

**FINGRID OYJ**  
**ANNUAL REVIEW AND FINANCIAL STATEMENTS**  
**1 January – 31 December 2019**

## Contents

1	REPORT OF THE BOARD OF DIRECTORS .....	4
1.1	Financial result .....	4
1.2	Financing.....	5
1.3	Share capital .....	6
1.4	Customers.....	6
1.5	Capital expenditure .....	7
1.6	Power system.....	9
1.7	Electricity market .....	11
1.8	Personnel.....	13
1.9	Board of Directors and corporate management .....	15
1.10	Fingrid's business model .....	15
1.11	Internal control and risk management.....	16
1.12	Foremost risks.....	18
1.13	Corporate responsibility .....	18
1.14	Environmental matters.....	20
1.15	Legal proceedings and proceedings by authorities .....	21
1.16	Events after the review period and estimate of future outlook.....	21
1.17	Board of Directors' proposal for the distribution of profit .....	22
1.18	Annual General Meeting 2020 .....	22
2	CONSOLIDATED KEY FIGURES .....	23
3	CONSOLIDATED FINANCIAL STATEMENTS (IFRS).....	25
	<b>INTRODUCTION</b> .....	25
3.1	Income statement.....	27
3.2	Consolidated balance sheet .....	29
3.3	Consolidated statement of changes in equity .....	31
3.4	Consolidated cash flow statement .....	32
4	BENCHMARK FOR TSO OPERATIONS (IFRS) .....	34
4.1	General information about the Group and general accounting principles .....	34
4.2	The company's general risk management processes and policies.....	35
4.3	Formation of turnover and financial result.....	36
4.4	Revenue-related receivables and credit risk management .....	38
4.5	Operating expenses, liabilities and credit risk management for purchases .....	39
4.6	Inventories.....	41
4.7	Management of commodity risks .....	42

4.8	Personnel - the cornerstone of our operations .....	42
4.9	Taxes .....	43
5	LONG-TERM INVESTOR (IFRS) .....	46
5.1	Grid assets .....	46
5.2	Tangible and intangible assets .....	49
5.3	Lease agreements.....	52
6	STRONG FINANCIAL POSITION (IFRS) .....	55
6.1	Capital management .....	55
6.2	The aims and organisation of financing activities and the principles for financial risk management 55	
6.3	Financial liabilities, financial costs and managing the financial risks of liabilities.....	56
6.4	Cash and cash equivalents and other financial assets.....	65
6.5	Equity and dividend distribution .....	66
6.6	Summary of financial assets, financial liabilities and derivatives .....	69
7	OTHER INFORMATION (IFRS).....	74
7.1	Group companies and related parties.....	74
7.2	Other notes .....	76
8	Parent company financial statements (FAS).....	79
8.1	Parent company income statement .....	79
8.2	Parent company balance sheet .....	80
8.3	Parent company cash flow statement.....	82
8.4	Notes to the financial statements of parent company.....	83
9	SIGNATURES FOR THE ANNUAL REVIEW AND FOR THE FINANCIAL STATEMENTS .....	104

## 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 2018, taking into account the changes brought about by IFRS 16 and the more detailed application of IAS16.

The Group's turnover was EUR 789.4 (852.8) million. Grid service income declined to EUR 385.0 (423.2) million, due to the reduced grid service prices. Electricity consumption in Finland totalled 86.1 (87.5) terawatt hours during the year. Imbalance power sales amounted to EUR 346.7 (348.8) million, on a par with the previous year. Cross-border transmission income from the connection between Finland and Russia decreased to EUR 11.6 (35.5) million, as a result of the lower 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 declined to EUR 4.2 (10.8) million. The decline resulted from a decrease in capital gains from the sale of fixed assets.

The Group's total costs amounted to EUR 651.6 (659.0) million. Imbalance power costs remained on the previous year's level and totalled EUR 323.5 (320.0) million. Loss power costs grew to EUR 53.9 (47.7) million. The volume of loss power grew slightly, and the price of loss power procurement increased somewhat. The realised average price of loss power procurement was EUR 39.57 (37.88) per megawatt hour. The cost of reserves to safeguard the main grid's system security remained on the previous year's level and amounted to EUR 55.9 (56.7) million. Depreciation totalled EUR 97.8 (99.7) million. Grid maintenance costs amounted to EUR 21.6 (21.2) million.

Personnel costs declined to EUR 26.4 (32.2) million, mainly as a result of the capitalisation of personnel costs related to investment projects EUR 4,7 million. A total of EUR 3.4 (3.6) million was used for R&D projects.

#### Turnover and other operating income, € million

	Jan- Dec/19	Jan- Dec/18	July- Dec/19	July- Dec/18
Grid service revenue	385.0	423.2	175.7	193.8
Sales of imbalance power	346.7	348.8	171.6	184.0
Cross-border transmission income	11.6	35.5	6.2	15.3
Peak load capacity income*	14.1	14.0	4.8	4.7
ITC income	14.4	13.1	7.6	7.8
Other turnover	17.4	18.2	8.3	10.4
Other operating income	4.2	10.8	3.6	9.8
<b>Turnover and other income total</b>	<b>793.6</b>	<b>863.6</b>	<b>377.7</b>	<b>425.7</b>

## Costs, € million

	Jan- Dec/19	Jan- Dec/18	July- Dec/19	July- Dec/18
Purchase of imbalance power	323.5	320.0	160.9	170.6
Cost of loss energy	53.9	47.7	28.2	22.3
Depreciation	97.8	99.7	49.1	50.4
Cost of reserves	55.9	56.7	29.3	27.1
Personnel costs	26.4	32.2	10.4	15.6
Maintenance management costs	21.6	21.2	13.8	13.2
Cost of peak load capacity*	13.7	13.7	4.4	4.6
ITC charges	15.0	13.8	7.3	7.2
Other costs	43.8	54.0	21.4	30.9
<b>Costs total</b>	<b>651.6</b>	<b>659.0</b>	<b>324.7</b>	<b>342.0</b>
<b>Operating profit excluding the change in the fair value of commodity derivatives</b>	<b>142.1</b>	<b>204.6</b>	<b>53.1</b>	<b>83.7</b>
<b>Operating profit of Group, IFRS</b>	<b>115.5</b>	<b>241.6</b>	<b>48.7</b>	<b>91.2</b>

\* 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 115.5 (241.6) million. To recognise changes in the fair value of electricity derivatives and the currency derivatives related to capital expenditure and other operating expenses, EUR -26.6 (37.1) million was recorded in operating profit. The Group's profit before taxes was EUR 105.8 (229.0) million. The biggest differences year-on-year are explained by changes in the market value of electricity derivatives (EUR -63.5 million) and lower grid service income and cross-border transmission income (change totalling EUR -62.0 million). Profit for the financial year was EUR 84.6 (183.2) million. The equity ratio was 32.0 (36.6) per cent at the end of the year.

The parent company's turnover was EUR 786.2 (844.6) million, profit for the financial year EUR 148.1 (194.6) million and distributable funds were EUR 199.0 million.

Based on the company's own calculations, the result according to the regulatory model that governs grid operations amounts to a deficit of around EUR 15 million for 2019 and to a deficit of some EUR 30 million for the entire regulatory period 2016–2019.

## 1.2 Financing

The company's credit rating remained high, reflecting its strong overall financial situation and debt service capacity. The Group's net financial costs were EUR 10.1 (15.2) million, including EUR 0.7 million in interest expenses on the lease liabilities entered into the balance sheet following the introduction of the IFRS 16 standard in 2019. The Group's net interest expenses on loans during

the year totalled EUR 14.7 (16.3) million. The change in the fair value of financial derivatives was EUR 8.1 million positive (EUR 6.7 million positive).

Interest-bearing borrowings totalled EUR 1,120.0 (1,059.6) million, of which non-current borrowings accounted for EUR 884.7 (771.5) million and current borrowings for EUR 235.3 (288.1) million. At the end of the year, the company's interest-bearing borrowings included a total of EUR 32.9 million in lease liabilities, consisting of EUR 2.4 million in short-term liabilities, to be paid within a year.

The company's liquidity remained good. Cash and financial assets totalled EUR 82.8 (85.3) million on 31 December 2019. The company additionally has an undrawn committed 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 relating to financing was EUR 22.4 (14.3) 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 2019 remained high and 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 'A+', the long-term company rating at 'A', and 'F1' for the short-term company rating, with a stable outlook.

### 1.3 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.

### 1.4 Customers

Fingrid provides transmission grid and electricity market services to its customers: power companies, electricity-consuming industry and electricity market participants. The company's operations are largely based on fulfilling statutory duties, and they are conducted with the customers in mind, fairly and on equal terms.

According to the customer survey conducted in autumn 2019, customers' satisfaction with Fingrid has remained at the previous year's good level. More than half of the customers felt that the company's operations had improved during the past year. According to the survey, customers perceive Fingrid as an open and co-operative player who works for the benefit of the whole of society and treats its customers equally. The company received a Net Promoter Score (NPS) of 36, which is a good result for a natural monopoly.

According to a study carried out by the European Network of Transmission System Operators for Electricity (ENTSO-E) in 2019, the transmission tariffs for electricity in the Finnish transmission system are the third lowest in Europe, compared with transmission grids of a similar size. The comparison included 36 countries. In 2020, the grid service fees will be maintained at the previous year's level.

During the year under review, Fingrid's services were redefined and regrouped into larger packages. The service offering now consists of main services, which are grid services and electricity market services.

As a result of its customer service development work, Fingrid launched the online service platform My Fingrid in May 2019 for its customers. In My Fingrid, customers can view, for example, electricity transmission metering, invoicing and reactive power information as well as disturbance and transmission outage information. Different customer data can be updated and reported through the service.

## 1.5 Capital expenditure

The company's total capital expenditure in 2019 amounted to EUR 135.6 (92.7) million. This included a total of EUR 103.4 (85.1) million invested in the transmission grid and EUR 5.5 (2.9) million for reserve power. ICT investments amounted to EUR 25.6 (4.0) million. A total of EUR 3.4 (3.6) million was used for R&D projects during the year under review. The most significant construction projects during the year were the Iron Lady II (Hikiä-Orimattila), the grid reinforcing measures in North Karelia and the construction work at the Olkiluoto, Nurmijärvi, Jyväskylä, Inkoo and Korja substations. The costliest of all ICT investments was the centralised information exchange system for electricity retail markets, Datahub, which the company is currently building.

Finland's main grid turned 90 in 2019. The electricity transmission grid is constructed and maintained with the needs of a clean power system in mind. Investments and maintenance are carried out safely, efficiently and in a timely manner. The proportion of wind power will be substantially increased in Finland going forward. It is Fingrid's duty to ensure that the planned production capacity can be connected to the power system and the electricity market. Investments and maintenance are carried out safely, efficiently and in a timely manner.

The main grid is being reinforced both between Finland and Sweden and in Finland along the north-south axis. The Coastal Line from North Ostrobothnia to Pori has been completed, the Forest Line from Oulu to Petäjävesi is under construction and the reinforcement of the Lake Power Line from North Ostrobothnia to Kuopio is at the planning stage. All of the constructed transmission connections are major investments, necessary for the transmission grid that serves as a platform for the clean energy of the future.

By international standards, grid asset management at Fingrid is world-class. In spring 2019, the company once again placed at the top in the International Transmission Asset Management Study (ITAMS).

Fingrid's asset management has been certified according to ISO 55001:2014. The certification was granted to Fingrid for the first time in 2016, and again by Lloyd's Register Verification Limited in autumn 2019.

In accordance with the company's land use and environmental policy, the objective of main grid investments and maintenance is to reduce life-cycle environmental impacts. In 2019, the statutory environmental impact assessment (EIA) was initiated for the projects related to the transmission line between Huittinen and Forssa and Sweden's third AC connection between Muhos and Ylitornio. In addition, three environmental assessments were completed. An expropriation permit ruling entitling to the construction and maintenance of the transmission line was received for four projects, the most significant of which was the Forest Line, running for more than 300 kilometres from Central Finland to Oulu.

Grid planning requires international and national co-operation between the various parties. Fingrid was also involved in devising the plan. In autumn 2019, the Nordic transmission system operators published a Nordic grid plan, under which the Nordic TSOs will have on-going investment projects worth around EUR 15 billion in total by 2028.

The planning of the Finnish main grid is dominated by a transition from fossil fuels towards electricity production with zero carbon dioxide emissions, in other words the connection of wind and nuclear power. Fingrid also published a main grid development plan 2019–2030 in autumn 2019. The development plan sets forth Fingrid’s main grid planning principles, grid development needs and planned investments for the next 10-year period.

In 2019, power lines and substations were built extensively throughout Finland. A total of approximately 150 kilometres of new transmission lines were built, and 12 new or expanded substations were completed. The most significant on-going construction projects are related to the Forest Line, the third AC connection between Finland and Sweden and the construction work around the Oulujoki river:

- The Olkiluoto substation’s ageing 400 kilovolt switching station at Eurajoki was replaced by two separate switching stations. The changes improved the Olkiluoto nuclear power plant units’ grid connection reliability, ensuring that the units can supply electricity to the system with no disturbances. The work was completed in November 2019.
- The renewal of the transmission line dubbed the Iron Lady continued. The construction of the 400 + 110 kilovolt transmission line between Hikiä and Orimattila focussed on the Hikiä (Hausjärvi)–Metsämarttila (Kärkölä) section. Iron Lady II was completed in December 2019.
- Fingrid’s most significant and largest project is called the Forest Line, which runs from Oulu to Petäjävesi. The connection will increase the transmission capacity along the north-south axis, and it will be completed in 2019–2022. The construction project has been divided into six separate subprojects, for which procurement agreements were made during the year under review.
- A third AC connection (RAC3) between Finland and Sweden which is important for the Nordic electricity market has proceeded as planned, in co-operation with Sweden’s TSO. An EIA is being carried out for the transmission line from northern Finland to northern Sweden. In 2019, the project received more than EUR 4 million in financial support from the EU for the technical assessment phase. The cross-border transmission connection is due for completion in 2025.
- A digital substation project will be implemented in Pernoonkoski, Kotka, in an effort to gain experience in the utilisation of a digital fieldbus in the substation environment. The aim is to create a digitalised substation that is safe, environmentally sustainable, remote controlled and provides excellent cost effectiveness in terms of both capex and operational costs. The Pernoonkoski substation is due for completion in 2020.
- The construction of Fingrid’s new Imatra substation related to Iron Lady II is underway near the Imatra hydropower plant. The new substation will be commissioned in autumn 2020.
- Tampereen Sähköverkko, Elenia and Fingrid are together upgrading the Tampere area’s electricity network. An electricity network development plan was drawn up for the area, as a result of which Tampere will receive a 110 kilovolt transmission line to meet the area’s electricity needs. The transmission line will be built in 2019–2020. The solution jointly developed by the three companies is cost-effective and has minimal environmental impacts.
- In the Oulujoki river area, two substations will be renewed and one will be expanded, and a new transmission line will be built. The transmission line is an important part of reinforcing the planned Lake Line towards eastern Finland.



- In order to secure the Helsinki region's electricity supply, a new type of operating model is being developed, in which the City of Helsinki, the region's distribution network company Helen Sähköverkko and Fingrid collaborate to carry out an infrastructure project that will serve the Helsinki region's electricity supply and facilitate land use. Fingrid is preparing to build a new 400-kilovolt cable link from Länsisalmi in Vantaa to Viikinmäki, with plans to have it up and running in the latter half of the 2020s. During the year under review, Fingrid, the City of Helsinki and Helen Sähköverkko together drew up a review of the specified transmission solution, based on which detailed planning can be started. Based on a decision issued by the Uusimaa Centre for Economic Development, Transport and the Environment, an EIA is not required in a 400-kilovolt cable development project.

Of the future transmission line projects, five are in the general planning phase. They will proceed to the construction phase within the next few years in accordance with the main grid development plan.

During the year under review, Fingrid launched an aerial photography project on the main grid, in which all of the company's transmission lines will be photographed and laser-scanned. The data obtained will be utilised extensively, from grid documentation to the analysis of the trees on the edges of power line right-of-ways. The collected data will help plan and implement necessary measures efficiently and safely.

Fingrid owns ten reserve power plants with a constant start-up readiness of 15 minutes. In 2019, an upgrade project was completed at the Naantali reserve power plant, with the main objective of improving environmental and fire safety. During the year under review, the planning of an upgrade project concerning the Vanaja reserve power plant was started.

One of Fingrid's long-term goals is to improve the occupational safety culture and in this way achieve its zero accident objective. In 2019, Fingrid's own personnel had no lost-time workplace accidents (0). A total of 7 (4) lost-time workplace accidents were recorded among Fingrid's service providers. Among the lost-time accidents, one led to an absence of more than 30 days from work and was classified as serious. In addition, one workplace accident was classified as serious, because it caused a permanent impairment to the service provider's employee. The suppliers' and Fingrid's combined accident frequency rate increased from the previous year to 5.5 (3.2)/million worked hours.

## 1.6 Power system

Electricity consumption in Finland totalled 86.1 (87.5) terawatt hours in 2019. Fingrid transmitted a total of 68.7 (68.6) terawatt hours of electricity in its grid, representing 76.0 (75.4) 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. The peak in electricity consumption, 14,542 (14,062) MWh/h was reached on Monday 28 January 2019 between 8 and 9 a.m., with Finland's electricity production contributing 10,978 MWh/h and the remaining 3,564 MWh/h being imported. The area price of electricity on the day-ahead market in Finland was €70.05/MWh during the peak consumption hour.

On the Nordic level, water resources were at a normal level, leading to lower wholesale prices for electricity in the Nordic countries compared to the previous year. This was reflected in the high volumes of electricity imported from the Nordic countries. Electricity transmissions between Finland and Sweden consisted mostly of large imports to Finland. In 2019, 16.3 (14.5) terawatt hours of electricity was imported from Sweden to Finland, and 0.5 (1.0) terawatt hours was

exported from Finland to Sweden. In the electricity transmission between Finland and Estonia, exports to Estonia amounted to 3.8 (2.4) terawatt hours. Imports from Estonia amounted to 0.3 (0.9) terawatt hours. Electricity transmission from Russia to Finland amounted to 7.5 (7.9) terawatt hours. In 2019, 0.2 (0.2) terawatt hours of electricity was imported from Norway to Finland, and 0.1 (0.1) 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 electricity transmission was steered by the markets and the hourly transmission direction varied according to the current market situation. The price differences between the Nordic countries in 2019, which were large at times, resulted mainly from a different electricity production structure. Area prices between Finland and Sweden diverged in situations where the transmission capacity between the countries was insufficient to meet the demand for electricity.

In 2019, there was no need to raise Fingrid's preparedness for disturbance clearing. The transmission reliability rate remained at an excellent level and transmission reliability rate was 99.9998 (99.9999) per cent. An outage in a connection point in the grid caused by a disturbance in Fingrid's electricity network lasted an average of 4.3 (12.0) minutes, which is equal to the ten-year average. The calculated cost of the disturbances (regulatory outage costs) to consumer customers was only EUR 2.7 (1.5) million. If quick reconnections are included, the cost of disturbances amounts to EUR 5.2 million.

The reliability and usability of DC connections were at a good level in 2019. There was one long-lasting disturbance on the EstLink 2 connection, which began in late December and ended in early January 2020. The number of disturbances and the total duration of disturbances were on the same level as in 2018 for DC connections.

The volume of transmission losses in the grid increased somewhat from the level of the previous year, amounting to 1.3 (1.2) terawatt hours. This was 1.5 (1.3) 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 volume 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/19	Jan- Dec/18	July- Dec/19	July- Dec/18
Counter-trade between Finland and Sweden, €M	0.1	1.9	0.0	1.8
Counter-trade between Finland and Estonia, €M	0.5	0.1	0.1	0.0
Counter-trade between Finland's internal connections, €M	0.3	2.2	0.2	2.1
<b>Total counter-trade, €M</b>	<b>0.9</b>	<b>4.1</b>	<b>0.4</b>	<b>3.9</b>

Reserves required to maintain the power balance of the power system were procured from Finland, other Nordic countries, Estonia and Russia. The availability of reserves was good, with the exception of the spring floods, which limited the availability of hydropower plants to reserve maintenance. Consumption is increasingly active in participating in the frequency containment reserve for disturbances. Countertrade costs arise from, among other things, transmission grid disturbances and problems. Countertrade refers to special adjustments made in the management of electricity transmission which are used to eliminate short-term bottlenecks (congestion in

electricity transmission caused by the transmission grid). In addition to this, Fingrid guarantees the cross-border transmission capacities between countries it has confirmed by carrying out countertrades, 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, power plant failures or power outages or disruptions in the transmission grid. Countertrade costs amounted to only EUR 0.9 (4.1) million.

<b>Power system operation</b>	<b>Jan- Dec/19</b>	<b>Jan- Dec/18</b>	<b>July- Dec/19</b>	<b>July- Dec/18</b>
Electricity consumption in Finland TWh	86.1	87.5	41.5	42.2
Inter TSO transmission in Finland, TWh	4.4	3.5	2.3	2.0
Transmission within Finland, TWh	90.5	90.9	43.7	44.2
Fingrid's transmission volume TWh	68.7	68.6	34.0	33.9
Fingrid's electricity transmission to customers, TWh	64.2	64.9	31.7	31.8
Fingrid's loss energy volume TWh	1.3	1.2	0.7	0.6
<b>Electricity transmission Finland - Sweden</b>				
Exports to Sweden TWh	0.5	1.0	0.1	0.5
Imports from Sweden TWh	16.3	14.5	9.2	7.0
<b>Electricity transmission Finland - Estonia</b>				
Exports to Estonia TWh	3.8	2.4	2.1	1.4
Imports from Estonia TWh	0.3	0.9	0.1	0.3
<b>Exports to Norway TWh</b>				
Imports from Norway TWh	0.1	0.1	0.0	0.0
Imports from Norway TWh	0.2	0.2	0.2	0.1
<b>Electricity transmission Finland - Russia</b>				
Imports from Russia TWh	7.5	7.9	3.3	4.4

## 1.7 Electricity market

The average market price of spot electricity on the electricity exchange (Nordic system price) was EUR 38.94 (43.99) per megawatt hour. The wholesale prices of electricity were slightly lower than in the previous year in both Finland and the other Nordic countries. The decline in the prices was impacted by the improved precipitation in the Nordics compared to 2018. At times, the availability of wind power had a clear impact on the area price of electricity in Finland. The prices of emissions rights remained at the level they had reached in 2018.

Fingrid's congestion income from cross-border transmission lines totalled EUR 73.0 (29.6) million, of which the cross-border transmission lines between Finland and Sweden accounted for EUR 65.5 (28.2) million. EUR 15.0 (18.9) million of this was accrued during the first half of the year and EUR 50.5 (9.3) million during the second half of the year. The links between Finland and Estonia generated EUR 7.5 (1.4) million in congestion income. Fingrid's congestion income has been used, in accordance with regulations, for the Forest Line connection's network investment and for the Alapitkä capacitor investment. EUR 72.4 million in accrued congestion income was left unused and will be used for future investments to improve the functioning of the electricity market

Electricity market	Jan-Dec/19	Jan-Dec/18	July-Dec/19	July-Dec/18
Nordic system price, average €/MWh	38.94	43.99	36.70	49.07
Area price Finland, average €/MWh	44.04	46.80	45.63	51.55
Congestion income between Finland and Sweden, € million*	131.0	56.5	101.0	18.6
Congestion hours between Finland and Sweden %**	40.1	23.6	54.4	24.0
Congestion income between Finland and Estonia, € million*	15.0	2.8	4.0	2.0
Congestion hours between Finland and Estonia %	11.8	5.4	10.4	7.9

\* 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 Sweden's SE1 or SE3 area price.

