
Aluminium towers of transmission lines (400 kV)	10 years
Optical ground wires	10–20 years
Machinery and equipment	
Substation machinery	10–30 years
Gas turbine power plants	20 years
Other machinery and equipment	3–5 years

* Disposal costs are discounted at present value and added to the value of the fixed asset and recognised under provisions for liabilities and charges.

Goodwill is depreciated over a 20-year period, since grid operations are a long-term business in which income is accrued over several decades.

Emission rights
Emission rights are treated in accordance with the net procedure in conformance with statement 1767/2005 of the Finnish Accounting Board.

Valuation of inventories
Inventories are recognised according to the FIFO principle at acquisition cost, or at the lower of replacement cost or probable market price.

Cash in hand, bank receivables and financial securities
Cash in hand and bank receivables include cash assets and bank balances. Financial securities are investments in short-term fixed income funds or time deposits in banks. Purchase of other assets consists of investments in debt instruments. Quoted securities and comparable assets are valued at the lower of original acquisition cost or probable market price.

Interest-bearing liabilities
Fingrid's non-current interest-bearing liabilities consist of loans from financial institutions and bonds issued under the Euro Medium Term Note (EMTN) programme. The current interest-bearing liabilities consist of commercial papers issued under the domestic and international programmes and of the current portion of noncurrent borrowings and bonds maturing within a year. The outstanding notes under the programmes are denominated in euros and foreign currencies. Fingrid has both fixed and floating rate debt. The interest is accrued over the maturity of the debt. The differential of a bond issued over or under par value is accrued over the life of the bond. The arrangement fees of the revolving credit facilities are, as a rule, immediately recognised as an expense, and the commitment fees are recognised as an expense over the maturity of the facility.

Financial risk management
The principles applied to the management of financial risks are presented in chapters 5.2 and 5.3 of the Notes to the Consolidated Financial Statements.

Income taxes

Taxes include the accrued tax corresponding to the profit for the financial year as well as tax adjustments for previous financial years.

Deferred taxes

The company enters deferred tax assets for the congestion income it uses for investments, and they become taxable income and tax in the year in which they were used. The tax assets entered for congestion income are recognised in accordance with the depreciation used in taxation for investments covered by congestion income. Congestion income allocated to investments is entered as a reduction in acquisition cost. For the rest, deferred tax assets and liabilities are not recorded in the income statement or balance sheet, but are instead presented in the notes.

2. TURNOVER, €1,000	2023	2022
Grid service income	200,757	347,922
Imbalance power sales	682,616	1,160,181
Cross-border transmission	0	11,067
ITC income	20,753	23,068
Congestion income	284,720	229,450
Other operating income	20,810	36,968
Total	**1,209,656**	**1,808,656**

3. OTHER OPERATING INCOME, €1,000	2023	2022
Rental income	396	587
Capital gains of fixed assets		4,802
Contributions received	11	115
Congestion income	117,964	18,834
Other income	1,352	6,030
Total	**119,723**	**30,368**

4. MATERIALS AND SERVICES, €1,000	2023	2022
Purchases during the financial year	769,881	1,345,912
Loss energy purchases	75,203	103,827
Change in inventories, increase (-) or decrease (+)	-406	-4,465
Materials and consumables	844,677	1,445,274
Services	70,220	57,061
Total	**914,898**	**1,502,334**

5. PERSONNEL EXPENSES, €1,000	2023	2022
Salaries and bonuses	34,364	30,860
Pension expenses	5,492	4,899
Other personnel expenses	1,163	1,098
Total	**41,018**	**36,857**

Salaries and bonuses of the members of the Board of Directors and President and CEO, €1,000	2023	2022
Hannu Linna, Chairman (since 20 March 2020)	44	41
Päivi Nerg, Vice Chairman (until 30 March 2023)	8	29
Leena Mörttinen Vice Chairman (since 31 March 2023)	20	
Jero Ahola, Member of the Board (since 31 March 2023)	17	
Anne Jalkala, Member of the Board (since 31 March 2023)	16	
Juhani Järvi, Chairman (until 30 March 2022)		12
Sami Kurunsaari, Member of the Board (until 30 November 2022)		15
Jukka Reijonen, Member of the Board (since 30 March 2022)	23	18
Sanna Syri, Member of the Board (until 30 March 2023)	7	25
Esko Torsti, Member of the Board (until 30 March 2022)		6
Jukka Ruusunen, President and CEO	541	507
Personnel, average	496	459
Personnel, 31 Dec	520	470

6. DEPRECIATION ACCORDING TO PLAN, €1,000	2023	2022
Other non-current expenses	8,326	6,532
Buildings and structures	15,590	12,606
Machinery and equipment	54,668	45,370
Transmission lines	38,116	38,591
Total	**116,700**	**103,099**

7. OTHER OPERATING EXPENSES, €1,000	2023	2022
Contracts, assignments etc. undertaken externally	23,156	22,933
Other rental expenses	4,657	3,944
Other costs	14,461	12,812
Total	**42,274**	**39,688**

