



FINGRID OYJ

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Business Identity  
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# **FINGRID OYJ**

## **FINANCIAL STATEMENTS**

**1 January 2002 - 31 December 2002**

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## REPORT OF THE BOARD OF DIRECTORS FOR 2002

The new three-year contract period for grid services commenced at the beginning of 2002. The transmission prices were kept at the same level as in 2001, and no adjustments permitted by the contracts were made to the prices applied in 2003. The level of transmission pricing has decreased each year in real terms since the establishment of the company. The real price of grid service is now almost one quarter lower than when Fingrid's operations were started.

The third 400 kilovolt cross-border transmission connection between the Finnish and Russian grids was commissioned at the beginning of 2003. Electricity importers have reserved the entire transmission capacity, which currently totals 1,300 megawatts.

The long-term negotiations concerning the ownership of Nord Pool Spot AS, which operates the physical electricity exchange, were concluded. All Nordic transmission system operators (TSOs) are now co-owners in this company.

As part of the development of the operating model applied in the Fingrid Group, Fingrid System Oy was merged into the parent company at the turn of the years 2002 and 2003.

### **Fingrid in the electricity market**

In Finland total consumption of electricity was 84 terawatt hours in 2002 of which Fingrid transmitted approximately 62 terawatt hours in its grid. This was 3.8 per cent more than in the previous year.

Weather conditions in 2002 were exceptional. Precipitation levels were low in all Nordic countries in the summer and autumn. Low water level in reservoirs at the end of the year restricted the supply of hydropower, and when the long period of cold weather increased electricity consumption, the market price of electricity multiplied from the level which prevailed during the early part of the year. Towards the end of the year, all significant coal and oil fired power plants which had been kept in reserve were taken into use. Despite all this, there were no power or energy sufficiency problems in Finland. Exceptionally high need for transmission capacity led in the Nordic market area to greater than forecasted transmission restrictions especially during the summer and at the end of the year.

For several years, forecasts drawn up by the Nordic TSOs have highlighted the constantly deteriorating energy and power situation in the Nordic countries. The situation which prevailed at the end of 2002 and beginning of 2003 emphasises the need to secure sufficient electricity production capacity in the Nordic countries also in the future.

Several analyses aiming at improved functioning of the Nordic electricity market, launched by Nordel, were completed in 2002. These included the first Nordic Grid Master Plan and a report on the development of area price distribution and on reducing transmission congestions in the grid.

Negotiations held over the past few years concerning the ownership arrangements of Nord Pool Spot AS, the electricity exchange which operates physical electricity trading, were concluded. Since 1 July 2002, all Nordic TSOs and Nord Pool ASA have been co-owners of this company. Fingrid has an ownership share of 20 per cent.

Fingrid System Oy, which has been responsible for system operation as well as power balance management and settlement, was merged into Fingrid Oyj on 31 December 2002. Fingrid System Oy was a fully-owned subsidiary of the parent company. Its turnover in 2002 was EUR 78 million, and it employed 51 persons at the end of 2002. All of these employees were transferred to the parent company.

Association of European Transmission System Operators (ETSO) completed an arrangement for the compensation of costs caused by transit transmissions between different TSOs. The new procedure facilitating electricity transmission between different countries has been effective from 1 January 2003, replacing the earlier temporary arrangement.

### **Capital expenditure in the grid**

In 2002, Fingrid's capital expenditure in the grid amounted to EUR 40 million (EUR 33 million in 2001).

The most important project completed in 2002 was the building of the third 400 kilovolt cross-border transmission connection between Finland and Russia. This connection, which was brought into commercial use on 1 January 2003, increased the transmission capacity between the countries by 400 megawatts. Relating to increased electricity consumption by a large steel mill in Tornio, the upgrading of the Sellee 400 kilovolt substation with related transmission line was also brought to conclusion. Because of increased electricity consumption by industries in Southeastern Finland, an 80-year-old 110 kilovolt transmission line between Lappeenranta and Imatra was replaced with a new line which features a considerably higher transmission capacity.

Renewal projects for existing lines were launched for instance between Kouvola and Heinola and in Ostrobothnia. Aluminium towers were replaced with steel towers in Eastern Finland and Ostrobothnia. This replacement work extending over several years is being carried out because of corrosion problems encountered in aluminium towers.

### **Financial result**

Turnover of the Fingrid Group in 2002 was EUR 273 million (EUR 242 million in 2001). Turnover grew on account of increased volume of balance power, exceptional Nordic power situation and increased electricity consumption. Profit before extraordinary items and taxes stood at EUR 39 million (EUR 33 million). Profit for the financial year was EUR 28 million (EUR 23 million). The financial result improved on the previous year and was very satisfactory.

The balance sheet total was EUR 1,379 million (EUR 1,338 million). The return on investment was 7.2 per cent (6.9 per cent) and the return on equity 16.0 per cent (14.4 per cent). The equity ratio was 17.1 per cent (16.1 per cent) when excluding the capital loans and 29.3 per cent (28.7 per cent) when including these.

The Group's gross capital expenditure in 2002 totalled EUR 50 million (EUR 44 million). EUR 1 million, i.e. 0.4 per cent (0.4 per cent) of turnover, was used for research and development.

Turnover of the Group's parent company, Fingrid Oyj, was EUR 233 million (EUR 209 million) and profit before extraordinary items and taxes EUR 37 million (EUR 31 million).



## Financing

The financial position of the company was good throughout the period examined. Net financial expenses were EUR 52 million (EUR 52 million in 2001). The average interest rate of net liabilities, including capital loans, was 5.53 per cent (5.32 per cent). The operative cash flow of the Group deducted by capital expenditure was EUR 29 million (EUR 25 million), which enabled a redemption of EUR 22 million (EUR 17 million) in net interest-bearing liabilities. At the end of the year, the interest-bearing liabilities totalled EUR 874 million (EUR 859 million), of which EUR 724 million were long-term and EUR 150 million were short-term. The Group also had EUR 168 million (EUR 168 million) of capital loans.

The company covers the need for short-term financing with the Euro Commercial Paper Programme of USD 600 million and with a domestic Commercial Paper Programme of EUR 150 million. Long-term funding has primarily been arranged through the international Debt Issuance Programme of USD 750 million. On 9 December 2002, Fingrid signed a five-year EUR 400 million multicurrency revolving credit facility agreement with international and domestic banks. Available committed long-term credit facilities amounted to EUR 400 million at the end of the review period. Financial securities, money market holdings and bank balances at 31 December 2002 amounted to EUR 101 million (EUR 64 million). Interest rate and currency swaps, interest rate options and forward contracts totalled EUR 1,154 million (EUR 1,121 million). These involved a counterparty risk of EUR 3 million (EUR 11 million).

Moody's Investors Service and Standard & Poor's Ratings Services affirmed Fingrid's ratings for long-term and short-term financing: Aa3/P-1 (Moody's) and AA-/A-1+ (Standard & Poor's). Both Moody's and Standard & Poor's considered Fingrid's future outlook to be stable.

## Personnel and rewarding systems

The Fingrid Group employed 210 persons at the end of 2002 while the corresponding figure for the previous year was 204.

In addition to a compensation system which is based on the requirements of each position, Fingrid applies quality, incentive and suggestion bonus systems.

## Board of Directors

Fingrid Oyj's Annual General Meeting was held on 25 March 2002. Taisto Turunen, Director General, was elected Chairman of the Board, Timo Rajala, President and CEO, as the First Deputy Chairman of the Board, and Tapio Kuula, President, as the Second Deputy Chairman of the Board. The Board members elected were Timo Karttinen, Executive Vice President, Timo Pekkarinen, Government Counsellor, Pertti Simola, Vice President, and Pertti Voutilainen, Chairman of the Board.

In its work, the Board of Directors has complied with the principles of Corporate Governance, which are based on the application instruction provided by the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers concerning the governance of public limited companies. The Board of Directors decides on the primary operating principles, strategies and major capital expenditure projects of the Group and approves the annual action plan and budget. The Board of Directors appoints the President of the company, approves its basic organisation and composition of the executive management group and decides on the compensation principles for executive management.

