FINGRID OYJ
www.fingrid.fi

26 February 2019

FINGRID OYJ

ANNUAL REVIEW AND FINANCIAL STATEMENTS

1 January 2018 – 31 December 2018

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1 REPORT OF THE BOARD OF DIRECTORS

1.1 Financial result

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 accounting principles as in 2017, taking into account the changes due to IFRS 9 and IFRS 15. The Group's turnover was EUR 852.8 (672.0) million. Grid service income increased to EUR 423.2 (412.1) million, as a result of the growth in electricity consumption. Electricity consumption in Finland totalled 87.4 (85.5) terawatt hours during the year. The increase in imbalance power sales was partly the result of increased balance power prices and partly the result of the transfer of imbalance settlement to eSett Oy[1], following which the imbalance power sold to cross-border imbalance responsible parties is now reported as external turnover. Cross-border transmission income from the connection between Finland and Russia increased to EUR 35.5 (20.7) million, as a result of increased cross-border transmissions and the higher cross-border transmission tariff. The transmission tariff used in imports from Russia is based on the difference between Finland's and north-western Russia's area prices. Other operating income totalled EUR 10.8 (2.9) million. The increase in other operating income resulted from an EUR 8.0 million increase in the capital gains from the sale of fixed assets.

The Group's total costs amounted to EUR 659.0 (499.0) million. Imbalance power costs grew from the previous year's level, to EUR 320.0 (185.7) million, due to the increase in balance power prices and the above-mentioned transfer of imbalance settlement to eSett Oy. Loss power costs amounted to EUR 47.7 (47.5) million. The realised average price of loss power procurement was EUR 37.88 (37.62) per megawatt hour. The cost of reserves to safeguard the grid's system security increased to EUR 56.7 (51.5) million due to an increase in the procurements for the frequency regulating reserve. Depreciation totalled EUR 99.7 (96.9) million. Grid maintenance costs decreased to EUR 21.2 (24.5) million due to access control system updates carried out in 2017. Personnel costs amounted to EUR 32.2 (29.4) million, and EUR 3.6 (2.6) million was used for R&D projects.

Turnover and other operating income, € million

	Jan-Dec/18	Jan-Dec/17	July-Dec/18	July-Dec/17
Grid service revenue	423.2	412.1	193.8	191.8
Sales of imbalance power	348.8	214.0	184.0	129.1
Cross-border transmission income	35.5	20.7	15.3	9.9
Peak load capacity income*	14.0	8.3	4.7	4.7
ITC income	13.1	8.6	7.8	4.8
Other turnover	18.2	8.2	10.4	5.6
Other operating income	10.8	2.9	9.8	1.9

[1] eSett Oy is a company owned jointly by the Finnish, Swedish and Norwegian transmission system operators, responsible for imbalance settlement in Finland, Sweden and Norway. Imbalance settlement transferred to eSett Oy on 1 May 2017.

Turnover and other income total	**863.6**	**674.9**	**425.7**	**347.8**

Costs, € million

	Jan-Dec/18	**Jan-Dec/17**	**July-Dec/18**	**July-Dec/17**
Purchase of imbalance power	320.0	185.7	170.6	116.1
Cost of loss energy	47.7	47.5	22.3	26.2
Depreciation	99.7	96.9	50.4	48.4
Cost of reserves	56.7	51.5	27.1	26.6
Personnel costs	32.2	29.4	15.6	14.7
Maintenance management costs	21.2	24.5	13.2	14.9
Cost of peak load capacity*	13.7	8.0	4.6	4.6
ITC charges	13.8	13.0	7.2	6.4
Other costs	54.0	42.6	30.9	21.2
Costs total	659.0	499.0	342.0	279.1
Operating profit excluding the change in the fair value of commodity derivatives	**204.6**	**175.9**	**83.7**	**68.7**
Operating profit of Group, IFRS	**241.6**	**184.8**	**91.2**	**81.0**

* Peak load capacity income and costs are related to the securing of sufficient electricity supply during peak consumption hours in compliance with the Finnish Peak Load Capacity Act.

The Group’s operating profit was EUR 241.6 (184.8) million. EUR 37.1 (8.9) of changes in the fair value of electricity derivatives and the currency derivatives related to capital expenditure and other operating expenses was recorded in operating profit. The Group’s profit before taxes was EUR 229.0 (163.7) million. The biggest differences from the previous year are explained by changes in the market value of derivatives (EUR +34.9 million), the increase in grid transmission income and in cross-border transmission income (EUR +25.9 million in total), and the growth in other operating income (EUR +7.9 million). Profit for the financial year was EUR 183.2 (130.8) million. The equity ratio was 36.6 (37.8) per cent at the end of the year.

The parent company’s turnover was EUR 844.6 (665.4) million, profit for the financial year EUR 194.6 (123.4) million and the distributable funds EUR 222.4 million.

By the company’s own calculations, the result according to the regulatory model that governs grid operations amounts to a surplus of around EUR 40 million for 2018.

1.2 Financing

The company’s credit rating remained high, reflecting its strong overall financial situation and debt service capacity. The Group’s net interest expenses on borrowings in 2018 were EUR 16.3 (17.1) million. The Group’s net financial costs were EUR 15.2 (22.8) million. Change in the fair value of financial derivatives was EUR 6.7 million (–8.2).

Interest-bearing borrowings totalled EUR 1,059.6 (1,082.7) million, of which non-current borrowings accounted for EUR 771.5 (813.4) million and current borrowings for EUR 288.1 (269.3) million.

The company's liquidity remained good. Cash and financial assets on 31 December 2018 totalled EUR 85.3 (83.8) million. The company additionally has an undrawn revolving credit facility of EUR 300 million to secure liquidity (until 11 December 2022) and EUR 50 million in uncommitted overdraft facilities.

The counterparty risk arising from derivative contracts related to financing was EUR 14.3 (7.6) million. Fingrid's foreign exchange and commodity price risks were hedged.

Fingrid has credit rating service agreements with S&P Global Ratings (S&P) and Fitch Ratings (Fitch). The credit ratings valid on 31 December 2018 were as follows:

- S&P's rating for Fingrid's unsecured senior debt and long-term company rating at 'AA-' and the short-term company rating at 'A-1+', with a stable outlook.
- Fitch's rating for Fingrid's unsecured senior debt at 'AA-', the long-term company rating at 'A+', and 'F1' for the short-term company rating, with a stable outlook.

1.3 Capital expenditure

Fingrid's total capital expenditure in 2018 amounted to EUR 92.7 (111.1) million. This included a total of EUR 85.1 (91.1) million invested in the transmission grid and EUR 2.9 (14.2) million for reserve power. ICT investments amounted to EUR 4.0 (5.7) million. The capital expenditure will remain at the current order of magnitude over the next few years.
Main grid planning always has a holistic and forward-looking approach. Fingrid's current grid vision extends to 2040. The grid vision is insight into the long-term development needs of the main transmission grid, including plans following the current projects. The objective of the vision is to accomplish the investments in the transmission grid effectively and timely, both in terms of the macro economy and grid maintenance.

By international standards, grid maintenance at Fingrid is world-class. Fingrid scored top results in ITOMS (The International Transmission Operations & Maintenance Study) and was the only TSO to achieve a Top Performer nomination both in the substation and transmission line maintenance categories. ITOMS looks into the effectiveness of maintenance based on criteria such as maintenance costs and disturbance statistics.

Power lines and substations were built extensively throughout Finland in 2018. The total kilometres of new power lines amounted to around 250. Seven substation projects were completed. The biggest ongoing projects are related to the modernisation of the aging 'Iron Lady' transmission line, connecting industry and power plants to the grid, and reinforcing the link with Sweden.

- The 26-kilometre Vihtavuori–Koivisto power line between Laukaa's Vihtavuori and Äänekoski's Koivisto substations was commissioned in January 2018.
- The modernised 82-kilometre transmission line connection from the 'Iron Lady' link at the Kouvola Koria substation to Yllikkälä, close to Lappeenranta, was completed and commissioned during the period under review.
- The last section of the old 'Iron Lady' line will be replaced by a new line to be built between Hikiä and Orimattila and to be completed by the end of 2019. The new

transmission line runs from Hikiä to Iso-Henna, following the old 'Iron Lady's' right-of-way. A 16-kilometre section of transmission line from Iso-Henna to Orimattila will be built on a new right-of-way.
- A new Vuoksi substation has been built between Joutseno and Imatra, and the transmission lines east and west of there will be modernised. The new substation was commissioned during the period under review, and the new transmission lines will be completed in stages by the end of 2019. The new substation and the transmission line routes became topical when Kemira decided to expand the production capacity at its chlor-alkali site in Joutseno. The area is also in general highly industrialised, and the grid investment will improve the operating conditions for other companies as well.
- The new 400-kilovolt connection from Pyhänselkä in Muhos to Keminmaa and further on to the Messaure substation in Sweden is a strategic transmission link. This is a joint project between Fingrid and the Swedish TSO Svenska Kraftnät. The connection will increase the transmission capacity between the two countries by 800 megawatts. The detailed planning of the right-of-way and the environmental impact assessment (EIA) for the project are currently underway. The transmission link will be built in stages simultaneously in both countries. A total of around 200 kilometres of new powerline will be built on the Finnish side. The planning stages of the project will receive EU support, and all stages of the connection are expected to be completed in 2025.

Fingrid currently has a total of around 600 kilometres of new transmission lines in the general planning stage. The projects will proceed to the construction stage within the next few years. Finland's electricity consumption is concentrated in the south, where electricity production is insufficient with regard to consumption. In future, increasing amounts of electricity will be produced in northern Finland and northern Sweden, and this electricity must be transmitted to the south for use by industry and consumers. This requires strong transmission connections between the north and the south.

- Planning of the transmission line between Oulu and Petäjävesi, named 'Forest Line', has begun. This is a 310-kilometres long 400-kilovolt transmission line. Construction of the 'Forest Line' will start in autumn of 2019, and it is expected to be completed by the end of 2022.
- The grid reinforcing measures in North Karelia are in the general planning stage. The three-stage project will provide a total of 112 kilometres of transmission lines. A new substation will be built in Pamilo, and the Kontiolahti and Uimaharju substations will be updated. The project is due for completion in 2022.
- The grid around the Oulujoki river, built in the 1950s, is under modernisation. The grid upgrade will start with the modernisation of two substations and the expansion of one substation, and with the construction of new transmission lines between Pyhänselkä and Nuojuakangas. The local electricity production mainly consists of hydropower, while also new wind power projects are being planned in addition to the existing wind power production. The first stage, to be completed in 2020–2022, will include the construction of the transmission line section between the Pyhänselkä substation, in Muhos, and the Nuojua substation, in Vaala. The Pyhänselkä substation will be expanded, and the Nuojua and Utanen substations will be modernised. A new, around 45-kilometre-long transmission line will be built between Pyhänselkä and Nuojua.
- The first substation of the main grid, in Imatra, is an important component of the grid in South Karelia. The substation serves the local hydropower plants and industries, and is the starting point of a cross-border transmission connection to Russia. The modernisation of the Imatra substation, originally built in 1929, will be completed in 2020.

- The planning of Fingrid’s first digital substation pilot project, at the Pernoonkoski substation, close to Kotka, has been started. The aim is to create a digitalised substation that is compact, safe, environmentally sustainable, remote controlled and provides cost effectiveness both in terms of capex and operational costs.
- In order to secure the Helsinki region’s electricity supply, the City of Helsinki, the region’s distribution network company Helen Sähköverkko and Fingrid are jointly planning an infrastructure project to serve the Helsinki region’s electricity supply and facilitate land use. Fingrid is preparing to build a new 400-kilovolt cable link from Länsisalmi to Viikinmäki, with plans to have it up and running as soon as the mid 2020s.

One of Fingrid’s long-term goals is to improve the safety culture at work sites and in this way achieve its zero accident objective. In 2018, Fingrid’s own personnel had no workplace accidents resulting in absence from work (2). A total of 4 (9) lost-time accidents were recorded among Fingrid’s service providers. None of the lost-time accidents resulted in an absence of more than 30 days. The suppliers’ and Fingrid’s combined accident frequency rate decreased significantly from the previous year, to 3.2 (8.5).

1.4 Power system

In 2018, electricity consumption in Finland amounted to 87.4 (85.5) terawatt hours. Fingrid transmitted a total of 68.6 (66.2) terawatt hours of electricity in its grid, representing 75.5 (75.5) per cent of the total transmission volume in Finland (consumption and inter-TSO).

The electricity import and production capacity was sufficient to cover the peak consumption during the year. Electricity consumption peaked at 14,062 (14,300) megawatts on 28 February 2018. During that peak consumption hour, Finland generated 10,600 megawatts of electricity, and the remaining 3,460 megawatts was imported from neighbouring countries.

Draught was the hallmark of the summer of 2018, and the lack of water reservoirs increased the price of electricity in the Nordic countries. One of the impacts of the high Nordic prices was increased transmission of electricity from Russia to Finland. Electricity transmissions between Finland and Sweden mostly consisted of large imports to Finland. In 2018, 14.5 (15.6) terawatt hours of electricity was imported from Sweden to Finland, and 1.0 (0.4) terawatt hours was exported from Finland to Sweden. The bulk of electricity transmission between Finland and Estonia was from Estonia to Finland during the spring and the autumn. During other times, the dominant direction was from Finland to Estonia, totalling 2.4 (1.7) terawatt hours. Imports from Estonia amounted to 0.9 (0.9) terawatt hours. The electricity imports from Russia increased compared with the previous year, but the intraday variations were large. Imports from Russia was 7.9 (5.8) terawatt hours. In 2018, 0.2 (0.3) terawatt hours of electricity was imported from Norway to Finland, and 0.1 (0.0) terawatt hours was exported from Finland to Norway. Nearly the full transmission capacity was available in all cross-border connections during the review period.

The transmission reliability rate overall remained at an excellent level and was 99.9999 (99.9997) per cent of the transmitted energy volume. An outage in a connection point in the grid caused by a disturbance in Fingrid’s electricity network lasted an average of 12.0 (2.2) minutes, which exceeds the ten-year average. The computational cost of the disturbances (regulatory outage costs) to consumer customers was only EUR 1.5 (2.8) million. If quick reconnections are included, the cost of disturbances amounts to EUR 3.6 million, the lowest value in ten years.

The most significant event that contributed to the increased outages in connection points was a fire at Fingrid’s Olkiluoto substation on 18 July 2018, which resulted in damage to a 400-kilovolt current transformer. Due to the fire and resulting repairs at the substation, Olkiluoto nuclear power plant units 1 and 2 were not able to supply the grid with electricity. Fingrid issued a warning on 19 July 2018 that domestic production and imports of electricity may possibly be insufficient to meet consumption. The electricity shortage was avoided, however.

The reliability and usability of DC connections were at an excellent level in 2018. The number of disturbances and the total duration of disturbances exceeded the 2017 levels, however. Except for the single most serious disturbance during 2018, the connections were restored very quickly after disturbances. Thus the countertrade costs for DC connections in 2018 were only around EUR 140,000, close to the exceptionally good level of 2017. The most serious disturbance occurred in the EstLink 1 connection in November and took 23 days to repair.

The volume of transmission losses in the grid remained at the level of the previous year, 1.2 (1.2) terawatt hours. This is 1.3 (1.4) per cent of the total volume of transmitted electricity. The annual variation of losses is affected by the Nordic electricity production situation, such as the sufficiency of hydropower. Losses have been minimised by keeping the voltage of the transmission grid as high as possible and by making grid investments and equipment procurements that promote energy efficiency.

Counter trade	**Jan-Dec/18**	**Jan-Dec/17**	**July-Dec/18**	**July-Dec/17**
Counter-trade between Finland and Sweden, €M	1.9	0.4	1.8	0.1
Counter-trade between Finland and Estonia, €M	0.1	0.1	0.0	0.0
Counter-trade between Finland's internal connections, €M	2.2	1.3	2.1	0.0
Total counter-trade, €M	**4.1**	**1.8**	**3.9**	**0.1**

Reserves required to maintain the power balance of the electricity system were procured from Finland, the other Nordic countries, the Baltic countries and Russia. Countertrade costs totalled EUR 4.1 (1.8) million. Contributors to the increased countertrade costs included the fire at Fingrid’s Olkiluoto substation and the dis-ruptions in the Petäjäskoski–Letsi transmission line. Countertrade refers to special adjustments made in the management of electricity transmission which are used to eliminate short-term bottle-necks (congestion in electricity transmission caused by the transmission grid). Fingrid guarantees the cross-border transmission capacities between countries it has confirmed by carrying out coun-tertrades, i.e. purchasing and selling electricity, up until the end of the 24-hour usage period. The need for countertrade can arise from, for example, a power outage or disruption in a power plant or in the grid.

Power system operation	**Jan-Dec/18**	**Jan-Dec/17**	**July-Dec/18**	**July-Dec/17**
Electricity consumption in Finland TWh	87.4	85.5	42.2	41.8
Inter TSO transmission in Finland, TWh	3.5	2.1	2.0	1.3
Transmission within Finland, TWh	90.9	87.6	44.1	43.1
Fingrid's transmission volume TWh	68.6	66.2	33.9	33.4

Fingrid's electricity transmission to customers, TWh	64.9	63.9	31.8	32.0
Fingrid's loss energy volume TWh	1.2	1.2	0.6	0.6
Electricity transmission Finland - Sweden				
Exports to Sweden TWh	1.0	0.4	0.5	0.3
Imports from Sweden TWh	14.5	15.6	7.0	8.1
Electricity transmission Finland - Estonia				
Exports to Estonia TWh	2.4	1.7	1.4	1.1
Imports from Estonia TWh	0.9	0.9	0.3	0.3
Exports to Norway TWh				
Imports from Norway TWh	0.1	0.0	0.0	0.0
Imports from Norway TWh	0.2	0.3	0.1	0.2
Electricity transmission Finland - Russia				
Imports from Russia TWh	7.9	5.8	4.4	2.8

1.5 Electricity market

The average market price of spot electricity on the electricity exchange (Nordic system price) was EUR 43.99 (29.41) per megawatt hour. The wholesale prices of electricity were clearly on a higher level in 2018 compared with previous years in Nordic countries. The annual average price was at its highest level since 2011 for both the Nordic system price and the Finnish area price. The drivers behind the higher prices include, above all, the increased prices of emission rights and fuels, as well as the lower than normal precipitation affecting hydropower production in the Nordic production areas.

Fingrid accrued EUR 28.2 (25.5) million in congestion income from the cross-border power lines between Finland and Sweden. EUR 18.9 (10.4) million of this was accrued during the first half of the year and EUR 9.3 (15.0) million during the second half of the year. The difference between Finland’s and Sweden’s area prices narrowed due to a general increase in the price of electricity, which also reduced the number of congestion hours. The links between Finland and Estonia generated EUR 1.4 (0.3) million in congestion income. In accordance with the regulation on congestion income, Fingrid has used the congestion income from the connections between Finland and Sweden for the Hirvisuo–Pyhänselkä grid investment. EUR 1.3 million in congestion income was left unused and will be used for future investments to increase cross-border transmission capacity.

Imports of electricity from Russia grew from the 2017 level by around 2 terawatt hours. Nearly the full transmission capacity was available.

The TSOs signed a co-operation agreement on developing the new Nordic balancing concept in March 2018. The agreement commits the five Nordic TSOs to the new balancing concept and to the implementation of a joint balancing market. The Nordic agreement on joint imbalance settlement will help to keep Finland as an integral part of the Nordic power market also in future.

The European intraday markets started up in June 2018, and Finland was one of the 14 countries to adopt the new system in the first go-live phase. The Cross-Border Intraday (XBID) marketplace enables more extensive European electricity markets for continuous trading.

Fingrid participated in the Ministry of Economic Affairs and Employment's (MEAE) smart grid working group during the year under review. The working group's final report describes the possibilities of a smart power system and makes several proposals to develop the electricity market. Most of the changes are scheduled to be implemented between 2019 and 2021. Some of the working group's suggestions require the implementation of the datahub.

The datahub is a centralised information exchange system for retail markets that stores data from all of Finland's 3.5 million electricity metering points. Fingrid Datahub Oy selected the supplier for the datahub system in June 2018. The Finnish government presented a proposal to the parliament in September on amending the Finnish Electricity Market Act and certain related acts. The amendments are necessary for implementing the datahub. The parliament approved the proposed legislation amendments in December and they entered into force on 1 February 2019. The datahub will go live in 2021.

The centralised model to be implemented by the datahub will make business processes more efficient and enable new ways of developing the exchange of information. The rules will become simpler and the quality of information will improve. The datahub will compile data from all Finnish electricity consumers. The system will simplify, speed up and enhance the efficiency of the data exchange required by the retail electricity market. The information contained in the datahub will be used by approximately 100 electricity suppliers and over 80 distribution network companies serving electricity consumers. The datahub also holds a key role in the electricity market's shift from the current one-hour trading period to a fifteen-minute period.

Electricity market	**Jan-Dec/18**	**Jan-Dec/17**	**July-Dec/18**	**July-Dec/17**
Nordic system price, average €/MWh	43.99	29.41	49.07	29.54
Area price Finland, average €/MWh	46.80	33.19	51.55	34.44
Congestion income between Finland and Sweden, € million*	56.5	51.0	18.6	30.1
Congestion hours between Finland and Sweden %**	20.6	24.0	19.0	26.6
Congestion income between Finland and Estonia, € million*	2.8	0.5	2.0	0.2
Congestion hours between Finland and Estonia %	5.4	1.4	7.9	1.4

* The congestion income between Finland and Sweden and between Finland and Estonia is divided equally between the relevant TSOs. The income and costs of the transmission connections are presented in the tables under 'Financial result'. Congestion income is used for investments aimed at eliminating the cause of congestion.

** The calculation of a congestion hour between Finland and Sweden refers to an hour during which Finland's day-ahead area price differs from both Sweden's SE1 and SE3 area prices.

1.6 Share capital

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 voting and dividend rights related to the shares are described in more detail in the notes to the financial statements and in the articles of association available on the company's website.

1.7 Personnel and remuneration systems

Fingrid Oyj employed 380 (355) persons, including temporary employees, at the end of the year. The number of permanent personnel was 327 (308).
At the end of the year, 23 (24) per cent of the personnel were women and 77 (76) per cent were men. The average age of the personnel was 44 (44).
During 2018, the personnel received a total of 14,979 (11,408) hours of training, with an average of 39 (32) hours per person. Employee absences due to illness accounted for 1 (1) per cent of the total working hours. In addition to a compensation system that is based on the requirements of each position, Fingrid applies incentive bonus schemes.
Caring and well-being are the cornerstones of Fingrid's HR policy. In practice, caring means solutions supporting the individual, such as flexible working hour arrangements, support for recreational activities and overall well-being. In accordance with Fingrid's personnel policy, employees are treated with respect and fairness, based on the company's values and in compliance with the principles of equal opportunity and non-discrimination. Equal opportunity and non-discrimination are part of the corporate culture.

Alongside responsibility, openness and efficiency, impartiality is one of Fingrid's values. Fingrid invests more than a million euros annually to boost both team spirit and the personal development of each employee. In addition to common training provided by the company, personnel can participate in specific training to complement their working skills. The topics covered in company-level training events during the year include language instruction, presentation and communication coaching, customer service coaching as well as training support to units and teams amid various changes and in developing their operations.
A tailored training programme called Loikka (i.e. 'Leap') was started during 2018 to increase the understanding of expert staff concerning changes in Fingrid's operating environment and stakeholders' expectations, and to increase employees' communication skills.
Fingrid's innovation activities aim to improve the company's ability to respond to changes in the operating environment. Continuous brainstorming, constructive criticism of existing operations, and development through trial and error are some of the innovation activities aimed at improving the productivity and quality of the operations. Innovations are sought in co-operation with start-ups and research institutions. One example of this is the RadiCamp project aimed at finding new innovations to revamp power system control rooms. Another highlight is the open innovation competitions to develop the maintenance management of substation equipment.
Corporate Spirit carried out a PeoplePower personnel survey at Fingrid for the third time now. Compared to other expert organisations, the survey results were excellent. Fingrid scored the highest rating, AAA, which is achieved only by around six per cent of all surveyed organisations annually.

1.8 Board of Directors and corporate management

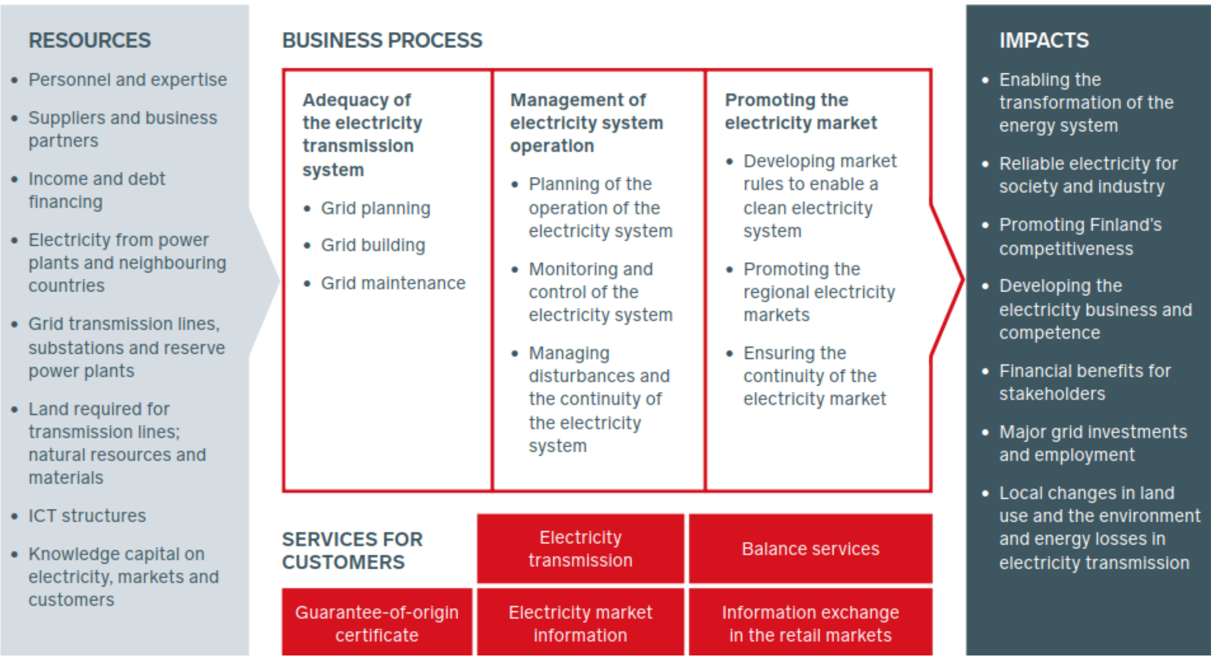
Fingrid Oyj's Annual General Meeting was held in Helsinki on 28 March 2018. In 2018, the Board of Directors consisted of Juhani Järvi (Chair) and Juha Majanen (Deputy Chair) until 28 March 2018, Päivi Nerg (Deputy Chair) as of 28 March 2018, and Anu Hämäläinen, Sanna Syri and Esko Torsti.
PricewaterhouseCoopers Oy was elected as the auditor of the company, with Heikki Lassila, APA, serving as the responsible auditor.