8. AUDITORS' FEES, €1,000	2023	2022
PricewaterhouseCoopers Oy		
Auditing fee	162	119
Other fees	77	52
Total	**239**	**171**

9. FINANCE INCOME AND COSTS, €1,000	2023	2022
Dividend income from Group companies	150	48
Dividend income from others		410
Interest income from Group companies	2,077	1,718
Interest income from associated companies	1	5
Interest and other finance income from others	32,399	7,696
	34,628	9,877
Interest and other finance costs to others	-43,553	-24,028
Interest and other finance costs to Group companies	-293	-13
	-43,846	-24,041
Total	**-9,218**	**-14,165**

10. INCOME TAXES, €1,000	2023	2022
Income taxes for the financial year	30,366	45,304
Income taxes for the previous financial years	-30	-17
Changes in deferred taxes	5,014	-16,779
Total	**35,350**	**28,508**

The company will pay its income taxes in accordance with the underlying tax rate, with no tax planning.

Deferred tax assets in balance sheet, €1,000	2023	2022
On temporary differences from congestion income	19,714	24,728
Total	**19,714**	**24,728**

Deferred tax assets and liabilities of balance sheet, €1,000		
Deferred tax assets		
On temporary differences	574	624
	574	**624**
Deferred tax liabilities		
On temporary differences	450	528
On appropriations	61,479	55,779
	61,929	**56,308**
Total	**61,355**	**55,684**

11. GOODWILL, €1,000	2023	2022
Cost at 1 Jan	128,664	128,664
Cost at 31 Dec	**128,664**	**128,664**
Accumulated depreciation according to plan 1 Jan	-128,664	-128,664
Accumulated depreciation in excess of plan 31 Dec	**0**	**0**

12. INTANGIBLE ASSETS, €1,000	2023	2022
Cost at 1 Jan	184,697	180,704
Increases 1 Jan–31 Dec	11,647	8,097
Decreases 1 Jan–31 Dec	-567	-4,103
Cost at 31 Dec	**195,777**	**184,697**
Accumulated depreciation according to plan 1 Jan	-117,694	-114,965
Decreases, depreciation according to plan 1 Jan–31 Dec	101	3,804
Depreciation according to plan 1 Jan–31 Dec	-8,326	-6,532
Carrying amount 31 Dec	**69,858**	**67,003**
Accumulated depreciation difference 1 Jan	-43,872	-44,559
Changes in depreciation difference reserve 1 Jan–31 Dec	1,812	687
Accumulated depreciation in excess of plan 31 Dec	**-42,061**	**-43,872**

13. TANGIBLE ASSETS,

€1,000	2023	2022
Land and water areas		
Cost at 1 Jan	21,391	20,407
Increases 1 Jan–31 Dec	2,752	984
Decreases 1 Jan–31 Dec		-0
Cost at 31 Dec	**24,143**	**21,391**
Buildings and structures		
Cost at 1 Jan	418,487	377,942
Increases 1 Jan–31 Dec	73,435	41,544
Decreases 1 Jan–31 Dec	-588	-1,000
Cost at 31 Dec	**491,334**	**418,487**
Accumulated depreciation according to plan 1 Jan	-120,932	-109,018
Decreases, depreciation according to plan 1 Jan–31 Dec	434	693
Depreciation according to plan 1 Jan–31 Dec	-15,590	-12,606
Carrying amount 31 Dec	**355,246**	**297,555**
Accumulated depreciation difference 1 Jan	-15,743	-14,584
Changes in depreciation difference reserve 1 Jan–31 Dec	-357	-1,159
Accumulated depreciation in excess of plan 31 Dec	**-16,100**	**-15,743**

€1,000	2023	2022
Machinery and equipment		
Cost at 1 Jan	1,364,036	1,295,864
Increases 1 Jan–31 Dec	111,415	73,245
Decreases 1 Jan–31 Dec	-22,145	-5,074
Cost at 31 Dec	**1,453,306**	**1,364,036**
Accumulated depreciation according to plan 1 Jan	-796,994	-756,110
Decreases, depreciation according to plan 1 Jan–31 Dec	20,525	4,485
Depreciation according to plan 1 Jan–31 Dec	-54,668	-45,370
Carrying amount 31 Dec	**622,170**	**567,041**
Accumulated depreciation difference 1 Jan	9,535	7,479
Changes in depreciation difference reserve 1 Jan–31 Dec	-16,393	2,056
Accumulated depreciation in excess of plan 31 Dec	**-6,858**	**9,535**
Transmission lines		
Cost at 1 Jan	1,385,232	1,351,293
Increases 1 Jan–31 Dec	23,943	43,923
Decreases 1 Jan–31 Dec	-1,426	-9,984
Cost at 31 Dec	**1,407,750**	**1,385,232**
Accumulated depreciation according to plan 1 Jan	-688,130	-659,046
Decreases, depreciation according to plan 1 Jan–31 Dec	1,219	9,507
Depreciation according to plan 1 Jan–31 Dec	-38,116	-38,591

