

FINGRID OYJ
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23.7.2019, at 12:30 p.m
EET

FINGRID OYJ
HALF-YEAR REPORT
1 JANUARY – 30 JUNE 2019

FINGRID OYJ

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23.7.2019, at 12:30 p.m

EET

Fingrid's consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS). This half-year report has been drawn up in accordance with the IAS 34 Interim Financial Reporting standard and complies with the same accounting principles as those presented in the Group's financial statements for 2018, taking into account the changes brought by the IFRS 16 standard as of 1 January 2019. This half-year report is unaudited. Unless otherwise indicated, the figures in parentheses refer to the same period of the previous year.

Fingrid is responsible for electricity transmission in Finland's nationwide grid, which Fingrid owns and which 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 systems of Central Europe, Russia and Estonia. Fingrid is in charge of grid operation, and for the planning and monitoring of grid operation, as well as 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 cross-border transmission links and by providing market data. Fingrid's turnover is made up of the service charges it collects for its services and from the revenue received from the sale of imbalance and balancing power.

Financial result

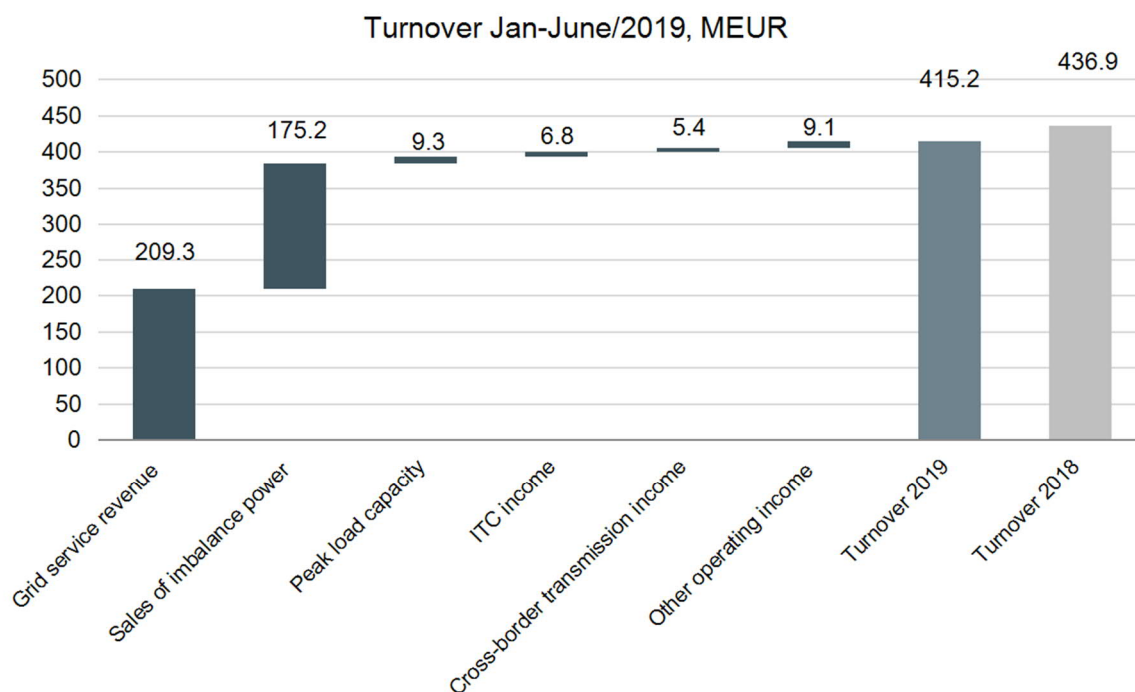
The Group's turnover from January through June was EUR 415.2 (436.9) million. Grid service income declined to EUR 209.3 (229.3) million during the first half of the year due to the lower grid service fees. Electricity consumption in Finland totalled 45.3 (45.2) terawatt hours in January–June. Imbalance power sales amounted to EUR 175.2 (164.9) million. The growth in sales was a consequence of the higher imbalance power prices. Cross-border transmission income from the connection between Finland and Russia decreased significantly from the previous year's level, to EUR 5.4 (20.2) million, due to the reduced transmission tariff. Other operating income totalled EUR 0.6 (1.0) million. According to a recent study by the European Network of Transmission System Operators for Electricity (ENTSO-E), the price of electricity transmission in Finland's main grid is the third lowest in Europe. Thirty-six countries were included in the study. The three lowest-priced countries where the TSO offers services at all high voltage levels were Slovenia, Bulgaria and Finland.

Total costs from January through June amounted to EUR 326.9 (317.1) million. Due to the higher imbalance power price, imbalance power costs increased from the previous year's level, to EUR 162.5 (149.4) million. Loss power costs amounted to EUR 25.7 (25.4) million. At the end of June, approximately 96 (95) per cent of Fingrid's projected loss power procurement for the remainder of 2019 was, in terms of system price, hedged at an average price of EUR 27.2 (27.3) per megawatt hour. In terms of the Finnish area price difference, roughly 100 (100) per cent of loss power procurement was hedged at an average price of EUR 5.3 (6.8) per megawatt hour.

The cost of reserves to safeguard the grid's system security decreased to EUR 26.6 (29.6) million. Depreciation totalled EUR 48.7 (49.2) million. Grid maintenance costs remained at the previous year's level, at EUR 7.9 (8.0) million. Personnel costs amounted to EUR 16.0 (16.6) million.

Turnover and other income, MEUR	1-6/19	1-6/18	change %
Grid service income	209.3	229.3	-8.7
Imbalance power sales	175.2	164.9	6.2
Cross-border transmission income	5.4	20.2	-73.1
Peak load capacity income*	9.3	9.4	-0.4
ITC income	6.8	5.3	27.4
Other turnover	9.1	7.8	17.7
Turnover total	415.2	436.9	-5.0
Other operating income	0.6	1.0	-37.8
Turnover and other income total	415.9	437.9	-5.0

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



Costs, MEUR	1-6/19	1-6/18	change %
Purchase of imbalance power	162.5	149.4	8.8
Loss energy costs	25.7	25.4	1.0
Depreciation	48.7	49.2	-1.0
Cost of reserves	26.6	29.6	-10.0
Personnel costs	16.0	16.6	-3.2
Peak load capacity costs*	9.3	9.1	1.5
Maintenance costs	7.9	8.0	-1.5
ITC charges	7.7	6.6	16.8
Other costs	22.4	23.1	-3.0
Costs total	326.9	317.1	3.1

Operating profit, excl. the change in the fair value of derivatives	89.0	120.8	-26.4
Consolidated operating profit, IFRS	66.8	150.4	-55.6

* 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 for the first six months of the year was EUR 66.8 (150.4) million. Profit before taxes was EUR 69.0 (143.7) million. The differences from the corresponding period of the previous year are mainly explained by changes in the market value of derivatives (EUR -45.3 million), and the decrease in grid service income and cross-border transmission income (EUR -34.7 million). Profit for the period amounted to EUR 55.9 (114.5) million and comprehensive income to EUR 55.9 (114.7) million.