The Board of Directors has two committees: the Audit Committee and the Remuneration Committee. The Audit Committee consisted of Esko Torsti (Chair), Juhani Järvi, Sanna Syri (until 28 March 2018) and Anu Hämäläinen (as of 28 March 2018).

The remuneration committee consisted of Juhani Järvi (Chair), Anu Hämäläinen (until 28 March 2018), Juha Majanen (until 28 March 2018), Päivi Nerg (as of 28 March 2018) and Sanna Syri (as of 28 March 2018).
Jukka Ruusunen serves as President & CEO of the company. Fingrid has an Executive Management Group which supports the CEO in the company's management and decision-making.
A corporate governance statement, required by the Finnish Corporate Governance Code, has been provided separately. The statement and other information required by the Code are also available on the company's website at www.fingrid.fi.

1.9 Fingrid's business model

The purpose of the business model is to describe the most important material and immaterial resources at Fingrid's disposal that are necessary for the business processes. The result of these processes are services to the customers. The impact of Fingrid's operations and the significant added value they generate show in various ways throughout Finnish society.



1.10 Internal control and risk management

At Fingrid internal control is a permanent component of the company's operations and addresses all those operating methods and procedures whose objective it is to ensure

- effective and profitable operations that are in line with the company's strategy,
- the reliability and integrity of the company's financial and management information,
- that the company's assets are protected,
- that applicable legislation, guidelines, regulations, agreements and the company's own governance and operating guidelines are complied with, and
- a high standard of risk management.

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 core mission, risks are also assessed from the perspective of society.

Continuity management is a part of risk management. Its objective is to improve the organisation's capacity to prepare and to react in the best possible way should risks occur, and to ensure the continuity of operations in such situations.

Further information on internal control, risk management and the foremost risks and factors of uncertainty is available on the company's website.

Board of Directors

The company's Board of Directors is responsible for organising internal control and risk management, and it approves the principles of internal control and risk management every two years or more often, if required. The Board defines the company's strategic risks and related management procedures as part of the company's strategy and action plan, and monitors their implementation. The Board decides on the operating model for the company's internal audit. The Board regularly receives internal audit and financial audit reports as well as a status update at least once a year on the strategic risks and continuity threats relating to the company's operations and their management and realisation.

Line management and other organisation

Assisted by the Executive Management Group, the President & CEO is responsible for executing and steering the company's governance, decision-making procedures, control and risk management, and for the assessment of strategic risks and continuity threats at the company level, and their related risk management.

The heads of functions are responsible for the practical implementation of the governance, decision-making procedures, controls and risk management for their areas of responsibility, as well as for the reporting of deviations and the sufficiency of detailed guidelines. Directors appointed in charge of the threats to continuity management are responsible for drawing up and maintaining continuity management plans and guidelines, and for arranging sufficient training and practice.

The CFO is responsible for arranging procedures, controls and monitoring at the company level as required by the harmonised operating methods of internal control and risk management. The company’s general counsel is responsible at the company level for assuring the legality and regulation compliance of essential contracts and internal guidelines, taking into account the company’s interests, as well as for the procedures these require. Each Fingrid employee is obligated to identify and report any risks or control deficiencies she or he observes and to carry out the agreed risk management procedures.

Financial audit

An authorised public accounting company selected by the Annual General Meeting acts as auditor for the company. The company’s financial auditor inspects the accounting, financial statements and financial administration for each financial period and provides the AGM with reports required by accounting legislation or otherwise stipulated in legislation. The financial auditor reports on his or her work, observations and recommendations for the Board of Directors and may also carry out other verification-related tasks commissioned by the Board or management.

Internal audit

The Board of Directors decides on the operating model for the company’s internal audit. The internal audit acts on the basis of plans processed by the audit committee and approved by the Board. Audit results are reported to the object of inspection, the President & CEO, the audit committee and the Board. Upon decision of the Board, an internal audit outsourced to an authorised public accounting company acts within the company. From an administrative perspective, the internal audit is subordinate to the President & CEO. The internal audit provides a systematic approach to the assessment and development of the efficiency of the company’s risk management, monitoring, management and administrative processes and ensures their sufficiency and functionality as an independent party. The internal audit has the authority to carry out reviews and to access all information that is essential to the audit. Fingrid’s internal audit carries out risk-based auditing on the company’s various processes.

1.11 Foremost risks and uncertainty factors for society and Fingrid

Since Fingrid plays a significant role in Finnish society, the impact of risks is assessed from both the company’s and society’s perspective. The risk entities recognised as strategic risks concern either society alone, Fingrid alone or both.
One of the company’s biggest business risks and the biggest risk where society is concerned is a major disturbance related to the functioning of the power system. A major disturbance can result in a situation where most of the grid is out of power, which paralyzes society’s functions and causes major damage to the economy.

Other major risks for Fingrid and society are a dysfunctional electricity market, environmental risks and serious workplace accidents.

The risks to Fingrid’s operations include risks related with unfavourable regulatory development, financing risks, asset risks, compliance risks, major ICT disturbances and personnel risks.

Risks to society arising from Fingrid’s operations include unsuccessful timing of investments, long-term restrictions in transmission capacity, and incidents resulting in major harm to customers.

The major risks to Fingrid mentioned above are explored in greater detail in the company's annual report. Fingrid's financing risks are described in more detail in sections 6.2 and 6.3 of the consolidated financial statements. No substantial risks were realised in 2018.

1.12 Corporate responsibility

Responsibility is one of Fingrid's corporate values, and responsible business conduct is a strategic choice for the company. In addition to successfully fulfilling its societally important core mission, the following aspects are important to Fingrid: safety and security, procurement practices, stakeholder confidence, financial result, Code of Conduct and taking care of the work community. Fingrid's compliance with corporate responsibility is steered by the set strategy targets. The key targets have been set by identifying topics that are of material importance to Fingrid. The need for updates to the materiality analysis is assessed annually as part of the strategy process, based on an operating environment and stakeholder analysis and on the strategy update. Achieving the targets serves as the basis for executive management's and personnel's remuneration.

At Fingrid, corporate responsibility and compliance management are integrated with the management system and risk management practices. Fingrid's Board of Directors approves the company's Code of Conduct and monitors the company's compliance in operating responsibly. Furthermore, the Board is in charge of arranging corporate responsibility management and its integration into business operations. The CEO and the heads of functions are each responsible for corporate responsibility issues within their areas of responsibility. Social issues and environmental impacts are taken into account in all decision-making and when assessing operations, alongside profitability issues.

Fingrid has declared its human rights commitment as part of the company's Code of Conduct. To ensure its understanding of human rights impacts, Fingrid has carried out an assessment in compliance with the due diligence process recommended in the UN's Guiding Principles on Business and Human Rights and updates its action plan annually.

In accordance with its Code of Conduct, Fingrid is a responsible tax payer and combats the grey economy, and does not engage in money laundering or corruption, such as blackmail and bribery. No cases related to corruption and bribery occurred during the year under review. Fingrid reports on its tax footprint and does not carry out special arrangements to minimise taxes.

Managers and the entire work community ensure that behaviour is in line with the Code of Conduct. New employees must complete online induction training on the Code of Conduct. The online induction training was updated during the year under review, and it helped to reinforce the commitment of existing and new employees alike. The updated online training takes into account the new General Data Protection Regulation, and data security was one of the topics in internal audits, in addition to compliance management issues. A confidential whistle-blower system managed by an independent third party is available to employees who suspect a breach of the Code of Conduct. Preparations were made during the year under review to expand its availability to external stakeholders. Fingrid again received an excellent AAA rating in the survey where employees assessed the responsibility of the company's ways of operating. In the customer survey, the trust KPI measuring the implementation of the customer strategy and customers' trust was 4.1 on a scale of 1-5.

Fingrid has joined the United Nations' Global Compact initiative, and its Code of Conduct is in line with the initiative's principles on human rights, labour, the environment and anti-corruption. In procurements, Fingrid requires its contractual partners to commit to Fingrid's Supplier Code of Conduct and monitors compliance using a risk-based approach. Compliance with the Supplier Code of Conduct is a condition for being included in supplier registers used in recurring substation and power line procurements. In addition, contractual partners are subject to separate contract terms related to the use of subcontractors and workforce, and to occupational safety and environmental matters. During the year under review, Fingrid carried out 10 audits on its work sites to verify compliance with contractor obligations, occupational safety and environmental management. The audits revealed that operations and induction at the work sites are generally on a good level and continuously improving. An external service was introduced for monitoring the payroll and employment issues of foreign workforce. In international goods sourcing, compliance with the Supplier Code of Conduct was ensured through third-party supplier audits at 15 production plants in seven countries. In addition, several follow-up audits were carried out.

Reporting on corporate responsibility is one of the topics in Fingrid's annual report, in compliance with the principles of integrated reporting. To ensure transparency and comparability, Fingrid reports on its corporate responsibility in accordance with the international Global Reporting Initiative (GRI) framework. The corporate responsibility reporting for 2018 was verified by a third party. The Report of the Board of Directors includes also non-financial information.

1.13 Environmental matters

Fingrid's operations have a significant positive impact on the environment and climate because the grid serves as a platform for the clean power system necessary for combatting climate change. The most significant environmental impacts caused by the company's operations are related to landscape changes and land use restrictions, nature and biodiversity, energy losses occurring during electricity transmission, exceptional fuel and oil leaks and the consumption of natural resources and the climate impact during grid construction and maintenance.

Contractors and service suppliers were encouraged to commit to environmentally responsible operating practices with the help of contractual terms related to environmental matters, and environmental training and audits. The personnel working on Fingrid worksites completed online training on environmental matters, and environmental aspects of the work were monitored as a part of the regular worksite supervision. All the service providers used during the year under review received training in the updated waste management and recycling practices. Compliance with environmental requirements, occupational safety and contractor obligations was verified in a total of 10 audits. In addition, two audits on overall safety and audits related to the ISO 14001 environmental management system were carried out at reserve power plants.

The reserve power plants are subject to an environmental permit and covered by the EU's emissions trading scheme. The accuracy of the measuring and reporting systems for fuel consumption is verified by an accredited emissions trading verifier. A total of 8,506 (5,817) units (tCO_2) of emission allowances were returned, 100 per cent of which consisted of acquired emission right units. Fingrid has not been granted free-of-charge emission rights for the emissions trade period 2013–2020. Purchased emission rights units amounted to 10,000 in 2018. Emissions trading had minor financial significance for Fingrid.

Our goal is to complete grid investment projects and maintenance without any significant environmental deviations. Such deviations did not occur during the year under review. Materials discarded when building new grid sections and substations or dismantled from old structures were recycled as efficiently as possible.

Fingrid actively participates in land-use planning to ensure safety and land-use reservations for the grid. In 2018, the company issued around 290 statements on land-use plans and EIAs. In addition, Fingrid directed the construction taking place near grid installations by issuing roughly 450 safety instructions and statements containing land-use restrictions.

In 2018, environmental assessments were drawn up for the 400-kilovolt underground cable connection planned in Helsinki and for the transmission line project from Kangasala to Tampere. The environmental impact assessment procedure was ongoing for the Pyhänselkä–Nuojua transmission line and for the Pyhänselkä–Keminmaa and Keminmaa–Tornionjoki transmission lines linked with the third AC connection to Sweden. The projects were presented in four public events during 2018. Fingrid also promoted landowner engagement during the planning stages of these projects through a mailing campaign and an online feedback system.

Fingrid received an expropriation permit ruling necessary to build, operate and maintain the Elovaara–Pinsiö and Pamilo–Uimaharju transmission lines. Expropriation permit petitions were drawn up for the Forest Line, Pamilo–Uimaharju and Kontiolahti–Uimaharju transmission line projects. The compensation process for compulsory purchase was completed for the Hikiä–Forssa, Lavianvuori re-routing, Vihtavuori–Koivisto and Vuoksi–Onnela transmission line projects as well as was nearly completed for the Hirvisuo–Pyhänselkä project. Fifteen hearings in accordance with the Finnish Expropriation Act were held with landowners.

The service providers who carry out maintenance work and trim vegetation along power line right-of-ways were instructed to take landowners and site-specific environmental values into account. Landowners were also kept informed. Fingrid promoted the usability of transmission line areas by offering landowners idea cards containing information on safe practices for utilising the powerline right-of-ways both for the benefit of the nature and people . Fingrid also granted initial funding and advisory services for managing the right-of-way as a heritage habitat.

1.14 Legal proceedings and proceedings by authorities

An accident took place on a work site in Laukaa, Finland, on 25 August 2017, where an employee of Revilla y Garcia S.L. died after having fallen from a power line tower. A civil court case has been raised in Spain for damages against Fingrid (the client linked with the accident), the main contractor, Technolines S.R.L. filial i Finland, and its sub-contractor, Revilla y Garcia S.L. Fingrid does not believe the claim against it is likely to succeed and, in Fingrid’s view, the legal proceedings or their outcome are not likely to have a substantial impact on the company’s earnings or financial position.

1.15 Events after the review period and estimate of future outlook

Fingrid’s international EUR 1.5 billion Medium Term Note Programme and debt issues are listed on the London Stock Exchange. On 9 January 2019, Fingrid listed the Medium Term Note Programme and debt issues on the Irish Stock Exchange (Euronext Dublin) in addition to the London Stock exchange. Dual listing enables the trading of debt issues and new debt issue listings on these two stock exchanges.

Fingrid Oyj's Shareholders' Nomination Board proposed to the Annual General Meeting to be held on 21 March 2019 that the number of members of the Board of Directors shall be five. The Nomination Board proposed the re-election of Juhani Järvi, Päivi Nerg, Anu Hämäläinen, Sanna Syri and Esko Torsti. The Shareholders' Nomination Board proposed that the remuneration paid to the members of the Board of Directors remain unchanged.

Fitch Ratings downgraded Fingrid Oyj's Long-Term Issuer Default Rating (IDR) to 'A' from 'A+' and senior unsecured rating to 'A+' from 'AA-' on 28 January 2019. Fitch also affirmed a Short-Term IDR of 'F1'. The outlook for the ratings is stable. The rating remains the highest assigned by Fitch to any regulated TSO in Europe.

Timo Kiiveri (M.Sc., MBA) was appointed director of the executive management group of Fingrid Oyj on 31 January 2019, effective 1 July 2019. His area of responsibility will be the company's asset management.

Fingrid Group's profit for the 2019 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to decrease significantly from the previous year's level. Fingrid announced on 3 October 2018 that it will decrease grid prices for 2019 by eight per cent on average.

Results forecasts for the financial year are complicated especially by the uncertainty related to grid income, ITC income and cross-border transmission income, and to reserve and loss power costs. These are particularly dependent on the variations in outside temperature and precipitation and changes in the hydrological situation in the Nordic countries, which affect electricity consumption and electricity prices in Finland and neighbouring areas and thus also grid transmission volumes. The company's debt service capacity is expected to remain stable.

1.16 Board of Directors' proposal for the distribution of profit

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 investment and development needs as well as any prevailing financial targets of the company are always taken into account.

Fingrid Oyj's parent company's profit for the financial year was EUR 194,570,313.15 and distributable funds in the financial statements total EUR 222,364,965.90. Since the close of the financial year, there have been no material changes in the company's financial position and, in the Board of Directors' view, the proposed dividend distribution does not compromise the company's solvency.

The company's Board of Directors will propose to the Annual General Meeting of Shareholders that, on the basis of the balance sheet adopted for the financial period ended 31 December 2018, a dividend of EUR 67,650.00 at maximum per share will be paid for Series A shares and EUR 24,750.00 at maximum for Series B shares, for a total of EUR 171,439,950.00 at maximum. The first dividend instalment of EUR 47,550.00 for each Series A share and EUR 17,400.00 for each Series B share, totalling EUR 120,506,700.00, shall be paid on 26 March 2019. The second dividend instalment, a maximum of EUR 20,100.00 for each Series A share and a maximum of EUR 7,350.00 for each Series B share, totalling EUR 50,933,250.00 at maximum, shall be paid based on the authorisation to be given to the Board.

The Board of Directors has the right to decide on the payment of the second dividend instalment after the half-year report has been confirmed and after having assessed the company's solvency, financial position and financial development. The second dividend instalment 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.

1.17 Annual General Meeting 2019

Fingrid Oyj's Annual General Meeting is scheduled to be held on 21 March 2019 in Helsinki.

In Helsinki, on 26th February 2019
Fingrid Oyj
Board of Directors

2 CONSOLIDATED KEY FIGURES

CONSOLIDATED KEY FIGURES		2018 IFRS	2017 IFRS	2016 IFRS	2015 IFRS	2014 IFRS
Extent of operations						
Turnover	MEUR	852.8	672.0	586.1	600.2	567.2
Capital expenditure, gross	MEUR	92.7	111.1	146.7	147.5	129.5
- % of turnover	%	10.9	16.5	25.0	24.6	22.8
Research and development expenses	MEUR	3.6	2.6	2.4	1.8	1.7
- % of turnover	%	0.4	0.4	0.4	0.3	0.3
Personnel, average		376	352	336	319	305
Personnel at the end of period		380	355	334	315	313
Salaries and remunerations total	MEUR	26.5	24.2	22.7	21.3	20.5
Profitability						
Operating profit	MEUR	241.6	184.8	192.0	162.6	142.8
- % of turnover	%	28.3	27.5	32.8	27.1	25.2
Profit before taxes	MEUR	229.0	163.7	173.9	129.3	132.9
- % of turnover	%	26.9	24.4	29.7	21.5	23.4
Return on investments (ROI)	%	13.2	10.0	10.4	8.7	7.6
Return on equity (ROE)	%	23.3	16.7	18.8	15.0	16.3
Financing and financial position						
Equity ratio	%	36.6	37.8	36.4	33.5	31.0
Interest-bearing net borrowings	MEUR	974.3	998.9	1,028.0	1,026.9	1,046.1
Net gearing		1.3	1.3	1.3	1.4	1.6
Share-specific key figures						
Profit/share	€	55,106.3	39,350.8	41,706.1	31,150.8	32,027.9
Dividend/A shares	€	67,650.00*	68,470.00	37,536.09	33,686.24	21,655.44
Dividend/B shares	€	24,750.00*	25,050.00	16,038.49	16,038.49	16,038.49
Dividend payout ratio A shares	%	122.8	174.0	90.0	108.1	67.6
Dividend payout ratio series B shares	%	44.9	63.7	38.5	51.5	50.1
Equity/share	€	232,310	240,017	230,301	213,822	200,568
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

Return on investment, %	=	Profit before taxes + interest and other finance costs / Balance sheet total - non-interest-bearing liabilities (average for the year)	x 100
Return on equity, %	=	Profit for the financial year / Equity (average for the year)	x 100
Equity ratio, %	=	Equity / Balance sheet total - advances received	x 100
Earnings per share, €	=	Profit for the financial year / Average number of shares	
Dividends per share, €	=	Dividends for the financial year / Average number of shares	
Dividend payout ratio, %	=	Dividend per share / Earnings per share	x 100
Equity per share, €	=	Equity / Number of shares at closing date	
Interest-bearing net borrowings, €	=	Interest-bearing borrowings - cash and cash equivalents and financial assets	
Net gearing	=	Interest-bearing borrowings - cash and cash equivalents and financial assets / Equity	

3 CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

INTRODUCTION

How to read Fingrid's financial statements and get the most out of it?

- **Notes are compiled under specific themes to provide the best representation of Fingrid.**
- **Chapters 4-7 consist of notes to the consolidated financial statements.**
- **Accounting principles are linked with the note most relevant for each specific principle.**
- **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 company's operations, reasonableness in pricing and financial result are regulated and overseen by the Energy Market Authority. Transmission network operations constitute most of the company's turnover, result and balance sheet.

The allowed financial result from transmission network operations is calculated by multiplying the total adjusted capital invested in the transmission network operations (transmission network assets valued at the regulatory present value) with the reasonable rate of return defined by the Energy Market Authority.

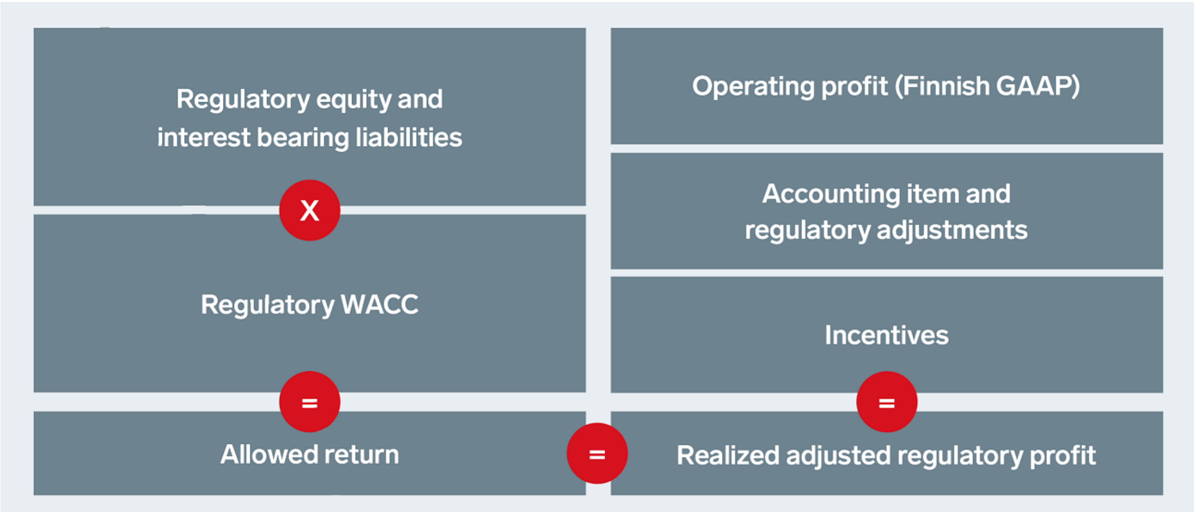
The reasonable financial result allowed by the regulation forms the basis of Fingrid's financial planning and pricing. One can calculate the required amount of turnover by adding operating expenses in the result. Fingrid's turnover mainly consists of the electricity transmission volume multiplied by the unit prices. The company determines in advance for the next year the unit prices for the transmission of electricity to recover required turnover. The company's total costs consist of the operating expenses and financial costs and taxes, which are excluded from regulatory calculations.

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.

The regulation incentives are as follows: *Investment incentive* – intended to promote reasonable and cost-effective investments as well as a justified overhaul of components. The incentive impact is created by the fact that the methods allow the TSO straight-line depreciations based on the replacement value of the transmission network assets. *Quality incentive* – intended to encourage the TSO to improve the quality of electricity transmission. In practical terms this means minimising the calculated negative impact caused by non-transmitted energy. *Efficiency improvement incentive* – intended to encourage the TSO to operate cost-effectively. The efficiency improvement incentive is based on Fingrid's controllable operating costs.

Innovation incentive – intended to encourage the TSO to develop and use innovative technical and operational solutions in its network operations. In practice, this means adequate R&D resources.

Any realised regulatory profit over a regulatory period that exceeds the allowed return is a surplus that must be returned to the customers in the form of lower future prices. If the realised regulatory profit over a regulatory period is below the allowed return, the result is a deficit which the company may recover from the customers in the form of higher future prices. No regulatory surplus or deficit income is recorded in the financial statements. The main aim of Fingrid's business operations is to achieve the allowed financial result each year.



The Energy Market Authority determines Fingrid's allowed financial result over four-year regulatory periods (2016–2019 and 2020–2023). The table below presents Fingrid's own rough approximations for 2018, as well as the cumulative figures for the current regulatory period. Since the company had a surplus in the previous regulatory period, the intention is to have a deficit in the current regulatory period.