€1,000	2023	2022
Carrying amount 31 Dec	**682,722**	**697,102**
Accumulated depreciation difference 1 Jan	-228,816	-227,232
Changes in depreciation difference reserve 1 Jan–31 Dec	-13,562	-1,583
Accumulated depreciation in excess of plan 31 Dec	**-242,378**	**-228,816**
Other property, plant and equipment		
Cost at 1 Jan	110	118
Decreases 1 Jan–31 Dec		-7
Cost at 31 Dec	**110**	**110**
Prepayments and purchases in progress		
Cost at 1 Jan	181,962	232,037
Increases 1 Jan–31 Dec	307,784	123,869
Decreases 1 Jan–31 Dec		-6,315
Transfers to other tangible and intangible assets 1 Jan–31 Dec	-223,407	-167,630
Cost at 31 Dec	**266,338**	**181,962**
Tangible assets total*	**1,950,729**	**1,765,161**

14. INVESTMENTS, €1,000	2023	2022
Interests in Group companies		
Cost at 1 Jan	16,896	843
Increases 1 Jan–31 Dec		16,053
Cost at 31 Dec	**16,896**	**16,896**
Interests in associated companies		
Cost at 1 Jan	12,736	1,501
Increases 1 Jan–31 Dec		11,236
Cost at 31 Dec	**12,736**	**12,736**
Other shares and interests		
Cost at 1 Jan		6,587
Decreases 1 Jan–31 Dec		-6,587
Cost at 31 Dec		
Other investments		
Cost at 1 Jan		
Increases 1 Jan–31 Dec	95,711	
Decreases and transfers to short-term financial securities 1 Jan–31 Dec	-20,466	
Cost at 31 Dec	**75,245**	
Investments total	**104,877**	**29,632**

15. INVENTORIES, €1,000	2023	2022
Materials and consumables at 31 Dec	19,104	18,698
Total	**19,104**	**18,698**

16. OTHER NON-CURRENT RECEIVABLES, €1,000	2023	2022
Loan receivables from Group companies	35,416	43,904
Deferred tax assets	19,714	24,728
Other non-current receivables	74	74
Total	**55,205**	**68,707**

17. RECEIVABLES FROM GROUP COMPANIES, €1,000	2023	2022
Current:		
Trade receivables	291	307
Interest receivables	9	
Other receivables	56	
Loan receivables	5,488	5,488
Prepayments and accured income	23	
Total	**5,867**	**5,795**

18. RECEIVABLES FROM ASSOCIATED COMPANIES, , €1,000	2023	2022
Current:		
Trade receivables	17,578	2
Interest receivables		2
Loan receivables		188
Prepayments and accured income	436	
Total	**18,014**	**192**

19. OTHER RECEIVABLES, €1,000	2023	2022
Interest and other financial items	13,878	22,291
Other receivables	2,028	2,337
Total	**15,906**	**24,628**

20. ACCRUED INCOME, €1,000	2023	2022
Interest and other financial items	8,432	4,872
Accruals of sales and purchases	11,561	27,814
Total	**19,993**	**32,687**

21. UNRECORDED EXPENSES AND PAR VALUE DIFFERENTIALS ON THE ISSUE OF LOANS INCLUDED IN ACCRUED INCOME, €1,000	2023	2022
Par value differentials	1,369	562

22. FINANCIAL SECURITIES, CASH IN HAND AND BANK RECEIVABLES, €1,000	2023	2022
Short-term fixed income funds	102,115	199,314
Cash in hand and bank receivables	253,737	383,445
Financial securities, deposits over 3 months	25,688	150,000
Total	**381,540**	**732,759**

23. SHAREHOLDERS' EQUITY, €1,000	2023	2022
Share capital 1 Jan	55,922	55,922
Share capital 31 Dec	**55,922**	**55,922**
Share premium account 1 Jan	55,922	55,922
Share premium account 31 Dec	**55,922**	**55,922**
Profit from previous financial years 1 Jan	165,966	184,631
Dividend distribution	-133,037	-133,037
Profit from previous financial years 31 Dec	**32,929**	**51,594**
Profit for the financial year	**141,421**	**114,373**
Shareholders' equity 31 Dec	**286,195**	**277,811**
Distributable shareholders' equity	**174,350**	**165,966**

Number of shares	Series A shares	Series B shares	Total
1 Jan 2023	2,078	1,247	3,325
31 Dec 2023	2,078	1,247	3,325

Series A shares confer three votes each at the Annual General Meeting and Series B shares one vote each. When electing members of the Board of Directors, Series A shares confer 10 votes each at the Annual General Meeting and Series B shares one vote each.

Series B shares have the right before Series A shares to obtain the annual dividend specified below from the funds available for profit distribution. If the annual dividend cannot be distributed in some year, the shares confer a right to receive the undistributed amount from the funds available for profit distribution in the subsequent years; however, such that Series B shares have the right over Series A shares to receive the annual dividend and the undistributed amount.

