

FINGRID OYJ
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14.8.2018, at 11:00 a.m
EET

FINGRID OYJ
HALF-YEAR REPORT
1 JANUARY – 30 JUNE 2018

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 2017 financial statements. 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 in January–June was EUR 436.9 (326.1) million. Grid service income increased to EUR 229.3 (220.2) million over the first half of the year due to increased consumption of electricity. Between January and June, electricity consumption totalled 45.1 (43.6) terawatt hours. Imbalance power sales amounted to EUR 164.9 (85.0) million. The increase in imbalance power sales resulted from the transfer of imbalance settlement to eSett Oy, following which the imbalance power sold to cross-border imbalance responsible parties is reported as external turnover. The cross-border transmission income for the connection between Finland and Russia increased from last year's level due to a higher realised dynamic transmission tariff and increased cross-border transmission, amounting to EUR 20.2 (10.8) million.

Other operating income totalled EUR 1.0 (1.1) million. Costs during January–June amounted to EUR 317.1 (219.9) million.

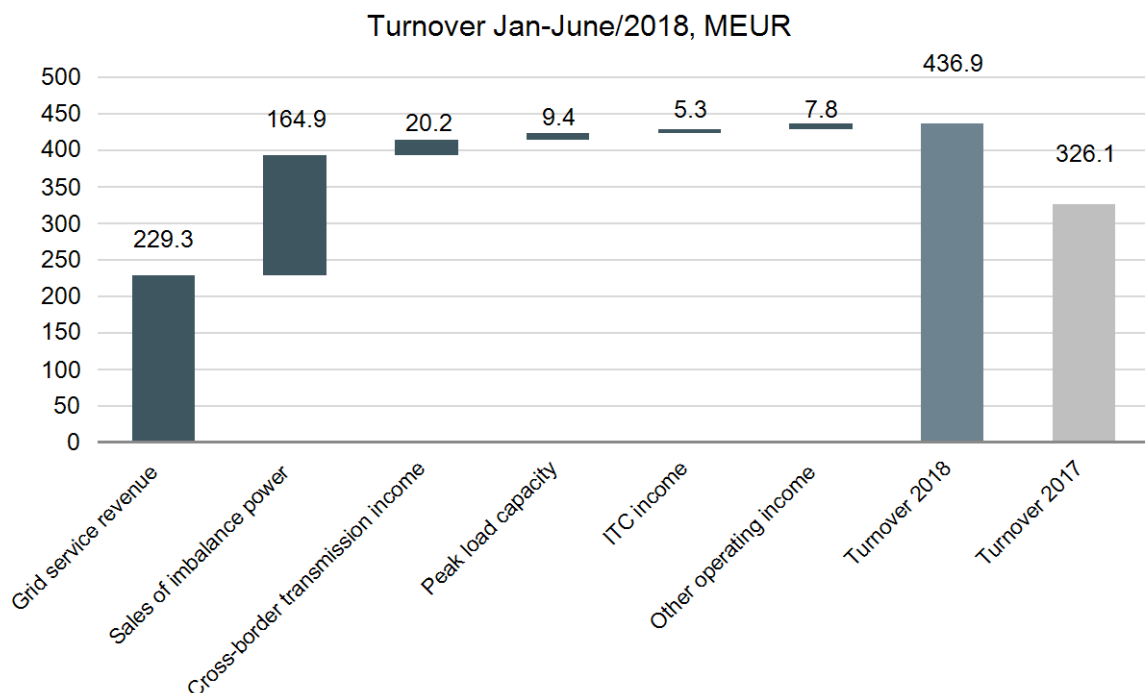
Imbalance power costs grew from the previous year's level, to EUR 149.4 (69.7) million due to the above-mentioned transfer of imbalance settlement to eSett Oy. Loss power costs amounted to EUR 25.4 (21.2) million. The higher loss power costs were mainly caused by an increased volume of loss power. At the end of June, approximately 95 (105) per cent of Fingrid's projected loss power procurement for the remainder of 2018, in terms of the system price, was hedged at an average price of EUR 27.3 (31.1) per megawatt hour. In terms of the Finnish area price difference, roughly 100 per cent of loss power procurement was hedged at an average price of EUR 6.8 per megawatt hour.

The cost of reserves to safeguard the grid's system security increased to EUR 29.6 (24.9) million. The increase in reserve costs was affected by the planned increases in the procurement of automatic frequency control reserves and the addition of the Kyröskoski

power plant to the rapid disturbance reserve. Depreciation amounted to EUR 49.2 (48.4) million. Grid maintenance management costs decreased to EUR 8.0 (9.6) million due to the postponed implementation of some planned projects to the latter half of the year. Personnel costs amounted to EUR 16.6 (14.7) million.

Turnover and other income, MEUR	1-6/18	1-6/17	change %
Grid service income	229.3	220.2	4.1
Imbalance power sales	164.9	85.0	94.0
Cross-border transmission income	20.2	10.8	87.6
Peak load capacity income*	9.4	3.5	164.8
ITC income	5.3	3.9	37.0
Other turnover	7.8	2.7	192.3
Turnover total	436.9	326.1	34.0
Other operating income	1.0	1.1	-5.2
Turnover and other income total	437.9	327.2	33.8

* 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	1-6/18	1-6/17	change %
Purchase of imbalance power	149.4	69.7	114.4
Loss energy costs	25.4	21.2	19.8
Depreciation	49.2	48.4	1.6
Cost of reserves	29.6	24.9	18.5
Personnel costs	16.6	14.7	12.7

Peak load capacity costs*	9.1	3.4	168.9
Maintenance costs	8.0	9.6	-16.3
ITC charges	6.6	6.6	0.8
Other costs	23.1	21.4	8.0
Costs total	317.1	219.9	44.2

Operating profit, excl. the change in the fair value of derivatives	120.8	107.2	12.7
Consolidated operating profit, IFRS	150.4	103.7	45.0

* 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.

The Group's operating profit in the first half of the year was EUR 150.4 (103.7) million. Profit before taxes was EUR 143.7 (92.5) million. The differences from the corresponding period of the previous year are mainly explained by changes in the market value of electricity derivatives (EUR +32.9 million), and the growth in grid service income and cross-border transmission income (EUR +20.3 million). Profit for the period was EUR 114.5 (73.9) million and comprehensive income was EUR 114.7 (74.1) million. The Group's net cash flow from operating activities, with net capital expenditure deducted, was EUR 143.4 (85.8) million during the review period. The equity to total assets ratio was 36.1 (35.7) per cent at the end of the review period.

Fingrid's congestion income from connections between Finland and Sweden increased to EUR 18.9 (10.4) million. The increase was caused by increased area price differences between Finland and Sweden, resulting from the higher Finnish area price during the cold winter weeks and the lower Swedish area prices caused by intensive spring floods. Fingrid's congestion income from the links between Finland and Estonia amounted to EUR 0.4 (0.1) million. In accordance with the regulation on congestion income, Fingrid has allocated the congestion income it received during the period to the Hirvisuo–Pyhänselkä grid investment project, which supports the transmission of electricity from northern Sweden to Finland.

The Group's result for the financial period is characterised by seasonal fluctuations, because the higher winter tariff on grid service income 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 entire year cannot be directly estimated based on the result from the period under review.

