1/2024

Interim report

SAVON VOIMA

Cold early part of the year increases turnover but fuel costs reduce profitability

January–April 2024 in brief

- The net sales of the Group were EUR 111.1 million, an increase of 11.7% compared to the corresponding period the previous year.
- The Group's operating profit was EUR 34.6 million, a decrease of 5.8% compared to the corresponding period the year before. The decrease in operating profit was caused by increased fuel prices and the general increase in costs.
- The volume of electricity distributed grew by 7.9% from the year before to 780 GWh. Heat sales grew by 11.8% to 598 GWh. The increase in volumes was due to colder weather than in the previous year's review period.
- The power generation volume decreased by 3.7% to 202 GWh. The decreased in production was due to low electricity prices.
- The security of supply for electricity distribution was excellent in January–April, with a service rate of 99.99%.
- In the review period, Group investments amounted to EUR 16.8 million.
- The Finnish Institute of Occupational Health recognised Savon Voima for first-rate occupational health for the second year in a row.
- In March, the Finland's Most Inspiring Workplaces study recognised Savon Voima in the medium-sized enterprises category as the greatest improver.

Estimate for the rest of the year

- The Group's investments for the entire year are anticipated to be approximately EUR 59 million. The investments include EUR 41 million aimed at the weatherproof electricity network.
- Due to the tense situation in the domestic fuel market, there may be issues related to the availability of biomass fractions, and fuel price increases will have a negative impact on the profitability of heat production, in particular.
- We expect the instability and unpredictability of the energy market to continue.
- Savon Voima Group's profit for 2024, excluding non-recurring items, is expected to be lower than in the previous year. The forecast is associated with significant uncertainties due to the market conditions and regulation risks.

Development of Savon Voima in numbers

GROUP KEY FIGURES	1–4/2024	1–4/2023	1–12/2023
Net sales, EUR 1,000	111,134	99,453	238,715
Operating profit, %	31.1%	36.9%	20.0%
Equity ratio, %	44.5%	42.9%	43.9%
Liquidity, Qr	1.2	1.4	1.0
Investments, EUR million	16.8	14.7	68.0
Return on investment, %	4.6%	5.2%	4.9%
Staff on average	209	206	214

ENERGY VOLUMES (GWh)	1–4/2024	1–4/2023	1–12/2023
Sale of heat and steam	598	535	1,147
Electricity distribution	780	723	1,879
Electricity production, production shares	67	62	239
Electricity production, Group plants	135	148	330

CEO's review

The year 2024 began in challenging conditions for energy production and distribution. The first week of the year was extremely cold, and energy consumption records were broken in many places in Finland. The period also saw the highest ever spot price of electricity: EUR 2,351 per MWh. After the beginning of January, temperatures normalised, and the cumulative heating need in the reporting period was comparable to the heating need in 2021. However, the challenging conditions at the beginning of the year demonstrated the good resilience and flexibility of the Finnish energy system. Peak load arrangements for district heating systems turned out to be sufficient, and the electricity networks and district heating pipelines withstood extreme conditions. In the electricity shortage situation, the market mechanism gave the system the flexibility needed through price control.

The new regulatory methods of electricity distribution network operations for 2024–2031, which entered into force at the beginning of the year, introduced changes in network valuation in particular, freezing the value of the electricity network invested in before 2024. The incentive schemes of the monitoring methods were also updated. The impact of the new monitoring model on Savon Voima Verkko Oy's operations and investment opportunities has been assessed. In the short term, it can be concluded that the current investment level of the weatherproof electricity network is still possible. Over a longer period of time, however, the model involves uncertainties that may cause cuts in investment levels. Nevertheless, the continued development of the electricity network is considered to be of paramount importance as a basis for the clean transition of the region. Despite the challenging economic situation in our network area, several significant clean transition projects are in the pipeline.

The biofuel market continued to be very tight during the winter, and the prices of different biofuel fractions continued to rise. However, the availability of biofuels in our region has been good despite the harsh weather conditions in January. The increase in the price of biofuels, which has continued for two years already, creates pressure for the electrification of district heating and the utilisation of industrial integrations. Savon Voima is making significant investments to increase non-combustion heat production. For example, Savon Voima's Joensuu Biocoal Oy biocoal plant being built in the Joensuu power plant area will produce waste heat as a by-product of the process. Savon Voima is also investing in heat storage in Joensuu by building a district heating battery connected to the district heating network.