Fingrid Oyj's Annual General Meeting decides on the annual dividend

Eighty-two (82) per cent of the dividends to be distributed for each financial year is distributed for all Series A shares and eighteen (18) per cent for all Series B shares, however such that EUR twenty (20) million of the dividends to be distributed for each financial year is first distributed for all Series B shares. If the above-mentioned EUR twenty (20) million minimum amount for the financial period is not distributed (all or in part) for Series B shares in a financial period, Series B shares confer the right to receive the undistributed minimum amount in question (or the accumulated undistributed minimum amount accrued during such financial periods) in the next profit distribution, in any disbursements paid out, or in any other distribution of assets prior to any other dividends, disbursements or asset distribution until the undistributed minimum amount has been distributed in full for Series B shares.

There are no non-controlling interests.

24. ACCUMULATED APPROPRIATIONS, €1,000	2023	2022
Accumulated depreciation from the difference between depreciation according to plan and depreciation carried out in taxation	307,397	278,897
Total	**307,397**	**278,897**

BONDS, €1,000				2023	2022
Currency	Nominal value	Maturity	Interest	Balance sheet value	
EUR	30,000	11 Sep 2023	2.71%		30,000
EUR	300,000	3 Apr 2024	3.50%	300,000	300,000
EUR	70,000	7 May 2025	0.527%	70,000	70,000
EUR	100,000	23 Nov 2027	1.125%	100,000	100,000
EUR	25,000	27 Mar 2028	2.71%	25,000	25,000
EUR	10,000	12 Sep 2028	3.27%	10,000	10,000
EUR	80,000	24 Apr 2029	2.95%	80,000	80,000
EUR	30,000	30 May 2029	2.888%	30,000	30,000
				615,000	645,000
NOK	100,000	16 Sep 2025	4.31%	12,512	12,512
NOK	500,000	8 Apr 2030	2.72%	43,478	43,478
				55,990	55,990
Bonds, long-term total				370,990	670,990
Bonds, short-term total				300,000	30,000
Total				**670,990**	**700,990**

26. LOANS FALLING DUE IN FIVE YEARS OR MORE, €1,000	2023	2022
Bonds	153,478	188,478
Loans from financial institutions	124,101	150,896
Total	**277,579**	**339,375**

27. LIABILITIES TO GROUP COMPANIES, €1,000	2023	2022
Current:		
Other liabilities	4,427	4,845
Total	**4,427**	**4,845**

28. LIABILITIES TO ASSOCIATED COMPANIES, €1,000	2023	2022
Current:		
Trade payables		15,276
Accruals	353	463
Total	**353**	**15,740**

29. OTHER LIABILITIES, €1,000	2023	2022
Current:		
Electricity tax	777	817
Other liabilities	1,400	6,522
Total	**2,176**	**7,340**

30. ACCRUALS, €1,000	2023	2022
Non-current:		
Congestion income*	387,081	677,435
Total	**387,081**	**677,435**
Current:		
Interest and other financial items	17,261	14,820
Salaries and additional personnel expenses	10,311	9,454
Accruals of sales and purchases	18,651	14,567
Tax debts	1,163	5,032
Congestion income*	588,650	386,301
Total	636,036	430,174
Total	**1,023,117**	**1,107,609**

*Information on the accrual and use of congestion income can be found in note 36

31. PROVISIONS FOR LIABILITIES AND CHARGES, €1,000	2023	2022
Creosote-impregnated and CCA-impregnated wooden towers, disposal costs	2,870	3,119
Total	**2,870**	**3,119**

32. DERIVATIVE AGREEMENTS, €1,000

	2023				2022				Hierarchy level
Interest rate and currency derivatives	Fair value pos. 31.12.23	Fair value neg. 31.12.23	Net fair value 31.12.23	Nominal value 31.12.23	Fair value pos. 31.12.23	Fair value neg. 31.12.23	Net fair value 31.12.23	Nominal value 31.12.23	
Cross-currency swaps		-7,944	-7,944	55,990		-4,607	-4,607	55,990	Level 2
Currency derivatives	7	-340	-333	5,172	109	-356	-247	11,901	Level 2
Interest rate swaps	283	-10,164	-9,882	280,000	302	-17,430	-17,128	280,000	Level 2
Bought interest rate options	5,181		5,181	300,000	13,884		13,884	550,000	Level 2
Total	**5,471**	**-18,448**	**-12,977**	**641,162**	**14,294**	**-22,393**	**-8,099**	**897,891**	
Electricity derivatives									
Electricity forward contracts	36,787	-2,746	34,041	4,0	219,475	-458	219,017	4,5	Level 2
Total	**36,787**	**-2,746**	**34,041**	**4,0**	**219,475**	**-458**	**219,017**	**4,5**	
Metal derivatives									
Metal swaps	55	-40	15	302	81		81	342	Level 2
Total	**55**	**-40**	**15**	**302**	**81**		**81**	**342**	

33. COMMITMENTS AND CONTINGENT LIABILITIES, €1,000	2023	2022
Rental liabilities		
Liabilities for the next year	4,236	4,044
Liabilities for subsequent years	30,562	31,939
	34,799	**35,983**
Right-of-use agreements		
Liabilities for the next year	4,237	8,500
Liabilities for subsequent years	15,818	20,055
	20,055	28,555
Pledges given as collateral for regulatory charges	**289**	**283**
Other financial commitments		
Rent security deposit	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	599	522
Liabilities for subsequent years	1,302	1,250
	1,939	1,810
Unrecognised investment commitments	**520,718**	**315,844**

The investment commitments consist of agreements signed by the company to carry out grid construction projects.

