



2012

ANNUAL REPORT





Contents of annual report and reporting principles

Fingrid draws up the consolidated financial statements and interim reports in accordance with the IFRS reporting standards accepted by the European Union and in accordance with the Finnish Securities Market Act. The annual review and the financial statements of the parent company of the Group are prepared in accordance with the Finnish Accounting Act as well as the guidelines and statements of the Finnish Accounting Standards Board. The information on personnel is based on the calculation systems used by human resource management, and the calculation of the relevant information is in compliance with the general guidelines of the Finnish Accounting Standards Board concerning the preparation of annual reviews. The environmental data is collected from the information reported to the authorities and from the company's own data compilation systems. An external emissions trading verifier has verified our carbon dioxide emission report. In terms of Fingrid's carbon dioxide emissions, the calculation is based on European emissions trading calculation and official calculation coefficients. In other respects, the corporate responsibility information has not been verified.

Corporate responsibility reporting covers the economic, social and environmental impacts of Fingrid Group's own operations in 2012. We apply the international GRI G3.0 (Global Reporting Initiative) reporting guidelines to our responsibility reporting. Moreover, we report selected indicators stated in GRI's Electric Utility Sector Supplement. Page 62 contains a table describing the correspondence between the GRI guidelines and this report. We have estimated ourselves that our reporting is equivalent to Application Level B of GRI. The application level has been verified by a third party, PricewaterhouseCoopers Oy. In reporting, we focus on the most pertinent themes and also follow the reporting guidelines for state-owned enterprises in Finland as far as the essential issues are concerned. Our objective is to develop our data compilation systems related to sustainability issues and our corporate responsibility reporting together with the related indicators comprehensively and in a balanced manner between the various sectors.

Fingrid reports its responsibility issues annually in the annual report. The reporting period for corporate responsibility reporting is the financial year of 1 January to 31 December 2012. Fingrid's previous annual report was published on 22 March 2012. Feedback and questions concerning corporate responsibility can be sent to viestinta@fingrid.fi.



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Fingrid in brief

■ Fingrid Oyj is a Finnish public limited liability company responsible for electricity transmission in the high-voltage transmission system in Finland.

■ Fingrid's nation-wide grid is an integral part of the power system in Finland. The transmission grid is the high-voltage trunk network which covers the entire Finland. Major power plants, industrial plants and regional electricity distribution networks are connected to the grid.

■ The Finnish power system is part of the inter-Nordic power system. The inter-Nordic system is connected to the system in Continental Europe by means of high-voltage direct current transmission links. Moreover, there are high-voltage direct current links from Finland to Russia and Estonia.

■ Fingrid is responsible for planning and monitoring the operation of the Finnish electricity transmission system and for maintaining and developing the system. The company is also to contribute to the work of ENTSO-E, the European Network of Transmission System Operators for Electricity, to the preparation of European network codes, and to European network planning.

■ The transmission system owned by Fingrid encompasses approx. 14,000 kilometres of 400, 220 and 110 kilovolt transmission lines plus more than 100 substations.

■ Fingrid provides its contractual customers, in other words electricity producers, network companies

and industrial enterprises, with system, cross-border transmission and balance services. Fingrid serves the electricity market by attending to adequate electricity transmission capacity, by removing transmission restrictions between countries, by providing information on the electricity market, and by harmonising the market rules.

■ Fingrid makes sure that Finland obtains electricity without disturbance. In the next few years, almost 3,000 kilometres of new transmission lines and about 30 substations will be constructed in Finland.

■ Fingrid is owned by the State of Finland (holding 53.1%), Ilmarinen Mutual Pension Insurance Company (19%) and other institutional investors (27%).

■ The company was established on 29 November 1996.

■ Operations started on 1 September 1997.

■ Revenue 522 million euros.

■ Balance sheet total 2.09 billion euros.

■ Owns 19.18 per cent of electricity exchange Nord Pool Spot AS.

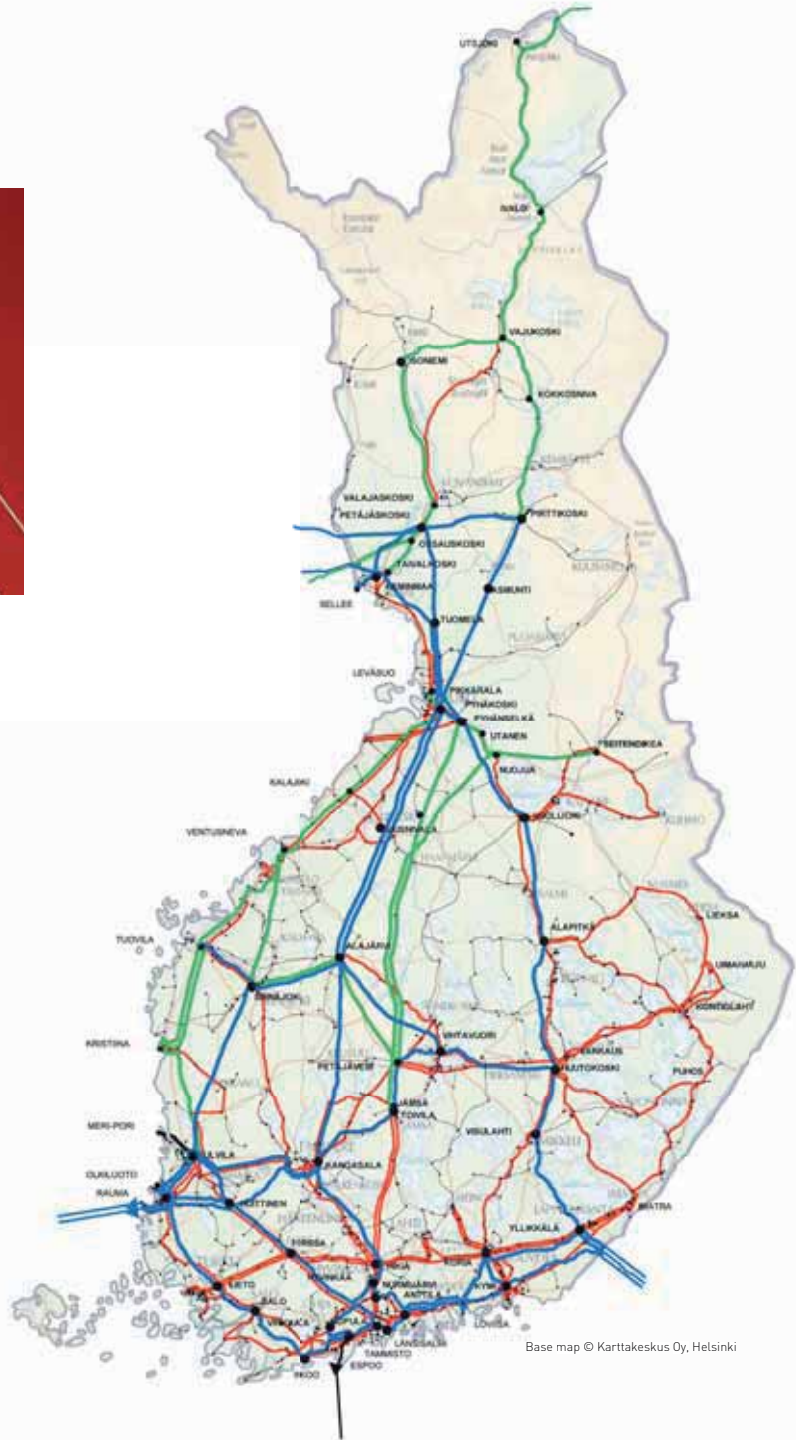
■ Number of personnel at the end of the year: 275 (261 in permanent employment).

■ Fingrid is headquartered in Helsinki, and the company also has offices in Hämeenlinna, Oulu, Petäjävesi, Rovaniemi and Varkaus.



Fingrid Oyj's power transmission grid 1 January 2013

- 400 kV grid (4,400 km)
 - 220 kV grid (2,600 km)
 - 110 kV grid (7,500 km)
- Plus Fenno-Skan 1 submarine cable 400 kV (100 km) and Fenno-Skan 2 submarine cable 500 kV (100 km)
- lines of other companies



Fingrid Oyj, organisation 1 January 2013

Jukka Ruusunen, President & CEO

	Customers and grid planning	Asset management	Power system operation	Market	Finance and business development	Personnel, communications and IT
Adequacy of transmission system						
System operation						
Promotion of market functioning						



Fingrid's strategy

Our primary objective as the transmission system operator is to work for the benefit of our customers and society. We wish to be a forerunner in transmission system operation in everything we do. Our three main duties are to transmit electricity reliably, promote the electricity market actively, and develop the transmission system with a long time span. We do not compromise our values in the implementation of the strategy.

In the preparation of the strategy, we have examined the requirements set by our vision in a balanced manner from the different perspectives of the strategy.

The customers and stakeholders expect from our performance such strategic choices and operating models that contribute to a reliable electricity transmission system and well-functioning electricity market. Moreover, our customers emphasise the importance of high-quality services and affordable pricing.

Financial management is based on the premise that we can respond to the expectations of society over a long time span by working cost-efficiently and providing the shareholders with value.

We have tuned our internal processes to conform to the company's main duties. Our organisation is based on a matrix structure which supports effective implementation and engages the personnel comprehensively.

System security management requires from us proactive and reliable attendance to system responsibility.

We promote the functioning of the electricity market by taking active part in the maintaining and development of electricity market procedures.

The essential objective in securing the transmission capacity is that we carry out the capital investments and maintenance work efficiently at the right time.

Environmental impacts and land use issues are taken into account with a long time span.

We develop the personnel and expertise so that the personnel, the foundation of our performance, are productive, innovative and healthy.

Fingrid's vision

Forerunner in transmission system operation

Fingrid's mission

We work for the benefit of customers and society:

- We transmit electricity reliably.
- We promote the electricity market actively.
- We develop the transmission system with a long time span.

Fingrid's values

- Transparency
- Impartiality
- Efficiency
- Responsibility



Review by the CEO

The year 2012 was a busy period in Fingrid's **customer efforts**. Wind power producers were active with their projects in different parts of Finland. In terms of the construction of additional nuclear power capacity, the largest possible size of a plant that can be connected to the Nordic power system was the topic of many discussions. Our numerous construction projects called for demanding transmission outages. These were managed very well thanks to good co-operation with our customers.

Related to our extensive capital investment programme and an increase in market-based costs, we raised **our tariffs** by 30 per cent at the beginning of 2012. The tariffs will be raised by another 15 per cent at the beginning of 2013. As a result, we are approaching a level of return permitted for the transmission system business by the Energy Market Authority. Fingrid aims at a balance between the customer perspective and the owners' perspective: the customers are offered affordable pricing based on Fingrid's cost-effectiveness while at the same time the shareholders are secured a reasonable level of return applicable to the transmission system business.

The customer satisfaction survey we conducted revealed that our customers continue to be very satisfied with **our services**. However, there is always room for improvement. At the end of 2012, we moved to new premises in Käpylä in Helsinki. Security and operational reliability are at an even better level in the new facilities. The new facilities also allow better customer service as we shifted the Power System Control Centre and the Hämeenlinna Network Control Centre under the same roof.

In 2012, Fingrid's grid was used for the transmission of electricity from Sweden to Finland throughout the year. This was due to the exceptionally good water reservoir situation in Sweden and Norway, and the collapse of electricity imports from Russia, which was significantly influenced by the capacity fees introduced in Russia. The Finnish transmission system worked close to its extreme limits quite often. In terms of **system security**, such a situation is difficult, because there is latitude in only one direction. The situation was further complicated by surprising faults on the high-voltage direct current connections in the spring and autumn. Nevertheless, the system security of the transmission grid was excellent after two poorer years. And what is more, this result was achieved in really demanding circumstances: during the exceptional transmission situation, we had to carry out very difficult transmission outages because of our large-scale construction projects. These were mostly managed very well due to good advance planning and close customer co-operation.

As far as the **electricity market** is concerned, we were hopeful at the beginning of 2012. The Fenno-Skan 2 HVDC connection between Finland and Sweden, which had cost more than 300 million euros and which was commissioned at the end of 2011, increased the transmission capacity between the two countries by as much as 40 per cent. But then what happened. Because of the market factors described above, there would have been a need for even more transmission capacity. The transmission capacity on the HVDC connections was reduced by a cable fault caused by a ship's anchor in the early part of the year and by a fire at a converter station in Sweden in the autumn.

We gave as much transmission capacity to the market as was possible, but in that situation it was not of much comfort. There were more transmission congestions between Finland and Sweden than ever before. The area price differences were great, and our customers were not satisfied at this. However, Fingrid is building new transmission connections which will support the market. The EstLink 2 connection between Finland and Estonia will be introduced into the market in early 2014, and on the other hand the connection between Oulu and Kokkola, Fingrid's biggest ever alternating current line project, will facilitate the efforts to keep Finland as a single price area. The latter project will be completed in 2016.

Fingrid's **capital investment programme**, which supports the climate and energy strategy of Finland, made headway on schedule and within the budget in 2012. The Finnish transmission grid will contribute to a shift-over towards increasingly self-sufficient and carbon neutral Finland, where a significant portion of electricity is produced from renewable energy. This represents part of our responsible business.

In conjunction with our capital investment programme, we have paid special attention to the reduced **land use and environmental impacts** of the development and construction of the grid. Landowners are our biggest group of stakeholders. Our transmission lines traverse the fields and forests of almost 100,000 landowners. It is important for us to be engaged in a transparent and honest dialogue with these vital stakeholders of ours.

We have also paid particular attention to **occupational safety** at our work sites. Much has been achieved, but the current level is not adequate for us. Every person working at a work site of Fingrid's has a right to leave home in good health at the end of the day's work.

It is also our policy that all employees irrespective of their nationality have the same terms of employment at our sites. With regard to the contractor's obligations and liability when work is contracted out, we have conducted good co-operation with our service providers, who have displayed strong com-

mitment to achieving the shared goals despite the great workload. For this, many thanks are due to the service providers.

We have defined a "productive, innovative and **healthy working community**" as the goal for the Fingrid team. Productivity improvements will not happen overnight, but they call for continuous work. The results are reflected in issues such as international benchmarking studies, in which we continue to have great success despite increasingly stiff competition.

One good indication of **our innovation** is the Fennia Prize 2012 Grand Prix in industrial design granted to the field tower designed in co-operation between Fingrid and design agency Muotohiomo. The field tower not only features prestigious industrial design, but it has also been designed with farmers in mind.

We have participated in the Finnish championships in welfare at work. In survey "Great Place to Work", we came 28th in the general series in Finland in 2012. Our goal is to reach the top ten, which will require further development as a team in areas "trust, pride and community spirit". When this is integrated with excellence in transmission system operation, Fingrid is ready to make its substantial contribution to the renewal of the energy sector in the future, too.

Our theme in 2013 is the **development of customer operations**. This work will be conducted in close co-operation with our customers. We are making record-high capital investments in the transmission system and in a new enterprise resource planning system. We keep the lights on in Finland, and we make every effort to ensure that the electricity market would encounter as few transmission congestions as possible.

Jukka Ruusunen
President & CEO





Customers and stakeholders

According to our stakeholder survey, Fingrid's customers assess the services of our company as being of high quality. Fingrid's expertise in particular was valued. Constructive feedback was received in 2012 of the price-performance ratio of the grid service; this was due to the tariff increases carried out in recent years. The customers and stakeholders feel that of Fingrid's values, responsibility is reflected very well in the company's operations. The company has also focused on enhancing transparency. We endeavour to constantly improve our services and to direct them in accordance with the expectations of customers and stakeholders.



WIND BRINGS NEW CUSTOMERS

The functioning of society requires more and more from electricity networks, because different functions are increasingly dependent on electricity, and the sensitivity of these functions to disturbances has elevated constantly. The transmission congestions of the grid have a significant impact on the area price of electricity. A reduction in the area price differences and the development of transmission capacity to meet the needs of society and the electricity market require large-scale capital investments which together with a rapid rise in market-based costs have resulted in a need to raise the grid tariffs. At the beginning of 2012, **grid transmission pricing** rose by an average of 30 per cent and at the beginning of 2013 by an average of 15 per cent. Despite the price increases, Fingrid's transmission tariff is still one of the most inexpensive tariffs in Europe.

Our customers contributed to the **planning and connection solutions of the grid** even more actively

than before. Comprehensive grid analyses for Kymenlaakso and South-Western Finland were completed in 2012. The future grid solutions for the Helsinki region were studied together with local companies. The customers' possibilities to connect to the grid have been ensured, and there are many ongoing connection analyses concerning wind power in particular. Despite the production subsidy for electricity generated from renewable energy sources, not as much wind power has been connected to the grid as what was anticipated earlier. Agreements for connection to the grid or related letters of intent have been signed for a volume of 300 to 400 megawatts by the end of 2012. However, it can be expected that the volume of connecting wind power will grow in the next few years.

The extensive grid development programme, which is based on the principle to build the new grid reinforcements to a large extent so that they replace the existing structures or are built in connection with them, results in numerous difficult transmis-

sion outage situations. The outages must be planned well in advance together with the customers. There will be particularly many outage arrangements in Ostrobothnia, where the present 220 and 110 kilovolt transmission lines between Pori and Oulu will be replaced with new 400 and 110 kilovolt double circuit structures in 2013 - 2016.

A new **connection fee** for connection to the transmission grid was introduced in early 2012. This fee will be applied to new agreements. The goal is to amend the existing agreements to conform to the new practice in conjunction with the modernisation of substations. The new practice aims at increasingly unambiguous tariff structure and impartial treatment of customers.

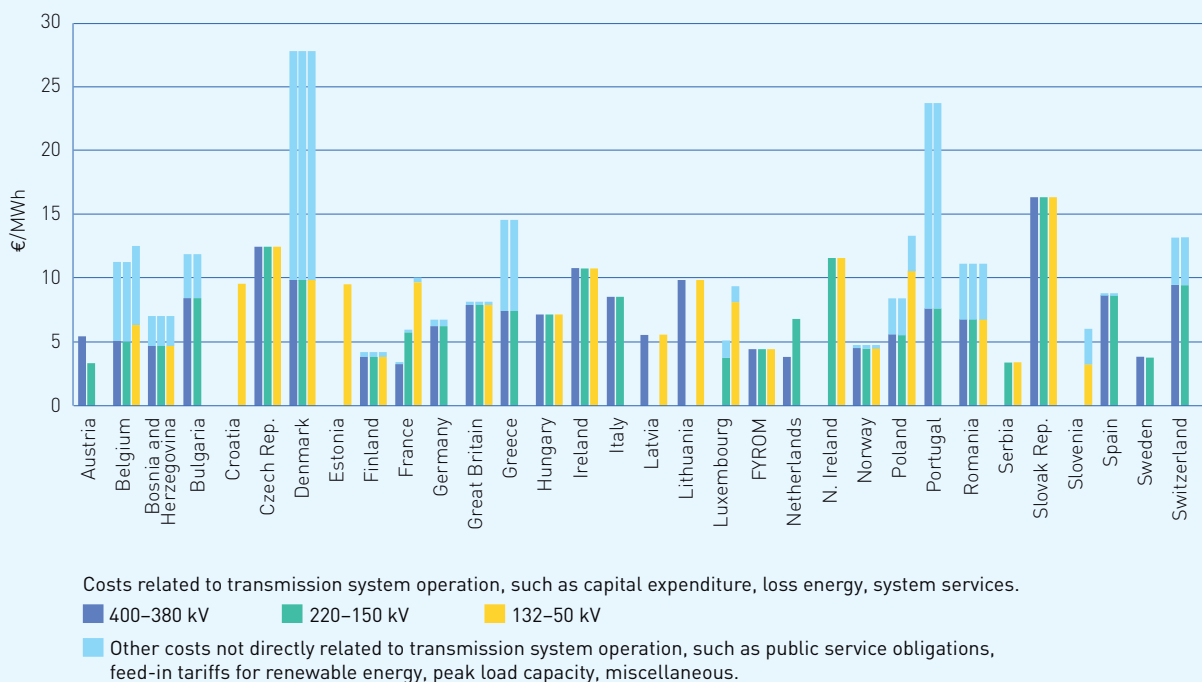
The reform of the **general connection terms** and the specifications for the operational performance of power plants was prepared so that the customers and stakeholders submitted their opinions of them during the autumn. The Energy Market Authority

confirmed in December that the general connection terms (YLE2013) must be followed from 1 January 2013. The specifications for the operational performance of power plants (VJV2013) will also be renewed in early 2013.

Fingrid arranged discussion and information sessions for its stakeholders concerning several **European network codes** which are being prepared. These codes cover issues such as connection of electricity production and consumption, electricity market rules, and system operation rules. Fingrid has aimed to activate the stakeholders to express an opinion as early as during the preparation of the codes, because once they have been adopted, they become binding legislation in Finland.

The energy sector has been awaiting the entry into force of the **new Electricity Market Act** for some time now. The new act will likely specify further the responsibilities of the transmission system operator, and the responsibilities and scopes of the nation-

PRICE OF GRID SERVICE IN FINLAND AND ELSEWHERE, ENTSO-E'S TARIFF COMPARISON 2012*



*based partly on preliminary information

wide transmission grid and distribution networks. The new Electricity Market Act will also clarify the requirements of security of supply. The new act will probably enter into force in 2013.

The public services not covered by the grid services have been managed through Finextra Oy, a fully-owned subsidiary of Fingrid. At the moment, Finextra takes care of maintaining the readiness of the peak load capacity in accordance with the relevant act. Under the act, the Energy Market Authority is responsible for specifying the need for the peak load capacity.

Fingrid introduced new, more user-friendly internet and customer extranet websites in 2012. Details useful to the customers, such as instructions for connection to the grid, have been added to the internet site. The customer extranet service has been made increasingly interactive. The company's largest group of stakeholders - landowners - will also be served even better by communicating various construction and maintenance projects by means of up-to-date online information. The development of the extranet for the customers will continue in 2013. The objective is to provide, among other things, electricity quality data once the relevant meters have been changed and once the IT applications are complete.

Fingrid's other customer and stakeholder communications took place by means of the customer magazine, newsletter, and various brochures and events. The company arranged again three different customer and stakeholder seminars, focusing on the electricity market, transmission system, and system security.

Transparent and honest interaction with the stakeholders is important when we execute new power line projects. Especially the environmental impact assessment (EIA) for transmission line projects together with the related interaction is an important part of our transmission line planning. We pay particular attention to landowners, local communities, and people living in the vicinity of transmission lines. Transmission line projects which were being planned were presented in a total of 13 public events in conjunction with the environmental

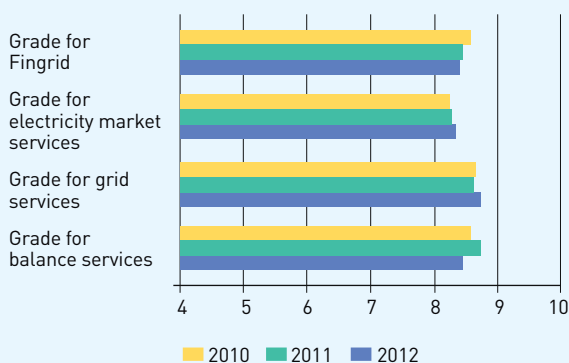
impact assessment procedures in 2012. Landowners were also met at different exhibitions and fairs. Feedback on the transmission line projects and their routes was also collected by means of Fingrid's map-based feedback system.

The discussion on the need to reform the expropriation legislation continued, and landowners expressed their dissatisfaction towards the level of the expropriation compensations also in conjunction with Fingrid's projects. The compensation policy is the same in transmission line, road, rail, and natural gas pipeline projects. Fingrid has on several occasions pointed out that the need to reform the expropriation compensation practice must be assessed and any legislative changes must be made on the basis of the overall benefit to society.

Fingrid reviews annually the opinions of its customers and stakeholders concerning the company's performance. A survey conducted among customers, authorities, market participants, service providers and energy organisations in November attracted responses from 212 persons. The company's overall rating in this survey remained almost unchanged at 8.38 on a scale from 4 to 10. Fingrid also commissioned a survey by IROResearch Oy in July, aiming to examine the experiences of landowners of the company's performance. The rating of the company was 7.44 on a scale from 4 to 10 among respondents who had some personal experience of Fingrid.

CUSTOMER AND STAKEHOLDER SATISFACTION

What general grade would you give for Fingrid's performance (scale 4 to 10, with 10 being the best)?



FINGRID'S STAKEHOLDERS AND MEASURES IN 2012

Stakeholders	Measures in 2012
Customers	<ul style="list-style-type: none"> • Electricity Market Day 12 April, Grid Day 6 September, System Security Day 3 December. Each event had an attendance of over 100 persons, and twice as many followed the webcasting of the event. • Seminar for balance responsible parties 8 November • Numerous regional customer events • Discussion events related to the preparation of European codes • Events on the connection terms and their development • Advisory Committee 4 meetings per year • Grid Committee 3 meetings per year • Operations Committee 4 meetings per year • Market Committee 3 meetings per year • Customer service: in particular, connection of wind power to the grid • Customer magazine 3 issues per year • Newsletter to customers 12 issues per year • Internet and extranet reform • Customer survey in November
Personnel	<ul style="list-style-type: none"> • Workplace community coaching • "My strategy" discussions • Personnel questionnaires • Intranet • Personnel events: Coaching day 29 May, Birthday party 13 September, Christmas party 15 November, CEO's briefings in the spring and autumn, morning coffee info sessions on Friday mornings • Leisure time exercise and cultural events arranged by the personnel association
Shareholders	<ul style="list-style-type: none"> • Annual General Meeting 22 March 2012 • Work on the Board: 12 meetings per year • Personal contacts
Financiers and credit rating agencies	<ul style="list-style-type: none"> • Issue of public bond of 300 million euros • Strengthening of credit rating at A1/AA-/A+ (Stable/Negative/Stable) • Active communications with financiers
Contractors and service providers	<ul style="list-style-type: none"> • Meetings and feedback sessions • Audits • Shared information systems • Competitive bidding and contract negotiations • Terms of contract and technical specifications • Asset Management Day 31 May • Occupational safety campaign • Exercise for the repair of a major fault in the autumn
Landowners and neighbours of transmission lines	<ul style="list-style-type: none"> • 13 public events in 2012 related to planned transmission line projects • Bulletins and letters to landowners • Map feedback service and other contacts • Okra 2012 exhibition in July and FinnMETKO exhibition in August - September • Publication "Yhteisillä linjoilla" in June • Reputation survey concerning Fingrid among landowners in July
Media	<ul style="list-style-type: none"> • Press conferences: Inauguration of Fenno-Skan 2, signing of operation and maintenance agreement for Forssa reserve power plant, Electricity Market Day, launch of safety campaign, Grid Day, laying of EstLink 2 submarine cable, System Security Day • About 130 press releases, stock exchange releases and topical news on the internet • New media section on the website • Personal contacts • Continuous media monitoring and publicity analysis
Authorities and organizations ET, MTK Energy Market Authority, Ministry of Employment and the Economy, Ministry of the Environment, regional and local authorities, National Emergency Supply Agency	<ul style="list-style-type: none"> • Co-operation and liaison with relevant authorities • Working groups and committees • Opinions • Work of Power and District Heat Pool
Other partners Other TSOs, industry associations, universities and research institutes, land use planners, NGOs, political decision-makers	<ul style="list-style-type: none"> • Participation and contribution in ENTSO-E, other international and national industry co-operation • Participation in research and development projects, co-operation with educational establishments • Dialogue in land use planning • Contacts with political decision-makers

Fingrid has defined its stakeholders through internal team work. The company aspires to open and equal dialogue with all stakeholders. Fingrid aims to discuss with and gather feedback from its stakeholders and to publish material of its efforts transparently so that the material is available to all.

