



FINGRID GROUP'S INTERIM REPORT 1 JANUARY – 30 JUNE 2004

Review of operations

Consumption of electricity in Finland during the first half of 2004 totalled 44 terawatt hours. This was 1.1 per cent more than during the corresponding period in 2003.

During the early part of 2004, the Nordic water reservoirs were clearly at a lower level than on average. The spot price level on the electricity market was lower than in 2003 until mid-May, but after this the spot prices were higher than in 2003. Electricity was transmitted from Finland into Sweden almost throughout the period examined because of the poor hydropower situation. The export capacity from Finland into Sweden was insufficient during the review period mainly during outages required by grid work improving the transmission capacity and security of supply of the grid, carried out in Finland and Sweden.

The entire transmission capacity on Fingrid's cross-border connections from Russia was in use during the early part of 2004. In the spring, the full import capacity was not utilised occasionally during night time and during weekends. The transmission capacity utilisation of the 400 kV connections was approx. 93 per cent. Import contracts for 900 megawatts will come to an end at the end of 2004.

Nordel, the co-operation organisation of the Nordic transmission system operators, published a forecast concerning the sufficiency of electricity production capacity in 2007 and 2008. The forecast indicates that normal years can be managed without problems, and it is expected that market supply together with the elasticity of consumption which reacts to the price can manage the situation also in an exceptionally cold year and/or a year with little precipitation.

Nordel suggested the reinforcement of the Nordic grid by means of five grid upgrades, which would improve the market mechanisms, by 2010. One of these is the doubling of the sea cable connection between Finland and Sweden, being prepared by Fingrid and Svenska Kraftnät. The final capital expenditure decision is to be made during the winter of 2005.

The environmental impact assessments required by grid additions for the third nuclear power unit to be constructed at Olkiluoto are ready, and construction work on lines of a total of more than 200 kilometres is about to start.

Fingrid has earlier had short-term agreements with industrial clients on the participation of disconnectable industrial loads in the maintenance of reserves required during disturbance situations in the power system. Fingrid has now signed new long-term agreements with seven industrial companies extending until 2015 and having a greater coverage than before. These agreements will also contribute to the security of supply of the power system when the fifth nuclear power unit in Finland goes on stream. The total reserve power covered by the agreements is more than 1,000 megawatts.

In June, the Energy Market Authority published guidelines for the reasonableness of main grid pricing for 2005 – 2007. The revised supervision model will become effective provided that the amendments suggested in the Electricity Market Act have been passed by Parliament in the autumn.



Financial result

The Group's turnover during the period under review was 154 million euros (161 million euros). Turnover decreased on the corresponding period in 2003 as a result of reduced balance power sales. The operating profit was 54 million euros (52 million euros), and profit before taxes was 33 million euros (28 million euros). At the end of the review period, the equity ratio was 20.6 per cent (18.3 per cent).

As the corporate tax rate in Finland changes, the deferred tax liability of the Group has been calculated in accordance with 26 per cent. Due to this change the profit of the review period increased by 6.5 million euros.

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

Capital expenditure

Gross capital expenditure during the period examined totalled 28 million euros (22 million euros).

Financing

The financial position of the Group continued to be good during the period examined. The net financial expenses of the Group were 21 million euros (25 million euros). Financial securities, money market holdings and bank balances at 30 June 2004 amounted to 107 million euros (107 million euros). The interest-bearing liabilities totalled 814 million euros (848 million euros), of which 570 million euros (726 million euros) were long-term and 244 million euros (122 million euros) were short-term. Moreover, the company had 168 million euros (168 million euros) of interest-bearing capital loan.

Interest rate and currency swaps, interest rate options and forward contracts at 30 June 2004 totalled a nominal amount of 1,204 million euros (1,200 million euros). These involved a counterparty risk of 1 million euros (0 million euros). Available committed long-term loan facilities amounted to 400 million euros (400 million euros).