## **Risk management**

The objective of Fingrid's risk management policy is to control risk-related damage or loss through cost-efficient measures. Eight different projects were included in the risk management programme in 2002, based on an annual risk analysis. Six of these projects were completed during the year: management of interest rate and currency risk, ensuring the confidentiality of market and customer information, management of risk relating to computer hardware premises, protection against malicious damage, investigating and improving the operational reliability of the operation control system, and defining the financial risk related to a major disturbance.

Fingrid hedges itself against currency risk relating to the balance sheet items and the business operations. Interest rate risk is managed by stabilising the financial costs during the tariff period, and the same principle is applied to the control of risk relating to the purchase of loss energy.

The internal auditor working directly under the President monitors issues such as the internal rules of the company. The internal auditor reports to the Board of Directors once a year.

## **Environment**

The environmental impact assessment currently in progress on the line Vihtavuori – Toivila will be completed during the spring of 2003. The environmental impact assessments for three 400 kilovolt line routes commenced during the latter part of 2002: Loviisa – Hausjärvi, Olkiluoto – Huittinen and Ulvila – Kangasala. An investigation carried out within the Pernajanlahti area, which was included in the Natura 2000 network of protected areas, concerning the potential impacts of the transmission line on birdlife, was completed in October 2002.

Fingrid revised its instructions for growth treatment in transmission line areas. In accordance with the new instructions, the transmission line areas will be cleared of new growth more frequently than before.

A museum tower was erected in the centre of Imatra to commemorate the oldest transmission line in the Finnish grid.

## **Future outlook**

Turnover during 2003 is expected to develop in a stable manner. Turnover is influenced by factors which are difficult to anticipate, such as variations in the Nordic power system and in the sales of balance power.

The situation which prevailed at the end of 2002 and beginning of 2003 indicated that the growth in electricity consumption within the Nordic market area calls for new electricity production capacity and also grid reinforcements. Relating to planned fifth nuclear power unit and to increasing loads Fingrid implements the necessary grid reinforcements. Fingrid continues to contribute to a situation where the grid causes a minimum of restriction to the market mechanisms.

The electricity market directive passed by the Council of the European Union specifies the main principles and schedule for market liberalisation. Fingrid is actively involved in influencing the European procedures.

<b>CONSOLIDATED PROFIT AND LOSS ACCOUNT</b>	Notes	<b>1 Jan - 31 Dec 2002 1,000 €</b>	<b>1 Jan - 31 Dec 2001 1,000 €</b>
<b>TURNOVER</b>	2	272,644	241,553
Other operating income		1,308	829
Materials and services	3	-84,220	-65,480
Staff expenditure	4	-13,796	-12,994
Depreciation and value adjustment	5	-53,200	-51,952
Other operating expenses	6	-31,714	-27,200
<b>OPERATING PROFIT</b>		<b>91,022</b>	<b>84,757</b>
Financial income and expenses	7	-52,453	-51,968
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>		<b>38,569</b>	<b>32,789</b>
Extraordinary items		0	0
<b>PROFIT BEFORE TAXES</b>		<b>38,569</b>	<b>32,789</b>
Income taxes	10	-2,530	-2,946
Change in deferred tax liability	10	-8,524	-6,691
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>27,516</b>	<b>23,152</b>

## CONSOLIDATED BALANCE SHEET

<b>ASSETS</b>	Notes	<b>31 Dec 2002</b>	<b>31 Dec 2001</b>
		<b>1,000 €</b>	<b>1,000 €</b>
<b>NONCURRENT ASSETS</b>			
<b>Intangible assets</b>	11		
Goodwill		94,353	100,787
Other long-term expenses		95,068	98,089
		<b>189,422</b>	<b>198,875</b>
<b>Tangible assets</b>	12		
Land and water areas		9,874	9,452
Buildings and structures		41,759	42,188
Machinery and equipment		380,557	386,912
Transmission lines		577,354	574,062
Other tangible assets		77	52
Advance payments and purchases in progress		21,985	19,808
		<b>1,031,606</b>	<b>1,032,474</b>
<b>Investments</b>	13		
Equity investments in associated companies		6,236	821
Other investments		579	189
		<b>6,815</b>	<b>1,010</b>
		<b>1,227,842</b>	<b>1,232,360</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Materials inventories		2,934	2,729
Advance payments and work in progress		1	1,548
		<b>2,935</b>	<b>4,277</b>
<b>Receivables, long-term</b>			
Receivables from associated companies	15	<b>531</b>	<b>616</b>
<b>Receivables, short-term</b>			
Accounts receivable		38,254	33,764
Receivables from associated companies	15	292	255
Other receivables		45	22
Prepayments and accrued income	16, 17	8,503	2,792
		<b>47,093</b>	<b>36,833</b>
<b>Financial securities</b>		<b>88,066</b>	<b>60,926</b>
<b>Cash in hand and bank receivables</b>		<b>12,957</b>	<b>3,413</b>
		<b>151,582</b>	<b>106,065</b>
		<b>1,379,425</b>	<b>1,338,425</b>

## CONSOLIDATED BALANCE SHEET

<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	Notes	<b>31 Dec 2002</b>	<b>31 Dec 2001</b>
		<b>1,000 €</b>	<b>1,000 €</b>
<b>SHAREHOLDERS' EQUITY</b>	18		
Share capital		55,922	55,922
Premium fund		55,922	55,922
Retained earnings		96,681	80,788
Profit for the financial year		27,516	23,152
Capital loan		167,914	167,914
		<b>403,956</b>	<b>383,699</b>
<b>LIABILITIES</b>			
<b>Deferred tax liability</b>	21	<b>46,237</b>	<b>37,714</b>
<b>Long-term liabilities</b>	22, 23		
Bonds		601,559	471,006
Loans from financial institutions		121,964	137,520
Accruals	27	1,150	1,150
		<b>724,673</b>	<b>609,676</b>
<b>Short-term liabilities</b>			
Bonds		94,000	32,841
Loans from financial institutions		15,556	8,400
Advances received		0	1,039
Accounts payable		10,198	12,558
Liabilities to associated companies	25	2	1
Other liabilities	26	47,393	216,979
Accruals	27	37,409	35,519
		<b>204,559</b>	<b>307,337</b>
		<b>975,469</b>	<b>954,726</b>
		<b>1,379,425</b>	<b>1,338,425</b>

<b>CONSOLIDATED CASH FLOW STATEMENT</b>	<b>2002</b>	<b>2001</b>
	<b>1,000 €</b>	<b>1,000 €</b>
<b>Cash flow from operations:</b>		
Cash from sales	267,339	233,728
Cash from other operating income	301	370
Charges paid for operating expenses	-131,243	-105,793
Cash flow from operations before financial items and taxes	136,397	128,305
Interests and charges paid for other financial costs for operations	-57,258	-56,435
Interests received from operations	2,742	3,893
Direct taxes paid	-2,979	-2,436
Cash flow before extraordinary items	78,902	73,327
Cash flow from extraordinary items (net)	0	-470
<b>Cash flow from operations (A)</b>	<b>78,902</b>	<b>72,857</b>
<b>Cash flow from investments:</b>		
Investments in tangible and intangible assets	-47,567	-50,529
Capital gain from tangible and intangible assets	2,956	2,176
Investments in other assets	-5,339	9
Repayment of loans receivable	84	84
Dividends received from investments	1	1
<b>Cash flow from investments (B)</b>	<b>-49,865</b>	<b>-48,259</b>
<b>Cash flow from financial operations:</b>		
Withdrawal of short-term loans	0	0
Repayment of short-term loans	-168,408	-56,885
Withdrawal of long-term loans	229,320	220,747
Repayment of long-term loans	-46,007	-168,614
Dividends paid and other profit distribution	-7,259	-7,259
<b>Cash flow from financial operations (C)</b>	<b>7,646</b>	<b>-12,010</b>
<b>Net change in cash and cash equivalents (A+B+C), increase (+)/decrease (-)</b>	<b>36,684</b>	<b>12,587</b>
<b>Cash and cash equivalents 1 Jan</b>	<b>64,339</b>	<b>51,752</b>
<b>Cash and cash equivalents 31 Dec</b>	<b>101,023</b>	<b>64,339</b>