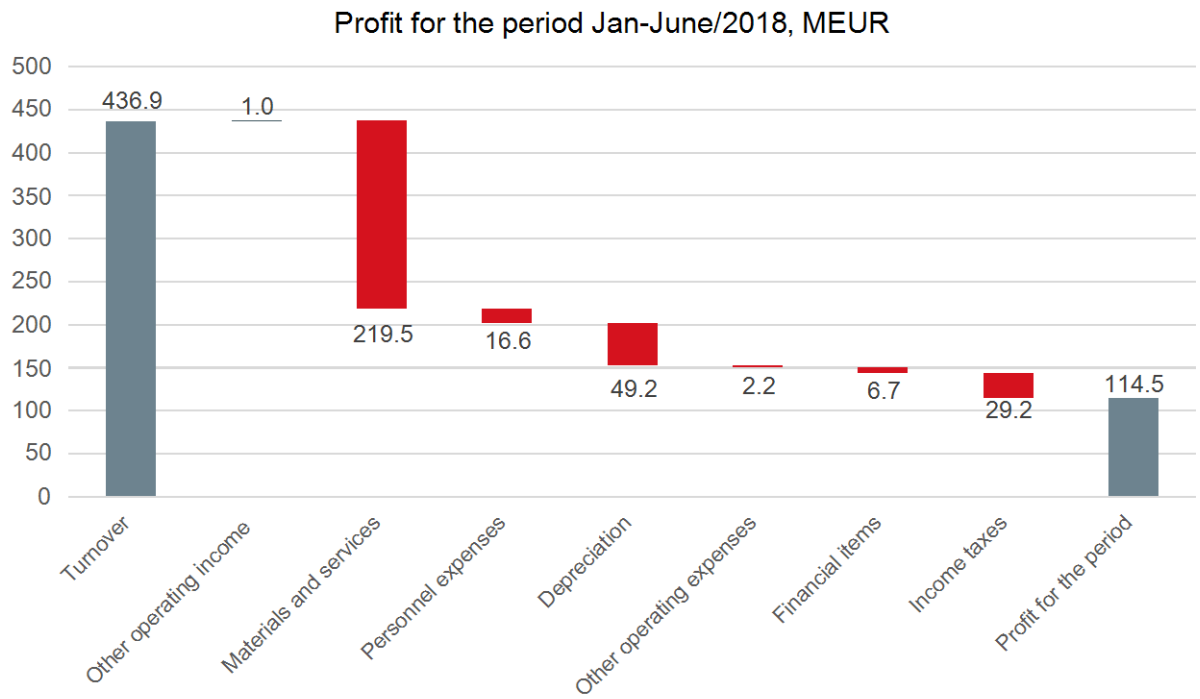
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	1 Jan - 30 June, 2018	1 Jan - 30 June, 2017	1 Jan - 31 Dec, 2017
	MEUR	MEUR	MEUR
TURNOVER	436.9	326.1	672.0
Other operating income	1.0	1.1	2.9
Materials and services	-219.5	-124.7	-301.9
Personnel expenses	-16.6	-14.7	-29.4
Depreciation	-49.2	-48.4	-96.9
Other operating expenses	-2.2	-35.6	-61.9
OPERATING PROFIT	150.4	103.7	184.8
Finance income	2.4	0.3	0.5
Finance costs	-10.3	-12.4	-23.3
Finance income and costs	-7.9	-12.1	-22.8
Share of profit of associated companies	1.2	0.9	1.7
PROFIT BEFORE TAXES	143.7	92.5	163.7
Income taxes	-29.2	-18.5	-32.9
PROFIT FOR THE PERIOD	114.5	73.9	130.8
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be transferred to profit or loss			
Translation reserve	0.2	0.2	-0.5
Available-for-sale investments		0.0	-0.1
Taxes related to other items in total comprehensive income		0.0	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	114.7	74.1	130.3
Profit attributable to:			
Equity holders of parent company	114.5	73.9	130.8
Total comprehensive income attributable to:			
Equity holders of parent company	114.7	74.1	130.3
Earnings per share for profit attributable to the equity holders of the parent company:			
Undiluted and diluted earnings per share, €	34,449	22,229	39,351
Weighted average number of shares, quantity	3,325	3,325	3,325

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CONSOLIDATED BALANCE SHEET

ASSETS	30 June 2018	30 June 2017	31 Dec 2017
	MEUR	MEUR	MEUR
NON-CURRENT ASSETS			
Intangible assets:			
Goodwill	87.9	87.9	87.9
Other intangible assets	99.6	98.4	99.8
	187.6	186.4	187.7
Property, plant and equipment:			
Land and water areas	16.5	15.7	16.0
Buildings and structures	221.2	195.7	209.8
Machinery and equipment	562.9	562.3	562.0
Transmission lines	766.2	812.8	786.2
Other property, plant and equipment	6.8	7.4	7.1
Prepayments and purchases in progress	76.9	93.8	94.9
	1,650.4	1,687.6	1,676.0
Investments in associated companies	15.0	14.1	14.3
Available-for-sale investments and receivables		0.1	
Derivative instruments	38.5	25.2	27.8
Deferred tax assets	20.8	6.6	13.9
TOTAL NON-CURRENT ASSETS	1,912.3	1,920.0	1,919.7
CURRENT ASSETS			
Inventories	13.2	13.1	13.5
Derivative instruments	13.0	0.9	0.2
Trade receivables and other receivables	50.8	59.3	96.1
Financial assets at fair value through profit or loss	57.0	62.9	63.5
Cash in hand and cash equivalents	44.7	20.8	20.3
TOTAL CURRENT ASSETS	178.6	157.0	193.6
TOTAL ASSETS	2,090.9	2,077.0	2,113.3

CONSOLIDATED BALANCE SHEET

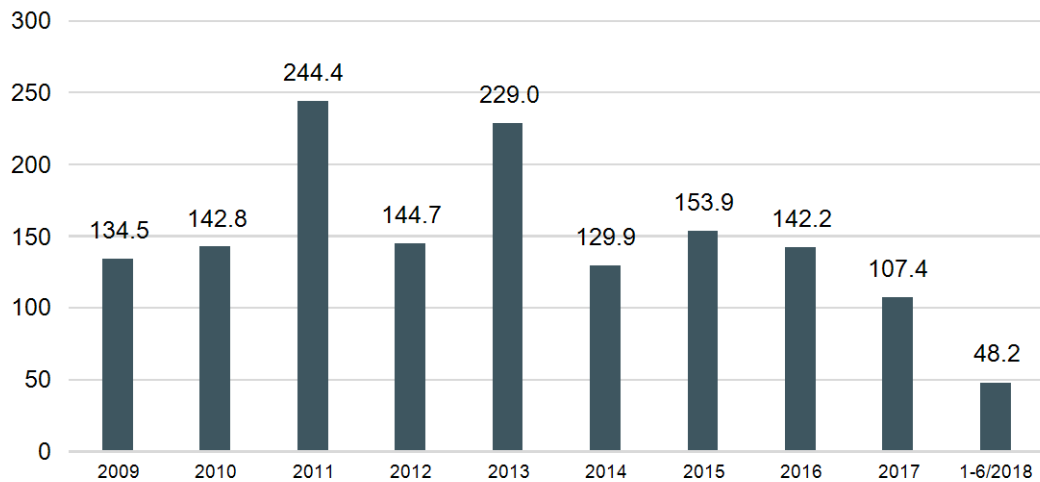
EQUITY AND LIABILITIES	30 June 2018	30 June 2017	31 Dec 2017
	MEUR	MEUR	MEUR
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	55.9	55.9	55.9
Share premium account	55.9	55.9	55.9
Revaluation reserve		0.1	
Translation reserve	-0.7	-0.2	-0.9
Retained earnings	643.1	630.2	687.1
TOTAL EQUITY	754.2	741.9	798.1
NON-CURRENT LIABILITIES			
Deferred tax liabilities	133.2	125.9	127.0
Borrowings	808.3	834.0	813.4
Provisions	1.5	1.5	1.5
Derivative instruments	10.1	21.9	12.4
	953.0	983.3	954.3
CURRENT LIABILITIES			
Borrowings	267.6	289.3	269.3
Derivative instruments	13.4	6.3	8.2
Trade payables and other liabilities	102.6	56.3	83.5
	383.6	351.9	361.0
TOTAL LIABILITIES	1,336.7	1,335.1	1,315.2
TOTAL EQUITY AND LIABILITIES	2,090.9	2,077.0	2,113.3

