

FINGRID OYJ  
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4 August 2008

**FINGRID GROUP'S INTERIM REPORT 1 JANUARY - 30 JUNE 2008****Review of operations**Power system operation

From the beginning of 2008 to the end of June, 45 terawatt hours of electricity was consumed in Finland. This was 2.3 per cent less than during the corresponding period in 2007. The winter with mild weather decreased electricity consumption. A total of 32.6 terawatt hours of electricity was transmitted in Fingrid's grid, representing 72 per cent of the electricity consumption in Finland.

Electricity transmissions between Finland and Sweden consisted of imports from Sweden into Finland during the early part of the year. From mid-April, the direction of transmissions has varied. From January to June, 3.0 terawatt hours of electricity was imported from Sweden into Finland (2.2 terawatt hours during the corresponding period in 2007), and 0.9 terawatt hours (1.1 terawatt hours) was exported from Finland into Sweden. The replacement of aluminium transmission line towers between Huutokoski and Vuolijoki caused a restriction in the export capacity to Sweden, but this had no impact on the separation of area prices between Finland and Sweden.

The import capacity on the Russian transmission connection was restricted by maintenance work in Russia until the end of March. During the early part of the year, 5.0 terawatt hours (5.3 terawatt hours) of electricity was imported from Russia into Finland. Fingrid gave permission to the new North West Power Plant 2 in St Petersburg to connect to the Finnish grid during the service of North West Power Plant 1.

Transmissions on the Estlink connection from Estonia mainly comprised imports into Finland, with the volume being 1.0 terawatt hours (0.9 terawatt hours) between January and June. The import volumes have been smaller during night time than during the day. The transmission grid in Estonia has restricted the transmission capacity made available from Finland to Estonia.

The number of disturbance situations in the Finnish grid was smaller than average during the first half of 2008. During the review period, there were no significant extensive faults in the grid.

Promotion of electricity market

Finland and Sweden constituted a uniform wholesale market area of electricity during the review period, since congestions in cross-border transmissions limited trade for only under 1 per cent of the hours during the first half of 2008. The bottleneck revenues on the border between Finland and Sweden, caused by transmission restrictions, totalled 0,1 million euros.

On 27 June 2008, the European transmission system operators signed a letter of intent of the establishment of the new European Network of Transmission System Operators for Electricity (ENTSO-E) by the end of 2008. It will serve not only as a collaboration organisation and interest group for the transmission business but also as a co-operation organisation conforming to the principles of the EU's Third Legislative Package of the Internal Electricity Market, aiming to promote the integration of the European electricity market and the security of supply of the European transmission grid.

One of the main duties of the new organisation is to develop shared technical and market rules. The present TSO organisations will be abolished and their operations will be transferred to the new organisation within 6 months from its establishment.

In June, Fingrid increased the amount of electricity market information published on its website. The new items include the production forecast for the following day and bottleneck revenues on the border between Finland and Sweden.

#### Capital expenditure and grid maintenance

The Group's gross capital expenditure during the review period was 35 million euros (36 million euros during the corresponding period in 2007).

Several significant procurement contracts were signed during the period under review. The submarine cable for the new direct current link between Finland and Sweden (Fenno-Skan 2) will be supplied by Nexans Norway AS, and the construction of the converter stations by ABB Ab. The total value of these is approx. 260 million euros, half of which will be covered by Fingrid. All relevant permits for the link have been acquired both in Sweden and Finland. The connection is due to be ready at the end of 2011.

The total value of other significant procurement decisions made between April and June is approx. 54 million euros. These comprise the Isoniemi 220/110/20 kilovolt (kV) substation, Isoniemi-Vajukoski 220 kV transmission line, Asmunti and Tuomela 400 kV series capacitor stations, Kopula 400/110 kV substation, Petäjaskoski 400 kV and Valajaskoski 220 kV substations, expansion of the Keminmaa substation, and purchases for the Katerma-Kuhmo 110 kV transmission line.

Fingrid is making preparations for increasing the volume of fast disturbance reserves by 100 to 400 megawatts in the coming years. The company will study whether the present production capacity in Finland has plant units applicable to reserve power operation, and whether there are industrial loads which can be shed and which can hence reduce the need to construct new reserve power capacity. Environmental impact assessments for the new reserve power plants will be launched in 6 locations in the late summer. The preliminary cost estimate of the project is approx. 60 - 240 million euros.