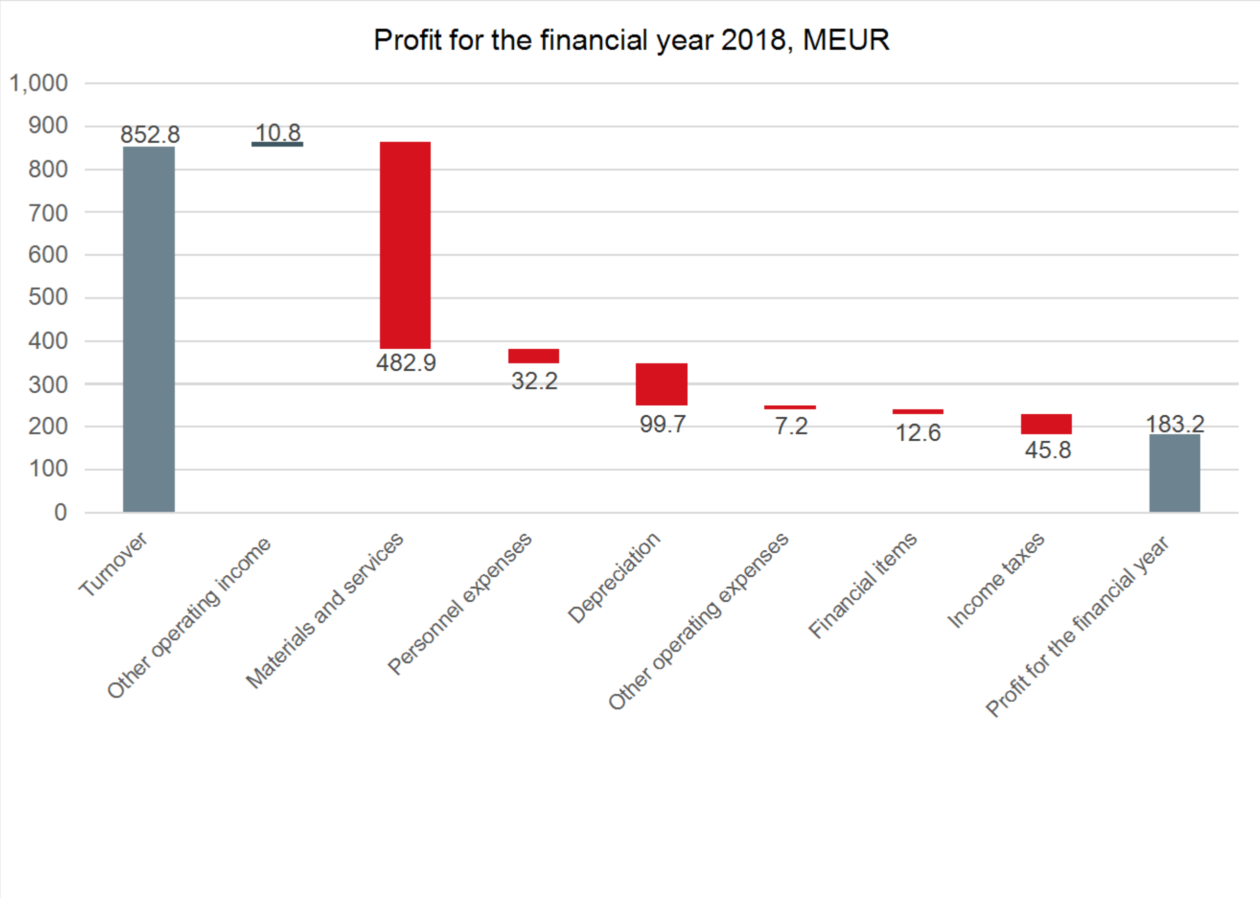
WACC (pre-tax) 2018	Adjusted capital 2018	Allowed financial result 2018	Deficit(-)/Surplus(+) 2018	Cumulative Deficit (-)/Surplus(+) 2016-2018
5.78%	Approx. EUR 2,900 million	Approx. EUR 170 million	Approx. EUR 40 million	Approx. EUR -5 million

The company also engages in other regulated business operations, but the impact of these on the company's financial income and balance sheet is negligible.

3.1 Income statement

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Notes	1 Jan - 31 Dec, 2018 € 1,000	1 Jan - 31 Dec, 2017 € 1,000
TURNOVER	1	**852,784**	**671,992**
Other operating income	2	10,800	2,933
Materials and services	5	-482,873	-331,839
Personnel expenses	9	-32,190	-29,385
Depreciation	11,12	-99,661	-96,889
Other operating expenses	6,13	-7,211	-32,027
OPERATING PROFIT		**241,648**	**184,786**
Finance income	17	170	483
Finance costs	17	-15,384	-23,261
Finance income and costs		-15,213	-22,778
Share of profit of associated companies		2,607	1,734
PROFIT BEFORE TAXES		**229,041**	**163,742**
Income taxes		-45,813	-32,901
PROFIT FOR THE FINANCIAL YEAR		**183,228**	**130,841**
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be transferred to profit or loss			
Translation reserve		-193	-475
Available-for-sale investments			-59
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		**183,036**	**130,308**
Profit attributable to:			
Equity holders of parent company		183,228	130,841
Total comprehensive income attributable to:			
Equity holders of parent company		183,036	130,308
Earnings per share for profit attributable to the equity holders of the parent company:			
Undiluted and diluted earnings per share, €		55,106	39,351
Weighted average number of shares, quantity		3,325	3,325

Notes are an integral part of the financial statements.


Profit for the financial year 2018, MEUR
1,000
900
800
700
600
500
400
300
200
100
0
852.8
10.8
482.9
32.2
99.7
7.2
12.6
45.8
183.2
Turnover
Other operating income
Materials and services
Personnel expenses
Depreciation
Other operating expenses
Financial items
Income taxes
Profit for the financial year

3.2 Consolidated balance sheet

ASSETS	Notes	**31 Dec 2018 € 1,000**	**31 Dec 2017 € 1,000**
NON-CURRENT ASSETS			
Intangible assets:	12		
Goodwill		87,920	87,920
Other intangible assets		102,546	99,795
		190,466	187,715
Property, plant and equipment:	11		
Land and water areas		16,749	15,974
Buildings and structures		226,329	209,792
Machinery and equipment		553,310	562,049
Transmission lines		758,485	786,237
Other property, plant and equipment		6,821	7,060
Prepayments and purchases in progress		72,360	94,888
		1,634,055	1,675,999
Investments in associated companies	24	13,822	14,303
Derivative instruments	23	32,486	27,762
Deferred tax assets	10	23,296	13,918
TOTAL NON-CURRENT ASSETS		**1,894,125**	**1,919,696**
CURRENT ASSETS			
Inventories	8	12,391	13,529
Derivative instruments	23	18,575	245
Trade receivables and other receivables	3,24	99,484	96,068
Other financial assets	20	71,380	73,465
Cash in hand and cash equivalents	19	13,922	10,303
TOTAL CURRENT ASSETS		**215,750**	**193,610**
TOTAL ASSETS		**2,109,876**	**2,113,306**

Notes are an integral part of the financial statements.

EQUITY AND LIABILITIES	Notes	31 Dec 2018 € 1,000	31 Dec 2017 € 1,000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	21	55,922	55,922
Share premium account	21	55,922	55,922
Translation reserve	21	-1,080	-888
Retained earnings	21	661,665	687,100
TOTAL EQUITY		**772,429**	**798,057**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	10	122,986	127,003
Borrowings	14	771,508	813,404
Provisions	25	1,424	1,474
Derivative instruments	23	7,393	12,387
		903,311	**954,268**
CURRENT LIABILITIES			
Borrowings	14	288,091	269,304
Derivative instruments	23	4,014	8,190
Trade payables and other liabilities	7	142,030	83,488
		434,135	**360,981**
TOTAL LIABILITIES		**1,337,446**	**1,315,249**
TOTAL EQUITY AND LIABILITIES		**2,109,876**	**2,113,306**

Notes are an integral part of the financial statements.

3.3 Consolidated statement of changes in equity

Attributable to equity holders of the parent company, € 1,000

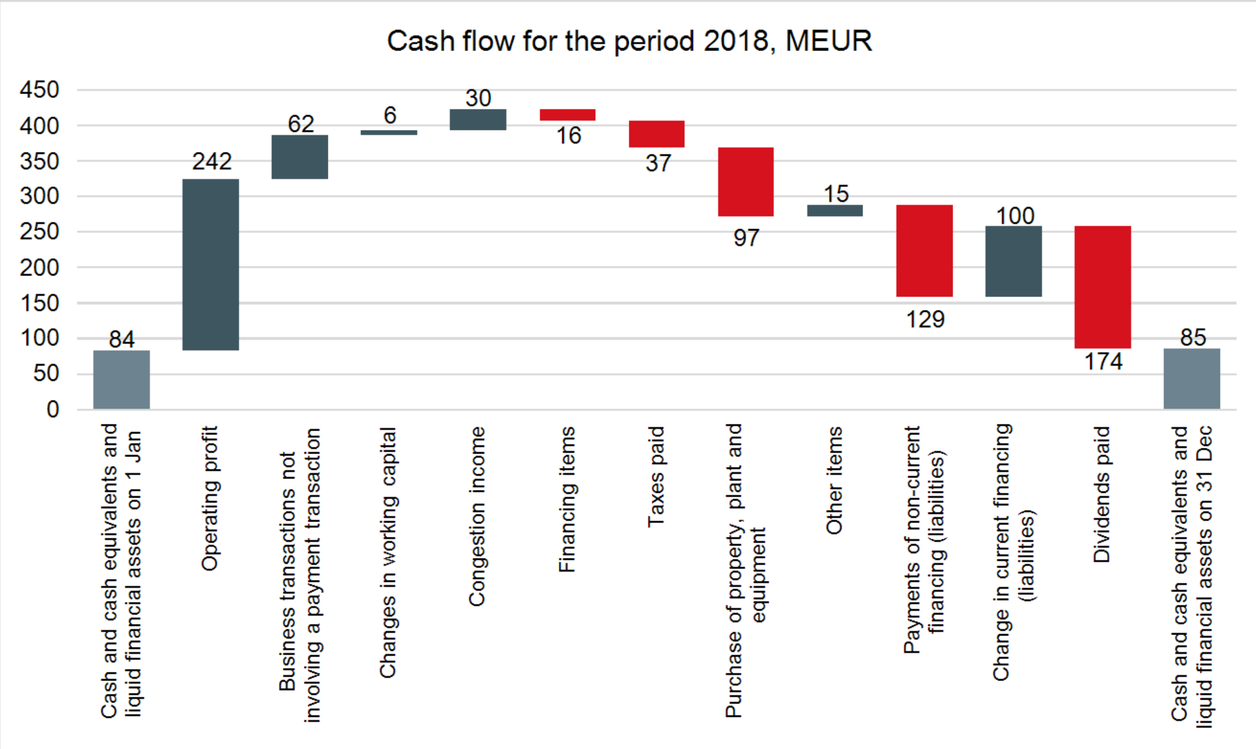
	Share capital	Share premium account	Revaluation reserves	Translation reserve	Retained earnings	Total equity
Balance on 1 Jan 2017	**55,922**	**55,922**	**59**	**-413**	**654,258**	**765,749**
Comprehensive income						
Profit or loss					130,841	130,841
Other comprehensive income						
Translation reserve				-475		-475
Available-for-sale investments			-59			-59
Total other comprehensive income adjusted by tax effects			**-59**	**-475**		**-534**
Total comprehensive income			**-59**	**-475**	**130,841**	**130,308**
Transactions with owners						
Dividend relating to 2016					-98,000	-98,000
Balance on 31 December 2017	**55,922**	**55,922**	**0**	**-888**	**687,100**	**798,057**
Impact from change in accounting principle (IFRS 15)					-35,146	-35,146
Balance on 1 Jan 2018	**55,922**	**55,922**	**0**	**-888**	**651,954**	**762,912**
Comprehensive income						
Profit or loss					183,228	183,228
Other comprehensive income						
Translation reserve				-193		-193
Total other comprehensive income adjusted by tax effects			**0**	**-193**		**-193**
Total comprehensive income			**0**	**-193**	**183,228**	**183,036**
Transactions with owners						
Dividend relating to 2017					-173,518	-173,518
Balance on 31 Dec 2018	**55,922**	**55,922**	**0**	**-1,080**	**661,665**	**772,429**

Notes are an integral part of the financial statements.

3.4 Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT	Notes	1 Jan - 31 Dec, 2018 € 1,000	1 Jan - 31 Dec, 2017 € 1,000
Cash flow from operating activities:			
Profit for the financial year	21	183,228	130,841
Adjustments:			
Business transactions not involving a payment			
Depreciation		99,661	96,889
Capital gains/losses (-/+) on tangible and intangible		-8,276	-321
Share of profit of associated companies		-2,607	-1,734
Gains/losses from the assets and liabilities recognised in the income statement at fair value		-29,606	-8,884
Interest and other finance costs		20,674	23,261
Interest income		-5,460	-478
Dividend income			-5
Taxes		45,813	32,901
Impact from changes in the fair value of the investment		-97	101
Changes in working capital:			
Change in trade receivables and other receivables		-5,490	-13,056
Change in inventories		1,138	-1,260
Change in trade payables and other liabilities		10,147	7,990
Congestion income		29,632	25,752
Change in provisions	25	-50	-7
Interests paid		-16,188	-17,756
Interests received		306	344
Taxes paid		-37,335	-41,911
Net cash flow from operating activities		285,489	232,668
Cash flow from investing activities:			
Purchase of property, plant and equipment	11	-90,019	-100,271
Purchase of intangible assets	12	-6,699	-7,111
Proceeds from sale of other assets			119
Proceeds from sale of property, plant and equipment		13,745	544
Payments of financing (liabilities)		1,750	
Dividends received		645	1,119
Capitalised interest paid	17	-1,042	-1,223
Net cash flow from investing activities		-81,621	-106,823
Cash flow from financing activities:			
Proceeds from non-current financing (liabilities)			100,000
Payments of non-current financing (liabilities)		-129,086	-149,732
Change in current financing (liabilities)		100,270	25,926
Dividends paid	21	-173,518	-98,000
Net cash flow from financing activities		-202,334	-121,806
Change in cash as per the cash flow statement		**1,533**	**4,039**
Opening cash as per the cash flow statement		**83,768**	**79,729**
Closing cash as per the cash flow statement	19,20	**85,301**	**83,768**

Notes are an integral part of the financial statements.


Cash flow for the period 2018, MEUR
450
400
350
300
250
200
150
100
50
0
84
242
62
6
30
16
37
97
15
129
100
174
85
Cash and cash equivalents and liquid financial assets on 1 Jan
Operating profit
Business transactions not involving a payment transaction
Changes in working capital
Congestion income
Financing items
Taxes paid
Purchase of property, plant and equipment
Other items
Payments of non-current financing (liabilities)
Change in current financing (liabilities)
Dividends paid
Cash and cash equivalents and liquid financial assets on 31 Dec

4 BENCHMARK FOR TSO OPERATIONS (IFRS)

- **This chapter contains first general information about the Group and the general accounting principles applied to the consolidated financial statements.**
- **The chapter focuses on describing how Fingrid's turnover and result are formed and how they relate to the regulatory revenue level. The impact of the regulation is reflected in Fingrid's day-to-day operations and revenue collection.**
- **The chapter also 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 4.9.**

4.1 General information about the Group and general accounting principles

Fingrid Oyj is a Finnish public limited liability company responsible for electricity transmission in the high-voltage transmission system in Finland (the main grid). Fingrid's nationwide grid is an integral part of the power system in Finland. The transmission grid is the high-voltage trunk network which covers all of Finland. Major power plants, industrial plants and electricity distribution networks are connected to the grid.

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.

The main grid encompasses more than 14,000 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. 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, cross-border transmission and balance services to its contract customers: electricity producers, network operators and the industry. Fingrid serves the electricity market by maintaining adequate electricity transmission capacity, by removing bottlenecks from 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 Nord Pool Spot AS (ownership 18.8%) and eSett Oy (ownership 33.3%). 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.

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 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 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 4.3
Inter-Transmission System Operator Compensation (ITC)	Chapter 4.3
Deferred tax assets and liabilities	Chapter 4.9
Determination of the fair value measurement of grid assets	Chapter 5.1
Determination of the depreciation periods of property, plant and equipment, and intangible assets	Chapter 5.2

Accounting principles

Fingrid adopted the IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments standards as of 1 January 2018. The changes to the accounting principles due to the new standards are presented in chapters 4.3 and 6.6. The new standards did not have a material impact on the consolidated financial statements. In other respects, the preparation of the consolidated financial statements generally followed the same standards as in 2017.

IASB has announced a new standard, IFRS 16 Leases, which the Group adopted upon its entry into force, on 1 January 2019. The modified retrospective transition approach will be applied when adopting the standard. The estimated impact of the standard is presented in chapter 5.3.

Segment reporting

The entire business of the Fingrid Group is deemed to comprise grid operations in Finland with system responsibility, only constituting a single segment. There are no essential differences in the risks and profitability of individual products and services. For that reason, segment reporting in accordance with the IFRS 8 standard is not presented. The operating segment is reported in a manner consistent with the internal reporting to the chief operating decision-maker. The chief operating decision-maker is the company's Board of Directors. Fingrid operates only in Finland, which is also why geographical data is not presented.

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 foreign exchange mid-rate quoted by the European Central Bank (ECB) at the transaction date. Receivables and liabilities denominated in foreign currencies are valued in the financial statements at the mid-rate quoted by the ECB 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.

Earnings per share

The Group has calculated undiluted earnings per share in accordance with standard IAS 33. Undiluted earnings per share are calculated using the weighted average number of shares outstanding during the financial year. Since Fingrid has no share option schemes or benefits bound to shareholders' equity or other equity financial instruments, there is no dilutive effect.

4.2 The company's general risk management processes and policies

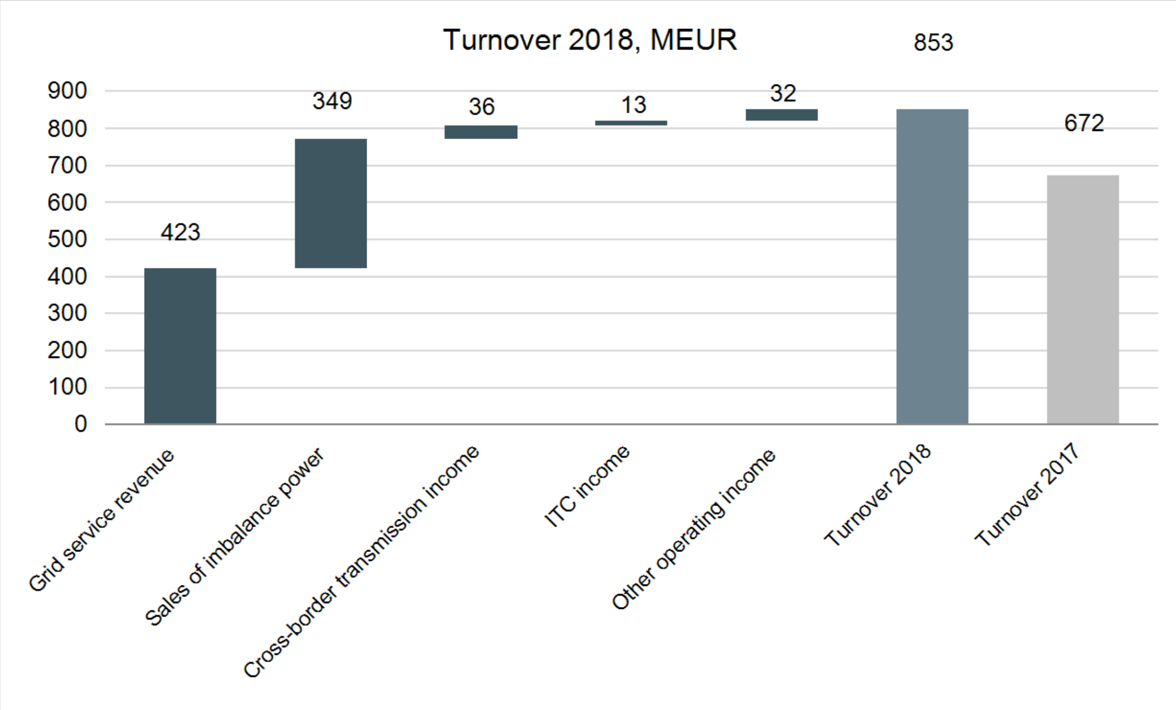
The objective of Fingrid's risk management is to make preparations for cost-effective measures providing protection against damage and loss relating to risks and to ensure the commitment of the entire personnel to considering the risks pertaining to the company, its various organisational units and each employee. In order to fulfil these objectives, risk management is continuous and systematic. The significance of individual risks or risk entities is assessed against the present level of protection, taking into account the probability of a harmful event, its financial impact and impact on corporate image or on the attainment of the business goals.

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 on the major risks relating to the operations of the company and on the management of such risks.

4.3 Formation of turnover and financial result

Turnover consists of the following:



1. TURNOVER, €1,000	2018	2017
Grid service revenue	423,151	412,082
Sales of imbalance power	348,837	214,040
Cross-border transmission income	35,516	20,711
ITC income	13,089	8,647
Peak load capacity	14,032	8,264
Other operating income	18,160	8,248
Total	**852,784**	**671,992**

Grid service income mainly consists of the unit price for electricity transmission multiplied by the volume. 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. The winter period begins on 1 December and ends on the last day of February. Fingrid additionally charges fees for output from and input into the grid, and power generation capacity fees. Fingrid seeks to set the unit prices for electricity transmission each autumn for the next year, for one year at a time.

Within the framework of grid services, a customer obtains the right to transmit electricity to and from the main grid through its connection point. Grid service is agreed by means of a grid service contract signed between a customer connected to the main grid and Fingrid.

Each electricity market party must ensure its electricity balance by making an agreement with either Fingrid or some other party. Fingrid buys and sells imbalance power in order to stabilise the hourly power balance of an electricity market party (balance responsible party). Imbalance power trade and pricing are based on a balance service agreement with equal and public terms and conditions.

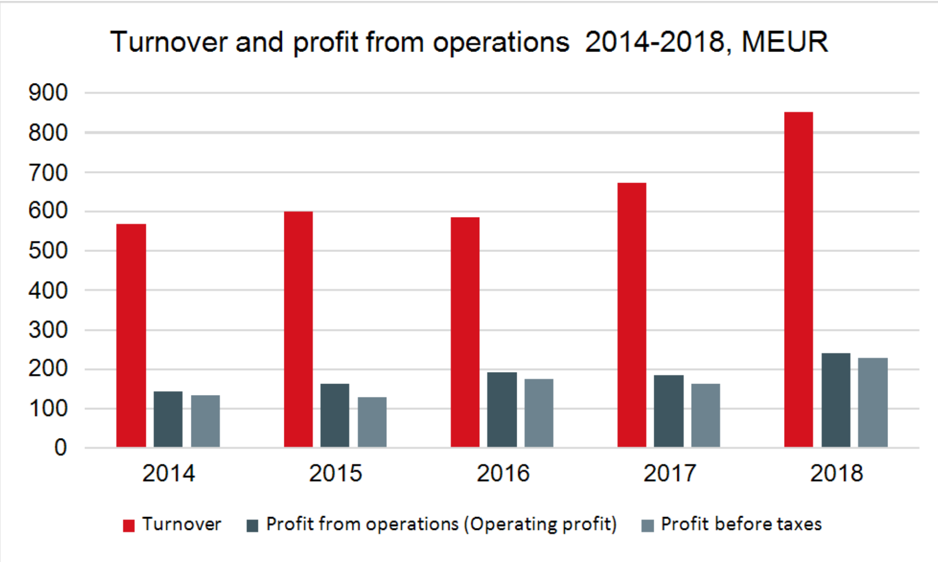
Fingrid is responsible for the continuous power balance in Finland at all times by buying and selling balancing power in Finland. The balance responsible parties can participate in the Nordic balancing power market by submitting bids on their available capacity. The terms and conditions of participation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

Transmission services on the cross-border connections to the other Nordic countries enable participation in the Nordic Elspot and Elbas exchange trade. Fingrid makes transmission services on the cross-border connections with Russia available to all electricity market parties. The transmission service is intended for fixed electricity imports. When making an agreement on transmission services from Russia, the customer reserves a transmission right (in MW) for a period of time to be agreed upon separately. The smallest unit that can be reserved is 50 MW. The contractual terms are equal and public.

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.

The peak load capacity secures the supply security of electricity in situations of the Finnish power system where the planned electricity procurement is not sufficient to cover the anticipated electricity consumption. The peak load capacity system is a special task assigned to Fingrid by the Finnish Energy Authority, based on the Peak Load Capacity Act (117/2011, Act on peak load capacity which secures a balance between electricity production and consumption). The Energy Authority submits the peak load capacity plants for competitive tendering, and Fingrid manages the peak load capacity service as required by the Act. The peak load capacity can consist of both power plants and facilities capable of adjusting their electricity consumption.

2. OTHER OPERATING INCOME, €1,000	2018	2017
Rental income	831	942
Capital gains on fixed assets	8,276	321
Contributions received	186	170
Other income	1,506	1,500
Total	**10,800**	**2,933**



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. Indirect taxes and discounts, etc., are deducted from the sales income when calculating turnover.

Adoption of the IFRS 15 Revenue from Contracts with Customers standard, effective 1 Jan 2018
IFRS 15 will replace IAS 18, which outlines the accounting requirements for the sale of goods and services, and IAS 11 applied to long-term projects.
The fundamental principle of the standard is that sales revenue should be recognised when control over the goods or the service is transferred to the customer; in other words, control of the asset is the criterion to be examined instead of the previous criteria of risks and rewards.
A new five-step process should be applied when recognising sales revenue:

- Identify the contract(s) with a customer
- Identify the individual performance obligations
- Determine the transaction price according to the contract
- Allocate the transaction price to individual performance obligations, and
- Recognise revenue when each performance obligation is met.

The most significant change from the previous practice was the change in the timing of sales recognition: the new standard affected the timing of recognition of grid connection fees. Like all new standards, this one also includes new requirements for the notes to the financial statements. These changes in the accounting procedures have somewhat affected the company’s business practices regarding systems, processes, controls, compensation arrangements, and investor relations.

Sales recognition takes place on the basis of the delivery 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. 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. This has changed Fingrid's principles for recognising revenue regarding connection fees, as the timing of their recognition will change. Connection agreements are long term and can be terminated, at the earliest, 15 years from the date when it entered into force. Whereas connection fees were previously recognised on the agreement signing date, they are now recognised over 15 years since the connection to the electricity grid took place.

For Fingrid, the identified performance obligations did not bring significant changes to the previous recognition practices.

In adopting the standard, the cumulative effect method was used. Adjustments caused by the application of the standard were recorded in retained earnings on the date of commencement of its application, i.e. on 1 January 2018. With the cumulative effect method, the information on the comparison period is left as it was according to the previously applied standards.

Calculation of the standard's impacts on the financial statements
Application of the standard does not have significant impacts on the company's result and balance sheet.
If sales in 2017 were recognised according to the IFRS 15 revenue recognition standard, it would have had a reducing effect of EUR 1.2 million on net sales on 31 Dec. 2017, in which case net sales would have amounted to EUR 670.8 million. Until 31 Dec. 2017, non-recurring connection fees have been recognised when the connection is agreed on with the customer. If the connection fees were recognised over 15 years, it would have had a reducing effect on equity of EUR 35.1 million on the balance sheet date of 31 Dec. 2017, and it would have increased the deferred tax assets and accruals. The total impact in the balance sheet would have been EUR 8.8 million. Impacts on the income statement and balance sheet are presented in the table below.

