



30 April 2008

**FINGRID GROUP'S INTERIM REPORT 1 JANUARY - 31 MARCH 2008****Review of operations**Power system operation

From the beginning of 2008 to the end of March, 25 terawatt hours of electricity was consumed in Finland. This was 2.6 per cent less than during the corresponding period in 2007. The winter with exceptionally mild weather decreased electricity consumption.

Electricity transmissions between Finland and Sweden consisted of imports from Sweden into Finland during the early part of the year. The replacement of aluminium transmission line towers between Huutokoski and Vuolijoki caused a restriction in the transmission capacity to Sweden, but this had no impact on the functioning of the market. Soft ground complicated the replacement of the towers, and the work needs to be continued next winter.

Transmissions between Estonia and Finland comprised imports into Finland. The import capacity on the Russian transmission connection was restricted by maintenance work in Russia throughout the period under review. Fingrid gave permission to North West Power Plant 2 in St Petersburg to connect to the Finnish grid during the faults and service of North West Power Plant 1.

Because of the mild weather, the electricity consumption peak in Finland (13,763 megawatts according to Finnish Energy Industries) was 10 % below the consumption peak in the previous years (14 914 MW in 2007). Peak power subject to the Power Reserve Act was not started on a single occasion.

The second nuclear power unit at Olkiluoto tripped from the grid on 5 January 2008, as a result of which imports from Sweden rose up to the full transmission capacity. Electricity consumption on that day was not significantly high (peaking at approx. 13,000 megawatts). Despite this, Fingrid issued a notice of a strained power situation in the evening, because the restarting of the Olkiluoto unit was delayed and because there were no domestic regulation bids available to cover the increase in consumption resulting from night-rate electricity loads. More production capacity became available after the notice, and the situation did not escalate into a power shortage.

Falling of a transmission line tower in Paimio as a result of guy corrosion caused a transmission interruption of a couple of weeks on the Lieto-Salo 400 kV transmission line. The event did not cause damage to the environment or interruptions in electricity supply.

Promotion of electricity market

Finland and Sweden constituted an uniform wholesale market area of electricity during the review period, since congestions limited trade for only one per cent of the hours during the early part of 2008.

Nordel, the organisation of the Nordic transmissions system operators, published its new Grid Master Plan in March, extending to the period after 2015. The new grid programme together with national capital investment projects will double the Nordic capital investments in the transmission grid to an annual level of 600 - 800 million euros. In addition to enhancing the efficiency of the electricity market, the Grid Master Plan will also facilitate the achievement of environmental goals, because the grid reinforcements will contribute to the wide-spread use of renewable forms of energy.



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In February, Fingrid increased the amount of electricity market information published on its website. The new items include an hourly consumption forecast, and volumes and prices of balance and regulation power.

#### Capital expenditure and grid maintenance

Active grid construction continued during the period examined. Gross capital expenditure totalled 14 million euros (12 million euros during the corresponding period in 2007).

Fingrid and Svenska Kraftnät are jointly constructing a second HVDC connection between Finland and Sweden (Fenno-Skan 2). The new connection will improve the electricity transmission capacity between Finland and Sweden, integrating the electricity market in the two countries even more closely together. The submarine cable will be supplied by Nexans Norway AS through a contract worth approx. 150 million euros. Fenno-Skan 2 will be commissioned at the end of 2011.

Fingrid has decided to renew four 110 kilovolt transmission lines because of the ageing of conductors and increased transmission needs. These projects will be completed during 2009 - 2010.

Environmental impact assessment processes concerning 400 kilovolt transmission line routes between Hyvinkää and Hikiä as well as between Länsisalmi and Vuosaari have been completed.

In the coming years, transmission capacity will be elevated by 220 kilovolt lines in Lapland because of increasing electricity consumption in that region. The construction of the Petäjaskoski-Valajaskoski-Isoniemi line in Lapland has been launched.

#### **Financial result**

The Group's revenue was 115 million euros (101 million euros). Revenue rose due to increased sales of balance power.

