

2/2024



Interim report



SAVON
VOIMA

A warm summer evened out the result of the cold early part of the year

January–August 2024 in brief

- The net sales of the Group were EUR 157.4 (147.7) million and increased by 6.5% in comparison to the corresponding period the previous year.
- The Group's operating profit was EUR 28.2 million, a decrease of 16.9% compared to the corresponding period the year before. The decrease in profitability was caused by increased fuel prices and the general increase in costs.
- The volume of electricity distributed grew by 2.5% from the year before to 1,222 GWh. Heat sales grew by 7.1% to 721 GWh. The increase in the volume of energy supplied was due to weather that was colder than usual in the early part of the year, even though the record-breaking hot weather in summer evened out the volume growth throughout the review period.
- The volume of electricity produced was 317 GWh, which was a decrease of 11.8% compared to the previous year. The decreased production volume was due to hydroelectric power production that fell short of the previous year, the prolonged annual outage of Olkiluoto 3 and low electricity prices.
- The security of supply for electricity distribution was excellent in January–August, with a service rate of 99.99%. The average fault reset time was 42 minutes.
- We reached a significant milestone in August as that month signalled four years since we last had an accident resulting in an absence.
- In the review period, the Group's investments amounted to EUR 36.4 million.

Estimate for the rest of the year

- The investments for the entire year are anticipated to be EUR 59 million. Of the investments, EUR 41 million will target the electricity network.
- Due to the tense situation in the domestic fuel market, fuel price increases will have a negative impact on the profitability of heat production, in particular. In terms of the availability of fuels, the outlook to the upcoming heating season is, however, good.
- 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	1–8/2024	1–8/2023	1–12/2023
Net sales, EUR 1000	157,366	147,717	238,715
Operating profit, %	17.9%	22.9%	20.0%
Equity ratio, %	45.8%	44.2%	43.9%
Liquidity, Qr	1.0	1.2	1.0
Investments, EUR million	36.4	40.5	68.0
Return on investment, %	4.3%	5.1%	4.9%
Staff on average	219	215	214
ENERGY VOLUMES (GWh)	1–8/2024	1–8/2023	1–12/2023
Sale of heat and steam	721	673	1,147
Electricity distribution	1,222	1,192	1,879
Electricity production, production shares	142	148	239
Electricity production, Group plants	175	212	330

CEO's review

During the second tertial of 2024, we were able to enjoy weather that was warmer than usual. The peaks in energy consumption caused by heavy frosts at the beginning of the year cumulatively evened out as the year progressed due to a warm spring and summer. Warm weather brought along a lot of thunderstorms, but significant storm damage in our area of operation was avoided. The service rate of the electricity network remained high throughout the year, with a service rate of 99.99%. In the electricity market, the spot and regional prices of electricity were very low during the summer due to the good water situation in the Nordic countries and the unavailability of transmission links, such as Estlink 2. Increased wind power production also lowered electricity market prices. The importance of the adjustability and reaction speed of electricity production in the market will further increase, and this capability will be continuously developed by Savon Voima in terms of its own production facilities.

The profitability of Savon Voima's businesses was challenged during 2024 by the higher-than-expected price level of woody biomasses and the low market price in the electricity market. The production volumes of electricity remained lower than budgeted both due to the low price and the interruption in production at Olkiluoto 3. The tight market situation for woody biomasses is expected to continue during the upcoming heating season.

The most important themes in the strategy update carried out by Savon Voima during the summer were the further development of customer relationship management and customer experience, improving the efficiency of our own operations, generating business growth through clean transition projects in the operating area, and laying a path to carbon-neutral energy production. The active involvement of the company in the development of electricity networks and the promotion of district heating integrations is seen as a necessity in order for clean transition projects to be attracted to the economic area in accordance with the Eastern Finland Programme. The intensifica-

tion programme for our own operations has proven to be necessary with the strategy calculation, and we will move forward to the implementation phase during the autumn. In addition to implementing the carbon-neutrality path for electricity and heat production, we will, in accordance with our strategy, increase the efforts in non-combustion heat production and recovery in several of our district heating networks.