Through Fingrid's transmission grid and the cross-border transmission lines, market participants gain access to and can reap the benefits of an open European electricity market. The market is provided with the highest possible transmission capacity, which enables effective trading for the market participants. In 2019, the reliability of Estonia's DC connections was weaker than in previous peak years, but despite the challenging situations, the connections were efficiently restored for use by the markets. The usability and reliability of Sweden's DC connections have been at an excellent level.

In summer 2019, competition was enabled between power exchanges in Central Europe. Since then, electricity sellers and buyers have been able to choose their preferred power exchange. In December 2019, Fingrid, together with the other Nordic and Baltic TSOs that hold shares in Nord Pool Holding AS, entered into a binding agreement to sell the majority of the company's shares to Euronext Nordics Holding AS, a Norwegian company fully owned by Euronext N.V. The transaction was completed in January 2020.

In June 2019, Fingrid announced that it would enable intraday trading within Finland until the start of the delivery hour. Finnish market participants have expressed a preference for having a possibility to trade closer to real time. The exact schedule depends on the decisions made by the power exchanges active in Finland to offer their customers a possibility to trade until the start of the delivery hour (Nord Pool implemented 0 minutes intraday gate closure time in Finland on 14 January 2020.)

During 2019, Fingrid actively developed the electricity markets as part of the Nordic imbalance settlement project and participated in European joint development work in ENTSO-E, the European Network of Transmission System Operators of Electricity. In addition, Fingrid has implemented measures to promote the electricity market in Finland.

The Nordic imbalance settlement project automates the power system's imbalance settlement, in other words the real-time balancing of electricity production and consumption. The project also develops new Nordic marketplaces for automatic and manual frequency restoration reserves.

Following the imbalance settlement project, the Nordic countries will implement a shorter imbalance settlement period enabling 15-minute trading and a new imbalance power model. The Nordic project's updated roadmap was published in November 2019.

Finland is the only Nordic country to publish real-time balancing power pricing data. In 2019, Fingrid started to publish the price of the last activated balancing power bid whenever Finland is decoupled into a separate regulation area.

On 14 May 2019, the Danish TSO Energinet and the imbalance settlement company eSett's current owners Fingrid, Svenska kraftnät and Statnett signed an agreement according to which Energinet joined the Nordic Balance Settlement by becoming a co-owner of eSett Oy. Each party owns 25 per cent of the company. The Danish market participants will join the Nordic Balance Settlement in the fourth quarter of 2020 once the regulating authorities approve the new market processes.

In autumn 2019, Fingrid launched a pilot where the minimum bid size in the balancing energy market was lowered from five to one MW. The goal of the pilot is to ease entry to the balancing energy market and the transition towards the European balancing markets.

The EU-financed flexible market platform project INTERRFACE continued during the year under review. The project is part of the broad-ranging Horizon 2020 programme, and it involves testing a flexible market platform in Finland, Estonia and Latvia.

The European Commission granted Project of Common Interest status to the preparations for the CrossFlex flexible resource project in October 2019. CrossFlex is a project proposal by Fingrid and the TSOs of Estonia and Åland with the aim of promoting the large-scale utilisation of the flexibility provided by distributed decentralised resources locally, nationally and between Finland and Åland as well as between Finland and Estonia.

Fingrid has been testing aggregation models in the balancing energy market and launched an independent aggregator pilot in the balancing energy market in 2019. The aim is to allow reserve providers to collect or aggregate decentralised flexible resources out of the balances of other electricity market participants. This enables new kinds of business models and makes it easier for new participants or resources to enter the reserve market.

Fingrid is building a centralised information exchange system for electricity retail markets, Datahub, which will contain data from about 3.7 million electricity metering points. In 2019, it became apparent that some distribution system operators and retailers will not be able to implement the necessary changes in their own customer and metering data management systems to reach Datahub readiness in time. The new go-live date was confirmed in a Government Decree that entered into force in early December. According to the decree, the Datahub will go live on 21 February 2022.

## 1.8 Personnel

Fingrid employed 380 (380) persons, including temporary employees, at the end of the year. The number of permanent per-sonnel was 338 (327). At the end of the year, 24 (23) per cent of the

personnel were women and 76 (77) per cent were men. The average age of the personnel was 44 (44).

During 2019, the personnel received a total of 14,112 (14,979) hours of training, with an average of 37 (39) 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 has in place a merit pay and incentive bonus scheme.

Fingrid's operations are based on an open, collaborative, renewing and high-performing work community. The personnel are strongly committed to the company's vision and mission. The meaning of the work – responsibility for the functioning of the electricity system – is an integral part of daily work. Fingrid employees work to achieve the clean power system of the future.

Fingrid is a specialist organisation whose operations are strongly based on knowledge and expertise and people's ability to apply that knowledge in their daily work. The work requires solid factual expertise, but also the ability to interact and share information with other specialists.

Fingrid is committed to promoting diversity in everything it does. The company guarantees equal opportunities, rights and treatment to all employees and makes use of its personnel's diverse expertise. In accordance with its employer promise, the company has committed to a collaborative atmosphere where the organisational culture and management practices are respectful, fair and tolerant to all. Fingrid abides by the principles of non-discrimination, equality and diversity in its HR policy.

Employees have extensive decision-making powers and each one of them works independently in a specialist role, drawing on the expertise and insights of colleagues and networks. Work is guided by a shared strategy and good governance practices.

As technology and the entire operational environment evolve, working life changes continuously. Fingrid responds to these changes by offering its employees opportunities to develop and grow their competence. The approach of securing expertise as a strategic choice improves the quality of personnel planning and helps the company to better prepare for future needs. Fingrid takes a broad view of learning and development: employees are offered opportunities for on-the-job learning through demanding tasks, complex projects and job rotation. Fingrid Academy offers all specialists training and coaching programmes related to supporting the company's strategy. The company has focussed especially on developing the communication, interaction and engagement skills of specialists.

In 2019, Fingrid Academy offered coaching for supervisors, project management coaching, training in O365 tools, language and multicultural coaching and unit-specific coaching mainly related to change, work community and emotional skills. The training programme called Loikka (i.e. 'Leap') was targeted at specialists and aimed at increasing their communication and engagement skills. During the year under review, supervisors were offered a coaching programme called Johtamisen polku ('Management path'), which put the emphasis on bold supervisory work and performance management. In addition to shared training provided by the company, personnel can take the initiative by proposing specific training to boost their know-how. In 2019, each Fingrid employee received an average of 5 (5) days of training.

The work atmosphere and success of leadership are monitored through annual personnel surveys. A Great Place to Work employee survey was carried out in 2019. Based on the results, employees consider Fingrid to be a good place to work overall. The overall result, i.e. the Trust Index,

improved somewhat from the previous survey and was 88 (87), which is a top result on the Finnish scale.

In February 2019, Fingrid was awarded as one of Finland's most inspiring workplaces for the third year in a row. The company placed third in the Responsible Summer Job campaign in the medium-sized company category.

During the year under review, Fingrid introduced a new alternative for paying quality bonuses, with the personnel deciding to establish a voluntary personnel fund. The objective of the fund is to contribute to the company's long-term commitment to its employees and to the employees' commitment to the company.

## 1.9 Board of Directors and corporate management

Fingrid Oyj's Annual General Meeting was held in Helsinki on 21 March 2019. The members of the Board of Directors in 2019 were Juhani Järvi (Chair), Päivi Nerg (Deputy Chair), 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 Anu Hämäläinen (Chair as of 21 March 2019), Juhani Järvi, Sanna Syri (as of 21 March 2019) and Esko Torsti (Chair) (until 21 March 2019).

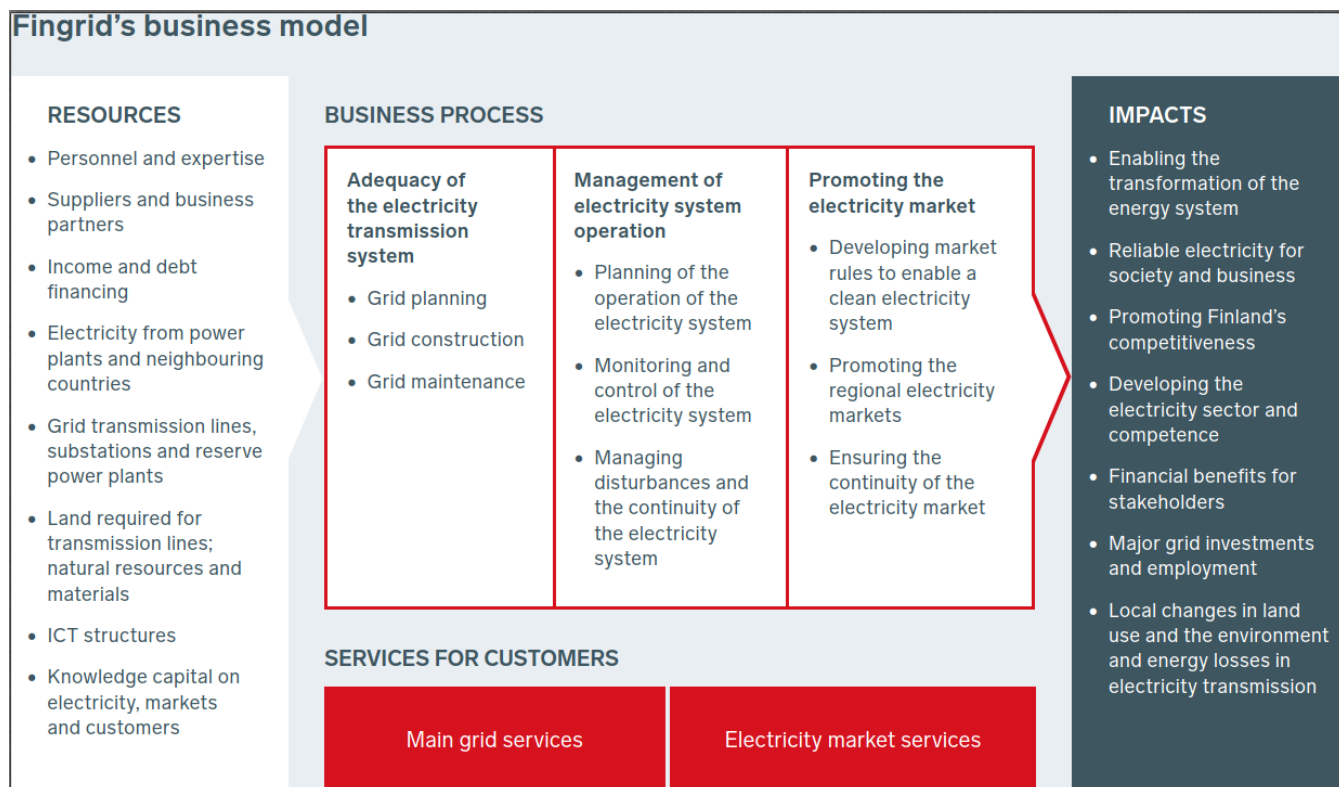
The Remuneration Committee consisted of Juhani Järvi (Chair), Päivi Nerg, Sanna Syri (until 21 March 2019) and Esko Torsti (as of 21 March 2019).

Jukka Ruusunen serves as President & CEO of the company. Fingrid has an Executive Management Group which supports the President & 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](http://www.fingrid.fi).

## 1.10 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 impact of Fingrid's operations and the significant added value they generate show in various ways throughout Finnish society.



## 1.11 Internal control and risk management

Fingrid's 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 as a whole, with the objective of comprehensively identifying, assessing, monitoring and safeguarding the company's operations, the environment, personnel and assets from various threats and risks.

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 to be in charge of 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 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 efficacy 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.

## 1.12 Foremost risks

Since Fingrid plays a significant role in Finnish society, the impact of risks is assessed from both the company's and society's perspective. Strategic risks are considered to be events that may lead to a material deterioration in the company's ability to operate or in its corporate image or, in the worst-case scenario, events that may lead to the company's operations being called into question by society.

The most significant of the company's three identified strategic risks is a severe disturbance related to the functioning of the power system, leading to a regional or Finland-wide loss of electricity supply. Extensive disturbances to the power system can be caused by a technical malfunction, an extreme weather event, human error, an accident or vandalism. The consequences of a major disturbance are the paralysis of society's functions and major damage to Finnish business and industry.

Financial regulation directly impacts shareholder value, financing and credit ratings. A significant negative change in regulation constitutes a material strategic risk for the company's business operations.

The third strategic risk for the company's operations is the possibility of a distortion in the corporate culture under the monopoly's protection, which can surface in the form of disregard for sustainability requirements or other unprofessional behaviour.

In addition to strategic risks, business risks identified as substantial, such as accident, asset, information security, procurement, regulatory interest rate and counterparty and refinancing risks, are reported to the company's Board of Directors.

Fingrid's risk management and foremost risks are explored in greater detail in the company's annual report and on its website. 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 2019.

## 1.13 Corporate responsibility

Fingrid promotes through its operations particularly the UN's global Sustainable Development Goals (SDGs) related to climate actions, energy and infrastructure. In addition to successfully fulfilling the company's societally important core mission, the following aspects are important for business and corporate responsibility: safety and security, procurement practices, stakeholder trust, financial result, Code of Conduct and taking care of the work community. Fingrid's compliance with corporate responsibility is steered by the set strategic targets. The 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 is the starting point for executive management's and personnel's remuneration.

Corporate responsibility and compliance management is integrated with Fingrid's management system and risk management practices. The starting point is Fingrid's strategy where responsibility is a corporate-level strategic choice and one of the company's values. According to Fingrid's vision, the company and its employees are known for their responsible business practices. Fingrid's Board of Directors approves the company's Code of Conduct, monitors the sustainability of operations and ensures that corporate responsibility management is integrated into business operations. Corporate responsibility is reported on to the Board of Directors over the course of the year as required and separately in an aggregate form once a year. Corporate responsibility

aspects are also included in the Board of Directors' decision-making process when making decisions about, for example, investments. The President & CEO and the heads of functions are each responsible for compliance management and corporate responsibility issues within their areas of responsibility. The executive management group regularly reviews corporate responsibility issues, and alongside profitability, social issues and environmental impacts are taken into account in a balanced manner in decision-making.

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.

Fingrid is a responsible tax payer and for its part combats the grey economy, and does not engage in money laundering or corruption, such as blackmail and bribery. Fingrid reports on its tax footprint and does not carry out special arrangements to minimise taxes. In 2019, no breaches of anti-competition laws, complaints related to the privacy of private individuals, corruption incidents, human rights violations or discrimination incidents occurred in Fingrid's operations.

Managerial work and the entire work community ensure that behaviour is in line with the company's Code of Conduct. New employees must complete online induction training on the Code of Conduct. During the year under review, Fingrid also drew up ethical principles for the use of artificial intelligence and participated in a corporate AI ethics challenge. Online training on corporate security and safety was organised for the entire personnel. A confidential and independent whistleblowing channel was in place for reporting suspected breaches against the Code of Conduct. Its accessibility for external stakeholders was further improved by increasing the reporting channel's visibility on the website and by promoting awareness of security and safety and the importance of reporting suspected misconduct among service providers. Fingrid again received an excellent score (90%) in a survey carried out in 2019, where employees assessed the sustainability of the company's ways of operating. According to a customer survey, the trust KPI measuring the implementation of the customer strategy and customers' trust was 4.0 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. Nine Fingrid work sites were audited in 2019 to verify compliance with contractor obligations, occupational safety and environmental management. In addition, key foreign subcontractors from the Baltics and Poland, as well as the cleaning service company used by the company, were audited by a third party, focussing especially on employment matters and wages. In international goods sourcing, third-party supplier audits were carried out at 20 production plants in a total of 11 countries, and three follow-up audits were carried out in order to rectify any observed non-compliances. Procurements from one supplier were interrupted and measures were required for the co-operation to continue.

Corporate responsibility reporting as a whole is integrated into Fingrid's annual report. 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 2019 was verified by a third party. The Report of the Board of Directors also includes non-financial information.

In addition, Fingrid disclosed in 2019 the business risks and opportunities related to climate change in accordance with the Task Force on Climate-related Financial Disclosures framework in an aggregate form on the TCFD data page.

#### 1.14 Environmental matters

Fingrid's operations have a significant positive impact on the environment and climate. By reinforcing the electricity transmission grid for the needs of clean electricity production, Fingrid helps Finland reach its climate goals. Other environmental impacts of significance caused by the company's operations are related to the consumption of natural resources and climate impact during grid construction and maintenance, the climate impact of energy losses occurring during electricity transmission, the impacts of transmission lines on nature, landscape and land use and possible fuel and oil leaks from substations and reserve power plants.

When building and maintaining the main grid, landowners and other stakeholders are taken into account, and environmental impacts are reduced at all stages of the main grid's life cycle in accordance with Fingrid's land-use and environmental policy. Key aspects include a thorough environmental impact assessment (EIA) and preparedness for environmental risks. Fingrid's reserve power plants have an ISO 14001 environmental certification.

The contractors and service providers responsible for taking care of the main grid were committed to environmentally responsible operating practices in line with Fingrid's land-use and environmental policy through contractual terms, training and audits. All personnel working at Fingrid's work sites completed online training on environmental matters. Service providers received environmental training when investment projects were started and environmental aspects were monitored at the work site as part of work site monitoring. Compliance with environmental requirements, occupational safety and contractor obligations were verified in a total of nine audits. Two audits on overall safety and several audits related to the ISO 14001 environmental management system were carried out at reserve power plants.

Fingrid's 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 5,142 (8,223) units (tCO<sub>2</sub>) of emission allowances were returned, 100 per cent of which consisted of purchased 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 7,000 in 2019. Emissions trading had minor financial significance for Fingrid.

Our goal is to complete grid investment projects and maintenance without any significant environmental deviations. No significant environmental damage occurred during the year under review, but one incident classified as significant that had occurred in the previous year surfaced during the year. Materials from work sites were recycled as efficiently as possible when building new grid sections and substations or dismantling old structures. The total volume of waste during the year was approximately 13,920 tonnes, of which 98 per cent was utilised in some way and 89 per cent was recycled.

Fingrid actively participates in land-use planning to ensure safety and land-use reservations for the grid. In 2019, the company issued around 240 statements on land-use plans and EIAs. In addition, Fingrid directed the construction and operations taking place near grid installations by issuing

statements containing safety guidelines and land-use restrictions. The number of such statements issued was 440.

An EIA was conducted to assess the human and environmental impacts of the transmission line project from Huittinen to Forssa and the transmission lines for Sweden's third AC connection from Muhos via Keminmaa to Ylitornio. Local residents were informed beyond statutory practices through land-owner letters and local newspaper ads, and the projects were presented in three public events that were open to all.

Fingrid received an expropriation permit ruling necessary to build, operate and maintain the Forest Line, Pyhänselkä-Nuojuankangas, Kontiolahti-Uimaharju and Imatra-Huutokoski transmission lines. An expropriation permit application was submitted for the transmission line projects Pyhänselkä-Nuojuankangas, Imatra-Huutokoski and Kontiolahti-Palojärvi. The expropriation compensation process was completed for the transmission line projects Lieto-Forssa and Elovaara-Pinsiö. Nine 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 natural sites into account and to take care of waste and chemicals. In a bid to increase the utilisation of right-of-ways, land owners were offered information both in connection with the projects and through other communications initiatives and they were granted initial funding for managing the right-of-ways as heritage habitats.

In 2019, altogether 132 megawatts of wind power was connected to Fingrid's main grid, which will indirectly avoid emissions worth around 72,000 carbon dioxide equivalent tonnes in the coming years. In addition, Fingrid concluded during the year agreements on connecting a total of approximately 2,000 megawatts of wind power production to the electricity grid. Once realised, this will lead to a substantial positive climate impact, indirectly avoiding emissions worth around 1.1 million carbon dioxide equivalent tonnes. Fingrid's carbon dioxide emissions in 2019 totalled approximately 200,000 carbon dioxide equivalent tonnes.

## 1.15 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. The action raised in the case concerning social security based compensation has lapsed.

## 1.16 Events after the review period and estimate of future outlook

On 5 December 2019, Fingrid Oyj announced that it had, together with the other owners of Nord Pool Holding AS, entered into a binding agreement to sell 66% of the company's shares to Euronext. On 15 January 2020, Fingrid Oyj announced that the transaction has received the necessary authority approvals and that the other preconditions for its completion have been fulfilled. The sale will have a small positive impact on Fingrid's result and cash flow in the first quarter. Fingrid's indirect ownership in Nord Pool is 6.4%, which is managed through a holding company jointly owned by the Nordic Transmission System Operators.

Fingrid Group's profit for the 2020 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to slightly decline compared to the previous year. Fingrid announced on 2 October 2019 that it will maintain the electricity transmission prices in the main grid at their 2019 level in 2020.

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 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.

## 1.17 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 148,060,722.84 and distributable funds in the financial statements total EUR 198,985,738.74. 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 that ended on 31 December 2019, a dividend of EUR 58,500.00 at maximum per share will be paid for Series A shares and EUR 21,400.00 at maximum for Series B shares, for a total of EUR 148,248,800.00 at maximum. The first dividend instalment of EUR 39,500.00 for each Series A share and EUR 14,450.00 for each Series B share, totalling EUR 100,100,150.00, shall be paid on 25 March 2020. The second dividend instalment, a maximum of EUR 19,100.00 for each Series A share and a maximum of EUR 6,950.00 for each Series B share, totalling EUR 48,148,650.00, shall be paid based on the authorisation hereby 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 remain valid until the next Annual General Meeting.

## 1.18 Annual General Meeting 2020

Fingrid Oyj's Annual General Meeting is scheduled to be held on 20 March 2020 in Helsinki.