**ADDITIONAL INFORMATION:**

**Cash and cash equivalents stated in the cash flow statement are composed of the following balance sheet items:**

	<b>31 Dec 2002</b>	<b>31 Dec 2001</b>
Cash in hand and bank receivables	12,957	3,413
Promissory notes of banks	0	0
Certificates of deposit	29,594	26,364
Commercial papers	43,471	34,562
Investments in money market funds	15,000	0
	<b>101,023</b>	<b>64,339</b>

<b>CONSOLIDATED KEY INDICATORS</b>		<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Extent of operations</b>						
Turnover	million €	226.3	234.6	235.5	241.6	272.6
Capital expenditure, gross	million €	83.2	105.1	39.3	43.5	50.2
- % of turnover	%	36.7	44.8	16.7	18.0	18.4
Research and development expenses	million €	0.7	0.5	0.9	1.0	1.1
- % of turnover	%	0.3	0.2	0.4	0.4	0.4
Personnel, average		264	275	272	221	211
Personnel, end of year		272	273	261	204	210
<b>Profitability</b>						
Operating profit	million €	98.3	96.6	88.0	84.8	91.0
- % of turnover	%	43.4	41.2	37.4	35.1	33.4
Profit before extraordinary items and taxes	million €	48.1	41.4	35.5	32.8	38.6
- % of turnover	%	21.2	17.6	15.1	13.6	14.1
Return on investment (ROI)	%	8.2	7.7	7.1	6.9	7.2
Return on equity (ROE)	%	31.9	22.4	16.9	14.4	16.0
<b>Financing and financial position</b>						
Equity ratio (excluding capital loans)	%	12.6	13.4	14.9	16.1	17.1
Equity ratio (including capital loans)	%	23.4	25.8	27.5	28.7	29.3
<b>Share-specific indicators</b>						
Earnings per share	€	13,159	11,516	9,676	8,975	10,839
Equity per share	€	48,216	54,703	60,118	64,898	70,990
Number of shares at 31 Dec						
- Series A shares	qty	2,078	2,078	2,078	2,078	2,078
- Series B shares	qty	1,247	1,247	1,247	1,247	1,247
Total	qty	3,325	3,325	3,325	3,325	3,325

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**CALCULATION OF KEY INDICATORS**

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Return on investment, % =  $\frac{\text{Profit before extraordinary items and taxes} + \text{interest and other financial expenses}}{\text{Balance sheet total} - \text{non-interest-bearing liabilities (average for the year)}} \times 100$

Return on equity, % =  $\frac{\text{Profit before extraordinary items and taxes} - \text{taxes for the financial year}}{\text{Shareholders' equity (excl. capital loans, average for the financial year)}} \times 100$

Equity ratio, % =  $\frac{\text{Shareholders' equity (excluding/including capital loans)}}{\text{Balance sheet total} - \text{advances received}} \times 100$

Earnings per share, € =  $\frac{\text{Profit before extraordinary items and taxes} - \text{taxes for the financial year}}{\text{Average number of shares}}$

Equity per share, € =  $\frac{\text{Shareholders' equity (excluding capital loans)}}{\text{Number of shares at closing date}}$

<b>PROFIT AND LOSS ACCOUNT PARENT COMPANY</b>	Notes	<b>1 Jan - 31 Dec 2002 €</b>	<b>1 Jan - 31 Dec 2001 €</b>
<b>TURNOVER</b>	2	233,144,748.82	209,451,569.44
Other operating income		1,294,361.53	1,036,311.58
Materials and services	3	-36,026,160.43	-24,700,258.14
Staff expenditure	4	-10,084,792.38	-9,095,071.50
Depreciation and value adjustment	5	-47,379,190.52	-46,040,239.91
Other operating expenses	6	-55,337,566.55	-51,601,991.78
<b>OPERATING PROFIT</b>		<b>85,611,400.47</b>	<b>79,050,319.69</b>
Financial income and expenses	7	-48,510,153.91	-48,501,878.33
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>		<b>37,101,246.56</b>	<b>30,548,441.36</b>
Extraordinary items	8	1,502,075.77	2,029,470.84
<b>PROFIT BEFORE PROVISIONS AND TAXES</b>		<b>38,603,322.33</b>	<b>32,577,912.20</b>
Provisions	9	-29,379,093.71	-22,350,702.37
Income taxes	10	-2,678,521.58	-2,896,839.83
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>6,545,707.04</b>	<b>7,330,370.00</b>

**BALANCE SHEET  
PARENT COMPANY**

<b>ASSETS</b>	Notes	<b>31 Dec 2002</b>	<b>31 Dec 2001</b>
		€	€
<b>NONCURRENT ASSETS</b>			
<b>Intangible assets</b>	11		
Goodwill		94,353,426.53	100,786,614.77
Other long-term expenses		94,855,248.29	92,219,338.51
		<b>189,208,674.82</b>	<b>193,005,953.28</b>
<b>Tangible assets</b>	12		
Land and water areas		9,802,212.43	9,380,203.58
Buildings and structures		36,473,602.03	36,573,668.65
Machinery and equipment		325,214,920.68	326,661,679.91
Transmission lines		577,353,916.65	574,062,305.34
Other tangible assets		77,348.61	52,119.61
Advance payments and purchases in progress		21,959,082.55	19,043,808.49
		<b>970,881,082.95</b>	<b>965,773,785.58</b>
<b>Investments</b>	13		
Equity investments in group companies		5,550,201.57	7,232,080.84
Equity investments in associated companies		6,641,360.21	1,691,932.28
Other shares and equity investments		578,791.47	189,174.48
		<b>12,770,353.25</b>	<b>9,113,187.60</b>
		<b>1,172,860,111.02</b>	<b>1,167,892,926.46</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Materials inventories		1,439,792.60	1,459,981.73
Advance payments and work in progress		1,268.00	1,543,117.18
		<b>1,441,060.60</b>	<b>3,003,098.91</b>
<b>Receivables, long-term</b>			
Receivables from group companies	14	56,800,000.00	65,608,000.00
Receivables from associated companies	15	531,473.86	615,567.82
		<b>57,331,473.86</b>	<b>66,223,567.82</b>
<b>Receivables, short-term</b>			
Accounts receivable		38,253,708.56	32,657,293.73
Receivables from group companies	14	380,321.80	2,470,929.65
Receivables from associated companies	15	291,670.44	249,872.75
Other receivables		44,782.48	19,479.60
Prepayments and accrued income	16, 17	8,474,417.36	2,204,740.94
		<b>47,444,900.64</b>	<b>37,602,316.67</b>
<b>Financial securities</b>		<b>88,065,595.01</b>	<b>60,926,273.58</b>
<b>Cash in hand and bank receivables</b>		<b>12,957,176.09</b>	<b>3,405,823.71</b>
		<b>207,240,206.20</b>	<b>171,161,080.69</b>
		<b>1,380,100,317.22</b>	<b>1,339,054,007.15</b>

**BALANCE SHEET  
PARENT COMPANY**

<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	Notes	<b>31 Dec 2002 €</b>	<b>31 Dec 2001 €</b>
<b>SHAREHOLDERS' EQUITY</b>	18		
Share capital		55,922,485.55	55,922,485.55
Premium fund		55,922,485.55	55,922,485.55
Retained earnings		4,828,268.60	4,756,639.60
Profit for the financial year		6,545,707.04	7,330,370.00
Capital loan		167,914,099.68	167,914,099.68
		<b>291,133,046.42</b>	<b>291,846,080.38</b>
<b>ACCUMULATED PROVISIONS</b>	19	<b>158,594,975.57</b>	<b>128,124,628.06</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>	22, 23		
Bonds		601,559,116.77	471,005,620.72
Loans from financial institutions		121,963,938.04	137,520,368.38
Accruals	27	1,150,000.00	1,150,000.00
		<b>724,673,054.81</b>	<b>609,675,989.10</b>
<b>Short-term liabilities</b>			
Bonds	22	94,000,000.00	32,840,999.83
Loans from financial institutions		15,556,430.34	8,400,000.00
Advances received		0.00	1,039,116.08
Accounts payable		9,709,431.90	9,408,843.74
Liabilities to group companies	24	1,844,874.90	6,431,994.51
Other liabilities	26	47,228,767.67	216,484,630.05
Accruals	27	37,359,735.61	34,801,725.40
		<b>205,699,240.42</b>	<b>309,407,309.61</b>
		<b>930,372,295.23</b>	<b>919,083,298.71</b>
		<b>1,380,100,317.22</b>	<b>1,339,054,007.15</b>