CUSTOMER COMMITTEES AND ADVISORY COMMITTEE

Fingrid has an Advisory Committee and three customer committees. The Advisory Committee is an interaction channel between the company and its customers. Fingrid uses the Committee to distribute information on its current affairs and plans. The representatives of the customer groups, in turn, can take a stand on the matters discussed within the Committee and also introduce their own proposals on the agenda. The Advisory Committee is to contribute to transmission system operation in accordance with the principles of the Electricity Market Act.

The three other customer committees deal with matters in their respective sectors. The Operations Committee discusses and expresses opinions on matters related to the development of procedures used for the operation of the power system and maintenance of system security. The Market Committee is an advisory discussion forum which assists Fingrid in the development of the Nordic and European electricity markets. The Grid Committee serves as a co-operation body in system development.



Advisory Committee

Tapani Liuhala, Elenia Verkko Oy (Chairman)
Heikki Hukkanen, Tornionlaakson Sähkö Oy
Pentti Kellokumpu, Inergia Oy
Antti Koskelainen, Outokumpu Oyj
Markus Lehtonen, Helsingin Energia
Marko Nylund, Pohjolan Voima Oy
Arto Pajunen, Järvi-Suomen Energia Oy
Risto Penttinen, Fortum Oyj, Power Division
Timo Pylvänen, Savon Voima Oyj
Janne Savelainen, Lahti Energia Oy
Seppo Tuomisto, Kemira Chemicals Oyj
Pekka Tynkkynen, UPM-Kymmene Oyj
Matti Tähtinen, Fingrid Oyj (Secretary)

Operations Committee

Reima Päivinen, Fingrid Oyj (Chairman)
Ilona Erhiö, Vantaan Energia Sähköverkot Oy
Hannu Halminen, Boliden Harjavalta Oy
Erkki Nuortio, Kemijoki Oy
Raimo Peltola, Fortum Power and Heat Oy
Jaakko Puotinen, Stora Enso Oyj
Jukka Rajala, Etelä-Pohjanmaan Alueverkko Oy
Ismo Reinikka, E.ON Kainuun Sähköverkko Oy
Erkki Tiippana, VR-Rata Oy Ab
Jonne Jäppinen, Fingrid Oyj (Secretary)



Market Committee

Juha Kekkonen, Fingrid Oyj (Chairman)
 Toni Hemminki, Rautaruukki Oyj, from 6/2012
 Mika Laakkonen, Kymppivoima Hankinta Oy
 Harri Mattila, Helsingin Energia
 Karri Mäkelä, Nord Pool Finland Oy, until 6/2012
 Karl-Henrik Nordblad, Fortum Power and Heat Oy
 Sami Oksanen, Nord Pool Finland Oy, from 10/2012
 Ari Sormunen, Kuopion Energia
 Anne Särkilahti, UPM-Kymmene Oyj
 Harri Tiittanen, Power-Deriva Oy
 Jouni Väisänen, RAO Nordic Oy
 Katja Lipponen, Fingrid Oyj (Secretary)



Grid Committee

Kari Kuusela, Fingrid Oyj (Chairman)
 Markku Hyvärinen, Helen Sähköverkko Oy
 Raimo Härmä, Kymenlaakson Sähköverkko Oy
 Esa Kalla, Outokumpu Stainless Oy
 Jarkko Kohtala, Elenia Verkko Oy
 Pekka Pollari, UPM Sähkönsiirto Oy
 Antti Timonen, Oulun Energia Siirto ja Jakelu Oy
 Jaakko Tuomisto, Teollisuuden Voima Oy
 Eero Vauhkala, Fortum Sähkönsiirto Oy
 Petri Parviainen, Fingrid Oyj (Secretary)





Corporate finances

Fingrid's key role as the transmission system operator with system responsibility and as a developer of the electricity market requires sizeable capital investments in the transmission grid and cross-border connections. Cost-effectiveness, risk control and performance management are crucial aspects in the implementation of the company's strategy.



IMPROVED EARNINGS

Fingrid's key objectives in terms of finances include retaining the grid pricing at the European reference level, attaining the owners' profit targets, increasingly stable capital structure, and maintaining the high credit ratings. The implementation of the company's strategy is measured monthly and annually in terms of the functioning of the electricity market, system security, and cost efficiency. The objectives for the **strategic corporate indicators** set on these sectors were not fully attained in 2012. The objectives of the system security indicator were fulfilled to a degree of 86 per cent, because the number of disturbances was small and their economic disadvantage to society was minor. The objectives of the indicators set for the electricity market and cost efficiency were not achieved. As transmis-

sion capacity had to be restricted on the interconnectors between Finland and Sweden, there were so much area price differences that the electricity market indicator lagged behind its objective. The objectives of the cost efficiency indicator were not met because the market-based costs of reserves rose significantly from the previous year. Fingrid raised the grid transmission tariffs at the beginning of 2012 in order to increase the share of internal financing in the funding of capital investments made in the transmission system. The goal with equity ratio is a level of 30 per cent. Our financial objectives for 2013 are presented together with the other responsibility objectives on page 59 of this annual report.

The **profit for 2012** was improved primarily by the increase in the grid tariffs and by the growth in

congestion income resulting from the major area price differences. Revenue of the Fingrid Group in 2012 was 522 million euros (438 million euros in 2011). Other operating income was 4 (3) million euros.

Grid revenue rose to 276 (210) million euros as a result of the tariff increase of 30 per cent carried out at the beginning of the year. Electricity consumption in Finland increased by 1.1 per cent from 2011. Fingrid transmitted the same volume of electricity in its grid as in the previous year, 64.2 terawatt hours. The sales of imbalance power grew to 152 (146) million euros. The increase in the sales of imbalance power was influenced by the higher volume of imbalance power and by the raise in the balance service fees at the beginning of July. Fingrid's cross-border transmission income on the connection between Finland and Russia decreased by 12 million euros from the previous year because of a significantly smaller volume of electricity imports from Russia. Fingrid's congestion income on the interconnection between Finland and Estonia decreased as a result of fewer hours with a different price of electricity between the two countries. The congestion income on the interconnection between Finland and Estonia was 6 (10) million euros, which was paid to the owners of the transmission connection. On the other hand, Fingrid's congestion income on the interconnection between Finland and Sweden rose considerably due to the market situation and great differences in the area prices of electricity. Fingrid's congestion income between Finland and Sweden was 44 (16) million euros. European inter-TSO compensation income decreased by 12 million euros mainly due to reduced electricity exports from Finland to Sweden.

The costs of imbalance power grew slightly from the previous year to 133 (131) million euros due to the higher volume of imbalance power. The loss energy costs rose by 2 million euros from 2011. The average price of loss energy procurement was 52.86 (52.85) euros per megawatt hour. The increase in loss energy costs was influenced by the small growth in the volume of loss energy. The depreciation costs increased by 8 million euros as significant new capital investment projects were completed. The costs

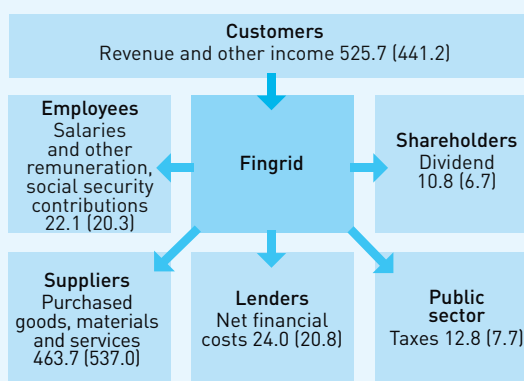
PROFIT BEFORE TAXES, EXCLUDING CHANGES IN THE FAIR VALUE OF DERIVATIVES



CREDIT RATINGS

	Long-term debt	Short-term debt	Outlook
Fitch Ratings 16 October 2012	A+	F1	stable
Moody's Investors Service 14 December 2012	A1	P-1	stable
Standard and Poor's 16 January 2013	AA-	A-1+	stable

FINANCIAL GAIN CREATED BY FINGRID'S BUSINESS TO VARIOUS STAKEHOLDERS, MILLION EUROS



of reserves, which safeguard the system security of the power system, rose by 11 million euros during the period under review because the temporary purchases of frequency controlled reserves in the hourly market in Finland and from the other Nordic TSOs were more expensive than earlier. The personnel costs increased to 22 (20) million euros partly owing to an increase in the number of personnel. The maintenance management costs rose by 3 million euros, mainly due to the repair costs of the Fenno-Skan 2 cable fault. The inter-TSO compensation costs went up by 2 million euros, because electricity imports from Sweden to Finland increased considerably from 2011.

The operating profit of the Group was 95 (57) million euros. Of the change in the fair value of commodity derivatives, -13 (-5) million euros were recognised in the income statement. The consolidated profit for the year was 67 (33) million euros. The return on investment was 5.6 (3.6) per cent and the return on equity 12.4 (6.5) per cent. The equity ratio was 27.3 (25.7) per cent at the end of the review period. Revenue of the parent company was 504 (434) million euros and profit for the financial year 41 (22) million euros.

The Energy Market Authority supervises the **reasonableness of the proceeds** of network operators. According to the preliminary information supplied by the Energy Market Authority, Fingrid's proceeds between 2008 and 2011 were approx. 245 million euros below the permitted level. The present supervision period commenced on 1 January 2012 and it will finish on 30 December 2015.

Despite the debt crisis in the euro zone, the money and capital markets worked reasonably well for companies in 2012. The bond market in particular was thriving more than ever before. Towards the end of the year, the financing margins decreased, as did the short-term and long-term reference rates of interest. The company made use of the international and domestic money and capital markets in order to finance the capital expenditure and to re-finance the interest-bearing borrowings.

The company's gross capital expenditure in 2012 was 139 million euros (244 million euros in 2011).

Of this amount, a total of 94 (173) million euros were used for the transmission grid and 26 (68) million euros for reserve power. IT-related capital expenditure was approximately 11 (3) million euros. The **cash flow from the operations of the Group** deducted by capital expenditure improved to -1 (-148) million euros due to the considerably better profit and smaller level of capital expenditure.

The financial position of the Group continued to be satisfactory. The net financial costs excluding the change in the fair value of derivatives were 21 million euros (19 million euros in 2011). Interest income was 3 (4) million euros. The net financial costs in accordance with IFRS were 7 (23) million euros, including the positive change of 14 million euros (negative 3 million euros) in the fair value of derivatives.

The financial assets at 31 December 2012 totalled 214 (204) million euros. The interest-bearing borrowings totalled 1,244 (1,224) million euros, of which 1,032 (845) million euros were long-term and 212 (379) million euros were short-term. The counterparty risk arising from the currency derivative contracts and interest rate derivative contracts was 77 (63) million euros.

International rating agencies updated Fingrid Oyj's credit ratings in 2012. On 16 October 2012, Fitch Ratings affirmed Fingrid Oyj's senior unsecured debt rating of A+, long-term Issuer Default Rating (IDR) of A and short-term IDR of F1. Fitch Ratings rated the outlook on the long-term IDR as stable. Standard & Poor's Rating Services (S&P) updated Fingrid's long-term credit rating at AA- and the short-term rating at A-1+ on 2 November 2012. S&P assessed then that Fingrid's outlook is negative. On 16 January 2013, S&P revised Fingrid Oyj's outlook from negative to stable. On 14 December 2012, Moody's Investors Service updated Fingrid's long-term credit rating at A1 and the short-term rating at P-1. Moody's rated the outlook to be stable.

The retained high credit ratings guaranteed access to competitive financing both in the commercial paper and bond markets. The company's financing is based on long-term co-operation with banks and

institutional investors. The company has an international debt issuance programme of 1.5 billion euros, under which 930 million euros worth of bonds had been issued by 31 December 2012. In April 2012, Fingrid issued a public bond valued at 300 million euros and with a maturity of 12 years in the international capital market. The public listing of the bond started on London Stock Exchange on 3 April 2012. The company hence expanded its investor base and at the same time extended the maturity profile of long-term interest-bearing debt. The company also took advantage of its international commercial paper programme. By the end of the financial year, a total of 89 million euros worth of commercial papers had been issued.







Power system

Fingrid's transmission grid and cross-border connections are an integral part of the power system in Finland. Fingrid carries system responsibility, in other words it is to take care of the Finnish power system. The volume of electricity transmitted in Fingrid's grid was almost the same as in the previous year, but the transmission situation was very different.



SYSTEM SECURITY AT AN EXCELLENT LEVEL

Electricity consumption in Finland in 2012 rose by 1.1 per cent on the previous year. Consumption took an upward turn due to the cold December and the slight recovery of industrial production towards the end of the year. Electricity consumption totalled 85.2 terawatt hours (84.2 terawatt hours in 2011). A total of 64.2 (64.2) terawatt hours of electricity was transmitted in Fingrid's grid, representing 75 per cent of the electricity consumption in Finland.

The electricity **import and production capacity** was well sufficient to cover the peak consumption of the winter. According to Fingrid's operation control measurements, the peak electricity consumption in the winter of 2012 was approx. 14,300 megawatts. The highest electricity generation volume in Finland in the early part of 2012 was approx. 12,000 megawatts, and power plants worked without significant disturbance during the period of cold weather. Despite disturbances on the cross-border transmission lines during the peak consumption week, the sufficiency of electricity in Finland was not jeopardised. Therefore, it was not necessary to take into use any of the nation-wide peak load capacity of 600 megawatts.

Electricity transmissions between Finland and Sweden in 2012 consisted mainly of imports to Finland. A ship anchor caused a cable fault in the Fenno-Skan 2 submarine transmission connection between Finland and Sweden in February. The repair of the fault was completed at the end of April. Even after this, the import capacity on the cable had to be limited partly until early June so that the auxiliary systems of the high-voltage direct current connection could be restored. Modification work on the control systems of the Fenno-Skan 1 connection and the repairs following a fire at a converter station in Sweden restricted the transmission capacity offered to the market during the latter part of the year.

The direction of transmissions in **electricity transmissions between Finland and Estonia** varied, with the dominating direction being from Finland to Estonia. The transmission capacity was available to the market in the normal manner.

Electricity imports from Russia were at a significantly lower level than in the previous years, although almost the full transmission capacity was made available, with the exception of the regular annual maintenance of the Vyborg DC station and maintenance work on the Russian grid.

The number of disturbances in the Finnish grid was at the average level. However, the calculatory disadvantage inflicted on the customers and society as a result of the disturbances was notably small. Our objectives pertaining to system security in 2013 are presented together with the other responsibility objectives on page 59 of this annual report.

However, the functioning of the transmission grid was put to the test during some major faults. First, in April both Fenno-Skan cables exhibited a fault at the same time while the full import volume of 1,350 megawatts was in use. Secondly, a busbar fault occurred in Alajärvi in August, resulting in the tripping of three 400 kilovolt lines in Fingrid's grid. Neither disorder caused electricity supply interruptions to the consumers. The most significant disorder affecting customers happened in the Vaasa region in August, when 63,000 people were left without electricity for a few minutes.

As a result of numerous construction projects, demanding transmission outages were carried out in the grid especially in Ostrobothnia and Eastern Uusimaa. The successful implementation of the outages has required careful advance planning and good co-operation with our customers.

The good hydropower production situation and a small volume of electricity imports from Russia decreased the availability of frequency controlled reserves and complicated the attainment of the required volume of reserves to be maintained in Finland. The scarcity was replaced by increased purchases of reserves from the other Nordic countries and Estonia. At the same time, the costs of reserves acquired on market terms grew significantly from the projected level.

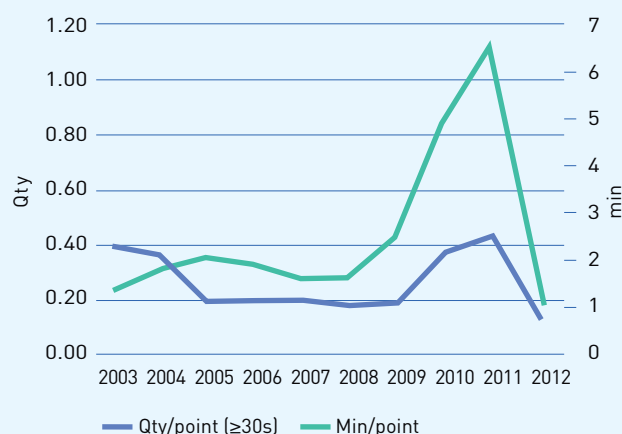
The Forssa reserve power plant, which was completed in late 2012, increased the volume of fast disturbance reserve significantly. The Nordic transmission system operators have decided to introduce a new reserve type, automatic frequency restoration reserve, in early 2014 to halt the deterioration of frequency quality.

The **volume of transmission losses** in the Finnish grid was higher than average due to the transmission situation. Electricity transmission losses in the high-voltage grid are part of the transmission business,

and they cannot be completely avoided. The annual variation of disturbances is affected by the Nordic electricity production. On a rainy year, Sweden and Norway in particular have much affordable hydropower, which means that electricity is transmitted over long distances, and this raises the losses. On a year with little precipitation, on the other hand, there is more local but more expensive production, but in such a situation the transmission losses are smaller. Fingrid takes the electricity transmission losses into account as one profitability criterion in capital investments when selecting the grid solutions and materials. The objective is to optimise grid operation and maintenance so that the losses are minimised. This is carried out by voltage control on the basis of the situation at hand, and by minimising the transmission of reactive power.

In line with Fingrid's new premises, the new **Main Grid Control Centre** was commissioned in early December. The new control centre will guarantee a high level of security and increasingly better functionality. The shift-over to the new control centre went smoothly, and in January 2013 the control centre functions in Hämeenlinna were also transferred to the Main Grid Control Centre. From now on, operation control for Fingrid's grid will take place centrally from the new control centre. As a result of the changes, customer service will improve especially during disturbances.

OUTAGES AT CONNECTION POINTS CAUSED BY DISTURBANCES IN THE TRANSMISSION GRID



POWER SYSTEM OPERATION

	2012	2011	2010	2009	2008
Electricity consumption in Finland TWh	85.2	84.2	87.7	81.3	87.2
Fingrid's transmission volume TWh	64.2	64.2	68.1	62.8	65.4
Fingrid's loss energy volume TWh	1.2	1.2	1.1	1.0	1.0
Fingrid's losses of transmitted energy, %	1.8	1.8	1.7	1.5	1.6
Electricity transmissions Finland - Sweden					
Exports to Sweden TWh	0.4	4.0	5.7	4.1	4.2
Imports from Sweden TWh	14.8	5.9	2.8	2.7	3.7
Electricity transmissions Finland - Estonia					
Exports to Estonia TWh	1.5	0.5	0.2	0.1	
Imports from Estonia TWh	0.4	1.6	2.0	1.8	2.3
Electricity transmissions Finland - Russia					
Imports from Russia TWh	4.4	10.8	11.6	11.7	10.9





Electricity market

Fingrid's efforts as a developer of the electricity market aim to benefit the Finnish national economy. The strengthening of the transmission system within Finland and on its borders will enhance the efficiency of the electricity market. The harmonisation of the market rules between countries will also contribute to this. A large well-functioning market has a positive impact on the price of electricity paid by consumers, while at the same time such a market helps to improve the security of electricity supply and facilitates the introduction of renewable energy.

13:43:34, day 23, tammiukuuta 2013, hour 08-09

Accumulat ed / Mw	Price / EUR	Price / SEK	Amount / Mw	ELSP OT area	Balance
842	200.00	1740		10 FI	
	196.89	1730		100 SE4	
	197.74	1720		100 SE4	*****
832	187.59	1632		11 DK1	*****
821	185.00	1609		10 FI	*****
811	150.00	1305		10 FI	*****
801	147.39	1282		11 DK1	*****
	134.17	1167		25 NO1	*****
790	133.99	1165		11 DK1	*****
779	125.30	1090		19 DK1	*****
760	125.00	1087		10 FI	*****
750	120.75	1060		25 NO5	*****
	107.34	934		3 NO4	*****
725	107.34	934		20 NO3	*****
695	107.20	932		15 DK1	*****
680	107.20	932		16 DK2	*****
664	100.63	875		25 NO2	*****
	100.00	870		10 FI	*****
				24 NO2	*****
				3 NO2	*****

MUCH HYDROPOWER FROM THE WEST

The **Nordic electricity market** was characterised by very abundant supply of hydropower throughout the year. This clearly lowered the price level in the wholesale market. The average price of spot electricity at the electricity exchange (system price) in 2012 was 31 euros per megawatt hour while the corresponding price in 2011 was 47 €/MWh.

However, the Finnish market did not benefit fully from the inexpensive hydropower in Norway and Sweden. For much of the year, one of the two Fenn-Skan cables was out of order for various reasons, which is why the transmission capacity between Sweden and Finland was smaller than normal. The price difference between Finland and Sweden grew large, and the average price in Finland for example in the early autumn months was more than 10 euros per megawatt hour higher than in Sweden.

As a result, a record-high amount (88.5 million euros) of congestion income was created on the border between Finland and Sweden. In accordance with

the current practice, this income is divided in equal proportions between the transmission system operators in the relevant countries and used for projects reinforcing the transmission grid.

Supply in the Finnish market area was also influenced by the fact that **electricity imports from Russia** decreased considerably. The imports had remained at a steady level for decades but started to fluctuate and decrease rapidly in the autumn of 2011. In 2012 the imports were only about one third of the earlier level of full imports. The reduction in imports is mainly due to the production capacity fees introduced in the Russian market. These fees have to be paid by consumers and also exporters of electricity. The fees raise the price of Russian electricity over the Nordic level, especially during the high-consumption hours on weekdays. The situation has also been affected by the rise in the costs of electricity production in Russia and by the decrease in electricity prices in the Nordic countries. In the cross-border transmission of electricity be-

tween Russia and Finland, Fingrid has endeavoured, together with the Russian parties, to increase market focus in the rules of trading. The goal is to launch two-way trading of electricity in early 2014.

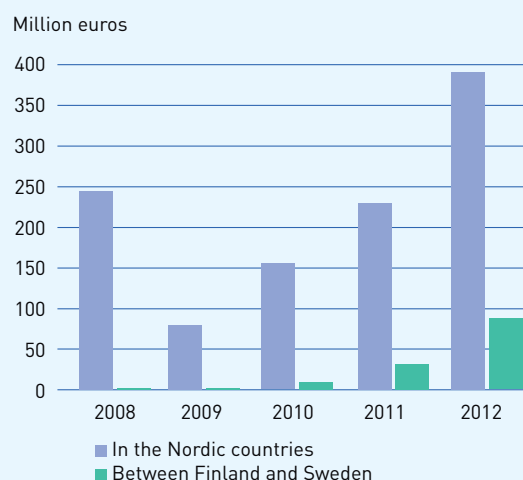
The integration of the **Baltic market** into the Nordic market took a step forward. Lithuania joined Nord Pool Spot's trading system in June, and Estonia had joined it in 2010. In the same conjunction, transmission system operators Elering and Litgrid in Estonia and Lithuania respectively became co-owners of Nord Pool Spot. Latvia is expected to join the Nordic market in 2013, which would complete the Baltic integration process.

All in all, the Finnish electricity market has entered a new phase. Variations in the markets in the neighbouring countries in all directions have a greater impact on Finland than earlier. This is due to reasons such as more numerous transmission connections, division of the Swedish market into four price areas, the Baltic countries joining the same electricity exchange area, and changes in the Russian market.

The active development of the single **European market** continued. In line with the EU's third legislative package on the electricity market, the preparation of several market rules was launched within ENTSO-E, and the first proposals were completed. Fingrid took an active part in this work, which will outline the market model well into the future. At the same time, the full integration of the various market areas was being prepared. Initially this would concern North-Western Europe. This co-operation between the transmission system operators and electricity exchanges is expected to link the day-ahead market in the region towards the end of 2013 and the intraday market a little later.

Towards the end of 2012, the Finnish, Norwegian and Swedish transmission system operators decided on the introduction of shared **Nordic Balance Settlement**. Fingrid was authorised to head the project as the Nordic balance settler with primary responsibility. The objectives are to offer balance settlement services to all market parties on the same principles and from a single source, to accomplish synergy benefits, and to contribute to the attainment of the single Nordic retail market.

NORDIC CONGESTION INCOME AND CONGESTION INCOME BETWEEN FINLAND AND SWEDEN



ELECTRICITY MARKET

	2012	2011	2010	2009	2008
Nord Pool Spot system price, average €/MWh	31	47	53	35	45
Area price Finland, average €/MWh	37	49	57	37	51
Congestion income in the Nordic countries million €	381.3	228.5	156.1	79.5	244.1
Congestion income between Finland and Sweden million €	88.5	31.2	8.9	1.1	1.3
Congestion hours between Finland and Sweden %	35.1	22.9	6.5	4.9	2.5
Congestion income between Finland and Estonia million €	12.9	19.6	18.9		
Congestion hours between Finland and Estonia %	34.7	45.5	50.0		

From 6 December 2010, congestion income between Finland and Sweden is divided in equal proportions between Fingrid and Svenska Kraftnät. Congestion income between Finland and Estonia is mainly paid by Fingrid as rent to the owners of the Estlink transmission connection (the difference of 0.1 million euros received by Fingrid was created during disturbances on the Estlink connection).





Grid development and maintenance

Fingrid maintains and develops the Finnish power system as part of a European infrastructure, and keeps all parts of the grid reliable. There was particular focus in 2012 on the grid construction projects, and also on enterprise resource planning and occupational safety.



TAKING CARE OF THE LINES

Fingrid conducts **grid planning co-operation** within ENTSO-E with the neighbouring transmission system operators both on the European level and within the Baltic Sea region. In the summer of 2012, ENTSO-E published its ten-year network development plan and the regional plan for the Baltic Sea region, and the Nordic network plan was drawn up on the basis of these. Grid planning in Finland is conducted in close co-operation with our customers.

Fingrid was carrying out its capital investment programme for the **upgrading of the grid** according to plan in 2012. Many of the projects within the programme are needed so that the solutions conforming to the energy and climate strategy of Finland can be accomplished in terms of the electric-

ity transmission system. We are making preparations for a situation where two new nuclear power plant units (alongside the one being constructed) and 2,500 megawatts of wind power can be connected to the Finnish transmission system. Moreover, certain parts of the grid are so old that they need to be modernised in the coming years. The new EstLink 2 transmission connection to Estonia is being built so as to promote the functioning of the electricity market.