In Helsinki, on 27th February 2020  
Fingrid Oyj  
Board of Directors

FINGRID OYJ  
www.fingrid.fi

27 February 2020

## 2 CONSOLIDATED KEY FIGURES

### CONSOLIDATED KEY FIGURES

		2019 IFRS	2018 IFRS	2017 IFRS	2016 IFRS	2015 IFRS
<b>Extent of operations</b>						
Turnover	MEUR	789.4	852.8	672.0	586.1	600.2
Capital expenditure, gross	MEUR	135.6	92.7	111.1	146.7	147.5
- % of turnover	%	17.2	10.9	16.5	25.0	24.6
Research and development expenses	MEUR	3.4	3.6	2.6	2.4	1.8
- % of turnover	%	0.4	0.4	0.4	0.4	0.3
Personnel, average		384	376	352	336	319
Personnel at the end of period		380	380	355	334	315
Salaries and remunerations total	MEUR	22.3	26.5	24.2	22.7	21.3
<b>Profitability</b>						
Operating profit	MEUR	115.5	241.6	184.8	192.0	162.6
- % of turnover	%	14.6	28.3	27.5	32.8	27.1
Profit before taxes	MEUR	105.8	229.0	163.7	173.9	129.3
- % of turnover	%	13.4	26.9	24.4	29.7	21.5
Return on investments (ROI)	%	6.4	13.2	10.0	10.4	8.7
Return on equity (ROE)	%	11.6	23.3	16.7	18.8	15.0
<b>Financing and financial position</b>						
Equity ratio	%	32.0	36.6	37.8	36.4	33.5
Interest-bearing net borrowings	MEUR	1,037.2	974.3	998.9	1,028.0	1,026.9
Net gearing		1.5	1.3	1.3	1.3	1.4
<b>Share-specific key figures</b>						
Profit/share	€	25,452.5	55,106.3	39,350.8	41,706.1	31,150.8
Dividend/A shares	€	58,500.00*	67,650.00	68,470.00	37,536.09	33,686.24
Dividend/B shares	€	21,400.00*	24,750.00	25,050.00	16,038.49	16,038.49
Dividend payout ratio A shares	%	229.8	122.8	174.0	90.0	108.1
Dividend payout ratio series B shares	%	84.1	44.9	63.7	38.5	51.5
Equity/share	€	206,213	232,310	240,017	230,301	213,822
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

FINGRID OYJ  
www.fingrid.fi

27 February 2020

---

## CALCULATION OF KEY FIGURES

---

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



## 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.

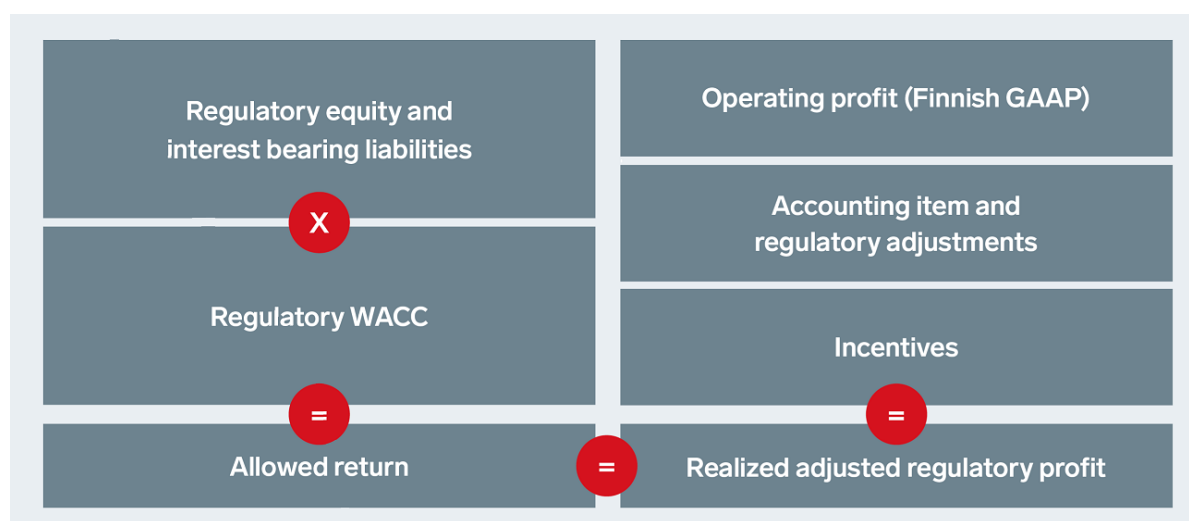
The reasonable financial result allowed by the regulation forms the basis of Fingrid's financial planning and pricing. One can calculate the required amount of turnover by adding operating expenses in the result. Fingrid's turnover mainly constitutes from the pricing of the transmitted electricity, in other words the consumption of Fingrid's customers. Fingrid additionally charges fees for output from and input into the grid, and power generation capacity fees. 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 aim of Fingrid’s business operations is to achieve, as a rule, the allowed financial result each year.



The Energy Market Authority determines Fingrid’s highest allowed financial result over four-year regulatory periods (2016–2019 and 2020–2023). The table below presents Fingrid’s own rough approximations for 2019, 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) 2019	Adjusted capital 2019	Allowed financial result 2019	Deficit(-)/Surplus(+) 2019	Cumulative Deficit (-)/Surplus(+) 2016-2019
5.36%	Approx. EUR 2,900 million	Approx. EUR 155 million	Approx. EUR -15 million	Approx. EUR -30 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.

FINGRID OYJ  
www.fingrid.fi

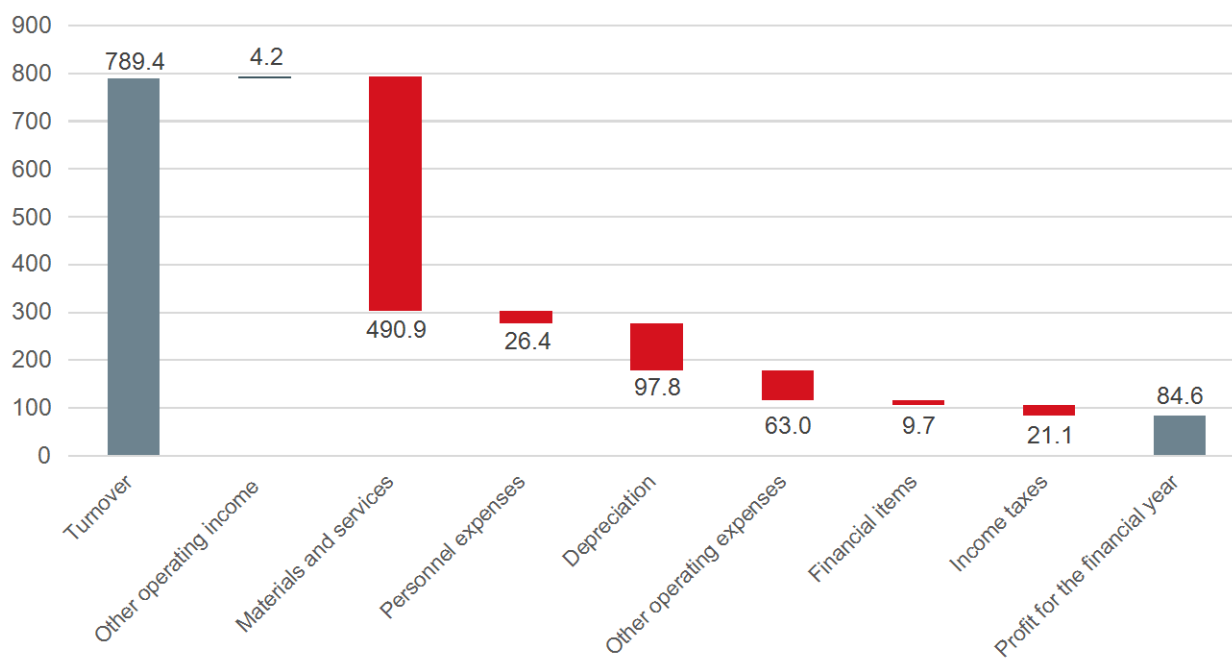
27 February 2020

## 3.1 Income statement

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>			
		1 Jan - 31 Dec, 2019	1 Jan - 31 Dec, 2018
	Notes	€ 1,000	€ 1,000
<b>TURNOVER</b>	1	<b>789,356</b>	<b>852,784</b>
Other operating income	2	4,221	10,800
Materials and services	5	-490,861	-482,873
Personnel expenses	9	-26,409	-32,190
Depreciation	11,12	-97,826	-99,661
Other operating expenses	6,13	-63,007	-7,211
<b>OPERATING PROFIT</b>		<b>115,475</b>	<b>241,648</b>
Finance income	17	468	170
Finance costs	17	-10,562	-15,384
Finance income and costs		-10,093	-15,213
Share of profit of associated companies		384	2,607
<b>PROFIT BEFORE TAXES</b>		<b>105,766</b>	<b>229,041</b>
Income taxes		-21,136	-45,813
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>84,630</b>	<b>183,228</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may subsequently be transferred to profit or loss			
Translation reserve		40	-193
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>		<b>84,670</b>	<b>183,036</b>
<b>Profit attributable to:</b>			
Equity holders of parent company		84,630	183,228
<b>Total comprehensive income attributable to:</b>			
Equity holders of parent company		84,670	183,036
<b>Earnings per share for profit attributable to the equity holders of the parent company:</b>			
Undiluted and diluted earnings per share, €		25,453	55,106
Weighted average number of shares, quantity		3,325	3,325

Notes are an integral part of the financial statements.

Profit for the financial year 2019, MEUR



FINGRID OYJ  
www.fingrid.fi

27 February 2020

## 3.2 Consolidated balance sheet

ASSETS	Notes	31 Dec 2019 € 1,000	31 Dec 2018 € 1,000
<b>NON-CURRENT ASSETS</b>			
Intangible assets:	12		
Goodwill		87,920	87,920
Land use rights		100,301	97,509
Other intangible assets		23,469	10,343
		211,690	195,772
Property, plant and equipment:	11		
Land and water areas		19,640	16,749
Buildings and structures		243,068	226,329
Machinery and equipment		560,973	553,310
Transmission lines		757,210	758,485
Other property, plant and equipment		118	2,484
Prepayments and purchases in progress		62,592	71,391
		1,643,599	1,628,749
Right-of-use-assets	13	32,574	
Investments in associated companies	24	12,137	13,822
Derivative instruments	23	28,625	32,486
Deferred tax assets	10	22,915	23,296
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,951,541</b>	<b>1,894,125</b>
<b>CURRENT ASSETS</b>			
Inventories	8	12,067	12,391
Derivative instruments	23	3,835	18,575
Trade receivables and other receivables	3,24	94,858	99,484
Other financial assets	20	67,188	71,380
Cash in hand and cash equivalents	19	15,626	13,922
<b>TOTAL CURRENT ASSETS</b>		<b>193,575</b>	<b>215,750</b>
<b>TOTAL ASSETS</b>		<b>2,145,116</b>	<b>2,109,876</b>

Notes are an integral part of the financial statements.

FINGRID OYJ  
www.fingrid.fi

27 February 2020

EQUITY AND LIABILITIES		31 Dec 2019	31 Dec 2018
	Notes	€ 1,000	€ 1,000
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>			
Share capital	21	55,922	55,922
Share premium account	21	55,922	55,922
Translation reserve	21	-1,040	-1,080
Retained earnings	21	574,854	661,665
<b>TOTAL EQUITY</b>		<b>685,659</b>	<b>772,429</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	10	108,784	122,986
Borrowings	14	854,138	771,508
Provisions	25	1,393	1,424
Derivative instruments	23	6,514	7,393
Lease liabilities	13.14	30,515	
		<b>1,001,343</b>	<b>903,311</b>
<b>CURRENT LIABILITIES</b>			
Borrowings	14	232,978	288,091
Derivative instruments	23	372	4,014
Lease liabilities	13.14	2,371	
Trade payables and other liabilities	7	222,393	142,030
		<b>458,114</b>	<b>434,135</b>
<b>TOTAL LIABILITIES</b>		<b>1,459,457</b>	<b>1,337,446</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,145,116</b>	<b>2,109,876</b>

Notes are an integral part of the financial statements.

FINGRID OYJ  
www.fingrid.fi

27 February 2020

## 3.3 Consolidated statement of changes in equity

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

	Share capital	Share premium account	Translation reserve	Retained earnings	Total equity
<b>Balance on 31 December 2017</b>	<b>55,922</b>	<b>55,922</b>	<b>-888</b>	<b>687,100</b>	<b>798,057</b>
Impact from change in accounting principle (IFRS 15)				-35,146	-35,146
<b>Balance on 1 Jan 2018</b>	<b>55,922</b>	<b>55,922</b>	<b>-888</b>	<b>651,954</b>	<b>762,912</b>
<b>Comprehensive income</b>					
Profit or loss				183,228	183,228
<b>Other comprehensive income</b>					
Translation reserve			-193		-193
<b>Total other comprehensive income adjusted by tax effects</b>			<b>-193</b>		<b>-193</b>
<b>Total comprehensive income</b>			<b>-193</b>	<b>183,228</b>	<b>183,036</b>
<b>Transactions with owners</b>					
Dividend relating to 2017				-173,518	-173,518
<b>Balance on 31 December 2018</b>	<b>55,922</b>	<b>55,922</b>	<b>-1,080</b>	<b>661,665</b>	<b>772,429</b>
<b>Balance on 1 Jan 2019</b>	<b>55,922</b>	<b>55,922</b>	<b>-1,080</b>	<b>661,665</b>	<b>772,429</b>
<b>Comprehensive income</b>					
Profit or loss				84,630	84,630
<b>Other comprehensive income</b>					
Translation reserve			40		40
<b>Total other comprehensive income adjusted by tax effects</b>			<b>40</b>		<b>40</b>
<b>Total comprehensive income</b>			<b>40</b>	<b>84,630</b>	<b>84,670</b>
<b>Transactions with owners</b>					
Dividend relating to 2018				-171,440	-171,440
<b>Balance on 31 Dec 2019</b>	<b>55,922</b>	<b>55,922</b>	<b>-1,040</b>	<b>574,854</b>	<b>685,659</b>

Notes are an integral part of the financial statements.

FINGRID OYJ  
www.fingrid.fi

27 February 2020

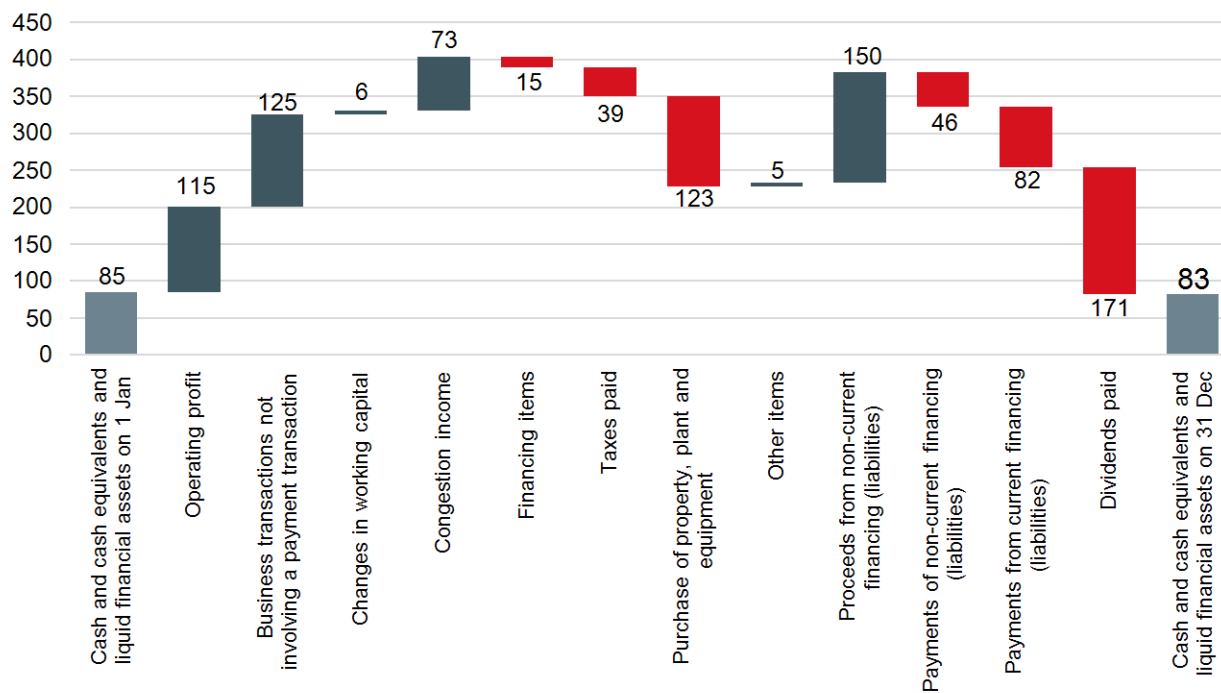
## 3.4 Consolidated cash flow statement

<b>CONSOLIDATED CASH FLOW STATEMENT</b>		<b>1 Jan - 31 Dec, 2019</b>	<b>1 Jan - 31 Dec, 2018</b>
	Notes	<b>€ 1,000</b>	<b>€ 1,000</b>
<b>Cash flow from operating activities:</b>			
Profit before taxes		105,766	229,041
Adjustments:			
Business transactions not involving a payment transaction:			
Depreciation		97,826	99,661
Capital gains/losses (-/+) on tangible and intangible assets		-2,713	-8,276
Other adjustments		-2,217	
Share of profit of associated companies		-384	-2,607
Gains/losses from the assets and liabilities recognised in the income statement at fair value		21,831	-29,606
Other business transactions not involving a payment transaction		9,826	
Finance income and costs		10,093	15,213
Impact from changes in the fair value of the investment		299	-97
Changes in working capital:			
Change in trade receivables and other receivables		3,934	-5,490
Change in inventories		324	1,138
Change in trade payables and other liabilities		1,246	10,147
Congestion income		73,001	29,632
Change in provisions	25	-31	-50
Interests paid		-21,005	-16,188
Interests received		6,397	306
Taxes paid		-39,188	-37,335
<b>Net cash flow from operating activities</b>		<b>265,005</b>	<b>285,489</b>
<b>Cash flow from investing activities:</b>			
Purchase of property, plant and equipment	11	-104,762	-90,019
Purchase of intangible assets	12	-17,739	-6,699
Proceeds from sale of other assets		684	
Proceeds from sale of property, plant and equipment		3,057	13,745
Repayment of loan receivables		938	1,750
Dividends received		881	645
Contributions received		610	
Capitalised interest paid	17	-1,016	-1,042
<b>Net cash flow from investing activities</b>		<b>-117,347</b>	<b>-81,621</b>
<b>Cash flow from financing activities:</b>			
Proceeds from non-current financing (liabilities)		150,000	
Payments of non-current financing (liabilities)		-46,325	-129,086
Proceeds from current financing (liabilities)			100,270
Payments from current financing (liabilities)		-80,071	
Dividends paid	21	-171,440	-173,518
Principal elements of lease payments		-2,309	
<b>Net cash flow from financing activities</b>		<b>-150,145</b>	<b>-202,334</b>
<b>Change in cash as per the cash flow statement</b>		<b>-2,487</b>	<b>1,533</b>
<b>Opening cash as per the cash flow statement</b>		<b>85,301</b>	<b>83,768</b>
<b>Closing cash as per the cash flow statement</b>	19,20	<b>82,815</b>	<b>85,301</b>

Notes are an integral part of the financial statements.



Cash flow for the period 2019, MEUR



## 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 Holding AS (ownership 18.8%) and eSett Oy (ownership 25.0%). 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.

<b>Estimate of the purchase and sale of imbalance power</b>	Chapter 4.3
<b>Inter-Transmission System Operator Compensation (ITC)</b>	Chapter 4.3
<b>Deferred tax assets and liabilities</b>	Chapter 4.9
<b>Determination of the fair value measurement of grid assets</b>	Chapter 5.1
<b>Determination of the depreciation periods of property, plant and equipment, and intangible assets</b>	Chapter 5.2



## Accounting principles

Fingrid adopted the IFRS 16 Leases standard effective on 1 Jan 2019. The changes to the accounting principles due to the adoption of the standard are presented in chapter 5.3. The new standard did not have a material impact on the consolidated financial statements. In addition, the application of the IAS16 standard has been specified. In other respects, the preparation of the consolidated financial statements generally followed the same standards as in 2018.

## 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

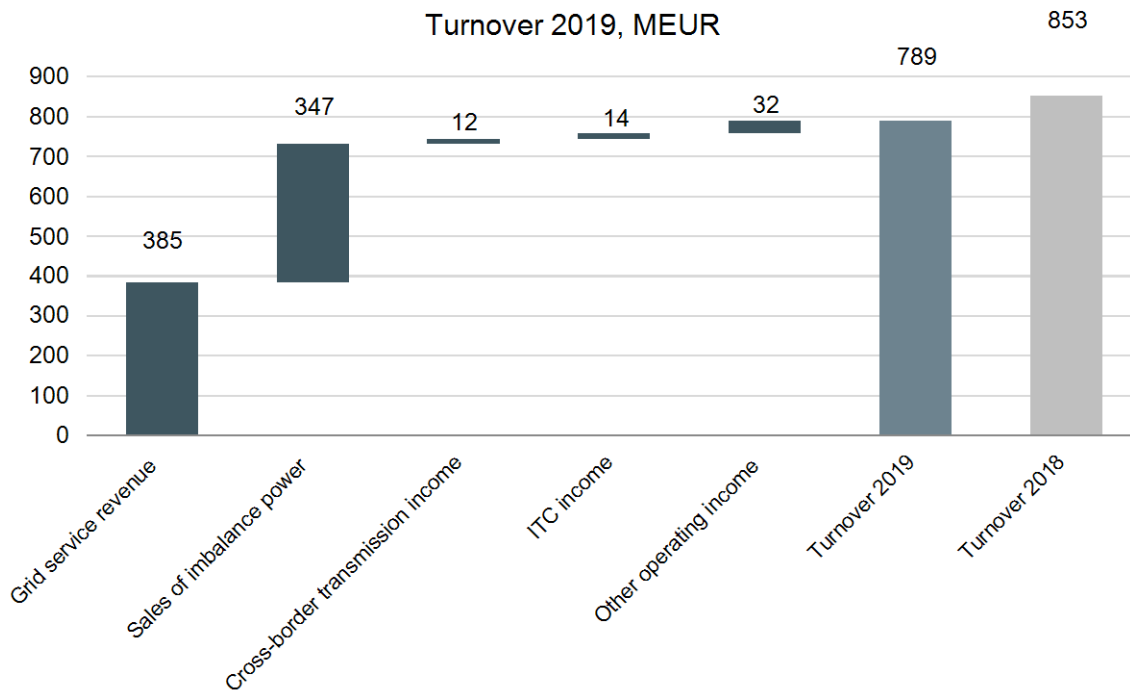
The objective of Fingrid's risk management is to make preparations for cost-effective measures providing protection against damage and loss relating to risks and to ensure the commitment of the entire personnel to considering the risks pertaining to the company, its various organisational units and each 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:



<b>1. TURNOVER, €1,000</b>	<b>2019</b>	<b>2018</b>
Grid service revenue	385,031	423,151
Sales of imbalance power	346,749	348,837
Cross-border transmission income	11,608	35,516
ITC income	14,429	13,089
Peak load capacity	14,111	14,032
Other operating income	17,427	18,160
<b>Total</b>	<b>789,356</b>	<b>852,784</b>

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.