<b>CASH FLOW STATEMENT PARENT COMPANY</b>	<b>2002</b>	<b>2001</b>
	<b>€</b>	<b>€</b>
<b>Cash flow from operations:</b>		
Cash from sales	225,823,948.15	198,522,301.79
Cash from other operating income	825,601.07	809,638.88
Charges paid for operating expenses	-102,528,348.93	-82,242,330.85
Cash flow from operations before financial items and taxes	124,121,200.29	117,089,609.83
Interests and charges paid for other financial costs for operations	-57,403,338.57	-56,672,743.37
Interests received from operations	6,274,167.96	7,326,801.94
Direct taxes paid	-3,133,108.81	-2,252,085.34
Cash flow before extraordinary items	69,858,920.87	65,491,583.06
<b>Cash flow from operations (A)</b>	<b>69,858,920.87</b>	<b>65,491,583.06</b>
<b>Cash flow from investments:</b>		
Investments in tangible and intangible assets	-46,767,698.86	-49,151,343.08
Capital gain from tangible and intangible assets	2,956,045.57	196,353.51
Investments in other assets	-5,339,044.91	8,713.36
Repayment of loans receivable	4,948,093.96	6,088,093.96
Dividends received from investments	391,448.22	1,017.47
<b>Cash flow from investments (B)</b>	<b>-43,811,156.02</b>	<b>-42,857,164.78</b>
<b>Cash flow from financial operations:</b>		
Repayment of short-term loans	-168,951,550.26	-56,672,651.74
Withdrawal of long-term loans	229,319,740.49	220,747,357.87
Repayment of long-term loans	-46,007,244.27	-168,613,809.94
Group contributions received	3,531,546.61	1,148,206.87
Group contributions paid	0.00	-1,937,477.39
Dividends paid	-7,258,741.00	-7,258,741.00
Cash and cash equivalents transferred due to merger	9,157.39	0.00
<b>Cash flow from financial operations (C)</b>	<b>10,642,908.96</b>	<b>-12,587,115.33</b>
<b>Net change in cash and cash equivalents (A+B+C), increase (+)/decrease (-)</b>	<b>36,690,673.81</b>	<b>10,047,302.95</b>
<b>Cash and cash equivalents 1 Jan</b>	<b>64,332,097.29</b>	<b>54,284,794.34</b>
<b>Cash and cash equivalents 31 Dec</b>	<b>101,022,771.10</b>	<b>64,332,097.29</b>

**ADDITIONAL INFORMATION:**

<b>Cash and cash equivalents stated in the cash flow statement are composed of the following balance sheet items:</b>	<b>31 Dec 2002</b>	<b>31 Dec 2001</b>
Cash in hand and bank receivables	12,957,176.09	3,405,823.71
Certificates of deposit	29,594,168.06	26,364,026.65
Commercial papers	43,471,426.95	34,562,246.93
Investments in money market funds	15,000,000.00	0.00
	<b>101,022,771.10</b>	<b>64,332,097.29</b>



## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

### 1. ACCOUNTING PRINCIPLES

#### Scope of consolidated financial statements

The consolidated financial statements contain the parent company Fingrid Oyj and its fully-owned subsidiaries Fingrid Varavoima Oy and Fingrid Verkko Oy. The consolidated financial statements also include Fingrid System Oy, which merged into the parent company on 31 December 2002. Fingrid Verkko Oy was not operative during the year. The consolidated associated companies were Porvoo Alueverkko Oy (ownership 33.3%) and EL-EX Electricity Exchange Ltd (ownership 50%) until it was sold on 30 June 2002, and Asunto-Osakeyhtiö Lappeentie 22 (ownership 29.8%) until it was sold. Nord Pool Spot AS is consolidated from the date of acquisition on 1 July 2002.

#### Principles of consolidation

Intercompany transactions, internal margins on inventories and fixed assets, internal receivables and liabilities as well as internal profit distribution are eliminated in consolidation. Ownership of shares between the Group companies is accounted for under the purchase method of accounting. The associated companies are consolidated using the equity method of accounting. The portion of the results of associated companies for the financial year, based on the Group's ownership in them, is stated as a separate item in the profit and loss account in financial income and expenses.

#### Interest-bearing liabilities

The long-term interest-bearing liabilities consist of loans from financial institutions and bonds issued under the international and domestic Debt Issuance Programmes. The short-term interest-bearing liabilities consist of commercial papers issued under the domestic and international programmes and of the current portion of long-term debt and bonds maturing within a year. The outstanding issues under the Programmes are denominated in euros and foreign currencies. The Group has both fixed and floating rate debt and debt with interest rate structures. The interest is accrued over the maturity of the debt. The differential value of a bond issued over or under par value is accrued over the life of the bond. The arrangement fees of the revolving credit facilities are as a rule immediately entered as expenses and the commitment fees are accrued over the maturity of the facility.

#### Interest rate and foreign exchange derivatives

In accordance with the financial policy, interest rate and cross-currency swaps, foreign exchange forwards and interest rate options are used for hedging the Group's interest and foreign exchange exposure of balance sheet items or commercial flows. The accounting principles for derivatives are the same as for the underlying balance sheet items. The interest flow of interest rate and cross-currency swaps and interest rate options is accrued over their maturity and booked under financial income and expenses. The interest portion of forward foreign exchange contracts hedging the balance sheet is accrued over their maturity and booked under financial income and expenses. Up-front paid or received premiums for interest rate options are accrued over the contract period.

#### Electricity derivatives

The Group hedges the loss energy purchases by using bilateral contracts and electricity exchange products, such as forwards, futures and options. The price differences arising from these contracts are booked at maturity to adjust the loss energy purchases in the profit and loss account. Up-front paid or received premiums for options and their profit or loss are booked over those years, which the options are hedging.

#### Foreign currency transactions

Commercial flows and balance sheet items denominated in foreign currencies are booked at the foreign exchange mid-rate quoted by the European Central Bank (ECB) at the transaction value date. Balance sheet items and the derivatives hedging the balance sheet are valued at the mid-rate quoted by ECB at the closing day. Realised foreign exchange gains and losses of interest-bearing assets and liabilities and of the derivatives are booked under financial income and expenses at maturity. The realised foreign exchange rate differences of derivatives hedging commercial flows adjust the corresponding item in the profit and loss account and are booked when the derivative contract is due.

#### Valuation of fixed assets

Fixed assets are capitalised under immediate acquisition cost. Planned straight-line depreciation on the acquisition price is calculated on the basis of the economic lives of fixed assets. Depreciation on fixed assets taken into use during the financial year is calculated project-specifically from the month of introduction.

The depreciation periods are as follows:

Goodwill	20 years
Other long-term expenses	
Right of use to line areas	30-40 years
Other rights of use according to economic lives, maximum	10 years
Computer systems, operational control	15 years
Computer systems, others	3 years
Buildings and structures	
Substation buildings and separate buildings	40 years
Substation structures and machinery	30 years
Buildings and structures at gas turbine power plants	20 years
Separate structures	15 years
Machinery and equipment	
Gas turbine power plants	20 years
Machinery and equipment	3-10 years
Transmission lines	
Transmission lines 400 kV	40 years
Direct current lines	40 years
Transmission lines 110-220 kV	30 years
Aluminium towers of transmission lines (400 kV)	20 years

Goodwill is depreciated over a 20-year period, since power transmission operation is a long-term business in which income is accrued over several decades.

### Valuation of inventories

Inventories are entered according to the FIFO principle at the acquisition cost, or at the lower of replacement cost or probable market price.

### Cash in hand, bank receivables and financial securities.

Cash in hand and bank receivables include cash assets and bank balances. Financial securities include certificates of deposit, commercial papers and investments in short-term money-market funds. Quoted securities and comparable assets are valued at the lower of original acquisition cost or market price.

### Deferred tax liabilities

In the consolidated financial statements, deferred tax liabilities are only calculated from timing differences.

### Research and development

Research and development expenses are entered as annual expenses.

### Comparability

Connection fees which can be returned are stated under the note Investments, which is a deviation from past years' principle.