Investments in the electricity network and in electricity and heat production have progressed during the year as planned. In electricity network investments, the share of customer connections has developed more positively than expected, and the first industrial-size battery projects to be connected to the electricity network were published in late summer. The most significant ongoing investments in heat production were the Joensuu district heating battery and Joensuu Biocoal Oy's biochar plant, which is also being built in Joensuu. In terms of sectoral integration in Joensuu, a significant green hydrogen production facility of P2X Solutions received its building permit from the City of Joensuu. In electricity production investments, the Lestijärvi wind farm moved to the erection phase during the summer, and the first of the farm's wind turbines was completed at the beginning of September.

The staff of Savon Voima achieved a significant milestone in August – four years without accidents leading to absences. This achievement is part of the goal of 2,000 days without accidents leading to absences.

Operating environment

The wholesale electricity price in Finland was EUR 45.80 per MWh in January–August, which was 21% lower than a year ago. There were negative prices for 520 hours in January–August, compared to 201 hours a year ago. The failure of the Estlink 2 cable and its repair has reduced transmission from Finland to Estonia since the end of January, which has caused lower prices, especially during windy times. Net export to Estonia has been only

one third of last year's volume in January–August. The average system price was EUR 39.99 per MWh, which was 35% lower than in the corresponding period in 2023. The production of wind power and especially solar power has continued strong growth. The average price of emission allowances in January–August was EUR 66.82 per tCO₂, which was 25% lower than a year ago.

Sustainability

In August, the Vasaralankoski rapids fishway, bypassing the Maavesi hydroelectric power plant in Joroinen, was opened. The work began already in 2023, but putting the final touches to the bed continued, including stone placement, in late summer 2024. The idea is to have a water flow of a minimum of 0.5 m³/s in the bed throughout the year. The measures promote biodiversity and, in particular, improve the living conditions of migratory fish.

During the summer season, numerous internal audits and site visits related to the environment and information security system were carried out. The audits help to identify areas requiring development, and ensure that the operations are carried out in accordance with the requirements.

Summertime thunderstorms caused about ten transformer incidents, which resulted in minor oil spills. Their after-care and soil cleanup were carried out under the guidance of an expert, and they will not pose a risk in the future.

District heat and electricity production

Heat sales in January–August amounted to 721 GWh, which was 7.1% higher than the sales in the corresponding period the previous year. The increase was due to colder-than-usual weather in the early part of the year. During the record warm spring and summer, sales were lower than in the previous year.

Of the energy sources used for electricity and heat production, 77.1% (73.6%) were renewable in the January–August period. The share of peat in energy sources has been systematically reduced by replacing it with wood-based fuels. As a result, the share of renewable energy sources has increased from the previous year. The share of peat of fuels in the early part of the year was 16.6% (23.4%). The domestic content of energy sources was 95.1% (97.0%), while wood and peat were completely domestic. 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, which decreased the domestic content compared to the previous year. The share of oil and liquefied petroleum gas in all fuels was 4.9% (3.0%). In Joensuu, the electric boiler was actively utilised in summertime district heat production to replace combustion-based production. The production volume of the electric boiler totalled 15.1 GWh during the review period.

By the end of August 2024, the carbon dioxide emissions from district heat and electricity production included in the emissions trading scheme amounted to 56,740 (73,930 in the previous year) tonnes for Savon Voima Oyj.

Strong demand for domestic wood fuels triggered by the war in Ukraine raised domestic wood fuel price levels more than was predicted from the previous year in the period under review, and this had an impact on the profitability of the district heat business. However, fuel availability was good throughout the review period, and the outlook for availability for the upcoming heating season is also seen as good.

Summertime maintenance shutdowns of the power plants and heating plants succeeded according to expectations. The most significant investment projects in the district heating battery in Joensuu and the Joensuu Biocoal Oy biochar plant building progressed as planned. The introduction of the heat battery will take place late in 2024, and the production of the biochar plant is scheduled to start towards the end of 2024. As a service provider, Savon Voima is responsible for the operation of the plant. The renovation and

construction works related to the district heating networks also progressed as planned during the summer. During the review period, a total of 2.28 km of new district heating network were built and a total of 3.41 km of the old network were renovated.