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	1-6/2018	1-6/2017	Change	1-12/2017
Carrying amount at beginning of period	1,676.0	1,690.2	-14.2	1,690.2
Increases	22.6	45.2	-22.7	81.1
Decreases	0.0	0.0	0.0	-0.2
Depreciation and amortisation expense	-48.1	-47.7	-0.4	-95.1
Carrying amount at end of period	1,650.4	1,687.6	-37.2	1,676.0

INVESTMENTS, MEUR	1-6/2018	1-6/2017	Change	1-12/2017
Grid investments	39.3	47.5	-8.2	91.1
Substations	22.7	33.3	-10.6	62.5
Transmission lines	16.6	14.2	2.4	28.6
Gas turbine investments	2.1	7.1	-5.0	14.2
Other investments	1.1	3.7	-2.6	5.8
ICT	0.7	3.7	-3.0	5.7
Other	0.4	0.0	0.4	0.1
Total investments	42.5	58.3	-15.8	111.1

Capital expenditure from cash flow total 2009-June/2018, MEUR



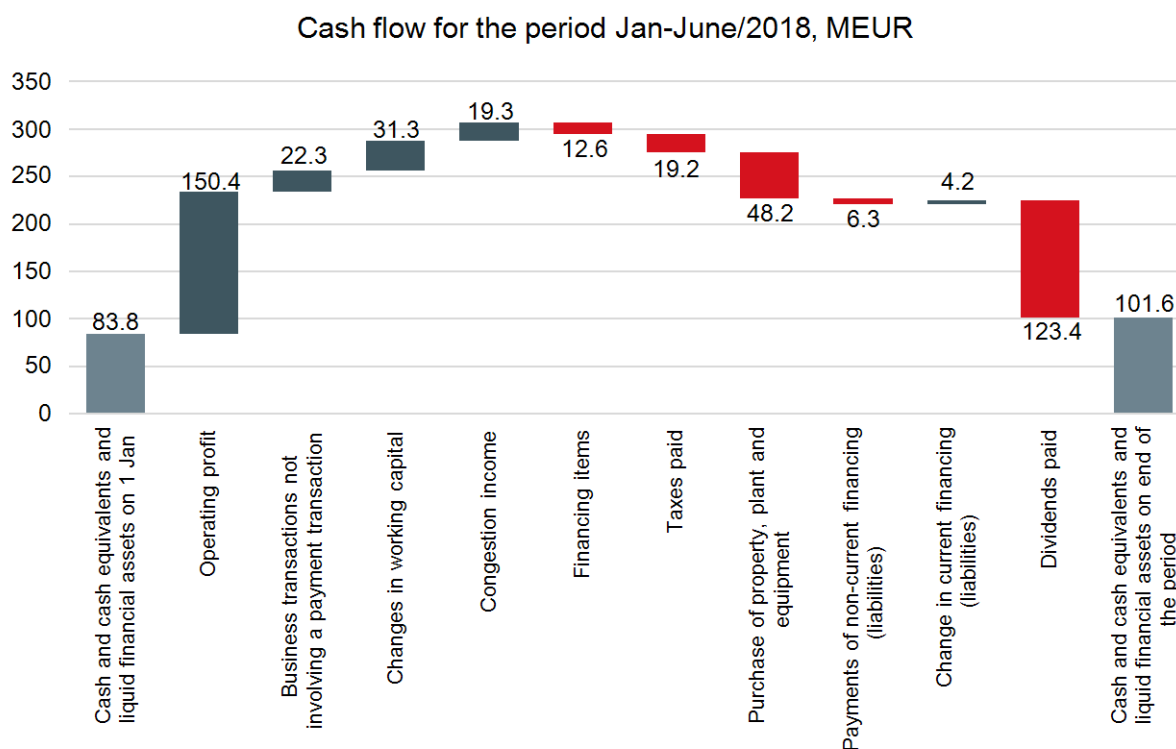
COMMITMENTS CONTINGENT LIABILITIES, MEUR	30 June 2018	30 June 2017	Change	31 Dec 2017
Pledged cash assets	0.5	0.5	0.0	0.5
Rental liabilities	30.0	32.5	-2.4	32.3
Right-of-use agreements for reserve power plants	66.3	76.5	-10.2	72.8
Credit facility commitment fees	1.4	1.4	0.0	1.6
Total	98.2	110.9	-12.6	107.1
Investment commitments	80.3	85.1	-4.8	94.0

Related parties are presented in the notes to Fingrid's 2017 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	1-6/2018	1-6/2017	Change	1-12/2017
Sales	0.1	0.3	-0.2	0.5
Interest income	0.1	0.0	0.0	0.1
Purchases	1.9	1.2	0.7	3.3
Trade receivables	0.6	0.4	0.1	3.9
Trade payables	0.6	0.3	0.4	3.4
Loan receivables	4.0	4.0	0.0	4.0

Consolidated statement of changes in total equity, MEUR						
Equity attributable to shareholders of the parent company	Share capital	Share premium account	Revaluation reserves	Translation reserve	Retained earnings	Total equity
Balance on 1 January 2017	55.9	55.9	0.1	-0.4	654.3	765.7
Comprehensive income for the review period						
Profit or loss					73.9	73.9
Other comprehensive income						
Translation reserve				0.2		0.2
Items related to long-term asset items available for sale			0.0			0.0
Total other comprehensive income adjusted by tax effects			0.0	0.2		0.2
Total comprehensive income			0.0	0.2	73.9	74.1
Transactions with owners						
Dividend relating to 2016					-98.0	-98.0
Balance on 30 June 2017	55.9	55.9	0.1	-0.2	630.2	741.9
Comprehensive income for the review period						
Profit or loss					56.9	56.9
Other comprehensive income						
Translation reserve				-0.7		-0.7
Items related to long-term asset items available for sale			-0.1			-0.1
Total other comprehensive income adjusted by tax effects			-0.1	-0.7		-0.7
Total comprehensive income			-0.1	-0.7	56.9	56.2
Balance on 31 December 2017	55.9	55.9	0.0	-0.9	687.1	798.1
Impact from change in accounting principle (IFRS 15)					-35.1	-35.1
Balance on 1 January 2018	55.9	55.9	0.0	-0.9	652.0	762.9
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			0.0	0.2		0.2
Total comprehensive income			0.0	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	0.0	-0.7	643.1	754.2