Fingrid's congestion income from connections between Finland and Sweden decreased to EUR 15.0 (18.9) million. The congestion income is caused by the differences in the area prices between Finland and Sweden. The decrease was influenced by exceptional weather conditions: cold spells during the winter weeks raised Finland's area price level, while the short but fierce spring floods dropped the area prices in Sweden for a few weeks. Fingrid's congestion income from the connections between Finland and Estonia amounted to EUR 5.5 (0.4) million. The increase in congestion income between Finland and Estonia is due to Estonia's higher area price. The rise in Estonia's area price can be attributed to the impact of the higher price of emissions rights on the electricity market situation in the Baltics. In accordance with the regulation on congestion income, Fingrid will allocate the congestion income to future cross-border investments.

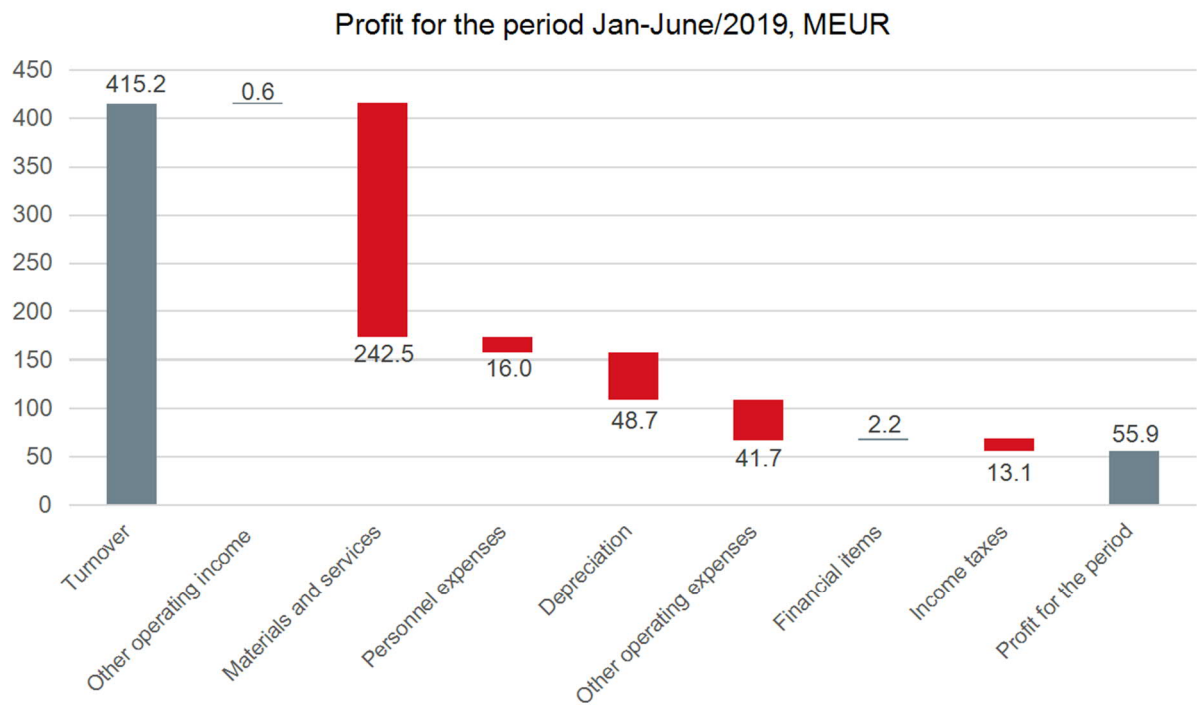
The Group's result for the financial period is characterised by seasonal fluctuations, because the higher winter tariff on grid transmission is valid from the first day of December until the last day of February, in addition to which, electricity transmission is higher during the cold period in question, due to the higher consumption of electricity. Since much of the Group's operating profit for the review period is accumulated during the winter tariff months, the result for the full financial year cannot be directly estimated based on the result from the period.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	1 Jan - 30 June, 2019	1 Jan - 30 June, 2018	1 Jan - 31 Dec, 2018
	MEUR	MEUR	MEUR
TURNOVER	415.2	436.9	852.8
Other operating income	0.6	1.0	10.8
Materials and services	-242.5	-219.5	-482.9
Personnel expenses	-16.0	-16.6	-32.2
Depreciation	-48.7	-49.2	-99.7
Other operating expenses	-41.7	-2.2	-7.2
OPERATING PROFIT	66.8	150.4	241.6
Finance income*	0.3	0.1	0.2
Finance costs*	1.4	-8.0	-15.4
Finance income and costs	1.7	-7.9	-15.2
Share of profit of associated companies	0.5	1.2	2.6
PROFIT BEFORE TAXES	69.0	143.7	229.0
Income taxes	-13.1	-29.2	-45.8
PROFIT FOR THE PERIOD	55.9	114.5	183.2
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be transferred to profit or loss			
Translation reserve		0.2	-0.2
Available-for-sale investments			
Taxes related to other items in total comprehensive income			
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	55.9	114.7	183.0
Profit attributable to:			
Equity holders of parent company	55.9	114.5	183.2
Total comprehensive income attributable to:			
Equity holders of parent company	55.9	114.7	183.0
Earnings per share for profit attributable to the equity holders of the parent company:			
Undiluted and diluted earnings per share, €	16,808	34,449	55,106
Weighted average number of shares, quantity	3,325	3,325	3,325

*Loan-hedging financial derivatives reported in 6/2018 have been adjusted between financial income and costs to comply with the company's accounting principles. The adjustment has not had an impact on the result.