## 2. Turnover by business areas and market areas

Almost the entire turnover of the Fingrid Group was derived from the grid business. The market area of the Group comprises mainly Finland.

3. Materials and services, 1,000 €	Group		Parent company	
	2002	2001	2002	2001
Purchases during financial year	82,038	64,438	33,631	23,618
Change in inventories, increase (-) or decrease (+)	1,323	-1,461	1,542	-1,358
Materials and supplies	83,361	62,977	35,174	22,260
External services	859	2,503	853	2,440
<b>Total</b>	<b>84,220</b>	<b>65,480</b>	<b>36,026</b>	<b>24,700</b>

4. Personnel costs, 1,000 €	2002	2001	2002	2001
Wages, salaries and bonuses	10,746	10,349	7,771	7,151
Pension costs	2,122	1,673	1,614	1,252
Other additional staff costs	927	972	700	692
Staff expenditure in profit and loss account	<b>13,796</b>	<b>12,994</b>	<b>10,085</b>	<b>9,095</b>
Executive salaries and bonuses:				
Presidents	255	247		
Board members	91	85	91	85
Average number of personnel in the company during financial year				
Salaried employees	211	218	154	153
Workers	0	3	0	0
Personnel at year end	210	204	157	144

5. Depreciation according to plan, 1,000 €	2002	2001	2002	2001
Goodwill	6,433	6,433	6,433	6,433
Other long-term expenses	6,558	6,090	5,409	4,936
Buildings and structures	1,587	1,491	1,258	1,162
Machinery and equipment	18,428	18,714	14,085	14,285
Transmission lines	20,193	19,223	20,193	19,223
<b>Total</b>	<b>53,200</b>	<b>51,952</b>	<b>47,379</b>	<b>46,040</b>

6. Other operating expenses, 1,000 €	2002	2001	2002	2001
Rents	2,264	2,265	2,221	2,165
Contracts, assignments etc. undertaken by outsiders	24,892	21,176	48,955	46,464
Others	4,558	3,759	4,162	2,973
<b>Total</b>	<b>31,714</b>	<b>27,200</b>	<b>55,338</b>	<b>51,602</b>

7. Financial income and expenses, 1,000 €	Group		Parent company	
	2002	2001	2002	2001
Portion of net income (loss) of associated companies	-226	-220		
Dividend income from Group companies			391	0
Dividend income from associated companies	0	0	0	0
Dividend income from others	1	1	1	1
Interest and other financial income from Group companies			3,545	3,555
Interest and other financial income from others	3,023	2,839	2,943	2,765
Interest and other financial expenses to Group companies			-177	-264
Interest and other financial expenses to others	-55,250	-54,588	-55,213	-54,559
<b>Total</b>	<b>-52,453</b>	<b>-51,968</b>	<b>-48,510</b>	<b>-48,502</b>

8. Extraordinary items, 1,000 €	2002	2001	2002	2001
Extraordinary income/Group contribution to subsidiaries			1,502	2,029

9. Provisions, 1,000 €	2002	2001	2002	2001
Difference between depreciation according to plan and depreciation carried out in taxation			-29,379	-22,351

10. Taxes, 1,000 €	2002	2001	2002	2001
Income taxes for financial year	-2,530	-2,946	-2,679	-2,897
Change in deferred tax claim	0	-212		
Change in deferred tax liability	-8,524	-6,479		
<b>Total</b>	<b>-11,053</b>	<b>-9,637</b>	<b>-2,679</b>	<b>-2,897</b>
<b>Tax effect of extraordinary items</b>	<b>-</b>	<b>-</b>	<b>436</b>	<b>588</b>

11. Intangible assets, 1,000 €	Group		Parent company	
	2002	2001	2002	2001
<b>Goodwill</b>				
Cost at 1 Jan	128,664	128,664	128,664	128,664
Increases 1 Jan - 31 Dec	0	0	0	0
<b>Cost at 31 Dec</b>	<b>128,664</b>	<b>128,664</b>	<b>128,664</b>	<b>128,664</b>
Accumulated depreciation according to plan 1 Jan	-27,877	-21,444	-27,877	-21,444
Depreciation according to plan 1 Jan - 31 Dec	-6,433	-6,433	-6,433	-6,433
<b>Book value 31 Dec</b>	<b>94,353</b>	<b>100,787</b>	<b>94,353</b>	<b>100,787</b>
Accumulated depreciation difference 1 Jan			-36,455	-30,022
Increase in depreciation difference reserve 1 Jan - 31 Dec			-6,433	-6,433
<b>Accumulated depreciation in excess of plan 31 Dec</b>			<b>-42,888</b>	<b>-36,455</b>
<b>Other long-term expenditure</b>				
Cost at 1 Jan	117,733	108,950	108,913	98,821
Transfers between items	-394	0	-394	0
Increases 1 Jan - 31 Dec	3,979	10,609	8,487	10,092
Decreases 1 Jan - 31 Dec	-56	-1,826	-56	0
<b>Cost at 31 Dec</b>	<b>121,262</b>	<b>117,733</b>	<b>116,950</b>	<b>108,913</b>
Accumulated depreciation according to plan 1 Jan	-19,644	-14,302	-16,694	-11,758
Decreases, depreciation according to plan 1 Jan - 31 Dec	8	748	8	0
Depreciation according to plan 1 Jan - 31 Dec	-6,558	-6,090	-5,409	-4,936
<b>Book value 31 Dec</b>	<b>95,068</b>	<b>98,089</b>	<b>94,855</b>	<b>92,219</b>
Accumulated depreciation difference 1 Jan			-33,373	-26,617
Decrease in depreciation difference reserve 1 Jan - 31 Dec			15	0
Increase in depreciation difference reserve 1 Jan - 31 Dec			-9,413	-6,755
<b>Accumulated depreciation in excess of plan 31 Dec</b>			<b>-42,770</b>	<b>-33,373</b>



12. Tangible assets, 1,000 €	Group		Parent company	
	2002	2001	2002	2001
<b>Land and water areas</b>				
Cost at 1 Jan	9,452	9,431	9,380	9,359
Increases 1 Jan - 31 Dec	422	21	422	21
<b>Cost at 31 Dec</b>	<b>9,874</b>	<b>9,452</b>	<b>9,802</b>	<b>9,380</b>
<b>Buildings and structures</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Cost at 1 Jan	47,575	45,448	41,001	38,875
Increases 1 Jan - 31 Dec	1,158	2,127	1,158	2,127
Decreases 1 Jan - 31 Dec	-73	-1	-73	-1
<b>Cost at 31 Dec</b>	<b>48,660</b>	<b>47,575</b>	<b>42,086</b>	<b>41,001</b>
Accumulated depreciation according to plan 1 Jan	-5,387	-3,897	-4,427	-3,266
Decreases, depreciation according to plan 1 Jan - 31 Dec	16	1	16	1
Depreciation according to plan 1 Jan - 31 Dec	-1,530	-1,491	-1,201	-1,162
<b>Book value 31 Dec</b>	<b>41,759</b>	<b>42,188</b>	<b>36,474</b>	<b>36,574</b>
Accumulated depreciation difference 1 Jan			-4,313	-3,777
Increase in depreciation difference reserve 1 Jan - 31 Dec			-485	-537
Decrease in depreciation difference reserve 1 Jan - 31 Dec			12	2
<b>Accumulated depreciation in excess of plan 31 Dec</b>			<b>-4,785</b>	<b>-4,313</b>
<b>Machinery and equipment</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Cost at 1 Jan	452,309	432,209	379,263	358,371
Increases 1 Jan - 31 Dec	12,079	21,307	12,645	21,052
Decreases 1 Jan - 31 Dec	-778	-1,207	-778	-161
<b>Cost at 31 Dec</b>	<b>463,610</b>	<b>452,309</b>	<b>391,129</b>	<b>379,263</b>
Accumulated depreciation according to plan 1 Jan	-65,397	-47,265	-52,602	-38,427
Decreases, depreciation according to plan 1 Jan - 31 Dec	773	582	773	111
Depreciation according to plan 1 Jan - 31 Dec	-18,428	-18,714	-14,085	-14,285
<b>Book value 31 Dec</b>	<b>380,557</b>	<b>386,912</b>	<b>325,215</b>	<b>326,661</b>
Accumulated depreciation difference 1 Jan			-9,537	-7,162
Increase in depreciation difference reserve 1 Jan - 31 Dec			-12,168	-3,144
Decrease in depreciation difference reserve 1 Jan - 31 Dec			-1	769
<b>Accumulated depreciation in excess of plan 31 Dec</b>			<b>-21,706</b>	<b>-9,537</b>
<b>Transmission lines</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Cost at 1 Jan	653,053	645,594	653,053	645,594
Increases 1 Jan - 31 Dec	24,092	7,468	24,092	7,468
Decreases 1 Jan - 31 Dec	-1,695	-9	-1,695	-9
<b>Cost at 31 Dec</b>	<b>675,450</b>	<b>653,053</b>	<b>675,450</b>	<b>653,053</b>
Accumulated depreciation according to plan 1 Jan	-78,991	-59,777	-78,991	-59,777
Decreases, depreciation according to plan 1 Jan - 31 Dec	322	9	322	9
Depreciation according to plan 1 Jan - 31 Dec	-19,427	-19,223	-19,427	-19,223
<b>Book value 31 Dec</b>	<b>577,354</b>	<b>574,062</b>	<b>577,354</b>	<b>574,062</b>
Accumulated depreciation difference 1 Jan			-44,447	-38,196
Increase in depreciation difference reserve 1 Jan - 31 Dec			-2,718	-6,316
Decrease in depreciation difference reserve 1 Jan - 31 Dec			720	64
<b>Accumulated depreciation in excess of plan 31 Dec</b>			<b>-46,446</b>	<b>-44,447</b>
<b>Other tangible assets</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Cost at 1 Jan	52	52	52	52
Increases 1 Jan - 31 Dec	25		25	0
<b>Cost at 31 Dec</b>	<b>77</b>	<b>52</b>	<b>77</b>	<b>52</b>
<b>Production machinery and equipment, portion of book value at 31 December, 1,000 €</b>	<b>377,429</b>	<b>382,883</b>	<b>322,089</b>	<b>324,177</b>