CONSOLIDATED CASH FLOW STATEMENT	1 Jan - 30 June, 2018 MEUR	1 Jan - 30 June, 2017 MEUR	1 Jan - 31 Dec, 2017 MEUR
Cash flow from operating activities:			
Profit for the period	114.5	73.9	130.8
Adjustments:			
Business transactions not involving a payment			
Depreciation	49.2	48.4	96.9
Capital gains/losses (-/+) on tangible and intangible	-0.0	-0.2	-0.3
Share of profit of associated companies	-1.2	-0.9	-1.7
Gains/losses from the assets and liabilities recognised in the income statement at fair value	-27.0	3.5	-8.9
Interest and other finance costs	10.3	12.4	23.3
Interest income	-2.4	-0.3	-0.5
Dividend income		-0.0	-0.0
Taxes	29.2	18.5	32.9
Impact from changes in the fair value of the investment	-0.0	0.1	0.1
Changes in working capital:			
Change in trade receivables and other receivables	43.5	29.6	-13.1
Change in inventories	0.3	-0.8	-1.3
Change in trade payables and other liabilities	-12.5	-11.6	8.0
Congestion income	19.3	10.6	25.8
Change in provisions			-0.0
Interests paid	-12.8	-21.1	-17.8
Interests received	0.2	8.5	0.3
Taxes paid	-19.2	-26.9	-41.9
Net cash flow from operating activities	191.5	143.8	232.7
Cash flow from investing activities:			
Purchase of property, plant and equipment	-46.4	-54.9	-100.3
Purchase of intangible assets	-1.7	-3.8	-7.1
Proceeds from sale of other assets			0.1
Proceeds from sale of property, plant and equipment	0.0	0.2	0.5
Dividends received	0.6	1.1	1.1
Capitalised interest paid	-0.6	-0.6	-1.2
Net cash flow from investing activities	-48.1	-58.0	-106.8
Cash flow from financing activities:			
Proceeds from non-current financing (liabilities)			100.0
Payments of non-current financing (liabilities)	-6.3	-110.5	-149.7
Change in current financing (liabilities)	4.2	126.6	25.9
Dividends paid	-123.4	-98.0	-98.0
Net cash flow from financing activities	-125.5	-81.9	-121.8
Change in cash as per the cash flow statement	17.9	3.9	4.0
Opening cash as per the cash flow statement	83.8	79.7	79.7
Closing cash as per the cash flow statement	101.6	83.7	83.8



Changes in the accounting principles, 1 Jan 2018

Revenue recognition

Sales recognition takes place on the basis of the delivery of the service. Electricity transmission is recognised once the transmission has taken place. Balance power services are recognised on the basis of the delivery of the service. Connection fees are recognised over 15 years since the connection to the electricity grid took place. Indirect taxes and discounts, etc., are deducted from the sales income when calculating turnover.

Adoption of the IFRS 15 Revenue from Contracts with Customers standard, effective 1 Jan 2018

IFRS 15 replaced IAS 18, which outlines the accounting requirements for the sale of goods and services, and IAS 11 applied to long-term projects.

The fundamental principle of the new standard is that sales revenue should be recognised when control over the goods or the service is transferred to the customer; in other words, control of the asset is the criterion to be examined instead of the previous criteria of risks and rewards.

A five-step process is applied when recognising sales revenue:

- Identify the contract(s) with a customer
- Identify the individual performance obligations
- Determine the transaction price according to the contract
- Allocate the transaction price to individual performance obligations, and
- Recognise revenue when each performance obligation is met.

The most significant change from the previous practice was the change in the timing of sales recognition: the new standard changed the timing of the recognition of grid connection fees. Like all new standards, this one also includes new requirements for the notes to the financial statements. These changes in the

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accounting procedures somewhat affect the company's business practices regarding systems, processes, controls, compensation arrangements, and investor relations.

Sales recognition takes place on the basis of the delivery of the service. Electricity transmission is recognised once the transmission has taken place. Balance power services are recognised on the basis of the delivery of the service. Fingrid has defined the performance obligations related to each agreement, and revenue recognition has been examined separately for each performance obligation. When determining the extent to which a performance obligation is met, a single method should be applied for all performance obligations to be met over time. If a customer does not receive an individual item of goods or a service against the connection fee, this must be recognised as revenue in the same way as the other revenue according to the contract, generally over the contract term. This changed Fingrid's principles for recognising revenue regarding connection fees, as the timing of their recognition changed. Connection agreements are long term and can be terminated, at the earliest, 15 years from the date when it entered into force. Whereas connection fees were previously recognised on the agreement signing date, they are now recognised over 15 years since the connection to the electricity grid took place.

For Fingrid, the identified performance obligations did not bring significant changes to the previous recognition practices.

In adopting the standard, the cumulative effect method was used. Adjustments caused by the application of the standard were recorded in retained earnings on the date of commencement of its application, i.e. on 1 January 2018. With the cumulative effect method, the information on the comparison period is left as it was according to the previously applied standards.

Standard's impacts on the report

Application of the standard does not have significant impacts on the company's result and balance sheet. If sales in 2017 had been recognised according to the IFRS 15 revenue recognition standard, it would have had a reducing effect of EUR 1.7 million on turnover on 30 June 2017, in which case turnover would have amounted to EUR 324 million.

Until 31 Dec. 2017, non-recurring connection fees have been recognised when the connection is agreed on with the customer. If the connection fees were recognised over 15 years, it would have had a reducing effect on equity of EUR 33.1 million on the balance sheet date of 30 Jun 2017, and it would have increased the deferred tax assets and accruals. The total impact in the balance sheet would have been EUR 8.3 million. The impact in the income statement and balance sheet is presented in the table below.

Consolidated Income Statement € 1,000	Reported 30.6.2017	Change, IFRS 15 30.6.2017	Revised 30.6.2017	Revised 31.12.2017
Turnover	326 087	-1 654	324 433	670 784
Operating profit	103 741	-1 654	102 087	183 578
Profit before taxes	92 462	-1 654	90 808	162 534
Income taxes	-18 549	331	-18 219	-32 659
Profit for financial year	73 913	-1 323	72 590	129 875

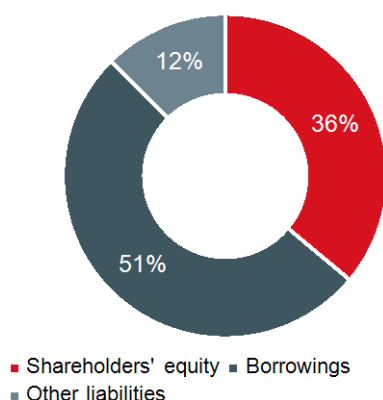
Consolidated Balance Sheet € 1,000	Reported 30.6.2017	Change, IFRS 15 30.6.2017	Revised 30.6.2017	Revised 31.12.2017
Deferred tax assets	6 646	8 269	14 914	13 858
Total assets	2 076 987	8 269	2 085 255	2 122 093
Equity	741 851	-33 076	708 775	762 912
Long-term deferred income	0	37 769	37 769	40 140
Short-term deferred income	18 304	3 575	21 879	24 419
Total equity and liabilities	2 076 987	8 269	2 085 255	2 122 093

IFRS 16, effective 1 January 2019
 The new IFRS 16 Lease Accounting standard that enters into effect at the start of 2019 will have some impact on the next year's recognition practices and consolidated financial statements.