34. 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.

35. Separation of businesses in accordance with the electricity market act

Imbalance power and regulating power

Each electricity market participant must have an open supplier for its electricity production and procurement and for electricity consumption and deliveries. The open supplier must designate a balance responsible party for the open delivery it delivers to an electricity market participant, and the balance responsible party carries out imbalance settlement for the electricity production and procurement and the use and transmission of electricity linked with the open delivery in question through this open delivery or the linked continuous chain of open deliveries. The balance responsible party signs a balance service agreement with Fingrid. Fingrid buys and sells imbalance power to settle any imbalance in the hourly power balance of a balance responsible party. Imbalance pricing is based on the balance service agreement with impartial and public terms and conditions.

Fingrid is responsible for maintaining a power balance in Finland at all times by buying and selling balancing power. The balance responsible parties can participate in the Nordic balancing power market by submitting bids on their available capacity. The terms and conditions of participation in the balancing power market and the pricing of balancing power are based on the balancing power market agreement.

Fingrid is responsible for organising national imbalance settlement. A company jointly owned by the Finnish, Swedish, Norwegian and Danish transmission system operators, eSett Oy, draws up the imbalance settlement and manages the guarantees set by the balance responsible parties. The imbalance settlement takes place after the delivery hour by determining the actual electricity generation, consumption, electricity trading and any imbalance adjustments for reserve activation. The outcome of the balance settlement is the power balance for each balance responsible party.

Management of balance operation

In accordance with a decision by the Energy Market Authority, Fingrid Oyj shall separate the duties pertaining to national power balance operation by virtue of Chapter 12 of the Electricity Market Act. Balance responsibility is part of financially regulated grid operations.

The income statement of the balance service unit is separated by means of cost accounting as follows:

Income	direct
Separate costs	direct
Production costs	matching principle
Administrative costs	matching principle
Depreciation	matching principle in accordance with Fingrid Oyj's depreciation principle
Finance income and costs	on the basis of imputed debt
Income taxes	based on result

The average number of personnel during 2023 was 10 (9).
The operating profit was 9.8 (-4.8) per cent of turnover.

MANAGEMENT OF BALANCE OPERATION, SEPARATED INCOME STATEMENT

	1 Jan–31 Dec, 2023 €1,000	1 Jan–31 Dec, 2022 €1,000
TURNOVER	**700,530**	**1,231,884**
Materials and services	-628,403	-1,286,028
Personnel costs	-1,354	-850
Depreciation and amortisation expense	-746	-365
Other operating expenses	-1,326	-3,369
OPERATING PROFIT	**68,701**	**-58,728**
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	**68,701**	**-58,728**
Appropriations	-91	-146
PROFIT/LOSS FOR THE FINANCIAL YEAR	**68,611**	**-58,873**

MANAGEMENT OF BALANCE OPERATION, SEPARATED BALANCE SHEET

ASSETS	31 Dec 2023€ 1,000	31 Dec 2022 €1,000
NON-CURRENT ASSETS		
Intangible assets		
Other non-current expenses	2,311	994
Tangible assets		
Machinery and equipment	707	7
Investments		
Interests in associated companies	1,501	1,501
TOTAL NON-CURRENT ASSETS	**4,519**	**2,501**
CURRENT ASSETS		
Non-current		
Current receivables		
Trade receivables	14,616	39,450
Receivables from associated companies	17,578	192
Other receivables		6,814
	32,194	46,456
Cash in hand and bank receivables	1	1
TOTAL CURRENT ASSETS	**32,195**	**46,457**
TOTAL ASSETS	**36,714**	**48,958**

SHAREHOLDERS' EQUITY AND LIABILITIES

EQUITY	31 Dec 2023€ 1,000	31 Dec 2022 €1,000
Share capital	32	32
Share premium account	286	286
Profit from previous financial years	-51,490	7,383
Profit for the financial year	68,611	-58,873
TOTAL SHAREHOLDERS' EQUITY	**17,438**	**-51,173**
ACCUMULATED APPROPRIATIONS	**-314**	**-405**
LIABILITIES		
Current liabilities		
Trade payables	6,350	8,870
Other debt	5,485	
Liabilities to Group companies	7,755	76,390
Liabilities to associated companies		15,276
	19,590	100,536
TOTAL LIABILITIES	**19,590**	**100,536**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**36,714**	**48,958**

Development of information exchange

It is Fingrid's task to develop the exchange of information required for electricity trade and imbalance settlement as set out in the Electricity Market Act. Fingrid's information exchange services are part of the electricity markets' information exchange environment. In order to develop the effective and accurate exchange of information, Fingrid works in close co-operation with e.g. electricity market parties, interest groups, service providers, supervisory authorities, legislators, organisations that develop national and international communications and other transmission system operators.