The occurrence of corrosion in tower guys has been studied during the spring, and plans have been drawn up for the replacement of guys suffering from corrosion. The inspections concern a total of 1800 tower locations. The repairs of the most urgent ones of these will commence in the autumn and the remainder in the next few years. The cost estimate of the project is approx. 7 million euros.

#### **Financial result**

The Group's revenue was 193 million euros (161 million euros). Transmission revenues grew slightly to 102 million euros (101 million euros). The sales volume of balance power was 48 million euros (27 million euros) and purchases of balance power 46 million euros (24 million euros). Fingrid's share of the inter-Nordic bottleneck revenues grew because of capacity restrictions between Norway, Sweden and Denmark, and were in all 13 million euros (6 million euros). The cross-border transmission revenues on the Russian and Estonian connections totalled 11 million euros (13 million euros).

Operating profit without the change in the fair value of derivatives was 47 million euros (41 million euros). Operating profit was mainly raised by increased bottleneck revenues. Moreover, the compensations for the European market place had a positive impact of 4 million euros on the operating profit. Operating profit was decreased by factors such as higher depreciations and smaller cross-border transmission revenues.

The operating profit in accordance with IFRS was 46 million euros (53 million euros), which contains 1 million euros (+12 million euros) of negative change in the fair value of electricity

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derivatives. The IFRS profit before taxes was 28 million euros (34 million euros). The equity ratio was 30.1 (26.7) per cent at the end of the review period.

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

### Financing

The financial position of the Group continued to be good. The net finance costs of the Group were 18 million euros (20 million euros). Financial assets recognised at fair value in the income statement, and cash and cash equivalents amounted to 205 million euros (200 million euros) at 30 June 2008. The interest-bearing liabilities, including derivative liabilities, totalled 939 million euros (966 million euros), of which 715 million euros (788 million euros) were long-term and 224 million euros (178 million euros) were short-term.

The counterparty risk involved in the derivative contracts relating to financing was 8 million euros (6 million euros). The company has an undrawn revolving credit facility of 250 million euros.

International rating agency Standard & Poor's Rating Services (S&P) updated Fingrid Oyj's credit opinion on 11 July 2008. There were no changes from the previous rating. The long-term credit rating is A+ and the short-term rating is A-1. The outlook is stable.

### Personnel

The total personnel of the Fingrid Group averaged 253 (237) during the review period.

### Auditing

The consolidated figures in this Interim Report are unaudited.

### Outlook for the remaining part of the year

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

Board of Directors

Appendices: Tables for the interim report 1 January - 30 June 2008

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**Appendices: Tables for the Interim Report 1 January – 30 June 2008**

Condensed consolidated income statement, million euros	2008	2007	Change	2008	2007	Change	2007
	Jan-Jun	Jan-Jun		Apr-Jun	Apr-Jun		Jan-Dec
<b>Revenue</b>	<b>193.2</b>	<b>161.0</b>	<b>32.1</b>	<b>78.4</b>	<b>59.9</b>	<b>18.5</b>	<b>334.6</b>
Other operating income	1.0	0.9	0.1	0.6	0.5	0.1	1.9
Depreciation and amortisation expense	-29.6	-25.5	-4.1	-15.4	-12.7	-2.7	-55.5
Operating expenses	-118.7	-83.5	-35.2	-55.6	-28.0	-27.7	-190.3
<b>Operating profit</b>	<b>45.9</b>	<b>53.0</b>	<b>-7.1</b>	<b>8.0</b>	<b>19.7</b>	<b>-11.7</b>	<b>90.7</b>
Finance income and costs	-17.9	-19.7	1.9	-9.8	-11.8	2.0	-34.9
Portion of profit of associated companies	-0.2	0.3	-0.5	0.1	0.1	0.0	0.7
<b>Profit before taxes</b>	<b>27.8</b>	<b>33.5</b>	<b>-5.7</b>	<b>-1.7</b>	<b>8.1</b>	<b>-9.8</b>	<b>56.5</b>
Income taxes	-7.3	-8.7	1.4	0.5	-2.1	2.5	-14.5
<b>Profit for the period</b>	<b>20.5</b>	<b>24.9</b>	<b>-4.4</b>	<b>-1.2</b>	<b>6.0</b>	<b>-7.2</b>	<b>41.9</b>
Earnings per share (euros)* belonging to the owners of the parent company, calculated from profit	6 174	7 483	-1 309	-359	1 817	-2 175	12 616