We started the development of the energy system optimisation in Joensuu. The production of district heating in Joensuu is diversifying as a result of new investments and an increase in waste heat flows. Optimisation ensures the most cost-effective overall energy production in all situations. The optimisation system will be implemented in the upcoming heating season.

Savon Voima's first significant service package related to the water management business was launched in Piela-vesi with the installation of remotely readable meters. The service package to be delivered includes the delivery and installation of the remotely readable water meters, as well as the reading service for the remotely readable measurements. Discussions on cooperation with other water management companies in the area also continued during the review period.

The volume of electricity produced in January–August was 317 GWh, which was 11.8% less than in the corresponding period last year. 61 GWh of hydroelectric power was produced, which was 24.0% less than in the same period last year. The production volume fell short of last year, especially due to the limited rainfall in July–August. The joint production of electricity and heat (CHP production) totalled 115 GWh, which was 12.9% lower than in 2023. This year, condensate production in late winter and spring was at a lower level. The volume of generation shares of electricity was 142 GWh, which was 4.2% less than in the corresponding period last year. The prolongation of the Olkiluoto 3 annual outage in particular had an impact on this.

Electricity distribution network business

In January–August, a total of 1,222 GWh was distributed, which was 2.5% more than the corresponding period last year (1,192 GWh). The growth in the volume is due to the colder weather at the beginning of the year compared to the previous year. However, the increase in the transmission was smaller than the increase in the heating degree-day (+9.5%) in the early part of the year, which is an indication of successfully implemented energy-saving measures by the customers and the increase in small-scale production.

The security of supply for electricity distribution was excellent in January–August as the service rate was 99.99%. The energy-weighted average fault reset time of the electricity network was 42 minutes per customer (49 minutes in the previous year). The number of permanent faults was about average, but the duration of the faults was below the long-term averages. During the early part of the year, there were no major fault situations, but the summertime thunderstorms caused a lot of individual faults, damaging distribution transformers among other things.

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 of the construction projects of the regional network in 2024 is the renovation of the 110 kV line between Alapitkä and Siilinjärvi. At the moment, the old line is being demolished, and in March 2025 a new line will be built in its place.

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 demand for connecting small-scale solar power production to the electricity network has continued at a low level, and figures matching those of the previous years will not be achieved. By the end of August, solar power systems connected to the electricity network totalled 393 (952).

By the end of August, 201 new connection contracts had been concluded, which is below average. The number of new medium-voltage connections was higher than in previous years, which indicated an increase in grid energy storages and charging stations for electric cars.

In addition to projects aimed at security of supply, significant investments were made in the development of electricity network transmission capacity. The measures taken are contributing to the implementation of the clean transition in our area. For example, distributed energy production, changes in heating methods, electric transport and the electrification of industry require the strengthening of the electricity network at all voltage levels, and this work will continue in the future.

Savon Voima Verkko is involved in the steering groups of several research projects. The projects investigate, among other things, the effects of electricity price fluctuations on customers' electricity consumption and the development needs for electricity networks and network service products caused by changes in consumption behaviour. In addition, we are involved in a study investigating the utilisation of electricity network demand response solutions in the management of the electricity network capacity and developing a marketplace for the demand response solutions.

Personnel

At the end of August, the number of employees was 232 (226) and the number of people employed averaged 219 (215) in January–August. In January–August, 10 (15) new people were recruited for permanent employment. There were no accidents resulting in at least one day's absence in January–August. The target of “zero accidents” reached

a new record in August: 1,477 (1,111) work days without any accidents. Our goal is to employ annually approximately 10% of the number of our personnel as summer workers and trainees. During the summer, we employed 27 (24) student trainees in a variety of positions, ranging from power plant production to customer service, as well as three *‘Tutustu työelämään ja tienaa’* (“*Experience working life and make money*”) trainees aged 15–17 in cooperation with Kuopion Energia.