13. Investments, 1,000 €	Group		Parent company	
	2002	2001	2002	2001
<b>Equity investments in Group companies</b>				
Cost at 1 Jan			7,232	7,232
Decreases (merger) 1 Jan - 31 Dec			-1,682	0
<b>Cost at 31 Dec</b>			<b>5,550</b>	<b>7,232</b>
<b>Equity investments in associated companies</b>				
Cost at 1 Jan	821	1,041	1,692	1,692
Increases 1 Jan - 31 Dec	6,284		7,069	0
Decreases 1 Jan - 31 Dec	-869	-220	-2,120	0
<b>Cost at 31 Dec</b>	<b>6,236</b>	<b>821</b>	<b>6,641</b>	<b>1,692</b>
Undepreciated goodwill of associated companies 31 Dec	4,172	250		
<b>Other shares and equity investments</b>				
Cost at 1 Jan	189	198	189	198
Transfers between items	391		391	0
Increases 1 Jan - 31 Dec	-1	-9	-1	-9
<b>Cost at 31 Dec</b>	<b>579</b>	<b>189</b>	<b>579</b>	<b>189</b>
<b>Total</b>	<b>6,815</b>	<b>1,010</b>	<b>12,770</b>	<b>9,113</b>

Shares and equity investments	Ownership %	
	Group	Parent
<b>31 Dec 2002</b>		
Subsidiary shares:		
Fingrid Varavoima Oy, Helsinki	100.0	100.0
Fingrid Verkko Oy, Helsinki	100.0	100.0
Associated companies:		
Nord Pool Spot AS, Oslo, Norway	20.0	20.0
Porvoo Alueverkko Oy, Porvoo	33.3	33.3

14. Receivables from Group companies, 1,000 €	Group		Parent company	
	2002	2001	2002	2001
<b>Long-term:</b>				
Loans receivable			56,800	65,608
<b>Short-term:</b>				
Accounts receivable			0	374
Other receivables			0	0
Prepayments and accrued income			380	2,097
<b>Total</b>			<b>57,180</b>	<b>68,079</b>

15. Receivables from associated companies, 1,000 €	2002		2001	
	2002	2001	2002	2001
<b>Long-term:</b>				
Loans receivable	531	616	531	616
<b>Short-term</b>				
Accounts receivable	289	252	289	246
Prepayments and accrued income	3	3	3	3
<b>Total</b>	<b>823</b>	<b>871</b>	<b>823</b>	<b>865</b>

16. Prepayments and accrued income, 1,000 €	2002		2001	
	2002	2001	2002	2001
Interests and other financial items	1,581	985	1,581	985
Taxes	731	277	731	276
Value added tax	0	188	0	0
Accruals of sales and purchases	5,123	963	5,096	594
Other	1,069	379	1,067	350
<b>Total</b>	<b>8,504</b>	<b>2,792</b>	<b>8,474</b>	<b>2,205</b>



17. Unrecorded expenses and par value differentials on the issue of loans included in prepayments and accrued income, 1,000 €	Group		Parent company	
	2002	2001	2002	2001
Arrangement fees	0	224	0	224
Par value differentials	151	249	151	249
<b>Total</b>	<b>151</b>	<b>474</b>	<b>151</b>	<b>474</b>

18. Shareholders' equity, 1,000 €	2002	2001	2002	2001
Share capital 1 Jan	55,922	55,922	55,922	55,922
<b>Share capital 31 Dec</b>	<b>55,922</b>	<b>55,922</b>	<b>55,922</b>	<b>55,922</b>
Premium fund 1 Jan	55,922	55,922	55,922	55,922
<b>Premium fund 31 Dec</b>	<b>55,922</b>	<b>55,922</b>	<b>55,922</b>	<b>55,922</b>
Profit from previous financial years 1 Jan	103,940	88,047	12,087	12,015
Dividend distribution	-7,259	-7,259	-7,259	-7,259
<b>Profit from previous financial years 31 Dec</b>	<b>96,681</b>	<b>80,788</b>	<b>4,828</b>	<b>4,757</b>
<b>Profit for the financial year</b>	<b>27,516</b>	<b>23,152</b>	<b>6,546</b>	<b>7,330</b>
Capital loans 1 Jan	167,914	167,914	167,914	167,914
<b>Capital loans 31 Dec</b>	<b>167,914</b>	<b>167,914</b>	<b>167,914</b>	<b>167,914</b>
<b>Shareholders' equity 31 Dec</b>	<b>403,956</b>	<b>383,699</b>	<b>291,133</b>	<b>291,846</b>
<b>Distributable shareholders' equity</b>	<b>10,995</b>	<b>11,606</b>	<b>11,374</b>	<b>12,087</b>

The share capital is divided as follows:	Number of shares	% of all shares	% of votes
	qty	%	%
Series A shares	2,078	62.49	83.32
Series B shares	1,247	37.51	16.68
<b>Total</b>	<b>3,325</b>	<b>100.00</b>	<b>100.00</b>

Series A shares confer three votes each at a shareholders' meeting and series B shares one vote each. Series B shares have preference with respect to dividends as stipulated in the Articles of Association. In 2002-2006, this dividend is 5.93% p.a. of the subscription price of the share.

Shareholders by different categories:	Number of shares	% of all shares	% of votes
	qty	%	%
Public enterprises	834	25.08	33.44
Private enterprises	834	25.08	33.44
Public organisations	410	12.33	16.44
Financial and insurance institutions	1,247	37.51	16.68
<b>Total</b>	<b>3,325</b>	<b>100.00</b>	<b>100.00</b>

Shareholders:	Number of shares	% of all shares	% of votes
	qty	%	%
Fortum Power and Heat Oy	834	25.08	33.44
Pohjolan Voima Oy	834	25.08	33.44
Republic of Finland	410	12.33	16.44
Mutual Pension Insurance Company Varma Sampo	415	12.48	5.55
Mutual Pension Insurance Company Ilmarinen	350	10.53	4.68
Tapiola Mutual Pension Insurance Company	150	4.51	2.01
Suomi Insurance Company Ltd	75	2.26	1.00
Pohjola Non-Life Insurance Company Ltd	75	2.26	1.00
Sampo Life Insurance Company	54	1.62	0.72
Tapiola General Mutual Insurance Company	50	1.50	0.67
Tapiola Mutual Life Assurance Company	35	1.05	0.47
If Industrial Insurance Company Ltd	25	0.75	0.33
Tapiola Corporate Life Insurance Company Ltd	12	0.36	0.16
Insurance Company Henki-Fennia	6	0.18	0.08
<b>Total</b>	<b>3,325</b>	<b>100.00</b>	<b>100.00</b>



<b>Capital loans, 1,000 €</b>	<b>Group</b>		<b>Parent company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Debenture of capital loan nature 1997	137,914	137,914	137,914	137,914
Debenture of capital loan nature 1999	30,000	30,000	30,000	30,000
	<b>167,914</b>	<b>167,914</b>	<b>167,914</b>	<b>167,914</b>

In accordance with Chapter 5, Section 1 of the Companies Act, the principal, interest and other compensation for capital loans can be repaid only after debts with higher claim in the event of the liquidation or bankruptcy of the company.

