

FINGRID GROUP'S INTERIM REPORT 1 JANUARY – 30 JUNE 2005

Review of operations

A total of 42 terawatt hours of electricity was consumed in Finland during the first half of 2005. This was 5.6 per cent less than during the corresponding period in 2004. The reason for the decrease in consumption of electricity was nearly two month labour market dispute in the Finnish forest product industry during which the the consumption was approximately one third less than normally and therefore nearly 3 terawatt hours of electricity was not consumed.

In the winter period, electricity transmissions between Finland and Sweden mainly consisted of imports into Finland. In the spring when the forest product industry had come to a halt, exports of electricity from Finland took over. When large power plant units and the transmission interconnection from Russia were being serviced in June, electricity transmissions were again dominated by imports into Finland. The transmission capacity between Finland and Sweden, made available to the electricity market, was sufficient for a great majority of time.

The transmission capacity from Russia into Finland was in almost full use until the annual service of the interconnection which started in mid-June. The importers reduced their imports during night time in May only. During the labour market dispute in the Finnish forest product industry the power system controlling problems that exist due to inflexible capacity rationing of the Russian connection were disclosed. In June Fingrid informed the market of the volume of the transmission capacity becoming available on the Russian interconnections at the end of 2005, the main principles of the tariff changes and Fingrid's possibility regarding new contracts to control imports during forecasted problem situations.

The sea cable connection between Finland and Estonia is expected to be complete at the end of 2006. Fingrid has signed contracts for connecting the sea cable to the Finnish grid with the organisation responsible for the implementation.

Nordel published its estimate of the sufficiency of electricity in the Nordic countries until 2008. The estimate is somewhat more positive than earlier estimates. According to the estimate the electricity capacity seems then to be adequate. Regional problems may nevertheless arise during extreme situations.

Fingrid made a decision to build a new, 2x50 megawatt, gas turbine power plant at Olkiluoto. The contract for the procurement of the main machinery has been signed. The plant is due to be ready in 2007.

Fingrid has received the bids for the construction of transmission lines required by the third nuclear power unit to be built at Olkiluoto. According to schedule, the line from Olkiluoto to Huittinen (66 kilometres) will be ready in 2007, and the line from Ulvila to Kangasala (129 kilometres) in 2008.

Capital expenditure

Gross capital expenditure during the period examined totalled 28.5 million euros (27.9 million euros).

Transition to the International Financial Reporting Standards (IFRS)

Fingrid has applied the International Financial Reporting Standards (IFRS) as of the second quarter of 2005. Standard IFRS 1 has been applied to the transition. The foremost changes in the figures compared to the previous years' financial statements and interim reports, which were prepared according to the Finnish Accounting Standards, are caused by the discontinuation of depreciation according to plan for goodwill and certain intangible assets, and by recognising the fair value changes of electricity and financial derivatives in the profit and loss account. The change in fair value of derivatives is recorded in the profit and loss account because the company does not apply hedge accounting in its IFRS reporting. More detailed information on the impacts of the transition on the balance sheet and on the profit and loss account was given in a stock exchange release published by Fingrid on 27 May 2005.

Financial result

The Group's turnover during the review period was 157 million euros (154 million euros during the corresponding period in 2004, IFRS figures). Due to decreased electricity consumption resulting from the labour dispute in the Finnish forest product industry, the turnover of Fingrid's grid business from January to June 2005 was slightly lower than in 2004, but the turnover of the review period rose on the previous year as a result of increased sales of balance power. The operating profit was 69.6 million euros (67.9 million euros), and profit before taxes was 51.4 million euros (47.5 million euros). Profit before taxes includes positive change in the fair value of derivatives of 17.2 million euros. During the corresponding period in previous year this change was 9.1 million euros positive. The equity ratio was 22.9 per cent (21.4 per cent) at the end of the review period.

Emission trading within the European Union commenced on 1 January 2005. Within Fingrid, emission trading concerns nine gas turbine power plants, which are primarily operated during disturbance situations in the grid. Fingrid applies IFRIC 3 interpretation to the recognition of emission allowance trading which commenced at the beginning of 2005. This has a minor impact on the profit of the company.

The Group's income flow is characterised by seasonal fluctuations, which is why the financial result for the entire year cannot be directly estimated on the basis of the six-month result.