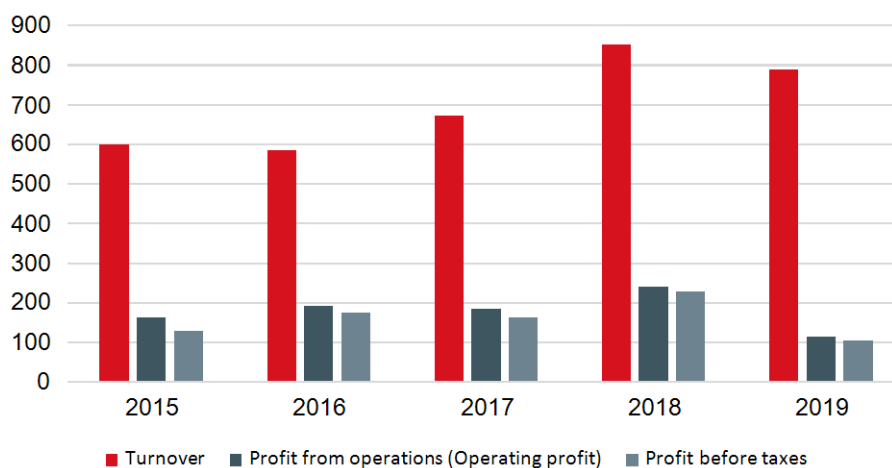
Transmission services on the cross-border connections to the other Nordic countries enable participation in the European day-ahead and intraday markets. Fingrid offers electricity transmission service from Russia through its 400 kV cross-border connections. The transmission service is intended for fixed electricity imports and it is based on Fingrid's agreements with the Russian TSO and system operator. The technical terms of the cross-border power lines are defined in the Intersystem Agreement, the operational terms in the Operation Agreement, measurement terms in the

Agreement of Electricity Metering and Accounting and the commercial terms are specified in the Agreement of Capacity Allocation. The Customer and Fingrid agree on the terms of the electricity transmission in a transmission service agreement, which is based on the agreements mentioned above. 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	2019	2018
Rental income	650	831
Capital gains on fixed assets	2,713	8,276
Contributions received	290	186
Other income	568	1,506
<b>Total</b>	<b>4,221</b>	<b>10,800</b>

Turnover and profit from operations 2015-2019, MEUR



## 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.

### IFRS 15 Revenue from Contracts with Customers

The fundamental principle of the IFRS 15 standard is that sales revenue should be recognised when control over the goods or the service is transferred to the customer.

A five-step process should be applied when recognising sales revenue:

- Identify the customer contract(s)
- 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.

Sales recognition takes place on the basis of the supply 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. Connection agreements are long term and can be terminated, at the earliest, 15 years from the date when they entered into force. 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.



## 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 2019 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	2019	2018
Trade receivables	74,355	88,730
Trade receivables from associated companies		782
Loan receivables from associated companies	188	500
Prepayments and accrued income from associated companies	3,693	9
Prepayments and accrued income	6,887	7,199
Other receivables	9,736	2,263
<b>Total</b>	<b>94,858</b>	<b>99,484</b>

Essential items included in prepayments and accrued income	2019	2018
Accruals of sales	3,145	2,662
Accruals of purchases/prepayments	1,115	1,533
Interest receivables	2,609	2,723
Tax assets	17	280
<b>Total</b>	<b>6,887</b>	<b>7,199</b>

### 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.

4. NETTING OF TRADE RECEIVABLES AND TRADE PAYABLES € 1,000						
	2019			2018		
	Gross amount of trade receivables/trade payables	Amount of netted items	Net amount of trade receivables and trade payables presented in the balance sheet	Gross amount of trade receivables/trade payables	Amount of netted items	Net amount of trade receivables and trade payables presented in the balance sheet
Trade receivables	90,365	-16,010	74,355	110,676	-21,164	89,513
Trade payables	40,518	-16,010	24,508	48,859	-21,164	27,696



## Accounting principles

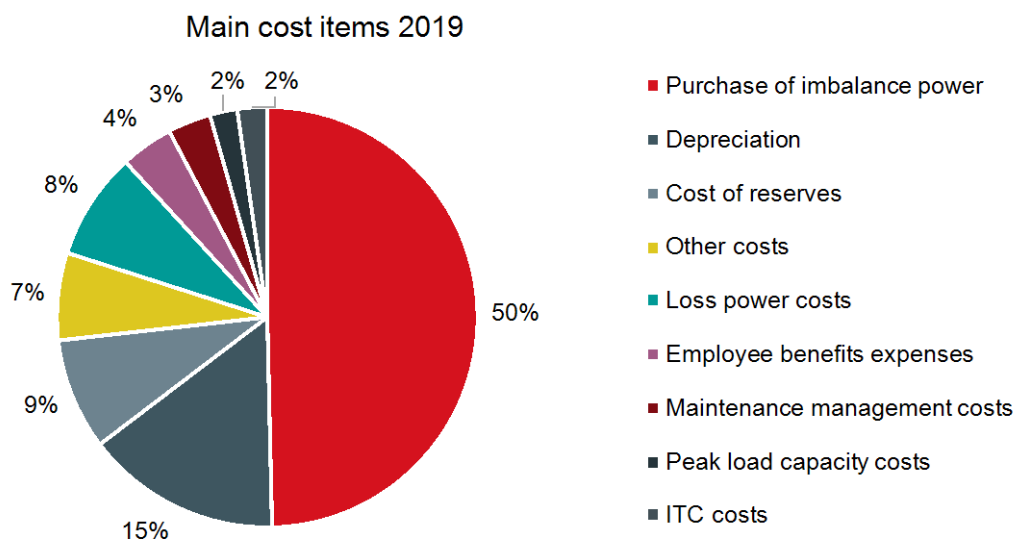
### Trade and other receivables

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:

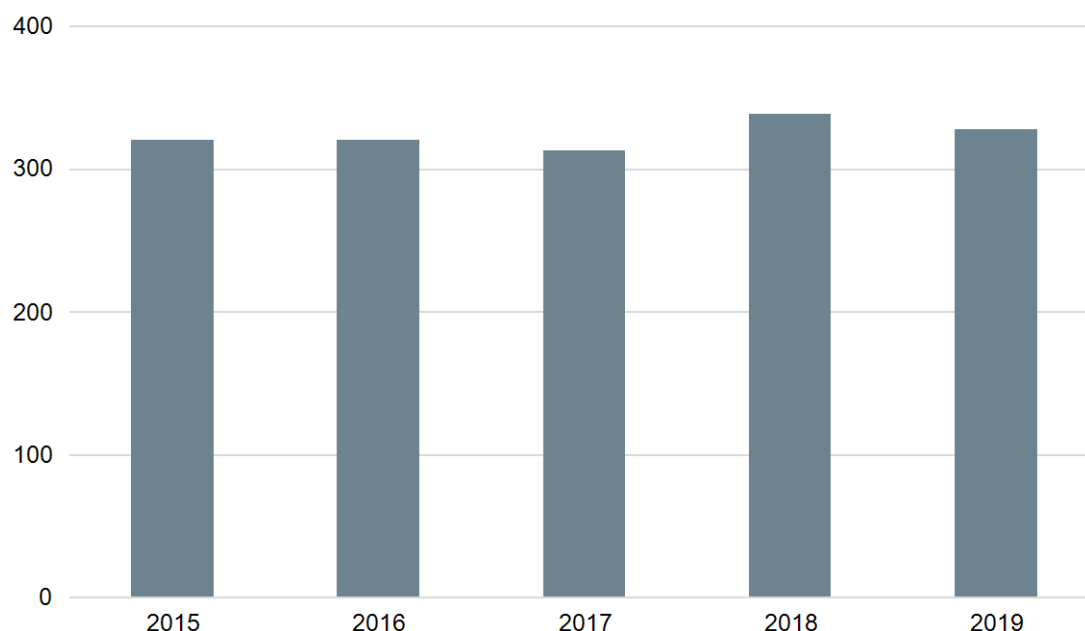


Cost increases due in particular to new tasks and unexpected external changes affecting operations has been a special characteristic of grid operations in recent years. The new tasks include, among other things, the changes required by the European network codes and the costs for developing these tasks, and developing the Nordic imbalance settlement and the related markets. 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 2019 amounted to EUR 3.4 (3.6) million.

FINGRID OYJ  
www.fingrid.fi

27 February 2020

Total costs (without imbalance power) 2015-2019, MEUR



5. MATERIALS AND SERVICES, €1,000	2019	2018
Loss power costs	53,856	47,673
Purchase of imbalance power	322,226	316,608
Cost of reserves	55,716	56,286
Peak load capacity costs	13,719	13,717
ITC costs	14,982	13,803
Maintenance management costs	19,871	19,582
Other materials and services	10,491	15,204
<b>Total</b>	<b>490,861</b>	<b>482,873</b>

6. OTHER OPERATING EXPENSES, €1,000	2019	2018
Contracts, assignments etc. undertaken externally	26,385	30,665
Gains/losses from measuring electricity derivatives at fair value	26,585	-36,958
Other rental expenses	1,023	4,083
Other expenses	9,013	9,422
<b>Total</b>	<b>63,007</b>	<b>7,211</b>

Auditors' fees	2019	2018
PricewaterhouseCoopers Oy		
Auditing fee	114	89
Assignments referred to in the Auditing Act, Chapter 1, Section 1, Subsection 2		2
Other fees	39	92
<b>Total</b>	<b>153</b>	<b>183</b>

Auditors' fees are included in other operating expenses



FINGRID OYJ  
www.fingrid.fi

27 February 2020

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.

<b>7. TRADE PAYABLES AND OTHER LIABILITIES, €1,000</b>	<b>2019</b>	<b>2018</b>
Trade payables	24,508	25,470
Trade payables to associated companies	3,920	2,226
Interest payable	11,056	11,794
Value added tax	17,896	13,803
Collaterals received	923	923
Electricity tax	4,107	4,443
Accruals	159,240	82,759
Other debt	741	613
<b>Total</b>	<b>222,393</b>	<b>142,030</b>
<b>Essential items included in accruals</b>	<b>2019</b>	<b>2018</b>
Personnel expenses	6,978	8,011
Accruals of sales and purchases	68,203	57,526
Tax liabilities	11,681	15,930
Congestion income	72,378	1,292
<b>Total</b>	<b>159,240</b>	<b>82,759</b>

#### 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 2019: 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.

<b>8. INVENTORIES, €1,000</b>	<b>2019</b>	<b>2018</b>
Materials and consumables		
Material stocks	7,063	7,030
Fuel stocks	5,004	5,361
<b>Total</b>	<b>12,067</b>	<b>12,391</b>

The use of inventories was entered as an expense of EUR 1.6 (1.5) 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, the company mainly uses NASDAQ OMX Commodities quoted forwards and futures. The company can also use OTC futures comparable with NASDAQ OMX Commodities forwards and futures. The nominal values, fair values and exposures of electricity derivatives 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 left unhedged for reasons of cost-effectiveness.

## 4.8 Personnel - the cornerstone of our operations

Fingrid Oyj employed 380 (380) persons, including temporary employees, at the end of the year. The number of permanent personnel was 338 (327). Of the personnel employed by the company, 24 (23) per cent were women and 76 (77) per cent were men. The average age of the personnel was 44 (44).

<b>9. PERSONNEL EXPENSES, €1,000</b>	<b>2019</b>	<b>2018</b>
Salaries and bonuses	22,308	26,511
Pension expenses - contribution-based schemes	3,454	4,662
Other additional personnel expenses	648	1,017
<b>Total</b>	<b>26,409</b>	<b>32,190</b>
<b>Salaries and bonuses of top management</b>	<b>2,224</b>	<b>1,925</b>

Personnel costs amounted to EUR 31.1 (32.2) million, of which EUR 4.7 was capitalised to investment projects.

In 2019, 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 20 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 25 per cent of the annual salary. The maximum amount of the annual long-term incentive scheme payable to the CEO was 40 per cent 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:**

	2019	2018
Personnel, average	384	376
Personnel, 31 Dec	380	380



**Accounting principles**

**Employee benefits**

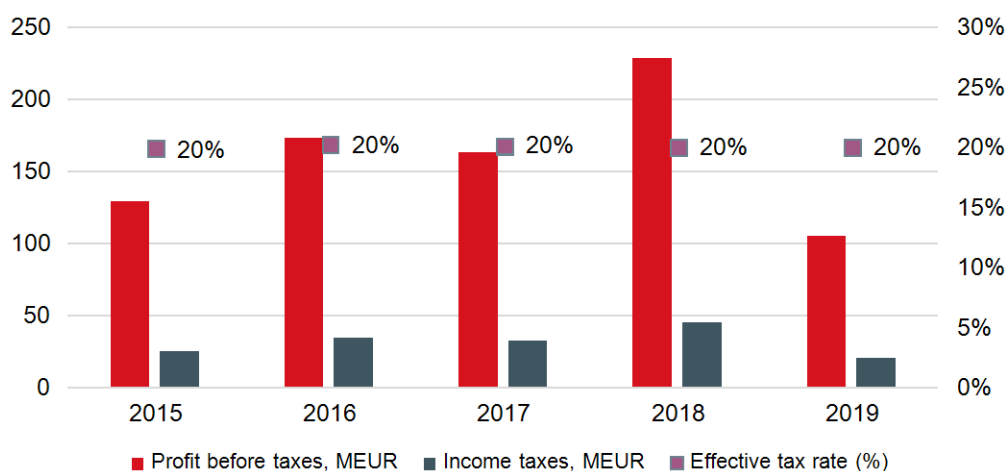
**Pension obligations**

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 -34.5 (-48.5) million and EUR 13.8 (2.7) 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 2019 to EUR -0.1 (0.0) million. The table below illustrates the development of Fingrid's effective tax rate.

Taxes 2015-2019



FINGRID OYJ  
www.fingrid.fi

27 February 2020

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

### Changes in deferred taxes in 2019:

Deferred tax assets	31 Dec 2018	Recorded in income statement at profit or loss	31 Dec 2019
Provisions	285	-6	279
Trade payables and other liabilities	1,913	146	2,059
Derivative instruments	2,281	-762	1,519
Congestion income	10,788	-1,786	9,003
Connection fees (IFRS 15)	8,028	1,965	9,993
Lease liabilities (IFRS 16)		62	62
<b>Total</b>	<b>23,296</b>	<b>-381</b>	<b>22,915</b>
<b>Deferred tax liabilities</b>			
Accumulated depreciations difference	-79,779	10,000	-69,779
Property, plant and equipment, tangible and intangible assets	-29,407	-799	-30,206
Other receivables	-556	-530	-1,086
Other financial assets	-71	-140	-210
Borrowings	-1,501	-243	-1,744
Derivative instruments	-11,673	5,914	-5,758
<b>Total</b>	<b>-122,986</b>	<b>14,202</b>	<b>-108,784</b>

### Changes in deferred taxes in 2018:

Deferred tax assets	31 Dec 2017	Recorded in income statement at profit or loss	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
<b>Total</b>	<b>13,918</b>	<b>9,378</b>	<b>23,296</b>
<b>Deferred tax liabilities</b>			
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
<b>Total</b>	<b>-127,003</b>	<b>4,017</b>	<b>-122,986</b>



## 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.

## 5 LONG-TERM INVESTOR (IFRS)

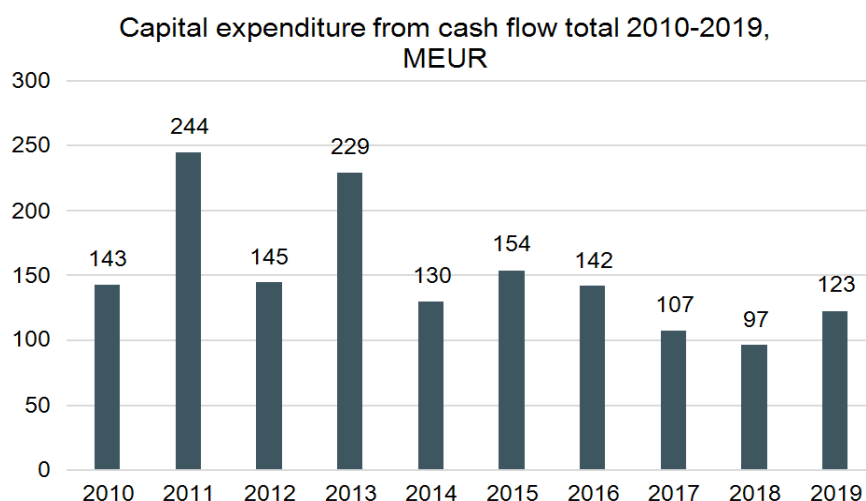
- This chapter focusses on Fingrid’s assets, and above the most important ones: Grid assets and the indicators related to them.
- The chapter also takes a look at the company’s goodwill and provides a description of other property, plant and equipment, and intangible assets.

### 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.

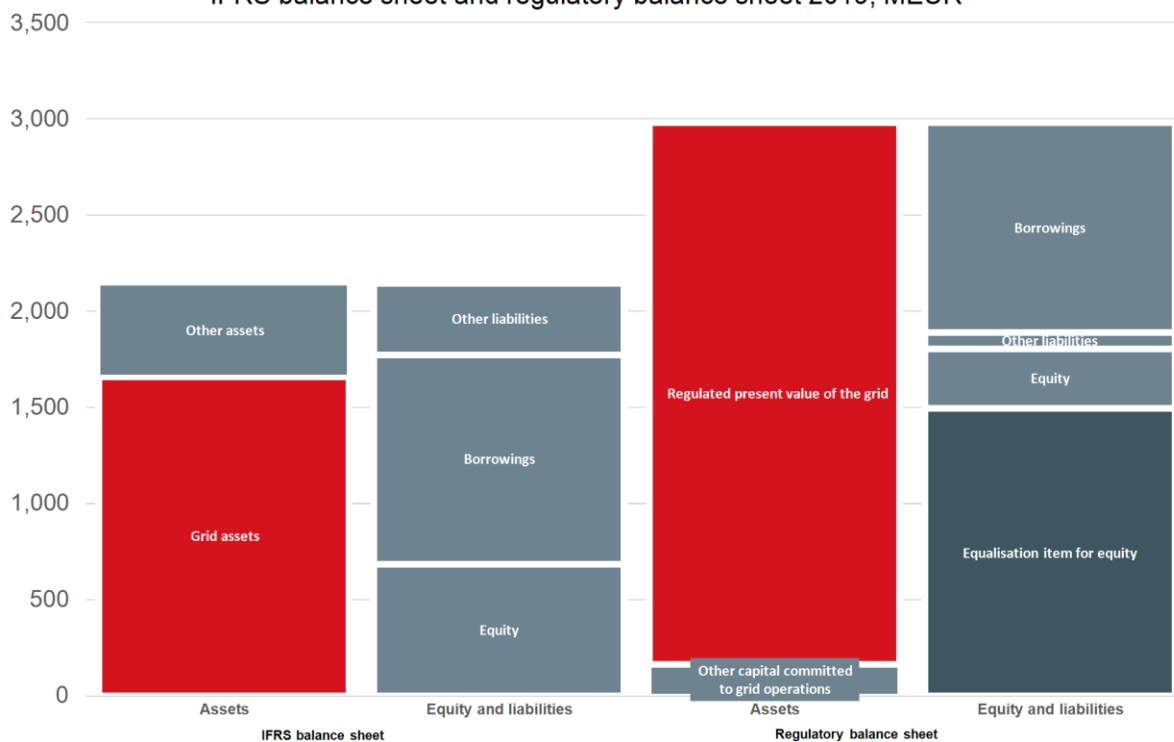


The company’s total capital expenditure in 2019 amounted to EUR 135.6 (92.7) million. This included a total of EUR 103.4 (85.1) million invested in the transmission grid and EUR 5.5 (2.9) million for reserve power. ICT investments amounted to EUR 25.6 (4.0) million. A total of EUR 3.4 (3.6) million was used for R&D projects during the year under review. In 2019, power lines and substations were built extensively throughout Finland. A total of approximately 150 kilometres of new transmission lines were built, and 12 new or expanded substations were completed. The most significant on-going construction projects are related to the Forest Line, the third AC connection between Finland and Sweden and the construction work around the Oulujoki river.



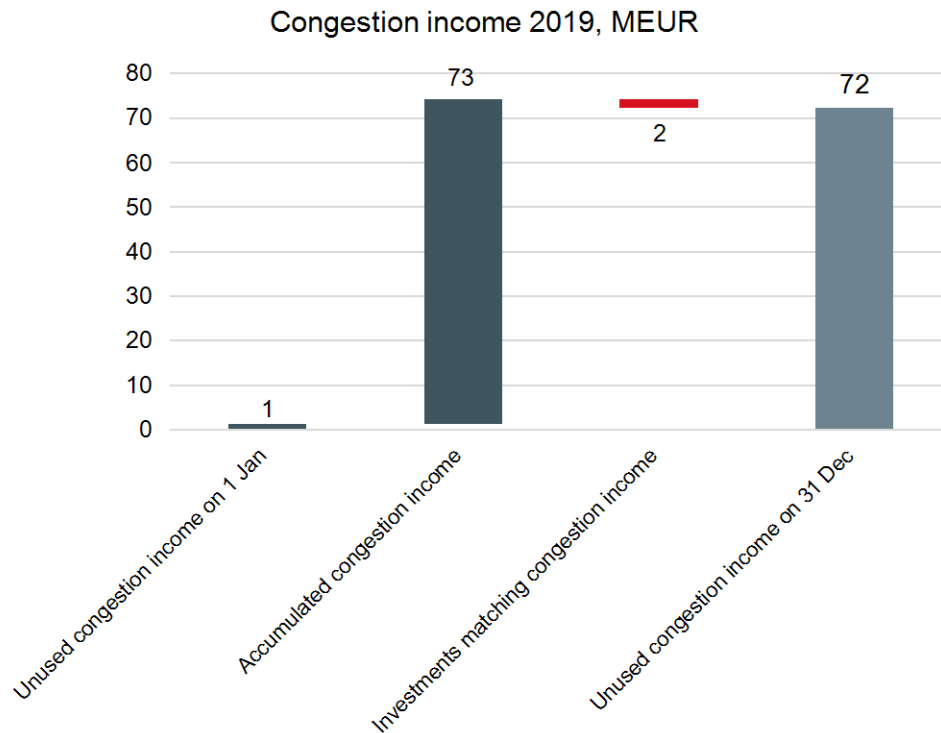
Grid assets are recognised at fair value for the purposes of the company’s regulatory balance sheet, as described earlier. The fair value of the transmission network assets (adjusted replacement cost) is calculated by adding up the adjusted replacement costs for each grid component; these are calculated 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.

IFRS balance sheet and regulatory balance sheet 2019, MEUR



### 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:  $\text{congestion income [€/h]} = \text{transmission volume in the day-ahead markets [MW]} * \text{area price difference [€/MWh]}$ . 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 EU Regulation 2019/943, Article 19: 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.



Fingrid's congestion income from cross-border transmission lines totalled EUR 73.0,0 (29.6) million. Congestion income accrued in 2019 was allocated to the Alapitkä capacitor investment, which maintains cross-border transmission capacity. EUR 72.4 million in congestion income was left unused and will be used for future investments to improve the functioning of the electricity market.



