

2/2022



Interim report



SAYON  
VOINA



# Long-term work enables continuing investments

## January–August in brief

- The net sales of the Group were EUR 148.5 million and increased by 7.2 per cent in comparison to the corresponding period last year.
- The Group's operating profit was EUR 33.0 million and increased by 17.1 per cent in comparison to the corresponding period last year.
- The increase in net sales and profitability was mainly due to the high market price of electricity. Of the electricity produced during the review period, 72 per cent was fixed in advance, in accordance with the risk management policy. Therefore, the increase in the market price is not fully visible in the result of the Group.
- Net sales of electricity distribution and district heat decreased slightly, due to the warmer weather.
- The volume of electricity distributed decreased by 2.5 per cent from the year before and was 1,307 GWh. Heat sales decreased by 6.0 per cent and were 702 GWh. Power generation increased by 9.8 per cent and was 332 GWh.
- The security of supply for electricity distribution was excellent in January–August, as the service rate was 99.98 per cent.
- In the review period, Group investments amounted to EUR 35.0 million.
- In the summer, a bioconversion investment was made in Joensuu power plant, the costs of which were about EUR 6 million.

- Savon Voima and P2X Solutions announced a green hydrogen production plant project that is in its preparatory stages and will be located in the grounds of the Joensuu power plant.
- Savon Voima was granted the ISO certificates for its environment and data security systems.

## Estimate for the end of the year

- The investments for the entire year are anticipated to be EUR 56 million.
- Of the investments, EUR 39 million will be aimed at a weatherproof electricity network.
- We expect the instability and unpredictability of the energy market to continue.
- Due to the tense situation in the domestic fuel market, there may be issues related to the availability of biomass in particular.
- The increased fuel and emission allowance costs have not been added to the customer prices, which will weaken the profitability of the heating business for the rest of the year.
- The hedging rate for electricity production prices for the rest of the year is high, 76 per cent.
- The market price of electricity will support the result of Savon Voima, if the availability of power plants is at an excellent level.
- Savon Voima Group's result for 2022 is estimated to be at the level of the previous year, at least, but the forecast includes significant uncertainty factors due to the challenging market conditions and regulatory risks.

## Group key figures

GROUP KEY FIGURES	1–8/2022	1–8/2021	1–12/2021
Net sales, EUR 1000	148,493	138,516	228,460
Operating profit, %	22.2 %	20.3 %	21.1 %
Equity ratio, %	42.0 %	38.6 %	38.7 %
Liquidity, Qr	1.2	1.5	1.3
Investments, EUR 1000	35,005	32,310	56,570
Return on investment, %	5.4 %	3.4 %	4.7 %
Average personnel	210	211	207
ENERGY VOLUMES (GWh)	1–8/2022	1–8/2021	1–12/2021
Sale of heat and steam	702	747	1,222
Electricity distribution	1,307	1,340	2,099
Electricity production, production shares	105	97	152
Electricity production, own plants	227	206	368

## CEO's review

The first half of the year was characterised by the emergency conditions in the energy market. The war in Ukraine and all its multiple effects are shaking up societies. The public conversation now examines the availability of energy sources, their prices and how to control them. At the same time, climate change progresses in the background. The proposed political actions for protecting vulnerable customers are difficult to implement without them either removing production from the market or decreasing the future investments in emission-free forms of production.

Even in this unusual operating environment, Savon Voima believes in its sustained mode of operation. The risk management actions, the certificates obtained after many years of preparations, the progress of investments striving for carbon-neutrality, the improved security of supply, and the Group result that met the expectations all provide a good foundation for managing the challenging heating period of the coming winter.

## Operating environment

In terms of energy supply, the war in Ukraine that broke out in February has affected the availability and price levels of fuels in particular. Since the start of the war, Savon Voima has discontinued its fuel procurement from Russia and switched to using domestic biofuels and peat. Before the crisis in Ukraine, the share of fuel imported from Russia was about 20 per cent of the overall procurement of fuel. The rapidly increased demand for domestic fuels and the increased harvesting and logistics costs have raised the prices of biofuels. Maintenance and investment projects have also reported increased costs and longer delivery times. Despite the increase in production costs, the price of Savon Voima district heat has not been raised in 2022.

The wholesale electricity price in Finland was EUR 134.86

per MWh in January–August, which is 149% higher than a year ago. The average system price was EUR 126.53 per MWh, which was 172% higher than in the corresponding period in 2021. The high electricity prices are due to higher fuel prices as a result of the European energy crisis, combined with the low water reservoirs in southern Norway. The delayed trial use of Olkiluoto 3 has also contributed to the high prices in Finland.