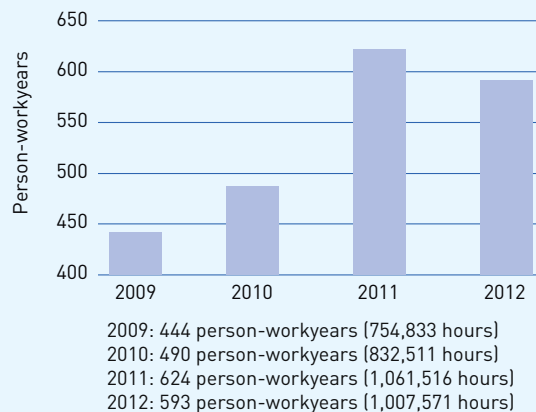
Our service providers worked for a total of 593 person-workyears at our work sites. Proportioned to Fingrid's own workforce of about 260 persons, this is an indication of busy years of construction. Fingrid procures both the construction and mainte-



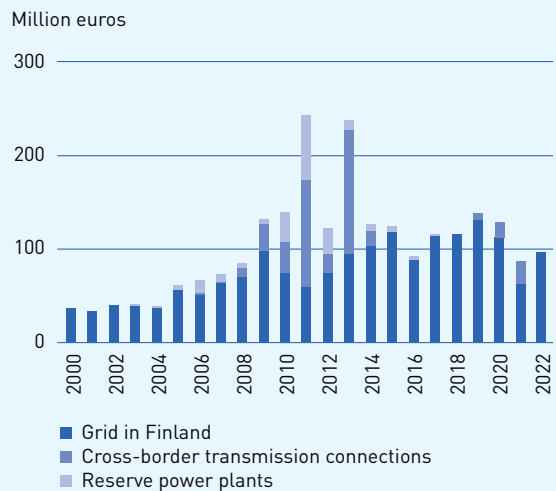
nance services from carefully selected proficient service providers following the procedures of public procurement.

In 2012, we focused on the **development of operations**. We developed our enterprise resource planning system, instruction system, maintenance management systems and occupational safety in cooperation with our stakeholders. Through these means, we will ensure that the transmission system will remain reliable now and in the future. Our objectives related to the development of the transmission system in 2013 are presented together with the other responsibility objectives on page 59 of this annual report.

WORK INPUT BY SERVICE PROVIDERS



FINGRID'S CAPITAL INVESTMENTS IN THE TRANSMISSION SYSTEM



SERVICE PROVIDERS' OCCUPATIONAL ACCIDENT FREQUENCY AND SEVERITY OF ACCIDENTS

	2012	2011	2010
Number of accidents	19	20	13
Absences due to illness	312	245	196
Frequency (number per million work hours)	18.9	18.8	15.6
Severity (absences due to illness, number)	16.4	12.3	15.1

The year 2012 was a busy period for the international **EstLink 2** project. The joint project by Fingrid and the Estonian transmission system operator Elering has made progress on schedule and within budget. The submarine cable was laid in the Baltic Sea in two campaigns during the autumn. The HVDC connection will be introduced in early 2014, whereby the Baltic Sea region will have about 650 megawatts of additional transmission capacity.

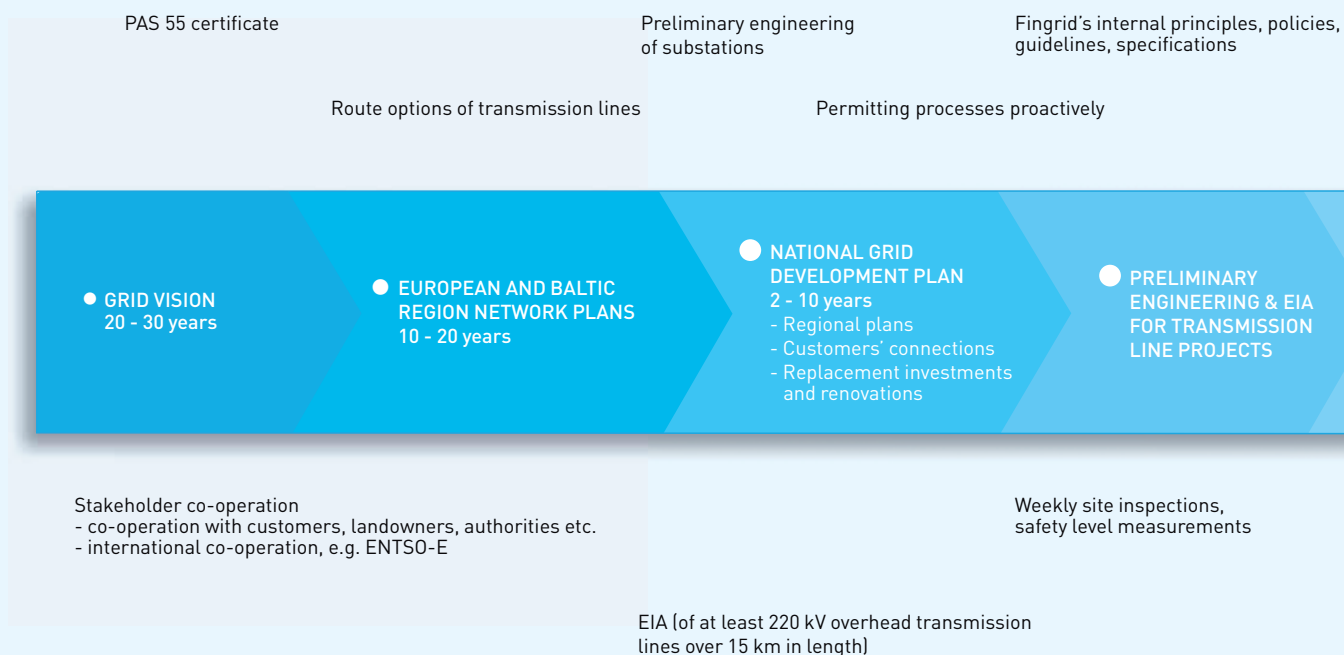
Fingrid had **several capital expenditure projects** for ensuring system security and the adequacy of transmission capacity in the future. One of the biggest projects is the one between Ylikkälä and Huutokoski. Three sub-projects were completed within it in 2012, and the last transmission line section will be completed in the spring of 2013. Several purchases and expropriation processes were completed in the Ulvila - Kristinestad transmission line project, which will reinforce the transmission capaci-

ty in Western Finland. Work within this project was launched swiftly in all subprojects. The entire project will be completed by the end of 2014.

The Nurmijärvi - Hyvinkää - Hikiä project, which will consolidate the high-voltage grid in Southern Finland, progressed from foundation work to construction work. The project integrates Fingrid's history into new design. The 110 kilovolt double circuit line originally built in the 1920s - known as the Iron Lady - will be renewed between Hikiä and Nurmijärvi. A field tower representing Fingrid's new tower design was erected near the housing fair area in Hyvinkää in early 2013. The project will be completed by the end of 2013.

Towards the end of 2012, Fingrid made a capital investment decision concerning the Hirvisuo - Pyhänselkä transmission line project. The 215-kilometre line project due to reinforce the transmis-

PROCESS "GRID DEVELOPMENT AND MAINTENANCE"

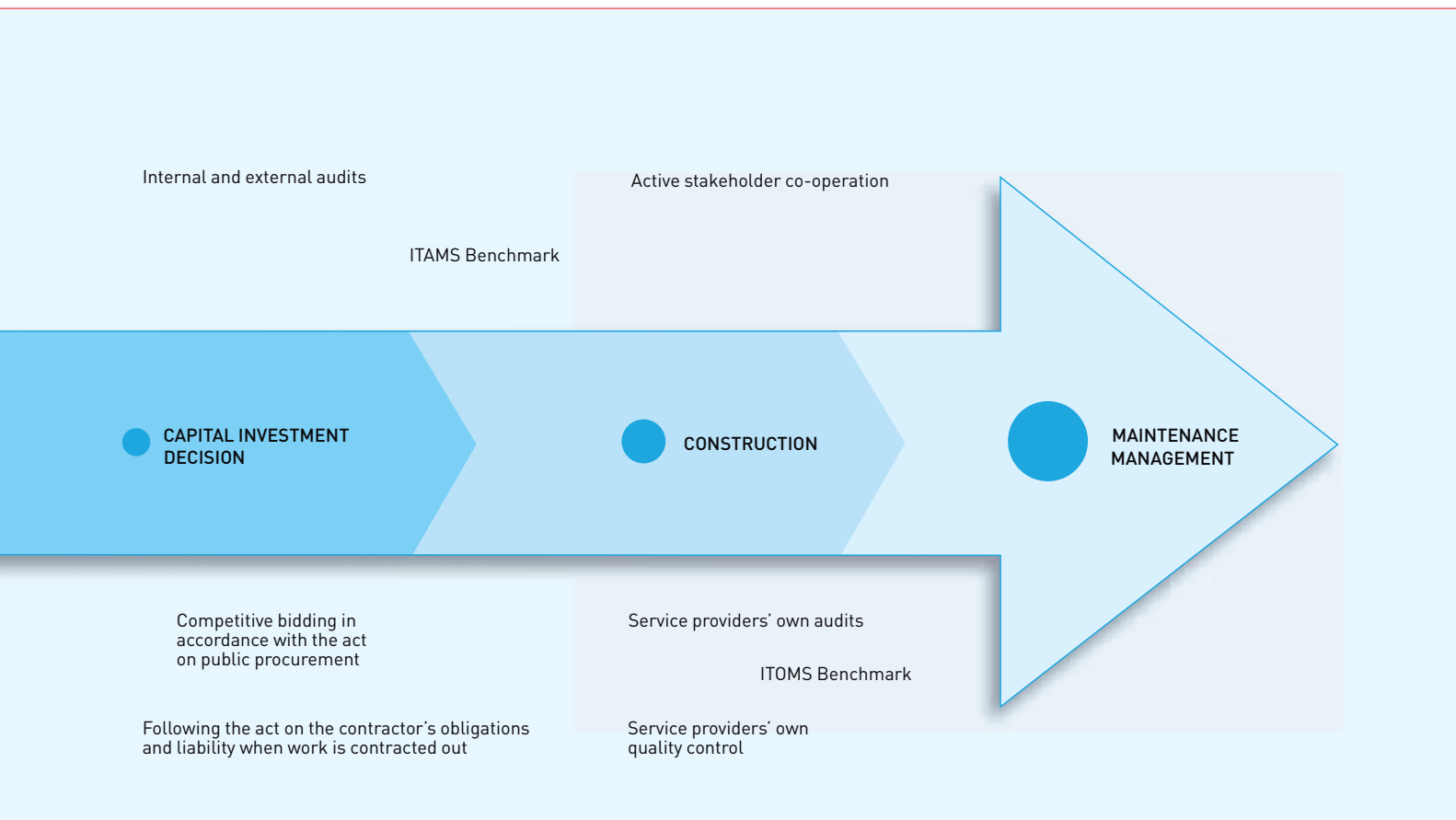


sion system in Western Finland is divided into three parts: Hirvisuo - Kalajoki, Kalajoki - Siikajoki and Siikajoki - Pyhänselkä. This project is Fingrid's **biggest transmission line project** ever. The biggest reserve power plant unit in Finland was commissioned in Forssa towards the end of the year. The plant brings 320 megawatts of additional fast disturbance reserve to the transmission system.

Maintenance management for Fingrid's grid is based on decades of systematic compilation of information and experiences, analysis of the information, and solid professional expertise. Maintenance management was enhanced in 2012 through issues such as the development of new Elvis ERP system. There was particular focus on proactive monitoring by developing the online PI maintenance management system, which can detect problems related to the grid components at an early stage. A new three-

year agreement period with the service providers commenced in maintenance management.

A substantial **occupational safety project** was launched in 2012, designed to enhance the safety culture both among Fingrid employees and service providers. The objective of the project is zero accidents at Fingrid's construction sites. Under the umbrella project, there are a total of 16 subprojects for developing new guidelines and procedures and for making analyses of the best practices to promote safety at work with the service providers and other parties. One subproject was the safety campaign "Beware before action near electrical networks" carried out in co-operation with 10 other parties in the energy industry. The long-term development of safety at work is important. In 2012, there were still too many accidents, with the accident frequency of service providers being at a level of 18.9.







Personnel

The objective of Fingrid's personnel strategy is a productive, innovative and satisfied workplace community. This is ensured by means of high-quality leadership, strategic human resources planning, and an organisational culture of continuing improvement.



FULL OF POWER

The corporate values – transparency, impartiality, efficiency and responsibility – together with the company’s personnel and management principles create the foundation for the strategic priorities in human resource management. In 2012, human resource management focused on efficient personnel, productive utilisation of business intelligence, and an organisation managed in accordance with the strategy. Our personnel objectives for 2013 are presented together with the other responsibility objectives on page 59 of this annual report.

Fingrid’s employees have access to comprehensive and diverse **occupational health and welfare services**, which were completed during 2012 by means of the “Full of Power” well-being scheme directed at the entire workplace community. The well-being scheme intends to support and strengthen personal well-being and to ensure sustained organisational performance. Absences of personnel on account of

accidents or illnesses were minor as in the previous years – two per cent of the working time in 2012.

There was continued focus on individual development of personnel, support to the work of specialists, and augmentation of expertise. The expertise and specific roles of specialists were utilised to an increasing degree in the company’s strategy work. All employees can utilise comprehensive company-level training plus individual development plans and measures agreed on the basis of regular performance reviews. Each Fingrid employee obtained an average of 37 hours of training in 2012. The performance reviews cover all persons in permanent employment. In order to secure high-quality and consistent leadership, peer efforts among supervisors were developed further in the form of regular coaching for supervisors.

To enhance Fingrid’s personnel management and to utilise the best practices, Fingrid participated in 2012 in a **survey for the best workplaces in Finland**, and came 28th in the general series. Fingrid also

took part in the annual "Towards a Better Working Community®" study by the Finnish Institute of Occupational Health, reaching again excellent results. In 2012, Fingrid's general grade as an employer in an atmosphere survey was 8.6 on a scale from 4 to 10. The results of both studies were discussed between the company's management, supervisors and the entire workplace community, and the necessary development measures were agreed. Through the constant evaluation of performance and the engagement of the entire workplace community, we strive to minimise our personnel risk related to the work ability, expertise, occupational safety and job satisfaction of the personnel.

An annual **equal opportunities plan** was drawn up in conformance with Fingrid's equality principles. The plan is drawn up in co-operation with the representatives of the various personnel groups. The plan assesses the current equality situation at the workplace, realisation of past activities, and any planned efforts to be launched. The goal is to prevent discrimination and to promote gender equality, and to make sure that no one is discriminated because of descent, religion, age or other similar reason.

The new occupational health and safety committee began its four-year term. The occupational safety efforts were upgraded significantly by having two more industrial safety delegates – now Fingrid's each office has an industrial safety delegate of its own. The key figures for Fingrid's occupational accident statistics remained low as in the recent years. There were 10 personal injuries, one of which caused absence.

Fingrid continued its efforts for enhancing its employer reputation and the attractiveness of the energy sector, and reaching even closer co-operation with educational establishments. The goal is to make the company better known among students in the energy industry and among those already in the labour market. Developing the employer reputation and contribution to the enhancement of the reputation of the energy sector represent efforts for ensuring continued expertise in the company and in the entire industry.



NUMBER OF PERSONNEL AT 31 DECEMBER 2012

	2012		2011	
Permanent	261	94.9%	252	94.7%
Full-time	250	95.8%	246	97.6%
Part-time	11	4.2%	6	2.4%
Temporary	14	5.1%	14	5.3%
Total	275		266	
On average	269.4		263.9	

TYPES OF EMPLOYMENT

	2012	2011
In new permanent employment	14	9
Number of finished employment contracts	7	7
Retired	4	2
Average retirement age	65	64
Average length of employment*	13.0 years	13.6 years
Number of persons made redundant	0	0
Incoming turnover	5.4%	3.6%
Outgoing turnover	2.7%	2.8%

* Fingrid was established in 1996 and its operations started in 1997. The personnel were transferred to the company as serving employees.

GENDER DISTRIBUTION BY EMPLOYEE GROUPS

	2012		2011	
	men	women	men	women
Board of Directors	3	2	3	2
Executive management	8	0	8	0
Senior professional employees	190	47	184	44
Salaried employees	1	15	1	15

Innovation and expertise

In 2012, some **50 research and development projects** by Fingrid were in progress. These constituted the company's R&D input of about 1.5 million euros. The volume of R&D has remained roughly at the same level in recent years.

Stakeholder co-operation has a focal role in Fingrid's research and development projects. As an example, we collaborate with our customers to accomplish a battery-based energy storage which could be used as frequency controlled reserve or for other purposes. Together with many other parties, we have also executed a project where the re-growth of sprout forest cleared from transmission line areas could be slowed down based on the decomposition ability of the fungus silverleaf. The goal is to devise a natural sprout forest prevention method and to save the costs of clearing through longer clearing cycles. The other environmental projects were related to the biodiversity of transmission line areas and to identifying the environmental costs of a transmission line project.

A significant portion of Fingrid's research and development is carried out **in co-operation with universities and research institutes**. For several years now, Fingrid has been developing know-how in transmission systems at the School of Electrical Engineering of Aalto University. The projects have been related to assessing and improving power sys-

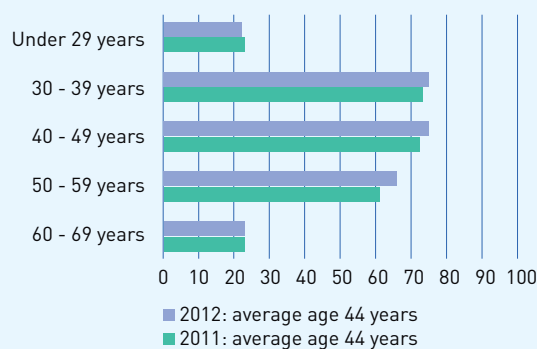
tem security, and the development work continues as part of the domestic "Smart Grids and Energy Markets" research programme.

Fingrid is also involved in international research and development through ENTSO-E's R&D Committee. The Committee is to co-ordinate research concerning European transmission system operators. The goal is to instigate large-scale research projects advancing the fulfilment of the requirements laid down in the third energy package of the European Commission. Fingrid has been participating in the international REALSMART research project, which aims to improve the system security of the power system and develop the modelling and control of wind turbines. The project also advances expertise in the industry through the exchange of researchers and specialists between universities and the energy sector.

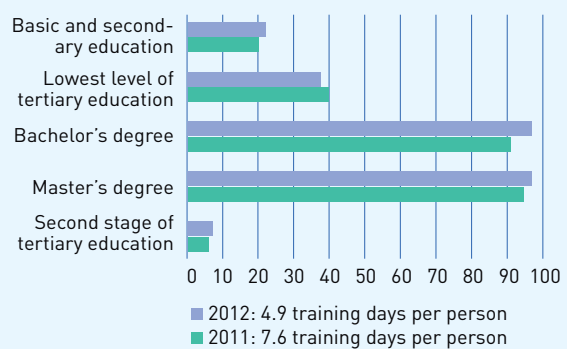
Fingrid also participated in Nordic co-operation projects in 2012. One example is the Strongrid project, in which synchronised measurement data obtained from the Nordic system is utilised so as to improve system security and to utilise the transmission capacity more efficiently.

Fingrid's strategy was redefined in terms of innovation. The applicability of new idea management software for Fingrid's needs has been analysed so as to promote the innovation of the workplace community, and the idea creation process has been enhanced in the same conjunction.

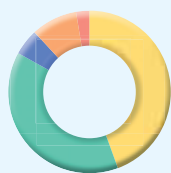
AGE DISTRIBUTION OF PERMANENT PERSONNEL



EDUCATION OF PERMANENT PERSONNEL

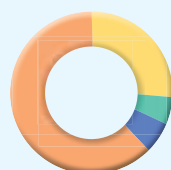


SUPPORT PROVIDED BY FINGRID'S R&D PROJECTS FOR THE COMPANY'S THREE BUSINESS PROCESSES



Adequacy of transmission system	678,864 €
System operation	596,452 €
Promotion of market functioning	78,403 €
R&D administration	136,962 €
Other projects	42,312 €
Total	1.533 million euros

BREAKDOWN OF R&D COSTS IN 2012



Salaries	25%
Travel expenses	5%
Other expenses	6%
Purchased services	64%

The majority of Fingrid's R&D was conducted in universities and research institutions.

PERSONNEL IN VARIOUS OFFICES

	2012	2011
Helsinki	218	209
Hämeenlinna	26	26
Oulunsalo	9	9
Petäjävesi	11	12
Rovaniemi	1	1
Varkaus	10	9

NUMBER OF OCCUPATIONAL ACCIDENTS AND ABSENCES ON ACCOUNT OF ILLNESS

	2012	2011
Injuries resulting in absence from work	1	0
Injuries not resulting in absence from work	9	8
Number of injuries in proportion to million working hours	2.3	0
Work-related fatalities	0	0
Percentage of absences on account of illness	2% (5.0 days per person)	1.9% (4.8 days per person)

MERIT PAY

Merit pay paid to various employee groups

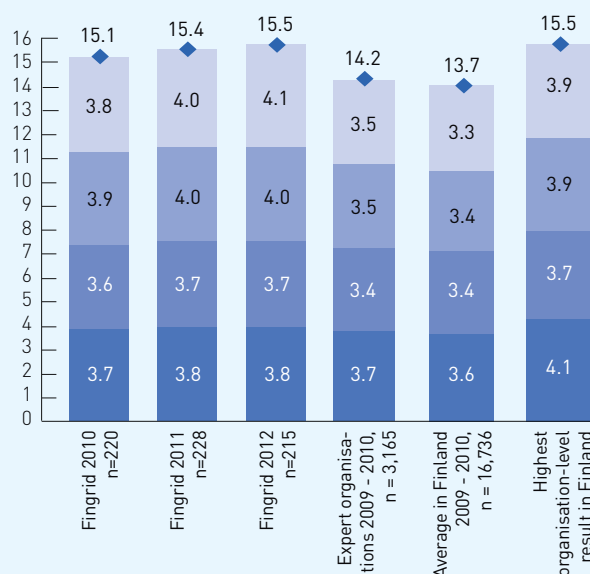
	2012	2011
Executive management	214,638.50 €	275,204.80 €
Senior professional employees	250,856.20 €	957,572.40 €
Salaried employees	10,447.15 €	40,042.82 €

Persons covered by the merit pay system: all permanent employees, i.e. 261 people. In addition to a compensation system which is based on the requirements of each position, Fingrid applies quality and incentive bonus schemes.

PERFORMANCE REVIEWS

Concern all permanent employees. Performance reviews conducted twice a year include a discussion on the personal goals and results as well as an individual long-term and short-term development plan.

TOWARDS A BETTER WORKING COMMUNITY (PARTY)[®] KEY INDICES



Development conditions of the working community
Development activity of unit
Co-operation between units
The actions of the supervisor
The actions of management

Functionality of the working community
Functionality of unit
Co-operation between units
The actions of the supervisor
The actions of management

Preconditions of work
Tasks and objectives
Control over work: opportunities to develop and influence work
Work load (reversed)

Well-being of the staff
Work stress (reversed)
Job satisfaction

◆ Towards a Better Working Community[®] Key Index

Note: A potential difference of 0.1 between a Towards a Better Working Community key index and the sum total of individual key indices is due to rounding (the lowest and highest score of individual key indices are calculated separately, whereby the sum total can be different from the highest/lowest integer).





Environment

Fingrid considers the reduced environmental impact of our operations, environmental safety, and dialogue with the stakeholders on environmental matters as very important. Through our land use and environmental policy, we wish to demonstrate our commitment to reducing the adverse impacts resulting from our operations. The policy guides us to the continuous improvement of environmental responsibility while at the same time we ensure the functioning of the power system, and electrical safety.



RESPONSIBLY ON THE SHARED LINES

A responsible approach in land use and environmental issues represents **everyday efforts** for Fingrid. It is our goal to also make sure that our service providers and contractors, to whom our construction and maintenance work has largely been outsourced, are committed to our environmentally responsible ways of working. We ensure the proper ways of working through terms of contract, training, and monitoring. In 2012, environmental training supported transmission line and substation projects and increased the environmental awareness of personnel, especially as regards the amended waste management legislation. The induction of new employees also covered environmental matters. Environmental training to new maintenance service providers for substations and reserve power plants continued in 2012.

Our environmental **objectives** for 2013 are presented together with the other responsibility objectives on page 59 of this annual report. During 2012, we developed the consideration of environmental aspects throughout a transmission line project, management of environmental matters at substation and reserve power plant construction sites, and environmental reporting. Environmental audits to ensure the accomplishment of environmental safety and environmental requirements were conducted in two power line projects and one substation project. An internal evaluation based on our own initiative so as to fulfil the environmental requirements was carried out at the Kristiina reserve power plant. In transmission line maintenance, environmental issues were covered in conjunction with occupational safety audits. We also commissioned a report of the chemical safety of substations.

Our primary environmental impacts are caused by transmission lines, substations and reserve power plants, which represent necessary and visible infrastructure in our environment. Transmission lines have in particular land use and landscape effects, and both positive and negative impacts on wildlife and biodiversity. Like all other electrical equipment, transmission lines create electrical and magnetic fields around them. The foremost environmental considerations of substations and reserve power plants are related to the storage and handling of fuels and chemicals. When we improve the transmission system, the goal is to achieve minimum electricity transmission losses in a cost effective manner, thus enhancing energy efficiency. We also regard a reduction in greenhouse gas emissions as a major consideration. The efficient re-use and recycling

of building and demolition waste is important in all construction work.

Fingrid has a crucial role in fighting climate change and in the implementation of the national climate and energy strategy, as we contribute to the **connection of new energy production** to the electricity transmission system. Fingrid participated, among other things, in the drawing up of wind power analyses and land use plans for mainland areas together with regional councils and in the preparation of guidelines for wind power capacity construction together with the Ministry of the Environment. On the other hand, the climate impact of the loss of the forest area required by transmission lines was examined in conjunction with new transmission line projects. Based on the studies, transmission line projects have a minor impact on the carbon sink of



Finnish forest assets. During 2012, we also examined the impacts of extreme weather phenomena on the reliability of the grid and on chemical safety; one example of such studies was the flood risk assessment of substations and reserve power plants.

The adverse effects of new transmission line projects on **nature values and biodiversity** are analysed either as part of the environmental impact assessment procedure or by means of an environmental study. It is our goal to avoid or minimise the adverse nature impacts. This is taken into account starting from the planning of the line routes. What is positive is the fact that transmission line areas are also known to serve as replacing habitats for species suffering for example from the disappearance of natural meadows. Of our existing transmission lines, a total of about 280 kilometres, or less than two per cent, are located in nature reserves (including preservation areas and Natura sites without nature conservation programme areas). A total of about 10 per cent of the area of Finland is protected.

The environmental impact assessment procedure for the 400 kilovolt transmission line between Central Finland and the Oulujoki river was brought to conclusion. A total of about 560 kilometres of alternative power line routes were examined within this transmission line project, the longest individual transmission line in Fingrid's history. Four Natura assessments and one needs assessment were also drawn up in conjunction with the EIA procedure. The environmental impact assessment report of the grid reinforcements required by the Olkiluoto 4 nuclear power plant unit was put on display in November. In this project, a Natura assessment or a needs assessment was drawn up of seven Natura 2000 areas. An environmental study was completed of the construction of a new 110 kilovolt transmission line between the Tikinmaa and Lavianvuori substations. Evaluations conforming to the Antiquities Act were performed for the transmission line project between Hikiä and Forssa.

We take active part in **land use planning** so as to ensure the assessment of the impacts of land use reservations and related adjacent areas, required by the development of the electricity transmission system. Fingrid issued about 230 opinions concerning land

use plans in 2012. Moreover, we guide community planning and construction taking place in the vicinity of the transmission grid by issuing opinions which involve safety instructions and restrictions. In 2012, we issued almost 450 such opinions.