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CONSOLIDATED BALANCE SHEET

ASSETS	30 June 2019	30 June 2018	31 Dec 2018
	MEUR	MEUR	MEUR
NON-CURRENT ASSETS			
Intangible assets:			
Goodwill	87.9	87.9	87.9
Other intangible assets	139.7	99.6	102.5
	227.6	187.6	190.5
Property, plant and equipment:			
Land and water areas	16.8	16.5	16.7
Buildings and structures	223.7	221.2	226.3
Machinery and equipment	537.4	562.9	553.3
Transmission lines	738.9	766.2	758.5
Other property, plant and equipment	3.4	6.8	6.8
Prepayments and purchases in progress	120.6	76.9	72.4
	1,640.9	1,650.4	1,634.1
Investments in associated companies	12.4	15.0	13.8
Derivative instruments	38.3	38.5	32.5
Deferred tax assets	21.3	20.8	23.3
TOTAL NON-CURRENT ASSETS	1,940.5	1,912.3	1,894.1
CURRENT ASSETS			
Inventories	12.7	13.2	12.4
Derivative instruments	3.6	13.0	18.6
Trade receivables and other receivables	35.8	50.8	99.5
Other financial assets	70.6	72.0	71.4
Cash in hand and cash equivalents	25.9	29.7	13.9
TOTAL CURRENT ASSETS	148.7	178.6	215.8
TOTAL ASSETS	2,089.2	2,090.9	2,109.9

CONSOLIDATED BALANCE SHEET

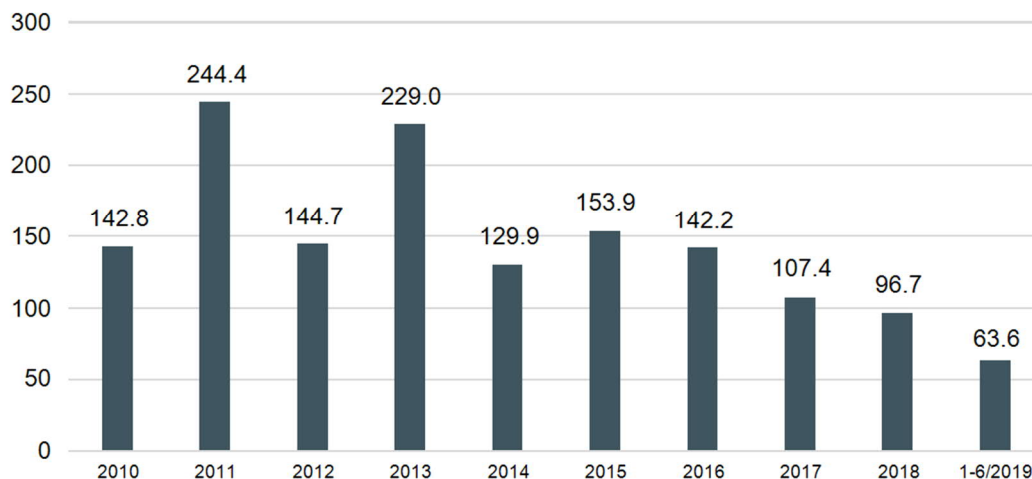
EQUITY AND LIABILITIES	30 June 2019	30 June 2018	31 Dec 2018
	MEUR	MEUR	MEUR
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	55.9	55.9	55.9
Share premium account	55.9	55.9	55.9
Revaluation reserve			
Translation reserve	-1.1	-0.7	-1.1
Retained earnings	597.0	643.1	661.7
TOTAL EQUITY	707.8	754.2	772.4
NON-CURRENT LIABILITIES			
Deferred tax liabilities	119.0	133.2	123.0
Borrowings	898.6	808.3	771.5
Provisions	1.4	1.5	1.4
Derivative instruments	6.8	10.1	7.4
	1,025.9	953.0	903.3
CURRENT LIABILITIES			
Borrowings	234.6	267.6	288.1
Derivative instruments	3.2	13.4	4.0
Trade payables and other liabilities	117.7	102.6	140.7
	355.5	383.6	434.1
TOTAL LIABILITIES	1,381.4	1,336.7	1,337.4
TOTAL EQUITY AND LIABILITIES	2,089.2	2,090.9	2,109.9

Grid assets represent the majority of the company's property, plant and equipment. Grid assets include 400-, 220-, 110-kilovolt transmission lines, DC 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. These assets 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. 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. 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 continues to be extensive.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT, MEUR	1-6/2019	1-6/2018	Change	1-12/2018
Carrying amount at beginning of period	1,634.1	1,676.0	-41.9	1,676.0
Increases	52.1	22.6	29.6	60.8
Decreases	0.0	0.0	0.0	-5.4
Depreciation and amortisation expense	-45.3	-48.1	2.8	-97.3
Carrying amount at end of period	1,640.9	1,650.4	-9.5	1,634.1

INVESTMENTS, MEUR	1-6/2019	1-6/2018	Change	1-12/2018
Grid investments	46.2	39.3	6.8	85.1
Substations	29.2	22.7	6.4	54.0
Transmission lines	17.0	16.6	0.4	31.2
Gas turbine investments	1.4	2.1	-0.7	2.9
Other investments	11.5	1.1	10.4	4.6
ICT	10.9	0.7	10.3	4.0
Other	0.5	0.4	0.1	0.6
Total investments	59.0	42.5	16.5	92.7

Capital expenditure from cash flow total 2010-June/2019, MEUR



COMMITMENTS AND CONTINGENT LIABILITIES, MEUR	30 June 2019	30 June 2018	Change	31 Dec 2018
Pledged cash assets	0.5	0.5	0.0	0.5
Rental liabilities*	3.8	30.0	-26.3	29.0
Right-of-use agreements for reserve power plants	58.0	66.3	-8.3	62.3
Credit facility commitment fees	1.1	1.4	-0.3	1.2
Total	63.4	98.2	-34.9	93.1
Investment commitments	90.5	80.3	10.2	103.9

*The change in lease liabilities is due to the inclusion of lease agreements in the company's balance sheet following the introduction of the IFRS 16 standard. Depreciation of asset items included in IFRS 16 amounted to EUR 1.3 million during the review period.

Related parties are presented in the notes to Fingrid's 2018 financial statements. 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 end 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.