After Russia invaded Ukraine, the price of emission allowances fell sharply, even hovering below EUR 60 per tonne of CO<sub>2</sub> for a while. The price returned to pre-war levels quite quickly. In May–August, the price of an emission allowance was mainly EUR 80–90, but in mid-August it was briefly as much as EUR 98 per carbon dioxide tonne. In late August, the price was EUR 80.03 per carbon dioxide tonne, which is 31 per cent higher than twelve months earlier.

## Sustainability

In August, Savon Voima was granted both the ISO 27001:2013 information security certificate and the ISO 14001:2015 environment certificate. The information security certificate was granted to the data security management system whereas the environment certificate covers electricity distribution business of Savon Voima Verkko and district heat and electricity production of Savon Voima. The certificates prove that the data security management system and the environment system of Savon Voima observe the relevant legislation, regulations and good practices. Additionally, the certificates are a sign of committing to the continuous development of the systems and systematic risk management and target setting. The ISO 27001:2013 information security certificate entered into force on 30 May 2022 and the ISO 14001:2015 environment certificate on 18 August 2022.

The annual monitoring of fish swimming upstream began at the Juankoski and Karjalankoski fish passages in August.

8,000 so-called started young brown trout were restocked in Huutokoski, Joroinen with volunteer effort. The started (i.e. taught to feed) young fish manage better in transport, are better swimmers and are imprinted on their place of restocking fairly well.

The power plants of Iisalmi, Pieksämäki and Joensuu were accepted as producers of guarantees of origin for district heat. These plants produce guarantees of origin for renewable heat in a verified manner. The Pieksämäki power plant's sustainability system for biofuels was also accepted.

## District heat and power generation

Of the energy sources used for electricity and heat production, 72.0% (70.0%) were renewable in the January–August period. The war in Ukraine, which broke out in February, and the consequent ban on receiving Russian fuels have affected the availability and prices of fuel. The share of peat has been increased in relation to the budgeted share so that the security of supply could be guaranteed for district heat. In the first two quarters, peat has been used 13 per cent more than budgeted. Correspondingly, the amount of by-products of the forest industry has been below what was budgeted.

By the end of August 2022, the carbon dioxide emissions from district heat and electricity production included in the emissions trading scheme amounted to 31,000 tonnes for Savon Voima Oyj (41,790 in the previous year) and 61,000 tonnes for Savon Voima Joensuu Oy (58,590).

District heat sales in January–August were 8.0% lower than budgeted. District heat sales were particularly affected by the mild weather in February. Total heat sales amounted to 702 GWh, which is 6.0% lower than in the same period last year.

The rapidly increased demand for domestic fuels, started by the war in Ukraine, and the increased harvesting and

logistics costs have raised the gate prices of biofuels significantly, especially for different fuel fractions. Despite the increased fuel and material costs, the prices of district heat have not been raised during the review period.

The availability of power plants and heating plants was good at the beginning of the year and the maintenance shutdowns in the summer were largely implemented as expected. The equipment deliveries of investment projects have been performed on schedule, for the most significant parts. There have been delays in individual equipment deliveries, but the delays have not affected the starting schedules of the plants. The most significant of the summertime investments, the bioconversion of the Joensuu power plant, was completed on schedule and the plant was started up for tuning trials in August. As of the start of the next year, the objective of the bioconversion is to ensure increasingly environmentally friendly bio burning, and thus promote Savon Voima's strategic objective of achieving carbon-neutrality in the Joensuu power plant by 2025 and promoting the use of domestic renewable fuels.

In August, Savon Voima and P2X Solutions started an enquiry into possibly building an industrial-scale production plant for green hydrogen and electrofuel in the Joensuu power plant area of Savon Voima. Once built, the plant would produce green hydrogen with electricity produced from renewable energy and at a capacity of 30–50 MW. As a side stream, the plant would produce 15–20 per cent of the district heat needed in Joensuu. The aim is to have the Joensuu hydrogen plant in operation by 2025.

Savon Voima and the City of Pieksämäki concluded a cooperation agreement concerning the production of the cooling required by the Pieksämäki ice arena as a service. The agreement is the first cooling supply agreement for Savon Voima. The cooling of the ice arena will be implemented with Savon Voima's new cold process and the condensing heat created by the process will be utilised in the heating of the building and in the district heat network of Pieksämäki.

Savon Voima and the construction company Lapti agreed on the delivery of a hybrid system of geothermal heat and district heat. The system will be delivered to Lapti's new apartment building site in Vuorela, Siilinjärvi. Savon Voima will deliver the system as a turnkey solution and will ensure, after the completion of the building, that the heating system is optimised efficiently.