The land areas and trees in the transmission line areas belong to the landowner. **Fingrid expropriates a right of use** to the transmission line area, which allows the construction, operation and maintenance of the transmission line. In accordance with the nation-wide land use objectives stipulated in the Land Use and Building Act, the objective is to primarily utilise existing rights-of-ways in the planning of transmission line routes. In the planning of new transmission line routes, we seek solutions that avoid the immediate proximity of residential areas. In 2012, Fingrid bought, at the landowner's own initiative, one single-family house property in order to ensure appropriate line planning.

Expropriation decisions were obtained for the 400 kilovolt transmission line to be built between the Kristinestad and Ulvila substations, for the renewal of the 110 kilovolt transmission line between the Ontojoki and Tihisenniemi substations, and for the renewal of the 110 kilovolt transmission line between the Varkaus and Pamilo substations. Two expropriation permit applications were prepared. One of these concerned the replacement of the 110 kilovolt transmission line between the Hikiä and Forssa substations with a 400 and 110 kilovolt line. The other expropriation permit application is related to the 400 and 110 kilovolt transmission line between the Hirvisuo substation in Kokkola and the Kalajoki substation. This line will replace the present 220 kilovolt power line. The Hirvisuo - Kalajoki line is part of the Hirvisuo - Pyhäselkä project, which, once completed, will mean a shift-over from the 220 kilovolt voltage level to 400 kilovolts on the coast of Ostrobothnia. The compensation issues for the completed 220 kilovolt Isoniemi - Vajukoski and 110 kilovolt Inkoo - Karjaa transmission line projects were finalised in 2012. The total length of the lines was 104 kilometres, and the compensations concerned a total of some 140 pieces of real estate.

In projects which are in the construction phase, the land use and environmental matters are on the

agenda in site meetings. The preservation of nature sites identified in the planning phase is ensured during the construction of the transmission line by means of separate guidelines. The impacts of transmission lines on birds were reduced in 2012 by installing more power line bird markers, which reduce the birds' risk of collision with the line. In Savonlinna, we had to apply for a permit to remove a nest of the protected osprey from a transmission line tower in order to guarantee general safety. Bird obstacles on adjacent towers were upgraded in the same conjunction to prevent any further nesting, and a replacing nest was built for the ospreys.

The health impacts of the **electric and magnetic fields** of transmission lines were of interest to the

stakeholders, both in the context of existing and planned transmission lines. The potential health impacts of these fields have been studied extensively, but the new research findings have not affected the recommended values concerning the exposure of population. We follow the latest research findings, and in this respect we also contribute to the reports published by the Tampere University of Technology of medically-oriented research related to the electric and magnetic fields. Two such reports were published in 2012. Studies concerning potential disturbance in cardiac pacemakers at substations and under transmission lines were continued in 2012.

Transmission lines may emit **noise** due to wind, and this noise is taken into account during construction



engineering. Of the substation equipment, for example transformers, transformer fans and capacitor towers are a source of noise. Related measurements were carried out in Espoo and Rauma in 2012. The noise values of the Fenno-Skan 2 HVDC connection in Rauma gave reason for further analyses. We take the noise impacts of new substations and reserve power plants into account as early as during the engineering phase, and we set guarantee values for noise emissions.

The **direct energy consumption** of our operations consists of the fuel consumption by the reserve power plants. In 2012, a total of 6,806 tonnes (294,000 gigajoules) of light fuel oil and a total of 32.5 tonnes (1,400 gigajoules) of jet fuel were fired during the management of serious disturbances in the power system and during trial operation, which is required to ensure that the plants start reliably. The most significant part of our **indirect electricity consumption** is caused by electricity transmission losses, the volume of which in 2012 was 1,181 gigawatt

hours (4,251,600 gigajoules). This accounts for just over 1 per cent of the entire electricity consumption in Finland. In addition, we used 345 megawatt hours (1,200 gigajoules) of electric energy generated by other parties as fast disturbance reserve.

Electric and thermal energy was also consumed in our premises, and as auxiliary power at substations and reserve power plants. We took part in the national Energy Saving Week. We activated our own staff with the theme of saving household electricity, and we got to know new technology which can control electric appliances in the home. Our new headquarters are energy-efficient. The international LEED (Leadership in Energy and Environmental Design) environmental certificate at the gold level has been applied for the building.

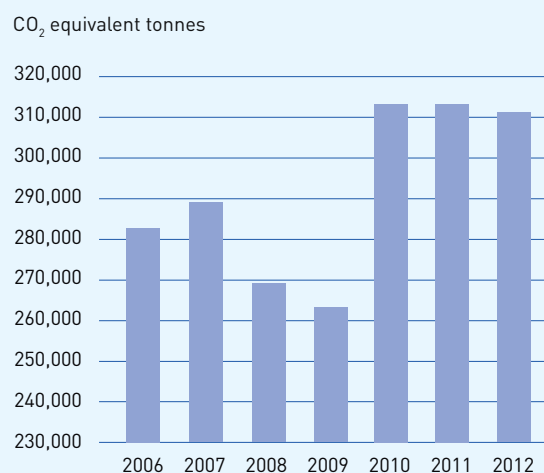
Our total **direct greenhouse gas emissions** in 2012 were 21,828 tonnes CO₂ equivalent. This contains the CO₂ emissions from reserve power plant fuels and the sulphur hexafluoride (SF₆) emissions from

INDIRECT GREENHOUSE GAS EMISSIONS 2012

	CO ₂ equivalent tonnes
Transmission losses	311,000
Electricity and energy consumption at substations and reserve power plants	*
Electricity and thermal energy consumption in the premises	*
Fuel consumption by rented reserve power plants	345
Business travel (air travel, and duty travel subject to kilometre allowance)	603
Total	311,948

*No information available

INDIRECT GREENHOUSE GAS EMISSIONS CAUSED BY TRANSMISSION LOSSES 2006 - 2012



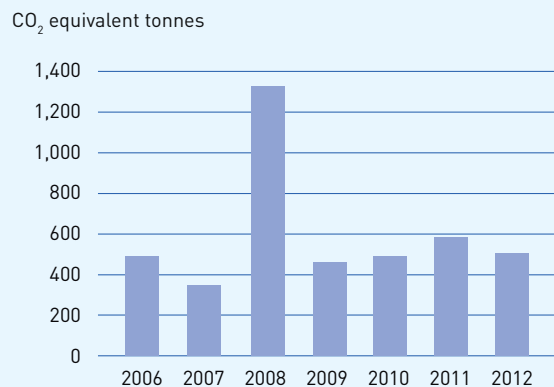
Our indirect greenhouse gas emissions mainly comprise electricity transmission losses. The emission factor of the transmission losses is calculated based on statistics by IEA.

our substations. According to Statistics Finland, the total CO₂ equivalent emissions in Finland in 2011 were 66.8 million carbon dioxide tonnes; our emissions were about 0.3 per mil of this. Our indirect greenhouse gas emissions consisted mainly of transmission losses (311,000 tonnes CO₂ equivalent). Other **indirect** greenhouse gas emissions comprised auxiliary energy, use of district heating, fuel consumption at the rented reserve power plants, and air travel by the personnel. Based on kilometre allowances, the carbon dioxide emissions resulting from the kilometres driven by our personnel due to their work were 239 tonnes. The emissions resulting from travel are reduced by a video conferencing system used in our internal and external negotiations. This system was expanded upon moving to the new premises. Fingrid does not own any motor vehicles. The emissions from transport by our contractors and service providers while they work on our projects are not included in our monitoring.

Our reserve power plants are covered by the EU's emissions trading scheme. The correctness of the measuring and reporting systems for fuel consumption is verified by an independent accredited emissions trading verifier. A total of 21,317 units of emission allowances were returned to Fingrid. The fuel consumption and direct greenhouse gas emissions of the reserve power plants were unusually high in 2012 due to the trial operation included in the commissioning process of the new reserve power plant in Forssa. Emissions trading has minor financial significance for Fingrid. So that the carbon dioxide emissions from fuel consumption could be brought down, the duration of trial operation of the plants is as short as possible considering system security, and a low power level is applied in trial operation.

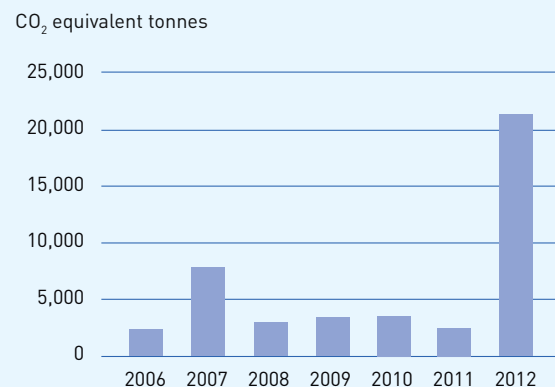
The sulphur dioxide (SO₂) emissions from our reserve power plants in 2012 were 6.2 tonnes, and the emissions of nitrogen oxides (NO_x) were 60 tonnes. The sulphur content of the stored fuel has

DIRECT GREENHOUSE GAS EMISSIONS OF SUBSTATIONS 2006 - 2012

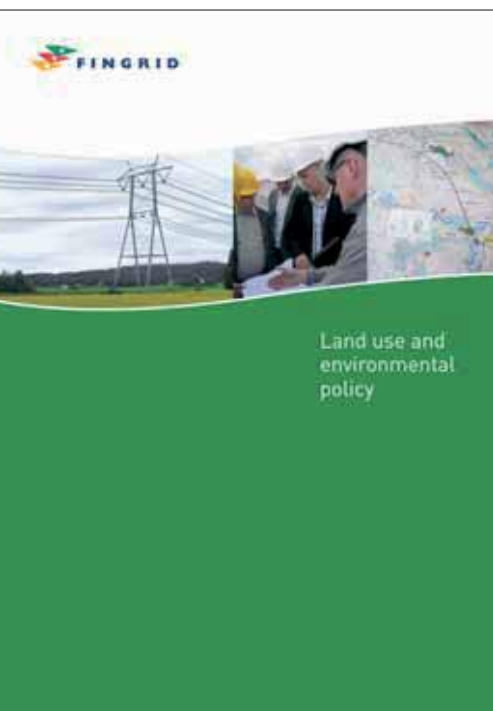


Fingrid's direct carbon dioxide emissions are based on EU-ETS emissions trading calculation. The emissions from Fingrid's purchased electricity have been calculated using IEA's average emission factor for Finland in 2008 to 2010 (199 g CO₂/kWh), and the calculation of the CO₂ equivalent emissions of the SF₆ gas emissions has employed the IPCC 2001 GWP coefficient of 22,000 for the gas emissions.

DIRECT GREENHOUSE GAS EMISSIONS OF RESERVE POWER PLANTS 2006 - 2012



The great change in the greenhouse gas emissions in 2012 is due to the commissioning process of the reserve power plant built in Forssa. The capacity of this plant is much higher than that of the other reserve power plants.



been brought down by mixing new sulphur-free fuel with the old fuel, because the turnover of the fuel reservoirs at the plants is very slow due to the small annual use.

Our transmission and substation projects are contracted out as total contracts also covering **material and device purchases**. We procure for instance conductors and transformers as separate purchases. The new transmission line towers are typically hot-dip galvanized steel towers, the current conductors are steel-reinforced aluminium conductors, and the insulators are of glass or composite material. Copper conductors are needed for tower earthing. The foundations of transmission line towers are made of concrete. We use creosote-impregnated wood to reinforce the foundations in soft soil, and in maintenance work to replace individual tower legs. In terms of materials efficiency, we recognise that a reduction in the consumption of materials in the tower structure typically also enhances our cost-efficiency. We conduct this optimisation within the framework of technical and land use issues. A total of 3,509 tonnes of steel was used for the towers

commissioned in 2012. The total weight of conductors was 2,287 tonnes.

Only necessary **chemicals** are handled and kept at substations and reserve power plants. The foremost chemicals comprise fuels, transformer oils, capacitor fluids, and battery acids. The volume of oil in the substation equipment totalled approx. 7,360 tonnes at the end of 2012. We focus on the management of the risk involved in chemicals and on the prevention of accidents by using technical solutions, monitoring, inspections and safe working practices. We use professional service providers and instruct employees to safe working methods also in terms of the environment, including accidents and disturbances. Examples of technical solutions include well-functioning automation and surveillance systems as well as protective structures.

Sulphur hexafluoride (SF₆) used by us in substation equipment because of its good insulating properties is a potent greenhouse gas. According to a nation-wide survey conducted among distribution network and regional network companies and Fin-



grid in the spring of 2012, Fingrid's volume of SF₆ in 2011 (28,200 kg) was approx. 33 per cent of the total SF₆ gas volume possessed by electricity network operators in Finland. Our SF₆ gas emission in 2011 was 26 kg, representing about 18 per cent of the total emissions of network operators. At the end of 2012, our substations contained a total of about 29,300 kg of SF₆ gas, and the estimated emissions in 2012 were 25 kg. We conduct active co-operation with our equipment and service providers in order to reduce leaks of SF₆ gas, and we apply exact real-time gas monitoring at all new substations and at some of our existing substations.

The most significant **waste** volumes resulting from our operations are created in the construction and modernisation of transmission lines, substations and reserve power plants. We have outsourced these projects to our contractors and service providers. Typical hazardous waste includes impregnated wooden poles of old dismantled power lines, and oily waste and batteries at substations and reserve power plants. Under the terms of contract, we require the proper arrangement of waste manage-

ment and record keeping, with the primary goal being a reduction in the volume of waste.

As far as **environmental damage** is concerned, a fuel leak occurred at the Forssa reserve power plant in 2012 in conjunction with the commissioning process. A maximum of 200 litres of light fuel got into the ground in the leak. The reconditioning work was carried out in accordance with regulatory guidelines. As a result of the damage, the technical solutions of the fuel system and guidance were amended. Our operations did not cause any other significant leaks of chemicals, oil or fuels in 2012.





Corporate responsibility

Supply of electricity is vital to the welfare of society and development of industry and commerce. Fingrid has a crucial role in the Finnish society as we take care of reliable electricity transmission in the high-voltage grid and on cross-border transmission connections. Alongside the functioning of the power system, we also respect the social, economic and environmental impacts of our operations. Responsibility is one of our values and an indispensable part of everything that we do.



POWERING FINLAND.

Fingrid's responsibility management is founded on the company's strategy, which aims to find a balance between various perspectives. The company's success is founded on taking care that the objectives of the processes concerning the customers and stakeholders, personnel, finances, and operations are in a sustainable balance. Responsible efforts and the needs of society are an integral part of the company's strategy and the follow-up of its success.

The strategy is implemented through a matrix organisation, which relies on the functions and on processes which execute the company's mission. The structure is characterised by comprehensive

personnel engagement and commitment as well as fast execution of tasks. Attending to corporate social responsibility is part of the normal strategic and daily management of the organisation. The Board of Directors of the company approves the principles concerning responsibility and its management. The company's direct customer and stakeholder efforts including communications are organised in accordance with the perspectives of the strategy. The Board of Directors monitors the responsibility of the company's operations even though none of the members of the Board is specifically responsible for corporate responsibility. The President and the heads of functions take care of responsibility issues in their own areas. The development and preparation of responsible operations are co-ordinated by a specifically appointed working group which is represented by the various parts of the company's organisation to ensure full coverage. The working group reports to the company's executive management group.

Responsibility is driven by the company's **Code of Conduct**, published in different languages on Fingrid's website. All employees are expected to comply with the Code in their daily work. Contractual partners who provide us with services are also expected to adhere to corresponding principles and make sure that the employees of subcontractors and suppliers are aware of our Code of Conduct. In Fingrid's instruction system, the principles are specified by policies adopted by the executive management group. Such policies include the procurement policy as well as land use and environmental policy. Prevention of discrimination is addressed in the equality principles.

The aspects of corporate social responsibility at Fingrid in accordance with the GRI reporting guidelines are related to local communities, bribery, political influence, and conformance to the regulations. Fingrid's operations are subject to official regulation and supervised by the Energy Market Authority. Transmission system operation is a natural monopoly by nature. Fingrid performs its duties impartially, fairly and transparently. We do not pay bribes or other illicit payments, and we refuse to be engaged in money laundering in all its forms.

The objective of our procurement policy is to ensure that the purchases are made responsibly and in accordance with uniform procedures. Procurement takes into account such things as equality and non-discrimination, working conditions, terms of employment, occupational safety, environmental responsibility, legality of business, human rights, and use of child labour. We comply with the act on the contractor's obligations and liability when work is contracted out. We report internal control and risk management on our website and in the Corporate Governance Statement of the annual report.

The aspects of product liability at Fingrid comprise the health and safety impacts of the transmission system. We make sure that the transmission system is safe. Our customers are electricity producers, network companies and manufacturing industries, not individual consumers. The transmission capacity must be sufficient and the system security level of electricity transmission must be high. In the promotion of the electricity market, our goal is to provide the Finnish national economy with benefits. The customers are heard in forums such as the Advisory Committee and three customer committees; these have been described in section "Customers and stakeholders" of this annual report. In keeping with our principles, we organise our operations so that the processing and forwarding of confidential information are protected in a responsible and professional manner.

We **report** our responsibility issues as part of the annual report and separately on our website. We are committed to developing our reporting in a determined manner. We are now applying the international GRI G3.0 (Global Reporting Initiative) reporting guidelines for the second time. The reporting takes into account the requirements of state ownership steering and other recommendations ensuring the company's good governance. According to our own estimate, our reporting is equivalent to Application Level B of GRI. The application level has been verified by an independent verifier, PricewaterhouseCoopers Oy.

When we have been defining the contents of responsibility reporting, we have identified the impor-

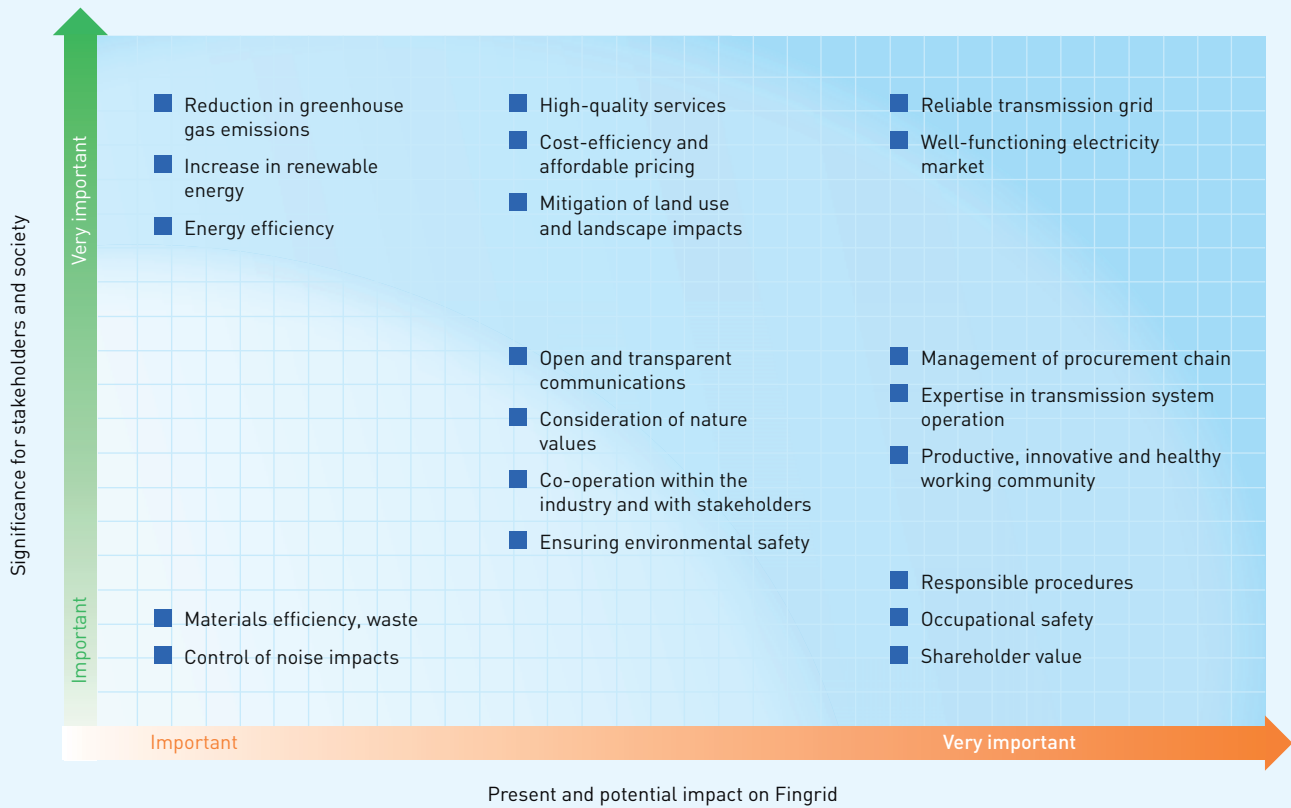
tant issues in terms of Fingrid's business and combined them with the expectations that our stakeholders and society have towards us. This has been based especially on our strategy and the experiences given to us by our dialogue with the stakeholders. Furthermore, we have examined the weighting of the essential issues in terms of accountability with a view to the future.

In 2012, Fingrid's executive management group verified that the **essential corporate responsibility issues** are up to date. We will focus on the essential issues also in our reporting. In addition, we defined the primary **responsibility objectives** based on the issues we have identified. We will communicate the attainment of these and any experiences accumulated. These objectives were defined by a comprehensive annually assembling leadership forum. In conjunction with operational planning, the entire workplace community reflected on the significance of the principles of responsible efforts in their own work, identifying development measures.

In the context of the definition of the essential issues, we have identified our most important **stakeholders**. The interaction with these is reported in this annual report under "Customers and stakeholders". While we attend to the foremost infrastructure in Finland, we also wish to satisfy the expectations of our stakeholders and society towards us. We consider that a focus on the essential issues listening to the expectations of the stakeholders and society also brings added value to the prioritisation of our operations while at the same time this supports our risk management.

We plan the future in terms of corporate responsibility by emphasising transparency and target orientation. We wish to give a clear and comparable view of the principal economic and social impacts of our operations and of the environmental impacts involved in the development of the transmission system. In our operating model based on solid procurement expertise and outsourcing, one of the key objectives is to enhance our requirements concerning the responsibility of the operations, and to monitor the supervision of their attainment in our procurement chain.

ESSENTIAL ISSUES IN TERMS OF FINGRID'S CORPORATE RESPONSIBILITY



SUSTAINABLE DEVELOPMENT TRENDS WITH PARTICULAR SIGNIFICANCE FOR FINGRID



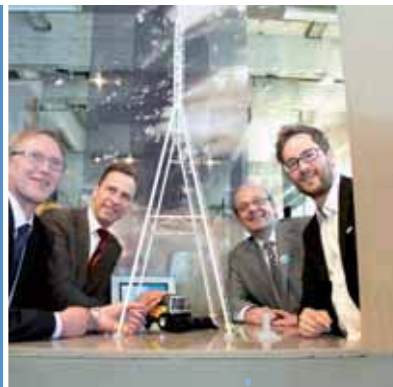
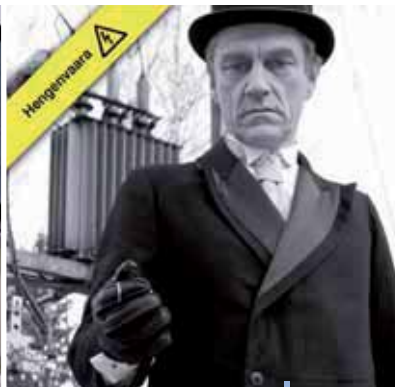
MEGATRENDS

- Climate change and scarcity of natural resources
- Globalisation of economy
- Demographic change and ageing of population

FINGRID'S PRIMARY RESPONSIBILITY OBJECTIVES

Social responsibility	Indicator	Objective
Reliable transmission grid	Economic disadvantage inflicted on customers by disturbances in the transmission grid	Economic disadvantage inflicted by disturbances less than 4.5 million euros
Long-term development of the grid for the needs of the customers and electricity market	Implementation of the 10-year capital investment programme concerning the transmission grid in a manner which enables the execution of the Finnish climate and energy strategy	Capital investment projects on schedule and budget
Responsibility of the procurement chain	Responsible procedures in the procurement chain and monitoring of their achievement	Constant improvement
Good workplace atmosphere	Key figures of "Towards a Better Working Community®" study by the Finnish Institute of Occupational Health	Retaining the current top-ranking level
Good leadership	Survey "Great Place to Work", general series	Among top 10
Responsible practices	Responsibility management, practices and reporting as part of the company's management and instruction system	Constant improvement
Good occupational safety	Accident frequency	Accident frequency less than 10 by the end of 2015
Successful stakeholder co-operation	Customer survey Stakeholder survey	Average grade at least 8.5 Average grade at least 8.5
Environmental responsibility	Indicator	Objective
Responsible land use and environmental policy	Mitigation of the land use and landscape impacts of the transmission grid, and related stakeholder dialogue	Constant improvement
	Making service providers and contractors committed to environmentally responsible procedures, and monitoring of related achievements	Constant improvement
Economic responsibility	Indicator	Objective
Affordable pricing	ENTSO-E's European tariff level comparison	Among top 3
Return on equity (ROE)	Proceeds in accordance with the regulatory model (WACC)	Proceeds in accordance with the regulatory model from 2014
Targeted capital structure	Equity ratio	Approx. 30%

Milestones in 2012



■ **Fingrid continues at the top of ITOMS ranking.** Fingrid was among the best transmission system operators in ITOMS (International Transmission Operations and Maintenance Study) for the ninth consecutive time, even though our ranking in cost efficiency came down slightly. This was because we have made considerable input in securing safety and system security in recent years. The 2010/11 study concerned 27 TSOs around the world.

■ **www.hengenvaara.fi.** Fingrid together with other parties in the energy industry launched an electricity safety campaign. The campaign reminds people of the safety instructions for earthwork, cultivation, timber felling and other work carried out close to transmission lines. The target groups from consumers to professionals are to be reached by using a variety of channels, from the Internet to various training sessions. The thought-provoking videos of the campaign can be seen at www.hengenvaara.fi

■ **New nest for ospreys.** An osprey couple built its nest on the same transmission line tower near Savonlinna for the second time. However, the nest posed a security risk both to electricity transmission and the birds themselves. The nest was dismantled after the nesting season, but a new artificial nest was built in a nearby tree



■ **FenniaPrize award.** Fingrid's new field tower was awarded the Grand Prix in the Fennia Prize 2012 competition in industrial design. The new field tower model has been developed in co-operation with design agency Muotohiomo. The jury commended Fingrid for the use of design in an innovative and open-minded manner as part of an indispensable infrastructure. The design language of the field tower is minimalist and timeless. The end product has a direct impact on the quality of the environment.



“**Yhteisillä linjoilla**”. Fingrid published the publication “Yhteisillä linjoilla” targeted at landowners in July. The articles of the publication dealt with issues such as the field tower designed on the basis of landowners’ wishes, EIA procedure for transmission line projects, and management of trees near transmission lines.

“**Great Place to Work**”. Fingrid came 28th in survey “Great Place to Work” in the general series in Finland in 2012. The company took part in the study for the first time. A total of 144 organisations participated in the study, with the 50 best publicised in the early part of the year. The survey was carried out by Great Place to Work Institute Finland, which prepares an annual analysis of the best workplaces in Finland.



Main Grid Control Centre to secure the transmission system. As Fingrid moved to new premises, the company will no longer have two control centres. The Network Control Centre in Hämeenlinna and the Power System Control Centre in Helsinki were merged into the new Main Grid Control Centre. The reform will improve the efforts, especially in disturbance situations, hence also benefitting customers.