Debenture of capital loan nature 1997

The loan becomes due on 15 May 2027, but, if the company so decides, it can be paid back on 15 May 2007 and 15 May 2017 at 100 % rate. The coupon rate is 6.8 % p.a. until 15 May 2007, after which the interest rate is the 6 month Euribor + 1.9 % p.a. until 15 May 2017. After this, the coupon rate is the 6 month Euribor + 2.9 % p.a.

Debenture of capital loan nature 1999

The loan becomes due on 30 November 2029, but, if the company so decides, it can be paid back on 30 November 2009 and 30 November 2019 at 100 % rate. The coupon rate is 6.388 % p.a. until 30 November 2009, after which the interest rate is the 6 month Euribor + 2.28 % p.a. until 30 November 2019. After this, the coupon rate is the 6 month Euribor + 3.28 % p.a.

The capital loans are publicly quoted and registered in the book-entry security system of Finnish Central Securities Depository Ltd.

<b>19. Accumulated provisions, 1,000 €</b>	<b>Group</b>		<b>Parent company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Accumulated depreciation in excess of plan, the difference between depreciation according to plan and depreciation carried out in taxation			158,595	128,125

<b>20. Obligatory provisions, 1,000 €</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Obligatory provisions 1 Jan	0	730	0	260
Increase / decrease in obligatory provisions 1 Jan - 31 Dec	0	-730	0	-260
Obligatory provisions 31 Dec	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>21. Deferred tax liabilities and claims, 1,000 €</b>	<b>Group</b>		<b>Parent company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
<b>Deferred tax liabilities</b>				
Resulting from provisions	46,237	37,714		
<b>Total</b>	<b>46,237</b>	<b>37,714</b>		



22. Bonds, 1,000 €				Group		Parent company	
				2002	2001	2002	2001
Domestic:		Maturity date					
Bond II/1997		18.04.2006	6.00%	66,098	66,098	66,098	66,098
International:							
USD	35,000	26.04.2002	variable interest	0	32,841	0	32,841
EUR	100,000	24.02.2003	3.50%	94,000	100,000	94,000	100,000
CAD	15,000	15.03.2004	variable interest	10,400	10,400	10,400	10,400
USD	25,000	28.05.2004	variable interest	27,144	0	27,144	0
AUD	10,000	18.06.2004	variable interest	6,030	6,030	6,030	6,030
USD	35,000	13.08.2004	variable interest	39,800	39,800	39,800	39,800
CHF	50,000	23.08.2004	variable interest	32,945	32,945	32,945	32,945
CHF	50,000	19.04.2005	variable interest	34,150	0	34,150	0
USD	15,000	03.05.2005	variable interest	16,725	0	16,725	0
USD	35,000	23.05.2005	variable interest	38,461	0	38,461	0
GBP	10,000	28.06.2005	5.44%	15,600	0	15,600	0
USD	35,000	25.08.2005	7.21%	38,300	38,300	38,300	38,300
CHF	16,000	06.06.2007	2.00%	10,180	10,180	10,180	10,180
EUR	22,000	14.06.2007	variable interest	22,000	0	22,000	0
USD	35,000	09.07.2007	variable interest	35,497	0	35,497	0
GBP	10,000	07.08.2007	5.5225%	15,576	0	15,576	0
JPY	3,000,000	23.05.2008	0.925%	27,700	27,700	27,700	27,700
FIM	100,000	04.09.2008	4.75%	16,819	16,819	16,819	16,819
EUR	15,000	03.03.2009	4.25%	15,000	15,000	15,000	15,000
JPY	3,000,000	15.07.2009	1.84%	24,000	24,000	24,000	24,000
EUR	10,000	31.03.2010	interest rate struct	10,000	10,000	10,000	10,000
JPY	1,000,000	12.07.2010	2.00%	10,215	10,215	10,215	10,215
JPY	3,000,000	05.07.2011	1.31% *	28,200	28,200	28,200	28,200
JPY	3,000,000	25.07.2012	1.3575% **	25,400	0	25,400	0
FIM	210,000	19.08.2013	5.20%	35,319	35,319	35,319	35,319
Bonds, long-term total				601,559	471,006	601,559	471,006
Bonds, short-term total				94,000	32,841	94,000	32,841
<b>Total</b>				<b>695,559</b>	<b>503,847</b>	<b>695,559</b>	<b>503,847</b>

\* callable 5 July 2004

\*\* callable 25 July 2006

23. Loans falling due for payment in five years or more, 1,000 €	2002	2001	2002	2001
Bonds	192,653	177,433	192,653	177,433
Loans from financial institutions	59,748	75,295	59,748	75,295
<b>Total</b>	<b>252,401</b>	<b>252,728</b>	<b>252,401</b>	<b>252,728</b>

24. Liabilities to Group companies, 1,000 €	2002	2001	2002	2001
<b>Short-term:</b>				
Accounts payable			1,220	2,979
Other debts			18	3,427
Accruals			608	26
<b>Total</b>			<b>1,845</b>	<b>6,432</b>

25. Liabilities to associated companies, 1,000 €	2002	2001	2002	2001
<b>Short-term:</b>				
Accounts payable	2	1	0	0
<b>Total</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>

26. Other debts, 1,000 €	2002	2001	2002	2001
<b>Short-term:</b>				
Other loans/Commercial papers (international and domestic)	40,549	208,957	40,549	208,957
Value added tax	5,023	6,128	4,862	5,738
Electricity tax	1,438	1,548	1,438	1,548
Other short-term debt	383	346	380	242
<b>Total</b>	<b>47,393</b>	<b>216,979</b>	<b>47,229</b>	<b>216,485</b>



27. Accruals, 1,000 €	Group		Parent company	
	2002	2001	2002	2001
<b>Long-term:</b>				
Accruals of sales	1,150	1,150	1,150	1,150
<b>Short-term:</b>				
Interests and other financial items	27,637	29,331	27,637	29,331
Wages, salaries and additional staff costs	2,649	2,949	2,625	2,273
Accruals of sales and purchases	7,112	2,856	7,097	2,815
Other	11	383	0	383
<b>Total</b>	<b>37,409</b>	<b>35,519</b>	<b>37,360</b>	<b>34,802</b>
<b>Total</b>	<b>38,559</b>	<b>36,669</b>	<b>38,510</b>	<b>35,952</b>

28. Pledges, mortgages and contingent liabilities, 1,000 €	2002	2001	2002	2001
<b>Leasing liabilities (motor vehicles)</b>				
Leasing liabilities for the next year	92	82	92	65
Leasing liabilities for subsequent years	60	81	60	70
	152	163	152	135
<b>Commitment fee of revolving credit facility</b>				
Commitment fee for the next year	400	0	400	0
Commitment fee for subsequent years	1,576	0	1,576	0
	1,976	0	1,976	0
<b>Pledges/bank balances</b>				
Pledge for the Customs Office	26	26	26	26
Guarantee for work in progress	5	0	5	0
Pledge for electricity exchange purchases	6,501	682	6,501	682
	6,532	708	6,532	708
<b>Other contingent liabilities</b>				
Guarantee given on behalf of an associated company	0	3,600	0	3,600
	0	3,600	0	3,600
<b>Total</b>	<b>8,660</b>	<b>4,471</b>	<b>8,660</b>	<b>4,443</b>

Other financial liabilities	Group		Parent company	
	2002	2001	2002	2001
Purchase commitments concerning electricity, TWh Most of the commitments concern the year 2003. The longest commitments extend until 2004.	0.4	0.8	0.4	0.0

## 29. Legal proceedings and proceedings by authorities

There are no ongoing legal proceedings or proceedings by the authorities with material adverse effect on the Group's operations. The Energy Market Authority is reviewing the reasonableness of Fingrid Oyj's pricing.