Operating profit without the change in the fair value of derivatives was 40 million euros (35 million euros). The operating profit grew mainly because of reduced maintenance management costs and purchasing costs of loss energy. The operating profit in accordance with IFRS was 38 million euros (33 million euros), which contains 2 million euros (- 2 million euros) of negative change in the fair value of electricity derivatives. The IFRS profit before taxes was 29 million euros (25 million euros). The equity ratio was 27.9 % (26.2 %) at the end of the review period.

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

#### **Financing**

The financial position of the Group continued to be good. The net finance costs of the Group were 8 million euros (8 million euros). Financial assets recognised at the fair value in the income statement, and cash and cash equivalents amounted to 223 million euros (211 million euros) at 31 March 2008. The interest-bearing liabilities, including derivative liabilities, totalled 952 million euros (965 million euros), of which 732 million euros (750 million euros) were long term and 220 million euros (214 million euros) were short-term.



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The counterparty risk involved in the derivative contracts relating to financing was 9 million euros (6 million euros). The company has an undrawn revolving credit facility of 250 million euros.

Moody's Investors Service updated Fingrid's credit opinion on 29 January 2008. The rating stayed the same. The long-term rating is Aa3 and the short-term rating is P-1. The future outlook is stable (Stable Outlook).

## Personnel

The total personnel of the Fingrid Group averaged 243 (230) during the review period.

## Annual General Meeting

Fingrid Oyj's Annual General Meeting was held in Helsinki on 18 March 2008. The Annual General Meeting accepted the financial statements for 2007, adopted the income statement and balance sheet, and granted discharge from liability to the members of the Board of Directors and to the President.

Arto Lepistö, Industrial Counsellor, Ministry of Employment and the Economy, was elected as the Chairman of the Board, Timo Rajala, President and CEO, Pohjolan Voima Oy, as the First Deputy Chairman of the Board, and Timo Karttinen, Senior Vice President, Fortum Oyj, as the Second Deputy Chairman of the Board. The other Board members elected were Ari Koponen, Managing Director, Fortum Sähkönsiirto Oy, Ritva Nirkkonen, Managing Director, Jyväskylä Regional Development Company Jykes Ltd, Anja Silvennoinen, Vice President, Energy, UPM-Kymmene Oyj, and Jorma Tammenaho, Portfolio Manager, Mutual Pension Insurance Company Ilmarinen.

## Auditing

The consolidated figures in this Interim Report are unaudited.

## Outlook for the remaining part of the year

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

Board of Directors

Appendices: Tables for the interim report 1 January - 31 March 2008

Further information:

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**Appendix: Interim report tables 1 January - 31 March 2008**

<b>Condensed consolidated income statement, million euros</b>	2008	2007	Change	2007
	Jan - Mar	Jan - Mar		Jan - Dec
<b>Revenue</b>	<b>114.8</b>	<b>101.1</b>	<b>13.6</b>	<b>334.6</b>
Other operating income	0.4	0.4	0.0	1.9
Depreciation and amortisation expense	-14.2	-12.8	-1.4	-55.5
Operating expenses	-63.1	-55.6	-7.5	-190.3
<b>Operating profit</b>	<b>37.9</b>	<b>33.2</b>	<b>4.7</b>	<b>90.7</b>
Finance income and costs	-8.1	-8.0	-0.1	-34.9
Portion of profit of associated companies	-0.3	0.2	-0.5	0.7
<b>Profit before taxes</b>	<b>29.5</b>	<b>25.4</b>	<b>4.1</b>	<b>56.5</b>
Income taxes	-7.8	-6.6	-1.2	-14.5
<b>Profit for the period</b>	<b>21.7</b>	<b>18.8</b>	<b>2.9</b>	<b>41.9</b>
Earnings per share (euros)* belonging to the owners of the parent company, calculated from profit	6 532	5 666	866	12 616