## 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.



FINGRID OYJ  
www.fingrid.fi

27 February 2020

## 5.2 Tangible and intangible assets

11. PROPERTY, PLANT AND EQUIPMENT, € 1,000	2019	2018
<b>Land and water areas</b>		
Cost at 1 Jan	19,116	18,070
Increases 1 Jan - 31 Dec	524	1,138
Decreases 1 Jan - 31 Dec		-92
<b>Cost at 31 Dec</b>	<b>19,640</b>	<b>19,116</b>
<b>Carrying amount 31 Dec</b>	<b>19,640</b>	<b>19,116</b>
<b>Buildings and structures</b>		
Cost at 1 Jan	305,190	279,432
Increases 1 Jan - 31 Dec	26,825	26,780
Decreases 1 Jan - 31 Dec		-1,022
<b>Cost at 31 Dec</b>	<b>332,015</b>	<b>305,190</b>
Accumulated depreciation 1 Jan	-78,861	-69,640
Decreases, depreciation 1 Jan - 31 Dec		536
Depreciation 1 Jan - 31 Dec	-10,086	-9,756
<b>Carrying amount 31 Dec</b>	<b>243,068</b>	<b>226,329</b>
<b>Machinery and equipment</b>		
Cost at 1 Jan	1,183,907	1,146,492
Increases 1 Jan - 31 Dec	50,791	43,870
Decreases 1 Jan - 31 Dec		-6,455
<b>Cost at 31 Dec</b>	<b>1,234,697</b>	<b>1,183,907</b>
Accumulated depreciation 1 Jan	-630,596	-584,443
Decreases, depreciation 1 Jan - 31 Dec		2,464
Depreciation 1 Jan - 31 Dec	-43,128	-48,617
<b>Carrying amount 31 Dec</b>	<b>560,973</b>	<b>553,310</b>
<b>Transmission lines</b>		
Cost at 1 Jan	1,313,640	1,305,020
Increases 1 Jan - 31 Dec	36,650	10,541
Decreases 1 Jan - 31 Dec	-4,810	-1,921
<b>Cost at 31 Dec</b>	<b>1,345,479</b>	<b>1,313,640</b>
Accumulated depreciation 1 Jan	-555,155	-518,783
Decreases, depreciation 1 Jan - 31 Dec	4,404	1,081
Depreciation 1 Jan - 31 Dec	-37,518	-37,453
<b>Carrying amount 31 Dec</b>	<b>757,210</b>	<b>758,485</b>
<b>Other property, plant and equipment</b>		
Cost at 1 Jan	118	118
Decreases 1 Jan - 31 Dec		
<b>Cost at 31 Dec</b>	<b>118</b>	<b>118</b>
Decreases, depreciation 1 Jan - 31 Dec		
Depreciation 1 Jan - 31 Dec		
<b>Carrying amount 31 Dec</b>	<b>118</b>	<b>118</b>

FINGRID OYJ  
www.fingrid.fi

27 February 2020

<b>Prepayments and purchases in progress</b>		
Cost at 1 Jan	59,596	83,656
Increases 1 Jan - 31 Dec	106,599	75,934
Transfers to other tangible and intangible assets 1 Jan - 31 Dec	-115,901	-99,995
<b>Cost at 31 Dec</b>	<b>50,294</b>	<b>59,596</b>
<b>Carrying amount 31 Dec</b>	<b>50,294</b>	<b>59,596</b>
<b>Capitalised interest</b>		
Cost at 1 Jan	13,705	12,664
Increases 1 Jan - 31 Dec	1,016	1,042
Decreases 1 Jan - 31 Dec		-1
<b>Cost at 31 Dec</b>	<b>14,721</b>	<b>13,705</b>
Accumulated depreciation 1 Jan	-1,910	-1,433
Depreciation on capitalised interest 1 Jan - 31 Dec	-513	-478
<b>Carrying amount 31 Dec</b>	<b>12,297</b>	<b>11,795</b>
<b>Carrying amount 31 Dec</b>	<b>62,592</b>	<b>71,391</b>
<b>Property, plant and equipment</b>	<b>1,643,599</b>	<b>1,628,749</b>
<b>12. INTANGIBLE ASSETS, €1,000</b>		
	<b>2019</b>	<b>2018</b>
<b>Land use rights</b>		
Cost at 1 Jan	97,509	95,087
Increases 1 Jan - 31 Dec	2,811	2,625
Decreases 1 Jan - 31 Dec	-19	-203
<b>Cost at 31 Dec</b>	<b>100,301</b>	<b>97,509</b>
<b>Carrying amount 31 Dec</b>	<b>100,301</b>	<b>97,509</b>
<b>Other intangible assets</b>		
Cost at 1 Jan	52,930	48,783
Increases 1 Jan - 31 Dec	17,086	4,148
<b>Cost at 31 Dec</b>	<b>70,016</b>	<b>52,930</b>
Accumulated depreciation 1 Jan	-42,588	-39,229
Depreciation 1 Jan - 31 Dec	-3,960	-3,358
<b>Carrying amount 31 Dec</b>	<b>23,469</b>	<b>10,343</b>
<b>Carrying amount 31 Dec</b>	<b>123,770</b>	<b>107,852</b>

Land use rights are not depreciated but tested annually for impairment in connection with the testing of goodwill.

FINGRID OYJ

www.fingrid.fi

27 February 2020

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 1,855.3 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.

FINGRID OYJ  
www.fingrid.fi

27 February 2020

## 5.3 Lease agreements

The Group's leases mainly relate to office premises. The durations of the leases vary, and they may include options for extension and termination. The Group adopted the IFRS 16 standard on 1 January 2019.

A right-of-use asset and a corresponding liability are recognised for leases at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost.

<b>13. LEASES, 1 000 €</b>	<b>2019</b>	<b>2018</b>
<b>Right-of-use-assets:</b>		
Right-of-use-assets, buildings and structures		
Cost at 1 Jan	34,974	
Increases 1 Jan - 31 Dec	220	
Depreciation 1 Jan - 31 Dec	-2,620	
Cost at 31 Dec	<b>32,574</b>	
Carrying amount 31 Dec	<b>32,574</b>	
<b>Lease liabilities:</b>		
Non-current	30,515	
Current	2,371	
<b>Total</b>	<b>32,886</b>	

### Amounts recognised in the income statement

Depreciation of right-of-use assets – buildings	2,620
Interest costs	683
Costs related to low value asset leases	964

The outgoing cash flow from leases in 2019 totalled EUR 3.0 million.

The Group has mainly leased office premises, land areas under substations and transmission lines and some 110 kilovolt transmission lines and circuit breaker bays. 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.

As of 1 January 2019, the Group has recognised right-of-use assets for leases in the balance sheet, with the exception of short-term leases or leases concerning underlying assets with a low value; more information in accounting principle Leases and in the above calculation. Until 31 December 2018, lease liabilities were disclosed as an off-balance sheet item:

<b>RENTAL LIABILITIES, € 1000</b>	<b>2019</b>	<b>2018</b>
<b>Rental obligations from lease agreements:</b>		
In one year		4,223
In more than one year and not more than five years		14,716
In more than five years		11,273
<b>Total</b>		<b>30,212</b>



## 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.

### IFRS 16 Leases

A right-of-use asset and a corresponding liability are recognised for leases at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is recognised in the income statement over the lease term so that the interest rate on the remaining liability is equal in each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and lease term on a straight-line basis.

The assets and liabilities arising from leases are initially measured on a present-value basis. Lease liabilities include the net fair value of the following lease payments:

- fixed payments less any incentives to be received
  - variable lease payments that depend on an index or a rate
  - amounts that the lessee is expected to pay based on residual value guarantees
  - the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option
  - payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease
- The lease payments are discounted using the Group's incremental borrowing rate.

Right-of-use assets are measured at cost, which comprises:

- the amount equal to the lease liability at its initial recognition
- lease payments made before the commencement of the lease, less any incentives received
- any initial direct costs and
- cost of restoring the site to the original condition

Payments related to short-term leases and low value asset leases are expensed in equal instalments. Leases with a lease term of 12 months or less are considered short term. Where the value of an underlying asset is not material for Fingrid, the management has evaluated the asset as a low value asset.

Payments related to repayments of lease liabilities are stated as cash flows from financing activities, the interest expenses are recognised in consolidated interest expenses. Lease payments based on short-term leases and low value asset leases and variable lease payments not included in lease liabilities are stated as cash flows from operating activities.

### Adoption of the IFRS 16 standard

Fingrid Oyj adopted the IFRS 16 standard on 1 January 2019, applying the modified retrospective transition approach. The cumulative impact of the adoption is presented in the opening balance on January 2019, and the comparison figures of the preceding year have not been adjusted. IFRS 16 replaced the previous IAS 17 Leases standard.

The standard requires the lessee to record all leases on its balance sheet. The lessee records on the balance sheet a right-of-use asset representing its right to use the asset and a lease liability representing its obligation to make lease payments. These right-of-use assets are depreciated over the shorter of lease term and useful life of the underlying asset. The interest cost of lease liabilities is recorded in finance costs. IFRS 16 provides for optional exemptions for short-term leases and low-value assets, which Fingrid Oyj makes use of. The payments related to these are expensed in the income statement. From the lessor's perspective, reporting remains similar to that under IAS 17, with the leases being divided into finance leases and other leases. Fingrid does not have significant leases as a lessor.

Following the adoption of IFRS 16, Fingrid has recorded on its balance sheet new assets and liabilities, mainly for leases of office premises. On 1 January 2019, Fingrid recorded EUR 35 million in new right-of-use assets. On 31 December 2018, rental liabilities other than finance lease liabilities amounted to EUR 30.2 million. The difference on the date of adoption is primarily attributable to the fact that Fingrid has a few long-term leases related to office premises, and that the options for extension referred to in the standard were taken into account when measuring the leases on the date of adoption of IFRS 16. Management's discretion has been used when assessing to what extent it can be expected that the options to extend the lease terms will be exercised. When adopting IFRS 16, the right-of-use assets were recorded based on an amount equal to the right-of-use asset's discounted lease liability. The average weighted discount rate for the right-of-use liability on 1 January 2019 was 2.02%.

The IFRS 16 standard has an impact on how the cash flow calculation is presented. The new presentation improves the cash flow from operating activities before financing items and taxes. Under IFRS 16, lease liability payments are stated in the cash flow of financing activities and the related interest in interest expenses.

The standard provides for two optional recognition exemptions for the lessee. If the exemption is adopted, the accounting treatment is similar to the previous treatment of operating leases, i.e. the lessee recognises the lease payments in profit or loss. The exemptions concern short-term leases and leases of low-value assets. Fingrid applies the IFRS 16 standard's exemption not to recognise on the balance sheet short-time leases with a lease term of 12 months or less and which do not include an option to purchase the underlying asset. Also where the value of an underlying asset is not material for Fingrid, the management has decided to make full use of the option.

The lease term corresponds to the non-cancellable period of the lease and leases where, according to management's assessment, the options to extend the lease will be exercised with a high probability. The real-estate leases do not clearly define the interest rate implicit in the lease, which is why Fingrid uses as the interest rate an estimate of the company's incremental borrowing rate for real estate leases. The incremental borrowing

FINGRID OYJ

www.fingrid.fi

27 February 2020

rate is determined for the entire real-estate lease portfolio, whereby all real-estate leases are discounted using the same interest rate. The discount rates applied in discounting leases under IFRS 16 are based on the market yield on the company's publicly quoted bonds.

Short-term leases or leases of low-value assets, which are expensed in equal instalments, consist of vehicle lease payments, lease payments for land and water areas and lease payments for small machinery and equipment.

#### Impacts of the transition to IFRS 16

Reconciliation of lease liabilities and commitments related to leases on the transition date is presented below:

<b>Rental liabilities 31 Dec 2018</b>	30,2
Impacts of determining the lease term	15,1
Impacts of discounting	-5,8
Short-term leases that are not recognised as debt	-0,1
Low-value asset leases	-4,3
<b>Rental liabilities 1 Jan 2019</b>	<b>35,0</b>
<b>Of which:</b>	
Current lease liabilities	2,3
Non-current lease liabilities	32,7
	<b>35,0</b>

## 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 balance sheet according to the company’s accounting is smaller than the balance sheet under the Finnish Energy Authority’s regulations, in which grid assets have been measured at the regulatory present value in use. The company’s borrowings are presented at their carrying amount also on the regulatory balance sheet. Equity on the accounting balance sheet is smaller than equity on the regulatory balance sheet, which balances out the difference in the grid asset carrying amount and the regulatory value in use. The principal aim of Fingrid’s capital management and grid asset management is to secure the company’s ability to conduct uninterrupted operations, value retention and rapid recovery from any exceptional circumstances. A key goal is to maintain an ideal 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 aims to maintain a credit rating of at least ‘A-’. The company has not set specific key figure targets for accounting balance sheet or regulatory balance sheet capital management, but instead monitors and controls the overall situation, for which credit ratings and their underlying risk analyses and other parameters create a foundation.

The company’s credit rating remained high in 2019. 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 2019 remained high and 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 ‘A+’, the long-term company rating at ‘A’, and ‘F1’ for the short-term company rating, with a stable outlook. 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.

### 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.

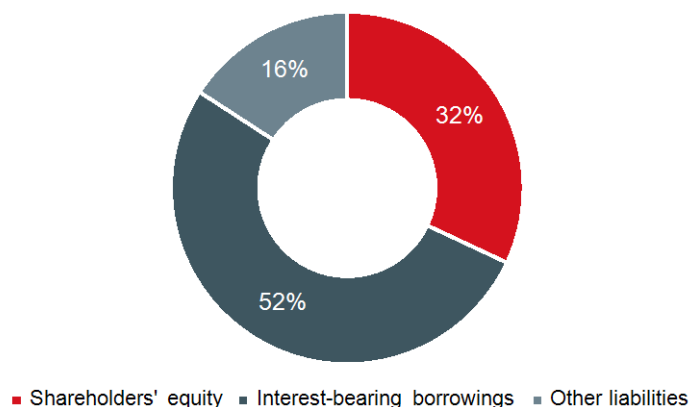
Core aims for financing activities:

- 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 32.0% and that of liabilities 68.0% in 2019. The IFRS 16 standard reduced the share of equity by 0.5% points. Regulatory equity was 60.5% and liabilities were 39.5% of the regulatory balance sheet in 2019.

Capital structure 2019



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 opportunities offered by credit ratings at any given time on the international and domestic money markets. Market-based and diversified financing is sought from several sources. The goal is 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 an international Medium Term Note Programme ("EMTN Programme"), totalling EUR 1.5 billion.
- Fingrid has an international 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).



## Green financing

Green financing is an important part of Fingrid's financing strategy and responsible operating model. Fingrid was the first Finnish company to issue a Green Bond in 2017. Green Bonds are used to finance projects that are expected to have long-term net positive environmental impacts. Green Bond projects connect renewable energy production to Fingrid's transmission network, reduce electricity transmission losses and create smart solutions that save energy and the environment. Fingrid annually reports on the impacts of its Green Bond projects by publishing a separate impact report on its website under Investors. As of 2019, the company also discloses the estimated amount of carbon dioxide emissions that have been avoided through these projects in carbon dioxide equivalent tonnes. The company's objective is to increase the share of green financing in its total financing.

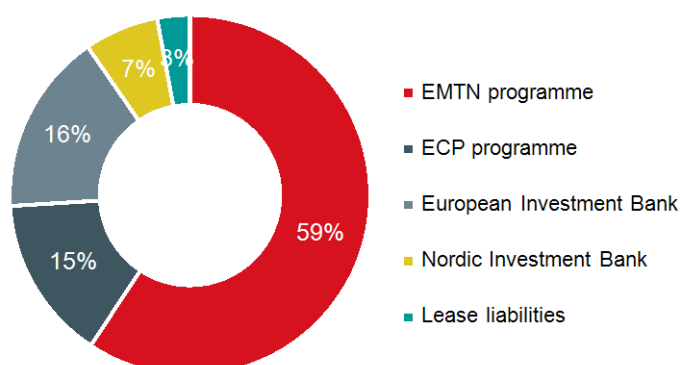
Fingrid's EMTN programme and bonds are listed on the London Stock Exchange. On 9 January 2019, Fingrid listed the EMTN Programme and bonds on the Irish Stock Exchange (Euronext Dublin) in addition to the London Stock exchange. Dual listing enables the trading of debt issues and new debt issue listings on these two stock exchanges.

Fingrid and the European Investment Bank (EIB) signed a EUR 100 million long term loan agreement for reinforcing and developing Finland's electricity transmission grid on 7 February 2019. The EIB's funding supports Fingrid's investment programme, which aims to reinforce and develop the nation-wide electricity transmission grid.

Fingrid and the Nordic Investment Bank (NIB) signed a twenty-year EUR 100 million loan agreement concerning the expansion and reinforcement of the transmission grid. The loan will be used to finance Fingrid's investments that will enable the power system transformation to accommodate the growing production of renewable energy and the reinforcement of the grid to keep Finland as a single price area.

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

Total debt by source 2019



FINGRID OYJ  
www.fingrid.fi

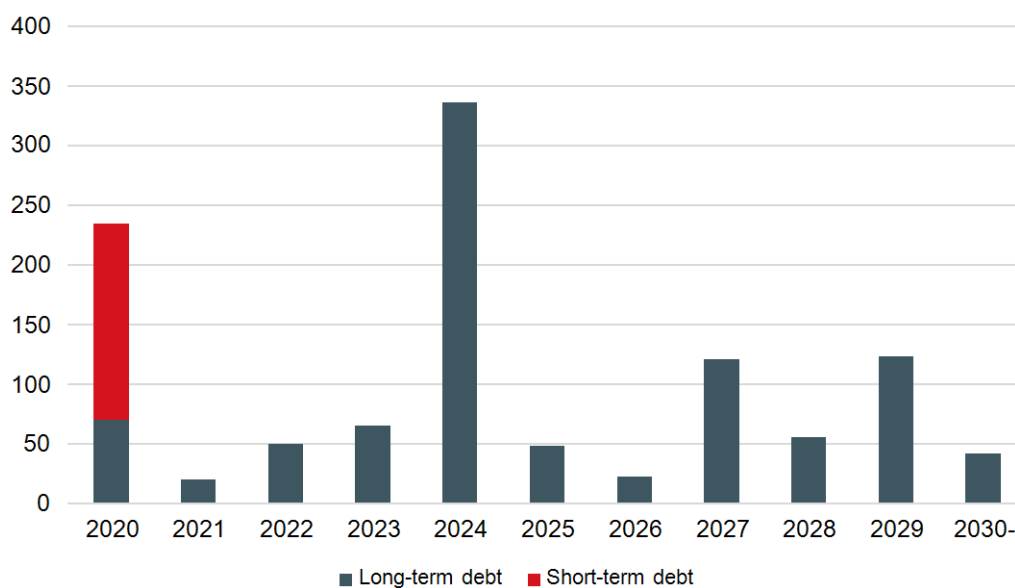
27 February 2020

Borrowings are as follows:

14. BORROWINGS, €1,000	2019			2018			Hierarchy level
	Fair value	Balance sheet value	%	Fair value	Balance sheet value	%	
<b>Non-current</b>							
Bonds	701,100	613,921		743,043	663,629		Level 2
Loans from financial institutions	249,487	240,216		115,404	107,879		Level 2
	<b>950,588</b>	<b>854,138</b>		<b>858,446</b>	<b>771,508</b>		
Lease liabilities		30,515					
		<b>884,652</b>	79%		<b>771,508</b>	73%	
<b>Current</b>							
Bonds	50,136	50,000		20,848	20,104		Level 2
Loans from financial institutions	18,900	17,662		23,855	22,600		Level 2
Other loans/Commercial papers (international and domestic)	165,106	165,315		245,183	245,387		Level 2
	<b>234,142</b>	<b>232,978</b>		<b>289,886</b>	<b>288,091</b>		
Lease liabilities		2,371					
		<b>235,349</b>	21%		<b>288,091</b>	27%	
<b>Total</b>	<b>1,184,730</b>	<b>1,120,001</b>	100%	<b>1,148,332</b>	<b>1,059,598</b>	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.

### Debt maturity profile, MEUR



Non-current financial liabilities in the graph above include a total of EUR 32.9 million in lease liabilities in accordance with IFRS 16.

FINGRID OYJ  
www.fingrid.fi

27 February 2020

15. BONDS INCLUDED IN BORROWINGS, €1,000				2019	2018
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%	299,359	299,222
EUR	100,000	23 Nov 2027	1.125%	99,424	99,355
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
				653,783	653,577
NOK	200,000	12 Nov 2019	5.37%		20,104
NOK	100,000	16 Sep 2025	4.31%	10,138	10,052
				10,138	30,156
Bonds, long-term total				613,921	663,629
Bonds, short-term total				50,000	20,104
<b>Total</b>				<b>663,921</b>	<b>683,733</b>

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
<b>Debt on 1 Jan 2018</b>	<b>269,304</b>	<b>813,404</b>	<b>1,082,707</b>
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	
<b>Debt on 31 Dec 2018</b>	<b>288,091</b>	<b>771,508</b>	<b>1,059,598</b>
Cash flow from financing activities	-126,396	150,000	23,604
Exchange rate adjustments	3,621	292	3,913
Other changes not involving a payment transaction	2,371	30,515	32,886
Transfer to short-term loans	67,662	-67,662	
<b>Debt on 31 Dec 2019</b>	<b>235,349</b>	<b>884,652</b>	<b>1,120,001</b>

Other changes are mainly made up of IFRS 16 impacts.

FINGRID OYJ  
www.fingrid.fi

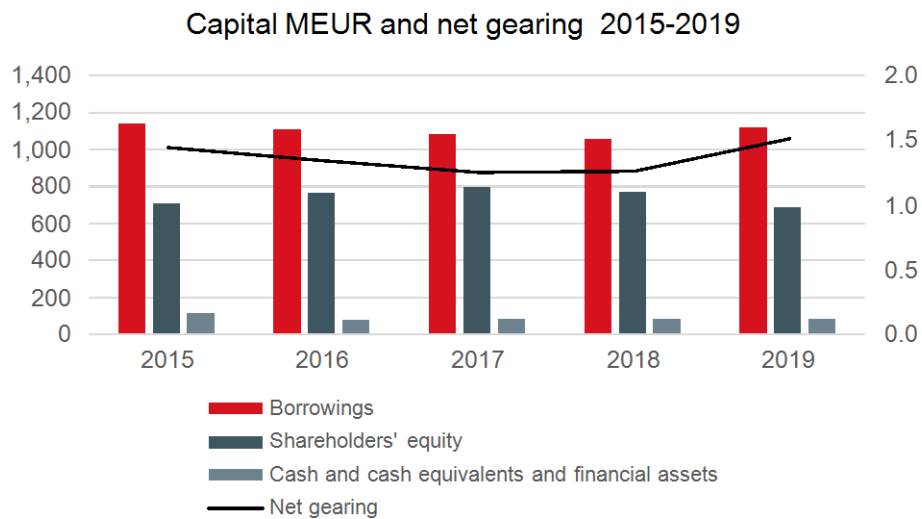
27 February 2020

Reconciliation of net debt, € 1,000	2019	2018
Cash in hand and cash equivalents	15,626	13,922
Financial assets recognised in the income statement at fair value	67,188	71,380
Borrowings - repayable within one year	235,349	288,091
Borrowings - repayable after one year	884,652	771,508
<b>Net debt</b>	<b>1,037,186</b>	<b>974,297</b>

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

Financial assets recognised at fair value through profit and loss are liquid investments traded on active markets.