Consolidated Income Statement € 1,000	Reported	Change, IFRS 15	Revised
	31.12.2017	31.12.2017	31.12.2017
Turnover	671 992	-1 208	670 784
Operating profit	184 786	-1 208	183 578
Profit before taxes	163 742	-1 208	162 534
Income taxes	-32 901	242	-32 659
Profit for financial year	**130 841**	**-966**	**129 875**

Consolidated Balance Sheet € 1,000	Reported	Change, IFRS 15	Revised
	31.12.2017	31.12.2017	31.12.2017
Deferred tax assets	5 071	8 786	13 858
Total assets	**2 113 306**	**8 786**	**2 122 093**
Equity	-798 057	35 146	-762 912
Long-term deferred income		-40 140	-40 140
Short-term deferred income	-20 627	-3 792	-24 419
Total equity and liabilities	**2 113 306**	**-8 786**	**2 122 093**

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 2017 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.

4.4 Revenue-related receivables and credit risk management

3. TRADE RECEIVABLES AND OTHER RECEIVABLES, €1,000	2018	2017
Trade receivables	88,730	80,915
Trade receivables from associated companies	782	3,888
Prepayments and accrued income from associated companies	9	46
Loan receivables from associated companies	500	
Prepayments and accrued income	7,999	9,771
Other receivables	1,463	1,448
Total	**99,484**	**96,068**

Essential items included in prepayments and accrued income	2018	2017
Accruals of sales	2,662	1,634
Accruals of purchases/prepayments	1,533	2,281
Interest receivables	2,723	2,737
Rents/prepayments	800	789
Tax assets	280	2,331
Total	**7,999**	**9,771**

Credit risk management – customers
According to The Electricity Market Act, the company is obliged to accept distribution network operators joining the grid as well as electricity producers and consumers 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 unit in charge of the customer relationships is responsible for verifying their creditworthiness. The procedure following a customer payment default is defined in the terms and conditions of the Main Grid Contract. Fingrid requires a collateral (either bank guarantees or an upfront payment) in order to cover the electricity taxes payable by customers connected to the grid and subject to the tax, as ruled in the Main Grid Contract's Service Terms and Conditions. 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 trade receivables and trade payables

The trade receivables and trade 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.

<table>
<tr><th colspan="7">4. NETTING OF TRADE RECEIVABLES AND TRADE PAYABLES € 1,000</th></tr>
<tr><th></th><th colspan="3">2018</th><th colspan="3">2017</th></tr>
<tr><th></th><th>Gross amount of trade receivables/trade payables</th><th>Amount of netted items</th><th>Net amount of trade receivables and trade payables presented in the balance sheet</th><th>Gross amount of trade receivables/trade payables</th><th>Amount of netted items</th><th>Net amount of trade receivables and trade payables presented in the balance sheet</th></tr>
<tr><td>Trade receivables</td><td>110,676</td><td>-21,164</td><td>89,513</td><td>94,764</td><td>-9,961</td><td>84,803</td></tr>
<tr><td>Trade payables</td><td>48,859</td><td>-21,164</td><td>27,696</td><td>43,583</td><td>-9,961</td><td>33,622</td></tr>
</table>

Accounting principles

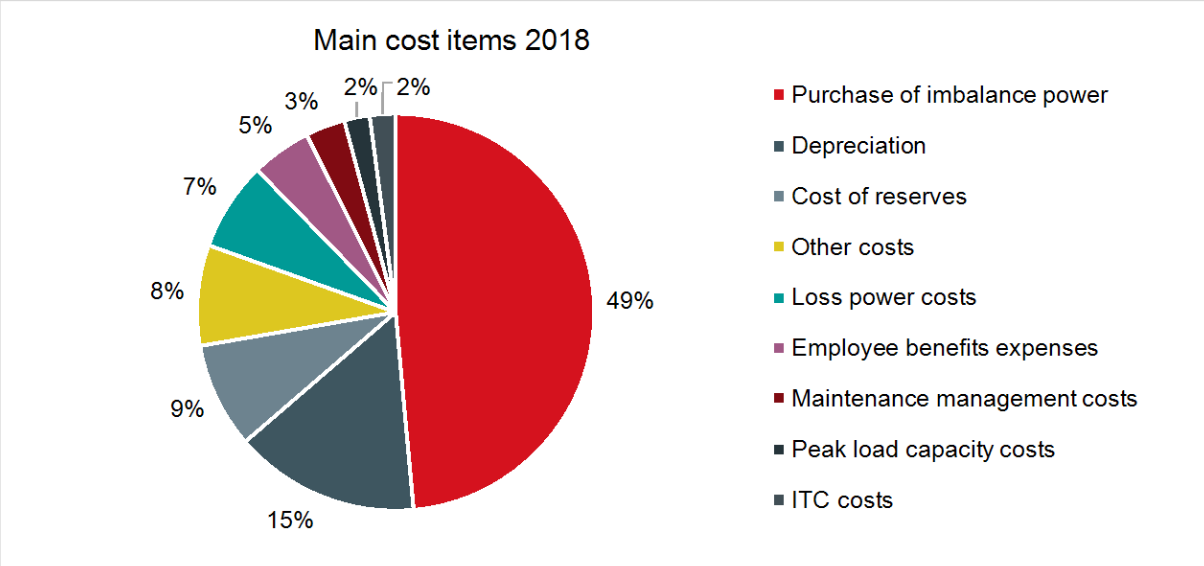
Trade and other receivables
Loans and other receivables are recognised initially at fair value; subsequently they are measured at amortised cost using the effective interest rate method. The expected credit losses are assessed based on historical amounts of credit losses, taking into account forward-looking information on

economical 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.

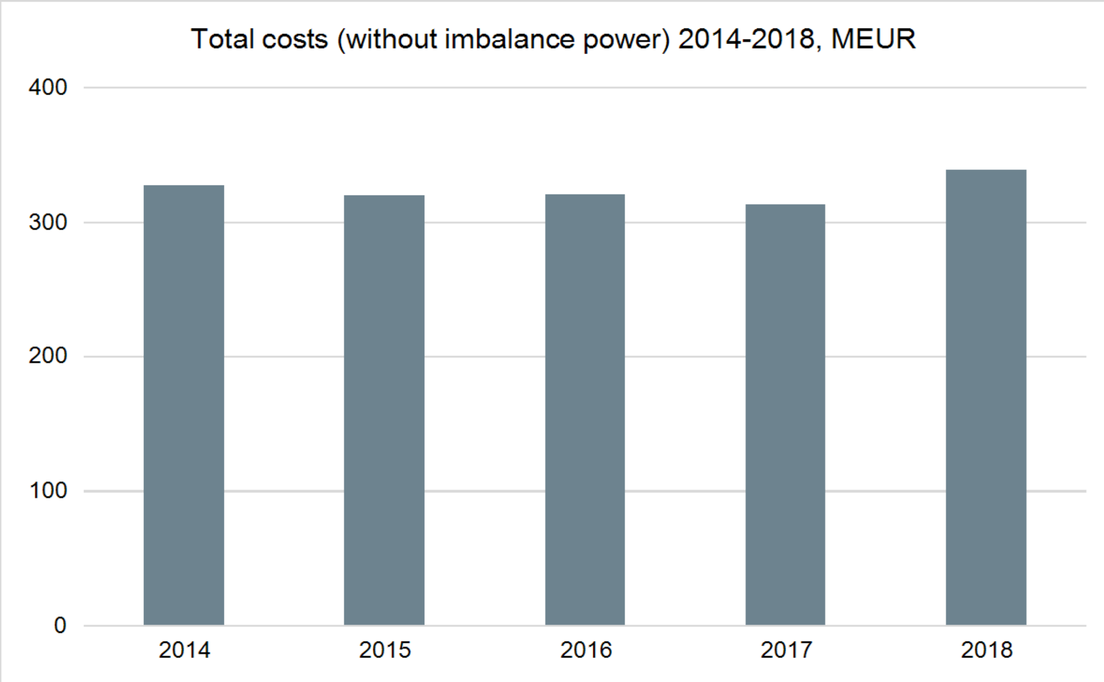
In addition to trade receivables and other receivables, the company has a small amount of loan receivables from associated companies. These are long- and short-term and described in Chapter 7.1. The receivables from associated companies are recognised according to these same accounting principles.

4.5 Operating expenses, liabilities and credit risk management for purchases

Fingrid's operating expenses consist of and have developed as follows:



Cost increases due in particular to new tasks and unexpected external changes affecting operations has been a special characteristic of grid operations in recent years. The new tasks involve, among other things, developing the Nordic imbalance markets, changes required by the new Electricity Market Act and the European network codes and the R&D expenses for these tasks. 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 society's increasing dependency on the power system, as well as needs related to data security. Fingrid nevertheless continues to be one of the most cost-effective TSOs in the world in international benchmark studies. The Group's R&D costs in 2018 amounted to EUR 3.6 (2.6) million.



5. MATERIALS AND SERVICES, €1,000	2018	2017
Loss power costs	47,673	47,397
Purchase of imbalance power	316,608	183,214
Cost of reserves	52,171	46,245
Other material costs	11,071	4,773
Change in inventories, increase (-) or decrease (+)	1,138	-1,260
Peak load capacity costs	13,717	7,963
ITC costs	13,803	13,015
Maintenance management costs	26,382	29,891
Other external services	310	600
Total	**482,873**	**331,839**

6. OTHER OPERATING EXPENSES, €1,000	2018	2017
Contracts, assignments etc. undertaken externally	30,665	26,855
Gains/losses from measuring electricity derivatives at fair value	-36,958	-9,053
Other rental expenses	4,083	3,622
Other expenses	9,422	10,603
Total	**7,211**	**32,027**

Auditors' fees	2018	2017
PricewaterhouseCoopers Oy		
Auditing fee	89	68
Tax advisory fees		20
Assignments referred to in the Auditing Act, Chapter 1, Section 1, Subsection 2	2	
Other fees	92	41
Total	**183**	**130**

Auditors' fees are included in other operating expenses

The company’s operating model is largely based on outsourcing, including areas such as grid investments, maintenance management and ICT purchases. The company will apply competitive tendering as described in the procurement policy. All purchasing activities are based on impartiality, equality and transparency. Procurement decisions will be made according to previously published financial and qualitative criteria that are verifiable also after the fact. Fingrid aims to ensure that all suppliers and their subcontractors operate in a sustainable manner. A commitment to Fingrid’s Supplier Code of Conduct is required from all suppliers.

7. TRADE PAYABLES AND OTHER LIABILITIES, €1,000	2018	2017
Trade payables	25,470	30,246
Trade payables to associated companies	2,226	3,376
Interest payable	11,778	12,257
Value added tax	13,803	12,378
Collaterals received	923	923
Electricity tax	4,443	3,092
Accruals	81,483	20,627
Other debt	1,904	588
Total	**142,030**	**83,488**

Essential items included in accruals	2018	2017
Personnel expenses	8,011	6,613
Accruals of sales and purchases	57,526	8,848
Tax liabilities	15,930	5,150
Other accruals	16	16
Total	**81,483**	**20,627**

Credit risk in purchasing
The heads of functions are in charge of credit risks related to suppliers. The procurement policy and guidelines, and separate instructions set out the financial criteria required for 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 30,000 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 30,000 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 2018: EUR 443,000 for goods and services, EUR 5,548,000 for construction projects, EUR 418,000 for design competitions and EUR 5,548,000 for right-of-use agreements) are exceeded, the company follows the public procurement legislation applied to special sectors.

4.6 Inventories

Fingrid prepares for outages by 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.

8. INVENTORIES, €1,000	2018	2017
Materials and consumables		
Material stocks	7,030	6,836
Fuel stocks	5,361	6,412
Work in progress	0	281
Total	**12,391**	**13,529**

The use of inventories was entered as an expense of EUR 1.5 (2.6) million.

Accounting principles

Inventories
Inventories are measured at the lower of acquisition cost or net realisable value. The acquisition cost is determined using the FIFO principle. The net realisable 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.

4.7 Management of commodity risks

The electricity price and volume risks are not significant to the company's turnover and financial result over time. If the volume of transmitted electricity deviates from the forecasted volume, the result may be a deviation in the company's turnover and financial result. This can lead to a surplus or deficit compared with the allowed reasonable return for the year in question, which the company will aim to offset during the subsequent financial year.
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. Loss power purchases and the price hedging thereof are based on the Corporate Finance Principles approved by the Board of Directors. Moreover, the company has a loss power policy, approved by the Executive Management Group, for loss power hedging and purchases, as well as operative instructions, instructions for price hedging and control room instructions. The allowed hedging instruments are defined in the loss power policy. The purpose of price hedging is to reduce the impact of market price volatility and enable sufficient predictability in order to keep the annual pressures on grid pricing of loss energy at a moderate level. Price hedging is implemented over a four year horizon such that by the end of September in the year preceding the delivery, the price risk for the next year is fully hedged. For the price hedging of loss power purchases, the company mainly uses NASDAQ OMX Commodities quoted futures. The company can also use OTC futures comparable with NASDAQ OMX Commodities futures. The nominal values, fair values and exposures of electricity futures are disclosed in Table 23.
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). As a rule, commodity price risks and exchange rate risks are fully hedged. A risk that amounts to less than EUR 5 million when realised can be unhedged for reasons of cost-effectiveness.

4.8 Personnel - the cornerstone of our operations

Fingrid Oyj employed 380 (355) persons, including temporary employees, at the end of the year. The number of permanent personnel was 327 (308). Of the personnel employed by the company, 23 (24) per cent were women and 77 (76) per cent were men. The average age of the personnel was 44 (44).

9. PERSONNEL EXPENSES, €1,000	**2018**	**2017**
Salaries and bonuses	26,511	24,187
Pension expenses - contribution-based schemes	4,662	4,139
Other additional personnel expenses	1,017	1,059
Total	**32,190**	**29,385**
Salaries and bonuses of top management	**1,925**	**1,720**

In 2018, 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 18 December 2018. The total remuneration of 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 20 per cent of the annual salary. The maximum amount of the annual long-term incentive scheme payable to the CEO was 35 per cent (in programme 2016–2018) or 40 per cent (in programmes 2017–2019 and 2018-2020), 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.

NUMBER OF SALARIED EMPLOYEES IN THE COMPANY DURING THE FINANCIAL YEAR:	**2018**	**2017**
Personnel, average	376	352
Personnel, 31 Dec	380	355

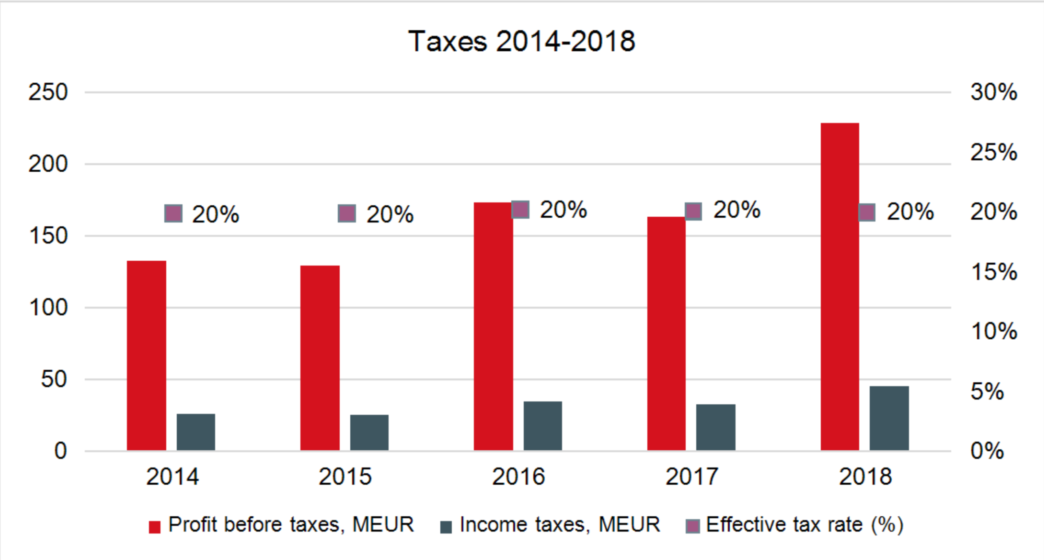
Accounting principles

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.

4.9 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 -48.5 (-39.4) million and EUR 2.7 (6.5) million respectively. Fingrid's effective tax rate is essentially comparable to Finland's corporate tax rate 20%. The only difference between the Finnish corporate tax rate and Fingrid's effective tax rate is due to a minor amount of non-deductible items, amounting in 2018 to EUR 0.0 (0.2) million. The table below illustrates the development of Fingrid's effective tax rate.



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

Changes in deferred taxes in 2018:

Deferred tax assets	31 Dec 2017	Recorded in income statement at profit or loss	Recorded in other comprehensive income	31 Dec 2018
Provisions	295	-10		285
Current financial receivables	3	-3		
Trade payables and other liabilities	1,566	347		1,913
Derivative instruments	3,207	-926		2,281
Congestion income	8,846	1,942		10,788
Connection fees (IFRS 15)		8,028		8,028
Total	**13,918**	**9,378**	**0**	**23,296**

Deferred tax liabilities

Accumulated depreciations difference	-89,779	10,000		-79,779
Property, plant and equipment, tangible and intangible assets	-28,665	-742		-29,407
Other receivables	-560	4		-556
Other financial assets	-99	29		-71
Borrowings	-2,619	1,118		-1,501
Derivative instruments	-5,281	-6,392		-11,673
Total	**-127,003**	**4,017**	**0**	**-122,986**

Changes in deferred taxes in 2017:

Deferred tax assets	31 Dec 2016	Recorded in income statement at profit or loss	Recorded in other comprehensive income	31 Dec 2017
Provisions	296	-1		295
Current financial receivables	12	-9		3
Trade payables and other liabilities	1,858	-291		1,566
Derivative instruments	3,989	-781		3,207
Congestion income		8,846		8,846
Total	**6,155**	**7,763**	**0**	**13,918**

Deferred tax liabilities				
Accumulated depreciations difference	-89,779			-89,779
Property, plant and equipment, tangible and intangible assets	-27,120	-1,545		-28,665
Available-for-sale investments	-20	20		
Other receivables	-840	280		-560
Other financial assets	-79	-20		-99
Borrowings	-2,332	-287		-2,619
Derivative instruments	-5,608	327		-5,281
Total	**-125,778**	**-1,225**	**0**	**-127,003**

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, since hedge accounting for electricity derivatives was discontinued in 2014.

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 depreciation of property, plant and equipment, from financial instruments, and from the use of congestion income for capital expenditures. No deferred tax is recognised on the undistributed profits of the foreign associated company, because receiving the dividend does not cause a tax impact by virtue of a Nordic tax agreement. The deferred tax asset from temporary differences is recognised up to an amount which can likely be utilised against future taxable income.

FINGRID OYJ
www.fingrid.fi

26 February 2019

5 LONG-TERM INVESTOR (IFRS)

- **This chapter focusses on Fingrid's assets, and above the most important ones: Grid assets and the indicators related to them.**
- **The chapter also takes a look at the company's goodwill and provides a description of other property, plant and equipment, and intangible assets.**

5.1 Grid assets

Fingrid's grid investment programme promotes the national climate and energy strategy, improves system security, increases transmission capacity and promotes the electricity markets. The annual capital expenditure in the grid has remained extensive.

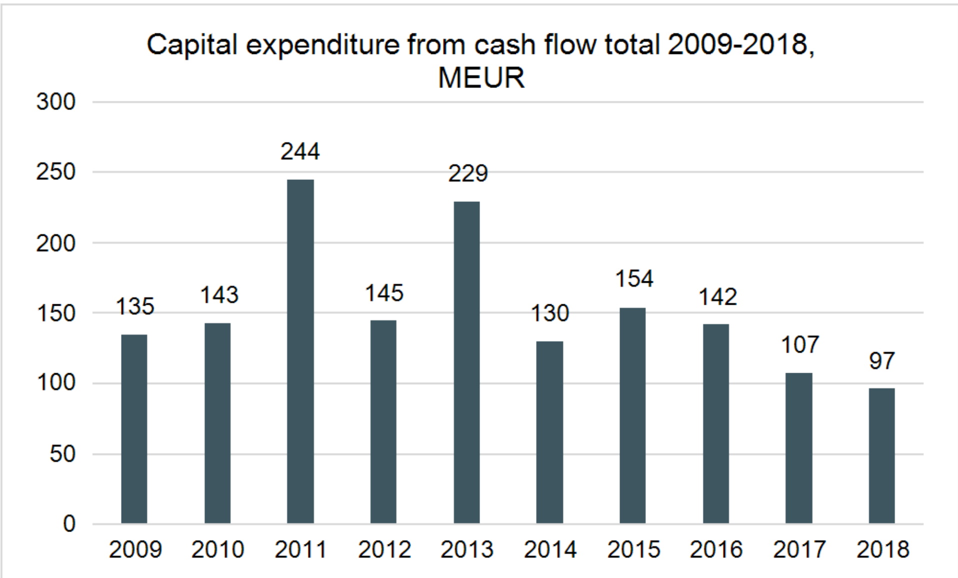
14 300 km of power lines
300 km of submarine cable

over
47 000 towers

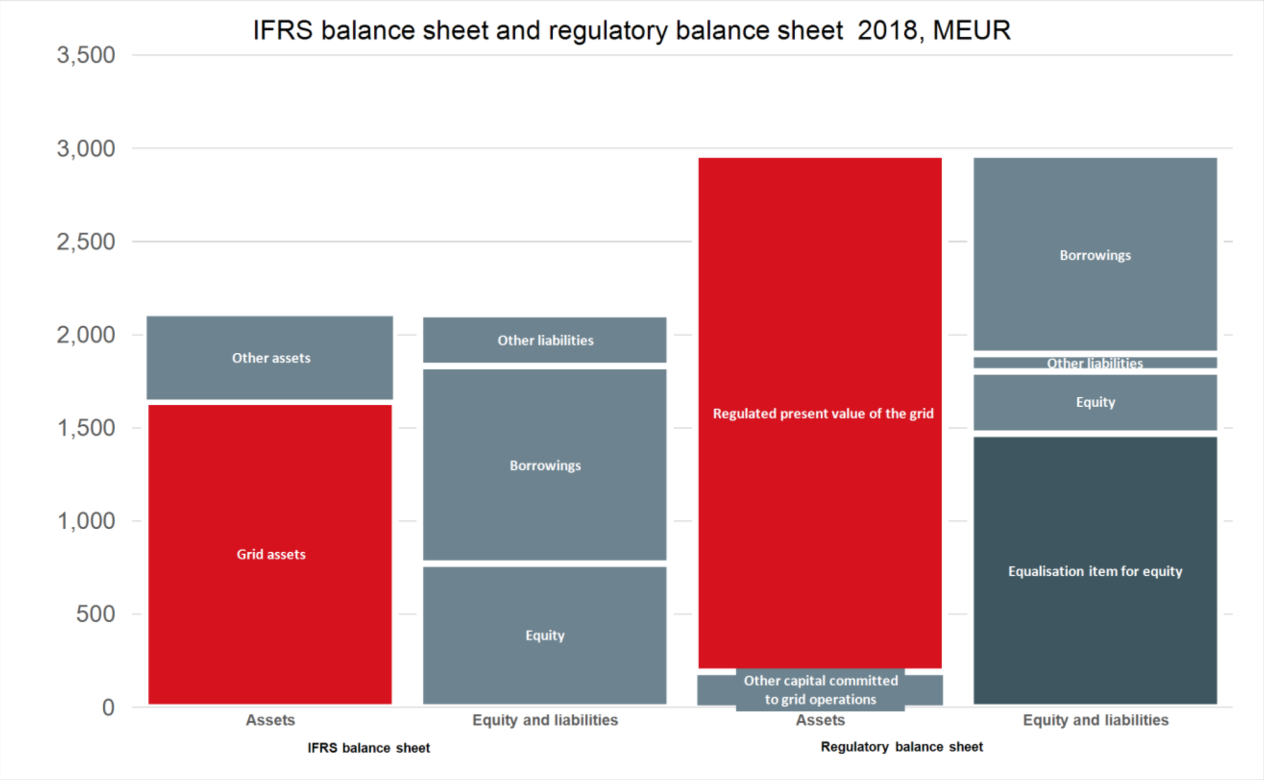
114 substations

10 reserve power plants
> 935 MW reserve

The company's total capital expenditure in 2018 amounted to EUR 92.7 (111.1) million. This included a total of EUR 85.1 (91.1) million invested in the transmission grid and EUR 2.9 (14.2) million for reserve power. ICT investments amounted to EUR 4.0 (5.7) million. A total of EUR 3.6 (2.6) million was used for R&D projects during the year under review. Power lines, totalling around 250 kilometres, and substations were built extensively throughout Finland in 2018. Seven substation projects were completed. The biggest current projects are related to the modernisation of the aging 'Iron Lady' transmission line, connecting large-scale power plants to the grid, and maintaining system security for major cities

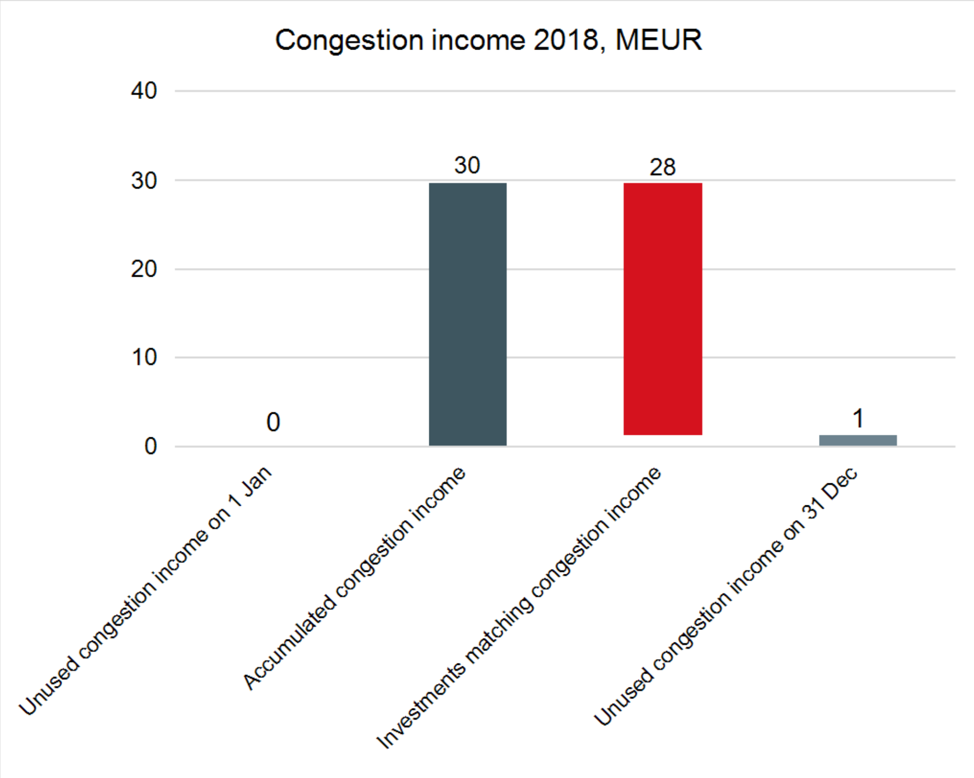


Grid assets are recognised at fair value for the purposes of the company's regulatory balance sheet, as described above. The fair value of the transmission network assets (adjusted replacement cost) is calculated by adding up the adjusted replacement costs for each grid component; these are calculated by multiplying the unit price specified by the Energy Authority with the number of grid components. 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. The congestion income received by a grid owner must be used for the purposes stated in EC Regulation 714/2009, Article 16, Paragraph 6: guaranteeing the actual availability of the allocated capacity, and maintaining or increasing interconnection capacities through network investments. As a consequence of the change in the regulation governing Fingrid's grid pricing, the company will include the congestion income received after 1 January 2016 in the balance sheet.