\*no dilution effect

<b>Condensed consolidated balance sheet, million euros</b>	2008	2007	Change	2007
	31 Mar	31 Mar		31 Dec
<b>ASSETS</b>				
Non-current assets				
Goodwill	87.9	87.9	0.0	87.9
Intangible assets	84.6	80.4	4.3	84.4
Property, plant and equipment	1 085.3	1 065.4	19.9	1 085.6
Investments	7.0	7.4	-0.3	7.4
Receivables	17.7	13.9	3.7	33.9
Current assets				
Inventories	4.7	3.8	0.9	4.8
Receivables	53.6	50.1	3.5	48.8
Financial assets recognised in income statement at fair value	205.8	182.7	23.1	209.0
Cash and cash equivalents	17.3	28.4	-11.1	3.0
<b>Total assets</b>	<b>1 563.9</b>	<b>1 520.0</b>	<b>43.9</b>	<b>1 564.8</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Shareholders' equity belonging to the owners of the parent company				
Shareholders' equity	436.1	397.5	38.6	430.0
Non-current liabilities				
Interest-bearing liabilities	732.3	750.6	-18.3	766.5
Other liabilities	114.7	105.0	9.7	110.5
Current liabilities				
Interest-bearing liabilities	219.8	214.2	5.6	200.1
Trade and other liabilities	60.9	52.7	8.2	57.7
<b>Total shareholders' equity and liabilities</b>	<b>1 563.9</b>	<b>1 520.0</b>	<b>43.9</b>	<b>1 564.8</b>

<b>Key indicators, million euros</b> (* end of period)	2008	2007	2007
	Jan - Mar	Jan - Mar	Jan - Dec
Revenue	114.8	101.1	334.6
Capital expenditure, gross	13.6	12.2	79.2
- % of revenue	11.9	12.1	23.7
Research and development expenses	0.2	0.2	1.2
- % of revenue	0.2	0.2	0.4
Personnel, average	243	230	241
Operating profit	37.9	33.2	90.7
- % of revenue	33.0	32.8	27.1
Profit before taxes	29.5	25.4	56.5
- % of revenue	25.7	25.1	16.9
Interest bearing liabilities, net*	729.0	753.7	754.6
Equity ratio, %*	27.9	26.2	27.5
Shareholders' equity, million euros*	436.1	397.5	430.0
Equity per share, euros*	131 169	119 553	129 338
Earnings per share, euros*	6 532	5 666	12 616

\* end of period



<b>Consolidated statement of changes in total equity, million euros</b>	Share capital	Share premium account	Revaluation reserve	Translation reserve	Retained earnings	Total
<b>Capital and reserves 1 Jan 2007</b>	<b>55.9</b>	<b>55.9</b>	<b>0.0</b>	<b>0.1</b>	<b>273.6</b>	<b>385.5</b>
Change in translation				0.0		0.0
Dividend distribution					-6.9	-6.9
Profit for period					18.8	18.8
<b>Capital and reserves 31 Mar 2007</b>	<b>55.9</b>	<b>55.9</b>	<b>0.0</b>	<b>0.1</b>	<b>285.5</b>	<b>397.5</b>
Cash flow hedges			9.3			9.3
Change in translation				0.1		0.1
Profit for period					23.1	23.1
Other changes			0.0			0.0
<b>Capital and reserves 31 Dec 2007</b>	<b>55.9</b>	<b>55.9</b>	<b>9.4</b>	<b>0.2</b>	<b>308.6</b>	<b>430.0</b>
Cash flow hedges			-8.4			-8.4
Change in translation				0.0		0.0
Dividend distribution					-7.2	-7.2
Profit for period					21.7	21.7
<b>Capital and reserves 31 Mar 2008</b>	<b>55.9</b>	<b>55.9</b>	<b>1.0</b>	<b>0.2</b>	<b>323.2</b>	<b>436.1</b>