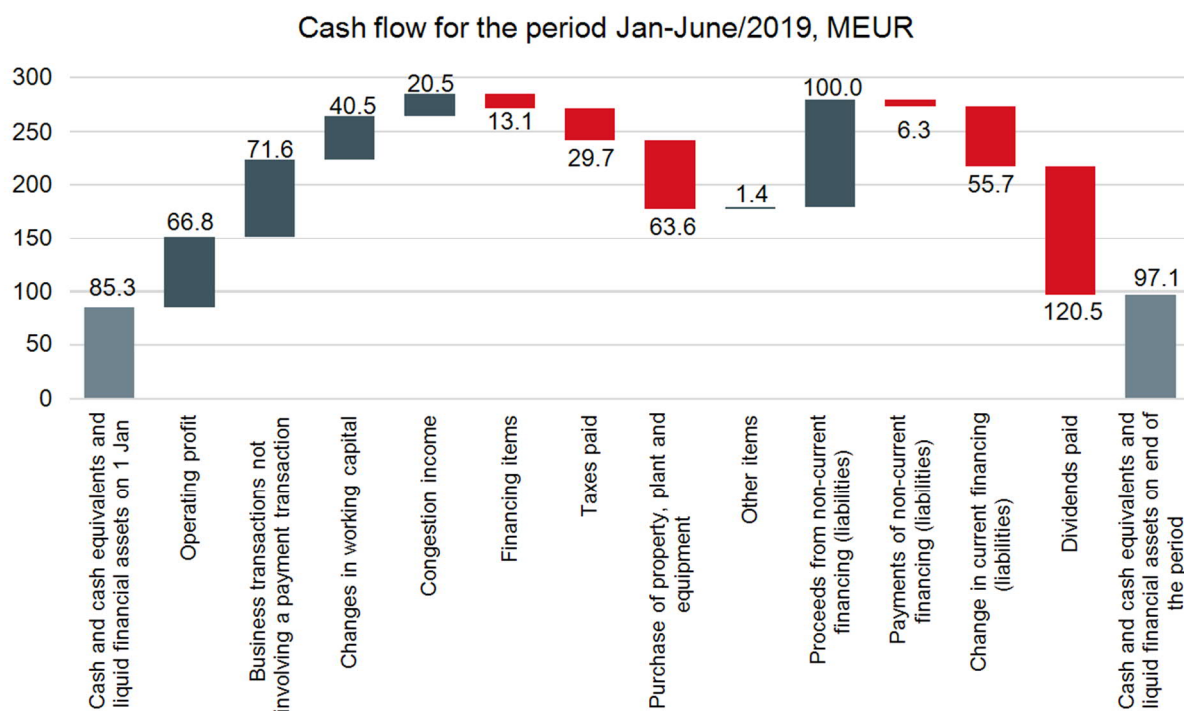
TRANSACTIONS WITH ASSOCIATED COMPANIES, MEUR	1-6/2019	1-6/2018	Change	1-12/2018
Sales	0.1	0.1	0.0	0.2
Interest income	0.0	0.1	0.0	0.1
Purchases	3.0	1.9	1.2	3.9
Trade receivables	0.0	0.6	-0.6	0.8
Trade payables	0.4	0.6	-0.2	2.2
Loan receivables	1.5	4.0	-2.5	2.3

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Consolidated statement of changes in total equity, MEUR					
Equity attributable to shareholders of the parent company	Share capital	Share premium account	Translation reserve	Retained earnings	Total equity
Balance on 1 January 2018	55.9	55.9	-0.9	687.1	798.1
Comprehensive income for the review period					
Profit or loss				114.5	114.5
Other comprehensive income					
Translation reserve			0.2		0.2
Items related to long-term asset items available for sale					0.0
Total other comprehensive income adjusted by tax effects					
			0.2		0.2
Total comprehensive income					
			0.2	114.5	114.7
Transactions with owners					
Dividend relating to 2017				-123.4	-123.4
Balance on 30 June 2018	55.9	55.9	-0.7	643.1	754.2
Comprehensive income for the review period					
Profit or loss				68.7	68.7
Other comprehensive income					
Translation reserve			-0.4		-0.4
Items related to long-term asset items available for sale					0.0
Total other comprehensive income adjusted by tax effects					
			-0.4		-0.4
Total comprehensive income					
			-0.4	68.7	68.3
Balance on 31 December 2018	55.9	55.9	-1.1	661.7	772.4
Balance on 1 January 2019	55.9	55.9	-1.1	661.7	772.4
Comprehensive income for the review period					
Profit or loss				55.9	55.9
Other comprehensive income					
Translation reserve					0.0
Items related to long-term asset items available for sale					0.0
Total comprehensive income					
			0.0	55.9	55.9
Transactions with owners					
Dividend relating to 2018				-120.5	-120.5
Balance on 30 June 2019	55.9	55.9	-1.1	597.0	707.8

CONSOLIDATED CASH FLOW STATEMENT	1 Jan - 30 June, 2019 MEUR	1 Jan - 30 June, 2018 MEUR	1 Jan - 31 Dec, 2018 MEUR
Cash flow from operating activities:			
Profit for the period	55.9	114.5	183.2
Adjustments:			
Business transactions not involving a payment			
Depreciation	48.7	49.2	99.7
Capital gains/losses (-/+) on tangible and intangible	-0.1	-0.0	-8.3
Share of profit of associated companies	-0.5	-1.2	-2.6
Gains/losses from the assets and liabilities recognised in the income statement at fair value	22.7	-27.0	-29.6
Interest and other finance costs	2.7	10.3	20.7
Interest income	-4.4	-2.4	-5.5
Taxes	13.1	29.2	45.8
Impact from changes in the fair value of the investment	0.3	-0.0	-0.1
Changes in working capital:			
Change in trade receivables and other receivables	64.3	43.5	-5.5
Change in inventories	-0.3	0.3	1.1
Change in trade payables and other liabilities	-23.5	-12.5	10.1
Congestion income	20.5	19.3	29.6
Change in provisions			-0.1
Interests paid	-13.5	-12.8	-16.2
Interests received	0.1	0.2	0.3
Taxes paid	-29.7	-19.2	-37.3
Net cash flow from operating activities	156.2	191.5	285.5
Cash flow from investing activities:			
Purchase of property, plant and equipment	-62.1	-46.4	-90.0
Purchase of intangible assets	-1.5	-1.7	-6.7
Proceeds from sale of other assets	0.7		
Proceeds from sale of property, plant and equipment		0.0	13.7
Payments of financing (liabilities)	0.8		1.8
Dividends received	0.9	0.6	0.6
Capitalised interest paid	-0.5	-0.6	-1.0
Net cash flow from investing activities	-61.8	-48.1	-81.6
Cash flow from financing activities:			
Proceeds from non-current financing (liabilities)	100.0		
Payments of non-current financing (liabilities)	-6.3	-6.3	-129.1
Change in current financing (liabilities)	-55.7	4.2	100.3
Dividends paid	-120.5	-123.4	-173.5
Net cash flow from financing activities	-82.5	-125.5	-202.3
Change in cash as per the cash flow statement	11.8	17.9	1.5
Opening cash as per the cash flow statement	85.3	83.8	83.8
Closing cash as per the cash flow statement	97.1	101.6	85.3



Changes in the accounting principles, 1 Jan 2019

IFRS 16 Leases

The IFRS 16 standard has been applied as of 1 January 2019. It replaced the previous IAS 17 Leases standard, which required classification of leases as either operating leases or finance leases. As defined in the new standard, a lease is a contract, or part of a contract, that conveys the right to use an identified asset for a period of time in exchange for consideration. Each lease is analysed independently when the contract is entered into, including all the components contained in the contract. From now on, both the underlying asset to which the right to use applies and the liability representing future lease payments are recognised in the balance sheet over the time of its economic impact. The substantial changes due to IFRS 16 mostly apply to lessors. Leases are recognised in the balance sheet except for short-term leases and leases of low-value assets. Exceptions are possible for short-term leases and leases of low-value assets, and no adjustments are necessary for such assets when transitioning from the old system to the new one. It was possible to apply a modified retrospective transition approach when adopting the new standard; in other words, the company recognised the effect of initially applying IFRS 16 as an adjustment to the equity at the date of initial application, on 1 January 2019.