At the end of the year, the company's borrowings included a total of EUR 32.9 million in lease liabilities in accordance with IFRS 16, consisting of EUR 2.4 million in short-term liabilities, to be paid within a year, and EUR 30.5 million in long-term liabilities, with a maturity date after more than a year.



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

FINGRID OYJ  
www.fingrid.fi

27 February 2020

17. INTEREST INCOME AND EXPENSES FROM LOANS AND OTHER RECEIVABLES, €1,000	2019	2018
Interest income on financial assets in income statement at fair value	466	46
Interest income on cash, cash equivalents and bank deposits	2	124
	468	170
Interest expenses on borrowings	-19,985	-20,898
Net interest expenses on interest rate and foreign exchange derivatives	5,926	4,553
Gains from measuring derivative contracts at fair value	5,405	2,790
Losses from measuring derivative contracts at fair value	-1,007	-1,917
Net foreign exchange gains and losses from borrowings, derivatives and FX-accounts	-351	-59
Interest expenses on lease liabilities (IFRS 16)	-683	
Other finance costs	-882	-895
	-11,577	-16,426
Capitalised finance costs, borrowing costs; at a capitalisation rate of 1.3 % (note 11)	1,016	1,042
<b>Total</b>	<b>-10,093</b>	<b>-15,213</b>

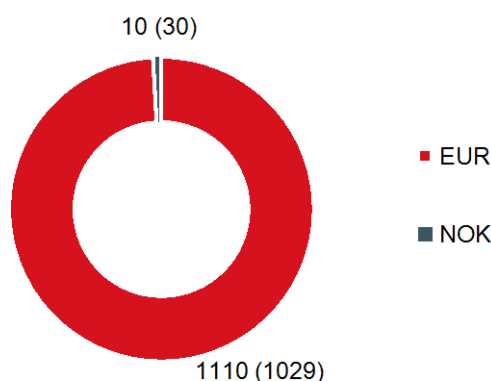
## Managing the market risks of debt

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 left unhedged for reasons of cost-effectiveness.

## Transaction risk

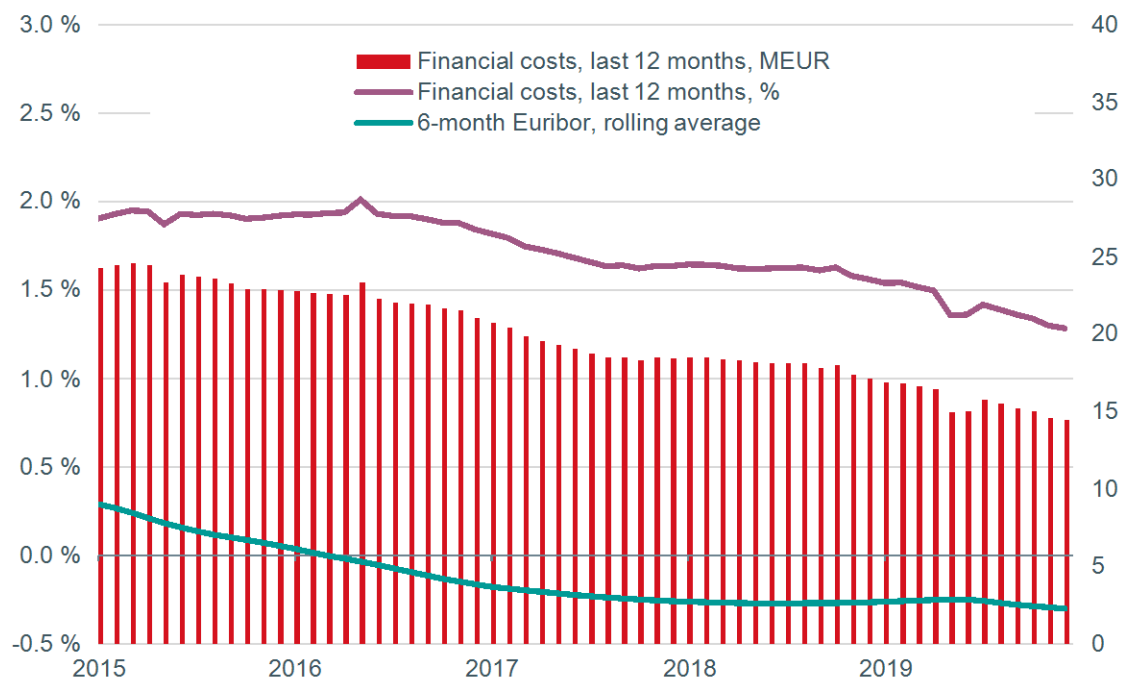
Total debt in original currency 2019, MEUR



The company issues bonds in the international and domestic money and debt capital markets. The company's debt portfolio is spread across euro-denominated and non-euro-denominated currencies. The total foreign-currency-denominated debt portfolio and the related interest rate flows are hedged against the currency risk. The currency risk for each bond is always 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.

## Financial costs 2015-2019



The graph 'Financial costs 2015–2019' does not include IFRS 16 interest expenses.

### 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 makes a separate decision on the hedging of operational interest rate risks. The interest rate risk included in business operations was not hedged in 2019. 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 17.1 (18.0) 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 determined by the Finnish Energy Authority 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.

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

$WACC_{post-tax}$  = 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

$$C_D = R_r + DP$$

$R_r$  = risk-free interest rate

$DP$  = risk premium of debt

$$C_E = R_r + \beta_{levered} \times (R_m - R_r) + LP$$

$R_r$  = 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.

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

$WACC_{pre-tax}$  = 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:

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

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

$R_{k,pre-tax}$  = pre-tax reasonable return, EUR

$WACC_{pre-tax}$  = 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

Cost of equity	Parameter	Value to be applied
$C_E = R_f + \beta_{Unlevered} \times (1 + (1 - t) \times D/E) \times (R_m - R_f) + LP$ $C_E = \text{Finnish 10y bond} + 0.4 \times (1 + (1 - 20\%) \times 50/50) \times 5\% + 0.6\%$ $C_E = \text{Finnish 10y bond} + 4.2\%$	Risk-free rate ( $R_f$ )	Greater of: a) 10-year average of 10-year Finnish government bond rate b) Average of previous year April-September government bond rate
Cost of debt	Asset beta ( $\beta_{Unlevered}$ )	0.4
$C_D = R_f + DP$ $C_D = \text{Suomen valtion 10v obligatio} + 1.26\%$	Market risk premium ( $R_m - R_f$ )	5.0%
WACC (pre tax)	Liquidity premium (LP)	0.6%
$WACC_{post-tax} = C_E \times 50/100 + C_D \times (1 - t) \times 50/100$ $WACC_{post-tax} = \text{Finnish 10y bond} \times 0.9 + 2.60\%$ $WACC_{pre-tax} = \text{Finnish 10y bond} \times 1.125 + 3.26\%$	Capital structure (D/E)	50/50
	Risk premium of debt (DP)	1.26%
	Tax rate (t)	20%

## 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. PAYMENTS UNDER FINANCING AGREEMENTS IN CASH, €1000

31 Dec 2019		2020	2021	2022	2023	2024	2025-	Total
Bonds	- repayments	50,000		30,000	30,000	299,359	254,562	<b>663,921</b>
	- interests	17,124	17,106	17,125	17,106	16,293	23,962	<b>108,716</b>
Loans from financial institutions	- repayments	17,662	17,662	17,662	33,047	34,660	137,185	<b>257,879</b>
	- interests	2,095	1,690	1,393	1,237	1,041	4,900	<b>12,356</b>
Commercial papers	- repayments	165,000						<b>165,000</b>
Lease liabilities	- repayments	2,371	2,311	2,192	2,199	2,228	21,584	<b>32,886</b>
	- interests	642	600	557	513	469	2,159	<b>4,938</b>
Currency swaps	- payments	25	32	48	67	79	12,603	<b>12,855</b>
Interest rate swaps	- payments	72	95	144	203	71	427	<b>1,012</b>
Forward contracts	- payments	12,597	300	1,000	1,500	900		<b>16,297</b>
<b>Total</b>		<b>267,589</b>	<b>39,797</b>	<b>70,121</b>	<b>85,872</b>	<b>355,100</b>	<b>457,382</b>	<b>1,275,860</b>
Currency swaps	- receivables	437	437	437	437	437	10,575	<b>12,760</b>
Interest rate swaps	- receivables	5,281	5,205	4,915	4,094	3,025	2,580	<b>25,101</b>
Forward contracts	- receivables	12,173	296	992	1,505	909		<b>15,874</b>
<b>Total</b>		<b>17,891</b>	<b>5,937</b>	<b>6,344</b>	<b>6,036</b>	<b>4,371</b>	<b>13,155</b>	<b>53,735</b>
<b>Total</b>		<b>249,698</b>	<b>33,860</b>	<b>63,777</b>	<b>79,836</b>	<b>350,728</b>	<b>444,227</b>	<b>1,222,126</b>



FINGRID OYJ  
www.fingrid.fi

27 February 2020

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



## 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	2019	2018
Cash assets and bank account balances	15,626	13,922
<b>Total</b>	<b>15,626</b>	<b>13,922</b>

20. OTHER FINANCIAL ASSETS, €1,000	2019	2018	Hierarchy level
Short-term fixed income funds	67,188	56,881	Level 1
Commercial papers	0	4,498	Level 2
Bank deposits, over 3 months	0	10,000	Level 2
<b>Total</b>	<b>67,188</b>	<b>71,380</b>	



## 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

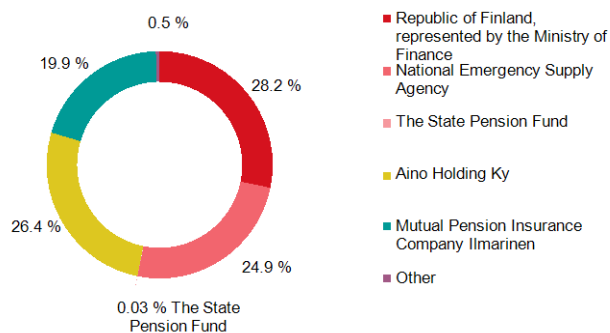
Fingrid does not have financing assets classified as available-for-sale investments.

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

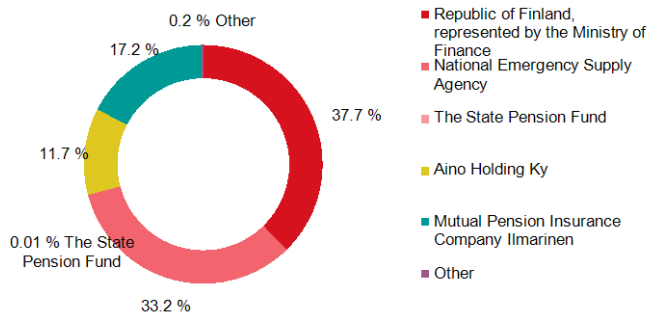
## 6.5 Equity and dividend distribution

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

Shareholders 31 Dec 2019



Voting rights 31 Dec 2019



### SHAREHOLDERS BY CATEGORY 31 DEC 2019

	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
<b>Total</b>	<b>3,325</b>	<b>100.00</b>	<b>100.00</b>

FINGRID OYJ  
www.fingrid.fi

27 February 2020

<b>Shareholders, 31 Dec 2019</b>	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
<b>Total</b>	<b>3,325</b>	<b>100.00</b>	<b>100.00</b>

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 2018. 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

<b>The share capital is broken down as follows</b>	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
<b>Total</b>	<b>3,325</b>	<b>100.00</b>	<b>100.00</b>

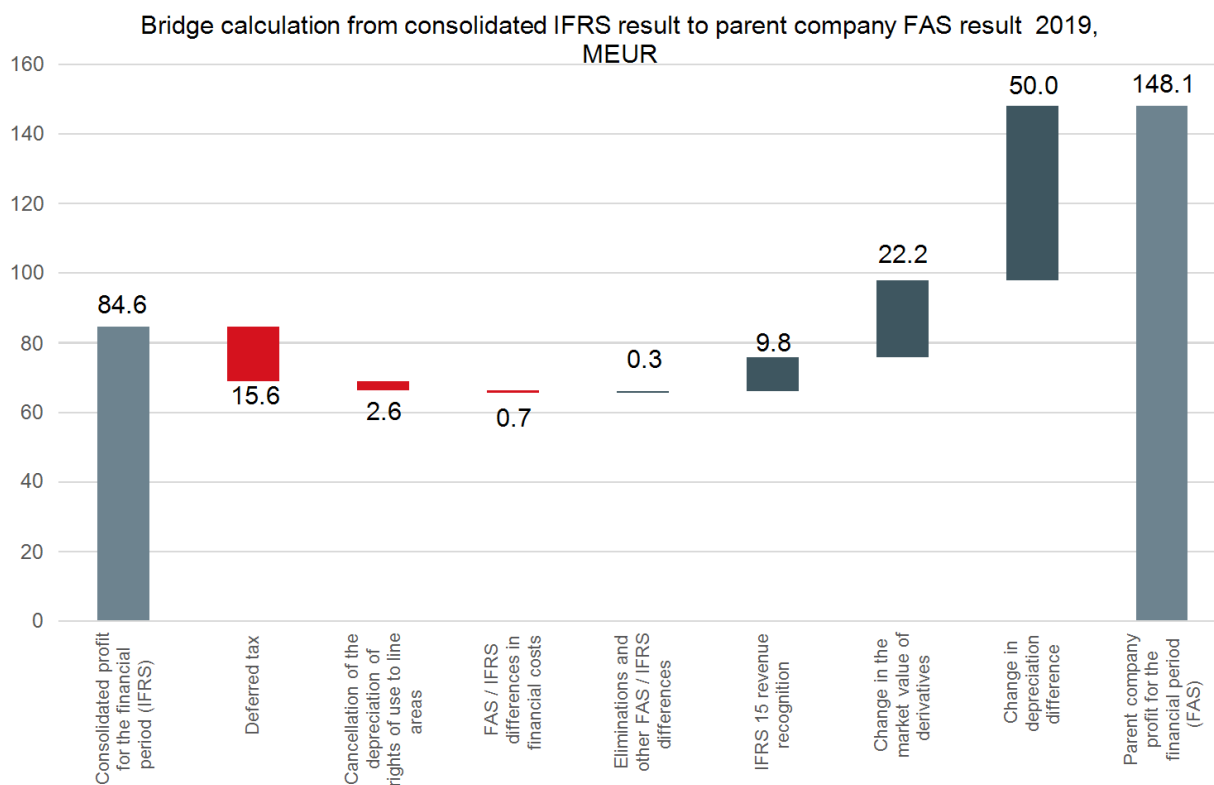
Fingrid's dividends are distributed such that the shareholders receive a reasonable return on their invested capital, but also such that the company's financial position is maintained.

Fingrid Oyj's distributable funds in the financial statements total EUR 198,985,738.74. Based on the 2018 financial statements, EUR 171.4 million was paid in dividends (EUR 173.5). Since the closing date, the Board of Directors has proposed that a dividend of EUR 58,500.00 at maximum per share will be paid for Series A shares, and EUR 21,400.00 at maximum for Series B shares for a total of EUR 148,248,800.00 at maximum. The first dividend instalment of EUR 39,500.00 for each Series A share and EUR 14,450.00 for each Series B share, totalling EUR 100,100,150.00, shall be paid on 25 March 2020. The second dividend instalment, a maximum of EUR 19,000.00 for each Series A share and a maximum of EUR 6,950.00 for each Series B share, totalling a maximum of EUR 48,148,650.00, 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.



## 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.

FINGRID OYJ  
www.fingrid.fi

27 February 2020

## 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:

<b>22. CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY, €1,000</b>					
	Assets/ liabilities recognised in income statement at fair value	Available-for- sale financial assets	Financial assets/liabilities measured at amortised cost	Total	Note
<b>Balance sheet item 31 Dec 2019</b>					
<b>Non-current financial assets</b>					
Interest rate and currency derivatives	26,720			26,720	23
Electricity derivatives	1,905			1,905	23
Loan receivables			1,125	1,125	
<b>Current financial assets</b>					
Interest rate and currency derivatives	0			0	23
Electricity derivatives	3,835			3,835	23
Trade receivables and other receivables			83,990	83,990	3
Other financial assets	67,188			67,188	20
Cash in hand and cash equivalents			15,626	15,626	19
<b>Financial assets total:</b>	<b>99,648</b>		<b>100,741</b>	<b>200,389</b>	
<b>Non-current financial liabilities:</b>					
Borrowings			884,652	884,652	14
Interest rate and currency derivatives	6,514			6,514	23
<b>Current financial liabilities:</b>					
Borrowings			235,349	235,349	14
Interest rate and currency derivatives	372			372	23
Trade payables and other liabilities			107,687	107,687	7
<b>Financial liabilities total</b>	<b>6,886</b>		<b>1,227,689</b>	<b>1,234,574</b>	

FINGRID OYJ  
www.fingrid.fi

27 February 2020

	Assets/ liabilities recognised in income statement at fair value	Available-for- sale financial assets	Financial assets/liabilities measured at amortised cost	Total	Note
<b>Balance sheet item 31 Dec 2018</b>					
<b>Non-current financial assets</b>					
Interest rate and currency derivatives	22,837			22,837	23
Electricity derivatives	9,643			9,643	23
Loan receivables			1,750	1,750	
<b>Current financial assets</b>					
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
<b>Financial assets total:</b>	<b>107,936</b>		<b>125,441</b>	<b>233,378</b>	
<b>Non-current financial liabilities:</b>					
Borrowings			771,508	771,508	14
Interest rate and currency derivatives	7,390			7,390	23
<b>Current financial liabilities:</b>					
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			97,939	97,939	7
<b>Financial liabilities total</b>	<b>11,404</b>		<b>1,157,537</b>	<b>1,168,941</b>	

At the end of the year, the company's borrowings included a total of EUR 32.9 million in lease liabilities in accordance with IFRS 16, consisting of EUR 2.4 million in short-term liabilities, to be paid within a year, and EUR 30.5 million in long-term liabilities, with a maturity date after more than a year.

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 22.4 million in 2019 (14.3). 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.

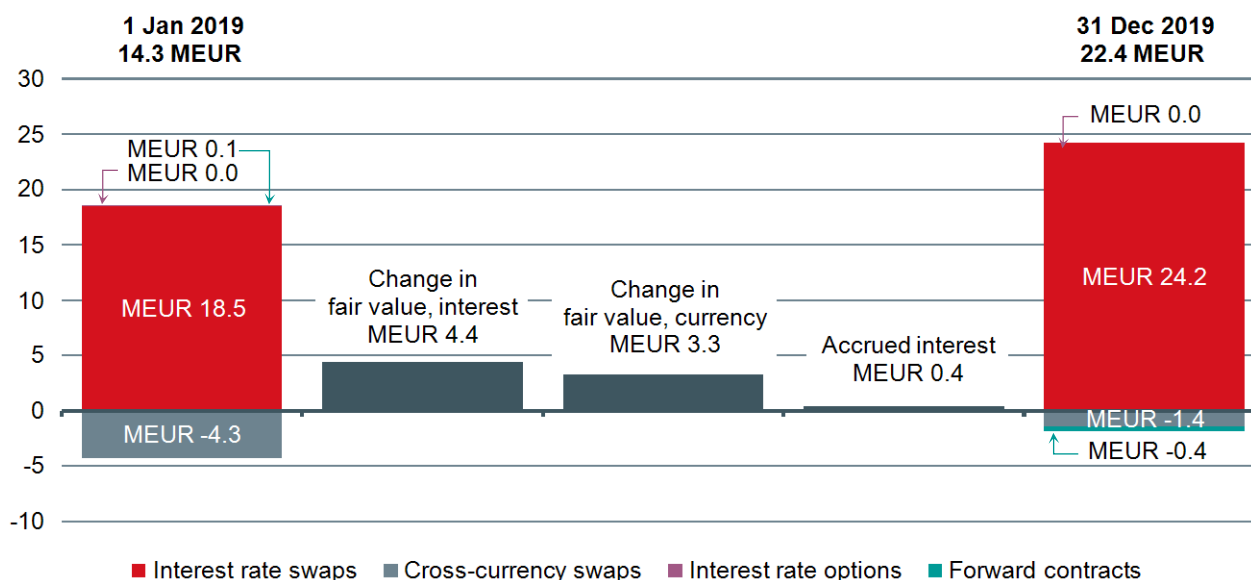
The table below includes all of the Group's derivatives.

**23. DERIVATIVE INSTRUMENTS, € 1,000**

	2019				2018				Hierarchy level
	Fair value pos. 31.12.19	Fair value neg. 31.12.19	Net fair value 31.12.19	Nominal value 31.12.19	Fair value pos. 31.12.18	Fair value neg. 31.12.18	Net fair value 31.12.18	Nominal value 31.12.18	
<b>Interest rate and currency derivatives</b>									
Cross-currency swaps	1,509	-2,901	-1,393	12,512	2,571	-6,888	-4,316	36,237	Level 2
Forward contracts		-440	-440	15,878	7	-5	1	5,150	Level 2
Interest rate swaps	27,771	-3,564	24,207	265,000	23,575	-5,087	18,488	325,000	Level 2
Bought interest rate options	49		49	610,000	126		126	620,000	Level 2
<b>Total</b>	<b>29,329</b>	<b>-6,905</b>	<b>22,423</b>	<b>903,389</b>	<b>26,279</b>	<b>-11,980</b>	<b>14,300</b>	<b>986,387</b>	
<b>Electricity derivatives</b>									
Electricity future contracts. NASDAQ OMX Commodities	8,015	-771	7,244	0.71	12,383	-385	11,997	1.87	Level 1
Electricity forward contracts. NASDAQ OMX Commodities	5,740		5,740	3.56	27,500	-3	27,496	2.58	Level 1
<b>Total</b>	<b>13,755</b>	<b>-771</b>	<b>12,984</b>	<b>4.27</b>	<b>39,883</b>	<b>-389</b>	<b>39,494</b>	<b>4.45</b>	

The net fair value of derivatives indicates the realised profit/loss if they had been closed on the last trading day of 2019. 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 2019.