Congestion income accrued in 2018 was used for the Hirvisuo–Pyhänselkä grid investment, which will enhance electricity transmission from northern Sweden. EUR 1.3 million in congestion income was left unused and will be used for investments earmarked for financing with congestion income.

Accounting principles

Congestion income
As a consequence of the change in the regulation governing Fingrid’s grid pricing, the company will include the congestion income received after 1 January 2016 as accruals in the item other liabilities in the balance sheet. Of the accruals, congestion income will be recognised in the income statement as other operating income when their corresponding costs, as defined in the regulation, accrue as annual expenses in the income statement. 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. The congestion income received before 1 January 2016 was recognised in turnover.

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.

5.2 Tangible and intangible assets

11. PROPERTY, PLANT AND EQUIPMENT, € 1,000	**2018**	**2017**
Land and water areas		
Cost at 1 Jan	15,974	15,701
Increases 1 Jan - 31 Dec	864	274
Decreases 1 Jan - 31 Dec	-89	
Cost at 31 Dec	**16,749**	**15,974**
Carrying amount 31 Dec	**16,749**	**15,974**
Buildings and structures		

Cost at 1 Jan	279,432	254,823
Increases 1 Jan - 31 Dec	26,780	24,614
Decreases 1 Jan - 31 Dec	-1,022	-5
Cost at 31 Dec	**305,190**	**279,432**
Accumulated depreciation 1 Jan	-69,640	-61,108
Decreases, depreciation 1 Jan - 31 Dec	536	5
Depreciation 1 Jan - 31 Dec	-9,756	-8,538
Carrying amount 31 Dec	**226,329**	**209,792**
Machinery and equipment		
Cost at 1 Jan	1,146,492	1,115,218
Increases 1 Jan - 31 Dec	43,870	31,992
Decreases 1 Jan - 31 Dec	-6,455	-718
Cost at 31 Dec	**1,183,907**	**1,146,492**
Accumulated depreciation 1 Jan	-584,443	-536,937
Decreases, depreciation 1 Jan - 31 Dec	2,464	718
Depreciation 1 Jan - 31 Dec	-48,617	-48,224
Carrying amount 31 Dec	**553,310**	**562,049**
Transmission lines		
Cost at 1 Jan	1,305,020	1,307,111
Increases 1 Jan - 31 Dec	10,541	-1,658
Decreases 1 Jan - 31 Dec	-1,921	-433
Cost at 31 Dec	**1,313,640**	**1,305,020**
Accumulated depreciation 1 Jan	-518,783	-482,073
Decreases, depreciation 1 Jan - 31 Dec	1,081	184
Depreciation 1 Jan - 31 Dec	-37,453	-36,894
Carrying amount 31 Dec	**758,485**	**786,237**
Other property, plant and equipment		
Cost at 1 Jan	24,145	23,721
Increases 1 Jan - 31 Dec	757	424
Decreases 1 Jan - 31 Dec	-3	
Cost at 31 Dec	**24,899**	**24,145**
Accumulated depreciation 1 Jan	-17,085	-16,119
Depreciation 1 Jan - 31 Dec	-993	-966
Carrying amount 31 Dec	**6,821**	**7,060**
Prepayments and purchases in progress		
Cost at 1 Jan	83,656	59,404
Increases 1 Jan - 31 Dec	76,903	94,299
Transfers to other tangible and intangible assets 1 Jan - 31 Dec	-99,995	-70,047
Cost at 31 Dec	**60,565**	**83,656**
Carrying amount 31 Dec	**60,565**	**83,656**
Capitalised interest		
Cost at 1 Jan	12,664	11,442
Increases 1 Jan - 31 Dec	1,042	1,223
Decreases 1 Jan - 31 Dec	-1	
Cost at 31 Dec	**13,705**	**12,664**
Accumulated depreciation 1 Jan	-1,433	-1,021
Depreciation on capitalised interest 1 Jan - 31 Dec	-478	-412
Carrying amount 31 Dec	**11,795**	**11,232**
Carrying amount 31 Dec	**72,360**	**94,888**
Property, plant and equipment	**1,634,055**	**1,675,999**

12. INTANGIBLE ASSETS, €1,000	**2018**	**2017**

Land use rights		
Cost at 1 Jan	95,087	94,507
Increases 1 Jan - 31 Dec	2,625	706
Decreases 1 Jan - 31 Dec	-203	-126
Cost at 31 Dec	**97,509**	**95,087**
Carrying amount 31 Dec	**97,509**	**95,087**
Other intangible assets		
Cost at 1 Jan	36,133	31,644
Increases 1 Jan - 31 Dec	2,695	4,974
Decreases 1 Jan - 31 Dec		-485
Cost at 31 Dec	**38,828**	**36,133**
Accumulated depreciation 1 Jan	-31,426	-29,571
Depreciation 1 Jan - 31 Dec	-2,366	-1,855
Carrying amount 31 Dec	**5,037**	**4,707**
Carrying amount 31 Dec	**102,546**	**99,795**

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 2,800.0 million compared to the carrying amount of EUR 1,824.5 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 cash-generating units and is tested annually for impairment. With associated companies, goodwill is included in the value of the investment in the associated company.

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

More on emission rights in chapter 7.2.

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

5.3 Lease agreements

The lease agreements of the Group mainly relate to office premises. The durations of the lease agreements range from less than one year to fifteen years, and the contracts can usually be extended after the original date of expiration. The index, renewal and other terms of the different agreements vary.

In addition to real estate, the Group has additionally leased assets such as several land areas under substations and transmission lines and some 110 kilovolt transmission lines and circuit breaker bays.

13. LEASE AGREEMENTS, € 1,000	2018	2017
Rental obligations from lease agreements:		
In one year	4,223	4,079
In more than one year and not more than five years	14,716	14,279
In more than five years	11,273	13,913
Total	**30,212**	**32,270**

Accounting principles

Lease agreements
Lease obligations where the risks and rewards incident to ownership remain with the lessor are treated as other lease agreements. Lease obligations paid on the basis of other lease agreements are treated within other operating expenses and are recognised in the income statement as equally large items during the lease period. Other lease agreements primarily concern office facilities, land areas and network leases. In accordance with the principles of standard IAS 17 Leases, those leases which transfer substantially all the risks and rewards incident to ownership to the company are classified as finance leases. The company has not leased tangible or intangible assets using finance leases.

IFRS 16 Leases
The IFRS 16 standard will be applied as of 1 January 2019. It replaces the previous IAS 17 Leases standard, which required classification of leases as either operating leases or finance leases. As defined in the new standard, a lease is a contract, or part of a contract, that conveys the right to use an identified asset for a period of time in exchange for consideration. Each lease is analysed independently when the contract is entered into, including all the components contained in the contract. From now on, both the underlying asset to which the right to use applies and the liability representing future lease payments are recognised in the balance sheet over the time of its economic impact. The substantial changes due to IFRS 16 mostly apply to lessors. Leases are recognised in the balance sheet except for short-term leases and leases of low-value assets. Exceptions are possible for short-term leases and leases of low-value assets, and no adjustments are necessary for such assets when transitioning from the old

system to the new one. It is possible to apply a modified retrospective transition approach when adopting the standard, in other words the company recognises the effect of initially applying IFRS 16 as an adjustment to the equity at the date of initial application, on 1 January 2019.

The company has assessed the impacts of the adoption of the IFRS 16 standard.

Impacts
During 2018, Fingrid carried out a project to prepare for the transition to the new standard. The initial stage of the project focused on finding out which of the company's contracts meet the standard definition of a lease and consequently fall within its scope of application. According to the company's current view, the contracts to be recognised in the balance sheet in compliance with IFRS 16 are real estate leases. The company has a number of other contracts that, according to the management's judgement, are insignificant in terms of their impact on the balance sheet and accuracy of financial reporting.

The company's lease liabilities on the reporting date of the 2018 financial statements totalled EUR 30.2 million, consisting of EUR 4.2 million in short-term liabilities, to be paid within a year, and EUR 26.0 million in long-term liabilities, with a due date after more than a year. The lease liabilities are presented in note 13.

The change results in an increase in property, plant and equipment, and in liabilities. As a result of the project, the Group recognised items of property, plant and equipment totalling around EUR 35 million on 1 January 2019 as leases in compliance with IFRS 16. Other operating expenses in the income statement will decrease because leases will in future be stated as depreciations and interest costs. The liability will be amortised using the effective interest rate method, where the relative amount of interest expenditure decreases along with the principal liability, resulting in 'frontloading' of the lease expenses in the income statement over the lease term. The standard also affects the Group's cash flow. The cash flow from operating activities will increase because the capital repayment component of the lease liabilities will be classified as cash flow from financing activities. The interest component will continue to be disclosed in the cash flow from operating activities.

According to Fingrid's estimation, IFRS 16 will have an impact of EUR –0.2 million on the consolidated profit during the first year. Lease expenses are estimated to decrease by around EUR 3.0 million in 2019, whereas depreciations are estimated to increase by EUR 2.6 million and interest costs by EUR 0.7 million.

The right-of-use contracts of the powerlines have already been entered directly in the balance sheet on the contract date, which means there will be no changes in their accounting procedures due to the transition to IFRS 16.

Fingrid will apply a modified retrospective transition approach when adopting the standard, in other words the impacts will be recognised on the transition date, 1 January 2019. The modified retrospective transition approach entails no retrospective adjustments to the previous year's figures.

6 STRONG FINANCIAL POSITION (IFRS)

- **This chapter focuses on describing how Fingrid's financing is formed and how the related risks are managed, and at the same time, how short-term financial assets that secure liquidity are formed.**
- **The chapter describes the company's principles of capital management, ownership structure and dividend distribution policy.**
- **The end of the chapter contains a summary of all the financial assets and financing liabilities, as well as derivatives, that the company uses solely for risk management purposes. The risks relate to various market risks: the electricity price risk and the interest rate and exchange rate risk. Management of the price and volume risk of electricity is described in chapter 4.7.**

6.1 Capital management

Equity and liabilities as shown in the balance sheet are managed by the company as capital. The principal aim of Fingrid's capital management is to ensure that the company is capable of uninterrupted operations and can rapidly recover from any exceptional circumstances. Additional key goals include maintaining an optimal capital structure such that the company's credit rating remains solid, cost of capital remains reasonable, and the company can pay dividends to its shareholders.

The company has not set specific financial ratio targets for capital management, but instead monitors and controls the overall capital structure based on credit ratings and their underlying parameters.

The company's credit rating remained high in 2018. This reflects the company's strong overall financial situation and debt service capacity. Fingrid has credit rating service agreements with S&P Global Ratings (S&P) and Fitch Ratings (Fitch). The credit ratings valid on 31 December 2018 were as follows:

- S&P's rating for Fingrid's unsecured senior debt and long-term company rating at 'AA-' and the short-term company rating at 'A-1+', with a stable outlook.
- Fitch's rating for Fingrid's unsecured senior debt at 'AA-', the long-term company rating at 'A+', and 'F1' for the short-term company rating, with a stable outlook.

The company aims to maintain a credit rating of at least 'A-'. The credit rating target and criteria guide financing activities.

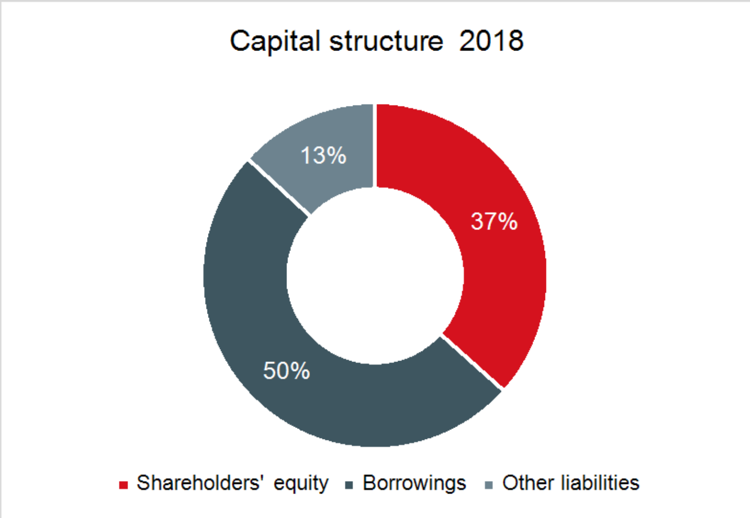
6.2 The aims and organisation of financing activities and the principles for financial risk management

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.

Core aims for financing activities:
- Protecting shareholder value by securing the financing required for the company's business operations, by hedging against the main financial risks and by minimising financial costs within the risk limits;
- Maintaining adequate liquidity even in unexpected situations;
- Long-term financing from diverse sources, taking into account the company's investment plan and cash flow from operating activities as well as credit rating and its criteria;
- Overall optimisation of the interest rate risk, including the interest rate risk of business operations via the Energy Authority's regulatory model (risk-free interest in the so called WACC model) and the company's interest rate risk of net debt;
- Forward-looking financial planning to ensure that the overall impact from the cash flow from operating activities, future investments, maturing loans and future dividends is taken into account when raising funds and optimising the loan portfolio structure.

The Treasury maintains active and consistent dialogue with the credit rating agencies and monitors the key ratios used by the agencies, as well as other generally accepted financial ratios.

Fingrid's financial capital consists of equity and debt financing. The share of equity from the balance sheet total was 36.6% and that of liabilities 63.4% in 2018. Equity according to the regulatory balance sheet amounted to 60.8% and the corresponding liabilities to 39.2% of regulatory balance sheet total in 2018.



Fingrid Oyj is exposed to market, liquidity, counterparty and credit risks, among others, when the company's financial position is managed. 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.

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. 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 the practical measures related to securing financing and managing financial risks, in line with the company's Corporate Finance Principles and Treasury Policy. The CFO oversees the day-to-day organising, reporting and adequate controls of financing activities, and reports regularly to the CEO and the Board (Audit Committee).

Risk management processes
The Treasury unit is in charge of risk monitoring, systems and the models and methods used to calculate and assess risks. The Treasury unit is furthermore responsible for identifying, measuring and reporting the financial risks that the company may be exposed to. The internal audit additionally ensures compliance with the Corporate Finance Principles and the company's internal guidelines.

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.

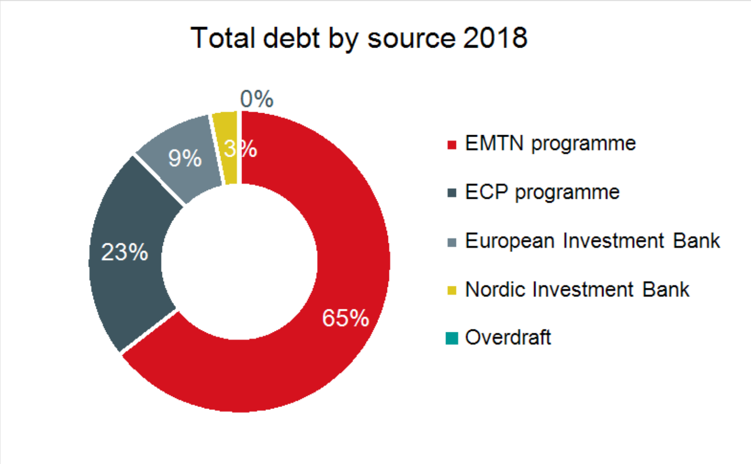
6.3 Financial liabilities, financial costs and managing the financial risks of liabilities

The company takes advantage of the possibilities offered by its credit ratings at any given time on the international and domestic debt capital and money markets. Market-based and diversified financing is sought from several sources aiming at a balanced maturity profile.Fingrid's existing loan agreements, debt or commercial paper programmes are unsecured and do not include any financial covenants based on financial ratios.

The company operates in the debt capital, commercial paper and loan markets:

- For long-term financing, the company has a Medium Term Note Programme ("EMTN Programme"), totalling EUR 1.5 billion.
- Fingrid has a Euro Commercial Paper Programme ("ECP Programme") totalling EUR 600 million.
- Fingrid has a domestic commercial paper programme totalling EUR 150 million.
- Furthermore, Fingrid has bilateral long-term loan agreements with both the European Investment Bank (EIB) and the Nordic Investment Bank (NIB).

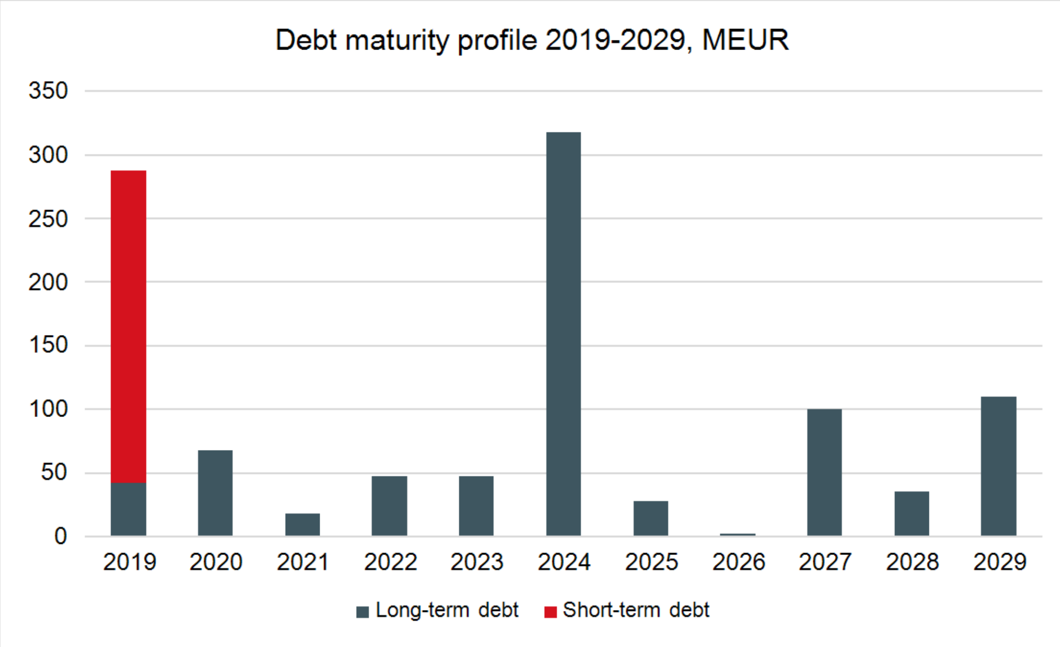
The graph below illustrates Fingrid's various sources of debt financing. Fingrid obtains debt financing mainly from the international debt capital markets.



Borrowings are as follows:

14. BORROWINGS, €1,000	**2018**			**2017**			**Hierarchy level**
	Fair value	Balance sheet value	%	Fair value	Balance sheet value	%	
Non-current							
Bonds	743,043	663,629		766,069	683,863		Level 2
Loans from financial institutions	115,404	107,879		138,942	129,541		Level 2
	858,446	**771,508**	73%	**905,011**	**813,404**	75%	
Current							
Bonds	20,848	20,104		102,112	101,587		Level 2
Loans from financial institutions	23,855	22,600		23,817	22,474		Level 2
Other loans/Commercial papers (international and domestic)	245,183	245,387		145,116	145,243		Level 2
	289,886	**288,091**	27%	**271,045**	**269,304**	25%	
Total	**1,148,332**	**1,059,598**	100%	**1,176,057**	**1,082,707**	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. The discount rate includes the company-specific and loan-specific risk premium. Borrowings denominated in foreign currencies are translated into euros at the fixing rate quoted by the ECB at the closing date.



15. BONDS INCLUDED IN BORROWINGS, €1,000				2018	2017
Currency	Nominal value	Maturity	Interest	Balance sheet value	
EUR	50,000	20 Sep 2020	floating rate	50,000	50,000
EUR	30,000	19 Sep 2022	floating rate	30,000	30,000
EUR	30,000	11 Sep 2023	2.71%	30,000	30,000
EUR	300,000	3 Apr 2024	3.50%	299,222	299,089
EUR	100,000	23 Nov 2027	1.125%	99,355	99,286
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	2.89%	30,000	30,000
				653,577	653,376
NOK	200,000	12 Nov 2019	5.37%	20,104	20,325
NOK	100,000	16 Sep 2025	4.31%	10,052	10,162
				30,156	30,487
SEK	1,000,000	19 Nov 2018	floating rate		101,587
					101,587
Bonds, long-term total				663,629	683,863
Bonds, short-term total				20,104	101,587
Total				**683,733**	**785,449**

The company defines net debt as the difference between cash in hand, and the financial assets recognized in the income statement at fair value and borrowings as shown in the balance sheet. The development of net debt is actively monitored.

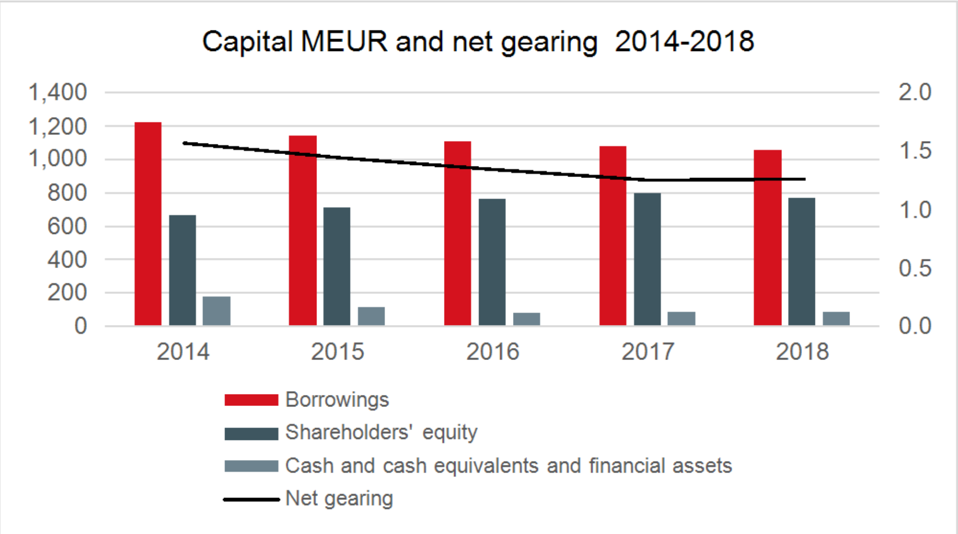
16. RECONCILIATION OF DEBT, €1,000			
	Borrowings due within 1 year	**Borrowings due after 1 year**	**Total**

Debt on 1 Jan 2017	**264,865**	**842,866**	**1,107,731**
Cash flow from financing activities	-123,806	100,000	-23,806
Exchange rate adjustments	-842	210	-632
Other changes not involving a payment transaction		-586	-586
Transfer to short-term loans	129,086	-129,086	
Debt on 31 Dec 2017	**269,304**	**813,404**	**1,082,707**
Cash flow from financing activities	-28,816		-28,816
Exchange rate adjustments	2,108	3,399	5,506
Other changes not involving a payment transaction		201	201
Transfer to short-term loans	45,496	-45,496	
Debt on 31 Dec 2018	**288,091**	**771,508**	**1,059,598**

Financial assets recognised in the income statement at fair value are liquid investments traded on active markets.