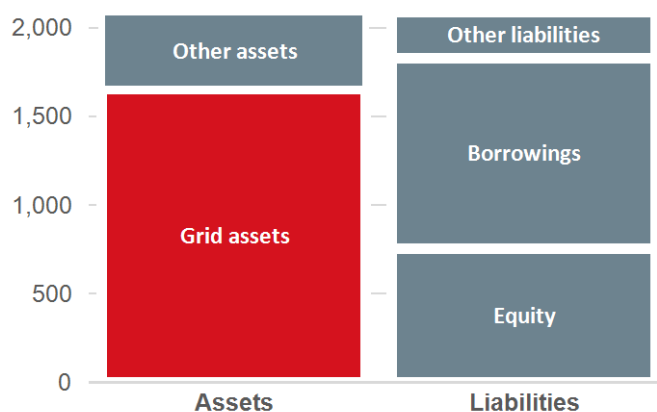
Financing

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/2018

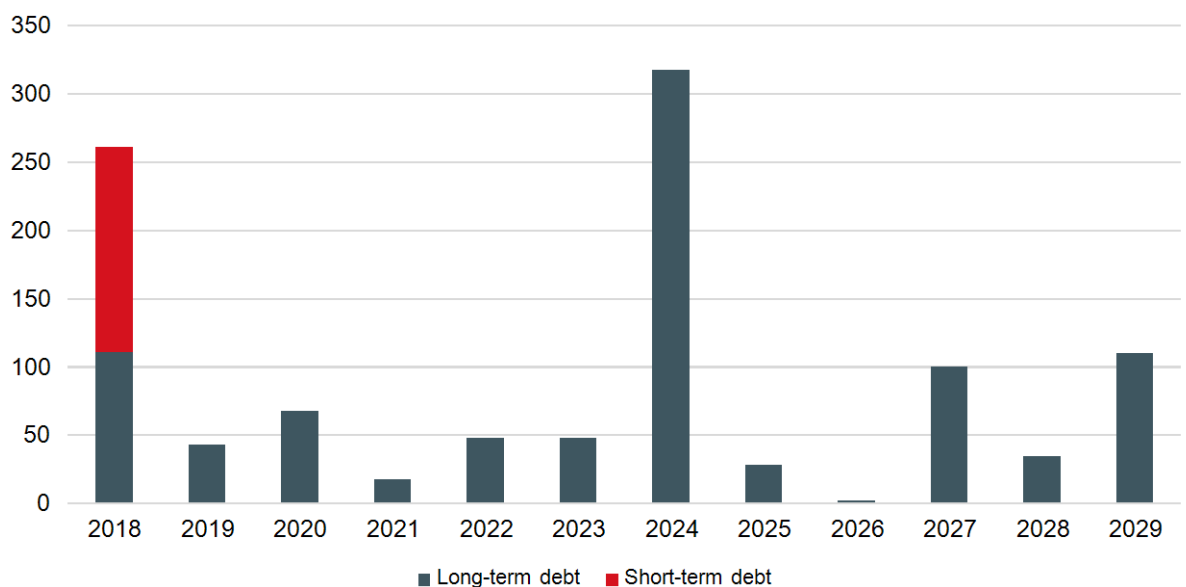


IFRS balance sheet June/2018, MEUR



Fingrid Oyj's credit rating remained high, reflecting the Group's strong overall financial situation and debt service capacity. Between January and June the Group's net financial costs amounted to EUR 7.9 (12.1) million, including the change in the fair value of derivatives of EUR 3.9 million negative (EUR 5.6 million negative).

Debt maturity profile June/2018-2029, MEUR



Interest-bearing borrowings totalled EUR 1,075.9 (1,123.4) million, of which non-current borrowings accounted for EUR 808.3 (834.0) million and current borrowings for EUR 267.6 (289.3) million. The Group did not issue new long-term debt during the reporting period.

RECONCILIATION OF DEBT, MEUR

	Borrowings due within 1 year	Borrowings due after 1 year	Total
Debt on 1 Jan 2017	264.9	842.9	1,107.7
Cash flow from financing activities	-123.8	100.0	-23.8
Exchange rate adjustments	-0.8	0.2	-0.6
Other changes not involving a payment transaction		-0.6	-0.6
Transfer to short-term loans	129.1	-129.1	
Debt on 31 Dec 2017	269.3	813.4	1,082.7
Cash flow from financing activities	-2.1		-2.1
Exchange rate adjustments	-5.9	1.1	-4.9
Other changes not involving a payment transaction		0.1	0.1
Transfer to short-term loans	6.3	-6.3	

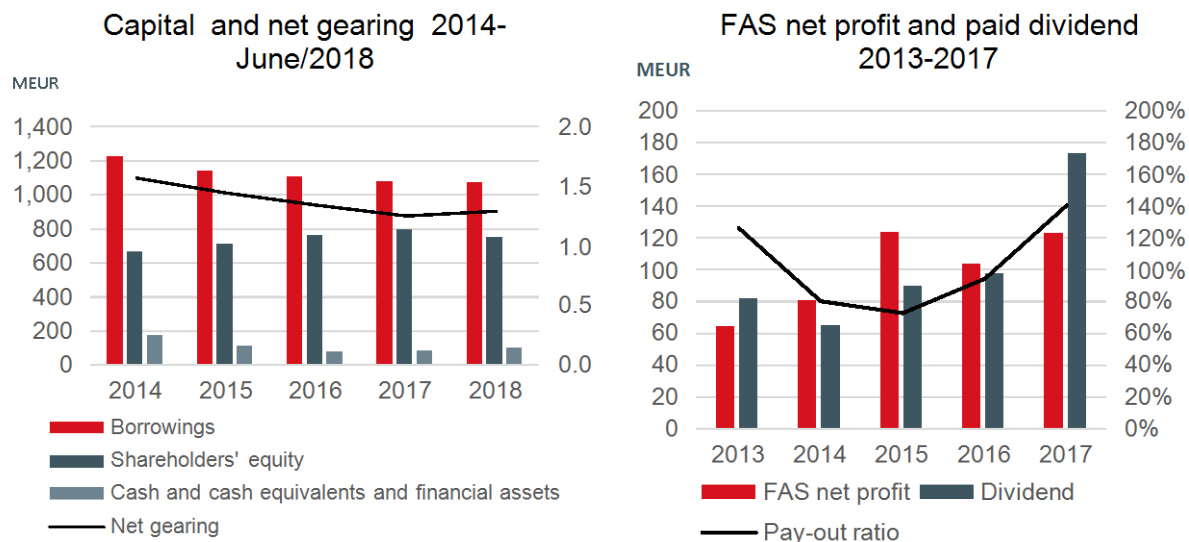
Debt on 30 Jun 2018	267.6	808.3	1,075.9
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Financial assets at fair value through profit or loss are liquid investments traded on active markets.

RECONCILIATION OF NET DEBT, MEUR	30.6.2018	31.12.2017
Cash in hand and cash equivalents	44.7	20.3
Financial assets at fair value through profit or loss	57.0	63.5
Borrowings - repayable within one year	267.6	269.3
Borrowings - repayable after one year	808.3	813.4
Net debt	974.2	998.9

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 financial assets at fair value through profit or loss on 30 June 2018 were EUR 101.6 (83.7) 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.



Fingrid's Annual General Meeting held on 28 March 2018 decided that a dividend of max. EUR 68,470.00 for each Series A share and max. EUR 25,050.00 for each Series B share, totalling EUR 173,518,010.00, to be distributed based on the approved balance sheet for the financial period ending 31 December 2017. The AGM decided that the dividends shall be paid in two instalments. The first instalment of dividends, totalling EUR 123,420,140.00, was paid on 4 Apr 2018 as per the AGM's decision.