Major fault exercise. In a major fault exercise in October, Fingrid’s service providers were able to practice the erection of a fault repair tower in an authentic environment, even though the actual situation was imaginary. This was the first time that such an exercise took place in field conditions.

Welfare coaching. As part of the welfare programme in 2012, Fingrid employees were given a series of lectures of our most important tool, the brain. The themes were recovery, stress management, and the challenges of information work. The lectures focused on issues such as self-management from the point of view of the brain, and sleep, memory and learning as keys to successful specialist work.

GRI Content Index

We apply the international GRI G3.0 (Global Reporting Initiative) reporting guidelines to our sustainability reporting. The table below describes the correspondence between those guidelines and this annual report. We have estimated ourselves that our reporting is equivalent to Application Level B of GRI. The application level has been verified by a third party, PricewaterhouseCoopers Oy.

		Included	Page	Remarks
	1. Strategy and Analysis			
1.1	CEO's statement	Yes	8-9	
1.2	Key impacts, risks and opportunities	Yes	47, 56, 58-59, 69-71	
	2. Organizational Profile			
2.1	Name of the organization	Yes	4	
2.2	Primary brands, products and services	Yes	4	
2.3	Operational structure	Yes	5	
2.4	Location of organization's headquarters	Yes	4	
2.5	Number of countries and location of operations	Yes	4-5	
2.6	Nature of ownership and legal form	Yes	4	
2.7	Markets served	Yes	4	
2.8	Scale of the reporting organization	Yes	4	
2.9	Significant changes regarding size, structure or ownership	Yes		No significant changes in the reporting period.
2.10	Awards received in the reporting period	Yes	60-61	
	3. Reporting Principles			
3.1	Reporting period	Yes	2	
3.2	Date of most recent report	Yes	2	
3.3	Reporting cycle	Yes	2	
3.4	Contact point for questions regarding the report	Yes	2	
3.5	Process for defining report content (materiality, prioritizing topics and stakeholders using the report)	Yes	57-58	
3.6	Boundary of the report	Yes	2	
3.7	Limitations on the report's scope or boundary	Yes	2	No specific limitations on the scope or boundary of the report.
3.8	Basis for reporting subsidiaries, joint ventures, leased facilities, outsourced operations and other entities affecting comparability	Yes	2	We report the work hours and accidents of the service providers as well as information on the use of materials.
3.9	Data measurement techniques and bases of calculations	Yes	2	Reported in conjunction with the key figures.
3.10	Explanation of re-statements	Yes		No re-statements of information provided in earlier reports.
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods	Yes		No significant changes. Sustainability reporting has been developed.
3.12	GRI content index	Yes	62-65	GRI Content Index
3.13	Assurance policy and practice	Yes	2	
	4. Governance, Commitments and Engagement			
4.1	Governance structure of the organisation	Yes	72-75	
4.2	Position of the Chairman of the Board	Yes	80-81	
4.3	Independence of the Board members	Yes	80-81	Information on the independence of the members of the Board is available on the company's website.
4.4	Mechanism for shareholder and employee consultation	Yes	72-74	

4.5	Impact of organisation's performance on executive compensation (incl. social and environmental performance)	Yes	76-78	
4.6	Processes for avoiding conflicts of interest	Yes	72-74	Corporate governance statement.
4.7	Processes for determining Board members' expertise in strategic management and sustainability	Yes	72-74, 80-81	Annual report 2012: Corporate governance statement, descriptions of the Board of Directors and the committees of the Board on pages 74 - 75, description of responsibility management on page 56. The Board of Directors and the committees evaluate their own performance annually.
4.8	Implementation of mission and values statements, code of conduct and other principles	Yes	7, 56	
4.9	Procedures of the Board for overseeing management of sustainability performance, including risk management	Yes	56, 68-69, 74	
4.10	Processes for evaluating the Board's performance	Yes	74	
4.11	Addressing precautionary approach	Yes	68-71	
4.12	Voluntary charters and other initiatives	Yes		Energy efficiency agreement of Finnish industries 2008 - 2016.
4.13	Memberships in associations	Yes	4, 15	ENTSO-E, Finnish Energy Industries
4.14	List of stakeholder groups	Yes	15	
4.15	Identification and selection of stakeholders	Yes	15, 57	
4.16	Approaches to stakeholder engagement	Yes	15	
4.17	Key topics raised through stakeholder engagement	Yes	13-16, 41, 42	
Economic Performance Indicators				
	Management approach to economic responsibility	Yes	20-21, 56-57, 59, 68-71	
EC1*	Direct economic value generated and distributed	Partly	21	
EC2*	Financial implications, risks and opportunities due to climate change	Partly	47, 50, 70	
EC3*	Coverage of defined benefit plan obligations	Partly	100	No separate benefit commitments.
EC4*	Significant subsidies received from government	Yes		Tekes: 94,000 euros. National Emergency Supply Agency: 120,000 euros.
EC6*	Policy, practices and spending on local suppliers	Partly	34	In accordance with the principles of public procurement, local suppliers cannot be favoured in purchases.
EC9	Significant indirect economics impacts	Partly	29	
Environmental Performance Indicators				
	Management approach to environmental responsibility	Yes	46-53, 56, 59	
EN1*	Materials used by weight or volume	Partly	52	
EN3*	Direct energy consumption	Yes	50	
EN4*	Indirect energy consumption	Partly	50	
EN5*	Energy saved due to conservation and efficiency improvements	Partly	50	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Partly	51	
EN8*	Total water withdrawal by source	No		Water consumption and waste water are not essential factors in electricity transmission or in the operation of substations and reserve power plants. Household water is consumed at our facilities, substations and reserve power plants.
EN11*	Location and size of land holdings in areas of high biodiversity	Partly	48	
EN12*	Description of significant impact of activities, products, and services on biodiversity	Yes	46, 48-49, 59	http://www.fingrid.fi/en/grid_projects/environment/Pages/default.aspx
EN14	Managing impacts on biodiversity	Partly	48-49, 59	
EN16*	Total direct and indirect greenhouse gas emissions	Partly	50-51	Direct greenhouse gas emissions have been reported.

EN17*	Other relevant indirect greenhouse gas emissions	Yes	50–51	
EN18	Initiatives to reduce greenhouse gas emissions	Partly	50–51	
EN20*	NO _x , SO _x , and other significant air emissions	Yes	51	
EN22*	Total amount of waste by type and disposal method	No	53	The principle of arrangement of waste management has been described. No information on waste volumes is available.
EN23*	Total number and volume of significant spills	Yes	53	
EN26*	Mitigating environmental impacts of products and services	Partly	49	
EN28*	Significant fines and sanctions for non-compliance with environmental regulations	Yes		No fines or sanctions in the reporting period.
EN29	Environmental impacts of transportation	Partly	51	
Social Performance Indicators				
Labor Practices and Decent Work				
	Management approach to labor practices and decent work	Yes	37, 39–43, 57, 59, 71	
LA1*	Total workforce by employment type, employment contract and region	Yes	41, 43	
LA2*	Total number and rate of employee turnover by age group, gender and region	Yes	41	The total number is reported on pages 41–42. Age groups of new permanent employees: - 29 years: 6, 30 - 39 years: 4, 40 - 49 years: 4, 50 - 59 years: 0, 60 - 69 years: 0. Of the new permanent employees, 2 are women and 12 are men. Age groups of permanent employees whose employment has finished: - 29 years: 0, 30 - 39 years: 2, 40 - 49 years: 1, 50 - 59 years: 0, 60 - 69 years: 4. Of the permanent employees whose employment has finished, 0 were women and 7 were men.
LA3	Benefits to full-time employees that are not provided to temporary or part-time employees	Yes		As a rule, the benefits apply to all employees (the exception is paid shorter working time for the parents of small children, and merit pay to some extent).
LA4*	Coverage of collective bargaining agreements	Yes		Fingrid complies with the collective labour agreement for salaried employees and senior professional employees in the energy industry. These agreements cover the entire personnel.
LA5*	Minimum notice period regarding operational changes	Yes		Fingrid complies with the industrial co-operation procedure legislation in Finland.
LA6	Percentage of employees represented in joint health and safety committees	Yes	41	The entire workforce is represented.
LA7*	Rates of injury, occupational diseases, lost days, fatalities and absenteeism	Yes	43	No observed occupational diseases in 2012.
LA8*	Education and prevention programmes regarding serious diseases	Yes	40–41, 61	
LA10*	Average training hours per year per employee	Yes	40	Average training hours per person have been reported on page 40. Training hours by employee groups: senior professional employees 8,989.79 hours (4.9 days/person), salaried employees 538.21 hours (4.5 days/person).
LA11	Programmes for skills management and lifelong learning	Yes	40	
LA12	Employees receiving regular performance and career development reviews	Yes	43	Concern all permanent employees.
LA13*	Composition of governance bodies and breakdown of employees	Yes	41	
Human Rights				
	Management approach to human rights	Yes	36–37, 56–59	
HR4*	Incidents of discrimination and actions taken	Yes		No incidents of discrimination in the reporting period.

Society				
	Management approach to society	Yes	36-37, 48-49, 56-59	
SO1*	Programs and practices that assess and manage impacts of operations on communities	Partly	14, 48-49	
SO4*	Actions taken in response to incidents of corruption	Yes		No incidents of corruption in the reporting period.
SO6	Contributions to political parties, politicians and related institutions	Yes		Fingrid does not support religious or political activities.
SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly	Yes		No legal actions in the reporting period.
SO8*	Significant fines and sanctions for non-compliance with laws and regulations	Yes		No fines or sanctions in the reporting period.
Product Responsibility				
	Management approach to product responsibility	Yes	49, 56-59	
PR1*	Assessment of health and safety impacts of products	Partly	49	
PR5	Practices related to customer satisfaction and results of customer satisfaction surveys	Yes	14-15	
PR8	Complaints regarding breaches of customer privacy and losses of customer data	Yes		No known cases in 2012.
GRI's Electric Utility Sector-Specific Organisational Profile Disclosures				
EU4	Length of aboveground and underground transmission and distribution lines	Yes	5	
EU5	Carbon dioxide emission allowances in accordance with the emissions trading system	Partly	51	
EU6	Management approach to ensure short and long-term electricity availability and reliability	Yes	8-9, 34-37	
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	Yes	36-37, 43	
EU12	Transmission and distribution losses	Yes	27	
EU14	Programmes and processes to ensure the availability of a skilled workforce	Partly	40-42	
EU16	The well-being and occupational safety programmes concerning the personnel of the company and its suppliers and contractors	Partly	37	
EU17	Number of work days of suppliers' and contractors' employees working in construction, operation and maintenance duties	Partly	35	
EU18	Proportion of suppliers' and contractors' employees who have taken part in occupational safety training	Partly	37	
EU19	Stakeholder participation in the decision making process related to energy planning and infrastructure development	Partly	42, 47-49	
EU20	The company's practices in situations where people have to move out due to new production facilities, distribution networks or other construction work	Partly	48	
EU21	Contingency planning measures, disaster/emergency management plan and training programmes, and recovery/restoration plans	Partly	68-70	
EU22	Number of people physically or economically displaced and compensation broken down by type of project	Partly	48	
EU28	Frequency of electricity distribution disturbances	Yes	27	
EU29	Average power outage duration	Yes	27	
	* Key indicator in GRI guideline			





Risk management

The objective of Fingrid's risk management is to support the implementation of the strategy and to secure the continuity of the company's operations in the changing circumstances, and to manage the safety and environmental impacts of the operations. The goal is to engage the entire personnel to identify the risks associated with the company's operations and to implement risk management measures.

SYSTEMATIC RISK MANAGEMENT

Risk identification, assessment and classification are the basic conditions for internal control within Fingrid. The risks threatening the achievement of the company's strategic and financial objectives are identified and assessed in accordance with their likelihood and impacts so that the risks can be controlled using methods matching their significance. Since the company has a vital role in the Finnish society, the impact of the strategic risks on the company and society is assessed separately. Protection measures are drawn up in order to control the risks that have been identified as major risks.

The company is typically exposed to risks pertaining to the operating environment and to the counterparties. The risks are associated with issues such as asset management, financing, finances, loss energy procurement, balance service, and grid service.

Risk management responsibilities

The Board of Directors of the company is responsible for the risk management system. The Board of Directors accepts the risk management policy and any changes in it annually. The audit committee of the Board of Directors obtains an annual report of the foremost risks pertaining to the company's operations and of their management. The Board approves the risk management measures as part of the corporate strategy, action plan, performance indicators and budget, and the Board supervises their fulfilment.

The President is responsible for risk management related to the corporate-level strategic goals. The foremost strategic risks are identified as part of the company's strategy work, and they are presented in the corporate strategy. These risks are monitored and co-ordinated by the executive management group, but each function and/or business process is responsible for implementing its own risk management.

The heads of the units are responsible for the identification, reporting and risk management measures of

the operative risks in their respective areas of responsibility. Responsible persons in each function attend to the implementation and follow-up of risk management in their areas of responsibility. Each Fingrid employee is responsible for identifying and reporting the risks in their own area of responsibility and for implementing risk management measures.

Financial administration is to support and assist the business functions so that risk management in the business processes is ensured.

Risk surveys and organisation of reporting

The strategic risks are analysed, and the associated risk management measures are planned as part of Fingrid's annual strategy work. The updated strategy is discussed by the Board of Directors annually in August.

The strategic risks, risks relating to financing, and counterparty risks involved in the business are reported regularly to the Board of Directors and audit committee. The operative risks, risks relating to financing, and counterparty risks are reported regularly to the executive management group. The counterparty risks and operative risks of a particular business unit are reported regularly to the relevant business units.

A risk assessment of the operative risks is drawn up for the company's operational planning in the autumn, and the risk management measures are planned. The risk map of the operative risks, the risk assessments and the situation with the risk management measures are updated in the spring. The impacts of the operative risks are assessed from four points of view regarding Fingrid: impacts related to personnel and expertise, corporate finances, customers and stakeholders, and business processes. Moreover, the risks are assessed in view of society with regard to the functioning of the electricity market, system security, safety, and the environment. The likelihood of risks is also analysed as part of the risk survey.

In situations involving major changes to the operations and in projects, the risk caused by the change

or project is evaluated and reported as part of the project proposals and alternative measures.

Protection against risks

Guidelines for protection against risks are maintained in Fingrid's instruction system. The instruction system is composed of three levels:

- **Management principles;** documents which describe Fingrid's management.
- **Policies;** documents which specify the principles and describe the operation of the main processes and Fingrid's management perspectives.
- **Guidelines;** detailed guidelines which specify the policies.

Risk protection takes place by reducing the likelihood and/or seriousness of a disadvantageous event. Damage and loss related to a risk are restricted by means of advance protection measures and/or corrective action carried out in retrospect.

The main means of practical protection are (usually in this particular order): changing of procedures, contingency plans, guidelines and safety arrangements, improvement of technical solutions, contractual limitation (major and unexpected risks), and derivatives and insurance policies (risks distributed over several parties).

Protection measures are drawn up and development projects are launched whenever necessary to control the risks identified as being major, and the corporate operative indicators are supplemented for their monitoring if necessary. Extensive projects or ones having great significance are named strategic development projects and presented as part of Fingrid's strategy. The President appoints project leaders for such projects, approves the contents of the projects and monitors their progress.

Limitation of risks

The limitation of risks is based on the identification, classification, evaluation, and reporting of the risks. The risks are limited using various mecha-

nisms and measures, such as by setting limits in euros, by requiring collateral, by monitoring the financial standing and credit rating of a counterparty, and by using contractual limitations.

Foremost risks and factors of uncertainty

In addition to the foremost risks affecting the company, Fingrid has identified, as part of its corporate social responsibility, the risks that have a major impact on society. In its selected strategic focal areas, Fingrid has taken into account the management of the risks that affect both society and the company and made preparations for the risks using various means.

The **foremost risks shared by Fingrid and society** comprise a major disturbance, lack of confidence in the electricity market, and environmental risk.

One of the company's biggest business risks and the biggest risk in terms of society is a **major disturbance** related to the functioning of the power system. A wide-spread disturbance in the power system may be caused by several simultaneous faults in the grid, inoperability of Fingrid's operation control system, insufficiency of production capacity, external events, or problems related to operation support systems or data security, preventing grid operation entirely or partially. Fingrid is prepared for a wide-spread disturbance concerning Finland or the Nordic power system by making capital investments in the transmission grid and in reserve power. In its strategy, the company also focuses on the versatile utilisation of the operation control system, expedited disturbance clearing, and management of power shortage situations. Fingrid also makes preparations for disturbance situations by means of various reserves, procedural guidelines, contingency plans, and exercises.

The **loss of confidence in the electricity market** is a significant risk for Fingrid and society. This risk may be realised for example as a result of insufficient transmission capacity or high prices of electricity. The company aims to contribute to the integration of the European electricity market and to

secure the intensification of market mechanisms by constructing new cross-border transmission connections whenever necessary and by publishing market information which has bearing on the transparency of the market.

From the point of view of society and Fingrid, the most significant **environmental risks** are related to environmental damage and to the environmental legislation requirements of the operations. From Fingrid's point of view, the foremost risks related to environmental matters include delays in capital investment projects due to the assessment of environmental impacts, and changes in environmental legislation. One special risk identified by Fingrid is the environmental permit obligations becoming so much more stringent that the operation of reserve power plants, which are used as fast disturbance reserve, becomes more complicated. The key preparatory measures for the environmental risks comprise proactive assessment of environmental impacts, monitoring of legislation, prevention of accidents by means of technical solutions, further development of terms of contract, and audits.

Variations in weather and extreme weather phenomena related to climate change may cause a need for new technical solutions, and they may influence the grid operation and maintenance practices. Moreover, the construction of transmission lines may become more complicated as a result of mild winters. All of these factors can result in additional costs to the company.

The **most significant risks to Fingrid** are an unfavourable trend in official regulation, capital investments which have become unnecessary, unanticipated capital investments, an unexpected increase in costs or reduction in income, financing risks, personnel risks, reputation risks, risks related to information technology and telecommunications, and asset risks.

Fingrid's operations are subject to official regulation and supervised by the Energy Market Authority. Risks related to an **unfavourable trend in official regulation**, such as changes in the Finnish or European regulation or legislation, can weaken the

financial position of the company or its opportunities to pursue the objectives related to the development of the electricity market. The company aims to establish well-working co-operation and interaction with the various stakeholders and to contribute actively to the reports and task forces of authorities. Fingrid works within ENTSO-E, the European Network of Transmission System Operators for Electricity, hence making preparations for and influencing the impacts of regulation.

Capital investments which have become **unnecessary, or unanticipated capital investments** may be the result of issues such as regional changes in electricity consumption, changes in electricity production, changes in the international situation, changes in official regulation, or technological changes. The objective is to prevent potentially incorrect or unanticipated capital expenditure by means of continuous dialogue and close co-operation with our customers, other transmission system operators, and other stakeholders. Fingrid draws up transparent, comprehensive and sustainable grounds for capital investments, and updates the grid plans regularly. The company creates flexibility in the capital investment programme and executes the projects in a timely fashion.

Fingrid's major financial risks include an **unforeseen increase in costs or decrease in income**. Such a change may be due to for example surprising changes in market-based costs. An increase in costs can be the result of the realisation of the counterparty risk or sudden changes in the price of electricity or in the interest rate level. Correspondingly, a decrease in income may be due to factors such as increased reserve or financing costs, surprising faults, or a drastic reduction in electricity consumption. An unanticipated increase in costs or decrease in income is restricted by enhancing financial control in the Group and assessment concerning financial latitude. Fingrid can make changes to the grid tariff annually. Derivatives are used for hedging against changes in the price of electricity or in the interest rate level. The counterparty risk involved in the obligations of parties which have a contractual relationship with Fingrid is limited contractu-

ally, by using various limits and by regularly monitoring the financial standing of the counterparties.

The **financial risks** include currency risks, transaction risks, interest rate risks, commodity risks, liquidity and refinancing risks, and credit risks. Financial risks can be caused by issues such as disorders in the capital and money markets, realisation of counterparty risks in terms of derivatives or investments, realisation of business credit risks, or suspended payment transactions. The objective is to limit the risks by means of derivatives, monitoring of counterparties, and by determining upper limits for investments in financial securities and counterparties. The financial risks are described in more detail in note 34 to the consolidated financial statements (IFRS).

The **personnel risks** may be related to competence and occupational safety. In terms of occupational safety, risks related to electrical safety as well as construction and repair projects are the foremost risks. The competence and occupational safety risks are limited by the company's strategic long-term personnel planning and allocated training programmes for both the company's own personnel and service providers. Fingrid audits the work sites systematically in order to enhance safety at work.

Reputation risk can be attributable to a number of reasons, such as serious disturbances or accidents, changes in prices, expropriation of land areas, or delayed upgrades of the grid. These risks are reduced by means of effective risk and change management as well as responsible, transparent and equitable operations and active stakeholder efforts.

Risks related to information technology and telecommunications may be caused by an accident in ICT hardware facilities, long-term inoperability of telecommunications, or a serious failure in a critical ICT system where such a failure poses a direct and significant impediment to the company's operations. Such a situation may also be caused by a work error or serious breach of data security. The goal is to make contingencies for these risks so that the company has sufficient and solid ICT expertise and that ICT is secured in terms of the facilities, tele-

communications and systems. Contingency plans are drawn up for the critical systems, and the company monitors and forecasts potential cyber security threats.

Asset risks cover significant damage to Fingrid's assets, such as wide-spread failures or failure in significant assets beyond repair. Other reasons of asset risks can include significant and unanticipated external factors. Fingrid manages the asset risk through means such as preventive maintenance management, comprehensive insurance policies for the key grid components, detailed definition of projects and maintenance management, stringent quality control, and use of proven technology and suppliers.

Risks to society include the postponement of significant upgrades in the transmission system and long-term transmission capacity restrictions.

Significant **upgrades in the transmission system may be delayed** because of the postponement of the permit process, economic situation, lack of resources, or strike, among others. The postponement may cause restrictions in the electricity market, in which case the market will not function effectively. Fingrid plans and constructs the primary cross-border connection projects and projects for the reinforcement of the trunk grid with care, and takes environmental impacts into account with a long time span.

Long-term transmission capacity restrictions may be caused by for example technical failures or problems with power system security. The restrictions inflict economic disadvantage on the customers and society. The restrictions are controlled by securing the critical items in the transmission grid and on the cross-border connections and by means of efficient outage planning, for example by timing the outages so that they impose a minimum of economic disadvantage to society.

Corporate Governance Statement

Fingrid Oyj is the Finnish electricity transmission system operator responsible for the high-voltage transmission system in Finland. The company is to develop the transmission grid, maintain a continuous balance between electricity generation and consumption, settle the electricity supplies between the parties on a nation-wide level, and improve the functioning of the electricity market. Moreover, Fingrid is responsible for the cross-border transmission connections to other countries.

Fingrid is a transmission system operator (TSO) which participates in the efforts of European Network of Transmission System Operators of Electricity (ENTSO-E) by virtue of the regulation on the cross-border exchanges in electricity (EC 714/2009). ENTSO-E's mission is, among other things, to draw up the rules for the European electricity market.

The duties belonging to the company are organised and the responsibilities for them are determined in accordance with the management principles. The objective is to secure sufficient expertise and create facilities for efficient working.

The Fingrid Group encompasses the parent company Fingrid Oyj and its fully-owned subsidiary Finextra Oy (former Fingrid Verkko Oy). The associated companies are Porvoo Alueverkko Oy (holding 33.3%) and Nord Pool Spot AS (holding 19.18%). The Group has no joint ventures.

1 GOVERNANCE

Fingrid is a listed company whose shares are not subject to public trading. Since Fingrid has issued other publicly-quoted securities such as bonds, the company follows the applicable sections of the Finnish Corporate Governance Code published by the Finnish Securities Association, which came into effect on 1 October 2010. Unlike stipulated under item 1 of the Code, Fingrid does not place the minutes of the general meetings on its website. This is

due to the small number of shareholders in the company and the fact that the minutes of the general meetings are sent to every shareholder. The company's operations or the duties of its administrative bodies are governed by regulations such as the Finnish Companies Act, Securities Market Act and Electricity Market Act.

By virtue of the Finnish Companies Act, articles of association and shareholder agreement, the corporate governance is divided between the general meeting, Board of Directors and President. Fingrid's supreme power of decision is exercised by the shareholders in the general meeting. The Board of Directors of the company is responsible for its governance and business management. The Board of Directors ensures that Fingrid applies the principles of good governance. The President is responsible for the operations of the company, assisted by the executive management group. Vital matters having bearing on Fingrid's customer interface are prepared by the company's Advisory Committee. Moreover, Fingrid's articles of association, shareholder agreements and principles concerning the work of the Board of Directors ensure objective handling of matters.

Management principles

The purpose of the management principles is to guide the organisation to implement Fingrid's mission so that the solutions support achieving the company's vision and selected operating model as well as work motivation of personnel.

The primary objectives include:

- The duties belonging to the company are taken care of efficiently.
- The responsibilities and authorisations are clear and correctly allocated.
- Internal communications are sufficient and extensive in view of decision-making.
- Expertise required by the duties has been secured, and the resources are used efficiently.

- The personnel have up-to-date tools and a desire to continuous personal development.
- Remuneration supports profitable operations.
- The benefits offered by the company support maintained working ability and mental coping at work as well as adaptation of work and family life.
- Promotion of co-operation and keeping up the motivation of personnel.
- The personnel experience that management is successful.

Organisation of duties

Fingrid's primary duty is to take care that the basic duties of the company are managed efficiently. The operations are based on satisfying the needs of customers and the electricity market, considering the obligations laid down in the articles of association, shareholder agreements and electricity system license. The company can only assume other duties by separate decision.

Organisation of basic duties

The basic duties of the company have been organised into functions. The heads of the functions make up the executive management group of the company

- The business of the company is primarily managed through the main processes. The main processes are: "Adequacy of transmission system", "System operation" and "Promotion of market functioning".
- The grouping of the duties into the line organisation follows the business processes of the company in a purposeful manner. The organisational levels comprise function and unit. If necessary, a unit can be divided into groups. Through a decision made by the Board of Directors, a certain duty can be organised into a separate company. The Board of Directors approves the basic organisation of the company on the level of functions.

- If necessary, teams are established to take care of a sub-duty concerning several parts of the organisation. Fixed-term projects are established for corresponding development duties. The establishment of project groups consisting of representatives of various organisations is handled by the executive management group. The capital investments are mainly executed as projects.
- The work carried out and its organisation is verified whenever necessary. Function-level changes are handled by the Board of Directors.

Organisation of special duties

Special duties can comprise special services for the electricity market, consulting assignments etc. If the duties are extensive and fundamental, the Board of Directors decides on them being assumed by the company. If necessary, duties with a considerable financial significance are separated and organised into a separate company.

Insider administration

Since Fingrid's shares or securities entitling shares are not subject to public trading, the insider recommendations are not applicable to the company, which is why there is nothing to report of insider administration.

2 GENERAL MEETING

The general meeting is the supreme decision-making body of the company. The annual general meeting is held annually no later than June. The annual general meeting accepts issues such as the financial statements, and elects the auditor and the company's Board of Directors, which consists of five members elected for a year by the annual general meeting plus their five personal deputy members. The general meeting elects the Chairman and Vice Chairman among the Board members. Moreover, the general meeting decides on the remuneration paid to the Board of Directors and its committees.