Financing

The financial position of the Group continued to be good during the review period. The net financial expenses of the Group were 19 million euros (21 million euros). Financial securities, money market holdings and bank balances at 30 June 2005 amounted to 195 million euros (108 million euros). The interest-bearing liabilities, including derivative liabilities, totalled 1,011 million euros (984 million euros), of which 742 million euros (738 million euros) were long-term and 269 million euros (246 million euros) were short-term.

The counterparty risk involved in the derivative contracts relating to financing was 12 million euros (1 million euros). Available committed long-term loan facilities amounted to 400 million euros (400 million euros).

The international rating agencies Moody's Investors Service and Standard & Poor's Rating Services affirmed Fingrid Oyj's credit ratings, which remained unchanged.



Moody's affirmed a long-term rating of Aa3 and a short-term rating of P-1. Standard & Poor's assigned Fingrid a long-term rating of AA- and a short-term rating of A-1+. Both agencies considered Fingrid's future outlook to be stable.

Personnel

The total personnel of the Fingrid Group averaged 226 (232) during the review period.

Auditing

The consolidated figures in this Interim Report are unaudited.

Outlook for the remaining part of the year

The profit of the Fingrid Group for the entire year without the change in fair value of derivatives is expected to decrease somewhat on the previous year.

Interim report for January to September 2005 (IFRS) will be published on 3 November 2005.

Board of Directors

Appendix 1: Interim report figures 1 January – 30 June 2005

Appendix 2: Interim report figures 1 January – 31 March 2005

Further information:

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Interim report figures 1 January - 30 June 2005

Appendix 1

Consolidated profit and loss account, million euros	2005	2004	Change	2005	2004	Change	2004
	Jan - Jun	Jan - Jun		Apr - Jun	Apr - Jun		Jan - Dec
Turnover	157.1	154.0	3.1	58.4	64.0	-5.7	301.8
Other operating income	1.0	0.9	0.1	0.6	0.5	0.0	2.0
Depreciation	-22.5	-22.0	-0.5	-11.3	-11.0	-0.2	-44.4
Operating expenses	-65.9	-65.0	-0.9	-28.5	-32.9	4.4	-157.9
Operating profit	69.6	67.9	1.8	19.2	20.6	-1.4	101.5
Financial income and expenses	-18.6	-20.7	2.1	-9.5	-7.7	-1.8	-43.0
Portion of profit of ass'd companies	0.4	0.3	0.1	0.2	0.1	0.1	0.6
Profit before taxes	51.4	47.5	3.9	10.0	13.0	-3.0	59.1
Income taxes	-13.3	-6.5 *	-6.7	-2.5	3.4 *	-5.9	-9.7 *
Profit for period	38.2	41.0	-2.8	7.5	16.4	-9.0	49.5
Earnings per share, euros	11,482	12,331	-849	2,246	4,947	-2,701	14,884

* change in tax base

Consolidated balance sheet, million euros	2005	2004	Change	2004
	30 Jun	30 Jun		31 Dec
ASSETS				
Noncurrent assets				
Goodwill	87.9	87.9	0.0	87.9
Intangible assets	80.7	81.7	-1.1	80.9
Tangible assets	1,043.2	1,047.3	-4.1	1,039.7
Investments	6.3	6.3	0.1	6.6
Receivables	22.2	23.2	-0.9	5.0
Current assets				
Inventories	3.0	3.1	-0.1	4.2
Receivables	27.3	24.8	2.5	42.9
Liquid assets recognised in profit & loss account at fair value	191.1	106.1	85.0	139.5
Liquid assets	3.8	2.3	1.5	3.9
Balance sheet total	1,465.7	1,382.8	82.9	1,410.6
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	336.3	296.2	40.1	304.7
Long-term liabilities	820.9	801.8	19.1	781.1
Short-term liabilities	308.4	284.8	23.6	324.8
Balance sheet total	1,465.7	1,382.8	82.9	1,410.6