The security of supply of district heat and electricity to customers was very good during the reporting period, despite the aforementioned challenging conditions. In the first part of the year, we concentrated the management of Savon Voima's key customer relationship into a single organisation to provide our customers with a better customer experience. In March, Savon Voima was recognised as the greatest improver in the Finland's Most Inspiring Workplaces study in the medium-sized companies category. We also received a recognition for our good occupational safety culture from the Zero Accident Forum of the Finnish Institute of Occupational Health, which awarded Savon Voima the highest level rating for the second year in a row. We also strengthened our cooperation with educational institutions and received an exceptionally high number of summer job applications.

Operating environment

The wholesale electricity price in Finland was EUR 66.92 per MWh in January–April, which is 9% lower than a year ago. The average system price was EUR 56.05 per MWh, which was 33% lower than in the corresponding period in 2023. The price of gas in January–April was down 40% from the previous year. The average price of emission allowances in January–April was EUR 63.05 per tCO2, which was 30% lower than a year ago.

Sustainability

The information security and environmental system was subjected to an annual external audit. In addition, a transition assessment related to the update of the standard ISO/IEC 27001:2022 was carried out on the information security system. Systems based on the standards were certified in 2022, and they cover the district heating, power generation and electricity distribution network business operations of Savon Voima Group.

District heat and electricity production

District heat sales in January–April were 4.2% higher than budgeted. District heat sales were affected, with the exception of March, by a warmer early part of the year than anticipated. Total heat sales amounted to 598 GWh, which is 11.8% higher than the sales in the corresponding period the previous year.

Of the energy sources used for electricity and heat production, 73.9% (68.4%) were renewable in the review period. The heavy frost periods in the early part of the year increased the use of oil and liquefied petroleum gas in the production of district heat. The share of oil and liquefied petroleum gas in all fuels was 5.2% (1.7%). The share of peat decreased from the previous year. As a result, the share of renewables grew compared with the previous year, as peat was replaced with wood fuel. The share of peat of fuels in the early part of the year was 20.9% (30.0%). The domestic content of energy sources was 94.8% (98.3%), while wood and peat were completely domestic.

By the end of April 2024, the carbon dioxide emissions from the production of district heat and power generation included in the emissions trading scheme amounted to 56,414 tonnes (68,865).

Strong demand for domestic fuels triggered by the war in Ukraine and increased harvesting and logistics costs have continued to push up domestic fuel price levels more than

was predicted in the previous year. However, the availability of fuels was good during the review period, although their consumption was higher than normal in district heating production due to heavy frosts.

Investments in the district heating battery in Joensuu and the Joensuu Biocoal Oy biocoal plant building have progressed as planned. The introduction of the heat battery will take place during the autumn of 2024, and will enable, among other things, better utilisation of waste heat, as well as the replacement of the use of oil during power surges in the district heating network. Production of the biocoal plant is expected to start at the end of 2024. As a service provider, Savon Voima is responsible for the operation of the plant.

Discussions with operators in the region and customers of district heat continued actively to utilise waste heat in district heating networks. We published a cooperation agreement with Pohjois-Karjalan Osuuskauppa on the utilisation of waste heat from the Sokos-Vaakuna block for district heat in the Joensuu district heating network.

A new innovative research project "Power plant boilers as part of circular economy and renewable energy solutions (VOKUS)", in which Savon Voima is also involved, was launched in North Savo. The aim of the project is to develop new solutions for power plant boilers so that the transition from peat to renewable fuels will take place without endangering the security of supply of energy production, at the same time utilising the resulting raw material flows in accordance with the principles of the circular economy. The project is being implemented by Savonia University of Applied Sciences and the University of Eastern Finland.

In January–April, electricity production was 202 GWh, down 3.7% from the previous year. Hydroelectric power production was 32 GWh, unchanged from the year before. Combined heat and power generation (CHP) totalled 103 GWh, was down 10.9% from the corresponding period in 2023 due to lower prices. The production of generation shares was 67 GWh, up 7.6% from the previous year. The increase in production is due to the higher production of nuclear power plants than in the previous year, especially the increase in the production volume of Olkiluoto 3. The regular electricity production of Olkiluoto 3 started in April 2023.