In accordance with the articles of association, summons to general meetings and other notifications shall be sent to the shareholders at the earliest four (4) weeks and at the latest two (2) weeks before the meeting by mailing the summons as registered letter to each shareholder to the address entered in the share register of the company.

In accordance with recommendation 1 of the Corporate Governance Code, the notice of the general meeting and the following information shall be made available on the company website at least 21 days before the general meeting:

- the total number of shares and voting rights according to classes of shares at the date of the notice
- the documents to be submitted to the general meeting
- a proposal for a resolution by the Board or another competent body
- an item on the agenda of the general meeting with no proposal for a resolution.

In addition, the company posts a summary of the decisions of general meetings on the company website within two weeks of the general meeting.

As a rule, Fingrid's President, Chairman of the Board and other Board members together with the auditor are present in a general meeting. Also, a person proposed for the first time as a Board member shall participate in the general meeting that decides on his or her election unless there are well-founded reasons for the absence.

3 BOARD OF DIRECTORS

Fingrid's shareholders have the supreme power of decision in the general meeting which elects the Board of Directors annually. A Board member's period of office expires at the closing of the next annual general meeting following his or her election. A person who is 68 years of age or older cannot be elected on the Board. The general

meeting elects one Board member to serve as the Chairman of the Board and one member to serve as the Vice Chairman of the Board. The Board of Directors is summoned by the Chairman or the Vice Chairman.

In accordance with the articles of association, the Board of Directors consists of five (5) members. Moreover, a personal deputy member is appointed for each member of the Board of Directors. The Board constitutes a quorum when more than half of its members are present, and one of these is the Chairman or the Vice Chairman. The decisions of the Board of Directors are made through a simple majority on the basis of the Board members present in the meeting. New Board members are inducted into the operations of the company.

Duties of the Board of Directors

Fingrid's Board of Directors takes care of corporate administration:

- makes strategic policy decisions and approves the principles related to the management system of the company
- accepts the annual action plan and budget on the basis of the strategy and supervises its fulfilment
- accepts the total amount of purchases and capital investments and decides on purchases and capital investments in excess of 10 million euros
- handles and accepts the financial statements and interim reports plus related stock exchange releases and report of the Board of Directors
- reviews the risks relating to the company's operations and the management of such risks
- appoints the President of the company and approves its basic organisation and composition of the executive management group
- decides on the principles of the remuneration system and on the remuneration of the President and the executive management group.

The primary duties and principles of Fingrid's Board of Directors are specified in a written working order. The Board of Directors assesses its work once a year.

Meeting practice and supply of information

The material concerning the topics handled in a meeting of the Board of Directors is delivered to the Board members no later than three working days before the Board meeting. All material delivered to the Board members is confidential.

Composition of Board of Directors

From 22 March 2012, the Board members are Helena Walldén (Chairman), Juha Majanen (Vice Chairman), Sirpa Ojala, Esko Torsti and Esko Raunio. Tarmo Rantalankila serves as the secretary of the Board. The members of the Board are presented on pages 80 - 81.

Operation of the Board of Directors in 2012

The Board of Directors assembled 12 times in 2012. Three of these meetings were conducted as written proceedings.

In 2012, the Board decided on issues such as Fingrid's responsibility principles, International Medium Term Note Programme of 300 million euros, Hirvisuo - Pyhänselkä 400 kilovolt transmission line connection, strategy for 2013 - 2023, Russian cross-border transmission tariff, Fingrid's risk management principles, and budget for 2013. In its meetings, the Board discusses matters that have been on the agenda of the Board committees.

The Board of Directors has two committees: an audit committee and a remuneration committee. The Board of Directors confirms the working orders of the committees.

Audit committee

The audit committee is appointed by the Board of Directors and it assists the Board. The Board of Di-

rectors has specified the duties of the audit committee in accordance with recommendation 27 of the Corporate Governance Code, in addition to which the audit committee assesses the audit plans of the auditor and internal auditor and supervises adherence to legislation and to the governance principles set by the Board.

Juha Majanen (Chairman), Helena Walldén and Esko Torsti serve as the members of the audit committee. All members of the audit committee are independent of the company, and Helena Walldén is also independent of significant shareholders.

The committee had five meetings in 2012. The attendance of the members of the committee in the meetings is described in the Corporate Governance Statement, which can be found on the company's website.

The audit committee has handled in its meetings issues such as the audit plans and audit reports of the auditor and internal audit, risks and risk management principles, financing principles, and corporate governance statement.

Remuneration committee

The remuneration committee assists the Board of Directors. The remuneration committee is to prepare for the Board of Directors the principles of the remuneration system applied to the executive management and other personnel. The committee also prepares for the Board, on the basis of accepted principles, a proposal concerning the remuneration to be paid to the President and other members of the executive management group. Moreover, the committee prepares the appointments of the President and persons belonging to the executive management group as well as surveys their successors.

The remuneration committee consists of Helena Walldén (Chairman) and Sirpa Ojala. Both members of the remuneration committee are independent of the company and significant shareholders. The President attends the meetings of the committee.

The remuneration committee had five meetings in 2012. The meetings handled matters such as the re-

muneration systems applied to the personnel and the executive management group, and their successor planning.

The attendance of the members of the committee in the meetings is described in the Corporate Governance Statement, which can be found on the company's website.

4 PRESIDENT AND EXECUTIVE MANAGEMENT GROUP

The President attends to the administrative routines of the company in accordance with guidelines provided by the Board of Directors. The President is responsible for the operations of the company assisted by the executive management group and serves as the Chairman of the Board of the subsidiaries. The service terms of the President have been specified in a separate President's service contract which is approved by the Board of Directors. The financial benefits given by the President's service contract are described in the remuneration statement. The President is not a member of the Board of Directors.

Executive management group

Role of Fingrid's executive management group:

- supports the President in the company's management and decision-making,
- supports the members of the company's executive management group in decision-making,
- handles significant corporate-level decisions.

Duties of executive management group:

- definition, implementation and monitoring of strategy on the basis of the four perspectives,
- communicating and implementing the strategy,
- drawing up of action plan and budget,
- financial control and risk management,

- resource planning, acquisition and control,
- external communications and public relations,
- preparing of matters to the Board of Directors,
- development of the work of the executive management group.

In addition to the President, the executive management group comprised Kari Kuusela, Juha Kekkonen, Reima Päivinen, Matti Tähtinen, Jussi Jyrinsalo, Tom Pippingsköld and Pertti Kuronen.

Advisory Committee

Fingrid's executive management is assisted by an Advisory Committee with 10 to 12 members appointed by the Board of Directors. The Advisory Committee serves as a preparatory body and discussion forum in matters concerning the customer interface of the company. The term of office of the members of the Advisory Committee is primarily three years. The Advisory Committee represents Fingrid's customers and electricity market parties comprehensively. The Advisory Committee is not a decision-making body.

5 REMUNERATION STATEMENT

Remuneration and other benefits of the members of the Board of Directors

The general meeting decides on the remuneration of the members of the Board of Directors. The annual general meeting decided on 22 March 2012 that the Board members are paid monthly remuneration as follows:

- Chairman of the Board 2,000 euros,
- Vice Chairman of the Board 1,000 euros,
- members of the Board 700 euros, and
- deputy members of the Board 225 euros.

It was also decided that the Board members and deputy members be paid 500 euros in attendance

In 2012, the following remuneration was paid to the members of the Board:

Name	Position	Work on the Board	Audit committee	Remuneration committee	2012 total
Helena Walldén	Chairman of the Board from 3 May 2011	29,000	2,500	2,500	34,000
Juha Majanen	Vice Chairman from 22 March 2012	12,500	2,000		14,500
Sirpa Ojala	Member from 22 March 2012	9,800		1,000	10,800
Esko Torsti	Member from 22 March 2012	9,800	2,000		11,800
Esko Raunio	Member from 3 May 2011	12,900			12,900
Timo Ritonummi	Deputy member from 3 May 2001	3,375			3,375
Niko Ijäs	Deputy member from 22 March 2012	2,025			2,025
Marja Hanski	Deputy member from 3 May 2011	4,375			4,375
Matti Rusanen	Deputy member from 22 March 2012	2,025			2,025
Jari Eklund	Deputy member from 3 May 2011	3,875			3,875
Arto Lepistö	Vice Chairman 3 May 2011 - 22 March 2012	4,500	500	1,500	6,500
Timo Kärkkäinen	Member 3 May 2011 - 22 March 2012	3,600	500		4,100
Elina Engman	Member 3 May 2011 - 29 February 2012	1,900			1,900
Antti Riivari	Deputy member 3 May 2011 - 22 March 2012	1,350			1,350
Mikko Räsänen	Deputy member 3 May 2011 - 22 March 2012	1,350			1,350
TOTAL		102,375	7,500	5,000	114,875

The table below indicates the salaries and benefits of Fingrid's President and other members of the executive management group in 2012:

	Fixed basic salary	Varying merit pay*	Other employment benefits (car, telephone)	2012	2011
President & CEO	233,193	58,360	11,565	303,118	292,912
Executive management group	898,675	156,278	62,940	1,117,893	1,128,322
TOTAL	1,131,868	214,638	74,505	1,421,011	1,421,234

* The merit pay is based on the performance in 2011.

remuneration for each Board meeting and committee meeting in which the member has participated.

The members of the Board have no share and share-related remuneration schemes or supplementary pension schemes.

In 2012, the Board had 12 meetings, the audit committee 5 meetings, and the remuneration committee 5 meetings.

Remuneration of executives

In 2012, the Group applied a remuneration system whose general principles were accepted by the Board of Directors of Fingrid Oyj on 15 December 2011.

The total remuneration of the members of the executive management group consists of a fixed total salary, a one-year bonus scheme, and a three-year long-term incentive scheme. The maximum amount of the one-year bonus scheme payable to the President is 25 per cent and to the other members of the executive management group 20 per cent of the annual salary. The maximum amount of the long-term incentive scheme payable to the President is 35 per cent and to the other members of the executive management group 25 per cent of the annual salary.

The criteria of the one-year bonus scheme are cost-efficiency, customer satisfaction, functioning of workplace community, and management. The other indicators comprise the attainment of the key objectives of each member of the executive management group.

The indicators in the long-term scheme include system security, the functioning of the electricity market, and shareholder value including corporate social responsibility.

The members of Fingrid's executive management group have no share and share-related remuneration schemes or supplementary pension schemes

Service contract of President

The service terms of the President have been specified in a written President's service contract which is approved by the Board of Directors.

The retirement age and accumulated pension of the President are determined in accordance with general pension legislation. The President does not have a supplementary pension provided by the company.

The mutual period of notice of the President is six months. If the company dismisses the President, an amount of money corresponding to nine months' fixed salary is paid to the President in addition to the salary for the period of notice.

6 INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

The purpose of Fingrid's internal control, comprehensive risk management and internal audit is to secure operations conforming to the company's corporate governance statement, principles and guidelines as well as the fulfilment of strategy.

Internal control

The company's internal control is based on the principles approved by the Board of Directors, policies as well as function-level and unit-level instructions approved by the executive management group, risk management, financial reporting, transparency of processes and procedures, as well as objective and independent internal audit. Fingrid's internal control intends to make sure that Fingrid works efficiently and productively, that reporting is reliable, and that the applicable laws, regulations and the company's own procedural guidelines are followed. The company's internal audit has been outsourced to an independent external party.

The internal control systems related to the financial reporting process are part of a more extensive overall system of Fingrid's internal control, also encompassing comprehensive risk management and internal audit. A description of the main features of internal control and risk management related to the financial reporting process is available in Fingrid's corporate governance statement.

Risk management

The objective of Fingrid's risk management is to support the implementation of the strategy and to secure the continuity of the company's operations in the changing circumstances, and to manage the safety and environmental impacts of the operations. Risk management must be continuous and systematic by nature.

Fingrid's risk management is divided into the identification and management of operative risks and strategic risks. The company's risks are managed in the company's strategy work, which analyses changes in the operating environment, assesses Fingrid's strategic readiness, identifies the strategic risks, sets the strategic goals, and specifies the relevant measures. Fingrid's strategy is implemented in the management system, where the internal processes determine the measures required to manage Fingrid's core duties, and supervise their implementation.

The functions carry responsibility for planning, resourcing and implementing the measures and for

reporting their results. The objective of the identification of the operative risks is to describe the risks that are related to the objectives, measures and duties. The risks of the various implementation options are assessed as part of the planning and strategic decisions of major projects. In addition, the company applies operational assessment (audits), which supports risk management, and draws up continuity plans.

Internal audit

The company's internal audit examines risk management and internal control as a party independent of the functions and processes. The internal auditor monitors issues such as adherence to the guidelines of the company, acts and official regulations, and reports his findings to the audit committee. The audit committee of the Board of Directors examines the functioning of internal control and reports to the Board of Directors.

As part of internal control, internal audit audited processes related to Fingrid's balance services, financing, occupational safety, competence management and competence continuity, management of corporate social responsibility, and comprehensive risk management in 2012. A comprehensive audit plan has been accepted for internal audit for 2011 to 2013, with the plan to be updated annually.

7 AUDITING

The general meeting elected authorised public accountants PricewaterhouseCoopers Oy as the auditor of the company. Authorised Public Accountant Henrik Sormunen serves as the responsible auditor of the company. The general meeting decided that the auditor's fee and expenses are paid on the basis of an invoice accepted by the company.

Auditor's fees, 1,000 €	2012	2011
Auditing fees	35	32
Other fees	63	6
TOTAL	98	38

Board of Directors



Helena Walldén



Juha Majanen



Sirpa Ojala



Esko Raunio



Esko Torsti



Tarmo Rantalankila

Helena Walldén, Chairman

M.Sc. (Tech.), born in 1953
Chairman of the Board since 3 May 2011

Main position: Professional Board Member

- Raskone Oy, Board member 2009 -, member of remuneration committee 2011 -
- Metsähallitus, Board member 2005 -, Chairman of audit committee 2010 -
- Lännen Tehtaat Oyj, Board member 2011 -

Previous positions:

- Saga Furs Oyj (former Turkistuottajat Oyj), Board member 2004 - 1/2012
- Alko Oy, Board member 2009 - 2012, Chairman of audit committee 2009 - 2012
- Pohjola Bank plc, member of the executive management group 2006 - 2008
- Pohjola Insurance Ltd, deputy of CEO 2006 - 2008
- A-Vakuutus Oy, CEO 2007 - 2008
- OKO Bank plc, Board member 1994 - 2006
- OKO Bank plc, various duties 1976 - 1994

Independent of the company and significant shareholders.

Juha Majanen, Vice Chairman

LL.M., born in 1969
Member of the Board from 22 March 2012

Main position: Ministry of Finance, Head of Fiscal Policy Unit, Counsellor

Previous positions:

- Ministry of Finance, Budget Department 2001 -
- Ministry of Agriculture and Forestry, asset management control and audit 1999 - 2001

Independent of the company, non-independent of significant shareholders.

Sirpa Ojala

M.Sc. (Tech.), born in 1963
Member of the Board from 22 March 2012

Main position: Digita Oy, CEO 2005 -

Previous positions:

- TDF Group, Senior Vice President, North Europe, 2010 - 2012
- Digita Oy, Senior Vice President, Broadcasting, and Executive Vice President 1999 - 2005
- Interinfo Finland Oy (subsidiary of Sonera), CEO and Chairman of the Board of Baltic subsidiaries 1997 - 1999
- Asko Kodinkoneet Oy, Senior Vice President, Sales and Marketing for the Baltic countries and Russia, UPO Kodumasinat Balti AS, CEO in Estonia 1995 - 1997

Main positions of trust:

- Kekkilä, Board member
- FiCom and Laatukeskus, Board member
- Ministry of Transport and Communications, member of national advisory boards

Independent of the company and significant shareholders.

Esko Raunio

LL.M., born in 1962
Member of the Board from 3 May 2011

Main position: LähiTapiola Mutual Pension Insurance Company, Director, Private Market Investments, with responsibility for real estate and private equity investments and corporate finance 2008 -

Previous positions:

- Tapiola Pension, Investment Manager 2002 - 2008
- Tapiola Pension, Head of Department, Financial Services 1998 - 2001
- Tapiola Group, Head of Department, Credit Department 1995 - 1997
- Tapiola Group, Team Supervisor, Corporate Counsel and Project Manager, Credit Department 1990 - 1994

Independent of the company and significant shareholders.

Esko Torsti

Lic. Pol. Sc., born in 1964
Member of the Board from 22 March 2012

Main position: Ilmarinen Mutual Pension Insurance Company, Head of Non-listed Investments 2006 -

Previous positions:

- Pohjola, Senior Vice President, Investments, 2005 - 2006, 2001 - 2003
- Pohjola Asset Management, CEO, 2003 - 2005
- Ilmarinen, Senior Vice President, Interest Investments, 1998 - 2001
- SEB Helsinki, Chief Economist 1996 - 1998

Main positions of trust:

- Tornator Oyj, Chairman of the Board
- Desentum Oy, Chairman of the Board
- Sato Oyj, Board member
- Finnish Red Cross, member of investment committee
- Central Chamber of Commerce, deputy member of real estate evaluation committee

Independent of the company, non-independent of significant shareholders.

Tarmo Rantalankila

LL.M., born in 1952
Secretary of the Board
General Counsel, Fingrid Oyj

Personal deputy members of the Board:

Timo Rittonummi,
Industrial Counsellor,
Ministry of Employment and the Economy

Niko Ijäs,
Budget Secretary, Ministry of Finance

Marja Hanski,
Counsellor, Ministry of Employment and the Economy

Matti Rusanen,
Head of Listed Securities, Ilmarinen Mutual Pension Insurance Company

Jari Eklund,
Director, Investment Services,
LähiTapiola Mutual Pension Insurance Company

Executive management group



① Jukka Ruusunen

Doctor of Technology, born in 1958
President and CEO since 2007
member of the executive management group
since 2007, employed by Fingrid since 2007

Earlier positions

- Fortum Power and Heat Oy, Vice President, Business Development 1999
- Imatran Voima Oy, Advisor 1996
- Helsinki University of Technology, several positions 1982
- Helsinki School of Economics, several positions 1982

Key positions of trust

- Vice President of ENTSO-E 2009 -
- Member of the Board of Finnish Energy Industries 2007 - 2010, 2011 -
- Member of Emergency Supply Council 2012 -
- Member of Technology Academy Finland 2010 -
- Visiting Professor at Aalto University School of Science and Technology 1995 - and School of Economics 1996 -

No shareholding

② Kari Kuusela

M.Sc. (Tech.), born in 1955
Executive Vice President since 2007,
asset management
member of the executive management group
since 1999, employed by Fingrid since 1997

Earlier positions

- Fingrid Oyj, Technical Director and Construction Manager 1997
- Imatran Voima Oy, IVO Transmission Engineering Oy, IVO International Oy and IVO Voimansiirto Oy, several positions 1983
- Nokia Metalliteollisuus (Kaapeli), Development Engineer 1981

No shareholding

③ Juha Kekkonen

M.Sc. (Tech.), born in 1950
Executive Vice President since 1997,
electricity market development
member of the executive management group
since 1997, employed by Fingrid since 1997

Earlier positions

- Ministry of Trade and Industry, several positions 1975 - 1997
- Finland's permanent representative office at the OECD, Industrial Counsellor 1988 - 1990

Key positions of trust

- Chairman of ENTSO-E Market Committee 2009 -
- Member of the Board of Nord Pool Spot AS 2002 -

No shareholding

④ Jussi Jyrinsalo

Licentiate in Technology, born in 1964
Senior Vice President since 2005,
system development
member of the executive management group
since 2005, employed by Fingrid since 1997

Earlier positions

- Fingrid Oyj, several positions 1997
- IVO Voimansiirto Oy, several positions 1993
- Lappeenranta University of Technology, Assistant Professor 1992
- Tampere University of Technology, several positions 1989

Key positions of trust

- Member of ENTSO-E System Development Committee 2009
- Chairman of ENTSO-E Advisory Board for Baltic integration Study 2011 -
- Member of control group of Cleen Oy, Smart Grids and Energy Markets research programme 2009 -

No shareholding

⑤ Pertti Kuronen

M.Sc. (Tech.), born in 1953
Senior Vice President since 2003, grid service
member of the executive management group since
2003, employed by Fingrid since 1997, President of
Fingrid's subsidiary Finextra Oy since 2010

Earlier positions

- Fingrid Oyj, several positions 1997
- Imatran Voima Oy and IVO Voimansiirto Oy, several positions 1978

Key positions of trust

- Member of the Board of Porvoon Alueverkko Oy 2008 -
- Member of the Network Committee of Finnish Energy Industries 2008 -

No shareholding

⑥ Tom Pippingsköld

M.Sc., MBA, born in 1960
Chief Financial Officer since 2001
member of the executive management group since
2001, employed by Fingrid since 1999

Earlier positions

- Fingrid Oyj, Treasurer 1999
- European Bank for Reconstruction and Development (EBRD), Principal Evaluation Officer 1994
- Postipankki Bank, Investment Analyst and Financial Manager 1990

Key positions of trust

- Member of the Advisory Committee of the clients of Ilmarinen Mutual Pension Insurance Company 2011 -
- Deputy member of the Board of Nord Pool Spot AS 2007 -
- Member of the Board of Nord Pool Spot AS 2002 - 2007

No shareholding

⑦ Reima Päivinen

M.Sc. (Tech.), born in 1958
Senior Vice President since 2005,
power system operation
member of the executive management group since
2005, employed by Fingrid since 1997

Earlier positions

- Fingrid Oyj, Balance Service Manager 2000
- Fingrid Oyj, Development Manager 1997
- Imatran Voima Oy and IVO Voimansiirto Oy, several positions 1983

Key positions of trust

- Member of ENTSO-E System Operation Committee 2009 -, Chairman of Regional Group Nordic 2010 -
- Chairman of Power and District Heat Pool 2009 -

No shareholding

⑧ Matti Tähtinen

B.Sc. (Tech.), born in 1957
Senior Vice President since 1999,
stakeholder relations
member of the executive management group
since 2001, employed by Fingrid since 1997

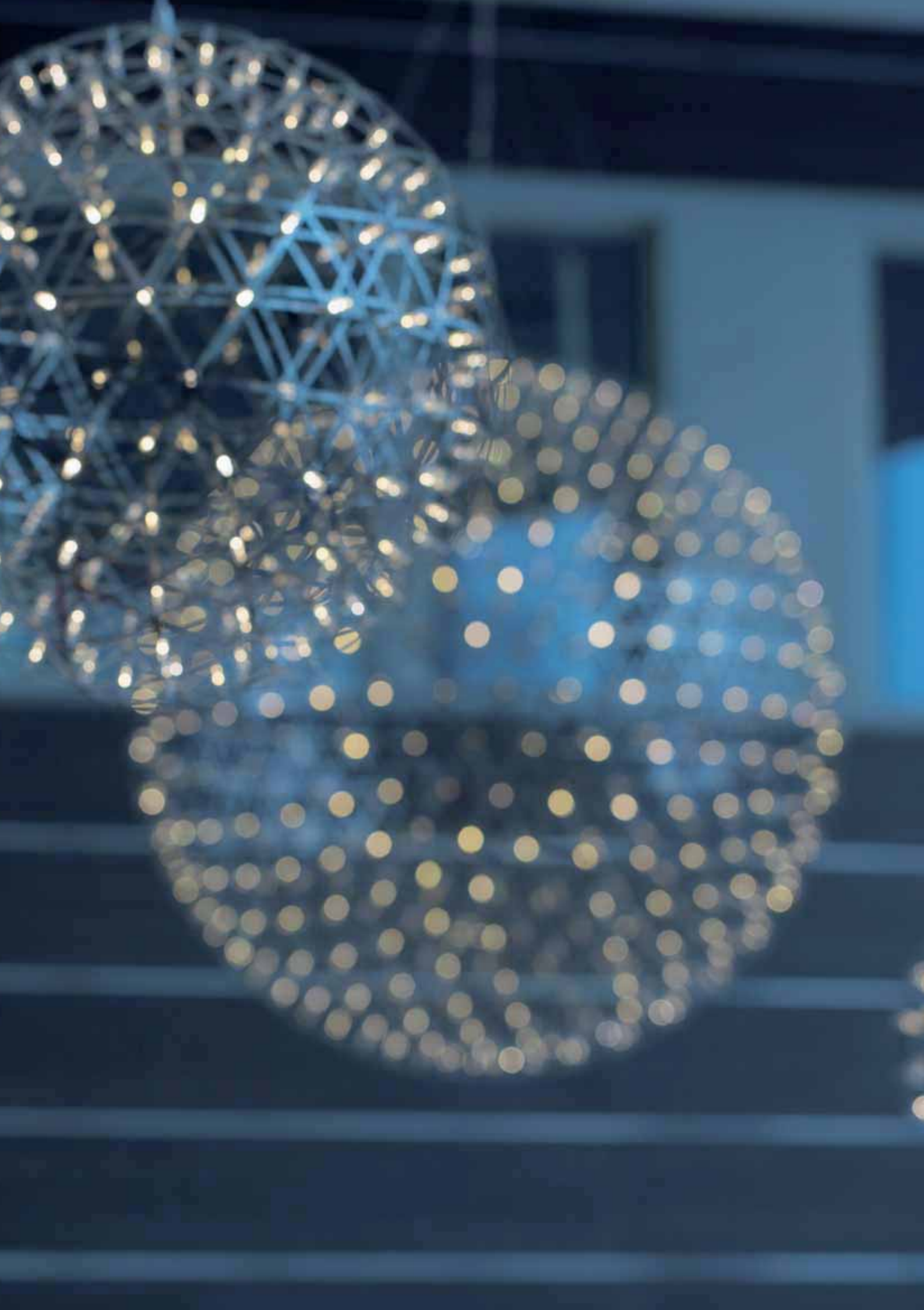
Earlier positions

- Fingrid Oyj, Manager of grid customer service 1997
- IVO Voimansiirto Oy, Project Manager 1992
- IVO International Ltd, Local Manager in Kenya 1985
- Imatran Voima Oy, Specialist 1981

Key positions of trust

- Member of the Labour Market Committee of Finnish Energy Industries 2011 -

No shareholding



Annual review and financial statements

1 January 2012 – 31 December 2012

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1. Annual review

REPORT OF THE BOARD OF DIRECTORS

Financial result

Revenue of the Fingrid Group in 2012 was 522 million euros (438 million euros in 2011). Other operating income was 4 (3) million euros. The Group's revenue between October and December was 154 (108) million euros.

Grid revenue rose to 276 (210) million euros as a result of the tariff increase of 30 per cent carried out at the beginning of the year. Electricity consumption in Finland increased by 1.1 per cent from 2011. Fingrid transmitted the same amount of electricity in its grid as in the previous year, i.e. 64.2 terawatt hours. The sales of imbalance power grew to 152 (146) million euros. The increase in the sales of imbalance power was influenced by the higher volume of imbalance power and by the raise in the balance service fees at the beginning of July. Fingrid's cross-border transmission income on the connection between Finland and Russia decreased by 12 million euros from the previous year due to a significantly smaller volume of electricity imports from Russia. Fingrid's congestion income on the interconnection between Finland and Estonia decreased as a result of fewer hours with a different price of electricity between the two countries. The congestion income on the interconnection between Finland and Estonia was 6 (10) million euros, which was paid to the owners of the transmission connection. Fingrid's congestion income on the interconnection between Finland and Sweden rose considerably due to the market situation and great differences in the area prices of electricity. The congestion income between Finland and Sweden was 44 (16) million euros. European inter-TSO compensation income decreased by 12 million euros mainly due to reduced electricity exports from Finland to Sweden.