The volume of electricity produced in January–August was 332 GWh, which was 9.8% more than in the corresponding period last year. 65 GWh of hydroelectric power was produced, which was 3.8% less than in the same period last year, due to the volume of water being less than in the year previous. The combined production of electricity and heat (CHP production) totalled 162 GWh, which was 17.5% higher than in 2021. Due to the significant demand and good market price, more electricity was produced than in the previous year. The production of generation shares of electricity was 105 GWh, which was 8.2 per cent more than in the corresponding period last year. The increase of generation shares was affected by the trial use of Olkiluoto 3, but also by the increased production of emissions-causing generation shares caused by the raised market prices.

## Electricity distribution network business

In the early part of the year, the amount of electricity distributed has been in line with the budget. A total of 1,307 GWh was distributed, which was 2.5 per cent less than in the previous year (1,340 GWh). The decrease in the amount distributed was due to the weather being significantly warmer than during the same period last year.

The security of supply for electricity distribution was excellent in January–August as the service rate was 99.98 per cent. In January–August, the energy weighted average fault reset time of the electric power network was 1 hour 12 minutes per customer. The early part of the year was characterised by typical snowload failures, but preventive measures helped to keep customer impacts to a minimum.

Thunderstorms caused disturbances in the summer period. In August, the local downbursts of thunderstorms caused disturbances in the distribution area south of Kuopio, in particular.

The Energy Authority is continuing the development of monitoring methods concerning the next monitoring period. The development was started earlier in the year. Savon Voima Verkko has been and aims to be actively involved in the process through working groups.

Renewal of the electricity network to improve the security of supply will continue during the current year. The most significant construction projects for 2022 are the renovation of the area between the municipality of Joroinen and the town of Kiuruvesi, the cabling between Karttula and Pihkainmäki, and the cabling around the Kinnari substation in Varkaus. A new 45-kV substation and a 17-km transmission line feeding it will be built in Sukeva during the current year.

2022 will be a record year in terms of the amount of new solar electricity production systems connected to the electricity network. By the end of August, connected systems totalled 554 while the systems connected in the previous year totalled 449. The rated output of the connected systems is a total of 21.8 MW. The largest individual site is the solar farm in Joroinen that has a capacity of 4 MW.

## Personnel

At the end of August, the number of employees was 215 (212) and the number of people employed averaged 210 (211) in January–August. In January–August, 12 people started as new permanent employees. There were no accidents resulting in at least one day's absence in January–August. The target of 'zero accidents in 1,000 days' reached a new record in August: 746 work days without any work-related accidents. During summer, we employed 20 summer interns in a variety of positions, from power plant work to customer service.

## Estimate for the end of the year

Savon Voima's business operations are weather-dependent. The net sales and results of the power generation business are also strongly affected by, for example, price fluctuations in the wholesale electricity market and the development of emission rights and fuel prices.

Risks to the security of supply of the electricity distribution will be reduced by investing significantly in the prevention of damage caused by weather conditions and building a weather-proof network. The active work to renew the electricity network in accordance of the investment plan will continue for the rest of the year.

Price hedges are used to manage the impact of electricity price fluctuations. Risks related to fuel availability and rising fuel prices will be minimised through actions such as the bio-conversion of the Joensuu power plant boiler and long-term cooperation agreements.

The war in Ukraine has had a widespread effect on the operations and structures of the energy market, both globally and especially in Europe. The prices of all energy commodities have increased significantly. Due to the increased fuel prices and decreased electricity production capacity, the wholesale market price of electricity has reached record heights. Additionally, the price fluctuation has been volatile in the market. The volatility of electricity and fuel prices increases risks and weakens predictability.

Competition has increased in the domestic fuel market and prices have risen, especially for biomass fractions. The upward pressure on biomass fuel prices is also caused by rising prices for other fuels and the issues with the availability of fuels. The price of emission rights has also remained at a record high. During the rest of the year, the increased costs will weaken the profitability of the district heat business.

The operative operations and profitability of the entire Group are challenged by the steadily high inflation and the issues that the war in Ukraine and the pandemic lockdowns in China have caused for global supply chains.

The increased market price of electricity improves the profitability of electricity production as long as the availability of power plants remains at an excellent level. However, as much as 76 per cent of the electricity production planned for the rest of the year has been locked with hedging in accordance with the principles of long-term risk management. Therefore, the net sales and profitability of production are not determined directly on the basis of the spot prices of the electricity exchange. However, the electricity market is expected to remain unstable and unpredictable, which weakens the forecast. The price ceiling for electricity proposed by the European Commission can impact the profit expectations for electricity production as it progresses and if its national application does not take risk-management-related hedging into consideration or if it targets the so-called Mankala price of Savon Voima or production shares.