Reconciliation of net debt, € 1,000	**2018**	**2017**
Cash in hand and cash equivalents	13,922	10,303
Financial assets recognised in the income statement at fair value	71,380	73,465
Borrowings - repayable within one year	288,091	269,304
Borrowings - repayable after one year	771,508	813,404
Net debt	**974,297**	**998,939**

Net debt is the difference between the company's debt and its cash in hand and cash equivalents



Interest income and costs on loans and other receivables are as follows:

17. INTEREST INCOME AND EXPENSES FROM LOANS AND OTHER RECEIVABLES, €1,000	**2018**	**2017**
Interest income on held-for-trading financial assets	46	312
Interest income on cash, cash equivalents and bank deposits	124	166
Dividend income	0	5

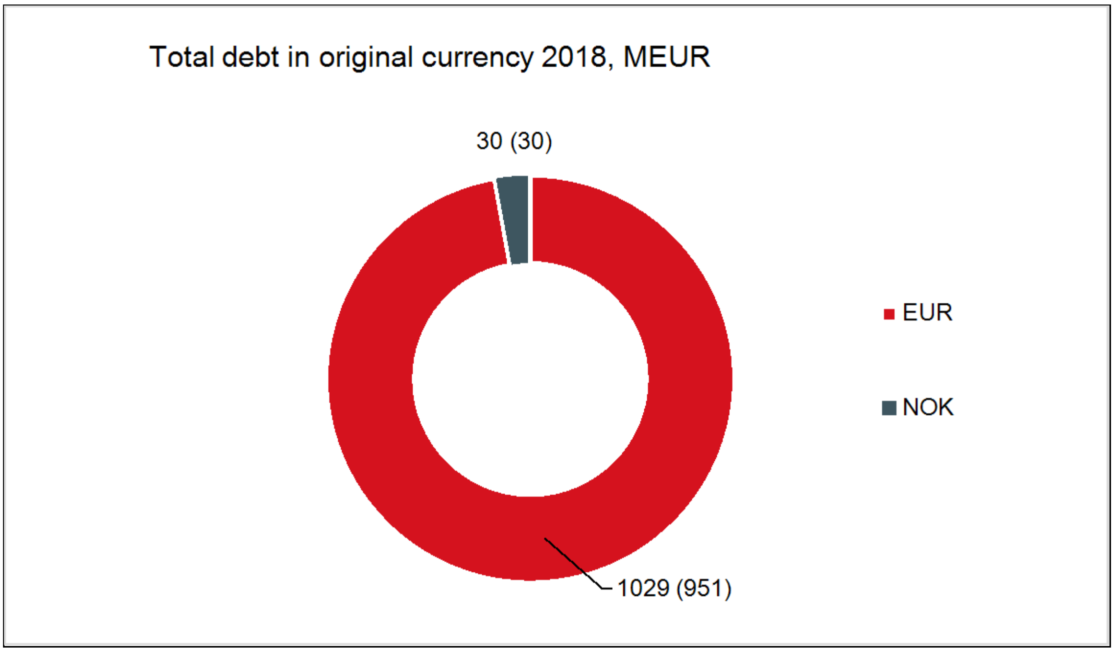
	170	483
Interest expenses on borrowings	-20,898	-21,843
Net interest expenses on interest rate and foreign exchange derivatives	4,553	4,752
Gains from measuring derivative contracts at fair value	2,790	656
Losses from measuring derivative contracts at fair value	-1,917	-6,477
Net foreign exchange gains and losses from borrowings, derivatives and FX-accounts	-59	-115
Other finance costs	-895	-1,457
	-16,426	-24,484
Capitalised finance costs, borrowing costs; at a capitalisation rate of 2 % (note 11)	1,042	1,223
Total	**-15,213**	**-22,778**

Managing the market risks of debt

Fingrid's debts 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 permitted hedging instruments are defined in the Treasury policy and are chosen in order to achieve the most effective hedging possible for the risks in question.

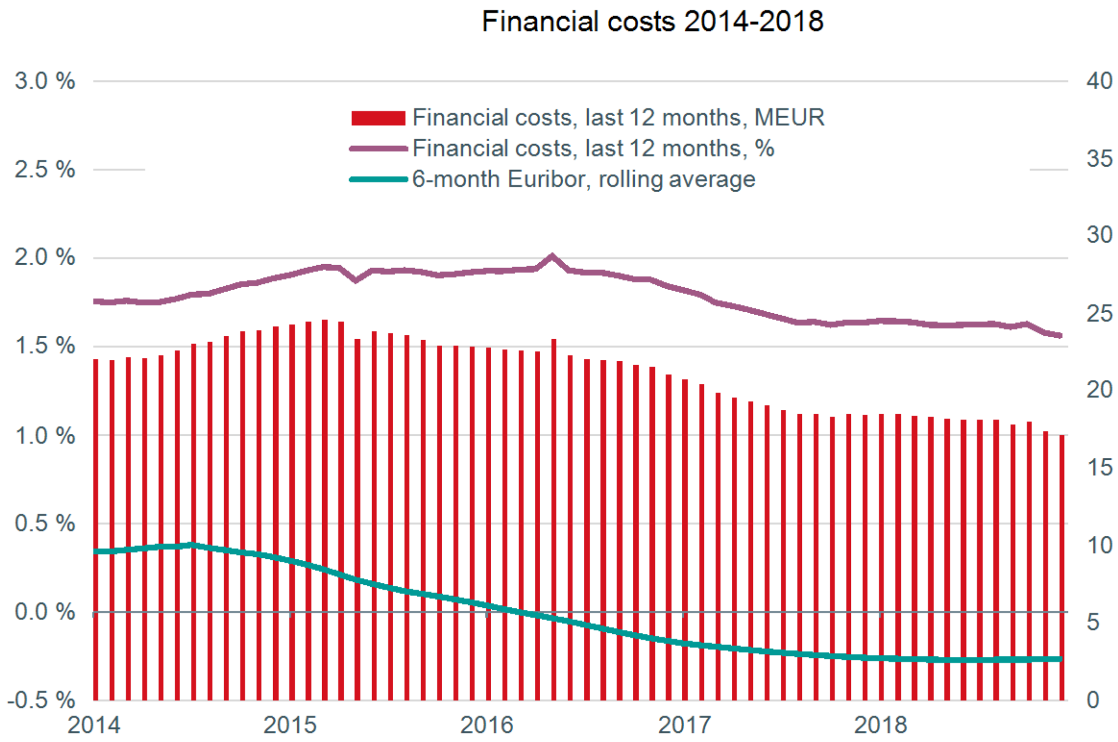
The functional currency of the company is euro. Generally, currency risks and the foreign exchange interest rate risk are fully hedged. A risk that amounts to less than EUR 5 million when realised can be unhedged for reasons of cost-effectiveness.

Transaction risk



The company issues bonds in the international and domestic money and debt capital markets. The company's loan portfolio is spread across euro and non-euro currencies, and the total debt portfolio and the related interest rate flows are hedged against the currency risk. The currency risk for each bond is fully hedged in conjunction with its issuance. The company uses interest rate and cross currency swaps to hedge the exchange rate and interest risk of bonds.

Business-related currency risks are small and they are mainly hedged. During the financial year, the company used foreign exchange forwards to hedge business transaction risks. A summary of the derivatives is presented in Note 23.



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.

Interest rate risk management includes optimisation of future interest rate risk of business operations (risk-free interest in the WACC model described in the next infobox) emerging from the regulatory model specified by the Energy Authority, together with company's net debt interest rate risk.

The interest rate risk from business operations can in part or in its entirety be hedged in terms of the adjusted capital committed to grid operations. The Board of Directors always makes a separate decision on the hedging of operational interest rate risks. The interest rate risk included in business operations was not hedged in 2018. The interest rate risk inherent in Fingrid's business 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 post-tax WACC rises/falls by 0.9%.

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. 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, of which 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% (99%) probability that Fingrid's interest expenses will amount to no more than EUR 18 (19) million during the next 12 months.

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 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.

$$WACC_{\ post\text{-}tax} = C_E \times \frac{E}{E+D} + C_D \times (1 - ctr) \times \frac{D}{E+D}$$

$WACC_{\ post\text{-}tax}$ = reasonable rate of return after corporate tax
C_E = reasonable cost of equity
C_D = reasonable cost of interest-bearing debt
E = adjusted equity invested in network operations
D = adjusted interest-bearing debt invested in network operations
ctr = current rate of corporate tax

$\mathbf{C_D = R_r + DP}$
R_r = risk-free interest rate
DP = risk premium of debt

$\mathbf{C_E = R_r + \beta_{levered} \times (R_m - R_r) + LP}$
R_r = risk-free interest rate
$\beta_{\ levered}$ = levered beta
R_m = average market return
$R_m - R_r$ = market risk premium
LP = liquidity premium

The above-mentioned reasonable rate of return after taxes is then adjusted with the current rate of corporate tax. This calculation gives the reasonable pre-tax rate of return.

$$WACC_{\ pre\text{-}tax} = \frac{WACC_{\ post\text{-}tax}}{(1 - ctr)}$$

WACC pre-tax = reasonable rate of return before corporate tax

A fixed capital structure is applied to the TSO, whereby the weight of debt capital is 50% and the weight of equity capital is 50%. The pre-tax reasonable rate of return is calculated as follows:

$$WACC_{\ pre\text{-}tax} = \frac{C_E \times 0,5}{(1 - ctr)} + C_D \times 0,5$$

$$R_{k,pre\text{-}tax} = WACC_{\ pre\text{-}tax} \times (E+D)$$

$R_{k,\ pre\text{-}tax}$ = pre-tax reasonable return, EUR
$WACC_{\ pre\text{-}tax}$ = reasonable rate of return, %
E = adjusted equity invested in network operations, EUR
D = adjusted interest-bearing debt invested in network operations, EUR
E + D = adjusted capital invested in network operations, EUR

Reasonable cost of equity
$C_E = R_r + \beta_{debt\text{-}free} \times (1 + (1 - t) \times D/E) \times (R_m - R_f) + LP$ C_E = Finland's 10y govt. bond + 0.4 x (1 + (1 – 20%) x 50/50) x 5% + 0.6% **C_E = Finland's 10y government bond + 4.2%**
Reasonable cost of liabilities
$C_D = R_r + DP$ **C_D = Finland's 10y government bond + 1.4%**
WACC (pre-tax)
$WACC_{post\text{-}tax} = C_E \times 50/100 + C_D \times (1 - t) \times 50/100$ **$WACC_{post\text{-}tax}$ = Finland's 10y government bond x 0.9 + 2.66%** $WACC_{pre\text{-}tax}$ = Finland's 10y government bond x 1.125 + 3.33%

Variable	Value used
Risk-free interest rate (R_r)	Higher: a) 10-year daily average of Finland's 10y government bond b) Daily average of previous year April–September of Finland's 10y government bond rate
Asset beta ($\beta_{debt\text{-}free}$)	0.4
Market risk premium ($R_m - R_f$)	5.0%
Liquidity premium (LP)	0.6%
Capital structure (D/E)	50/50
Risk premium of debt (DP)	1.4%*
Corporate income tax rate (t)	20%

*Will be updated by end of 2019 for regulatory period 2020-2023 based on Bloomberg's utility sector A-BBB rated companies' fixed income indices

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 11 December 2015. The maturity of the facility is five years. In addition to this, the company has two one-year extension options, of which both have been used. These extended the maturity of the revolving credit facility until 11 December 2022. The facility is committed and has not been drawn. The company additionally has uncommitted overdraft facilities totaling EUR 50 million.

The refinancing risk is managed by building an even maturity profile such that 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 counterparties related to investing (e.g. money market funds), derivatives counterparties and bank counterparties. The company minimises any counterparty risks. 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 interest rates on floating-rate loans are defined using the zero coupon curve. 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.

18. DEBT REPAYMENTS, INTEREST PAYMENTS AND PAYMENTS AND RECEIVABLES UNDER DERIVATIVE CONTRACTS IN CASH, €1,000

31 Dec 2018		2019	2020	2021	2022	2023	2024-	Total
Bonds	- repayments	20,104	50,000		30,000	30,000	553,629	**683,733**
	- interests	18,377	17,222	17,234	17,293	17,102	40,247	**127,475**
Loans from financial institutions	- repayments	21,662	17,662	17,662	17,662	17,662	37,229	**129,541**
	- interests	2,486	2,088	1,820	1,562	1,216	1,311	**10,483**
Commercial papers	- repayments	245,000						**245,000**
Overdraft	- payments	938						**938**
Currency swaps	- payments	23,891	49	77	115	152	12,922	**37,205**
Interest rate swaps	- payments	924	328	658	1,102	1,555	7,771	**12,338**
Forward contracts	- payments	198	350	300	1,000	1,500	900	**4,248**
Total		**333,579**	**87,699**	**37,751**	**68,734**	**69,188**	**654,009**	**1,250,961**
Currency swaps	- receivables	21,617	433	433	433	433	10,918	**34,268**
Interest rate swaps	- receivables	5,152	5,082	4,810	4,448	3,601	7,689	**30,784**
Forward contracts	- receivables	196	351	301	1,011	1,533	926	**4,318**
Total		**26,965**	**5,867**	**5,544**	**5,893**	**5,568**	**19,534**	**69,370**
Total		**306,614**	**81,833**	**32,206**	**62,841**	**63,621**	**634,475**	**1,181,591**

31 Dec 2017		2018	2019	2020	2021	2022	2023-	Total
Bonds	- repayments	101,587	20,325	50,000		30,000	583,538	**785,449**
	- interests	18,635	18,404	17,559	17,416	17,386	57,364	**146,765**
Loans from financial institutions	- repayments	21,662	21,662	17,662	17,662	17,662	54,892	**151,203**
	- interests	2,848	2,512	2,317	2,038	1,695	2,691	**14,102**
Commercial papers	- repayments	145,000						**145,000**
Overdraft	- payments	811						**811**
Currency swaps	- payments	107,753	23,928	97	140	174	13,193	**145,286**
Interest rate swaps	- payments	2,355	1,105	908	1,365	1,712	10,625	**18,070**
Forward contracts	- payments	1,270						**1,270**
Total		**401,923**	**87,936**	**88,544**	**38,622**	**68,629**	**722,302**	**1,407,956**
Currency swaps	- receivables	103,397	21,854	438	438	438	11,476	**138,041**

Interest rate swaps	- receivables	5,181	5,014	4,584	4,185	3,953	10,846	**33,764**
Forward contracts	- receivables	1,167						**1,167**
Total		**109,745**	**26,868**	**5,022**	**4,622**	**4,391**	**22,323**	**172,972**
Total		**292,178**	**61,068**	**83,522**	**34,000**	**64,238**	**699,979**	**1,234,984**

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.

6.4 Cash and cash equivalents and other financial assets

19. CASH AND CASH EQUIVALENTS, €1,000	2018	2017
Cash assets and bank account balances	13,922	10,303
Total	**13,922**	**10,303**

20. OTHER FINANCIAL ASSETS, €1,000	2018	2017	Hierarchy level
Short-term money market funds	56,881	56,966	Level 1
Commercial papers	4,498	6,499	Level 2
Bank deposits, over 3 months	10,000	10,000	Level 2
Total	**71,380**	**73,465**	

Accounting principles

Cash and cash equivalents
Cash and cash equivalents in the balance sheet include cash in hand and bank deposits with an initial maturity of no more than three months. Cash and cash equivalents in the cash flow statement also include financial assets recognised in the income statement at fair value. Cash and cash equivalents are derecognised when they mature, are sold or otherwise disposed of.

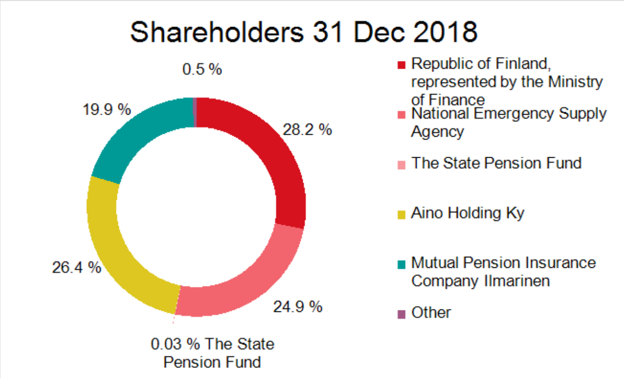
Other financial assets
The financial assets classified in this category include short-term money market securities (certificates of deposit, commercial papers and municipality bills), current investments in short-term fixed income funds, and bank deposits kept for more than three months. Financial assets recognised at fair value in the income statement are entered in 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 fair value is recognised in the income statement under finance income and costs. Derivatives are also included in this group, but are presented in the balance sheet on their own lines. Accounting principles for derivatives are disclosed in Chapter 6.6.

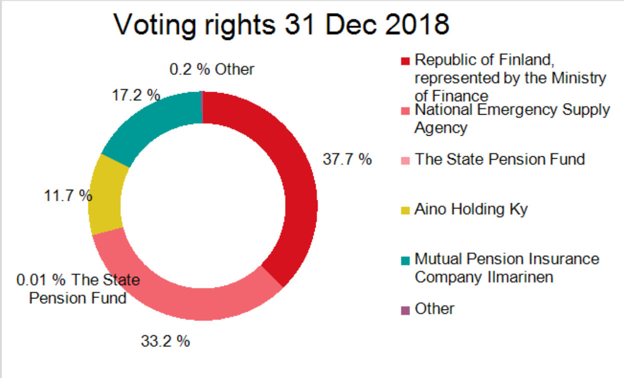
Available-for-sale investments
Fingrid does not have financing assets classified as available-for-sale investments.

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

6.5 Equity and dividend distribution

The shareholders' equity is composed of two share classes. The shareholder breakdown and voting rights are illustrated in the following graphs.





SHAREHOLDERS BY CATEGORY 31 DEC 2018	Number of shares	Of all shares %	Of votes %
Public organisations	1,768	53.17	70.87
Financial and insurance institutions	1,557	46.83	29.12
Total	**3,325**	**100.00**	**100.00**

Shareholders, 31 Dec 2018	Number of shares	Of all shares %	Of votes %
Republic of Finland, represented by the Ministry of Finance	939	28.24	37.66
Aino Holding Ky	878	26.41	11.74
National Emergency Supply Agency	828	24.90	33.20
Mutual Pension Insurance Company Ilmarinen	661	19.88	17.15
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**

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 2017. 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.

Revaluation reserve
In 2017, the company divested its available-for-sale investments.

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

21. 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 is maintained.
Fingrid Oyj's distributable funds in the financial statements total EUR 222,364,965.90. In 2017, EUR 173.5 million was paid in dividends (EUR 98.0). Since the closing date, the Board of Directors has proposed that a dividend of EUR 67,650.00 at maximum per share will be paid for Series A shares, and EUR 24,750.00 at maximum for Series B shares for a total of EUR 171,439,950.00 at maximum. The first dividend instalment of EUR 47,550.00 for each Series A share and EUR 17,400.00 for each Series B share, totalling EUR 120,506,700.00, shall be paid on 26 March 2019. The second dividend instalment, a maximum of EUR 20,100.00 for each Series A share and a maximum of EUR 7,350.00 for each Series B share, totalling a maximum of EUR 50,933,250.00, shall be paid based on the authorisation to be given to the Board. The Board of Directors has the right to decide on the payment of the second dividend instalment after the half-year report has been confirmed and after having assessed the company's solvency, financial position and financial development. The second dividend instalment 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 dividend. When making the decision, however, the economic conditions, the company's near term investment and development needs as well as any prevailing financial targets of the company are always taken into account.

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

FINGRID OYJ
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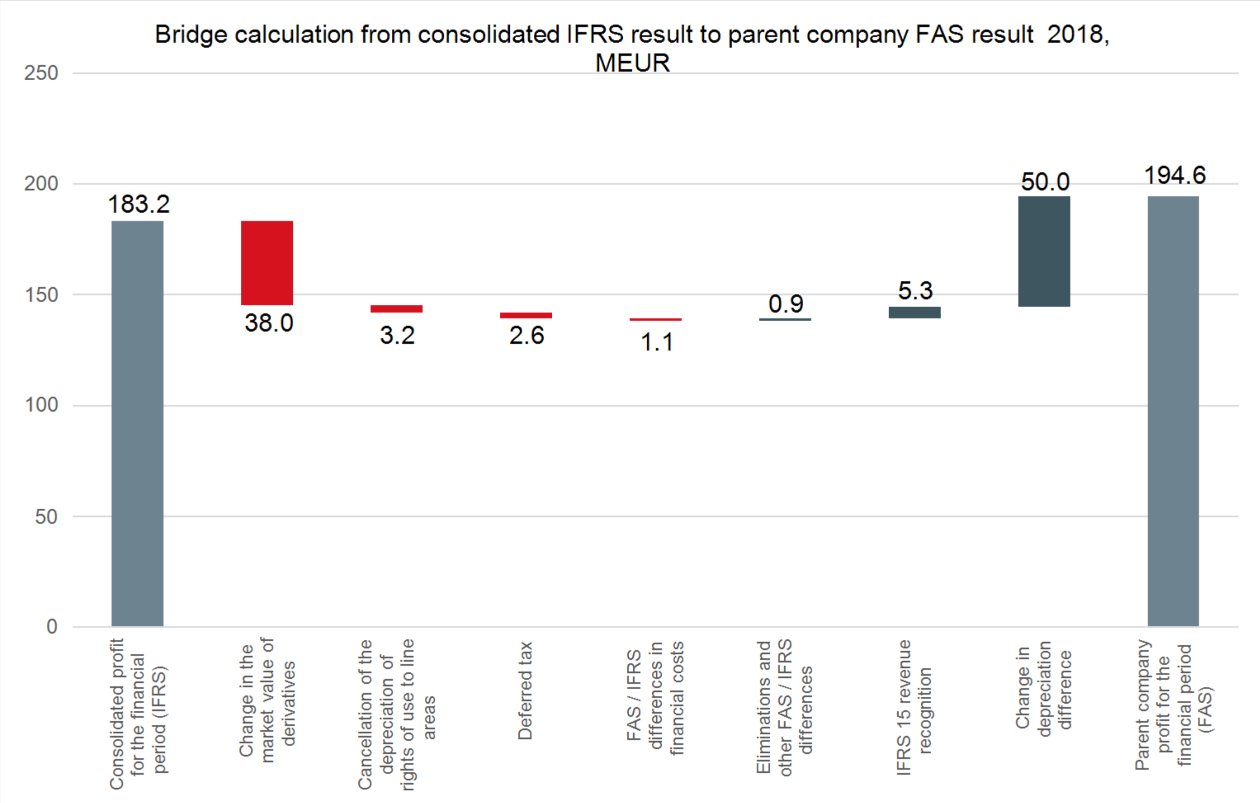
26 February 2019



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.

6.6 Summary of financial assets, financial liabilities and derivatives

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

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

Balance sheet item 31 Dec 2018	Assets/ liabilities recognised in income statement at fair value	Available-for-sale financial assets	Financial assets/liabilities measured at amortised cost	Total	Note
Non-current financial assets					
Interest rate and currency derivatives	22,837			22,837	23
Electricity derivatives	9,643			9,643	23
Loan receivables			1,750	1,750	
Current financial assets					
Interest rate and currency derivatives	718			718	23
Electricity derivatives	17,856			17,856	23
Trade receivables and other receivables			95,271	95,271	3
Other financial assets	56,881		14,498	71,380	20

Cash in hand and cash equivalents			13,922	13,922	19
Financial assets total:	**107,936**		**125,441**	**233,378**	
Non-current financial liabilities:					
Borrowings			771,508	771,508	14
Interest rate and currency derivatives	7,390			7,390	23
Current financial liabilities:					
Borrowings			288,091	288,091	14
Interest rate and currency derivatives	4,011			4,011	23
Electricity derivatives	3			3	23
Trade payables and other liabilities			40,413	40,413	7
Financial liabilities total	**11,404**		**1,100,012**	**1,111,415**	

Balance sheet item 31 Dec 2017	Assets/ liabilities recognised in income statement at fair value	Available-for-sale financial assets	Financial assets/liabilities measured at amortised cost	Total	Note
Non-current financial assets					
Interest rate and currency derivatives	25,097			25,097	23
Electricity derivatives	2,665			2,665	23
Loan receivables			4,000	4,000	
Current financial assets					
Interest rate and currency derivatives	5			5	23
Electricity derivatives	240			240	23
Trade receivables and other receivables			90,330	90,330	3
Financial assets recognised in the income statement at fair value	73,465			73,465	20
Cash in hand and cash equivalents			10,303	10,303	19
Financial assets total:	**101,472**		**104,633**	**206,105**	
Non-current financial liabilities:					
Borrowings			813,404	813,404	14
Interest rate and currency derivatives	12,387			12,387	23
Current financial liabilities:					
Borrowings			269,304	269,304	14
Interest rate and currency derivatives	6,945			6,945	23
Electricity derivatives	1,244			1,244	23
Trade payables and other liabilities			46,818	46,818	7
Financial liabilities total	**20,576**		**1,129,526**	**1,150,102**	

Fingrid uses derivatives for hedging purposes only, even though the company does not apply hedge accounting. Bilateral derivative transactions require a valid International Swap Dealers Association's (ISDA) Master Agreement with the counterparty. The derivatives falling under the scope of an ISDA agreement can be netted in conditional circumstances such as default or bankruptcy. The company had derivatives that can be netted as per ISDA at a total fair value of EUR 14.3 million in 2018 (7.6). Fingrid provides collateral to cover the market value of electricity forwards. The management of electricity price risk is described in chapter 4.7. The hedging of interest rate and foreign exchange risks is described in chapter 6.3.

The company's derivative transactions consist of interest rate and cross currency swaps for hedging the loan portfolio, as well as purchased cap options used to hedge the loan portfolio from a sudden change in short-term interest rates. Forward contracts are used to fix the exchange rate for non-euro-denominated contracts related to business operations.The company uses electricity futures and forwards to hedge the price risk of future loss power purchases.