Impacts

The company's lease liabilities on the reporting date of the 2018 financial statements totalled EUR 30.2 million, consisting of EUR 4.2 million in short-term liabilities, to be paid within a year, and EUR 26.0 million in long-term liabilities, with a due date after more than a year. The change resulted in an increase in property, plant and equipment, and in liabilities. The Group recognised items of property, plant and equipment totalling around EUR 35 million on 1 January 2019 as leases in compliance with IFRS 16. Other operating expenses in the income statement will decrease because leases will in future be stated as depreciations and interest costs. The liability will be amortised using the effective interest rate method,

where the relative amount of interest expenditure decreases along with the principal liability, resulting in 'frontloading' of the lease expenses in the income statement over the lease term.

The standard also affects the Group's cash flow. The cash flow from operating activities will increase because the capital repayment component of the lease liabilities will be classified as cash flow from financing activities. The interest component will continue to be disclosed in the cash flow from operating activities.

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

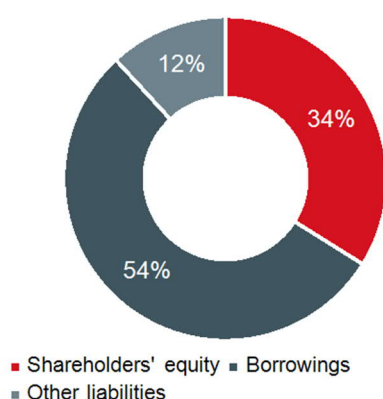
The right-of-use contracts of the powerlines have already been entered directly in the balance sheet on the contract date, which means there have been no changes in their accounting procedures due to the transition to IFRS 16.

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

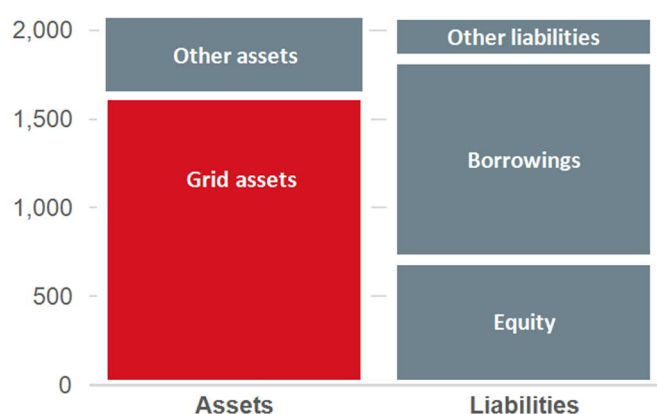
Financing

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

Capital structure June/2019



IFRS balance sheet June/2019, MEUR



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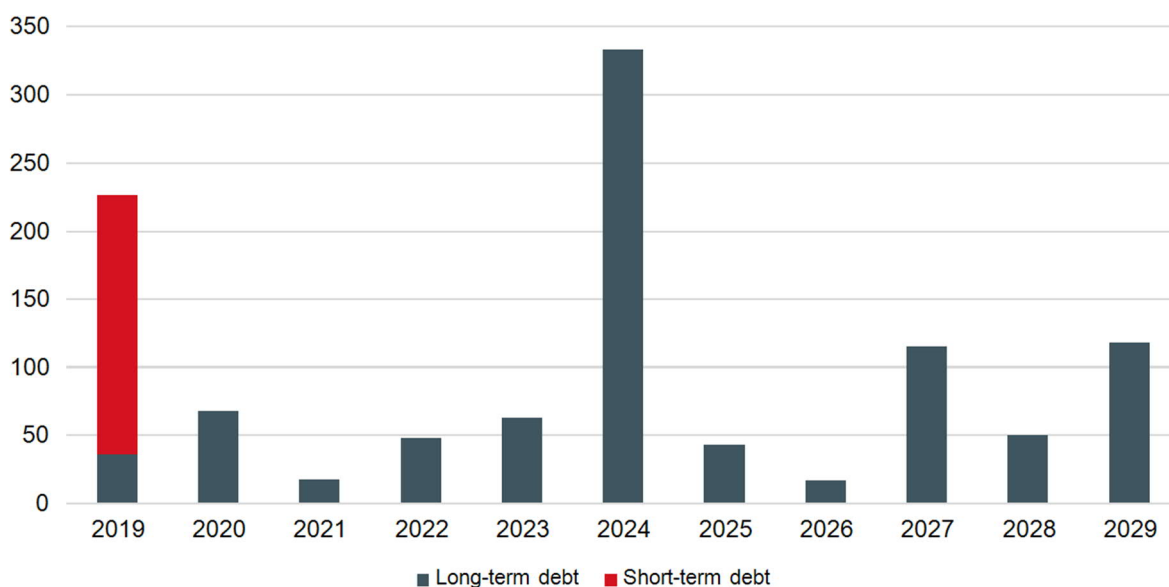
The Group's net cash flow from operating activities, with net capital expenditure deducted, was EUR 94.4 (143.4) million. The equity ratio was 33.9 (36.1) per cent at the end of the period.

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.

Fingrid Oyj's high credit rating reflects the Group's strong overall financial situation and debt service capacity. The Group's net financial costs from January through June were EUR -1.7 (7.9) million, including a positive change of EUR 9.7 (EUR 3.9 million negative) million in the fair value of derivatives.

Fingrid Oyj's debt issues are listed on Ireland's stock exchange (Euronext Dublin) and the London Stock Exchange. On 26 February 2019, Fingrid Oyj announced that its Home Member State is Ireland.

Debt maturity profile June/2019-2029, MEUR



Interest-bearing borrowings totalled EUR 1,133.3 (1,075.9) million, of which non-current borrowings accounted for EUR 898.6 (808.3) million and current borrowings for EUR 234.6 (267.6) million. Fingrid signed a EUR 100 million loan agreement with the European Investment Bank (EIB) 7 February 2019. The EIB financing will support Fingrid's investment programme, which aims to rehabilitate and develop Fingrid's electricity transmission network.