The Board of Directors has the right to decide, in compliance with its authorisation, on the payment of the second instalment after the half-year report has been confirmed and it has assessed the company's solvency, financial position and financial performance. The second

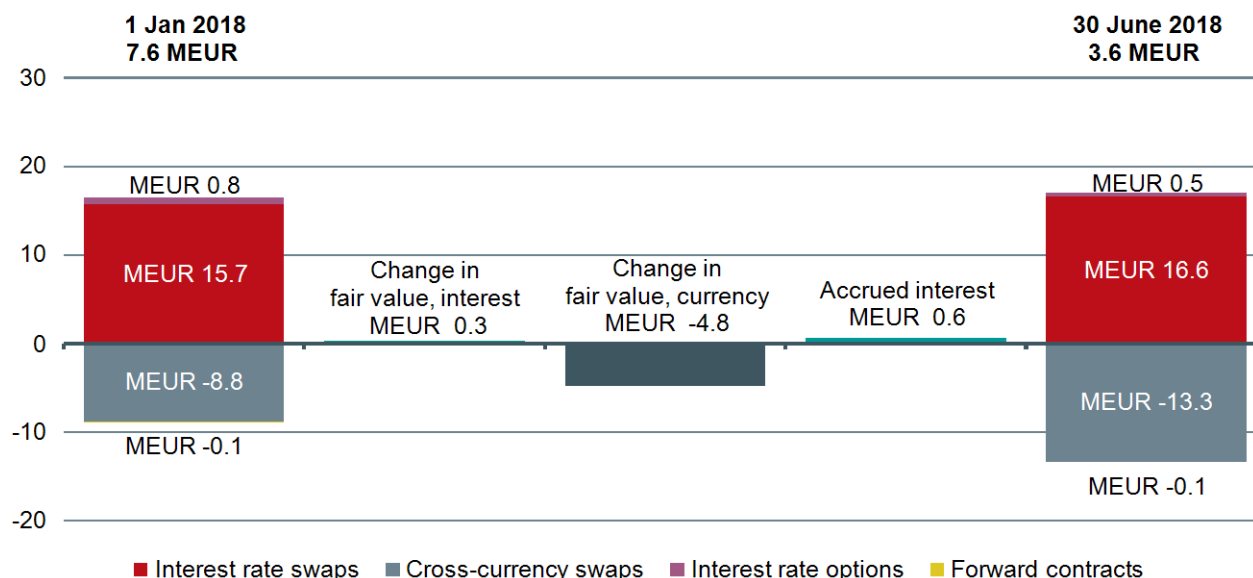
instalment can amount to a maximum of EUR 19,770.00 for each Series A share and a maximum of EUR 7,230.00 for each Series B share, totalling max. EUR 50,097,870.00.

The net fair value of financial derivatives was EUR 3.6 (10.2) million. The Group's foreign exchange and commodity price risks are mainly hedged. Changes in the market value of the underlying assets of the derivatives may affect the Group's earnings as changes in fair value of derivatives.

The exposure of the loan portfolio to interest rate risk is measured by using a Cash Flow at Risk (CFaR) type of model. According to the model, there is a 95% (99%) probability that Fingrid's interest expenditure will amount to no more than EUR 19 (20) million during the next 12 months.

MEUR	30 June 2018				30 June 2017				31 Dec 2017				Hierarchy level
	Fair value pos.	Fair value neg.	Net fair value	Nominal value	Fair value pos.	Fair value neg.	Net fair value	Nominal value	Fair value pos.	Fair value neg.	Net fair value	Nominal value	
Interest rate and currency derivatives													
Cross-currency swaps	4.0	-17.4	-13.3	143.5	6.2	-12.8	-6.5	167.3	3.8	-12.7	-8.8	143.5	Level 2
Forward contracts		-0.1	-0.1	1.2		-0.1	-0.1	1.6		-0.1	-0.1	1.2	Level 2
Interest rate swaps	23.0	-6.4	16.6	415.0	21.3	-5.6	15.7	330.0	23.2	-7.5	15.7	430.0	Level 2
Bought interest rate options	0.5		0.5	620.0	1.1		1.1	518.8	0.8		0.8	571.6	Level 2
Total	27.5	-23.8	3.6	1,179.7	28.7	-18.5	10.2	1,017.7	27.8	-20.3	7.6	1,146.3	
Electricity derivatives													
Electricity future contracts, NASDAQ OMX Commodities	6.0	-0.6	5.4	2.13					1.0	-0.1	0.9	1.13	Level 1
Electricity forward contracts, NASDAQ OMX Commodities	27.4	-0.7	26.7	2.81	0.9	-10.7	-9.9	4.41	2.9	-1.2	1.7	3.75	Level 1
Total	33.3	-1.3	32.1	4.94	0.9	-10.7	-9.9	4.41	3.9	-1.4	2.5	4.88	

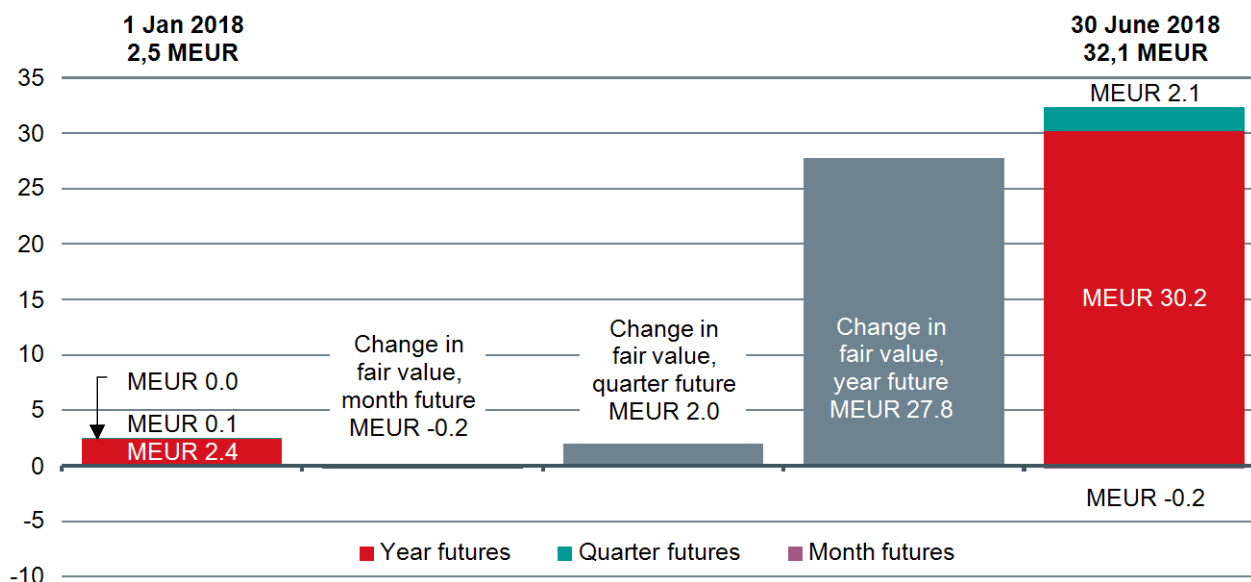
Change in the value of financial derivatives Jan-June/2018



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 29.6 positive (EUR 3.4 million negative). The volatility in the fair value of electricity futures can be significant. The positive impact on profit was caused by the impact of the increased spot price of electricity on the fair value of electricity futures. Fingrid holds its bought futures to maturity.