## Change in the net fair value of financial derivatives 2019

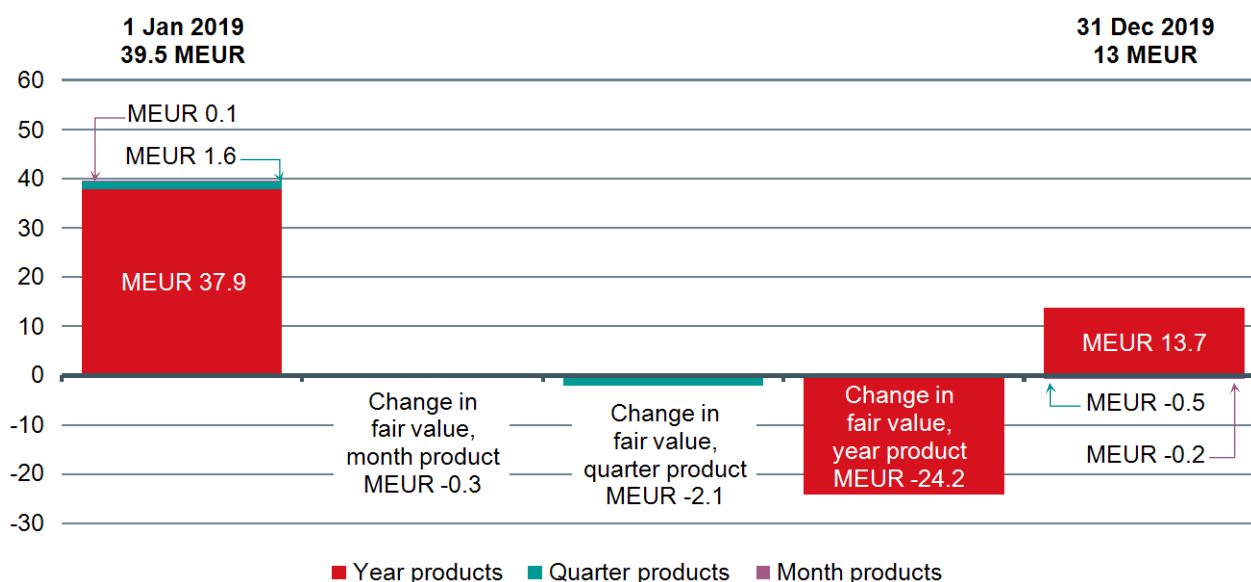


The purpose of Fingrid's loss power price hedging is to reduce the effect of volatility in market prices on the loss power procurement costs and to give adequate predictability in order to keep the pressures to change transmission fees moderate. The change in the fair value of the electricity derivatives used for hedging the price of Fingrid's loss power purchases recognised in the operating profit was EUR 26.6 negative (EUR 37.0 million positive). The volatility in the fair value of electricity derivatives can be significant. The negative impact on profit resulted from the realisation of electricity derivatives with a positive market value and from the effect of lower market quotations for electricity derivatives on the fair value of the electricity derivatives. Fingrid holds its bought derivatives to maturity.

The sensitivity of the fair value of electricity derivatives 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 derivatives on the reporting date. An increase/decrease of 10 per cent in the market price of electricity would have an impact of EUR 9.2 million/EUR -9.2 million on the Group's profit before taxes.

The graph below illustrates the net value of the company's electricity derivatives and the change in it in 2019.

## Change in the net fair value of electricity derivatives 2019







## Accounting principles

### FINANCIAL INSTRUMENTS

#### 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.

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.



## 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 derivatives

The company enters into electricity derivative contracts in order to hedge the price risk of electricity purchases in accordance with the loss power forecast. Fingrid discontinued hedge accounting for electricity derivatives at the beginning of 2014. As a result, the entire change in the fair value of electricity derivatives is 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 Fingrid'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 180,000.

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 Holding AS (ownership 18.8%) and eSett Oy (ownership 25.0%).

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

<b>24. INVESTMENTS IN ASSOCIATED COMPANIES, € 1,000</b>	<b>2019</b>	<b>2018</b>
<b>Non-current</b>		
Interests in associated companies	11,012	12,072
Loan receivables from associated companies	1,125	1,750
<b>Current</b>		
Loan receivables from associated companies	188	500
<b>Total</b>	<b>12,325</b>	<b>14,322</b>

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 1.1 (2.3) 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 quarter 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.

FINGRID OYJ  
www.fingrid.fi

27 February 2020

## Financial summary of associated companies, €1,000

	Non-current		Current assets			Turnover	Profit/loss	Dividends received during the financial period	Ownership (%)
	Assets	Liabilities	Assets	Liabilities					
<b>2019</b>									
Nord Pool Holding AS	6,049	341	178,808	152,658	38,964	4,801	881	18.8	
eSett Oy	5,750	3,750	43,836	38,982	6,321	-71		25.0	
	Non-current		Current assets			Turnover	Profit/loss	Dividends received during the financial period	Ownership (%)
	Assets	Liabilities	Assets	Liabilities					
<b>2018</b>									
Nord Pool Holding AS	5,613	353	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	

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

	2019	2018
Cost at 1 Jan	12,072	10,303
Decreases	-603	
Share of profit	384	2,607
Translation reserve	40	-193
Dividends	-881	-645
<b>Carrying amount 31 Dec</b>	<b>11,012</b>	<b>12,072</b>

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

	2019	2018
Sales	121	155
Expense adjustments	22	65
Purchases	3,230	3,889
Receivables	3,693	791
Liabilities	2,830	2,226
Loan receivables	1,313	2,250



## 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 Holding 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 to 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 2019 amounted to 7,000 units (tCO<sub>2</sub>). Emissions trading had minor financial significance for Fingrid. CO<sub>2</sub> emissions included in emissions trading totalled 5,142 tonnes in 2019 (8,223).



## 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.

FINGRID OYJ  
www.fingrid.fi

27 February 2020

## 25. PROVISIONS, € 1,000

	2019	2018
Provisions for creosote-impregnated towers 1 Jan	1,424	1,474
Provisions used	-31	-50
<b>Provisions 31 Dec</b>	<b>1,393</b>	<b>1,424</b>



### 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

	2019	2018
<b>Pledges</b>	<b>490</b>	<b>480</b>
<b>Other financial commitments</b>		
Rent security deposit, guarantee	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	414	345
Commitment fee for subsequent years	568	862
	<b>1,020</b>	<b>1,245</b>
<b>Unrecognised investment commitments</b>	<b>181,973</b>	<b>103,946</b>
<p>The investment commitments consist of agreements signed by the company to carry out grid construction projects and to procure the datahub system.</p>		
<b>Payment obligations from right-of-use agreements for reserve power plants:</b>		
In one year	8,663	8,663
In more than one year and less than five years	29,638	34,064
In more than five years	15,596	19,610
<b>Total</b>	<b>53,896</b>	<b>62,337</b>

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 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. The action raised in the case concerning social security based compensation has lapsed.

## EVENTS AFTER THE CLOSING DATE

On 5 December 2019, Fingrid Oyj announced that it had, together with the other owners of Nord Pool Holding AS, entered into a binding agreement to sell 66% of the company's shares to Euronext. On 15 January 2020, Fingrid Oyj announced that the transaction has received the necessary authority approvals and that the other preconditions for its completion have been fulfilled. The sale will have a small positive impact on Fingrid's

FINGRID OYJ  
www.fingrid.fi

27 February 2020

result and cash flow in the first quarter. Fingrid's indirect ownership in Nord Pool is 6.4%, which is managed through a holding company jointly owned by the Nordic Transmission System Operators.

Fingrid Group's profit for the 2020 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to slightly decline compared to the previous year. Fingrid announced on 2 October 2019 that it will maintain the electricity transmission prices in the main grid at their 2019 level in 2020.

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 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.

#### **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](http://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 27 February 2020. 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.

FINGRID OYJ  
www.fingrid.fi

27 February 2020

## 8 Parent company financial statements (FAS)

### 8.1 Parent company income statement

	Notes	Jan-Dec/2019 €	Jan-Dec/2018 €
<b>TURNOVER</b>	2	<b>786,172,778.25</b>	<b>844,636,947.00</b>
Other operating income	3	4,318,646.92	10,800,562.63
Materials and services	4	-477,603,454.67	-469,156,712.93
Personnel costs	5	-26,552,187.13	-30,987,690.53
Depreciation and amortisation expense	6	-98,240,304.08	-102,385,166.51
Other operating expenses	7,8	-39,681,552.93	-43,367,646.31
<b>OPERATING PROFIT</b>		<b>148,413,926.36</b>	<b>209,540,293.35</b>
Finance income and costs	9	-13,610,843.06	-16,519,817.38
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b>		<b>134,803,083.30</b>	<b>193,020,475.97</b>
<b>Appropriations</b>			
Change in depreciation difference		50,000,000.00	50,000,000.00
Income taxes	10	-36,742,360.46	-48,450,162.82
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>148,060,722.84</b>	<b>194,570,313.15</b>

Notes are an integral part of the financial statements.

FINGRID OYJ  
www.fingrid.fi

27 February 2020

## 8.2 Parent company balance sheet

ASSETS	Notes	31 Dec 2019 €	31 Dec 2018 €
<b>Intangible assets:</b>			
Other intangible assets	12	74,207,990.70	77,600,740.48
		<b>74,207,990.70</b>	<b>77,600,740.48</b>
<b>Tangible assets</b>			
	13		
Land and water areas		19,640,631.77	19,116,986.53
Buildings and structures		243,001,815.61	226,260,218.96
Machinery and equipment		559,391,487.70	551,598,765.91
Transmission lines		742,446,973.27	743,255,086.72
Other property, plant and equipment		117,516.35	117,516.35
Prepayments and purchases in progress		50,294,189.42	59,596,188.98
		<b>1,614,892,614.12</b>	<b>1,599,944,763.45</b>
<b>Investments:</b>			
	14		
Interests in Group companies		843,310.86	843,310.86
Interests in associated companies		8,087,353.95	8,587,578.95
		<b>8,930,664.81</b>	<b>9,430,889.81</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,698,031,269.63</b>	<b>1,686,976,393.74</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>	15	<b>12,066,857.86</b>	<b>12,390,535.52</b>
<b>Receivables</b>			
<b>Non-current</b>			
Loan receivables from Group companies	16	21,394,055.61	9,142,044.28
Loan receivables from associated companies	16	1,125,000.00	1,750,000.00
Deferred tax assets	10	9,002,757.57	10,788,284.51
		<b>31,521,813.18</b>	<b>21,680,328.79</b>
<b>Current</b>			
Trade receivables		68,438,571.79	82,960,650.88
Receivables from Group companies	17	2,542,055.18	377,781.29
Receivables from associated companies	18	3,880,910.79	1,290,832.94
Other receivables		11,055,048.42	1,463,140.20
Prepayments and accrued income	19,20	7,059,591.00	9,489,162.82
		<b>92,976,177.18</b>	<b>95,581,568.13</b>
<b>Financial securities</b>	21	<b>66,489,293.26</b>	<b>70,980,070.94</b>
<b>Cash in hand and bank receivables</b>	21	<b>15,626,317.65</b>	<b>13,921,698.15</b>
<b>TOTAL CURRENT ASSETS</b>		<b>218,680,459.13</b>	<b>214,554,201.53</b>
<b>TOTAL ASSETS</b>		<b>1,916,711,728.76</b>	<b>1,901,530,595.27</b>

Notes are an integral part of the financial statement.



FINGRID OYJ  
www.fingrid.fi

27 February 2020

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 Dec 2019 €	31 Dec 2018 €
<b>EQUITY</b>			
	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		50,925,015.90	27,794,652.75
Profit for the financial year		148,060,722.84	194,570,313.15
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>310,830,709.84</b>	<b>334,209,937.00</b>
<b>ACCUMULATED APPROPRIATIONS</b>	23	<b>348,896,757.27</b>	<b>398,896,757.27</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	30	<b>1,393,146.78</b>	<b>1,424,146.78</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bonds	24,25	617,511,729.99	667,511,729.99
Loans from financial institutions		240,216,450.17	107,878,787.88
		<b>857,728,180.16</b>	<b>775,390,517.87</b>
<b>CURRENT LIABILITIES</b>			
Bonds	24	50,000,000.00	23,724,792.54
Loans from financial institutions		17,662,337.71	22,600,144.82
Trade payables		17,541,604.90	20,725,047.34
Liabilities to Group companies	26	1,598,574.20	2,880,243.07
Liabilities to associated companies	27	3,919,746.15	2,226,105.94
Other liabilities	28	188,907,858.16	265,127,089.56
Accruals	29	118,232,813.59	54,325,813.08
		<b>397,862,934.71</b>	<b>391,609,236.35</b>
<b>TOTAL LIABILITIES</b>		<b>1,255,591,114.87</b>	<b>1,166,999,754.22</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,916,711,728.76</b>	<b>1,901,530,595.27</b>

Notes are an integral part of the financial statements.

FINGRID OYJ  
www.fingrid.fi

27 February 2020

## 8.3 Parent company cash flow statement

	Note	1 Jan - 31 Dec, 2019 €	1 Jan - 31 Dec, 2018 €
<b>Cash flow from operating activities:</b>			
Profit before taxes		134,803,083.30	193,020,475.97
Adjustments:			
Depreciation		98,240,304.08	102,385,166.51
Capital gains/losses (+/-) on tangible and intangible assets		-2,815,810.14	-8,131,010.26
Interest and other finance costs		13,610,843.06	16,519,817.38
Other adjustments		-2,217,154.00	
Changes in working capital:			
Change in trade receivables and other receivables		3,951,573.69	-5,029,980.04
Change in inventories		323,677.66	1,138,374.77
Change in trade payables and other liabilities		-1,892,072.25	10,796,432.05
Congestion income		73,001,449.41	29,632,292.62
Change in provisions		-31,000.00	-50,000.00
Interest paid		-21,335,127.58	-21,416,295.12
Interest received		6,396,426.04	4,431,631.10
Taxes paid	10	-39,205,820.03	-37,281,373.19
Net cash flow from operating activities		262,830,373.24	286,015,531.79
<b>Cash flow from investing activities:</b>			
Purchase of property, plant and equipment	13	-104,761,656.82	-89,930,983.87
Purchase of intangible assets	12	-3,483,636.41	-5,491,663.99
Purchase of other assets	14		-606,903.32
Proceeds from sale of other assets	14	684,495.00	
Proceeds from sale of property, plant and equipment	13	3,057,000.00	13,745,399.31
Loans granted		-12,000,000.00	-4,000,000.00
Repayment of loan receivables		937,500.00	1,750,000.00
Dividends received	9	880,590.07	644,876.60
Contributions received		609,998.00	
Net cash flow from investing activities		-114,075,710.16	-83,889,275.27
<b>Cash flow from financing activities:</b>			
Proceeds from current financing (liabilities)		435,667,584.00	542,636,150.22
Payments of current financing (liabilities)		-515,738,978.54	-440,527,216.90
Proceeds from non-current financing (liabilities)		150,000,000.00	
Payments of non-current financing (liabilities)		-46,324,937.36	-129,086,415.69
Change in group account receivables and liabilities		-3,704,539.36	
Dividends paid	22	-171,439,950.00	-173,518,010.00
Net cash flow from financing activities		-151,540,821.26	-200,495,492.37
<b>Change in cash and cash equivalents and financial assets</b>		<b>-2,786,158.18</b>	<b>1,630,764.15</b>
<b>Cash and cash equivalents and financial assets 1 Jan</b>		<b>84,901,769.09</b>	<b>83,271,004.94</b>
<b>Cash and cash equivalents and financial assets 31 Dec</b>	21	<b>82,115,610.91</b>	<b>84,901,769.09</b>

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 and forwards 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.

FINGRID OYJ  
www.fingrid.fi

27 February 2020

**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.

FINGRID OYJ  
www.fingrid.fi

27 February 2020

## 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.

<b>TURNOVER, €1,000</b>	<b>2019</b>	<b>2018</b>
Grid service income	394,857	428,437
Imbalance power sales	346,749	348,837
Cross-border transmission	11,608	35,516
ITC income	14,429	13,089
Income from peak load capacity services	74	234
Income from guarantee-of-origin services	58	239
Other operating income	18,397	18,285
<b>Total</b>	<b>786,173</b>	<b>844,637</b>

<b>3. OTHER OPERATING INCOME, €1,000</b>	<b>2019</b>	<b>2018</b>
Rental income	644	831
Capital gains of fixed assets	2,816	8,277
Contributions received	290	186
Other income	568	1,506
<b>Total</b>	<b>4,319</b>	<b>10,801</b>

<b>4. MATERIALS AND SERVICES, €1,000</b>	<b>2019</b>	<b>2018</b>
Purchases during the financial year	377,427	378,727
Loss energy purchases	53,856	48,796
Change in inventories, increase (-) or decrease (+)	970	1,138
Materials and consumables	432,253	428,662
Services	45,350	40,495
<b>Total</b>	<b>477,603</b>	<b>469,157</b>

<b>5. PERSONNEL EXPENSES, €1,000</b>	<b>2019</b>	<b>2018</b>
Salaries and bonuses	22,396	25,564
Pension expenses	3,518	4,437
Other personnel expenses	638	987
<b>Total</b>	<b>26,552</b>	<b>30,988</b>

FINGRID OYJ  
www.fingrid.fi

27 February 2020

<b>Salaries and bonuses of the members of the Board of Directors and President and CEO, €1,000</b>	<b>2019</b>	<b>2018</b>
Juhani Järvi, Chairman (since 6 June 2014)	42	41
Päivi Nerg, Vice Chairman (since 28 March 2018)	20	16
Juha Majanen, Vice Chairman (until 28 March 2018)		5
Sanna Syri, Member of the Board (since 14 April 2015)	21	21
Esko Torsti, Member of the Board (since 22 March 2012)	20	22
Anu Hämäläinen, Member of the Board (since 6 April 2016)	20	22
Jukka Ruusunen, President and CEO	523	452

**Number of salaried employees in the company during the financial year:**

Personnel, average	368	362
Personnel, 31 Dec	368	365

<b>DEPRECIATION ACCORDING TO PLAN, €1,000</b>	<b>2019</b>	<b>2018</b>
Other non-current expenses	8,107	7,164
Buildings and structures	10,083	9,752
Machinery and equipment	42,998	48,482
Transmission lines	37,052	36,986
<b>Total*</b>	<b>98,240</b>	<b>102,385</b>
* depreciation on the electricity grid (notes 12 and 13)	91,998	93,720

<b>7. OTHER OPERATING EXPENSES, €1,000</b>	<b>2019</b>	<b>2018</b>
Contracts, assignments etc. undertaken externally	25,142	29,821
Grid rents	234	241
Other rental expenses	3,609	3,714
Other costs	10,696	9,592
<b>Total</b>	<b>39,682</b>	<b>43,368</b>

<b>8. AUDITORS' FEES, €1,000</b>	<b>2019</b>	<b>2018</b>
PricewaterhouseCoopers Oy:		
Auditing fee	104	79
Other fees	39	92
<b>Total</b>	<b>143</b>	<b>171</b>

<b>9. FINANCE INCOME AND COSTS, €1,000</b>	<b>2019</b>	<b>2018</b>
Dividend income from Group companies	171	
Dividend income from others	881	645
Interest income from Group companies	421	
Interest income from associated companies	22	
Interest and other finance income from others	6,743	4,547
	8,239	5,192
Interest and other finance costs to others	-21,849	-21,712
	-21,849	-21,712
<b>Total</b>	<b>-13,611</b>	<b>-16,520</b>

FINGRID OYJ  
www.fingrid.fi

27 February 2020

<b>10. INCOME TAXES, €1,000</b>	<b>2019</b>	<b>2018</b>
Income taxes for the financial year	34,546	50,392
Income taxes for the previous financial years	411	
Changes in deferred taxes	1,786	-1,942
<b>Total</b>	<b>36,742</b>	<b>48,450</b>

The company will pay its income taxes in accordance with the underlying tax rate, with no tax planning

<b>Deferred tax assets in balance sheet, €1,000</b>		
On temporary differences from congestion income	9,003	10,788
<b>Total</b>	<b>9,003</b>	<b>10,788</b>

#### Deferred tax assets and liabilities of balance sheet, €1,000

<b>Deferred tax assets</b>		
On temporary differences	279	285
	279	285
<b>Deferred tax liabilities</b>		
On temporary differences	200	214
On appropriations	69,779	79,779
	69,980	79,993
<b>Total</b>	<b>69,701</b>	<b>79,709</b>

<b>11. GOODWILL, €1,000</b>	<b>2019</b>	<b>2018</b>
Cost at 1 Jan	128,664	128,664
<b>Cost at 31 Dec</b>	<b>128,664</b>	<b>128,664</b>
Accumulated depreciation according to plan 1 Jan	-128,664	-128,664
<b>Accumulated depreciation in excess of plan 31 Dec</b>	<b>0</b>	<b>0</b>

<b>12. INTANGIBLE ASSETS, €1,000</b>	<b>2019</b>	<b>2018</b>
Cost at 1 Jan	172,237	167,176
Increases 1 Jan–31 Dec	4,733	5,803
Decreases 1 Jan–31 Dec	-1,190	-742
<b>Cost at 31 Dec</b>	<b>175,780</b>	<b>172,237</b>
Accumulated depreciation according to plan 1 Jan	-94,636	-87,902
Decreases, depreciation according to plan 1 Jan–31 Dec	1,171	431
Depreciation according to plan 1 Jan–31 Dec	-8,107	-7,164
<b>Carrying amount 31 Dec*</b>	<b>74,208</b>	<b>77,601</b>
Accumulated depreciation difference 1 Jan	-50,083	-52,047
Changes in depreciation difference reserve 1 Jan–31 Dec	2,831	1,964
<b>Accumulated depreciation in excess of plan 31 Dec</b>	<b>-47,252</b>	<b>-50,083</b>

FINGRID OYJ  
www.fingrid.fi

27 February 2020

<b>*Net capital expenditure in electricity grid, €1,000</b>	<b>2019</b>	<b>2018</b>
Carrying amount 31 Dec	68,679	70,075
Carrying amount 1 Jan	-70,075	-71,258
Depreciation according to plan 1 Jan–31 Dec	4,441	4,091
Decreases 1 Jan–31 Dec	19	312
<b>Total</b>	<b>3,064</b>	<b>3,219</b>

<b>13. TANGIBLE ASSETS, €1,000</b>	<b>2019</b>	<b>2018</b>
<b>Land and water areas</b>		
Cost at 1 Jan	19,117	18,071
Increases 1 Jan–31 Dec	524	1,049
Decreases 1 Jan–31 Dec		-3
<b>Cost at 31 Dec</b>	<b>19,641</b>	<b>19,117</b>
<b>Buildings and structures</b>		
Cost at 1 Jan	305,089	279,331
Increases 1 Jan–31 Dec	26,825	26,780
Decreases 1 Jan–31 Dec		-1,022
<b>Cost at 31 Dec</b>	<b>331,914</b>	<b>305,089</b>
Accumulated depreciation according to plan 1 Jan	-78,829	-69,612
Decreases, depreciation according to plan 1 Jan–31 Dec		536
Depreciation according to plan 1 Jan–31 Dec	-10,083	-9,752
<b>Carrying amount 31 Dec</b>	<b>243,002</b>	<b>226,260</b>
Accumulated depreciation difference 1 Jan	-13,343	-13,542
Changes in depreciation difference reserve 1 Jan–31 Dec	-57	199
<b>Accumulated depreciation in excess of plan 31 Dec</b>	<b>-13,400</b>	<b>-13,343</b>
<b>Machinery and equipment</b>		
Cost at 1 Jan	1,179,798	1,142,267
Increases 1 Jan–31 Dec	50,791	43,870
Decreases 1 Jan–31 Dec		-6,339
<b>Cost at 31 Dec</b>	<b>1,230,589</b>	<b>1,179,798</b>
Accumulated depreciation according to plan 1 Jan	-628,200	-582,116
Decreases, depreciation according to plan 1 Jan–31 Dec		2,399
Depreciation according to plan 1 Jan–31 Dec	-42,998	-48,482
<b>Carrying amount 31 Dec</b>	<b>559,391</b>	<b>551,599</b>
Accumulated depreciation difference 1 Jan	-56,386	-86,466
Changes in depreciation difference reserve 1 Jan–31 Dec	27,174	30,079
<b>Accumulated depreciation in excess of plan 31 Dec</b>	<b>-29,213</b>	<b>-56,386</b>