RECONCILIATION OF DEBT, MEUR

	Borrowings due within 1 year	Borrowings due after 1 year	Total
Debt on 1 Jan 2018	269.3	813.4	1,082.7
Cash flow from financing activities	-28.8		-28.8
Exchange rate adjustments	2.1	3.4	5.5
Other changes not involving a payment transaction		0.2	0.2
Transfer to short-term loans	45.5	-45.5	
Debt on 31 Dec 2018	288.1	771.5	1,059.6
Cash flow from financing activities	-61.9	100.1	38.2
Exchange rate adjustments	0.1	0.3	0.4
Other changes not involving a payment transaction	2.9	32.2	35.1
Transfer to short-term loans	5.4	-5.4	
Debt on 30 Jun 2019	234.6	898.6	1,133.3

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

RECONCILIATION OF NET DEBT, MEUR

	30.6.2019	31.12.2018
Cash in hand and cash equivalents	25.9	13.9
Other financial assets	70.6	71.4
Borrowings - repayable within one year	234.6	288.1
Borrowings - repayable after one year	898.6	771.5
Net debt	1,036.7	974.3

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

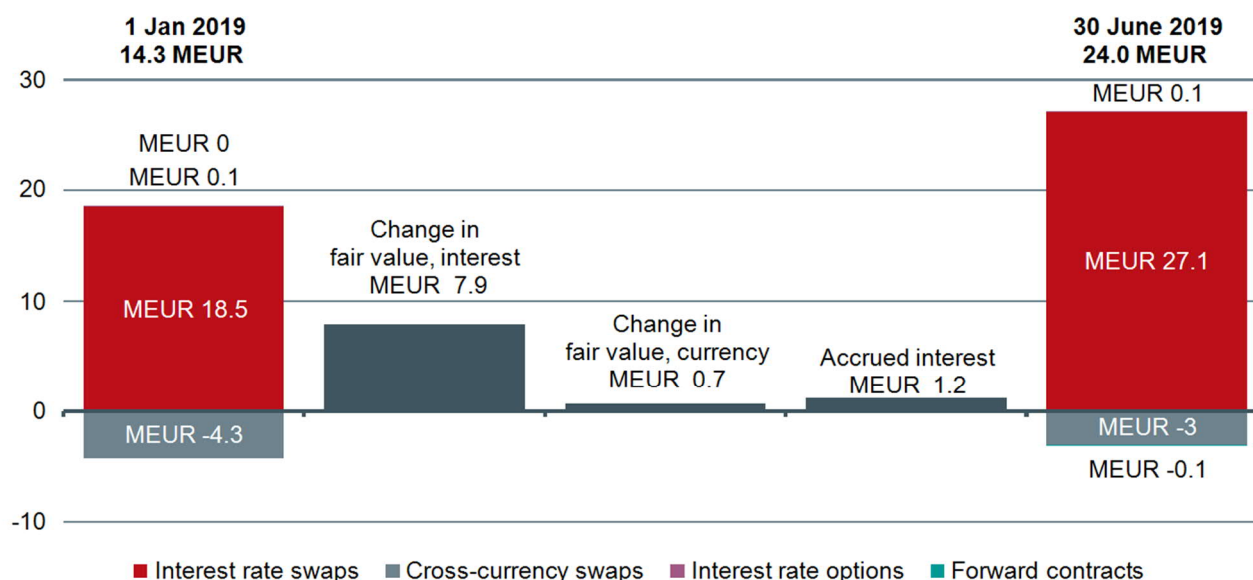
The Group's liquidity remained good. Cash and cash equivalents, and other financial assets on 30 June 2019 were EUR 96.6 (101.6) million. The Group additionally has an undrawn revolving credit facility of EUR 300 million to secure liquidity and a total of EUR 50 million in uncommitted overdraft facilities.

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Cross-currency swaps	2.9	-6.0	-3.1	36.3	4.0	-17.4	-13.3	143.5	2.6	-6.9	-4.3	36.2	Level 2
Forward contracts	0.0	-0.1	-0.1	4.1		-0.1	-0.1	1.2	0.0	0.0	0.0	5.2	Level 2
Interest rate swaps	31.1	-4.0	27.1	265.0	23.0	-6.4	16.6	415.0	23.6	-5.1	18.5	325.0	Level 2
Bought interest rate options	0.1		0.1	730.0	0.5		0.5	620.0	0.1		0.1	620.0	Level 2
Total	34.1	-10.1	24.0	1,035.4	27.5	-23.8	3.6	1,179.7	26.3	-12.0	14.3	986.4	
Electricity derivatives	Fair value pos.	Fair value neg.	Net fair value	Volume TWh	Fair value pos.	Fair value neg.	Net fair value	Volume TWh	Fair value pos.	Fair value neg.	Net fair value	Volume TWh	
Electricity future contracts, NASDAQ OMX Commodities	6.4	-0.2	6.3	2.88	6.0	-0.6	5.4	2.13	12.4	-0.4	12.0	1.87	Level 1
Electricity forward contracts, NASDAQ OMX Commodities	11.2		11.2	1.29	27.4	-0.7	26.7	2.81	27.5	0.0	27.5	2.58	Level 1
Total	17.6	-0.2	17.4	4.18	33.3	-1.3	32.1	4.94	39.9	-0.4	39.5	4.45	

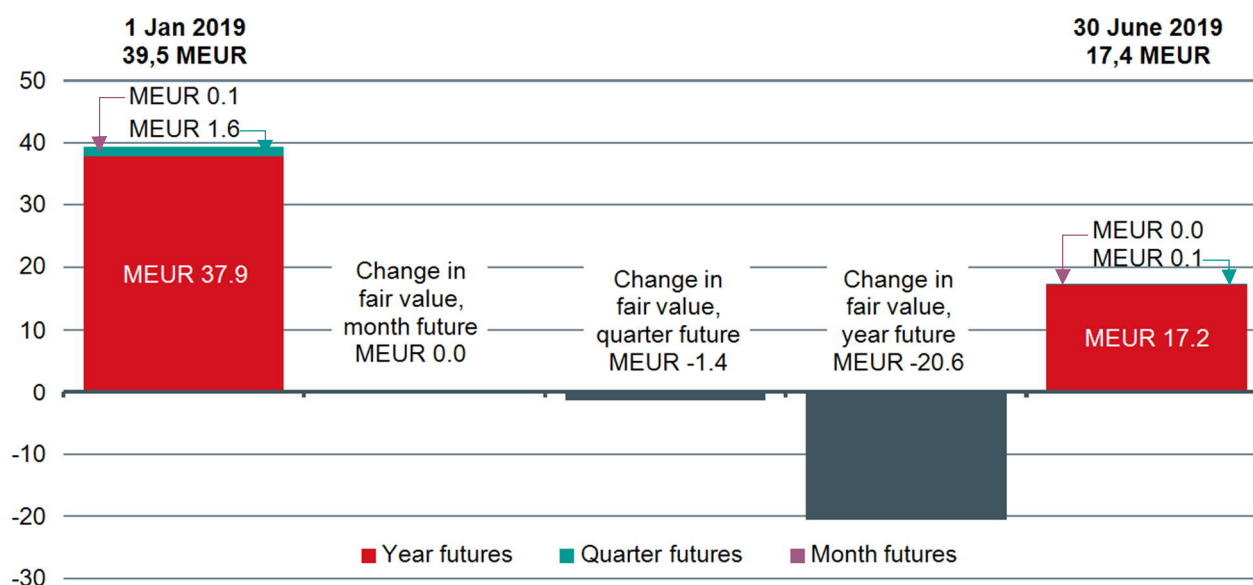
Change in the value of financial derivatives Jan-June/2019