Development work to build an optimisation system for hydropower plants on the Nilsiä waterway was started. The system used in the optimisation predicts the amount of water available for production at power plants, for example by means of weather and flow forecasts. By combining the electricity market forecast and the forecast of the amount of water available for production, the system forms an optimal running plan on the basis of which the production of hydropower plants is offered to the electricity market. The system aims to schedule the plant's electricity production for optimal times for the electricity system. These include situations where electricity demand in the electricity market is at its highest, such as periods of frost or windless days. The system has previously been piloted at the Kiltua hydroelectric power plant, with good experiences.

Electricity distribution network business

In the early part of the year, the amount of electricity distributed was slightly higher than budgeted. A total of 780 GWh was distributed, which was 7.9% more than in the previous year (723 GWh). The increase in the amount distributed during the review period is due to the cold weather at the beginning of the year. The heating demand in the early part of the year was up 12.5% from the previous year. Customers have continued the electricity saving and energy efficiency measures they started in previous years.

The security of supply for electricity distribution was excellent in January–April, with a service rate of 99.99%. In January–April, the energy-weighted average fault reset time of the electricity network was 8 minutes per customer (9 minutes). The number and inconvenience of snow load faults typical of the early part of the year remained low due to the monitoring of the situation developments, proactive measures and effective fault management.

Work on the network to improve the security of supply of the electricity network will continue during the current year in accordance with the network strategy. The most significant construction site of the regional network in 2024 is the renovation of the 110 kV line in Alapitkä and Siilinjärvi. The largest investments in the distribution network are located in the population centres of Kurkimäki, Kuopio, Sukeva and Varkaus, in Alapitkä, in the areas of Huotari and Porosuo in Iisalmi, and in the direction of Karankajärvi and Pitkämäki in Vieremä. This year, approximately 9,500 remote readable meters will be replaced. Several substations are being renovated and compensation is being increased.

The connection of small-scale solar power production to the electricity network continued during the early part of the year, although the previous year's peak figures were not reached. By the end of April, solar power systems connected to the electricity network totalled 139 (366).

Personnel

At the end of April, the number of employees was 215 (213) and the number of personnel in January–April averaged 209 (206). Four new permanent employees started work in January–April, as opposed to eight in the same period the previous year. There were no accidents resulting in at least one day's absence in January–April. The target of 'zero accidents in 2,000 days' reached a new record in April: 1,354 working days without any occupational accidents. The occupational safety forum of the Finnish Institute of Occupational Health awarded Savon Voima the first level of recognition for our occupational safety, for the second year in a row. In March, the Finland's Most Inspiring Workplaces study recognised Savon Voima as the greatest improver in the medium-sized companies category. The recognitions are based on an extensive PeoplePower survey measuring employee experience. The Kipinä trainee application process produced a record number of applicants, and 26 trainees were hired for the summer season. Three trainees were recruited in the 'Tutustu työelämään ja tienaa' ("Experience working life and make money") campaign. Our

annual target is for the number of summer trainees to be approximately 10% of the number of permanent staff.

Estimate for the rest 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.

The Finnish economy is in recession, but the economic recovery is expected to begin in the second half of 2024. Inflation has started to slow as a result of the fall in energy prices and tightened monetary policy. If the decline in inflation proves to be a permanent phenomenon, interest rates are also expected to fall to a lower level than at present. These changes would have a positive impact on consumers' real earnings and companies' ability to pay and invest, but the Finnish government's plans to raise VAT rates will probably cut purchasing power. However, factors such as the price and availability of energy and the development of the global market together with the tense geopolitical situation may have sudden negative effects on the economic outlook.

The sharp intensification of competition in the domestic fuel market, which began with the war in Ukraine, is becoming a permanent phenomenon. Demand for biomass fractions is constantly higher than the supply. For example, the downturn in the wood products industry has increased the scarcity in the availability of biomass fuels. During the current year, the continued increase in fuel prices will weaken the profitability of the district heating business. Risks related to fuel availability and rising fuel prices will be minimised through actions such as investments in production technology and long-term cooperation agreements.