The sensitivity of electricity price to the fair value of electricity futures is measured as the difference a 10 per cent fluctuation in market price would have on outstanding electricity futures on the reporting date. A positive/negative change of 10 per cent in the market price of electricity would have an impact of EUR 12.2 million/EUR -12.2 million on the Group's profit before taxes.

Change in the value of electricity futures Jan-June/2018



Adoption of the IFRS 9 standard, effective 1 January 2018

IFRS 9 Financial instruments replaced IAS 39 and brought changes to how financial assets are recognised and measured, the application of impairment and hedge accounting principles.

The introduction of the IFRS 9 standard on 1 January 2018 did not have material impacts on the company's reported financial position and result. The Group's financial assets include investments in short-term money-market securities (certificates of deposit, commercial papers and municipality bills) and investments in short-term fixed income funds.

Investments in short-term fixed income funds are entered at fair value in the income statement; the adoption of IFRS 9 did not require changes in the principles of recognition. Investments in short-term money-market securities have previously been entered at fair value in the income statement, and with the application of IFRS 9, they are entered at amortised cost; the change does not, however, have a material impact on the company's financial result.

There are no changes in the accounting procedures for financial liabilities, as the new requirements only affect the accounting procedures for financial liabilities specifically classified at fair value in the income statement, and the Group does not have such liabilities. The rules concerning balance sheet derecognition have not changed from the IAS 39 standard 'Financial Instruments: Recognition and Measurement'.

The Group does not apply hedge accounting, and the rules that apply to hedge accounting according to the new IFRS 9 standard do not affect the company's accounting procedures.

Ensuring transmission capacity

The focus of the company's investment programme has been on rebuilding the first transmission line in Finland, originally built in the 1920s and dubbed the 'Iron Lady'. The 400-kilovolt section between Lieto and Forssa was commissioned in March. The new transmission line replaces a part of the line built in the 1920s and reinforces the grid in Southwest Finland. The old 110-kilovolt transmission line was replaced with a 400+110-kilovolt dual-voltage power line with a higher transmission capacity, while also expanding and upgrading the Lieto substation. The total costs for the project amounted to approximately EUR 26 million.

The 110-kilovolt Vihtavuori–Koivisto transmission line was commissioned in January. The line extends roughly 26 kilometres and was built parallel to the existing Koivisto–Vihtavuori transmission line to serve Metsä Group's new Äänekoski bioproduct mill. The project also included the necessary changes in the substations. The total cost of the investment is roughly EUR 7 million.

Fingrid started the engineering design process for the first digital substation pilot in its history. The project aims at new innovative solutions for the Pernoonkoski substation close to Kotka. 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 Nurmijärvi substation, built in the 1970s to secure the supply electricity in the central Uusimaa region, will be rebuilt by the end of 2019. The modernisation of this substation will ensure reliable transmission of electricity to the consumers in central Uusimaa. The project cost is at around EUR 7 million. The construction will be completed by the end of 2019.

The new AC link to be completed between Finland and Sweden in 2025, from Pyhänselkä at Muhos via Keminmaa to Messaure in Sweden, has proceeded to environmental impact assessment and engineering design. The project is due for completion in 2025. The general planning of the 400-kilovolt 'Forest Line' from Oulu to Petäjävesi, to be completed in 2022, has proceeded as planned.

Fingrid again scored excellent results in the International Transmission Operations & Maintenance Study (ITOMS), being the only TSO to achieve a Top Performer nomination both in the substation and transmission line maintenance categories. ITOMS looks into the effectiveness of maintenance based on criteria such as maintenance costs and disturbance statistics. A total of 28 TSOs from all around the world participate in the benchmarking study. Fingrid achieved especially good results in the inspections and maintenance of transmission lines and in the maintenance of switchgear and substation areas.

Fingrid has outlined a grid vision for the long-term planning of the power system. The vision studies various scenarios and looks for ways to reinforce the grid in order to meet future challenges. The geographical focus of electricity production is shifting northwards as the production of wind power increases, while at the same time the adjustable thermal power plant capacity in the south of Finland is decreasing. Thus, energy produced in northern Finland will increasingly be transferred to consumption in southern Finland. During the next decade, Fingrid will invest significantly in the transmission capacity between the north and south, as well as reinforce the cross-border connections between Finland and Sweden.

Management of system security

In January–June, electricity consumption in Finland amounted to 45.1 (43.6) terawatt hours. Inter-TSO transmission in the same period amounted to 1.5 (0.8) terawatt hours. The total electricity transmission in Finland was 46.5 (44.5) terawatt hours. Fingrid transmitted a total of 34.7 (32.8) terawatt hours in its grid, representing 74.5 (73.7) per cent of the total electricity transmission in Finland. During this period, the electricity Fingrid transmitted to its customers amounted to 33.1 (31.9) terawatt hours, which represents 73.5 (73.1) per cent of Finland's total consumption.

Between January and June, 7.5 (7.5) terawatt hours of electricity were imported from Sweden to Finland, and 0.4 (0.2) terawatt hours were exported from Finland to Sweden. Transmission capacity between the countries was partly limited for brief periods during the review period, due to grid maintenance work.

In January–June, 1.0 (0.6) terawatt hours of electricity were exported to Estonia. Transmission capacity between the countries was partly limited between 23 and 27 April, during the EstLink2 connection’s annual maintenance, and between 4 and 8 June, during EstLink1’s annual maintenance.

Between January and June, 3.4 (3.0) terawatt hours of electricity were imported from Russia to Finland. 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. No electricity transmission from Finland to Russia took place during the period.

The high electricity production rates due to spring flooding and strong winds resulted in a rare situation of excessive production on 9 May, during a time of low consumption. This overproduction situation necessitated down-regulation, and the price of balancing power bottomed in Finland at EUR –1000/MWh. As the situation continued, Fingrid asked balancing power market parties to provide more down-regulation bids on 10 May. The balancing power market parties reacted actively to Fingrid’s request and the volume of down-regulation bids doubled compared with a normal night. The prices remained close to the spot-prices and overproduction in the power system was effectively avoided.

Two major disturbances occurred in the grid during the period. The Kaltimo voltage transformer was damaged on 26 March. The disturbance resulted in a 15-minute blackout for roughly 2,000 people in the Eno area. A voltage disturbance occurred in the grid during the commissioning of the Fenno-Skan 2 DC link on 8 May. The Olkiluoto 2 nuclear power station was not able to supply the grid with electricity during the disturbance.

In terms of transmission operations, the DC links between the Nordic countries and Estonia had a highly successful first six months of the year. However, in terms of disturbances and maintenance downtime, the period was clearly more challenging than the very successful 2017. The disturbances did not however cause any extensive harm to the electricity markets or management of transmission operations.