The amendment to the Electricity Market Act and the resulting change in the methods of monitoring the electricity distribution business by the Energy Authority brought uncertainty to the long-term revenue generation, profitability and financial position of the network business. The Energy Authority has already started to prepare the methodology for the next regulatory period, and influencing it will be particularly important during the rest of the year.

Based on the available information, the 2022 result of Savon Voima Group is estimated to exceed the set targets and to reach the level of the 2021 result, at least. However, due to factors such as the challenging market conditions and the regulation pressure targeting the prices of energy commodities, the estimate includes significant uncertain elements.

The interim report financial information is unaudited.

Siilinjärvi, September 2022

Savon Voima Oyj, Board of Directors

# Group result and balance sheet



NET SALES OF BUSINESSES, non-consolidated (EUR 1,000)	1-8/2022	1-8/2021	1-12/2021
Electricity distribution network business	67,570	70,450	109,061
District heating	52,903	54,089	86,979
Power generation	28,504	14,261	33,143
Other business functions	2,453	2,425	3,690
Consolidated entries and eliminations	-2,937	-2,709	-4,413
<b>Savon Voima Group total</b>	<b>148,493</b>	<b>138,516</b>	<b>228,460</b>
<b>OPERATING PROFIT FROM BUSINESSES, non-consolidated (EUR 1,000)</b>	<b>1-8/2022</b>	<b>1-8/2021</b>	<b>1-12/2021</b>
Electricity distribution network business	27,375	28,306	44,987
District heating	8,610	10,790	17,259
Power generation	10,320	808	9,166
Other business functions	254	195	244
Consolidated entries and eliminations	-13,583	-11,935	-23,537
<b>Savon Voima Group total</b>	<b>32,976</b>	<b>28,164</b>	<b>48,119</b>

CONSOLIDATED INCOME STATEMENT	1-8/2022	1-8/2021	1-12/2021
<b>NET SALES</b>	<b>148,493</b>	<b>138,516</b>	<b>228,460</b>
Share of associated companies' result	-294	876	-4,018
Other operating income	439	226	417
Expenses *)	-52,648	-47,504	-81,349
Depreciations	-44,120	-42,977	-65,213
Other operating expenses *)	-18,894	-20,973	-30,178
<b>OPERATING PROFIT</b>	<b>32,976</b>	<b>28,164</b>	<b>48,119</b>
Financial income and expenses	1,277	-2,456	-3,369
Profit before non-recurring items, appropriations and taxes	34,253	25,708	44,750
Non-recurring items	0	0	-158
Profit before appropriations and taxes	34,253	25,708	44,592
Income tax	-8,742	-8,653	-12,611
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>25,511</b>	<b>17,055</b>	<b>31,982</b>

CONSOLIDATED BALANCE SHEET, ASSETS (€1,000)	31 Aug 2022	31 Aug 2021	31 Dec 2021
<b>NON-CURRENT ASSETS</b>			
Intangible assets	396,018	410,473	405,802
Tangible assets	602,761	595,356	602,048
Investments	45,571	50,001	45,010
<b>CURRENT ASSETS</b>			
Inventories	6,195	4,876	6,221
Current assets	73,147	89,687	123,595
<b>Total</b>	<b>1,123,691</b>	<b>1,150,392</b>	<b>1,182,677</b>

CONSOLIDATED BALANCE SHEET, LIABILITIES (€1,000)	31 Aug 2022	31 Aug 2021	31 Dec 2021
<b>CAPITAL AND RESERVES</b>			
Share capital	969	969	969
Other equity	310,962	284,463	299,467
<b>STATUTORY PROVISIONS</b>	<b>4,162</b>	<b>4,846</b>	<b>3,333</b>
<b>LIABILITIES</b>			
Connection fees	155,354	154,270	154,472
Long-term *)	520,000	575,700	560,000
Deferred tax liabilities	70,968	69,826	71,391
Short-term *)	61,276	60,319	93,044
<b>Total</b>	<b>1,123,691</b>	<b>1,150,392</b>	<b>1,182,677</b>

\*) The reference data from 2021 has been adjusted to reflect the realised amounts due to the changes in the account scheme.

The Savon Voima Group consists of the parent company Savon Voima Oyj and its subsidiaries Savon Voima Joensuu Oy and Savon Voima Verkko Oy and Itä-Suomen Biomassa Oy. Of the latter, Savon Voima Oyj owns 70%. The company is not included in the consolidated financial statements because its operative business started in full on 1 September 2022 and because the consolidation has not been necessary in order to give a true and fair view of the Group's financial performance or financial position. KymppiVoima Oy, KymppiVoima Hankinta Oy and Väre Oy were included in the Group as affiliated companies.