The international rating agencies Standard & Poor's Rating Services and Moody's Investors Service affirmed Fingrid Oyj's existing credit ratings. Standard & Poor's assigned Fingrid a long-term rating, AA- and a short-term rating, A-1+. Moody's affirmed a long-term rating, Aa3 and a short-term rating, P-1. Both agencies considered Fingrid's future outlook to be stable.

Personnel

The total personnel of the Fingrid Group averaged 224 (221) during the review period.

Auditing

The consolidated figures in this Interim Report are unaudited.

Outlook for the remaining part of the year

The result of the Fingrid Group for the entire year is expected to remain stable.

Board of Directors



CONSOLIDATED PROFIT AND LOSS ACCOUNT	1 Jan - 30 Jun 2004 EUR million	1 Jan - 30 Jun 2003 EUR million	1 Jan - 31 Dec 2003 EUR million
Turnover	154.0	160.9	297.6
Operating profit	54.2	52.4	90.5
Profit before taxes	33.4	27.7	37.5
Profit for the period	30.1	19.6	26.5

The Group's income flow is characterised by strong seasonal fluctuations.
Tax figures in the consolidated profit and loss account only include the tax applying to the period under review.

CONSOLIDATED BALANCE SHEET	30 Jun 2004 EUR million	30 Jun 2003 EUR million	31 Dec 2003 EUR million
ASSETS			
Intangible assets	169.8	183.5	174.6
Tangible assets	1,042.1	1,033.4	1,036.0
Investments	<u>6.2</u>	<u>6.5</u>	<u>6.2</u>
Noncurrent assets total	1,218.1	1,223.4	1,216.8
Inventories	3.1	2.9	2.9
Receivables	29.2	26.1	43.4
Financial securities	105.0	101.0	102.1
Cash in hand and bank receivables	<u>2.3</u>	<u>6.4</u>	<u>2.9</u>
Current assets total	139.6	136.4	151.4
Total	1,357.7	1,359.8	1,368.2
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	55.9	55.9	55.9
Premium fund	55.9	55.9	55.9
Retained earnings	137.2	117.3	117.3
Profit for the period	30.1	19.6	26.5
Capital loan	<u>167.9</u>	<u>167.9</u>	<u>167.9</u>
Shareholders' equity total	447.1	416.6	423.6
Provisions	0.0	0.0	0.0
Long-term liabilities	626.8	780.3	707.6
Short-term liabilities	<u>283.7</u>	<u>162.9</u>	<u>237.0</u>
Liabilities total	910.5	943.2	944.6
Total	1,357.7	1,359.8	1,368.2

CONSOLIDATED KEY INDICATORS	1 Jan - 30 Jun 2004 EUR million	1 Jan - 30 Jun 2003 EUR million	1 Jan - 31 Dec 2003 EUR million
Gross investments in noncurrent assets	27.9	22.4	43.7
% of turnover	18.1	13.9	14.7
Personnel, average	224	221	221
Equity ratio, % (at the end of the period)	20.6	18.3	18.7



DERIVATIVE AGREEMENTS	30 Jun 2004 EUR million		30 Jun 2003 EUR million		31 Dec 2003 EUR million	
	Market value	Nominal value	Market value	Nominal value	Market value	Nominal value
Interest and currency derivatives						
Cross-currency swaps	-66	433	-61	437	-85	431
Forward contracts	0	49	-3	91	-2	85
Interest rate swaps	-9	407	-28	517	-12	442
Call options, bought	3	315	0	155	2	215
Total	-72	1,204	-92	1,200	-97	1,173
Electricity derivatives						
Futures contracts, Nord Pool	0	0	0	0	0	0
Forward contracts of electricity, Nord Pool	15	55	10	79	8	77
Forward contracts of electricity, others	3	10	5	10	2	12
Call options, bought	2		0		1	
Total	20	65	15	89	11	89

PLEDGES, MORTGAGES AND CONTINGENT LIABILITIES	30 Jun 2004 EUR million	30 Jun 2003 EUR million	31 Dec 2003 EUR million
Pledges / bank balances	0	2	2
Guarantees	0	0	0
Leasing liabilities	0	0	0
Commitment fee of revolving credit facility	1	2	2
Total	2	4	4