Key indicators, million euros	2005	2004	2004
	Jan - Jun	Jan - Jun	Jan - Dec
Turnover	157.1	154.0	301.8
Capital expenditure, gross	28.5	27.9	42.9
- % of turnover	18.2	18.1	14.2
Research and development expenses	0.6	0.5	1.1
- % of turnover	0.4	0.3	0.4
Personnel, average	226	232	233
Operating profit	69.6	67.9	101.5
- % of turnover	44.3	44.1	33.6
Profit before taxes	51.4	47.5	59.1
- % of turnover	32.7	30.9	19.6
Equity ratio, %*	22.9	21.4	21.6
Shareholders' equity*	336.3	296.2	304.7
Equity per share, euros*	101,157	89,085	91,640
Earnings per share, euros*	11,482	12,331	14,884

* end of period

Change in capital and reserves, million euros	Share capital	Share premium account	Reval- uation reserve	Trans- lation reserve	Retained earnings	Total
Capital and reserves 1 Jan 2004	55.9	55.9	0.0	0.0	149.9	261.8
Change in translation				0.1		0.1
Dividend distribution					-6.6	-6.6
Profit for period					41.0	41.0
Capital and reserves 30 Jun 2004	55.9	55.9	0.0	0.1	184.3	296.2
Change in translation				0.0		0.0
Profit for period					8.5	8.5
Other changes			0.0			0.0
Capital and reserves 31 Dec 2004	55.9	55.9	0.0	0.1	192.8	304.7
Change in translation				0.1		0.1
Dividend distribution					-6.6	-6.6
Profit for period					38.2	38.2
Capital and reserves 30 Jun 2005	55.9	55.9	0.0	0.2	31.5	336.3

Consolidated cash flow statement, million euros	2005		2004
	Jan - Jun	Jan - Jun	Jan - Dec
Cash flow from operations	57.3	59.8	101.2
Cash flow from investments	-22.0	-25.3	-39.7
Cash flow from financial operations	16.0	-32.3	-23.6
Cash flow total	51.3	2.3	37.9
Cash & cash equivalents, beg. of period	143.4	106.1	106.1
Change in the fair value of investments	0.2	0.0	-0.6
Cash & cash equivalents, end of period	194.9	108.4	143.4

Derivative agreements, million euros	30 Jun 2005		30 Jun 2004		31 Dec 2004	
	Net fair value	Nominal value	Net fair value	Nominal value	Net fair value	Nominal value
Interest and currency derivatives						
Cross-currency swaps	-27	332	-66	433	-82	344
Forward contracts	4	106	0	49	-5	103
Interest rate swaps	-6	248	-9	407	-6	273
Call options, bought	2	420	3	315	2	350
Total	-28	1,106	-72	1,204	-92	1,070
Electricity derivatives						
Futures contracts, Nord Pool	0	0	0	0	0	0
Forward contracts of electricity, Nord Pool	16	53	15	55	2	52
Forward contracts of electricity, others	3	8	3	10	1	8
Call options, bought	0	0	2	0	0	0
Total	19	62	20	65	3	60

Pledges, mortgages and contingent liabilities, million euros	30 Jun 2005	30 Jun 2004	31 Dec 2004
	Pledges / bank balances	0	0
Guarantees	0	0	0
Rental liabilities	0	0	0
Commitment fee of revolving credit facility	1	1	1
Total	1	2	3
Other financial liabilities	1	0	1

Interim report figures 1 January - 31 March 2005

Appendix 2

Consolidated profit and loss account, million euros	2005		Change	2004
	Jan - Mar	2004 Jan - Mar		Jan - Dec
Turnover	98.7	90.0	8.8	301.8
Other operating income	0.4	0.4	0.0	2.0
Depreciation	-11.2	-11.0	-0.3	-44.4
Operating expenses	-37.4	-32.1	-5.3	-157.9
Operating profit	50.5	47.3	3.2	101.5
Financial income and expenses	-9.1	-13.0	3.8	-43.0
Portion of profit of ass'd companies	0.1	0.2	-0.1	0.6
Profit before taxes	41.5	34.5	7.0	59.1
Income taxes	-10.7	-9.9	-0.8	-9.7 *
Profit for period	30.7	24.5	6.2	49.5
Earnings per share, euros	9,236	7,383	1,852	14,884