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 futures used for hedging the price of Fingrid's loss power purchases recognised in the operating profit was EUR 22.1 negative (EUR 29.6 million positive). The volatility in the fair value of electricity futures can be significant. The negative impact on profit was caused by the impact of the decreased spot price of electricity on the fair value of electricity futures. Fingrid holds its bought futures to maturity.

The fair value sensitivity of electricity futures to changes in the price of electricity is measured as the difference a 10 per cent fluctuation in market price would have on outstanding electricity futures on the reporting date. An increase/decrease of 10 per cent in the market price of electricity would have an impact of EUR 9.6 million/EUR –9.6 million on the Group’s profit before taxes.

Change in the value of electricity futures Jan-June/2019



Ensuring transmission capacity

Fingrid’s 400-kilovolt transmission line, called the ‘Forest Line’, will significantly increase north–south transmission capacity. It will help keep Finland as a single price area and enable clean power production to be linked to the grid. The Forest Line will be roughly 300 kilometres long, and it will be built in place of or next to the current power lines, running from Petäjavesi through Haapavesi and to Muhos. Construction of the Forest Line has progressed to the procurement stage with regard to both the transmission line and the substation expansion.

The transmission line planned jointly by Fingrid and the Swedish TSO Svenska kraftnät, from northern Finland to northern Sweden, proceeded to an environmental impact assessment. The project received more than EUR 4 million in support from the EU for the technical assessment phase. The project is due for completion in 2025.

The focus of the company’s investment programme in recent years has been on rebuilding the first transmission line in Finland, originally built in the 1920s and dubbed the ‘Iron Lady’. The transmission line, which is currently under construction, will replace the old transmission line connection and reinforce the grid. The construction of the Hikiä–Orimattila 400 + 110 kilovolt transmission line, which is part of the overall Iron Lady, is focussed on the Hikiä–Metsämarttila section, which is the last section of the Iron Lady. Iron Lady II will be completed in its entirety in December 2019.

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In connection with Iron Lady II, Fingrid's new substation in Imatra will be built next to Imatra's hydropower plant and will be commissioned in autumn 2020.

Fingrid will carry out a digital substation pilot at Pernoonkoski, in Kotka, and seek to gain experience in utilising 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 both in terms of capex and operational costs. The Pernoonkoski substation is due for completion in 2020.

Tampereen Sähköverkko, Elenia and Fingrid are together upgrading the Tampere area's electricity network. The electricity transmission capacity can be doubled with modern solutions. The companies have drawn up an electricity network development plan, on the basis 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 and 2020. The transmission line will be modernised by making use of the existing transmission line right-of-ways.

Olkiluoto's aging 400 kilovolt switching station will be replaced by two separate switching stations. The change will improve the Olkiluoto nuclear power plant units' grid connection reliability and ensure that the units can supply electricity to the system with no disturbances. The new C and D switching stations were started up in June 2019. The work to dismantle the old A switching station continues. Finally, in autumn 2019, the B and C switching stations will be connected to one another.

Fingrid again enjoyed an excellent ranking in the International Transmission Asset Management Study (ITAMS). ITAMS evaluates the efficiency of TSOs' asset management. The study has been carried out five times, and Fingrid has placed in the top three each time. Fingrid focusses especially on making use of digitalisation, which is one factor behind the good success in the study.

Management of system security

In January–June, electricity consumption in Finland amounted to 45.3 (45.2) terawatt hours. Inter-TSO transmission in the same period amounted to 2.2 (1.5) terawatt hours. The total electricity transmission in Finland was 47.4 (46.7) terawatt hours. Fingrid transmitted a total of 34.8 (34.7) terawatt hours in its grid, representing 73.3 (74.2) per cent of the total electricity transmission in Finland. During this period, the electricity Fingrid transmitted to its customers amounted to 32.5 (33.1) terawatt hours, which represents 71.8 (73.2) per cent of Finland's total consumption.

Between January and June, 7.2 (7.5) terawatt hours of electricity were imported from Sweden to Finland, and 0.4 (0.4) terawatt hours were exported from Finland to Sweden. Transmission capacity between the countries was partly limited for brief periods during the review period, when construction work related to reinforcing the grid in the Rauma and Olkiluoto region was carried out in May and June.

In January–June, 1.7 (1.0) terawatt hours of electricity were exported to Estonia. Transmission capacity between the countries was partly limited from 10–14 June as planned, during the EstLink1 connection's annual maintenance period.

Electricity imports from Russia to Finland from January to June amounted to 4.2 (3.4) terawatt hours. Transmission capacity from Russia to Finland was fully available during the reporting period. Electricity imports from Russia were slightly higher compared with the same period last year. Major intraday variations in import volumes still persist.

Finland's peak consumption for the winter, approximately 14,542 megawatts, fell on 28 January 2019.

During the period under review, the grid functioned excellently and experienced no major disturbances with extensive consequences.

Power system operation	1-6/19	1-6/18
Electricity consumption in Finland, TWh	45.3	45.2
TSO transmission in Finland, TWh	2.2	1.5
Transmission within Finland, TWh	47.4	46.7
Fingrids electricity transmission volume, TWh	34.8	34.7
Fingrid's electricity transmission to customers, TWh	32.5	33.1
Fingrid's loss energy volume, TWh	0.6	0.6

Electricity transmission Finland - Sweden

Exports to Sweden TWh	0.4	0.4
Imports from Sweden, TWh	7.2	7.5

Electricity transmission Finland - Estonia

Exports to Estonia, TWh	1.7	1.0
Imports from Estonia, TWh	0.3	0.5

Electricity transmission Finland - Russia

Imports from Russia, TWh	4.2	3.4
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Developing the electricity market

In January–June the average day-ahead market price for the Nordics was EUR 41.22 (38.82) per megawatt hour and Finland's area price was EUR 42.42 (41.97) per megawatt hour.