In particular, as the share of variable renewable production increases, the electricity market is extremely sensitive to changes, causing large fluctuations in electricity prices even over short periods of time. This makes it very difficult to predict the performance of electricity production. Price hedges are used to manage the impact of electricity price fluctuations in accordance with the principles of long-term risk management.

Risks to the security of electricity supply are being reduced by investing significantly in the prevention of damage caused by weather conditions and building a weather-proof network. In the long term, the new distribution network business monitoring model, which entered into force at the beginning of 2024, may require an adjustment in the investment level of the electricity distribution network business. However, during the current year, the construction of the electricity network will continue as planned, despite regulatory uncertainties.

Based on the information available, Savon Voima Group's operating profit for 2024, excluding non-recurring items, is expected to be at a level below the previous year. Due to the challenging market conditions and the unpredictability of political regulation, the estimate includes significant uncertainties.

The interim report's financial information is unaudited.

Siilinjärvi, May 2024

Savon Voima Oyj
Board of Directors

Group Net income and balance sheet

CONSOLIDATED NET SALES BY BUSINESS (EUR 1,000)	1–4/2024	1–4/2023	1–12/2023
Electricity distribution network business	41,075	38,129	101,369
District heat	50,755	43,887	93,838
Electricity production	19,735	17,655	43,541
Other business operations	21,740	17,704	47,936
Consolidated entries and eliminations	-22,171	-17,922	-47,969
Savon Voima Group in total	**111,134**	**99,453**	**238,715**

CONSOLIDATED OPERATING PROFIT BY BUSINESS (EUR 1,000)	1–4/2024	1–4/2023	1–12/2023
Electricity distribution network business	21,062	19,512	41,466
District heat	11,945	12,648	11,171
Electricity production	6,620	7,153	10,098
Other business operations	161	225	584
Consolidated entries and eliminations	-5,226	-2,859	-15,664
Savon Voima Group in total	**34,562**	**36,679**	**47,655**

CONSOLIDATED INCOME STATEMENT	1–4/2024	1–4/2023	1–12/2023
NET SALES	**111,134**	**99,453**	**238,715**
Share of associated companies' net income	1,251	3,669	2,449
Other operating income	417	1,428	3,603
Expenses	-46,482	-37,861	-98,165
Depreciations	-22,571	-22,163	-67,453
Other operating expenses	-9,187	-7,847	-31,495
OPERATING PROFIT	**34,562**	**36,679**	**47,655**
Financial income and expenses	-262	-811	-670
Profit before non-recurring items, appropriations and taxes	**34,300**	**35,869**	**46,985**
Non-recurring items	0	0	-157
Profit before appropriations and taxes	**34,300**	**35,869**	**46,828**
Income tax	-7,575	-7,395	-11,841
Minority interest	-5	-5	0
PROFIT FOR THE FINANCIAL YEAR	**26,720**	**28,469**	**34,987**

CONSOLIDATED BALANCE SHEET, ASSETS (EUR 1,000)	30 April 2024	30 April 2023	31 December 2023
FIXED ASSETS			
Intangible assets	371,680	386,600	376,959
Tangible assets	618,013	600,819	618,461
Investments	62,805	55,825	60,396
CURRENT ASSETS			
Inventories	11,009	7,604	12,611
Financial assets	101,105	113,407	79,637
Total	**1,164,612**	**1,164,255**	**1,148,064**

CONSOLIDATED BALANCE SHEET, LIABILITIES (EUR 1,000)	30 April 2024	30 April 2023	31 December 2023
EQUITY			
Share capital	969	969	969
Other equity	358,280	338,379	345,575
Minority interest	35	35	30
Statutory provisions	2,450	4,213	1,313
LIABILITIES			
Connection fees	156,208	155,713	156,027
Long-term	490,000	510,000	490,000
Deferred tax liabilities	73,448	71,693	73,965
Short-term	83,223	83,254	80,186
Total	**1,164,612**	**1,164,255**	**1,148,064**

Savon Voima Group comprises the parent company Savon Voima Oyj and its subsidiaries Savon Voima Verkko Oy and Itä-Suomen Biomassa Oy. Savon Voima Oyj owns 70% of the latter. The Group includes the consolidated Kymppivoima Oy and Väre Oy as affiliated companies.