The costs of imbalance power grew slightly from the previous year to 133 (131) million euros due to the higher volume of imbalance power. The loss energy costs rose by 2 million euros from the corresponding period in 2011. The average price of loss energy purchases, considering price hedging, was 52.86 (52.85) euros per megawatt hour. The increase in the loss energy costs was influenced by the small growth in the volume of loss energy. The depreciation costs increased by 8 million euros as significant new capital investment projects were completed. The costs of reserves, which safeguard the system security of the power system, rose by 11 million euros during the period under review because the temporary purchases of frequency controlled reserves in the hourly market in Finland and from the other Nordic TSOs were more expensive than earlier. The personnel costs increased to 22 (20) million euros partly owing to an increase in the number of personnel. The maintenance management costs

rose by 3 million euros, mainly due to the repair costs of the Fenno-Skan 2 cable fault. The inter-TSO compensation costs went up by 2 million euros, because electricity imports from Sweden to Finland increased considerably from 2011.

Revenue and other operating income (million €)	1-12/12	1-12/11	10-12/12	10-12/11
Grid service revenue	276	210	85	59
Sales of imbalance power	152	146	48	25
Cross-border transmission income	11	22	3	5
Finland-Estonia congestion income*	6	10	1	1
Finland-Sweden congestion income	44	16	8	4
Peak load capacity income**	19	7	5	5
ITC income	10	22	3	7
Feed-in tariff for peat		0		
Other revenue	3	5	1	2
Other operating income	4	3	2	1
Revenue and other income total	526	441	156	109
Costs, (million €)	1-12/12	1-12/11	10-12/12	10-12/11
Purchase of imbalance power	133	131	40	22
Cost of loss energy	65	63	17	16
Depreciation	76	68	20	18
Cost of reserves	39	28	10	7
Personnel costs	22	20	7	6
Maintenance management costs	21	18	6	6
Cost of peak load capacity**	18	7	5	5
ITC charges	14	12	3	4
Estlink grid rents*	6	9	1	1
Other costs	25	23	8	7
Costs total	419	380	116	90
Operating profit excluding the change in the fair value of commodity derivatives	107	62	39	19
Operating profit of group	95	57	38	17

*Fingrid's income from the congestion income between Finland and Estonia was 6.5 million euros. The costs (grid rents between Finland and Estonia) were 6.4 million euros, which were paid to the owners of the Estlink transmission connec-

tion. The difference of 0.1 million euros received by Fingrid was created during disturbances on the Estlink connection.

**The peak load capacity income and costs are related to the securing of the sufficiency of electricity during peak consumption hours within the framework of the Finnish Peak Load Capacity Act.

The operating profit of the Group was 95 (57) million euros. Of the change in the fair value of commodity derivatives, -13 (-5) million euros were recognised in the income statement. The operating profit in the last quarter was 38 (17) million euros.

The consolidated profit for the year was 67 (33) million euros. The consolidated total comprehensive income was 73 (0) million euros. The cash flow from the operations of the Group after capital expenditure was -1 (-148) million euros due to the considerably better profit and smaller level of capital expenditure.

The return on investment was 5.6 (3.6) per cent and the return on equity 12.4 (6.5) per cent. The equity ratio was 27.3 (25.7) per cent at the end of the review period.

Revenue of the parent company was 504 (434) million euros and profit for the financial year 41 (22) million euros.

Capital expenditure

Fingrid's annual capital expenditure in the transmission system has been extensive for several years. The company's gross capital expenditure in 2012 was 139 million euros (244 million euros in 2011). Of this amount, a total of 94 (173) million euros were used for the transmission grid and 26 (68) million euros for reserve power. IT-related capital expenditure was approximately 11 (3) million euros. The sharp increase in capital expenditure is the result of the connection of new generating capacity to the transmission system, the promotion of the functioning of the electricity market, renewal of the ageing grid, and regional changes in electricity consumption and production patterns in Finland.

Research and development was allocated a total of 1.5 (1.8) million euros. Some 50 research and development projects were in progress in 2012. The foremost R&D input was placed on the analysis of reserve types and needs, utilisation of status measurements at the power system level in the maintaining of system security and in the optimisation of transmission capacity, and development of a 110 kilovolt tower type suited for use on arable land. There were also numerous research projects for controlling wind power production in the power system.

Fingrid had several capital investment projects for ensuring system security and the adequacy of transmission capacity in the future. One of the biggest projects is the one between Yllykkälä and Huutokoski for reinforcing the grid in Eastern Finland. Three sub-projects were completed within it in 2012, and the last transmission line section will be

completed in the spring of 2013. The biggest reserve power plant unit in Finland was commissioned in Forssa towards the end of the year. The plant brings 320 megawatts of additional fast disturbance reserve to the transmission system.

EstLink 2, the joint project by Fingrid and the Estonian transmission system operator Elering has made progress on schedule and within budget. The submarine cable was laid in the Baltic Sea in two campaigns during the autumn. The HVDC connection will be commissioned in early 2014.

Towards the end of 2012, Fingrid made a capital investment decision concerning the Hirvisuo - Pyhänselkä 400 kilovolt transmission line project. The project will upgrade the west coast of Finland to the 400 kilovolt voltage level. The total length of the transmission line is 215 kilometres. In addition to it, there will be a new Hirvisuo substation, and a number of other substations will be expanded.

ENTSO-E, the European Network of Transmission System Operators for Electricity, published its ten-year network development plan and the plan for the Baltic Sea region in the summer of 2012. The Nordic network plan was drawn up on the basis of these.

Power system

Electricity consumption in Finland in 2012 totalled 85.2 terawatt hours (84.2 terawatt hours in 2011). A total of 64.2 (64.2) terawatt hours of electricity was transmitted in Fingrid's grid, representing 75.4 per cent of the electricity consumption in Finland.

Electricity transmissions between Finland and Sweden in 2012 consisted mainly of imports to Finland. The capacity offered to the market was limited by a cable fault and by the work required by the automation reform in the submarine cable connections. A total of 14.8 (5.9) terawatt hours of electricity were imported from Sweden to Finland during 2012, and 0.4 (4.0) terawatt hours were exported from Finland to Sweden.

The direction of transmissions in electricity transmission between Finland and Estonia varied, with the dominating direction being from Finland to Estonia. The transmission capacity was available to the market in the normal manner. The volume of electricity imports from Estonia to Finland on the Estlink connection was 0.4 (1.6) terawatt hours, and 1.5 (0.5) terawatt hours of electricity were exported from Finland to Estonia.

Electricity imports from Russia were at a much lower level than in the previous years. Almost the full transmission capacity was made available. Electricity imports from Russia to Finland totalled 4.4 (10.8) terawatt hours in 2012.

The number of disturbances in the Finnish grid was at the average level. However, the calculatory disadvantage inflicted on the customers and society as a result of the disturbances was very small. The most significant disorder affect-

ing customers occurred in the Vaasa region in August, when 63,000 people were left without electricity for a few minutes.

Power system operation	1-12/12	1-12/11	10-12/12	10-12/11
Electricity consumption in Finland TWh	85.2	84.2	23.3	21.5
Fingrid's transmission volume TWh	64.2	64.2	17.2	16.2
Fingrid's loss energy volume TWh	1.2	1.2	0.3	0.3
Electricity transmissions Finland-Sweden				
exports to Sweden TWh	0.4	4.0	0.2	0.7
imports from Sweden TWh	14.8	5.9	3.2	2.2
Electricity transmissions Finland-Estonia				
exports to Estonia TWh	1.5	0.5	0.3	0.2
imports from Estonia TWh	0.4	1.6	0.1	0.3
Electricity transmissions Finland-Russia				
imports from Russia TWh	4.4	10.8	1.4	2.3

Electricity market

The Nordic electricity market was characterised by very abundant supply of hydropower throughout the year. This clearly lowered the price level in the wholesale market. The average price of spot electricity at the electricity exchange (system price) in 2012 was 31 euros per megawatt hour (47 euros per megawatt hour in 2011), and the average area price for Finland was 37 (49) euros per megawatt hour.

The Finnish market did not benefit fully from the inexpensive hydropower, because one of the two submarine cables between Finland and Sweden was out of order for a large part of the year. The market could have accommodated more electricity than on average from the west, but the transmission capacity was not sufficient due to the failures on the connections. As a result, a record-high amount of 88 million euros of congestion income was created on the border between Finland and Sweden. Fingrid's share of this was 44 million euros.

Supply in the Finnish market area was also influenced by the fact that electricity imports from Russia decreased considerably. The imports had remained at a steady level for decades but started to fluctuate and decrease rapidly in the autumn of 2011. In 2012 the imports were only about one third of the earlier level of imports.

In 2012, Fingrid used 4.7 (1.6) million euros for counter trade. This mainly resulted from disturbances on the cross-border connections and partly from transmission restrictions within Finland.

The active development of the single European market continued. In line with the EU's third legislative package on the electricity market, the preparation of several market rules was launched within ENTSO-E, and the first proposals were completed. At the same time, the full integration of the various market areas was prepared, initially concerning North-Western Europe.

Electricity market	1-12/12	1-12/11	10-12/12	10-12/11
Nord Pool system price, average €/MWh	31	47	37	34
Area price Finland, average €/MWh	37	49	41	37
Congestion income between Finland and Sweden million €*	88,5	31,2	16,0	8,2
Congestion hours between Finland and Sweden %*	35,1	22,9	32,0	12,0
Congestion income between Finland and Estonia million €*	12,9	19,6	1,5	1,2
Congestion hours between Finland and Estonia %*	34,7	45,5	22,4	31,0

*The congestion income between Finland and Sweden as well as between Finland and Estonia is divided between the relevant TSOs in equal proportions. The income and costs of the transmission connections are presented in the tables under Financial result.

Financing

The financial position of the Group continued to be satisfactory. During 2012, Fingrid issued a public bond amounting to 300 million euros and with a maturity of 12 years under the company's International Medium Term Note Programme. The public listing of the bond started on London Stock Exchange on 3 April 2012.

The net financial costs excluding the change in the fair value of derivatives were 21 million euros (19 million euros in

2011). Interest income was 3 (4) million euros. The net financial costs in accordance with IFRS were 7 (23) million euros, including the positive change of 14 million euros (negative 3 million euros) in the fair value of derivatives.

The financial assets at 31 December 2012 totalled 214 (204) million euros. The interest-bearing borrowings totalled 1,244 (1,224) million euros, of which 1,032 (845) million euros were long-term and 212 (379) million euros were short-term. The counterparty risk arising from the currency derivative contracts and interest rate derivative contracts was 77 (63) million euros.

International rating agencies updated Fingrid Oyj's credit ratings in 2012. On 16 October 2012, Fitch Ratings affirmed Fingrid Oyj's senior unsecured debt rating of A+, long-term Issuer Default Rating (IDR) of A and short-term IDR of F1. Fitch Ratings rated the outlook on the long-term IDR as stable. Standard & Poor's Rating Services (S&P) updated Fingrid's long-term credit rating at AA- and the short-term rating at A-1+ on 2 November 2012. S&P assessed Fingrid's outlook to be negative. On 14 December 2012, Moody's Investors Service updated Fingrid's long-term credit rating at A1 and the short-term rating at P-1. Moody's rated the outlook to be stable.

Personnel and rewarding systems

The Fingrid Group and Fingrid Oyj employed 275 persons, including temporary employees, at the end of 2012. The corresponding figure a year before was 266. The number of permanent personnel was 261 (252).

Of the personnel employed by the company, 23.8 (23.7) per cent were women and 76.2 (76.3) per cent were men at the end of the year.

Number of permanent personnel:

Age	2012	2011
24 to 29 years	22	24
30 to 34 years	34	33
35 to 39 years	41	41
40 to 44 years	37	32
45 to 49 years	38	40
50 to 54 years	36	37
55 to 59 years	30	23
60 to 65 years	23	21
over 65 years	0	1

During 2012, a total of 9,528 (14,333) hours were used for personnel training, with an average of 37 (57) hours per person. Employee absences on account of illness in 2012 accounted for 2 per cent of the total working hours. In addition to a compensation system which is based on the requirements of each position, Fingrid applies quality and incentive bonus schemes. The Board of Directors approved

the principles for the remuneration systems of the company's personnel and executive management group for 2013.

Board of Directors and corporate management

Fingrid Oyj's Annual General Meeting was held in Helsinki on 22 March 2012. Helena Walldén, M.Sc. (Tech.), was elected as the Chairman of the Board. Juha Majanen, Budget Counsellor and the Head of Fiscal Policy Unit of the Ministry of Finance was elected as the Vice Chairman. The other Board members elected were Sirpa Ojala, CEO of Digita Oy, Esko Torsti, Head of Non-listed Investments of Ilmarinen Mutual Pension Insurance Company, and Esko Raunio, Director, Private Market Investments, of Tapiola Mutual Pension Insurance Company.

The Board members until 22 March 2012 were Helena Walldén, Arto Lepistö, Elina Engman (until 29 February 2012), Timo Kärkkäinen and Esko Raunio.

PricewaterhouseCoopers Oy was elected as the auditor of the company.

The Board of Directors has two committees: an audit committee and a remuneration committee. The members of the audit committee from 22 March 2012 were Juha Majanen (Chairman), Esko Torsti and Helena Walldén. The members of the audit committee until 22 March 2012 were Arto Lepistö (Chairman), Helena Walldén and Timo Kärkkäinen.

The remuneration committee consisted of Helena Walldén (Chairperson) and Sirpa Ojala from 22 March 2012. Until 22 March 2012, the members of the remuneration committee were Helena Walldén (Chairperson) and Arto Lepistö.

Jukka Ruusunen serves as the President & CEO of the company.

A corporate governance statement, required by the Finnish Corporate Governance Code, has been provided separately. The statement and other information required by the Code are also available on the company's website at www.fingrid.fi.

Internal control, risk management, internal audit

Fingrid's internal control intends to make sure that Fingrid operates efficiently and productively, that reporting is reliable, and that the applicable laws, regulations and the company's own procedural guidelines are followed. The company's internal control is based on the principles approved by the Board of Directors, policies as well as function-level and unit-level instructions approved by the executive management group, risk management, financial reporting, transparency of processes and procedures, as well as objective and independent internal audit.

The company's internal control system together with the organisation and responsibilities of risk management have been defined so that internal control and risk management

are carried out and verified within the company comprehensively, effectively, and in accordance with the objectives set by the Board. The objectives, methods, roles and responsibilities related to the company's internal control and risk management are described in the documents approved by the company's Board of Directors.

The Board of Directors of the company is responsible for the internal control and risk management system and approves the related principles. The Board of Directors decides on the corporate strategy and action plan and monitors their implementation. The executive management defines the principles, which govern the operations, for the approval of the Board of Directors, and the executive management enforces these principles. The audit committee of the Board of Directors obtains an annual report of the foremost risks pertaining to the company's operations and of their management.

The CEO assisted by the executive management group is responsible for the practical implementation of the company's risk management.

The heads of functions own the risks pertaining to the operation of their area of responsibility and are responsible for identifying, assessing and controlling the risks, for the functioning of controls, and for reporting the risks and non-conformities.

Fingrid Oyj's Board of Directors discusses and approves the annual budget of the Group, giving those who sign documents the right to act within the limits of the budget and decisions in order to conclude agreements. All individual capital investments decisions which are crucial in terms of the company's business or have a cost effect in excess of 10 million euros, and all annual capital investment programmes in excess of 10 million euros are approved by the Board of Directors of Fingrid Oyj. Fingrid Oyj's Board of Directors approves possible capital investments in excess of 2 million euros outside the budget. After being processed by the Board of Directors and after being approved, the procurements can be accepted in accordance with the company's acceptance authority if the project has been subjected to competitive tendering in accordance with Fingrid's procurement instructions.

The company's internal audit examines risk management and internal control as a party independent of the functions and processes. The internal auditor monitors issues such as adherence to the guidelines of the company, acts and official regulations, and reports his findings to the audit committee. A comprehensive audit plan has been approved for internal audit for 2011 to 2013, with the plan to be updated annually. The audit committee of the Board of Directors examines the functioning of internal control and reports to the Board of Directors. The company's internal audit has been outsourced to an independent external party. As part of internal control, internal audit audited processes related to Fingrid's balance services, financing, occupational safety, and comprehensive risk management in 2012.

Operative risk management is based on an annual risk analysis carried out in connection with the drawing up of action plans. The heads of the units are responsible for the identification, reporting and risk management measures of the operative risks in their respective areas of responsibility. Responsible persons in each function attend to the implementation and follow-up of risk management in their areas of responsibility. The company applies a comprehensive risk management system, which is being developed further.

The company's financial administration is specialised in co-ordinating, supporting and monitoring the implementation of risk management in the various functions. The risk management specialists also advise the various functions whenever necessary in the planning and implementation of risk management measures, and the specialists devise risk management practices and procedures. Moreover, the company's support functions - legal department, human resources management, and communications - support the corporate functions with their expertise in the implementation of risk management.

The financial administration of the Group is responsible for the control structures relating to the financial reporting process. The external auditor of the company together with the controllers of the financial function assesses the foremost financial reporting risks of the main processes.

The CEO is responsible for risk management related to the corporate-level strategic goals. The strategic risks are identified as part of the company's annual strategy work. The corporate strategy presents the primary corporate-level risks and the related risk management. The risks are monitored, co-ordinated and managed by the executive management group, but each function and/or business process is responsible for implementing its own risk management. The executive management group identifies and assesses regularly the strategic risks pertaining to personnel and expertise, corporate finances, customers and stakeholders, and business processes. Moreover, the risks are assessed in view of society with regard to the functioning of the electricity market, system security, safety, and the environment.

Foremost risks and factors of uncertainty

The biggest risk in terms of the company and society is a major disturbance related to the functioning of the power system. A comprehensive disturbance in the power system may be caused by several simultaneous faults in the grid, inoperability of Fingrid's operation control system, insufficiency of production capacity, external events, or problems related to operation support systems or data security, preventing grid operation entirely or partially. Fingrid is prepared for a widespread disturbance concerning Finland or the Nordic power system by making capital investments in the transmission grid and in reserve power. In its strategy, the company focuses on the versatile utilisation of the operation control system, expedited disturbance clearing,

and management of power shortage situations. Fingrid also makes preparations for disturbance situations by means of various reserves, procedural guidelines, contingency plans, and exercises.

Other significant risks are an unfavourable trend in official regulation, capital investments which have become unnecessary, unanticipated capital investments, an unexpected increase in costs or reduction in income, financing risks, personnel risks, reputation risks, risks related to information technology and telecommunications, and asset risks.

Fingrid's operations are subject to official regulation and supervised by the Energy Market Authority. Risks related to an unfavourable trend in official regulation, such as changes in the Finnish or European regulation or legislation, can weaken the financial position of the company or its opportunities to pursue the objectives related to the development of the electricity market. The company aims to establish well-working co-operation and interaction with the various stakeholders and to contribute actively to the reports and task forces of authorities. Fingrid works within ENTSO-E, the European Network of Transmission System Operators for Electricity, hence making preparations for and contributing to the impacts of regulation.

Capital investments which have become unnecessary, or unanticipated capital investments may be the result of issues such as regional changes in electricity consumption, changes in electricity production, changes in the international situation, changes in regulation, or technological changes. The objective is to avoid potentially incorrect or unanticipated capital expenditure by means of continuous dialogue and close co-operation with customers, other transmission system operators, and other stakeholders. Fingrid draws up transparent, comprehensive and sustainable grounds for capital investments, and updates the grid plans regularly. The company creates flexibility in the capital investment programme and executes the projects in a timely fashion.

Fingrid's major financial risks include an unforeseen increase in costs or decrease in income. This could be caused by unexpected changes in market-based costs. Increased costs could be a result of for example the realisation of counterparty risk, increase in electricity exchange prices or interest rate level or unexpected faults. Correspondingly, a decrease in income may be the result of a sharp decline in electricity consumption, realisation of counterparty risk related to the service businesses, or a reduction in transmission and congestion income. An unanticipated increase in costs or decrease in income is restricted by enhancing financial control in the Group and assessment concerning financial latitude. Fingrid can change the grid tariff annually. Derivatives are used for hedging against changes in the price of electricity or in the interest rate level. The counterparty risk related to obligations of parties having a contractual relationship with Fingrid is limited contractually, by defining limits and by regularly monitoring the financial position of the counterparties.

The financial risks include currency risks, transaction risks, interest rate risks, commodity risks, liquidity and refinancing risks, and credit risks. Financial risks can be caused by disturbances in the capital and money markets, realisation of counterparty risks in terms of derivatives or investments, realisation credit risks in operations, or disturbances in payments traffic. The risks are limited by means of derivatives, monitoring of counterparties, and by determining upper limits for investments in financial securities and counterparties. Moreover, the refinancing risk caused by disorders in the money and capital markets is reduced by the even maturity profile of debt and versatile sources of funding. The financial risks are described in more detail in note 34 to the consolidated financial statements (IFRS).

The personnel risks are related to competence and occupational safety. In terms of occupational safety, risks related to electrical safety as well as construction and repair projects are the foremost risks. The competence and occupational safety risks are limited by the company's strategic long-term personnel planning and allocated training programmes for both the company's own personnel and service providers. Fingrid audits the work sites systematically in order to enhance safety at work.

Reputation risk can be attributable to a number of reasons, such as serious disturbances or accidents, changes in prices, expropriation of land areas, or delayed upgrades of the grid. These risks are reduced by means of effective risk and change management as well as responsible, transparent and equitable operations and active stakeholder efforts.

Drawbacks related to information technology and telecommunications may be caused by an accident in ICT hardware facilities, long-term inoperability of telecommunications, or a serious failure in a critical ICT system where such a failure poses a direct and significant impediment to the company's operations. Such a situation may also be caused by a work error or serious breach of data security. The company aims to make contingencies for these risks so that the company has sufficient and solid ICT expertise and that ICT is secured in terms of the facilities, telecommunications and systems. Contingency plans are drawn up for the critical systems, and the company monitors and forecasts potential cyber security threats.

Asset risks cover significant failures in Fingrid's assets beyond repair, or a reduction in the usability of the assets. These may include failures which are significant in terms of volume or asset value. Other reasons of asset risks can include significant and unanticipated factors. Fingrid manages the asset risk through means such as preventive maintenance management, comprehensive insurance policies for the key grid components, detailed definition of projects and maintenance management, stringent quality control, and use of proven technology and competent suppliers.

In addition to the foremost risks affecting the company, Fingrid has identified, as part of its corporate social responsibility, the risks that have a major impact on society. Fingrid has also taken into account the management of these risks, and it influences the risks through a variety of measures. The foremost risks shared by Fingrid and society comprise a risk of a major disturbance as described above, lack of confidence in the electricity market, environmental risk, postponement of significant upgrades of the transmission system, and long-term transmission capacity restrictions.

The loss of confidence in the electricity market is a significant risk for Fingrid and society. This risk may be realised for example as a result of congestions in the transmission system or high prices of electricity. The company aims to contribute to the integration of the European electricity market and to secure the intensification of market mechanisms by constructing new cross-border transmission connections whenever necessary and by publishing market information which has bearing on the transparency of the market.

From the point of view of society, the most significant environmental risks are related to environmental damage and to the requirements of environmental legislation. The foremost risks related to environmental matters include delays in capital investment projects due to the assessment of environmental impacts, and changes in environmental legislation. The preparatory measures for the environmental risks comprise proactive assessment of environmental impacts, monitoring of legislation, prevention of accidents by means of technical solutions, further development of terms of contract, and audits.

Risks to society also include the postponement of significant upgrades in the transmission system and long-term transmission capacity restrictions. Significant upgrades in the transmission system may be delayed because of the postponement of the permit process, economic situation, lack of resources, strike, or general strike, among others. The postponement may cause restrictions in the electricity market. Long-term transmission capacity restrictions may be caused by for example technical failures or problems with power system security. The risks are controlled by securing the critical items in the transmission grid and on the cross-border connections and by means of efficient outage planning

Share capital

The minimum share capital of the company is 55,900,000 euros and the maximum share capital is 223,600,000 euros, within which limits the share capital may be increased or lowered without amending the articles of association. At present, the share capital is 55,922,485.55 euros. The shares of the company are divided into series A shares and series B shares.

The number of series A shares is 2,078 and the number of series B shares is 1,247. The votes and dividends related to the shares are described in more detail in the notes to the financial statements and in the articles of association available on the website of the company.

Corporate responsibility

Fingrid's corporate responsibility management is founded on the company's strategy. Corporate responsibility is guided by the Code of Conduct of the company. In 2012, the executive management group verified that the essential corporate responsibility issues are up to date. The primary responsibility objectives were also set.

The reporting takes into account the requirements of state ownership steering and other recommendations ensuring the company's good governance. In our operating model based on solid procurement expertise and outsourcing, one of the key objectives is to enhance the requirements concerning the responsibility of the operations, and to monitor the supervision of their attainment in the procurement chain.

Environmental matters

Fingrid's environmental responsibility is controlled by the company's land use and environmental policy. The key is to reduce the environmental impacts of the operations and to ensure environmental safety. The proper ways of working are secured through terms of contract, training, and monitoring. Environmental issues are reported in the annual report and on the internet site.

Fingrid's primary environmental impacts are caused by transmission lines, substations and reserve power plants, which represent visible and necessary infrastructure in our environment. Transmission lines have in particular land use and landscape effects, and both positive and negative impacts on wildlife and biodiversity. Like all other electrical equipment, transmission lines create electrical and magnetic fields around them. The foremost environmental considerations of substations and reserve power plants are related to the storage and handling of fuels and chemicals. The company improves the transmission system and aims at achieving minimum electricity transmission losses in a cost effective manner, thus enhancing energy efficiency. A reduction in greenhouse gas emissions is also considered as important. The efficient re-use and recycling of building and demolition waste is important in all construction work.

Fingrid has a total of 26,214 tonnes of creosote-impregnated or CCA-impregnated wooden towers, categorised as hazardous waste. Impregnated wood categorised as hazardous waste is also used in cable trench covers. The related disposal costs of approx. 1.9 million euros have been entered in the financial statements under provisions for liabilities and charges, which in turn have been added correspondingly to

property, plant and equipment. Equipment used in Fingrid's substations contains 29 tonnes of sulphur hexafluoride (SF6 gas), which is categorised as a greenhouse gas. However, no provision has been made for the disposal cost of this gas because it can be re-used after cleaning.

Fingrid's reserve power plants are subject to an environmental permit and covered by the EU's emissions trading scheme. The correctness of the measuring and reporting systems for fuel consumption is verified by an independent accredited emissions trading verifier. A total of 21,317 units of emission allowances were returned. Emissions trading has minor financial significance for Fingrid.

Fingrid serves as the issuing body for guarantees of origin of electricity in Finland. The guarantee is included in the system required by the RES-E directive of the European Union.

Events after the closing of the financial year and estimate of future outlook

On 16 January 2013, the international rating agency Standard & Poor's Rating Services (S&P) revised Fingrid Oyj's outlook from negative to stable. The credit ratings remained unchanged in other respects. S&P affirmed Fingrid's long-term credit rating at AA-, short-term rating at A-1+, and senior unsecured debt rating at AA-.