In accordance with a decision by the Energy Market Authority, Fingrid Oyj must separate the duties pertaining to the development of information exchange by virtue of Chapter 12 of the Electricity Market Act. The development of information exchange is a financially regulated part of grid operations.

The separation of the income statement for the development of information exchange is realised by means of cost accounting as follows:

Income	direct
Separate costs	direct
Administrative costs	matching principle
Income taxes	based on result

DEVELOPMENT OF INFORMATION EXCHANGE, SEPARATED INCOME STATEMENT

	1 Jan–31 Dec, 2023 €1,000	1 Jan–31 Dec, 2022 €1,000
TURNOVER		
Other operating expenses		-26
OPERATING PROFIT		**-26**
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		**-26**
Income taxes		5
PROFIT/LOSS FOR THE FINANCIAL YEAR		**-21**

DEVELOPMENT OF INFORMATION EXCHANGE, SEPARATED BALANCE SHEET

ASSETS	31 Dec 2022 €1,000
CURRENT ASSETS	
Receivables from Group companies	68
Other receivables	11
TOTAL CURRENT ASSETS	**79**
TOTAL ASSETS	**79**

SHAREHOLDERS' EQUITY AND LIABILITIES

EQUITY	1 Jan–31 Dec, 2022 €1,000
Share capital	
Profits/losses from previous financial years	3
Profit for the financial year	65
TOTAL SHAREHOLDERS' EQUITY	-21
LIABILITIES	**47**
Current liabilities	
Trade payables	
Liabilities to Group companies	32
	32
TOTAL LIABILITIES	**32**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**79**

Grid operations

Grid operations refers to licensed electricity system operation that takes place on the electricity grid. Electricity system operations are defined in Chapter 1 of the Electricity Market Act (588/2013) and grid operations are defined in Chapter 5. Of Fingrid Oyj's operations, activities related to the management of the power reserve system and guarantees of origin for electricity, as well as the Datahub system are not included in grid operations. Operations that are not part of grid operations constitute 'other operations' as referred to in Chapter 12 of the Electricity Market Act and must be separated from grid operations in accordance with that Chapter.

The income statement and balance sheet of grid operations and other operations have, in compliance with Chapter 12 of the Electricity Market Act, been separated by means of cost accounting as follows:

Income	direct
Separate costs	direct
Production costs	matching principle
Administrative costs	matching principle
Depreciation	matching principle in accordance with Fingrid Oyj's depreciation principle
Finance income and costs	on the basis of imputed debt
Income taxes	based on result
Balance sheet items	matching principle

TRANSMISSION SYSTEM OPERATION

SEPARATED INCOME STATEMENT	1 Jan–31 Dec, 2023 €1,000	1 Jan–31 Dec, 2022 €1,000
TURNOVER	**1,208,041**	**1,806,530**
Other operating income	119,723	30,368
Purchases during the financial year	-769,881	-1,345,912
Loss power procurement	-75,203	-103,827
Change in stock	406	4,465
Grid service charges	-93	-196
Other services	-70,127	-56,865
Personnel costs	-40,719	-36,476
Depreciation and amortisation expense	-6,625	-3,769
Depreciation according to plan for the electricity grid	-110,075	-99,330
Other operating expenses	-36,302	-34,000
Renting expenses	-4,657	-3,944
OPERATING PROFIT	**214,490**	**157,045**
Other interest and financial income	32,401	7,701
Income from other fixed assets		410
Other interest and financial expenses	-42,065	-22,986
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	**204,825**	**142,170**
Accumulated depreciation difference for the electricity grid	-31,677	-3,177
Accumulated depreciation difference for other non-current assets	3,177	3,177
Income taxes	-35,261	-28,366
PROFIT/LOSS FOR THE FINANCIAL YEAR	**141,064**	**113,803**

OTHER OPERATION

SEPARATED INCOME STATEMENT	1 Jan–31 Dec, 2023 €1,000	1 Jan–31 Dec, 2022 €1,000
TURNOVER	**1,614**	**2,126**
Personnel costs	-299	-381
Other operating expenses	-1,316	-1,745
OPERATING PROFIT	**-0**	**-0**
Revenue from group companies	150	48
Other interest and financial income in group companies	2,077	1,718
Other interest and financial expenses in group companies	-293	-13
Other interest and financial expenses	-1,488	-1,041
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	**446**	**711**
Income taxes	-89	-142
PROFIT/LOSS FOR THE FINANCIAL YEAR	**357**	**569**