<b>Transmission lines</b>		
Cost at 1 Jan	1,295,079	1,286,459
Increases 1 Jan–31 Dec	36,650	10,541
Decreases 1 Jan–31 Dec	-4,810	-1,921
<b>Cost at 31 Dec</b>	<b>1,326,918</b>	<b>1,295,079</b>
Accumulated depreciation according to plan 1 Jan	-551,824	-515,918
Decreases, depreciation according to plan 1 Jan–31 Dec	4,404	1,081
Depreciation according to plan 1 Jan–31 Dec	-37,052	-36,986
<b>Carrying amount 31 Dec</b>	<b>742,447</b>	<b>743,255</b>
Accumulated depreciation difference 1 Jan	-279,085	-296,842
Changes in depreciation difference reserve 1 Jan–31 Dec	20,052	17,758
<b>Accumulated depreciation in excess of plan 31 Dec</b>	<b>-259,033</b>	<b>-279,085</b>
<b>Other property, plant and equipment</b>		
Cost at 1 Jan	118	118
<b>Cost at 31 Dec</b>	<b>118</b>	<b>118</b>
<b>Prepayments and purchases in progress</b>		
Cost at 1 Jan	59,596	83,656
Increases 1 Jan–31 Dec	106,599	75,934
Transfers to other tangible and intangible assets 1 Jan - 31 Dec	-115,901	-99,995
<b>Cost at 31 Dec</b>	<b>50,294</b>	<b>59,596</b>
<b>Tangible assets total*</b>	<b>1,614,893</b>	<b>1,599,945</b>
<b>*Net capital expenditure in electricity grid, €1,000</b>	<b>2019</b>	<b>2018</b>
Carrying amount 31 Dec	1,589,030	1,569,901
Carrying amount 1 Jan	-1,569,901	-1,609,354
Depreciation according to plan 1 Jan–31 Dec	87,557	89,630
Decreases 1 Jan–31 Dec	407	5,209
<b>Total</b>	<b>107,093</b>	<b>55,386</b>
Fingrid's reserve power plants are included in the property, plant and equipment of the transmission system.		
<b>14. INVESTMENTS, €1,000</b>	<b>2019</b>	<b>2018</b>
<b>Interests in Group companies</b>		
Cost at 1 Jan	843	507
Increases 1 Jan–31 Dec		336
<b>Cost at 31 Dec</b>	<b>843</b>	<b>843</b>
<b>Interests in associated companies</b>		
Cost at 1 Jan	8,588	8,588
Decreases 1 Jan–31 Dec	-500	
<b>Cost at 31 Dec</b>	<b>8,087</b>	<b>8,588</b>
<b>Investments total</b>	<b>8,931</b>	<b>9,431</b>

FINGRID OYJ  
www.fingrid.fi

27 February 2020

<b>15. INVENTORIES, €1,000</b>	<b>2019</b>	<b>2018</b>
Materials and consumables at 31 Dec	12,067	12,391
<b>Total</b>	<b>12,067</b>	<b>12,391</b>

<b>16. OTHER NON-CURRENT RECEIVABLES, €1,000</b>	<b>2019</b>	<b>2018</b>
Loan receivables from Group companies	21,394	9,142
Loan receivables from associated companies	1,125	1,750
Deferred tax assets	9,003	10,788
<b>Total</b>	<b>31,522</b>	<b>21,680</b>

<b>17. RECEIVABLES FROM GROUP COMPANIES, €1,000</b>	<b>2019</b>	<b>2018</b>
<b>Current:</b>		
Trade receivables	186	262
Interest receivables	284	116
Other receivables	2,072	
<b>Total</b>	<b>2,542</b>	<b>378</b>

<b>18. RECEIVABLES FROM ASSOCIATED COMPANIES, €1,000</b>	<b>2019</b>	<b>2018</b>
Trade receivables	3,689	782
Interest receivables	4	9
Loan receivables	188	500
<b>Total</b>	<b>3,881</b>	<b>1,291</b>

<b>19. PREPAYMENTS AND ACCRUED INCOME, €1,000</b>	<b>2019</b>	<b>2018</b>
Interest and other financial items	3,826	5,810
Accruals of sales and purchases	3,234	2,880
Other prepayments and accrued income		800
<b>Total</b>	<b>7,060</b>	<b>9,489</b>

<b>20. UNRECORDED EXPENSES AND PAR VALUE DIFFERENTIALS ON THE ISSUE OF LOANS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME, €1,000</b>	<b>2019</b>	<b>2018</b>
Par value differentials	1,217	1,423

<b>21. CASH AND CASH EQUIVALENTS, €1,000</b>	<b>2019</b>	<b>2018</b>
Commercial papers		4,498
Short-term fixed income funds	66,489	56,482
Bank deposits		10,000
Cash in hand and bank receivables	15,626	13,922
<b>Total</b>	<b>82,116</b>	<b>84,902</b>

FINGRID OYJ  
www.fingrid.fi

27 February 2020

<b>22. SHAREHOLDERS' EQUITY, €1,000</b>	<b>2019</b>	<b>2018</b>
Share capital 1 Jan	55,922	55,922
<b>Share capital 31 Dec</b>	<b>55,922</b>	<b>55,922</b>
Share premium account 1 Jan	55,922	55,922
<b>Share premium account 31 Dec</b>	<b>55,922</b>	<b>55,922</b>
Profit from previous financial years 1 Jan	<b>222,365</b>	<b>201,313</b>
Dividend distribution	-171,440	-173,518
<b>Profit from previous financial years 31 Dec</b>	<b>50,925</b>	<b>27,795</b>
<b>Profit for the financial year</b>	<b>148,061</b>	<b>194,570</b>
<b>Shareholders' equity 31 Dec</b>	<b>310,831</b>	<b>334,210</b>
<b>Distributable shareholders' equity</b>	<b>198,986</b>	<b>222,365</b>

<b>Number of shares</b>	Series A shares	Series B shares	Total
1 Jan 2019	2,078	1,247	3,325
31 Dec 2019	<b>2,078</b>	<b>1,247</b>	<b>3,325</b>

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.

<b>23. ACCUMULATED APPROPRIATIONS, €1,000</b>	<b>2019</b>	<b>2018</b>
Accumulated depreciation from the difference between depreciation according to plan and depreciation carried out in taxation	348,897	398,897
<b>Total</b>	<b>348,897</b>	<b>398,897</b>

FINGRID OYJ  
www.fingrid.fi

27 February 2020

<b>24. BONDS, €1,000</b>				<b>2019</b>	<b>2018</b>
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%	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
NOK	100,000	16 Sep 2025	4.31%	12,512	12,512
				12,512	36,237
Bonds, long-term total				617,512	667,512
Bonds, short-term total				50,000	23,725
<b>Total</b>				<b>667,512</b>	<b>691,237</b>

<b>25. LOANS FALLING DUE IN FIVE YEARS OR MORE, €1,000</b>		<b>2019</b>	<b>2018</b>
Bonds		257,512	587,512
Loans from financial institutions		137,185	54,892
<b>Total</b>		<b>394,697</b>	<b>642,404</b>

<b>26. LIABILITIES TO GROUP COMPANIES, €1,000</b>		<b>2019</b>	<b>2018</b>
<b>Current:</b>			
Other liabilities		1,599	2,880
<b>Total</b>		<b>1,599</b>	<b>2,880</b>

<b>27. LIABILITIES TO ASSOCIATED COMPANIES, €1,000</b>		<b>2019</b>	<b>2018</b>
<b>Current:</b>			
Trade payables		3,920	2,226
<b>Total</b>		<b>3,920</b>	<b>2,226</b>

<b>28. OTHER LIABILITIES, €1,000</b>		<b>2019</b>	<b>2018</b>
<b>Current:</b>			
Other loans/Commercial papers (international and domestic)		165,315	245,387
Value added tax		17,849	13,783
Electricity tax		4,107	4,443
Advances received		923	923
Other liabilities		713	591
<b>Total</b>		<b>188,908</b>	<b>265,127</b>

FINGRID OYJ  
www.fingrid.fi

27 February 2020

<b>29. ACCRUALS, €1,000</b>	<b>2019</b>	<b>2018</b>
<b>Current:</b>		
Interest and other financial items	11,056	11,306
Salaries and additional personnel expenses	6,716	7,685
Accruals of sales and purchases	16,401	18,113
Tax debts	11,681	15,930
Congestion income	72,378	1,292
<b>Total</b>	<b>118,233</b>	<b>54,326</b>

<b>30. PROVISIONS FOR LIABILITIES AND CHARGES, €1,000</b>	<b>2019</b>	<b>2018</b>
Creosote-impregnated and CCA-impregnated wooden towers, disposal costs	1,393	1,424
<b>Total</b>	<b>1,393</b>	<b>1,424</b>

### 31. DERIVATIVE AGREEMENTS, €1,000

	2019				2018				Hierarchy level
	Fair value pos. 31.12.19	Fair value neg. 31.12.19	Net fair value 31.12.19	Nominal value 31.12.19	Fair value pos. 31.12.18	Fair value neg. 31.12.18	Net fair value 31.12.18	Nominal value 31.12.18	
<b>Interest rate and currency derivatives</b>									
Cross-currency swaps	1,509	-2,901	-1,393	12,512	2,571	-6,888	-4,316	36,237	Level 2
Forward contracts		-440	-440	15,878	7	-5	1	5,150	Level 2
Interest rate swaps	27,771	-3,564	24,207	265,000	23,575	-5,087	18,488	325,000	Level 2
Bought interest rate options	49		49	610,000	126		126	620,000	Level 2
<b>Total</b>	<b>29,329</b>	<b>-6,905</b>	<b>22,423</b>	<b>903,389</b>	<b>26,279</b>	<b>-11,980</b>	<b>14,300</b>	<b>986,387</b>	
<b>Electricity derivatives</b>									
Electricity future contracts. NASDAQ OMX Commodities	8,015	-771	7,244	0.71	12,383	-385	11,997	1.87	Level 1
Electricity forward contracts. NASDAQ OMX Commodities	5,740		5,740	3.56	27,500	-3	27,496	2.58	Level 1
<b>Total</b>	<b>13,755</b>	<b>-771</b>	<b>12,984</b>	<b>4.27</b>	<b>39,883</b>	<b>-389</b>	<b>39,494</b>	<b>4.45</b>	

FINGRID OYJ  
www.fingrid.fi

27 February 2020

<b>32. COMMITMENTS AND CONTINGENT LIABILITIES, €1,000</b>	<b>2019</b>	<b>2018</b>
<b>Rental liabilities</b>		
Liabilities for the next year	3,504	4,054
Liabilities for subsequent years	35,597	25,927
	<b>39,101</b>	<b>29,981</b>
<b>Right-of-use agreements</b>		
Liabilities for the next year	8,663	8,663
Liabilities for subsequent years	45,233	53,674
	<b>53,896</b>	<b>62,337</b>
<b>Pledges given as collateral for regulatory charges</b>	<b>490</b>	<b>480</b>
<b>Other financial commitments</b>		
Rent security deposit, guarantee	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	414	345
Liabilities for subsequent years	568	862
	<b>1,020</b>	<b>1,245</b>
<b>Unrecognised investment commitments</b>	<b>169,419</b>	<b>80,954</b>
The investment commitments consist of agreements signed by the company to carry out grid construction projects.		

### **33. 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. The action raised in the case concerning social security based compensation has lapsed.

### **34. 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, Norwegian and Danish 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:

FINGRID OYJ  
www.fingrid.fi

27 February 2020

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 2019 was 8 (10). The operating profit was -1.8 (-0.8) per cent of turnover.

<b>MANAGEMENT OF BALANCE OPERATION, SEPARATED INCOME STATEMENT</b>	<b>1 Jan - 31 Dec, 2019</b>	<b>1 Jan - 31 Dec, 2018</b>
	<b>€1,000</b>	<b>€1,000</b>
<b>TURNOVER</b>	<b>356,290</b>	<b>355,698</b>
Other operating income	184	1
Materials and services	-358,590	-352,266
Personnel costs	-887	-1,062
Depreciation and amortisation expense	-561	-609
Other operating expenses	-2,816	-4,530
<b>OPERATING PROFIT</b>	<b>-6,379</b>	<b>-2,768</b>
Finance income and costs	22	64
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES</b>	<b>-6,357</b>	<b>-2,703</b>
Appropriations	208	222
Income taxes		
<b>PROFIT/LOSS FOR THE FINANCIAL YEAR</b>	<b>-6,149</b>	<b>-2,482</b>

## MANAGEMENT OF BALANCE OPERATION, SEPARATED BALANCE SHEET

<b>ASSETS</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>€1,000</b>	<b>€1,000</b>
<b>NON-CURRENT ASSETS</b>		
<b>Intangible assets</b>		
Other non-current expenses	351	811
<b>Tangible assets</b>		
Machinery and equipment	250	351
<b>Investments</b>		
Interests in associated companies	1,501	2,001
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,102</b>	<b>3,163</b>

FINGRID OYJ  
www.fingrid.fi

27 February 2020

## CURRENT ASSETS

### Non-current

Loan receivables from associated companies	1,125	2,250
--	-------	-------

### Current receivables

Trade receivables	3,311	5,740
Receivables from Group companies	6,235	10,319
Receivables from associated companies	16,027	21,184
Other receivables	1,497	2,516

	27,070	39,759
--	--------	--------

Cash in hand and bank receivables	1	1
-----------------------------------	---	---

<b>TOTAL CURRENT ASSETS</b>	<b>28,196</b>	<b>42,010</b>
-----------------------------	---------------	---------------

<b>TOTAL ASSETS</b>	<b>30,298</b>	<b>45,173</b>
---------------------	---------------	---------------

## SHAREHOLDERS' EQUITY AND LIABILITIES

31 Dec 2019

31 Dec 2018

€1,000

€1,000

### EQUITY

Share capital	32	32
---------------	----	----

Share premium account	286	286
-----------------------	-----	-----

Profit from previous financial years	20,214	22,696
--------------------------------------	--------	--------

Profit for the financial year	-6,149	-2,482
-------------------------------	--------	--------

<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>14,382</b>	<b>20,532</b>
-----------------------------------	---------------	---------------

<b>ACCUMULATED APPROPRIATIONS</b>	<b>-818</b>	<b>-611</b>
-----------------------------------	-------------	-------------

### LIABILITIES

#### Current liabilities

Trade payables	3,311	2,199
----------------	-------	-------

Liabilities to associated companies	13,423	23,053
-------------------------------------	--------	--------

	16,734	25,252
--	--------	--------

<b>TOTAL LIABILITIES</b>	<b>16,734</b>	<b>25,252</b>
--------------------------	---------------	---------------

<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>30,298</b>	<b>45,173</b>
---	---------------	---------------



FINGRID OYJ  
www.fingrid.fi

27 February 2020

## 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

<b>DEVELOPMENT OF INFORMATION EXCHANGE, SEPARATED INCOME STATEMENT</b>	<b>1 Jan - 31 Dec, 2019</b>	<b>1 Jan - 31 Dec, 2018</b>
	<b>€1,000</b>	<b>€1,000</b>
<b>TURNOVER</b>	<b>604</b>	<b>605</b>
Other operating expenses	-639	-368
<b>OPERATING PROFIT</b>	<b>-35</b>	<b>237</b>
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES</b>	<b>-35</b>	<b>237</b>
Income taxes	7	-47
<b>PROFIT/LOSS FOR THE FINANCIAL YEAR</b>	<b>-28</b>	<b>190</b>

## DEVELOPMENT OF INFORMATION EXCHANGE, SEPARATED BALANCE SHEET

<b>ASSETS</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>€1,000</b>	<b>€1,000</b>
<b>CURRENT ASSETS</b>		
Trade receivables	11	350
Receivables from Group companies	470	
Other receivables	225	83
<b>TOTAL CURRENT ASSETS</b>	<b>706</b>	<b>433</b>
<b>TOTAL ASSETS</b>	<b>706</b>	<b>433</b>

FINGRID OYJ  
www.fingrid.fi

27 February 2020

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec 2019	31 Dec 2018
	€1,000	€1,000
<b>EQUITY</b>		
Share capital	3	3
Profits/losses from previous financial years	-331	-520
Profit for the financial year	-28	190
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>-356</b>	<b>-328</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade payables	1,062	353
Liabilities to Group companies		343
Other liabilities		65
	1,062	761
<b>TOTAL LIABILITIES</b>	<b>1,062</b>	<b>761</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>706</b>	<b>433</b>

#### 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

FINGRID OYJ  
www.fingrid.fi

27 February 2020

	TRANSMISSION SYSTEM OPERATION	OTHER OPERATION
	1 Jan - 31 Dec, 2019	1 Jan - 31 Dec, 2019
<b>SEPARATED INCOME STATEMENT</b>	<b>€1,000</b>	<b>€1,000</b>
<b>TURNOVER</b>	<b>784,742</b>	<b>1,431</b>
Other operating income	4,319	
Materials and services	-477,603	
Personnel costs	-26,122	-431
Depreciation and amortisation expense	-98,240	
Other operating expenses	-38,681	-1,001
<b>OPERATING PROFIT</b>	<b>148,414</b>	<b>0</b>
Finance income and costs	-14,204	593
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES</b>	<b>134,210</b>	<b>593</b>
Appropriations	50,000	
Income taxes	-36,624	-119
<b>PROFIT/LOSS FOR THE FINANCIAL YEAR</b>	<b>147,587</b>	<b>474</b>
<b>SEPARATED BALANCE SHEET</b>		
	TRANSMISSION SYSTEM OPERATION	OTHER OPERATION
<b>ASSETS</b>	31 Dec 2019	31 Dec 2019
	<b>€1,000</b>	<b>€1,000</b>
<b>Intangible assets:</b>		
Goodwill		
Other intangible assets	74,208	
	<b>74,208</b>	
<b>Tangible assets</b>		
Land and water areas	19,641	
Buildings and structures	243,002	
Machinery and equipment	559,391	
Transmission lines	742,447	
Other property, plant and equipment	118	
Prepayments and purchases in progress	50,294	
	<b>1,614,893</b>	
<b>Investments:</b>		
Interests in Group companies		843
Interests in associated companies	8,087	
Other shares and interests		
	<b>8,087</b>	<b>843</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,697,188</b>	<b>843</b>

FINGRID OYJ  
www.fingrid.fi

27 February 2020

## CURRENT ASSETS

Inventories	12,067	
<b>Receivables</b>		
<b>Non-current</b>		
Loan receivables from Group companies		21,394
Loan receivables from associated companies	1,125	
Deferred tax assets	9,003	
	<b>10,128</b>	<b>21,394</b>
<b>Current</b>		
Trade receivables	68,439	
Receivables from Group companies	21,972	2,542
Receivables from associated companies	3,881	
Other receivables	9,462	
Prepayments and accrued income	8,653	
	<b>112,406</b>	<b>2,542</b>
Financial securities	66,489	
Cash in hand and bank receivables	15,626	
<b>TOTAL CURRENT ASSETS</b>	<b>216,716</b>	<b>23,936</b>
<b>TOTAL ASSETS</b>	<b>1,913,904</b>	<b>24,779</b>

FINGRID OYJ  
www.fingrid.fi

27 February 2020

## SEPARATED BALANCE SHEET

	TRANSMISSION SYSTEM OPERATION	OTHER OPERATION
SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec 2019	31 Dec 2019
	€1,000	€1,000
<b>EQUITY</b>		
Share capital	55,920	3
Share premium account	55,922	
Profit from previous financial years	50,313	612
Profit for the financial year	147,587	474
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>309,742</b>	<b>1,089</b>
<b>ACCUMULATED APPROPRIATIONS</b>	<b>348,897</b>	
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>1,393</b>	
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Bonds	617,512	
Loans from financial institutions	240,216	
	<b>857,728</b>	
<b>Current liabilities</b>		
Bonds	50,000	
Loans from financial institutions	17,662	
Trade payables	17,542	
Liabilities to Group companies		23,570
Liabilities to associated companies	3,920	
Other liabilities	188,896	11
Accruals	118,124	109
	<b>396,144</b>	<b>23,691</b>
<b>TOTAL LIABILITIES</b>	<b>1,253,872</b>	<b>23,691</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1,913,904</b>	<b>24,779</b>

FINGRID OYJ  
www.fingrid.fi

27 February 2020

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

**SEPARATED BALANCE SHEET**

	<b>TRANSMISSION SYSTEM OPERATION</b>
<b>ASSETS</b>	<b>31 Dec 2019</b>
	<b>€1,000</b>
<b>Intangible assets:</b>	
Other intangible assets	5,529
	<b>5,529</b>
<b>Tangible assets</b>	
Land and water areas	16,962
Buildings and structures	4,554
Machinery and equipment	3,228
Transmission lines	1,001
Other property, plant and equipment	118
Prepayments and purchases in progress	50,294
	<b>76,157</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>81,686</b>

**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. Congestion income accrued in 2019 has been used in accordance with regulations for the Alapitkä substation capacitor investment, which maintains cross-border transmission capacity. MEUR 72.4 in congestion income was left unused and will be used for future investments to improve the functioning of the electricity market.

<b>Congestion income, €1,000</b>	<b>2019</b>	<b>2018</b>
Congestion income on 1 Jan	1,292	
Accumulated congestion income	73,001	29,632
Expenses matching congestion income		
Investments matching congestion income	-1,915	-28,341
<b>Congestion income on 31 Dec</b>	<b>72,378</b>	<b>1,292</b>

**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.

<b>Counter trade, €1,000</b>	<b>2019</b>	<b>2018</b>
Counter-trade between Finland and Sweden	137	1,916
Counter-trade between Finland and Estonia	485	58
Counter-trade between Finland's internal connections	279	2,161
<b>Total counter-trade</b>	<b>902</b>	<b>4,135</b>

FINGRID OYJ  
www.fingrid.fi

27 February 2020

## 35. 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 2019.

	<b>2019</b>	<b>2018</b>
Total CO <sub>2</sub> emissions tCO <sub>2</sub>	5,142	8,223

## 36. 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.

	1 Jan - 31 Dec, 2019	1 Jan - 31 Dec, 2018
<b>INCOME STATEMENT</b>	<b>€1,000</b>	<b>€1,000</b>
<b>TURNOVER</b>	<b>897</b>	<b>423</b>
Personnel costs	-201	-129
Other operating expenses	-653	-274
<b>OPERATING PROFIT</b>	<b>43</b>	<b>20</b>
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES</b>	<b>43</b>	<b>20</b>
Income taxes	-9	-4
<b>PROFIT/LOSS FOR THE FINANCIAL YEAR</b>	<b>33</b>	<b>16</b>

FINGRID OYJ  
www.fingrid.fi

27 February 2020

## 9 SIGNATURES FOR THE ANNUAL REVIEW AND FOR THE FINANCIAL STATEMENTS

Helsinki, 27th February 2020

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, 27th February 2020

PricewaterhouseCoopers Oy  
Authorised Public Accountants

Heikki Lassila, APA