Due to constraints on the connections between the countries, total congestion income increased compared to the corresponding period last year. Congestion income between Finland and Sweden in January and June decreased to EUR 30.0 (37.8) million. The change was due to the area price difference between Finland and Sweden that was caused by weather conditions: cold spells during the winter weeks raised the prices in Finland, while the short but fierce spring floods dropped the prices in Sweden for a few weeks. Congestion income between Finland and Estonia grew in January–June to EUR 11.0 (0.8) million. The increase in congestion income between Finland and Estonia is due to Estonia's higher area price. Estonia's area price has increased as the price of emissions rights has increased. In

accordance with the regulation on congestion income, Fingrid will allocate the congestion income to future cross-border investments.

In terms of the availability and reliability of HVDC systems, the first half of 2019 was challenging compared to 2017 and 2018. In particular, the disturbances on the EstLink 2 connection in Estonia occurred during difficult periods and widened the area price gaps between Finland and Estonia. Price differences persisted even when the full capacity of the EstLink connections was in use. Countertrade costs arising from the disturbances have also increased compared to previous years. The examination of the reasons for the disturbances and the rectification of the problems were highly successful, and the connections were quickly restored to the markets uses.

Fingrid is implementing development projects to increase the flexibility of the electricity markets and to enable the participation of consumers and the producers of weather-dependent renewables to the markets.

In the Nordic balance settlement project and its related 15-minute imbalance settlement project, the Nordic balancing power and reserve power marketplaces are being revamped, the imbalance power model is being amended, and the 15-minute electricity market is being adopted. Finland will switch to the 15-minute electricity market at the same time as the other Nordic countries. Switching to a 15-minute market will have a major impact on the power system's imbalance settlement and also on the operations of the market operators. Nordic transmission system operators published an updated progress plan in May, and stakeholders' opinions on the plan are being sought during the summer.

On 14 May 2019, the Danish TSO Energinet and eSett's current owners (Fingrid, Svenska kraftnät and Statnett) signed an agreement according to which Energinet will join the Nordic Balance Settlement by becoming a co-owner of eSett Oy. Each party will own 25 per cent of the company. The Danish market operators will join the Nordic Balance Settlement in the fourth quarter of 2020 once the regulating authorities approve the new market processes. The ownership arrangement had a minor positive impact on Fingrid's result and balance sheet during the review period.

Fingrid's datahub project, which concerns a centralised information exchange system for the electricity retail markets, is proceeding according to schedule and is expected to be completed in 2021. The changes to the Electricity Market Act that the datahub requires entered into force at the start of February. The distribution system operators and retailers have submitted their plans for commissioning the datahub, as required by the Act. Judging by them, the industry is not fully prepared to commission the datahub, which may lead to the need to postpone its commissioning.

Electricity market	1-6/19	1-6/18
Nord Pool system price, average €/MWh	41.22	38.82
Area price Finland, average €/MWh	42.42	41.97
Congestion income between Finland and Sweden, €M*	30.0	37.8
Congestion hours between Finland and Sweden %*	23.0	22.3

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Congestion income between Finland and Estonia, €M*	11.0	0.8
Congestion hours between Finland and Estonia %*	13.4	2.8

* The congestion income between Finland and Sweden and between Finland and Estonia is divided equally between the relevant TSOs.

Fingrid used EUR 0.5 (0.2) million for countertrade during the first six months of the year.

Countertrade	1-6/19	1-6/18
Countertrade between Finland and Sweden, €M	0.1	0.1
Countertrade between Finland and Estonia, €M	0.4	0.0
Countertrade between Finland's internal connections, €M	0.1	0.1
Total countertrade, €M	0.5	0.2

Personnel

The total number of personnel employed by the Group averaged 383 (367), of which an average of 331 (316) were in a permanent employment relationship. Personnel costs amounted to EUR 16.0 (16.6) million. Wages and salaries amounted to EUR 13.3 (13.3) i.e. 3.2 (3.1) per cent of the turnover.

Fingrid was included in the list of Finland's Most Inspiring Workplaces for the third year in a row. This year, the company ranked in second place in the mid-sized companies category. The recognition is granted annually to organisations that receive excellent results in Corporate Spirit's employee survey.

Other matters

The Annual General Meeting elected Fingrid Oyj's Board of Directors for the term that ends at the close of the next Annual General Meeting. Juhani Järvi continues as Chair of the Board of Directors, and Päivi Nerg continues as Vice Chair of the Board. The other Board members are Anu Hämäläinen, Sanna Syri and Esko Torsti.

On 31 January 2019, Timo Kiiveri was appointed as a member of Fingrid's executive management group effective 1 July 2019. His area of responsibility is the company's asset management. On 26 February 2019, Asta Sihvonen-Punkka was appointed Fingrid's Executive Vice President effective 1 July 2019. The changes are due to the retirement of Kari Kuusela, who was the company's Executive Vice President and Director of Asset Management, on 30 June 2019.

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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, as well as proceedings concerning social-security-based damages, have been initiated in Spain for damages against Fingrid (the client linked with the accident), the main contractor, Technolines S.R.L. filial i Finland, and its sub-contractor, Revilla y Garcia S.L. Fingrid does not believe the claim against it is likely to succeed and, in Fingrid's view, the legal proceedings or their outcome are not likely to have a substantial impact on the company's earnings or financial position.

Events after the review period and outlook for the rest of the year

On 23 July 2019, the Board of Directors decided, in compliance with the authorisation granted by the annual general meeting, that the second instalment of dividends shall be paid after the half-year report has been approved and it has assessed the company's solvency, financial position and financial performance. According to the Board of Directors' authorisation, the second instalment of EUR 20,100.00 for each Series A share and EUR 7,350.00 for each Series B share, totalling EUR 50,933,250.00 in dividends, shall be paid on 26 July 2019.

Fingrid Group's profit for the 2019 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to decrease significantly from the previous year's level. Fingrid lowered grid fees for 2019 by an average of eight per cent. 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.

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The consolidated financial statements are drawn up in accordance with the IFRS in a situation where 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 in greater detail by topic in the notes to Fingrid's 2018 financial statements. Certain statements in this report are forward-looking and are based on the current views of the company's management. Due to their nature, they contain some risks and uncertainties and are subject to general changes in the economy and the business sector.

The entire business of the Fingrid Group is deemed to comprise transmission grid operation in Finland with system responsibility, constituting a single segment. There are no material 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.

There have been no changes in the Group structure during the review period.