30. Derivative agreements, 1,000 €	Group and Parent			
	2002		2001	
	Market value	Nominal value	Market value	Nominal value
	31 Dec 2002	31 Dec 2002	31 Dec 2001	31 Dec 2001
<b>Interest and currency derivatives</b>				
Cross-currency swaps	-25,653	401,217	10,959	266,800
Forward contracts	2,503	107,698	4,394	213,513
Interest rate swaps	-23,816	550,463	-18,845	640,919
Call options, bought	330	95,000	0	0
<b>Total</b>	<b>-46,636</b>	<b>1,154,378</b>	<b>-3,492</b>	<b>1,121,232</b>
<b>Electricity derivatives</b>				
Futures contracts, Nord Pool	-511	933	-18	1,146
Forward contracts of electricity, Nord Pool	20,543	79,285	688	30,587
Forward contracts of electricity, others	18,427	13,022	2,303	24,801
Call options, bought (219 GWh)	644		0	
<b>Total</b>	<b>39,103</b>	<b>93,240</b>	<b>2,973</b>	<b>56,534</b>

Interest rate and currency derivatives are mark-to-market on the closing date so that the derived net cash flow was calculated on a net present value basis.

Item "Forward contracts of electricity, others" includes fixed price physical purchase commitments concerning electricity purchases and bilateral electricity derivative contracts. Options are hedging the years 2005 and 2006.



### 31. Risk management

Fingrid's risk management adheres to the Group's risk management policy accepted by the Board of Directors. Risk management refers to those procedures that are used for identifying and assessing the risks caused by various threats and, if necessary, for hedging against damage or loss related to the risks. The other policies of the Fingrid Group support comprehensive risk management. The objective of Fingrid's risk management policy is to control risk-related damage or loss through cost-efficient measures. Hedging against risks must be carried out whenever the costs caused by hedging are reasonable in relation to the magnitude of the risk. Fingrid assumes a major risk on its own responsibility only through calculated deliberation and when this is the most lucrative option. The main projects for the annual risk management programme are selected on the basis of an annual risk analysis.

#### Financial risk management

The Board of Directors of Fingrid Oyj approves a financial policy for each year, stating the operational requirements for external funding, investments and risk management of the parent company and taking into account the Group's operational environment as effectively as possible. The treasury reports four times a year to the Board of Directors. Fingrid's objective is to hedge itself comprehensively against financial market fluctuations. The company has a long-term diversified debt portfolio where the target is to eliminate foreign exchange risks and where the interest rate risks have been adjusted to the tariff period of the company.

#### Liquidity management

There has to be a sufficient level, meaning more than 100%, of liquid assets and undrawn committed credit lines from financial institutions covering the short-term debt, i.e. debt falling due in less than 12 months. The maturity profile of the debt portfolio is kept even. The investments are made in a diversified manner in securities having a good rating, and there are restrictions concerning individual counterparties. The securities are mainly in note form and with a good liquidity.

#### Foreign exchange risk

The principle of the company is to hedge itself against all foreign exchange risks, and the company does not have open exposures. In order to hedge the foreign currency denominated debt portfolio and business-related currency risks, the company may use various derivative instruments such as currency futures, forward contracts, currency options and cross-currency swaps.

#### Interest rate risk

The principle of the company is to adjust the interest expenses to the tariff period. During the tariff period the interest rate risk is measured by duration and since 2002, additionally, by VaR-methodology (Value-at-Risk). The VaR-methodology measures for a certain confidence level over a chosen time horizon that the cash flow deducted by net financial expenses, hedging costs, capital expenditure, taxes and dividends is sufficient to improve the equity ratio. The company manages interest rate risks through interest rate options and interest rate swaps and further by keeping the interest rate refixing profile evenly distributed over the years. These methods together decrease the immediate impact of interest rate fluctuations on the interest rate expenses during the tariff period.

#### Counterparty risk in financing

The company is exposed to counterparty risk through derivative agreements and financial investments. The company only has derivatives outstanding with counterparties having a good rating, and there are restrictions concerning each individual counterparty. Moreover, the company requires from each counterparty International Swap Dealers Association's (ISDA) Master Agreement before entering into a derivative transaction. The counterparty risks of financial derivatives did not incur any losses during the financial year.

#### Management of risk relating to loss energy purchases

The principle of the company is to adjust the loss energy purchases to its tariff period. More than 95% of the remaining tariff period 2003-2004 was hedged at the end of year 2002. The company hedges its loss energy purchases through electricity exchange products and bilateral contracts. Bilateral purchasing contracts are subjected to competitive bidding. In the above item of the notes, these instruments were valued at market value on the closing date simply using then prevailing market prices. It is assumed that the price level of bilateral price hedging contracts is the same as the closing rate of a similar product on the Nord Pool power exchange at the closing of 31 December 2002. The market price of price hedging contracts which are not quoted publicly has been estimated on the basis of the average price difference of annual products and the price level of the closing rate on 31 December 2002. The foreign exchange risks relating to the contracts have been fully hedged. Upper limits have been defined for the counterparties of bilateral contracts.

### 32. Separation of businesses in accordance with the Electricity Market Act

#### Management of balance operation

In accordance with a decision issued by the Energy Market Authority, Fingrid Oyj shall separate the duties pertaining to national power balance operation from the other businesses by virtue of Chapter 7 of the Electricity Market Act.

The profit and loss account of Fingrid System Oy, which is included in the Fingrid Group, for the duties pertaining to national power balance operation have been derived from the accounts of Fingrid System Oy. The income and expenses have been divided over the separated operations using the matching principle. Depreciation on fixed assets has been accounted for using the principles applied by the Group.

Average number of personnel during the year was 10, which was the same as a year before. Return on investment was 4.1 per cent (27.8 per cent).

SEPARATED PROFIT AND LOSS ACCOUNT, 1,000 €	MANAGEMENT OF BALANCE OPERATION	
	1 Jan - 31 Dec 2002	1 Jan - 31 Dec 2001
<b>TURNOVER</b>	48,603	38,048
Other operating income	0	0
Materials and services	-46,130	-35,052
Staff expenditure	-856	-910
Depreciation and value adjustment	-505	-476
Other operating expenses	-1,062	-880
<b>OPERATING PROFIT</b>	<b>50</b>	<b>730</b>
Financial income and expenses	-46	-62
<b>PROFIT BEFORE PROVISIONS AND TAXES</b>	<b>4</b>	<b>669</b>

#### Grid operation

The operations carried out by Fingrid Group essentially conform to grid operations including system responsibility and balance management and international business operation, whose overall contribution is minimal.

Therefore, Fingrid Group's financial statements represent the financial statements of grid operations.

## THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

In accordance with the consolidated balance sheet at 31 December 2002, the shareholders' equity of the Fingrid Group contains € 10,995,467 of distributable profits.

In accordance with the balance sheet at 31 December 2002, the shareholders' equity of Fingrid Oyj contains € 11,373,631.52 of distributable profits.

The company's Board of Directors will propose to the Annual General Meeting of Shareholders that

- € 1,994.71 of dividend per share be paid in accordance with article 5 of the Articles of Association, totalling € 6,632,410.75.

- € 4,741,220.77 be carried over as retained earnings.

Helsinki, 10 February 2003

Taisto Turunen  
Chairman

Timo Rajala  
1st Deputy Chairman

Tapio Kuula  
2nd Deputy Chairman

Timo Karttinen

Timo Pekkarinen

Pertti Simola

Pertti Voutilainen

Timo Toivonen  
President and CEO

### AUDITOR'S NOTATION

The financial statements for the financial year 2002 have been prepared in accordance with Generally Accepted Accounting Principles.

A report on the audit carried out has been submitted today.

Helsinki, 11 February 2003

PricewaterhouseCoopers Oy  
Authorised Public Accountants

Henrik Sormunen  
Authorised Public Accountant