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 allowances and fuel prices.

The development of the Finnish economy has been weak during the current year, although inflation has settled at a moderate level and interest rates are already on a downward trend. Inflation and the decline in interest rates have had a positive impact on consumers' purchasing power and companies' ability to pay and invest, but the increase in VAT rates, which entered into force at the beginning of September, will, on the other hand, cut purchasing power. Despite the easing of market conditions, the recovery of the Finnish economy is expected to be slower than previously expected. In addition, 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. 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.

With the increasing share of weather-dependent renewable energy production, the prices of energy commodities have been extremely sensitive to both positive and negative changes. This has caused large fluctuations in the market price of electricity even over short periods of time. Continuous large-scale volatility 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 will be 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. During the current year, however, the construction of the electric network has continued as planned.

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, September 2024

Savon Voima Oyj
Board of Directors

Group Net income and balance sheet



CONSOLIDATED NET SALES BY BUSINESS (EUR 1,000)	1-8/2024	1-8/2023	1-12/2023
Electricity distribution network business	67,385	64,256	101,369
District heat	65,056	57,866	93,838
Electricity production	25,162	25,571	43,541
Other business operations	32,055	28,142	47,936
Consolidated entries and eliminations	-32,292	-28,118	-47,969
Savon Voima Group in total	157,366	147,717	238,715
CONSOLIDATED OPERATING PROFIT BY BUSINESS (EUR 1,000)	1-8/2024	1-8/2023	1-12/2023
Electricity distribution network business	27,542	26,628	41,466
District heat	7,007	7,424	11,171
Electricity production	3,184	6,259	10,098
Other business operations	406	464	584
Consolidated entries and eliminations	-10,216	-6,899	-15,664
Savon Voima Group in total	27,923	33,876	47,655

CONSOLIDATED PROFIT AND LOSS ACCOUNT	1-8/2024	1-8/2023	1-12/2023
NET SALES	157,366	147,717	238,715
Share of associated companies' net income	3,130	4,745	2,449
Other operating income	541	3,032	3,603
Expenses	-67,569	-57,957	-98,165
Depreciations	-45,146	-44,310	-67,453
Other operating expenses	-20,155	-19,351	-31,495
OPERATING PROFIT	28,167	33,876	47,655
Financial income and expenses	-594	-248	-670
Profit before non-recurring items, appropriations and taxes	27,573	33,627	46,985
Non-recurring items	0	0	-157
Profit before appropriations and taxes	27,573	33,627	46,828
Income tax	-6,795	-7,908	-11,841
Minority interest	-13	-14	0
PROFIT FOR THE FINANCIAL YEAR	20,765	25,705	34,987

CONSOLIDATED BALANCE SHEET, ASSETS (EUR 1,000)	31 August 2024	31 August 2023	31 December 2023
FIXED ASSETS			
Intangible assets	366,555	382,014	376,959
Tangible assets	620,092	609,020	618,461
Investments	64,684	57,441	60,396
CURRENT ASSETS			
Inventories	13,590	11,065	12,611
Financial assets	54,316	65,753	79,637
Total	1,119,238	1,125,293	1,148,064

CONSOLIDATED BALANCE SHEET, LIABILITIES (EUR 1,000)	31 August 2024	31 August 2023	31 December 2023
EQUITY			
Share capital	969	969	969
Other equity	352,324	336,294	345,575
Minority interest	43	44	30
Statutory provisions	2,455	4,454	1,313
LIABILITIES			
Connection fees	156,527	156,035	156,027
Long-term	480,000	500,000	490,000
Deferred tax liabilities	73,194	71,634	73,965
Short-term	53,726	55,864	80,186
Total	1,119,238	1,125,293	1,148,064

Savon Voima Group comprises the parent company Savon Voima Oyj and its subsidiaries Savon Voima Verkko Oy (100%) and Itä-Suomen Biomassa Oy (70%). The Group includes the consolidated KymppiVoima Oy and Väre Oy as affiliated companies.