Power system operation	1-6/18	1-6/17
Electricity consumption in Finland, TWh	45.1	43.6
TSO transmission in Finland, TWh	1.5	0.8
Transmission within Finland, TWh	46.5	44.5
Fingrids electricity transmission volume, TWh	34.7	32.8
Fingrid's electricity transmission to customers, TWh	33.1	31.9
Fingrid's loss energy volume, TWh	0.6	0.6
Electricity transmission Finland - Sweden		
Exports to Sweden TWh	0.4	0.2
Imports from Sweden, TWh	7.5	7.5

Electricity transmission Finland - Estonia

Exports to Estonia, TWh	1.0	0.6
Imports from Estonia, TWh	0.5	0.6

Electricity transmission Finland - Russia

Imports from Russia, TWh	3.4	3.0
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Developing the electricity market

In January–June the average day-ahead market price for the Nordics was EUR 38.82 (29.28) per megawatt hour and Finland’s area price was EUR 41.97 (31.92) per megawatt hour.

Congestion income increased compared with the corresponding period last year. Between January and June, congestion income between Finland and Sweden totalled EUR 37.8 (20.9) million. The increase was due to the differences in the area prices between Finland and Sweden. The disparity was influenced by exceptional weather: 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. The lower than normal amounts of congestion income in the reference year, 2017, was influenced by the low area price disparity between Finland and Sweden and the hydrological conditions throughout the Nordics.

An agreement between the transmission system operators on the future balance management model in the Nordic countries was reached in March. The TSOs have concluded a co-operation agreement on developing the new Nordic balancing concept. The co-operation agreement defined the roles and responsibilities of the TSOs needed to achieve the joint balance management concept and balancing markets.

Fingrid has participated in the introduction of the market rules included in the European network codes. The goal of the market rules is to promote the convergence of European electricity markets and to create common operational procedures for the cross-border trade of electricity products and reserves and for the principles of imbalance settlement.

The European intraday markets started up in June. The intraday markets create more extensive European electricity markets for continuous trading. The Cross-Border Intraday (XBID) project created a European intraday marketplace for continuous trading.

Fingrid is currently carrying out several projects to increase flexibility of the electricity markets and to enable the participation of consumers and the producers of intermittently available renewables. One of the projects aims at a shorter, 15-minute period for imbalance settlement instead of the current one-hour settlement period. Finland plans to transfer to the 15-minute settlement period in 2020, at the same time as the rest of the Nordic countries.

Fingrid Datahub Oy selected the supplier for the Datahub system in June. According to the contract concluded in July, the Datahub system will be launched in April 2021. The Datahub is a centralised information exchange system for retail markets that stores data from all of Finland’s 3.5 million places of electricity consumption.

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Electricity market	1-6/18	1-6/17
Nord Pool system price, average €/MWh	38.82	29.28
Area price Finland, average €/MWh	41.97	31.92
Congestion income between Finland and Sweden, €M*	37.8	20.9
Congestion hours between Finland and Sweden %*	22.3	21.5
Congestion income between Finland and Estonia, €M*	0.8	0.3
Congestion hours between Finland and Estonia %*	2.8	1.5

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

Fingrid used EUR 0.2 (1.6) million for countertrade during the first six months of the year. The majority of the countertrade costs arose in connection with outages in the Inkoo–Espoo 400 kV power line in April. Countertrade was used to ensure system security in southwest Finland.

Countertrade	1-6/18	1-6/17
Countertrade between Finland and Sweden, €M	0.1	0.3
Countertrade between Finland and Estonia, €M	0.0	0.1
Countertrade between Finland's internal connections, €M	0.1	1.3
Total countertrade, €M	0.2	1.6

Personnel

The total number of personnel employed by the Group averaged 367 (347), of which 316 (296) were in a permanent employment relationship. Personnel costs amounted to EUR 16.6 (14.7) million. Wages and salaries amounted to EUR 13.3 (12.1) million i.e. 3.1 (3.7) per cent of the turnover.

For the second time, Fingrid came in 10th in the mid-sized companies category of the Great Place to Work Finland survey. The Great Place to Work Finland award recognises organisations with excellent workplace cultures based on both an employee survey and an HR assessment. A total of 156 organisations participated in the Great Place to Work Finland survey 2018.

Fingrid was included in the list of Finland's Most Inspiring Workplaces in February 2018. This recognition is awarded to organisations that have achieved excellent results in the PeoplePower® employee survey. The award indicates a highly committed workforce.

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Finland's Most Inspiring Workplaces also typically have a strong long-term focus on developing their operations jointly with the personnel.

Other matters

Fingrid Oyj's Annual General Meeting was held in Helsinki on 28 March 2018. The Annual General Meeting approved the financial statements for 2017 and discharged the members of the Board of Directors and the CEO from liability.

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. The other Board members are Anu Hämäläinen, Sanna Syri, and Esko Torsti; Päivi Nerg was elected as a new member of the Board.

The Annual General Meeting decided to pay dividends in accordance with the Board's proposal and established a shareholders' nomination board.

PricewaterhouseCoopers Oy, which appointed Heikki Lassila as the principal auditor, was elected as the auditor of the company.

Legal proceedings and proceedings by authorities

Fingrid has cancelled its appeal to the decision issued by the Energy Authority on 2 January 2017 where the Energy Authority required, on the basis of Act on the Control of the Electricity and Natural Gas Market, Fingrid to submit the terms and conditions concerning the balancing power agreements and the grounds for the determination of fees for approval by the Energy Authority. Fingrid cancelled its appeal after receiving a notification from the Energy Authority stating that the Energy Authority will not require specific implementation of the obligations; instead, the matter will be processed as part of the approval process on the terms and conditions related to balancing in compliance with the Electricity Balancing Guideline (EB GL), Article 18.

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

Fingrid Datahub Oy and CGI Suomi Oy signed a contract on the procurement of the Datahub system on 12 July 2018. According to the contract, the Datahub system will be launched in April 2021. The procurement is valued at EUR 41.9 million.

A 400-kilovolt current transformer at Fingrid's Olkiluoto substation was damaged in a fire on 18 July 2018. During the fire and the repairs at the substation, both nuclear power plant units no. 1 and 2 at Olkiluoto were unable to feed electricity into the grid. Fingrid issued a warning on 19 July 2018 that the domestic production and imports of electricity will possibly be insufficient to meet consumption, resulting in a risk of electricity shortage. The electricity shortage was avoided however.

Fingrid's Annual General Meeting held on 28 March 2018 decided that a dividend of max. EUR 68,470.00 for each Series A share and max. EUR 25,050.00 for each Series B share, totalling EUR 173,518,010.00, be distributed based on the approved balance sheet for the financial period ending 31 December 2017. The AGM decided that the dividends shall be paid in two instalments. The first instalment of dividends, totalling EUR 123,420,140.00, was paid

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on 4 Apr 2018 as per the AGM's decision. On 14 August 2018, the Board of Directors decided, in compliance with its authorisation from the AGM, that the second instalment be paid after the half-year report has been confirmed 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 19,770.00 for each Series A share and EUR 7,230.00 for each Series B share, totalling EUR 50,097,870.00 in dividends, be paid on 17 Aug 2018.

Fingrid Group's profit for the financial period 2018, excluding changes in the fair value of derivatives and before taxes, is expected to improve somewhat on the previous year. Grid service pricing for 2018 is set in such a way as to achieve a regulatory-allowed financial result in 2018. According to the current estimate, it seems likely that the financial year will produce somewhat of a surplus, which will be taken into account in the grid pricing negotiations for upcoming years. Results forecasts for the full 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. In the Nordic countries, these are dependent on temperature variations as well as changes in precipitation and the hydrological situation, which affect electricity consumption and electricity prices in Finland and its nearby areas, and thereby also the volume of electricity transmission in the grid. 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 2017 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.