SEPARATED BALANCE SHEET — TRANSMISSION SYSTEM OPERATION

ASSETS	31 Dec 2023 €1,000	31 Dec 2022 €1,000
Intangible assets:		
Intangible assets of the electricity grid	57,316	57,600
Other intangible assets	12,543	9,404
	69,858	**67,003**
Tangible assets of the electricity grid	1,642,227	1,545,054
Other property, plant and equipment	42,164	38,145
Prepayments and purchases in progress	266,338	181,962
	1,950,729	**1,765,161**
Investments	87,981	12,736
	87,981	**12,736**
TOTAL NON-CURRENT ASSETS	**2,108,568**	**1,844,901**
Inventories	19,104	18,698
Receivables		
Non-current		
Other receivables	19,788	24,802
	19,788	**24,802**
Current		
Trade receivables	32,359	32,164
Other receivables	15,906	23,761
Prepayments and accrued income	20,429	33,744
	68,693	**89,668**
Financial securities	127,803	349,314
Cash in hand and bank receivables	252,546	382,145
TOTAL CURRENT ASSETS	**487,935**	**864,628**
TOTAL ASSETS	**2,596,503**	**2,709,529**

SEPARATED BALANCE SHEET — TRANSMISSION SYSTEM OPERATION

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec 2023 €1,000	31 Dec 2022 €1,000
EQUITY		
Share capital	55,920	55,920
Share premium account	55,922	55,922
Profit from previous financial years	32,808	51,555
Profit for the financial year	141,064	113,803
TOTAL SHAREHOLDERS' EQUITY	**285,715**	**277,200**
Accumulated depreciation difference for grid assets	331,455	305,149
Accumulated depreciation difference for other assets	-24,058	-26,252
PROVISIONS FOR LIABILITIES AND CHARGES	**2,870**	**3,119**
LIABILITIES		
Non-current liabilities		
Bonds	339,503	628,171
Loans from financial institutions	236,598	273,221
Accruals	387,081	677,435
	963,182	**1,578,826**
Bonds	300,000	30,000
Loans from financial institutions	40,355	33,047
Trade payables	59,453	71,458
Other liabilities	2,169	7,793
Accruals	635,363	429,189
	1,037,339	**571,487**
TOTAL LIABILITIES	**2,000,521**	**2,150,313**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,596,503**	**2,709,529**

SEPARATED BALANCE SHEET	OTHER OPERATION	
ASSETS	31 Dec 2023 €1,000	31 Dec 2022 €1,000
Intangible assets:		
Investments	16,896	16,896
	16,896	**16,896**
TOTAL NON-CURRENT ASSETS	**16,896**	**16,896**
CURRENT ASSETS		
Non-current		
Other receivables	35,416	43,904
	35,416	**43,904**
Trade receivables	291	307
Other receivables	5,544	5,488
Prepayments and accrued income	32	
	5,867	**5,795**
Cash in hand and bank receivables	1,191	1,299
TOTAL CURRENT ASSETS	**42,474**	**50,999**
TOTAL ASSETS	**59,370**	**67,895**

SEPARATED BALANCE SHEET	OTHER OPERATION	
SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec 2023 €1,000	31 Dec 2022 €1,000
EQUITY		
Share capital	3	3
Profit from previous financial years	121	39
Profit for the financial year	357	569
TOTAL SHAREHOLDERS' EQUITY	**480**	**611**
Bonds	31,487	42,819
Loans from financial institutions	21,943	18,624
	53,430	**61,444**
Liabilities to Group companies, interest bearing	4,426	4,845
Liabilities to Group companies	1	1
Other liabilities	8	10
Accruals	1,026	985
	5,460	**5,841**
TOTAL LIABILITIES	**58,890**	**67,284**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**59,370**	**67,895**

Other non-current assets included in the separated balance sheet for grid operations

SEPARATED BALANCE SHEET	TRANSMISSION SYSTEM OPERATION	
ASSETS	31 Dec 2023 €1,000	31 Dec 2022 €1,000
Intangible assets:		
Other intangible assets	12,543	9,404
	12,543	**9,404**
Tangible assets		
Land and water areas	20,141	17,908
Buildings and structures	11,051	10,798
Machinery and equipment	8,613	6,687
Transmission lines	2,249	2,642
Other property, plant and equipment	110	110
Prepayments and purchases in progress	266,338	181,962
	308,502	**220,107**
Investments:		
TOTAL NON-CURRENT ASSETS	**321,045**	**229,511**

INTANGIBLE ASSETS, €1,000	2023	2022
Intangible assets of the electricity grid, €1,000		
Carrying amount 31 Dec	57,316	57,600
Carrying amount 1 Jan	-57,600	-61,251
Depreciation according to plan 1 Jan–31 Dec	4,331	4,126
Decreases 1 Jan–31 Dec	466	188
Total	**4,512**	**662**
Other intangible assets, €1,000		
Carrying amount 31 Dec	12,543	9,404
Carrying amount 1 Jan	-9,404	-4,487
Depreciation according to plan 1 Jan–31 Dec	3,995	2,406
Decreases 1 Jan–31 Dec		111
Total	**7,134**	**7,434**
INTANGIBLE ASSETS TOTAL	**11,647**	**8,097**