\*no dilution effect

Condensed consolidated balance sheet, million euros	2008	2007	Change	2007
	30 Jun	30 Jun		31 Dec
<b>ASSETS</b>				
Non-current assets				
Goodwill	87.9	87.9	0.0	87.9
Intangible assets	84.3	80.6	3.8	84.4
Property, plant and equipment	1 091.6	1 076.2	15.5	1 085.6
Investments	7.2	7.6	-0.4	7.4
Receivables	84.2	25.3	58.9	33.9
Current assets				
Inventories	4.7	4.8	-0.1	4.8
Receivables	31.5	30.8	0.8	48.8
Financial assets recognised in income statement at fair value	203.6	193.7	9.9	209.0
Cash and cash equivalents	1.6	6.4	-4.9	3.0
<b>Total assets</b>	<b>1 596.6</b>	<b>1 513.2</b>	<b>83.4</b>	<b>1 564.8</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Shareholders' equity belonging to the owners of the parent company				
Shareholders' equity	480.1	403.6	76.5	430.0
Non-current liabilities				
Non-current interest-bearing liabilities	714.5	788.0	-73.4	766.5
Other non-current liabilities	129.5	101.9	27.6	110.5
Current liabilities				
Current interest-bearing liabilities	224.3	178.4	45.9	200.1
Trade and other payables	48.2	41.3	6.8	57.7
<b>Total shareholders' equity and liabilities</b>	<b>1 596.6</b>	<b>1 513.2</b>	<b>83.4</b>	<b>1 564.8</b>

Key indicators, million euros	2008 Jan-Jun	2007 Jan-Jun	2007 Jan-Dec
Revenue	193.2	161.0	334.6
Capital expenditure, gross	35.2	36.1	79.2
- % of revenue	18.2	22.4	23.7
Research and development expenses	0.3	0.5	1.2
- % of revenue	0.2	0.3	0.4
Personnel, average	253	237	241
Operating profit	45.9	53.0	90.7
- % of revenue	23.8	32.9	27.1
Profit before taxes	27.8	33.5	56.5
- % of revenue	14.4	20.8	16.9
Interest bearing liabilities, net*	733.7	766.3	754.6
Equity ratio, %*	30.1	26.7	27.5
Shareholders' equity*	480.1	403.6	430.0
Equity per share, euros*	144 385	121 389	129 338
Earnings per share, euros*	6 174	7 483	12 616

\* end of period

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<b>Consolidated statement of changes in total equity, million euros</b>	Share capital	Share premium account	Revaluation reserve	Translation reserve	Retained earnings	Total
<b>Capital and reserves 1 Jan 2007</b>	<b>55.9</b>	<b>55.9</b>	<b>0.0</b>	<b>0.1</b>	<b>273.6</b>	<b>385.5</b>
Change in translation				0.1		0.1
Dividend distribution					-6.9	-6.9
Profit for period					24.9	24.9
<b>Capital and reserves 30 Jun 2007</b>	<b>55.9</b>	<b>55.9</b>	<b>0.0</b>	<b>0.2</b>	<b>291.5</b>	<b>403.6</b>
Cash flow hedges			9.3			9.3
Change in translation				0.0		0.0
Profit for period					17.1	17.1
Other changes			0.0			0.0
<b>Capital and reserves 31 Dec 2007</b>	<b>55.9</b>	<b>55.9</b>	<b>9.4</b>	<b>0.2</b>	<b>308.6</b>	<b>430.0</b>
Cash flow hedges			36.7			36.7
Change in translation				0.0		0.0
Dividend distribution					-7.2	-7.2
Profit for period					20.5	20.5
<b>Capital and reserves 30 Jun 2008</b>	<b>55.9</b>	<b>55.9</b>	<b>46.1</b>	<b>0.2</b>	<b>322.0</b>	<b>480.1</b>