<b>Condensed consolidated cash flow statement, million euros</b>	2008 Jan - Mar	2007 Jan - Mar	2007 Jan - Dec
<b>Cash flow from operating activities</b>			
Profit for the financial year	21.7	18.8	41.9
Adjustments	30.7	28.8	92.0
Changes in working capital	-1.9	-2.0	7.2
Interests paid	-7.3	-7.0	-45.2
Interests received	2.8	1.3	8.5
Taxes paid	-0.6	-0.6	-0.8
<b>Net cash flow from operating activities</b>	<b>45.4</b>	<b>39.3</b>	<b>103.6</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	-14.2	-19.8	-78.1
Purchase of intangible assets	-0.3	-0.5	-6.2
Purchase of other assets	0.0	0.0	0.0
Proceeds from other investments	0.0	0.0	0.0
Proceeds from sale of property, plant and equipment	0.0	0.0	0.0
Repayment of loans receivable	0.0	0.0	0.1
Dividends received	0.0	0.0	0.7
<b>Net cash flow from investing activities</b>	<b>-14.5</b>	<b>-20.2</b>	<b>-83.6</b>
<b>Cash flow from financing activities</b>			
Withdrawal of loans	32.9	20.6	402.7
Repayment of loans	-45.0	-26.5	-408.7
Dividends paid	-7.2	-6.9	-6.9
<b>Net cash flow from financing activities</b>	<b>-19.3</b>	<b>-12.7</b>	<b>-13.0</b>
<b>Net change in cash and cash equivalents</b>	<b>11.6</b>	<b>6.4</b>	<b>7.1</b>
Cash and cash equivalents 1 Jan	212.0	204.1	204.1
Impact of changes in fair value of investments	-0.5	0.7	0.8
<b>Cash and cash equivalents 31 Mar</b>	<b>223.1</b>	<b>211.1</b>	<b>212.0</b>



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Derivative agreements, million euros	31 Mar 2008		31 Mar 2007		31 Dec 2007	
	Net fair value	Notional value	Net fair value	Notional value	Net fair value	Notional value
<b>Interest and currency derivatives</b>						
Cross-currency swaps	-37	384	-47	320	-47	376
Forward contracts and options	-1	74	-2	97	-4	94
Interest rate swaps	-1	181	-1	213	-1	213
Call options, bought	8	360	11	490	11	530
<b>Total</b>	<b>-31</b>	<b>999</b>	<b>-39</b>	<b>1 120</b>	<b>-40</b>	<b>1 213</b>
	Net fair value	Volume TM	Net fair value	Volume TM	Net fair value	Volume TM
<b>Commodity derivatives</b>						
Call options on metals, bought	1	3 400				
<b>Total</b>	<b>1</b>	<b>3 400</b>				
	Net fair value	Volume TWh	Net fair value	Volume TWh	Net fair value	Volume TWh
<b>Electricity derivatives</b>						
Forward contracts of electricity, Nord Pool Clearing designated as hedge accounting	8	2.80	-5	2.85	19	3.03
Forward contracts of electricity, others	1	0.52	1	0.14	1	0.28
Call options, bought	1	0.09			2	0.14
<b>Total</b>	<b>10</b>	<b>3.41</b>	<b>-4</b>	<b>3.00</b>	<b>23</b>	<b>3.45</b>

Commitments and contingencies, million euros	31 Mar 2008	31 Mar 2007	31 Dec 2007
Pledges / bank balances	11	24	0
Rental liabilities	9	10	9
Commitment fee of revolving credit facility	0	1	0
<b>Total</b>	<b>20</b>	<b>35</b>	<b>9</b>
<b>Capital commitments</b>	<b>75</b>	<b>73</b>	<b>71</b>
<b>Other financial liabilities</b>	<b>2</b>	<b>1</b>	<b>2</b>

Changes in property, plant and equipment, million euros	31 Mar 2008	31 Mar 2007	31 Dec 2007
<b>Carrying amount at beginning of period</b>	<b>1 086</b>	<b>1 066</b>	<b>1 066</b>
Increases	13	12	74
Decreases	0		0
Depreciation and amortisation expense	-14	-12	-54
<b>Carrying amount at end of period</b>	<b>1 085</b>	<b>1 065</b>	<b>1 086</b>

Related party transactions and balances, million euros	31 Mar 2008	31 Mar 2007	31 Dec 2007
Sales	13	31	90
Purchases	45	21	78
Receivables	15	1	8
Liabilities	3	3	5

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

**Segment reporting** The entire business of the Fingrid Group is deemed to comprise transmission system operation in Finland with system responsibility, only constituting a single segment. There are no essential differences in the risks and profitability of individual products and services. This is why segment reporting in accordance with the IAS 14 standard is not presented.

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

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

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