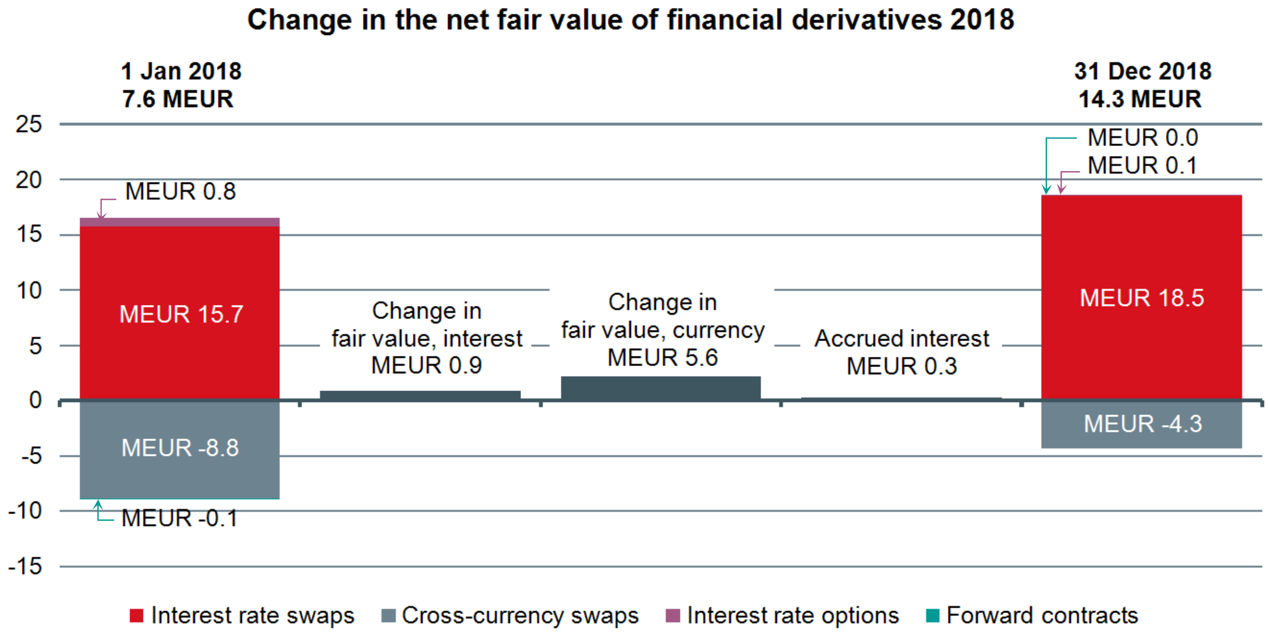
The table below includes all of the Group’s derivatives.

23. DERIVATIVE INSTRUMENTS, € 1,000

	2018				2017				Hierarchy level
Interest rate and currency derivatives	Fair value pos. 31.12.18	Fair value neg. 31.12.18	Net fair value 31.12.18	Nominal value 31.12.18	Fair value pos. 31.12.17	Fair value neg. 31.12.17	Net fair value 31.12.17	Nominal value 31.12.17	
Cross-currency swaps	2,571	-6,888	-4,316	36,237	3,837	-12,660	-8,822	143,544	Level 2
Forward contracts	7	-5	1	5,150		-123	-123	1,167	Level 2
Interest rate swaps	23,575	-5,087	18,488	325,000	23,209	-7,487	15,722	430,000	Level 2
Bought interest rate options	126		126	620,000	787		787	571,587	Level 2
Total	**26,279**	**-11,980**	**14,300**	**986,387**	**27,833**	**-20,270**	**7,563**	**1,146,298**	

Electricity derivatives	Fair value pos. 31.12.18	Fair value neg. 31.12.18	Net fair value 31.12.18	Volume TWh 31.12.18	Fair value pos. 31.12.17	Fair value neg. 31.12.17	Net fair value 31.12.17	Volume TWh 31.12.17	
Electricity future contracts. NASDAQ OMX Commodities	12,383	-385	11,997	1.87	1,010	-135	875	1.13	Level 1
Electricity forward contracts. NASDAQ OMX Commodities	27,500	-3	27,496	2.58	2,905	-1,244	1,661	3.75	Level 1
Total	**39,883**	**-389**	**39,494**	**4.45**	**3,915**	**-1,379**	**2,536**	**4.88**	

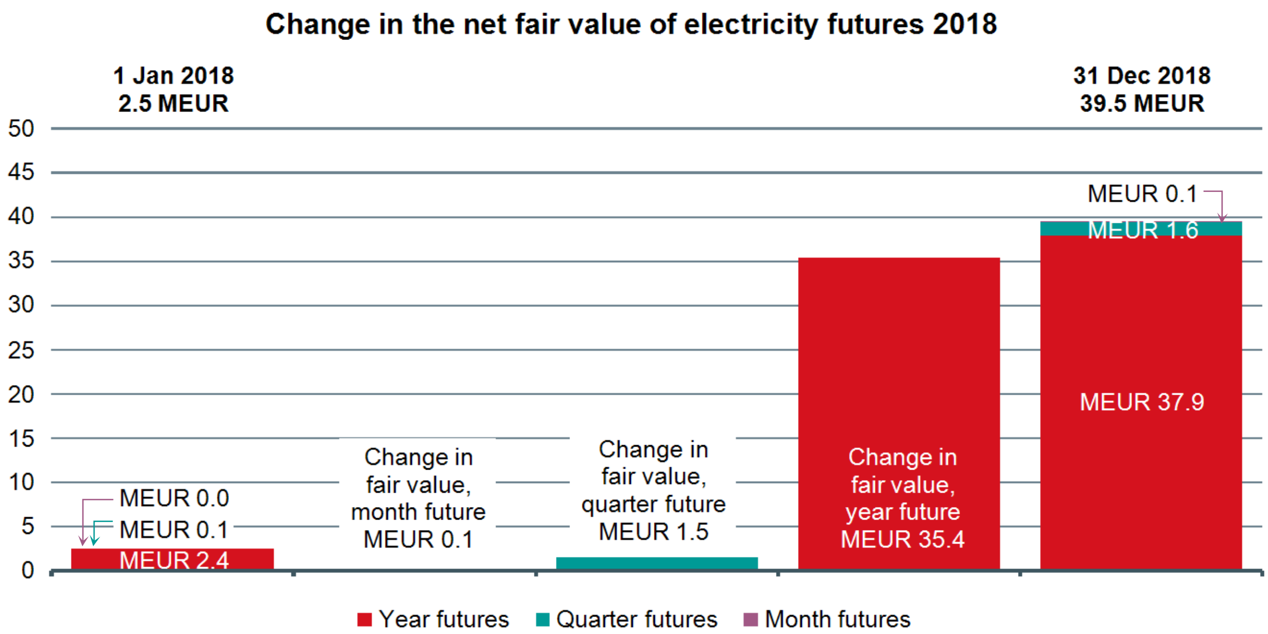
The net fair value of derivatives indicates the realised profit/loss if they had been closed on the last trading day of 2018. The net fair value cannot be used for deriving the net derivative liabilities or receivables in the balance sheet, as accrued interest is taken into account here.
The graph below indicates the change of value of all of the company's currency and interest rate derivatives in 2018.



The purpose of Fingrid’s loss power price hedging is to reduce the effect of volatility in market prices to the loss power purchase costs and to give adequate predictability in order to keep the pressure to change grid service pricing moderate. The change in the fair value of electricity futures used in Fingrid’s loss power price hedging was EUR 37.0 million positive (EUR 9.1 million positive). The volatility in the fair value of electricity futures can be significant. The positive impact on profit was caused by the impact of increased spot price of electricity to the fair value of electricity futures. Fingrid holds its bought futures to maturity.

The sensitivity of the fair value of electricity futures 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 futures on the reporting date. A positive/negative change of 10 per cent in the market price of electricity would have an impact of EUR 12.3 million/EUR -12.3 million on the Group’s profit before taxes.

The graph below indicates the change of value of all of the company's electricity futures in 2018.



Accounting principles

Adoption of the IFRS 9 standard, effective 1 January 2018

IFRS 9 Financial instruments replaced the IAS 39 standard on 1 January 2018. Then transition to IFRS 9 did not have material impacts on the company's reported financial position and result.

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 or by applying the fair value option at initial recognition.

Other financial assets can include investments in short-term money-market securities (certificates of deposit, commercial papers and municipality bills), bank deposits of more than three months and investments in short-term fixed income funds.

Investments in short-term fixed income funds have been classified and entered at fair value in the income statement, and the adoption of IFRS 9 did not require changes in the principles of recognition.

Investments in short-term money-market securities are classified and entered at amortised cost according to the accounting model applied by the company. The goal is to keep the investments to maturity and collect the contractual cash flows, consisting of the payments of principal and interest. Money-market securities have previously been entered at fair value in the income statement, but the change did not have a material impact on the company's financial result.

Bank deposits of more than three months are entered at amortised cost.

The Group actively tests each instrument for impairment and if the impairment criteria are met, the impairment is entered in the income statement. The accounting procedure for financial assets has not changed, and they continue to be entered at amortised cost. The rules concerning balance sheet derecognition have not changed from the IAS 39 standard 'Financial Instruments: Recognition and Measurement'.

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.

Cash and cash equivalents
Cash and cash equivalents consist of cash in hand and bank deposits with an initial maturity of no more than three months.

The Group applied the exception allowed by IFRS 9 and did not carry out retrospective adjustments to the previous year's figures.

Accounting principles

Derivative instruments
Derivatives are initially recognised at fair value according to the date the derivative contract is entered into, and are subsequently re-measured at fair value. Changes in the fair value of derivatives are recognised in profit and loss. The company uses derivative contracts only for hedging purposes according to the Corporate Finance principles, the Treasury policy and the loss energy policy.

Electricity futures
The company enters into electricity future contracts in order to hedge the price risk of electricity purchases in accordance with the loss energy forecast. Fingrid discontinued hedge accounting for electricity futures at the beginning of 2014. As a result, the entire change in the fair value of electricity futures was recorded and will continue to be recorded in the income statement.

Interest and currency derivatives
The company enters into derivative contracts in order to hedge financial risks (interest rate and foreign exchange exposure) in compliance with the Corporate Finance Principles approved by the Board of Directors. Fingrid does not apply hedge accounting to these derivatives. 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.

The fair values of derivatives at the closing date are based on different calculation methods. Foreign exchange forwards 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.

7 OTHER INFORMATION (IFRS)

- **This chapter contains the rest of the notes.**
- **First comes a joint presentation of the Group companies and related parties' data.**
- **After that, other notes follow in the same sequence they appear in the income statement and balance sheet.**

7.1 Group companies and related parties

The Group has two Fingridi'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. Through Finextra, the cost of public service tasks is separated from the cost of grid operations, which makes it possible to ensure the unequivocal transparency of the different operations. The Energy Authority oversees Finextra's operations and reasonable returns from its services. The aim of Finextra is to carry out the assigned duties cost effectively, making use of joint resources. The allowable annual return on peak load capacity services is EUR 75,000. The allowed return on guarantee-of-origin services for the regulatory period starting on 1 January 2017 was approximately EUR 135,000. The realised return during the regulatory period consisted of a deficit of roughly EUR 10,000.

Fingrid Datahub Oy is a subsidiary wholly-owned by Fingrid Oyj established in 2016 to handle the operations linked to the datahub. Key duties of the subsidiary is to offer and develop centralised electricity market information exchange services and other related services to the market parties and to govern the register information required by the electricity markets. The datahub is a centralised information exchange system for retail markets that stores data from all of Finland's 3.5 million electricity metering points. The information stored in the datahub will be utilised by around 100 electricity sales companies and more than 80 distribution network operators to provide services to the consumers of electricity. Fingrid started the datahub project during the spring of 2015.

The consolidated associated companies are Nord Pool AS (ownership 18.8%) and eSett Oy (ownership 33.3%).

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

24. INVESTMENTS IN ASSOCIATED COMPANIES, € 1,000	**2018**	**2017**
Non-current		
Interests in associated companies	12,072	10,303
Loan receivables from associated companies	1,750	4,000
Current		
Loan receivables from associated companies	500	
Total	**14,322**	**14,303**

Receivable from an associated company consists of a loan receivable from eSett Oy. The main terms and conditions are as follows:

Associated company loan:
The loan capital is EUR 2.3 (2.5) million and the annual interest rate is 1.5 per cent, on top of the 12-month Euribor. The loan repayment is ten equal instalments every six months. The amount of the loan capital is one third of the total loan that eSett's owners have granted the company proportionate to their holdings. The terms of the loan are the same as the loan terms for eSett's other owners.

Capital loan:
The loan capital is EUR 0.0 (1.5) million. The loan has been repaid on 17 September 2018.

Financial summary of associated companies, €1,000

	Non-current		Current assets					
2018	Assets	Liabilities	Assets	Liabilities	Turnover	Profit/loss	Dividends received during the financial period	Ownership (%)
Nord Pool AS	5,613		268,109	239,125	40,951	9,403	645	18.8
eSett Oy	6,795	5,250	47,001	41,353	10,080	4,218		33.3

2017	Non-current Assets	Non-current Liabilities	Current assets Assets	Current assets Liabilities	Turnover	Profit/loss	Dividends received during the financial period	Ownership (%)
Nord Pool AS	1,346		151,389	121,007	38,265	4,988	1,114	18.8
eSett Oy	8,232	11,250	39,540	33,246	7,560	2,677		33.3

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

The Nordic Balance Settlement (NBS) was introduced in Finland on 1 May 2017. When the NBS began its operations, imbalance settlement transferred from Fingrid's Balance Service Unit to eSett Oy.

The company has an equity investment in Norwegian 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	**2018**	**2017**
Cost at 1 Jan	10,303	10,158
Share of profit	2,607	1,734
Translation reserve	-193	-475
Dividends	-645	-1,114
Carrying amount 31 Dec	**12,072**	**10,303**
Carrying amount of associated companies includes goodwill 31 Dec.	**3,245**	**3,245**

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 6.5 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.

Transactions with associated companies, € 1,000	**2018**	**2017**
Sales	155	520
Expense adjustments	65	81
Purchases	3,889	3,276
Receivables	791	3,934
Liabilities	2,226	3,376
Loan receivables	2,250	4,000

Accounting principles

Subsidiaries

The subsidiaries encompass all companies over which the Group has control (including structured entities). 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. Fingrid has an 18.8% ownership in Nord Pool AS. In Fingrid's view, however, the significant influence over the company is retained because Fingrid is represented in Nord Pool's board of directors, as a shareholder with an ownership of more 10% is entitled to appoint a board member according the shareholder agreement. Fingrid has influence over Nord Pool's operating principles and over the decisions on dividends and asset distribution. According to the shareholder agreement, the board approves the annual operational plan and budget and makes a proposal to the annual general meeting on dividends. Fingrid also shares, via Nord Pool, in the costs of European market development.
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.

7.2 Other notes

Emission rights

Fingrid's reserve power plants are subject to an environmental permit and covered by the EU's emissions trading scheme. Fingrid has not been granted free-of-charge emission rights for the emissions trade period 2013–2020. Emission rights purchased in 2018 amounted to 10,000 units (tCO_2). Emissions trading had minor financial significance for Fingrid. CO_2 emissions included in emissions trading totalled 8,506 tonnes in 2018 (5,817).

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.

25. PROVISIONS, € 1,000

	2018	2017
Provisions for creosote-impregnated towers 1 Jan	1,474	1,481
Provisions used	-50	-7
Provisions 31 Dec	**1,424**	**1,474**

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.

26. COMMITMENTS AND CONTINGENT LIABILITIES, €1,000

	2018	2017
Pledges		
Pledge covering customs credit account	200	200
Pledge covering excise duty	280	280
	480	**480**
Other financial commitments		
Rent security deposit, guarantee	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	345	400
Commitment fee for subsequent years	862	1,154
	1,245	**1,592**
Unrecognised investment commitments	**103,946**	**93,991**

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:		
In one year	8,663	10,769
In more than one year and less than five years	34,064	34,124
In more than five years	19,610	27,888
Total	**62,337**	**72,780**

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

An accident took place on a work site in Laukaa, Finland, on 25 August 2017, where an employee of Revilla y Garcia S.L. died after having fallen from a power line tower. A civil court case has been raised in Spain for damages against Fingrid (the client linked with the accident), the main contractor, Technolines S.R.L. filial i Finland, and its sub-contractor, Revilla y Garcia S.L. Fingrid does not believe the claim against it is likely to succeed and, in Fingrid's view, the legal proceedings or their outcome are not likely to have a substantial impact on the company's earnings or financial position.

EVENTS AFTER THE CLOSING DATE

The Group management is not aware of such significant events after the closing date that would affect the financial statements.

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 26 February 2019. 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.

8 Parent company financial statements (FAS)

8.1 Parent company income statement

	Notes	Jan-Dec/2018 €	Jan-Dec/2017 €
TURNOVER	2	**844,636,947.00**	**665,392,912.15**
Other operating income	3	10,800,562.63	2,952,426.51
Materials and services	4	-469,156,712.93	-323,875,279.31
Personnel costs	5	-30,987,690.53	-29,384,630.35
Depreciation and amortisation expense	6	-102,385,166.51	-103,744,514.46
Other operating expenses	7,8	-43,367,646.31	-40,234,891.46
OPERATING PROFIT		**209,540,293.35**	**171,106,023.08**
Finance income and costs	9	-16,519,817.38	-17,179,788.71
PROFIT BEFORE APPROPRIATIONS AND TAXES		**193,020,475.97**	**153,926,234.37**
Appropriations			
Change in depreciation difference		50,000,000.00	
Income taxes	10	-48,450,162.82	-30,567,832.63
PROFIT FOR THE FINANCIAL YEAR		**194,570,313.15**	**123,358,401.74**

Notes are an integral part of the financial statements.

8.2 Parent company balance sheet

ASSETS	Notes	31 Dec 2018 €	31 Dec 2017 €
Intangible assets:			
Other intangible assets	12	77,600,740.48	79,273,488.45
		77,600,740.48	**79,273,488.45**
Tangible assets	13		
Land and water areas		16,749,396.17	15,974,431.21
Buildings and structures		226,260,218.96	209,719,017.99
Machinery and equipment		551,598,765.91	560,151,242.49
Transmission lines		743,255,086.72	770,540,624.65
Other property, plant and equipment		117,516.35	117,516.35
Prepayments and purchases in progress		59,596,188.98	83,656,395.80
		1,597,577,173.09	**1,640,159,228.49**
Investments:	14		
Interests in Group companies		843,310.86	507,063.77
Interests in associated companies		8,587,578.95	8,587,578.95
Other shares and interests		2,367,590.36	2,096,934.13
		11,798,480.17	**11,191,576.85**
TOTAL NON-CURRENT ASSETS		**1,686,976,393.74**	**1,730,624,293.79**
CURRENT ASSETS			
Inventories	15	**12,390,535.52**	**13,528,910.29**
Receivables			
Non-current			
Loan receivables from Group companies	16	9,142,044.28	5,000,000.00
Loan receivables from associated companies	16	1,750,000.00	4,000,000.00
Deferred tax assets	10	10,788,284.51	8,846,460.43
		21,680,328.79	**17,846,460.43**
Current			
Trade receivables		82,960,650.88	75,073,908.08
Receivables from Group companies	17	377,781.29	833,329.87
Receivables from associated companies	18	1,290,832.94	3,934,309.64
Other receivables		1,463,140.20	1,447,709.38
Prepayments and accrued income	19,20	9,489,162.82	11,866,139.02
		95,581,568.13	**93,155,395.99**
Financial securities	21	**70,980,070.94**	**72,968,050.83**
Cash in hand and bank receivables	21	**13,921,698.15**	**10,302,954.11**
TOTAL CURRENT ASSETS		**214,554,201.53**	**207,801,771.65**
TOTAL ASSETS		**1,901,530,595.27**	**1,938,426,065.44**

Notes are an integral part of the financial statement.

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec 2018	31 Dec 2017

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26 February 2019

	Notes	€	€
EQUITY	22		
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		27,794,652.75	77,954,261.01
Profit for the financial year		194,570,313.15	123,358,401.74
TOTAL SHAREHOLDERS' EQUITY		**334,209,937.00**	**313,157,633.85**
ACCUMULATED APPROPRIATIONS	23	**398,896,757.27**	**448,896,757.27**
PROVISIONS FOR LIABILITIES AND CHARGES	30	**1,424,146.78**	**1,474,146.78**
LIABILITIES			
Non-current liabilities			
Bonds	24,25	667,511,729.99	691,236,522.43
Loans from financial institutions		107,878,787.88	129,541,125.54
		775,390,517.87	**820,777,647.97**
CURRENT LIABILITIES			
Bonds	24	23,724,792.54	107,307,651.26
Loans from financial institutions		22,600,144.82	22,473,741.62
Trade payables		20,725,047.34	25,308,354.72
Liabilities to Group companies	26	2,880,243.07	1,157,812.70
Liabilities to associated companies	27	2,226,105.94	3,375,839.59
Other liabilities	28	265,127,089.56	162,224,988.65
Accruals	29	54,325,813.08	32,271,491.03
		391,609,236.35	**354,119,879.57**
TOTAL LIABILITIES		**1,166,999,754.22**	**1,174,897,527.54**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,901,530,595.27**	**1,938,426,065.44**

Notes are an integral part of the financial statements.

8.3 Parent company cash flow statement

	Note	1 Jan - 31 Dec, 2018 €	1 Jan - 31 Dec, 2017 €
Cash flow from operating activities:			
Profit for the financial year	22	194,570,313.15	123,358,401.74
Adjustments:			
Business transactions not involving a payment transaction	33	44,254,156.25	103,404,458.81
Interest and other finance costs		21,712,026.29	23,205,080.13
Interest income		-4,547,332.31	-4,767,603.36
Dividend income		-644,876.60	-1,257,688.06
Taxes		48,450,162.82	30,567,832.63
Changes in working capital:			
Change in trade receivables and other receivables		-5,029,980.04	-9,443,145.18
Change in inventories		1,138,374.77	-1,259,792.59
Change in trade payables and other liabilities		10,796,432.05	4,185,979.27
Congestion income		29,632,292.62	25,752,020.51
Change in provisions		-50,000.00	-6,800.00
Interest paid		-17,431,549.87	-19,012,238.47
Interest received		446,885.85	415,917.88
Taxes paid	10	-37,281,373.19	-41,871,316.36
Net cash flow from operating activities		286,015,531.79	233,271,106.95
Cash flow from investing activities:			
Purchase of property, plant and equipment	13	-89,930,983.87	-101,357,371.07
Purchase of intangible assets	12	-5,491,663.99	-5,893,088.91
Purchase of other assets	14	-606,903.32	-131,620.68
Proceeds from sale of other assets	14		118,990.19
Proceeds from sale of property, plant and equipment	13	13,745,399.31	543,925.81
Loans granted		-4,000,000.00	-2,120,610.67
Payments of financing (liabilities)		1,750,000.00	
Dividends received	9	644,876.60	1,257,688.06
Net cash flow from investing activities		-83,889,275.27	-107,582,087.27
Cash flow from financing activities:			
Proceeds from current financing (liabilities)		542,636,150.22	451,535,449.76
Payments of current financing (liabilities)		-440,527,216.90	-425,554,006.96
Proceeds from non-current financing (liabilities)			100,000,000.00
Payments of non-current financing (liabilities)		-129,086,415.69	-149,732,292.07
Dividends paid	22	-173,518,010.00	-97,999,992.05
Net cash flow from financing activities		-200,495,492.37	-121,750,841.32
Change in cash and cash equivalents and financial assets		**1,630,764.15**	**3,938,178.36**
Cash and cash equivalents and financial assets 1 Jan		**83,271,004.94**	**79,332,826.58**
Cash and cash equivalents and financial assets 31 Dec	21	**84,901,769.09**	**83,271,004.94**

Notes are an integral part of the financial statements.

8.4 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, foreign exchange forwards 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 forward foreign exchange 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 by employing futures traded on the NASDAQ OMX Oslo ASA. There can also be trading in the OTC market in instruments corresponding to Nasdaq OMX Oslo ASA's financial instruments. 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.

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 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 include certificates of deposit, commercial papers and investments in short-term fixed income funds. 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 6.2 and 6.3 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 BY BUSINESS AREA

The business of Fingrid Oyj comprises entirely transmission grid business with system responsibility. For that reason, there is no distribution of turnover by business area.