PROPERTY, PLANT AND EQUIPMENT, €1,000	2023	2022
Tangible grid investments, 1,000 €		
Carrying amount 31 Dec	1,642,227	1,545,054
Carrying amount 1 Jan	-1,545,054	-1,487,817
Depreciation according to plan 1 Jan–31 Dec	105,744	95,204
Decreases 1 Jan–31 Dec	1,980	1,226
Total	**204,897**	**153,667**
Other property, plant and equipment, €1,000		
Carrying amount 31 Dec	42,164	38,145
Carrying amount 1 Jan	-38,145	-33,633
Depreciation according to plan 1 Jan–31 Dec	2,630	1,363
Decreases 1 Jan–31 Dec		155
Total	**6,648**	**6,030**
Prepayment and purchases in progress, €1,000		
Carrying amount 31 Dec	266,338	181,962
Carrying amount 1 Jan	-181,962	-232,037
Decreases 1 Jan–31 Dec	223,407	174,104
Total	**307,784**	**124,028**
TANGIBLE ASSETS TOTAL	**519,330**	**283,725**

36. CONGESTION INCOME IN GRID OPERATIONS

The congestion income received by a grid owner must be used for the purposes stated in EU Regulation 2019/943, Article 19: guaranteeing the actual availability of the allocated capacity, maintaining or increasing interconnection capacities through network investments, covering the costs of maintaining said capacity and recognising congestion income in the company's turnover. The congestion income is included as accruals in the item Other liabilities in the balance sheet. Of accruals, congestion income is recognised in the income statement in other operating income in compliance with the accrual of costs defined in regulation and in turnover to the extent that congestion income can be directly recognised for the benefit of grid customers. Alternatively, they are recognised in the balance sheet against investments, as defined by regulation, to lower the acquisition cost of property, plant and equipment. As a result, this lowers the depreciation of the property, plant and equipment in question. Fingrid reports the share to be used during the next year in short-term liabilities. The Energy Authority's regulatory letters during the regulatory period guide the use of congestion income. The Energy Authority issues a decision on the use of congestion income as part of its supervisory decision on the reasonable return.

Congestion income, €1,000	2023	2022
Congestion income on 1 Jan	1,063,736	488,716
Accumulated congestion income	317,013	942,939
Returns matching congestion income	-284,720	-229,450
Expenses matching congestion income	-21,806	-18,834
Allocated to transmission right compensations	-96,158	
Investments matching congestion income	-2,334	-119,635
Congestion income on 31 Dec	**975,731**	**1,063,736**

Countertrade

The countertrade used to safeguard system security in transmission grid operations results in costs. The countertrade costs arising from countertrade at cross-border transmission connections can be covered by congestion income.

Counter trade, €1,000	2023	2022
Countertrade between Finland and Sweden	137	3,752
Countertrade between Finland and Estonia	651	1,749
Countertrade between Finland's internal connections	73	1,787
Total counter-trade	**861**	**7,289**

37. EMISSION RIGHTS

The use of emission rights had no impact on the financial result in 2023.

	2023	2022
Total CO2 emissions tCO2	4,757	6,006

38. PERMANENT LOCATION IN DENMARK IN INCOME TAXATION

Joint Nordic operational planning organisation

In 2018, Fingrid established, jointly with Svenska Kraftnät, Statnett and Energinet.dk, the Nordic Regional Security Coordinator (Nordic RSC) in Copenhagen for inter-TSO operational planning between the countries. The unit included Fingrid employees who provided the service for Fingrid's parent company, and this operation constituted a permanent location in terms of income taxation and generated income taxable to Denmark. The unit's operational activities ended on 30 June 2022, when the new Nordic RCC A/S was established for the incorporation of RSC. Nordic RCC A/S, which launched its operations on 1 July 2022, is a joint venture of the four Nordic TSOs. Chapter 6.1 takes a closer look at the Nordic RCC. Fingrid had no permanent office in Denmark at the end of 2023.

INCOME STATEMENT	1 Jan–31 Dec, 2023 €1,000	1 Jan–31 Dec, 2022 €1,000
TURNOVER		**906**
Personnel costs		-135
Other operating expenses		-728
OPERATING PROFIT	**0**	**43**
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	**0**	**43**
Income taxes		-9
PROFIT/LOSS FOR THE FINANCIAL YEAR	**0**	**34**

8 Signatures for the annual review and for the financial statements

Helsinki, 27 February 2024

Hannu Linna
Chair

Leena Mörttinen
Deputy Chairman

Jero Ahola

Anne Jalkala

Jukka Reijonen

Asta Sihvonen-Punkka
President & CEO

Auditor's notation

A report on the audit carried out has been submitted today.

Helsinki, 27 February 2024

PricewaterhouseCoopers Oy
Authorised Public Accountants

Martin Grandell, APA

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

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