<b>Condensed consolidated cash flow statement, million euros</b>	2008 Jan-Jun	2007 Jan-Jun	2007 Jan-Dec
<b>Cash flow from operating activities</b>			
Profit for the financial year	20.5	24.9	41.9
Adjustments	55.9	41.9	92.0
Changes in working capital	10.0	13.3	7.2
Interests paid	-20.6	-25.5	-45.2
Interests received	3.7	3.1	8.5
Taxes paid	-1.2	-1.2	-0.8
<b>Net cash flow from operating activities</b>	<b>68.3</b>	<b>56.4</b>	<b>103.6</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	-35.6	-42.8	-78.1
Purchase of intangible assets	-0.7	-1.3	-6.2
Purchase of other assets	0.0	0.0	0.0
Proceeds from other investments	0.0	0.0	0.0
Proceeds from sale of property, plant and equipment	0.0	0.0	0.0
Repayment of loans receivable	0.1	0.1	0.1
Dividends received	0.0	0.0	0.7
<b>Net cash flow from investing activities</b>	<b>-36.2</b>	<b>-44.0</b>	<b>-83.6</b>
<b>Cash flow from financing activities</b>			
Withdrawal of loans	109.1	246.7	402.7
Repayment of loans	-141.7	-257.6	-408.7
Dividends paid	-7.2	-6.9	-6.9
<b>Net cash flow from financing activities</b>	<b>-39.8</b>	<b>-17.9</b>	<b>-13.0</b>
<b>Net change in cash and cash equivalents</b>	<b>-7.7</b>	<b>-5.4</b>	<b>7.1</b>
Cash and cash equivalents 1 Jan	212.0	204.1	204.1
Impact of changes in fair value of investments	0.9	1.4	0.8
<b>Cash and cash equivalents 30 Jun</b>	<b>205.1</b>	<b>200.1</b>	<b>212.0</b>

Derivative agreements, million euros	30 Jun 2008		30 Jun 2007		31 Dec 2007	
	Net fair value	Notional value	Net fair value	Notional value	Net fair value	Notional value
<b>Interest and currency derivatives</b>						
Cross-currency swaps	-41	360	-62	418	-47	376
Forward contracts	-1	32	-1	79	-4	72
Interest rate swaps	-1	144	0	191	-1	181
Call options, bought	14	330	14	470	11	370
<b>Total</b>	<b>-29</b>	<b>866</b>	<b>-50</b>	<b>1 158</b>	<b>-40</b>	<b>1 000</b>
	30 Jun 2008	30 Jun 2007	30 Jun 2008	30 Jun 2007	31 Dec 2007	31 Dec 2007
	Net fair value	Volume TWh	Net fair value	Volume TWh	Net fair value	Volume TWh
<b>Electricity derivatives</b>						
Electricity forward contracts, Nord Pool Clearing designated as hedge accounting	69	3.44			19	3.03
Electricity forward contracts, Nord Pool Clearing	0	-0.01	8	3.04	1	0.28
Forward contracts of electricity, others	2	0.08	2	0.14	2	0.14
<b>Total</b>	<b>71</b>	<b>3.52</b>	<b>10</b>	<b>3.18</b>	<b>23</b>	<b>3.46</b>

Commitments and contingencies, million euros	30 Jun 2008	30 Jun 2007	31 Dec 2007
Pledges / bank balances	0	5	0
Rental liabilities	8	10	9
Commitment fee of revolving credit facility	0	1	0
<b>Total</b>	<b>9</b>	<b>15</b>	<b>10</b>
<b>Capital commitments</b>	<b>214</b>	<b>80</b>	<b>71</b>
<b>Other financial liabilities</b>	<b>2</b>	<b>1</b>	<b>2</b>

Changes in property, plant and equipment, million euros	30 Jun 2008	30 Jun 2007	31 Dec 2007
<b>Carrying amount at beginning of period</b>	<b>1 086</b>	<b>1 066</b>	<b>1 066</b>
Increases	35	35	74
Decreases		0	0
Depreciation and amortisation expense	-29	-25	-54
<b>Carrying amount at end of period</b>	<b>1 092</b>	<b>1 076</b>	<b>1 086</b>

Related party transactions and balances, million euros	30 Jun 2008	30 Jun 2007	31 Dec 2007
Sales	52	48	90
Purchases	49	38	78
Receivables	5	3	8
Liabilities	5	5	5

**Accounting principles.** This interim report has been drawn up in accordance with standard IAS 34, Interim Financial Reporting. In this interim report, Fingrid has followed the same principles as in the annual financial statements for 2007.

**Segment reporting.** The entire business of the Fingrid Group is deemed to comprise transmission system operation 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. This is why segment reporting in accordance with the IAS 14 standard is not presented.

**Corporate re arrangements.** There have been no changes in the Group structure during the period reviewed.

**Seasonal fluctuation.** The Group's operations are characterised by extensive seasonal fluctuations.

**General clause.** Certain statements in this release concern the future and are based on the present views of management. Due to their nature, they contain some risk and uncertainty and are subject to changes in economy and the relevant business.