TURNOVER, €1,000	**2018**	**2017**
Grid service income	428,437	412,082
Imbalance power sales	348,837	213,872
Cross-border transmission	35,516	20,711
ITC income	13,089	8,647
Income from peak load capacity services	234	293
Income from guarantee-of-origin services	239	234
Other operating income	18,285	9,553
Total	**844,637**	**665,393**

3. OTHER OPERATING INCOME, €1,000	**2018**	**2017**
Rental income	831	942
Capital gains of fixed assets	8,277	340
Contributions received	186	170
Other income	1,506	1,500
Total	**10,801**	**2,952**

4. MATERIALS AND SERVICES, €1,000	**2018**	**2017**
Purchases during the financial year	378,727	234,232
Loss energy purchases	48,796	47,397
Change in inventories, increase (-) or decrease (+)	1,138	-1,260
Materials and consumables	428,662	280,369
Services	40,495	43,506
Total	**469,157**	**323,875**

5. PERSONNEL EXPENSES, €1,000	**2018**	**2017**
Salaries and bonuses	25,564	24,187
Pension expenses	4,437	4,139
Other personnel expenses	987	1,059
Total	**30,988**	**29,385**

Salaries and bonuses of the members of the Board of Directors and President and CEO, €1,000	**2018**	**2017**
Juhani Järvi, Chairman (since 6 June 2014)	41	39
Päivi Nerg, Vice Chairman (since 28 March 2018)	16	
Juha Majanen, Vice Chairman (until 28 March 2018)	5	24
Sanna Syri, Member of the Board (since 14 April 2015)	21	19
Esko Torsti, Member of the Board (since 22 March 2012)	22	20
Anu Hämäläinen, Member of the Board (since 6 April 2016)	22	19
Jukka Ruusunen, President and CEO	452	416

Number of salaried employees in the company during the financial year:		
Personnel, average	362	352
Personnel, 31 Dec	365	355

DEPRECATION ACCORDING TO PLAN, €1,000	**2018**	**2017**
Goodwill	0	4,289
Other non-current expenses	7,164	6,390
Buildings and structures	9,752	8,535
Machinery and equipment	48,482	48,104
Transmission lines	36,986	36,427
Total*	**102,385**	**103,745**
* deprecation on the electricity grid (notes 12 and 13)	93,720	89,658

7. OTHER OPERATING EXPENSES, €1,000	**2018**	**2017**
Contracts, assignments etc. undertaken externally	29,821	26,282
Grid rents	241	241
Other rental expenses	3,714	3,381
Other costs	9,592	10,331
Total	**43,368**	**40,235**

8. AUDITORS' FEES, €1,000	**2018**	**2017**
PricewaterhouseCoopers Oy:		
Auditing fee	79	63
Tax consulting		20
Other fees	92	41
Total	**171**	**124**

9. FINANCE INCOME AND COSTS, €1,000	**2018**	**2017**
Dividend income from Group companies		139
Dividend income from others	645	1,119
Interest and other finance income from others	4,547	4,768
	5,192	6,025
Interest and other finance costs to others	-21,712	-23,205
	-21,712	-23,205
Total	**-16,520**	**-17,180**

10. INCOME TAXES, €1,000	**2018**	**2017**
Income taxes for the financial year	50,392	33,197
Income taxes for the previous financial years		6,217
Changes in deferred taxes	-1,942	-8,846
Total	48,450	30,568

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		
On temporary differences from congestion income	10,788	8,846

Total	10,788	8,846

Deferred tax assets and liabilities of balance sheet, €1,000		
Deferred tax assets		
On temporary differences	285	295
	285	295
Deferred tax liabilities		
On temporary differences	214	220
On appropriations	79,779	89,779
	79,993	90,000
Total	**79,709**	**89,705**

11. GOODWILL, €1,000	**2018**	**2017**
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	-124,375
Depreciation according to plan 1 Jan–31 Dec	0	-4,289
Carrying amount 31 Dec	**0**	**0**
Accumulated depreciation difference 1 Jan	0	-4,289
Decrease in depreciation difference reserve 1 Jan–31 Dec	0	4,289
Accumulated depreciation in excess of plan 31 Dec	**0**	**0**

12. OTHER NON-CURRENT EXPENSES, €1,000	**2018**	**2017**
Cost at 1 Jan	167,176	161,342
Increases 1 Jan–31 Dec	5,803	5,959
Decreases 1 Jan–31 Dec	-742	-126
Cost at 31 Dec	172,237	167,176
Accumulated depreciation according to plan 1 Jan	-87,902	-81,572
Decreases, depreciation according to plan 1 Jan–31 Dec	431	60
Depreciation according to plan 1 Jan–31 Dec	-7,164	-6,390
Carrying amount 31 Dec*	77,601	79,273
Accumulated depreciation difference 1 Jan	-52,047	-52,620
Increase in depreciation difference reserve 1 Jan–31 Dec	-5,562	-5,908
Decrease in depreciation difference reserve 1 Jan–31 Dec	7,527	6,481
Accumulated depreciation in excess of plan 31 Dec	**-50,083**	**-52,047**

***Net capital expenditure in electricity grid, €1,000**	**2018**	**2017**
Carrying amount 31 Dec	70,075	71,258
Carrying amount 1 Jan	-71,258	-74,378
Depreciation according to plan 1 Jan–31 Dec	4,091	4,030
Decreases 1 Jan–31 Dec	312	66
Total	**3,219**	**976**

13. TANGIBLE ASSETS, €1,000	2018	2017
Land and water areas		
Cost at 1 Jan	15,974	15,701
Increases 1 Jan–31 Dec	775	274
Cost at 31 Dec	**16,749**	**15,974**
Buildings and structures		
Cost at 1 Jan	279,331	254,723
Increases 1 Jan–31 Dec	26,780	24,614
Decreases 1 Jan–31 Dec	-1,022	-5
Cost at 31 Dec	**305,089**	**279,331**
Accumulated depreciation according to plan 1 Jan	-69,612	-61,083
Decreases, depreciation according to plan 1 Jan–31 Dec	536	5
Depreciation according to plan 1 Jan–31 Dec	-9,752	-8,535
Carrying amount 31 Dec	**226,260**	**209,719**
Accumulated depreciation difference 1 Jan	-13,542	-12,694
Increase in depreciation difference reserve 1 Jan–31 Dec	-9,699	-9,383
Decrease in depreciation difference reserve 1 Jan–31 Dec	9,898	8,535
Accumulated depreciation in excess of plan 31 Dec	**-13,343**	**-13,542**
Machinery and equipment		
Cost at 1 Jan	1,142,267	1,111,047
Increases 1 Jan–31 Dec	43,870	31,938
Decreases 1 Jan–31 Dec	-6,339	-718
Cost at 31 Dec	**1,179,798**	**1,142,267**
Accumulated depreciation according to plan 1 Jan	-582,116	-534,730
Decreases, depreciation according to plan 1 Jan–31 Dec	2,399	718
Depreciation according to plan 1 Jan–31 Dec	-48,482	-48,104
Carrying amount 31 Dec	**551,599**	**560,151**
Accumulated depreciation difference 1 Jan	-86,466	-90,425
Increase in depreciation difference reserve 1 Jan–31 Dec	-18,462	-44,144
Decrease in depreciation difference reserve 1 Jan–31 Dec	48,541	48,104
Accumulated depreciation in excess of plan 31 Dec	**-56,386**	**-86,466**
Transmission lines		
Cost at 1 Jan	1,286,459	1,288,550
Increases 1 Jan–31 Dec	10,541	-1,658
Decreases 1 Jan–31 Dec	-1,921	-433
Cost at 31 Dec	**1,295,079**	**1,286,459**
Accumulated depreciation according to plan 1 Jan	-515,918	-479,675
Decreases, depreciation according to plan 1 Jan–31 Dec	1,081	184
Depreciation according to plan 1 Jan–31 Dec	-36,986	-36,427
Carrying amount 31 Dec	**743,255**	**770,541**
Accumulated depreciation difference 1 Jan	-296,842	-288,869
Increase in depreciation difference reserve 1 Jan–31 Dec	-20,288	-44,400
Decrease in depreciation difference reserve 1 Jan–31 Dec	38,045	36,427
Accumulated depreciation in excess of plan 31 Dec	**-279,085**	**-296,842**

Other property, plant and equipment

Cost at 1 Jan	118	118
Cost at 31 Dec	**118**	**118**
Prepayments and purchases in progress		
Cost at 1 Jan	83,656	59,404
Increases 1 Jan–31 Dec	75,934	94,299
Transfers to other tangible and intangible assets 1 Jan - 31 Dec	-99,995	-70,047
Cost at 31 Dec	**59,596**	**83,656**
Tangible assets total*	**1,597,577**	**1,640,159**

***Net capital expenditure in electricity grid, €1,000**	**2018**	**2017**
Carrying amount 31 Dec	1,569,901	1,609,354
Carrying amount 1 Jan	-1,609,354	-1,618,586
Depreciation according to plan 1 Jan–31 Dec	89,630	85,628
Decreases 1 Jan–31 Dec	5,209	249
Total	**55,386**	**76,645**

Fingrid’s reserve power plants are included in the property, plant and equipment of the transmission system.

14. INVESTMENTS, €1,000	**2018**	**2017**
Interests in Group companies		
Cost at 1 Jan	507	507
Increases 1 Jan–31 Dec	336	
Cost at 31 Dec	**843**	**507**
Interests in associated companies		
Cost at 1 Jan	8,588	8,588
Cost at 31 Dec	**8,588**	**8,588**
Other shares and interests		
Cost at 1 Jan	2,097	1,965
Increases 1 Jan–31 Dec	274	139
Decreases 1 Jan–31 Dec	-3	-8
Cost at 31 Dec	**2,368**	**2,097**
Investments total	**11,798**	**11,192**

15. INVENTORIES, €1,000	**2018**	**2017**
Materials and consumables at 31 Dec	12,391	13,248
Work in progress	0	281
Total	**12,391**	**13,529**

16. OTHER NON-CURRENT RECEIVABLES, €1,000	**2018**	**2017**
Loan receivables from Group companies	9,142	5,000
Loan receivables from associated companies	1,750	4,000
Total	**10,892**	**9,000**

17. RECEIVABLES FROM GROUP COMPANIES, €1,000	**2018**	**2017**

Current:		
Trade receivables	262	772
Interest receivables	116	62
Total	**378**	**833**

18. RECEIVABLES FROM ASSOCIATED COMPANIES, €1,000	**2018**	**2017**
Current:		
Trade receivables	782	3,888
Interest receivables	9	46
Loan receivables	500	
Total	**1,291**	**3,934**

19. PREPAYMENTS AND ACCRUED INCOME, €1,000	**2018**	**2017**
Interest and other financial items	5,810	6,545
Accruals of sales and purchases	2,880	2,201
Tax assets	0	2,331
Other prepayments and accrued income	800	789
Total	**9,489**	**11,866**

20. UNRECORDED EXPENSES AND PAR VALUE DIFFERENTIALS ON THE ISSUE OF LOANS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME, €1,000	**2018**	**2017**
Par value differentials	**1,423**	**1,624**

21. CASH AND CASH EQUIVALENTS, €1,000	**2018**	**2017**
Commercial papers	4,498	6,496
Short-term fixed income funds	56,482	56,472
Bank deposits	10,000	10,000
Cash in hand and bank receivables	13,922	10,303
Total	**84,902**	**83,271**

22. SHAREHOLDERS' EQUITY, €1,000	**2018**	**2017**
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	**201,313**	**175,954**
Dividend distribution	-173,518	-98,000
Profit from previous financial years 31 Dec	**27,795**	**77,954**
Profit for the financial year	**194,570**	**123,358**
Shareholders' equity 31 Dec	**334,210**	**313,158**
Distributable shareholders' equity	**222,365**	**201,313**

Number of shares	Series A shares	Series B shares	Total
1 Jan 2018	2,078	1,247	3,325
31 Dec 2018	**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.

23. ACCUMULATED APPROPRIATIONS, €1,000

	2018	2017
Accumulated depreciation from the difference between depreciation according to plan and depreciation carried out in taxation	398,897	448,897
Yhteensä	**398,897**	**448,897**

24. BONDS, €1,000

Currency	Nominal value	Maturity	Interest	2018 Balance sheet value	2017 Balance sheet value
EUR	50,000	20 Sep 2020	floating rate	50,000	50,000
EUR	30,000	19 Sep 2022	floating rate	30,000	30,000
EUR	30,000	11 Sep 2023	2.71%	30,000	30,000
EUR	300,000	3 Apr 2024	3.50%	300,000	300,000
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	2.89%	30,000	30,000
				655,000	655,000
NOK	200,000	12 Nov 2019	5.37%	23,725	23,725
NOK	100,000	16 Sep 2025	4.31%	12,512	12,512
				36,237	36,237
SEK	1,000,000	19 Nov 2018	floating rate		107,308
					107,308
Bonds, long-term total				667,512	691,237
Bonds, short-term total				23,725	107,308
Total				**691,237**	**798,544**

25. LOANS FALLING DUE IN FIVE YEARS OR MORE, €1,000

	2018	2017
Bonds	587,512	617,512

Loans from financial institutions	54,892	72,554
Total	**642,404**	**690,066**

26. LIABILITIES TO GROUP COMPANIES, €1,000	**2018**	**2017**
Current:		
Other liabilities	2,880	1,158
Total	**2,880**	**1,158**

27. LIABILITIES TO ASSOCIATED COMPANIES, €1,000	**2018**	**2017**
Current:		
Trade payables	2,226	3,376
Total	**2,226**	**3,376**

28. OTHER LIABILITIES, €1,000	**2018**	**2017**
Current:		
Other loans/Commercial papers (international and domestic)	245,387	145,243
Value added tax	13,783	12,378
Electricity tax	4,443	3,092
Advances received	923	923
Other liabilities	591	588
Total	**265,127**	**162,225**

29. ACCRUALS, €1,000	**2018**	**2017**
Current:		
Interest and other financial items	11,306	11,757
Salaries and additional personnel expenses	7,685	6,613
Accruals of sales and purchases	18,113	8,751
Tax debts	15,930	5,150
Congestion	1,292	
Total	**54,326**	**32,271**

30. PROVISIONS FOR LIABILITIES AND CHARGES, €1,000	**2018**	**2017**
Creosote-impregnated and CCA-impregnated wooden towers, disposal costs	1,424	1,474
Total	**1,424**	**1,474**

31. DERIVATIVE AGREEMENTS, €1,000

	2018				**2017**				**Hierarchy level**
Interest rate and currency derivatives	Fair value pos. 31.12.18	Fair value neg. 31.12.18	Net fair value 31.12.18	Nominal value 31.12.18	Fair value pos. 31.12.17	Fair value neg. 31.12.17	Net fair value 31.12.17	Nominal value 31.12.17	
Cross-currency swaps	2,571	-6,888	-4,316	36,237	3,837	-12,660	-8,822	143,544	Level 2
Forward contracts	7	-5	1	5,150		-123	-123	1,167	Level 2

Interest rate swaps	23,575	-5,087	18,488	325,000	23,209	-7,487	15,722	430,000	Level 2
Bought interest rate options	126		126	620,000	787		787	571,587	Level 2
Total	**26,279**	**-11,980**	**14,300**	**986,387**	**27,833**	**-20,270**	**7,563**	**1,146,298**	

Electricity derivatives	Fair value pos. 31.12.18	Fair value neg. 31.12.18	Net fair value 31.12.18	Volume TWh 31.12.18	Fair value pos. 31.12.17	Fair value neg. 31.12.17	Net fair value 31.12.17	Volume TWh 31.12.17	
Electricity future contracts. NASDAQ OMX Commodities	12,383	-385	11,997	1.87	1,010	-135	875	1.13	Level 1
Electricity forward contracts. NASDAQ OMX Commodities	27,500	-3	27,496	2.58	2,905	-1,244	1,661	3.75	Level 1
Total	**39,883**	**-389**	**39,494**	**4.45**	**3,915**	**-1,379**	**2,536**	**4.88**	

32. COMMITMENTS AND CONTINGENT LIABILITIES, €1,000

	2018	2017
Rental liabilities		
Liabilities for the next year	4,054	4,079
Liabilities for subsequent years	25,927	28,192
	29,981	**32,270**
Right-of-use agreements		
Liabilities for the next year	8,663	10,769
Liabilities for subsequent years	53,674	62,011
	62,337	**72,780**
Pledges		
Pledge covering customs credit account	200	200
Pledge covering excise duty	280	280
	480	**480**
Other financial commitments		
Rent security deposit, guarantee	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	345	400
Liabilities for subsequent years	862	1,154
	1,245	**1,592**
Unrecognised investment commitments	**80,954**	**93,991**

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

33. OPERATING CASH FLOW ADJUSTMENTS, €1,000

	2018	2017
Business transactions not involving a payment transaction		
Depreciation	102,385	103,745
Capital gains/losses (-/+) on tangible and intangible assets	-8,132	-340
Total	**94,253**	**103,404**

34. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

An accident took place on a work site in Laukaa, Finland, on 25 August 2017, where an employee of Revilla y Garcia S.L. died after having fallen from a power line tower. A civil court case has been raised in Spain for damages against Fingrid (the client linked with the accident), the main contractor, Technolines S.R.L. filial i Finland, and its sub-contractor, Revilla y Garcia S.L. Fingrid does not believe the claim against it is likely to succeed and, in Fingrid's view, the legal proceedings or their outcome are not likely to have a substantial impact on the company's earnings or financial position.

35. SEPARATION OF BUSINESSES IN ACCORDANCE WITH THE ELECTRICITY MARKET ACT

Imbalance power and regulating power
Each electricity market party must ensure its electricity balance by making an agreement with either Fingrid or some other party. Fingrid buys and sells imbalance power in order to stabilise the hourly power balance of an electricity market party (balance responsible party). Imbalance power trade and pricing are based on a balance service agreement with equal and public terms and conditions.

Fingrid is responsible for the continuous power balance in Finland by buying and selling balancing power in Finland. 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 regulating power market and the pricing of balancing power are based on the balance service agreement.

Fingrid is responsible for organising national imbalance settlement. As of the beginning of May 2017, Fingrid has transferred the imbalance settlement to eSett Oy, a company jointly owned by the Finnish, Swedish and Norwegian transmission system operators.
The balance settlement takes place after the utilisation hours by determining the actual electricity generation, consumption and electricity trade. The outcome of the balance settlement is power balances for each party to the electricity trade.

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. The management of balance operation is a part of 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 2018 was 10 (11). The operating profit was -0.8 (0.5) per cent of turnover.

MANAGEMENT OF BALANCE OPERATION, SEPARATED INCOME STATEMENT	**1 Jan - 31 Dec, 2018 €1,000**	**1 Jan - 31 Dec, 2017 €1,000**
TURNOVER*	**355,698**	**219,344**
Other operating income	1	0
Materials and services*	-352,266	-213,014
Personnel costs	-1,062	-1,148
Depreciation and amortisation expense	-609	-434
Other operating expenses	-4,530	-3,718
OPERATING PROFIT	**-2,768**	**1,028**
Finance income and costs	64	81
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	**-2,703**	**1,110**
Appropriations	222	-81
Income taxes		-206
PROFIT/LOSS FOR THE FINANCIAL YEAR	**-2,482**	**823**

* Turnover includes EUR 116.2 (56.7) million in sales of imbalance power to balance provider Fingrid Oyj, and Materials and services includes EUR 91.6 (54.7) million euros in purchases by Fingrid Oyj.

MANAGEMENT OF BALANCE OPERATION, SEPARATED BALANCE SHEET

ASSETS	31 Dec 2018	31 Dec 2017
	€1,000	€1,000
NON-CURRENT ASSETS		
Intangible assets		
Other non-current expenses	811	1,311
Tangible assets		
Machinery and equipment	351	461
Prepayments and purchases in progress		
Investments		
Interests in associated companies	2,001	2,001
TOTAL NON-CURRENT ASSETS	**3,163**	**3,772**
CURRENT ASSETS		
Non-current		
Loan receivables from associated companies	2,250	4,000
Current receivables		
Trade receivables	5,740	2,649
Receivables from Group companies	10,319	10,594
Receivables from associated companies	21,184	13,214
Other receivables	2,516	2,234
	39,759	28,690
Cash in hand and bank receivables	1	1
TOTAL CURRENT ASSETS	**42,010**	**32,691**
TOTAL ASSETS	**45,173**	**36,463**

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec 2018	31 Dec 2017
	€1,000	€1,000
EQUITY		
Share capital	32	32
Share premium account	286	286
Profit from previous financial years	22,696	21,873
Profit for the financial year	-2,482	823
TOTAL SHAREHOLDERS' EQUITY	**20,532**	**23,013**

ACCUMULATED APPROPRIATIONS	**-611**	**-389**
LIABILITIES		
Current liabilities		
Trade payables	2,199	520
Liabilities to Group companies		
Liabilities to associated companies	23,053	13,113
Accruals		206
	25,252	13,839
TOTAL LIABILITIES	**25,252**	**13,839**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**45,173**	**36,463**

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 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, 2018** **€1,000**	**1 Jan - 31 Dec, 2017** **€1,000**
TURNOVER	**605**	**575**
Personnel costs		-116
Other operating expenses	-368	-374
OPERATING PROFIT	**237**	**86**
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	**237**	**86**
Income taxes	-47	-17
PROFIT/LOSS FOR THE FINANCIAL YEAR	**190**	**69**

DEVELOPMENT OF INFORMATION EXCHANGE, SEPARATED BALANCE SHEET

ASSETS	**31 Dec 2018** **€1,000**	**31 Dec 2017** **€1,000**
CURRENT ASSETS		

Trade receivables	350	1
Other receivables	83	130
TOTAL CURRENT ASSETS	**433**	**131**
TOTAL ASSETS	**433**	**131**

SHAREHOLDERS' EQUITY AND LIABILITIES	**31 Dec 2018**	**31 Dec 2017**
	€1,000	**€1,000**
EQUITY		
Share capital	3	3
Profits/losses from previous financial years	-520	-589
Profit for the financial year	190	69
TOTAL SHAREHOLDERS' EQUITY	**-328**	**-518**
LIABILITIES		
Current liabilities		
Trade payables	353	11
Liabilities to Group companies	343	575
Other liabilities	65	62
	761	649
TOTAL LIABILITIES	**761**	**649**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**433**	**131**

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 project that was started in 2015 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	**OTHER OPERATION**
	1 Jan - 31 Dec, 2018	**1 Jan - 31 Dec, 2018**
SEPARATED INCOME STATEMENT	**€1,000**	**€1,000**
TURNOVER	**843,469**	**1,168**
Other operating income	10,801	

Materials and services	-469,157	
Personnel costs	-30,460	-527
Depreciation and amortisation expense	-102,385	
Other operating expenses	-42,727	-640
OPERATING PROFIT	**209,540**	**0**
Finance income and costs	-16,716	196
PROFIT BEFORE EXTRAORDINARY ITEMS	**192,824**	**196**
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	**192,824**	**196**
Appropriations	50,000	
Income taxes	-48,411	-39
PROFIT/LOSS FOR THE FINANCIAL YEAR	**194,414**	**157**

SEPARATED BALANCE SHEET

	TRANSMISSION SYSTEM OPERATION	**OTHER OPERATION**
ASSETS	**31 Dec 2018**	**31 Dec 2018**
	€1,000	**€1,000**
Intangible assets:		
Goodwill		
Other intangible assets	77,601	
	77,601	
Tangible assets		
Land and water areas	16,749	
Buildings and structures	226,260	
Machinery and equipment	551,599	
Transmission lines	743,255	
Other property, plant and equipment	118	
Prepayments and purchases in progress	59,596	
	1,597,577	
Investments:		
Interests in Group companies		843
Interests in associated companies	8,588	
Other shares and interests	2,368	
	10,955	**843**
TOTAL NON-CURRENT ASSETS	**1,686,133**	**843**
CURRENT ASSETS		
Inventories	12,391	
Receivables		

Non-current		
Loan receivables from Group companies		9,142
Loan receivables from associated companies	1,750	
Deferred tax assets	10,788	
	12,538	**9,142**
Current		
Trade receivables	82,961	
Receivables from Group companies	9,544	378
Receivables from associated companies	1,291	
Other receivables	1,463	
Prepayments and accured income	9,489	
	104,747	**378**
Financial securities	60,980	
Cash in hand and bank receivables	23,922	
TOTAL CURRENT ASSETS	**214,578**	**9,520**
TOTAL ASSETS	**1,900,711**	**10,363**

SEPARATED BALANCE SHEET

	TRANSMISSION SYSTEM OPERATION	OTHER OPERATION
SHAREHOLDERS' EQUITY AND LIABILITIES	**31 Dec 2018**	**31 Dec 2018**
	€1,000	**€1,000**
EQUITY		
Share capital	55,920	3
Share premium account	55,922	
Profit from previous financial years	27,340	455
Profit for the financial year	194,414	157
TOTAL SHAREHOLDERS' EQUITY	**333,596**	**614**
ACCUMULATED APPROPRIATIONS	**398,897**	
PROVISIONS FOR LIABILITIES AND CHARGES	**1,424**	
LIABILITIES		
Non-current liabilities		
Bonds	667,512	
Loans from financial institutions	107,879	
	775,391	
Current liabilities		
Bonds	23,725	
Loans from financial institutions	22,600	
Trade payables	20,725	

Liabilities to Group companies	2,880	9,544
Liabilities to associated companies	2,226	
Other liabilities	265,051	76
Accruals	54,197	129
	391,404	**9,749**
TOTAL LIABILITIES	**1,166,795**	**9,749**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,900,711**	**10,363**

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

SEPARATED BALANCE SHEET	**TRANSMISSION SYSTEM OPERATION**
ASSETS	**31 Dec 2018**
	€1,000
Intangible assets:	
Other intangible assets	7,526
	7,526
Tangible assets	
Land and water areas	16,507
Buildings and structures	4,368
Machinery and equipment	5,612
Transmission lines	1,070
Other property, plant and equipment	118
Prepayments and purchases in progress	59,596
	87,272
TOTAL NON-CURRENT ASSETS	**94,798**

Congestion income in grid operations
The congestion income received by a grid owner must be used for the purposes stated in EC Regulation 714/2009, Article 16, Paragraph 6: guaranteeing the actual availability of the allocated capacity, and maintaining or increasing interconnection capacities through network investments. As a consequence of the change in the regulation governing Fingrid's grid pricing, the company will include the congestion income received after 1 January 2016 as accruals in the item other liabilities in the balance sheet. Of the accruals, congestion income will be recognised in the income statement as other operating income when their corresponding costs, as defined in the regulation, accrue as annual expenses in the income statement. 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. The congestion income received before 1 January 2016 was recognised in turnover. In accordance with the regulation on congestion income, Fingrid has used the congestion income from the connections between Finland and Sweden accrued in 2018 for the Hirvisuo–Pyhänselkä grid investment. EUR 1.3 million in congestion income was left unused and will be used for investments earmarked for financing with congestion income. The Hirvisuo–Pyhänselkä grid investment supports the cross-border transmission from northern Sweden to Finland.

Congestion income, €1,000	**2018**	**2017**
Congestion income on 1 Jan		
Accumulated congestion income	29,632	25,752
Expenses matching congestion income		
Investments matching congestion income	-28,341	-25,752
Congestion income on 31 Dec	**1,292**	

Countertrade

In terms of the costs arising from countertrade used to safeguard system security in grid operations, congestion income may be used to offset countertrade costs arising from cross-border transmission connections.

Counter trade, €1,000	2018	2017
Counter-trade between Finland and Sweden	1,916	366
Counter-trade between Finland and Estonia	58	96
Counter-trade between Finland's internal connections	2,161	1,295
Total counter-trade	**4,135**	**1,756**

36. EMISSION RIGHTS

Fingrid has not been granted free-of-charge emission rights for the emissions trade period 2013–2020.
The use of emission rights had no impact on the financial result in 2016.

	2018	2017
Total CO_2 emissions tCO_2	8,506	5,817

37. PERMANENT LOCATION IN DENMARK IN INCOME TAXATION

Joint Nordic operational planning organisation
Fingrid has 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 includes Fingrid employees who provide the service for Fingrid's parent company, and this operation constitutes a permanent location in terms of income taxation and is income taxable to Denmark. The unit became operational in summer 2018.

INCOME STATEMENT	1 Jan - 31 Dec, 2018 €1,000
TURNOVER	**423**
Other operating income	
Materials and services	
Personnel costs	-129
Depreciation and amortisation expense	
Other operating expenses	-274
OPERATING PROFIT	**20**
Finance income and costs	
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	**20**
Appropriations	
Income taxes	-4
PROFIT/LOSS FOR THE FINANCIAL YEAR	**16**

9 SIGNATURES FOR THE ANNUAL REVIEW AND FOR THE FINANCIAL STATEMENTS

Helsinki, 26th February 2019

Juhani Järvi
Chair

Päivi Nerg
Deputy Chairman

Sanna Syri

Esko Torsti

Anu Hämäläinen

Jukka Ruusunen
President & CEO

Auditor's notation

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

Helsinki, 26th February 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila, APA