* change in tax base

Consolidated balance sheet, million euros	2005		Change	2004
	31 Mar	2004 31 Mar		31 Dec
ASSETS				
Noncurrent assets				
Goodwill	87.9	87.9	0.0	87.9
Intangible assets	80.7	81.4	-0.8	80.9
Tangible assets	1,037.9	1,040.1	-2.2	1,039.7
Investments	6.8	6.2	0.6	6.6
Receivables	13.9	15.7	-1.8	5.0
Current assets				
Inventories	2.9	2.9	-0.1	4.2
Receivables	43.4	38.3	5.2	42.9
Liquid assets recognised in profit & loss account at fair value	189.5	118.4	71.1	139.5
Liquid assets	7.4	7.9	-0.4	3.9
Balance sheet total	1,470.3	1,398.7	71.6	1,410.6
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	328.8	279.8	49.1	304.7
Long-term liabilities	786.5	884.1	-97.6	781.1
Short-term liabilities	355.0	234.8	120.2	324.8
Balance sheet total	1,470.3	1,398.7	71.6	1,410.6

Key indicators, million euros	2005		2004
	Jan - Mar	2004 Jan - Mar	Jan - Dec
Turnover	98.7	90.0	301.8
Capital expenditure, gross	11.0	9.3	42.9
- % of turnover	11.1	10.4	14.2
Research and development expenses	0.3	0.2	1.1
- % of turnover	0.3	0.3	0.4
Personnel, average	222	221	233
Operating profit	50.5	47.3	101.5
- % of turnover	51.1	52.5	33.6
Profit before taxes	41.5	34.5	59.1
- % of turnover	42.0	38.3	19.6
Equity ratio, %*	22.4	20.0	21.6
Shareholders' equity*	328.8	279.8	304.7
Equity per share, euros*	98,892	84,139	91,640
Earnings per share, euros*	9,236	7,383	14,884

* end of period

Change in capital and reserves, million euros	Share capital	Share premium account	Reval- uation reserve	Trans- lation reserve	Retained earnings	Total
Capital and reserves 1 Jan 2004	55.9	55.9	0.0	0.0	149.9	261.8
Change in translation				0.1		0.1
Dividend distribution					-6.6	-6.6
Profit for period					24.5	24.5
Capital and reserves 31 Mar 2004	55.9	55.9	0.0	0.1	167.8	279.8
Change in translation						0.0
Profit for period					24.9	24.9
Other changes			0.0			0.0
Capital and reserves 31 Dec 2004	55.9	55.9	0.0	0.1	192.8	304.7
Change in translation				0.0		0.0
Dividend distribution					-6.6	-6.6
Profit for period					30.7	30.7
Capital and reserves 31 Mar 2005	55.9	55.9	0.0	0.1	216.8	328.8

Consolidated cash flow statement, million euros	2005		2004
	Jan - Mar	Jan - Mar	Jan - Dec
Cash flow from operations	48.8	46.6	101.2
Cash flow from investments	-11.8	-11.3	-39.7
Cash flow from financial operations	16.4	-15.1	-23.6
Cash flow total	53.3	20.1	37.9
Cash & cash equivalents, beg. of period	143.4	106.1	106.1
Change in the fair value of investments	0.3	0.0	-0.6
Cash & cash equivalents, end of period	196.9	126.2	143.4

Derivative agreements, million euros	31 Mar 2005		31 Mar 2004		31 Dec 2004	
	Net fair value	Nominal value	Net fair value	Nominal value	Net fair value	Nominal value
Interest and currency derivatives						
Cross-currency swaps	-61	358	-67	462	-82	344
Forward contracts	1	99	0	64	-5	103
Interest rate swaps	-5	248	-15	452	-6	273
Call options, bought	3	410	1	245	2	350
Total	-62	1,115	-81	1,223	-92	1,070
Electricity derivatives						
Futures contracts, Nord Pool	0	0	0	0	0	0
Forward contracts of electricity, Nord Pool	8	50	10	65	2	52
Forward contracts of electricity, others	1	9	2	4	1	8
Call options, bought	0	0	1	0	0	0
Total	10	60	13	69	3	60

Pledges, mortgages and contingent liabilities, million euros	31 Mar 2005		31 Mar 2004		31 Dec 2004	
Pledges / bank balances		0		1		1
Guarantees		0		0		0
Rental liabilities		0		0		0
Commitment fee of revolving credit facility		1		1		1
Total		1		2		3
Other financial liabilities		1		0		1