

FINGRID GROUP'S HALF-YEAR REPORT 1 JANUARY - 30 JUNE 2019

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.

The graphs and clarifying texts of the half-year report are available in the attached PDF file.

- Fingrid's operating profit between January–June excluding the change in the fair value of derivatives decreased according to plan compared to the corresponding period last year.
- The decline in the company's turnover was due to the decrease in grid transmission income and cross-border transmission income, which, in turn, were due to the price reductions that were made.
- Finland's electricity consumption during the period amounted to 45.3 (45.2) terawatt hours.
- A total of 34.8 (34.7) terawatt hours of electricity was transmitted in Fingrid's grid, representing 73.3 (74.2) per cent of the total transmission volume in Finland (consumption and inter-TSO).

KEY FIGURES		1-6/19	1-6/18	change %	1-12/18
Turnover	MEUR	415.2	436.9	-5.0	852.8
Capital expenditure, gross	MEUR	59.0	42.5	38.9	92.7
- of turnover	%	14.2	9.7		10.9
Personnel costs	MEUR	16.0	16.6	-3.2	32.2
Operating profit excluding the change in the fair value of derivatives	MEUR	89.0	120.8	-26.4	204.6
- of turnover	%	21.4	27.7		24.0
Operating profit	MEUR	66.8	150.4	-55.6	241.6
- of turnover	%	16.1	34.4		28.3
Profit before taxes	MEUR	69.0	143.7	-52.0	229.0
- of turnover	%	16.6	32.9		26.9
Profit for the period	MEUR	55.9	114.5	-51.2	183.2
Comprehensive income for the period	MEUR	55.9	114.7	-51.3	183.0
Net cash flow from operations, after capital expenditure	MEUR	94.4	143.4	-34.2	203.9
Equity ratio at the end of the review period	%	33.9	36.1		36.6
Interest-bearing net borrowings at the end of the review period	MEUR	1,036.7	974.2	6.4	974.3
Net gearing at the end of the review period		1.5	1.3		1.3
Earnings per share	€	16,808.26	34,449.46	-51.2	55,106.29
Dividend, Series A shares	€				67,650.00
Dividend, Series B shares	€				24,750.00
Equity per share	€	212,875.22	226,833.57	-6.2	232,309.58
Dividend payout ratio, A shares	%				122.8
Dividend payout ratio, B shares	%				44.9
Number of shares					
– Series A shares	qty	2,078	2,078		2,078
– Series B shares	qty	1,247	1,247		1,247
Total	qty	3,325	3,325		3,325

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23.7.2019, at 12:30 p.m
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President and CEO Jukka Ruusunen: Strong electricity main grid enables additional investments in clean, domestic electricity production

Fingrid's financial development in the first six months of the year has proceeded according to plan. Grid service income and cross-border transmission income were lower compared to the previous year, due to the lower grid service fees. We lowered grid service fees by an average of eight per cent at the start of the year.

Despite the variable weather conditions, Finland's main grid operated reliably in the first half of the year, with no major disturbances. Electricity consumption peaked at approximately 14,542 megawatts on 28 January 2019. At the monthly level, Finland's highest electricity consumption ever was recorded in January.

Wind power is becoming increasingly important in electricity production in Finland. Finland's Government Programme aims at an increasing share of wind power in the country's energy production. For several years now, we have prepared to connect more wind power to the power system by systematically upgrading the grid. The next large-scale project is called the Forest Line, and it runs from Oulu to Petäjävesi. The connection will significantly increase the north-south transmission capacity. During the spring, the project proceeded to the procurement stage, and the connection is due for completion in 2022. We have improved the reliability of the Olkiluoto nuclear power plant's grid connections, and the grid is ready to receive electricity production from Olkiluoto 3. Our joint project with the Swedish TSO, Svenska kraftnät, involving a third AC connection between the countries, was granted more than EUR 4 million in support from the EU for the technical assessment phase. The project is due for completion in 2025.

Implementation of European electricity market legislation will entail major international collaboration on IT projects, the schedules for which have proved to be more challenging than previously anticipated. At the European level, new trading platforms for the balancing and reserve power markets are being created. In relation to this, the Nordic countries are building IT systems for the introduction of the new imbalance settlement model. The electricity market is switching from a one-hour trading period to a fifteen-minute trading period. Fingrid's datahub project is proceeding on schedule, and the goal is to introduce it in 2021. As part of our digitalisation development, in spring we introduced our online service platform, "My Fingrid".

Fingrid was included in the list of Finland's Most Inspiring Workplaces for the third year in a row. This year, we 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.

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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.

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.

Financing

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.

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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.

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.

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.

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-Metsämärttila section, which is the last section of the Iron Lady. Iron Lady II will be completed in its entirety in December 2019.

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

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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.

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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

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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.

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.

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.

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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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