In other respects, there have been no material events or changes in Fingrid's business or financial situation after the closing of the financial year.

The company raised the transmission tariffs by 15 per cent from 1 January 2013. Fingrid will continue the implementation of its long-term capital expenditure programme of 1,700 million euros. The capital investments will be financed by increasing external financing.

Due to exceptionally high congestion income in financial year 2012, Fingrid Group's profit for the financial year in 2013 without the change in the fair value of derivatives is expected to decline slightly compared to the previous year. The uncertainty involved in congestion income and in cross-border income on the interconnections from Russia makes it difficult to forecast the profit for the entire financial year.

The Board of Director's Proposal For The Distribution of Profit

Fingrid Oyj's distributable funds in the financial statements are 52,500,000.00 euros. After the closing of the financial year, there have not been essential changes in the financial position of the company, nor does the proposed dividend distribution threaten the solvency of the company according to the Board of Directors.

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

- 2,018.26 euros of dividend per share be paid, totalling 6,710,714.50 euros
- 45,789,285.50 euros to be carried over as unrestricted equity.

CONSOLIDATED KEY INDICATORS

		2012 IFRS	2011 IFRS	2010 IFRS	2009 IFRS	2008 IFRS
Extent of operations						
Turnover	million €	522.1	438.5	456.3	358.9	382.3
Capital expenditure, gross	million €	139.0	244.4	144.1	135.6	87.9
- of turnover	%	26.6	55.7	31.6	37.8	23.0
Research and development expense	million €	1.5	1.8	1.6	1.3	0.9
- of turnover	%	0.3	0.4	0.3	0.4	0.2
Personnel, average		269	263	260	251	241
Personnel, end of year		275	266	263	260	249
Salaries and bonuses, total	million €	18.2	17.2	17.2	16.0	15.8
Profitability						
Operating profit	million €	94.6	56.6	74.4	50.8	68.4
- of revenue	%	18.1	12.9	16.3	14.1	17.9
Profit before taxes	million €	88.3	34.2	56.3	33.2	37.5
- of revenue	%	16.9	7.8	12.3	9.3	9.8
Return on investment (ROI)	%	5.6	3.6	5.1	3.9	5.8
Return on equity (ROE)	%	12.4	6.5	8.7	5.7	6.6
Financing and financial position						
Equity ratio	%	27.3	25.7	28.6	27.2	26.7
Interest-bearing net borrowings	million €	1,030.3	1,020.2	855.2	797.5	726.7
Share-specific indicators						
Earnings per share	€	20,159.2	9,924.1	12,561.9	7,417.4	8,378.5
Dividend, series A shares	€	2,018.26*	3,962.52	2,018.26	2,022.29	2,018.26
Dividend, series B shares	€	2,018.26*	2,018.26	2,018.26	2,022.29	2,018.26
Dividend payout ratio, A-shares	%	10.0*	39.9	16.1	27.3	24.1
Dividend payout ratio, B-shares	%	10.0*	20.3	16.1	27.3	24.1
Equity per share	€	171,365	152,573	154,654	134,676	125,600
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

*The Board of Directors' proposal to the General Annual Meeting

CALCULATION OF KEY INDICATORS

Return on investment, %	=	$\frac{\text{Profit before taxes} + \text{interest and other finance costs}}{\text{Balance sheet total} - \text{non-interest-bearing liabilities (average for the year)}} \times 100$
Return on equity, %	=	$\frac{\text{Profit for the financial year}}{\text{Shareholders' equity (average for the year)}} \times 100$
Equity ratio, %	=	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{advances received}} \times 100$
Earnings per share, €	=	$\frac{\text{Profit for the financial year}}{\text{Average number of shares}}$
Dividends per share, €	=	$\frac{\text{Dividends for the financial year}}{\text{Average number of shares}}$
Dividend payout ratio, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Equity per share, €	=	$\frac{\text{Shareholders' equity}}{\text{Number of shares at closing date}}$
Interest-bearing net borrowings, €	=	Interest-bearing borrowings - cash and cash equivalents

2. Financial statements

CONSOLIDATED FINANCIAL STATEMENTS (IFRS) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	1 Jan - 31 Dec 2012 1,000 €	1 Jan - 31 Dec 2011 1,000 €
REVENUE	2	522,064	438,456
Other operating income	3	3,835	2,976
Raw materials and consumables used	4	-267,103	-241,503
Employee benefits expenses	5	-22,135	-20,334
Depreciation	6	-75,665	-67,879
Other operating expenses	7, 8, 9	-66,376	-55,153
OPERATING PROFIT		94,621	56,563
Finance income	10	3,126	3,551
Finance costs	10	-10,293	-26,106
Finance income and costs		-7,167	-22,554
Portion of profit of associated companies		845	193
PROFIT BEFORE TAXES		88,299	34,201
Income taxes	11	-21,269	-1,204
PROFIT FOR THE FINANCIAL YEAR		67,029	32,998
OTHER COMPREHENSIVE INCOME			
Cash flow hedges	12	6,112	-33,399
Translation reserve	12	92	240
Available-for-sale financial assets	12	1	-48
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		73,235	-209
Profit attributable to:			
Equity holders of parent company		67,029	32,998
Total comprehensive income attributable to:			
Equity holders of the company		73,235	-209
Earnings per share, €	13	20,159	9,924
Earnings per share for profit attributable to the equity holders of the parent company:			
Undiluted earnings per share, €	13	20,159	9,924
Diluted earnings per share, €	13	20,159	9,924

Notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	31 Dec 2012 1,000 €	31 Dec 2011 1,000 €
NON-CURRENT ASSETS			
Intangible assets:			
Goodwill	15	87,920	87,920
Other intangible assets	16	91,085	89,737
		179,005	177,657
Property, plant and equipment:			
Land and water areas	17	13,933	13,671
Buildings and structures		126,385	98,345
Machinery and equipment		527,112	450,700
Transmission lines		684,187	689,929
Other property, plant and equipment		8,188	3,009
Advance payments and purchases in progress		124,870	163,908
		1,484,674	1,419,561
Investments:			
Equity investments in associated companies	18	8,292	7,947
Available-for-sale investments		302	301
		8,594	8,247
Receivables:			
Derivative instruments	29	81,678	57,495
Deferred tax assets	26	21,683	19,873
		103,361	77,368
TOTAL NON-CURRENT ASSETS		1,775,634	1,682,834
CURRENT ASSETS			
Inventories	19	10,443	6,706
Derivative instruments	29	3,884	14,288
Trade receivables and other receivables	20	88,251	64,633
Financial assets recognised in income statement at fair value	21	207,426	202,387
Cash and cash equivalents	22	6,411	1,454
TOTAL CURRENT ASSETS		316,415	289,468
TOTAL ASSETS		2,092,049	1,972,301

Notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	Notes	31 Dec 2012 1,000 €	31 Dec 2011 1,000 €
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	25	55,922	55,922
Share premium account	25	55,922	55,922
Revaluation reserve	25	-7,565	-13,679
Translation reserve	25	643	551
Retained earnings	25	464,865	408,586
TOTAL EQUITY		569,788	507,304
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	152,579	140,340
Borrowings	27	1,032,199	845,154
Provisions	28	1,869	1,897
Derivative instruments	29	30,127	34,472
		1,216,773	1,021,864
CURRENT LIABILITIES			
Borrowings	27	211,932	378,841
Derivative instruments	29	10,770	670
Trade payables and other liabilities	30	82,786	63,623
		305,488	443,133
TOTAL LIABILITIES		1,522,261	1,464,997
TOTAL EQUITY AND LIABILITIES		2,092,049	1,972,301

Notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, 1,000 €

Attributable to equity holders of the parent company

	Notes	Share capital	Share premium account	Revaluation reserve	Translation reserve	Retained earnings	Total equity
Balance at 1 Jan 2011		55,922	55,922	19,768	312	382,299	514,224
Comprehensive income							
Profit or loss	25					32,998	32,998
Other comprehensive income							
Cash flow hedges	12			-33,399			-33,399
Translation reserve	12				240		240
Items related to long-term asset items available-for-sale	12			-48			-48
Total other comprehensive income adjusted by tax effects				-33,447	240		-33,207
Total comprehensive income				-33,447	240	32,998	-209
Transactions with owners							
Dividends relating to 2010	25					-6,711	-6,711
Balance at 31 Dec 2011		55,922	55,922	-13,679	551	408,586	507,304
Balance at 1 Jan 2012		55,922	55,922	-13,679	551	408,586	507,304
Comprehensive income							
Profit or loss	25					67,029	67,029
Other comprehensive income							
Cash flow hedges	12			6,112			6,112
Translation reserve	12				92		92
Items related to long-term asset items available-for-sale	12			1			1
Total other comprehensive income adjusted by tax effects				6,113	92		6,205
Total comprehensive income				6,113	92	67,029	73,235
Transactions with owners							
Dividends relating to 2011	25					-10,751	-10,751
Balance at 31 Dec 2012		55,922	55,922	-7,565	643	464,865	569,788

Notes are an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	1 Jan - 31 Dec 2012 1,000 €	1 Jan - 31 Dec 2011 1,000 €
Cash flow from operating activities:			
Profit for the financial year	25	67,029	32,998
Adjustments:			
Business transactions not involving a payment transaction	35	86,206	72,761
Interest and other finance costs		10,293	26,106
Interest income		-3,120	-3,544
Dividend income		-6	-7
Taxes		21,269	1,204
Changes in working capital:			
Change in trade receivables and other receivables		-22,712	-3,159
Change in inventories		-3,736	-606
Change in trade payables and other liabilities		22,742	-8,584
Change in provisions	28	-29	-2
Financial assets at fair value		-488	645
Interests paid		-21,787	-22,815
Interests received		3,556	2,899
Taxes paid	11	-14,586	-2,344
Net cash flow from operating activities		144,633	95,552
Cash flow from investing activities:			
Purchase of property, plant and equipment	17	-142,747	-241,046
Purchase of intangible assets	16	-5,106	-3,331
Purchase of other assets	18	0	
Proceeds from sale of property, plant and equipment	17	612	50
Dividends received	10	1,335	211
Contributions received			143
Net cash flow from investing activities		-145,905	-243,973
Cash flow from financing activities:			
Withdrawal of loans		643,535	749,938
Repayment of loans		-621,516	-612,649
Dividends paid	25	-10,751	-6,711
Net cash flow from financing activities		11,269	130,579
Net change in cash and cash equivalents		9,996	-17,842
Cash and cash equivalents 1 Jan		203,841	221,683
Cash and cash equivalents 31 Dec	21, 22	213,837	203,841

Notes are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES OF CONSOLIDATED FINANCIAL STATEMENTS

Fingrid Oyj is a Finnish public limited company established in accordance with Finnish law. Fingrid's consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. Fingrid's registered office is in Helsinki at address P.O. Box 530 (Läkkisepäntie 21, 00620, Helsinki), 00101 Helsinki.

A copy of the consolidated financial statements is available on the internet at www.fingrid.fi or at Fingrid Oyj's head office.

The amounts in the financial statements are in thousands of euros and based on the original acquisition costs unless otherwise stated in the accounting principles or notes.

Fingrid Oyj's Board of Directors has accepted the publication of these financial statements in its meeting on 14 February 2013. In accordance with the Finnish Companies Act, the shareholders have an opportunity to adopt or reject the financial statements in the shareholders' meeting held after their publication. The shareholders' meeting can also amend the financial statements.

Primary business areas

Fingrid Oyj is the national transmission system operator responsible for the main electricity transmission grid in Finland. The company's responsibilities are to develop the main grid, to maintain a continuous balance between electricity consumption and generation, to settle the electricity deliveries between the parties on a nation-wide level, and to promote the electricity market. The company is also in charge of the cross-border transmission connections to the other Nordic countries, Estonia and Russia.

The consolidated financial statements contain the parent company Fingrid Oyj and its fully-owned subsidiary Finextra Oy. The consolidated associated companies are Porvoon Alueverkko Oy (ownership 33.3%) and Nord Pool Spot AS (ownership 19.18%). The Group has no joint ventures.

All intercompany transactions, internal margins on inventories and property, plant and equipment, 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 corresponding to the Group's ownership in the associated companies is eliminated of unrealised profits between the Group and its associated companies. If necessary, the accounting principles applied by the associated companies have been adjusted to correspond to the principles applied by the Group.

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 IFRS 8 standard is not presented. The operating segment is reported in a manner consistent with the internal reporting delivered to the Chief Operating Decision Maker. The Chief Operating Decision Maker is the government

Revenue and sales recognition

Sales recognition takes place on the basis of the supply of the service. Electricity transmission is recognised once the transmission has taken place. Balance power services are recognised on the basis of the supply of the service. Connection fees are recognised on the basis of the relevant time. Indirect taxes and discounts, among others, are deducted from the sales income when calculating revenue.

Public contributions

Public contributions received from the EU or other parties related to property, plant and equipment are deducted in the acquisition cost of the item of property, plant or equipment, whereby the contributions reduce the depreciation made on the property, plant or equipment. Other contributions received are presented in other operating income.

Pension schemes

The Group currently only has contribution-based pension schemes. The pension security of the Group's personnel is arranged by an outside pension insurance company. Pension premiums paid for contribution-based schemes are charged to the income statement in the year to which they relate. In contribution-based schemes, the Group has no legal or factual obligation to pay additional premiums if the party receiving the premiums is unable to pay the pension benefits.

Research and development

Research and development by the Group aim to intensify intra-company operations. No new services or products sold separately are created as a result of R&D. This is why R&D costs are recorded in the income statement as expenses in the accounting year in which they are created.

Leases

Lease obligations where the risks and rewards incident to ownership remain with the lessor are recorded as other leases. Lease obligations paid on the basis of other leases are recorded in other operating expenses, and they are recognised in the income statement as equally large items during the lease period. The other leases primarily concern office facilities, land areas and network leases. In accordance with the principles of standard IAS 17 Leases, those leases where the company is transferred substantially all the risks and rewards incident to ownership are categorised as finance leases.

Foreign currency transactions

The consolidated financial statements are presented in euros, which is the functional currency by the parent company. Commercial flows and financial 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. Receivables and liabilities denominated in foreign currencies are translated at the mid-rate quoted by ECB at the closing day and recognised in the financial statements. Foreign exchange gains and losses from business are included in corresponding items above operating profit. Foreign exchange gains and losses from financial instruments are recorded at net amounts in finance income and costs.

Foreign exchange gains and losses from translating the income statement items of the foreign associated company to the mid-rate and from translating its balance sheet items to the rate at the closing date are presented as a separate item in shareholders' equity.

Income taxes

Taxes presented in the consolidated income statement include the Group companies' accrual taxes for the profit of the financial year, tax adjustments from previous financial years and changes in deferred taxes. In accordance with IAS 12, the Group records deferred tax assets as non-current receivables and deferred tax liabilities as non-current liabilities.

Deferred tax assets and liabilities are recorded of all temporary differences between the tax values of asset and liability items and their carrying amounts using the liability method. Deferred tax is recorded using tax rates valid at the closing date.

The largest temporary differences result from the depreciation of property, plant and equipment and from financial instruments. No deferred tax is recorded of the undistributed profits of the foreign associated company, because receiving the dividend does not cause a tax impact by virtue of a Nordic tax agreement. The deferred tax asset from temporary differences is recorded up to an amount which can likely be utilised against taxable income created in the future.

Earnings per share

The Group has calculated the undiluted earnings per share in accordance with standard IAS 33. The undiluted earnings per share are calculated using the weighted average number of shares outstanding during the financial year.

Since Fingrid has no option systems or benefits bound to the shareholders' equity nor other equity financial instruments, there is no dilution effect.

Goodwill and other intangible assets

Goodwill created as a result of the acquisition of enterprises and businesses is composed of the excess of the acquisition cost over the identifiable net assets of the acquired business valued at fair value. Goodwill is allocated to cash-generating units and it is tested annually for impairment. With associated companies, goodwill is included in the value of the investment in the associated company.

Other intangible assets comprise computer software and land use rights. Computer software is valued at the original acquisition cost and depreciated on a straight line basis during their estimated economic lives. Land use rights with unlimited economic lives are not depreciated but tested annually for impairment.

The depreciation periods of intangible assets are as follows:

Computer software	3 years
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Subsequent expenses relating to intangible assets are only capitalised if their financial benefit for the company increases above the former performance level. In other cases, the expenses are recorded in the income statement when they materialise.

Emission rights

Emission rights acquired free of charge are valued in intangible assets at their nominal value, and purchased emission rights are recorded at the acquisition cost. A liability is recorded of emission rights to be returned. If the Group has a sufficient volume of emission rights to cover the return obligations, the liability is recognised at the carrying amount corresponding to the emission rights in question. If there are not sufficient emission rights to cover the return obligations, the liability is recognised at the market price of the emission rights in question. No depreciation is recorded of emission rights. They are derecognised in the balance sheet at the time of transfer when the actual emissions have been ascertained. The expense resulting from the liability is recorded in the income statement under the expense item Materials and services. Capital gains from emissions rights are recorded under Other operating income.

Property, plant and equipment

Land areas, buildings, transmission lines, machinery and equipment constitute most of the property, plant and equipment. These are recognised 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 economic lives of different lengths, the parts are recorded as separate items.

The revised standard IAS 23 Borrowing Costs requires that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the acquisition cost of that asset. The Group has applied the revised standard to those qualifying assets the capitalisation of whose borrowing costs has commenced at 1 January 2009, when the value of the assets exceeds 50,000 euros and when the completion of the investment takes more than 12 months. Borrowing costs capitalised to the acquisition cost are calculated on the basis of the average borrowing cost of the Group.

When a separately recorded part of property, plant and equipment is renewed, the costs relating to the new part are capitalised. Other subsequent costs are capitalised only if it is likely that the future financial benefit relating to the asset benefits the Group and the acquisition cost of the asset can be determined reliably. Repair and maintenance costs are recognised in the income statement once they have materialised.

Straight-line depreciation is recorded of property, plant and equipment on the basis of their economic lives. Depreciation on property, plant and equipment taken into use during the financial year is calculated asset-specifically from the month of introduction. Land and water areas are not depreciated. The expected economic lives are verified at each closing date, and if they differ significantly from the earlier estimates, the depreciation periods are amended accordingly.

The depreciation periods of property, plant and equipment are as follows:

Buildings and structures	
Substation buildings and separate buildings	40 years
Substation structures	30 years
Buildings and structures at gas turbine power plants	20–40 years
Separate structures	15 years
Transmission lines	
Transmission lines 400 kV	40 years
Direct current lines	40 years
Transmission lines 110–220 kV	30 years
Creosote-impregnated towers and related disposal expenses	30 years
Aluminium towers of transmission lines (400 kV)	10 years
Optical ground wires	10–20 years
Machinery and equipment	
Substation machinery	10–30 years
Gas turbine power plants	20 years
Other machinery and equipment	3–5 years

Gains or losses from the sale or disposition of property, plant and equipment are recorded in the income statement under either other operating income or expenses. Property, plant and equipment are derecognised in the balance sheet when the planned depreciation period has expired, the asset has been sold, scrapped or otherwise disposed of to an outsider.

Impairment

The carrying amounts of asset items are assessed at the closing date to detect potential impairment. If impairment is detected, the recoverable amount of the asset is estimated. An asset is impaired if the balance sheet value of the asset or of a cash-generating unit exceeds the recoverable amount. Impairment losses are recorded in the income statement.

The asset items subject to depreciation are examined for impairment also when events or changes in circumstances suggest that the amount corresponding to the carrying amount of the asset items may not be recovered.

The impairment loss of a cash-generating unit is first allocated to reduce the goodwill of the cash-generating unit and thereafter to reduce in proportion the other asset items of the unit.

The recoverable amount of intangible assets and property, plant and equipment is defined so that it is the higher of the fair value reduced by the costs resulting from sale or the value in use. When defining the value in use, the estimated future cash flows are discounted at their present value based on discount rates which reflect the average capital cost of the said cash-generating unit before taxes. The specific risk of the assets in question is also considered in the discount rates.

An impairment loss relating to property, plant and equipment and intangible assets other than goodwill is reversed if a change has taken place in the estimates used for defining the recoverable amount of the asset. An impairment loss is reversed at the most up to an amount which would have been defined as the carrying amount of the asset (reduced by depreciation) if no impairment loss had been recorded of it in the previous years. An impairment loss recorded of goodwill is not reversed.

Available-for-sale investments

Available-for-sale investments are long-term assets unless executive management intends to sell them within 12 months from the closing date. Publicly quoted securities are classified as available-for-sale investments and recorded at fair value, which is the market value at the closing date. Changes in fair value are recorded in the shareholders' equity until the investment is sold or otherwise disposed of, in which case the changes in fair value are recorded in the income statement.

Inventories

Inventories are entered at the lower of acquisition cost or net realisable value. The acquisition cost is determined using the FIFO principle. The net realisable value is the estimated market price in normal business reduced by the estimated future costs of completing and estimated costs required by sale. Inventories consist of material and fuel inventories.

Loans receivables and other receivables

Loans receivables and other receivables are recorded initially at fair value. The amount of bad receivables is estimated based on the risks of individual items. An impairment loss of receivables is recorded when there is valid evidence that the Group will not receive all of its receivables at the original terms (e.g. due to the debtor's serious financial problems, likelihood that the debtor will go bankrupt or subject to other financial rearrangements, and negligence of due dates of payments by more than 90 days). Impairment losses are recorded directly to reduce the carrying amount of receivables and under item Other operating expenses.

Derivative instruments

Trading derivatives are classified as a derivatives asset or liability. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company uses derivative contracts only for hedging purposes according to a specific risk management policy.

Electricity derivatives

The company enters into electricity derivative contracts in order to hedge its electricity purchases in accordance with the loss energy forecast, by following the loss energy procurement policy approved by the executive management group.

The company applies hedge accounting for electricity derivatives based on cash flow hedging of loss energy purchases. The company documents at the inception of the contract the relationship between the hedged item and the hedging instrument. Similarly are the risk management objectives and strategy documented for undertaking various hedging transactions. The effective portion of changes in the fair values of instruments that are designated and qualify as cash flow hedges are recorded in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other gains and losses. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit and loss. Changes in fair value of instruments which are designated and qualify for hedge accounting are recorded in equity, hedging reserve. Changes in the fair values of other electricity derivatives continue to be recorded in the income statement. Hedge accounting is applied to publicly quoted annual and quarterly instruments bought by the company.

When a hedging instrument expires, is sold or no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity, and is recognised only when the forecast transaction is ultimately recognised in the income statement within other gains and losses.

Instruments quoted at NASDAQ OMX Commodities are valued at the market prices at the closing date.

Interest rate and currency derivatives

The company enters into derivative contracts in order to hedge the financial risks (interest rate and foreign exchange exposures) in accordance with the principles for financing approved by the Board of Directors. Fingrid does not apply hedge accounting to the derivatives.

Derivative assets and liabilities are recognised at the original fair value. Derivatives are measured at fair value at the closing date, and their change in fair value is recorded in the income statement in finance income and costs. The fair values of derivatives at the closing date are based on different calculation methods. Foreign exchange forwards have been measured at the forward prices. Interest rate and cross-currency swaps have been measured at the present value on the basis of the yield curve of each currency. Interest rate options have been valued by using generally accepted option pricing models in the market.

Held-for-trading financial securities

Financial securities at fair value through profit or loss are financial assets held for trading. The category includes money market securities and investments in short-term money market funds. Financial securities are recorded in the balance sheet at fair value at the settlement day. Subsequently financial securities are measured in the financial statements at fair value, and their change in fair value is recognised in the income statement in finance income and costs.

Financial assets recognised in the income statement at fair value primarily comprise certificates of deposit, commercial papers and municipality bills with maturities of 3 - 6 months, and investments in short-term money market funds.

Financial securities are derecognised when they mature, are sold or otherwise disposed of.

Assets in this category are classified as current assets.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank deposits. Cash and cash equivalents are derecognised when they mature, are sold or otherwise disposed of. Assets in this category are classified as current assets.

Borrowings

Borrowings are initially recognised at fair value net of the transaction costs incurred. Transaction costs consist of bond prices above or below par value, arrangement fees, commissions and administrative fees. Borrowings are subsequently carried at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are derecognised when they mature and are repaid.

Provisions

A provision is recorded when the Group has a legal or factual obligation based on an earlier event and it is likely that fulfilling the obligation will require a payment, and the amount of the obligation can be estimated reliably.

The provisions are valued at the present value of costs required to cover the obligation. The discounting factor used in calculating the present value is chosen so that it reflects the market view of the time value of money at the assessment date and of the risks pertaining to the obligation.

Fingrid uses creosote-impregnated and CCA-impregnated wooden towers and cable trench covers. Decree YMA 1129/2001 by the Finnish Ministry of the Environment categorises decommissioned impregnated wood as hazardous waste. A provision was recorded in 2004 of the related disposal costs materialising in the future decades.

Dividend distribution

The Board of Directors' proposal concerning dividend distribution is not recorded in the financial statements. This is only recorded after a decision made by the Annual General Meeting of Shareholders.

Critical accounting estimates and judgements

When the consolidated financial statements are drawn up in accordance with the IFRS, 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 in the conditions which constitute the foundation for the estimates of the items recorded in the financial statements. The actual amounts may differ from these estimates. In the financial statements, estimates have been used for example in the drawing up of impairment testing calculations, when specifying the economic lives of tangible and intangible asset items, and in conjunction with deferred taxes and provisions.

Imbalance power purchase and sale estimate

The income and expenses of imbalance power are ascertained through nation-wide imbalance settlement procedure, which is based on the decree by the Ministry of Employment and Economy on 9 December 2008 disclosure obligation related to settlement of electricity delivery. The final balance settlement is completed no later than two months from the delivery month, which is why the income and expenses of imbalance power in the financial statements are partly based on preliminary balance settlement. The preliminary settlement has been made separately for consumption balance, production balance and foreign balances. For the two first balances, the volume of unsettled imbalance power has been estimated using reference group calculations.

For foreign balances, the calculations have been verified with the foreign counterparties.

ITC compensation

Inter-compensations for the transit transmissions of electricity have been agreed upon through the ITC agreement. The centralised calculations are carried out by ENTSO-E (the European Network of Transmission System Operators of Electricity). The ITC compensations are determined on basis of the compensation paid for the use of the grid and transmission losses. The ITC compensations are calculated considering the electricity transmissions between the various ITC agreement countries. The inter-TSO compensation can represent both income and cost for a transmission system operator. Fingrid's portion of the ITC compensation is determined on the basis of the cross-border electricity transmissions and imputed grid losses. The ITC compensation invoicing in arrears after all parties to the ITC agreement has approved the invoiced sums, after the monthly control. This is why the uninvoiced ITC compensations for 2012 have been estimated in the financial statements. The estimate has been made using actual energy border transmissions in Finland and unit compensations, which have been estimated analysing the actual figures in previous months and data on grid transmissions during these months.

Estimated impairment of goodwill

Goodwill is tested annually for potential impairment, in accordance with the accounting principles stated in note 15.

Application of new or revised IFRS standards and IFRIC interpretations

In preparing these interim financial statements, the group has followed the same accounting policies as in the annual financial statements for 2011 except for the effect of changes required by the adoption of the following new standards, interpretations and amendments to existing standards and interpretations on 1 January 2012. These entered into force on the new or restructured Standard for and interpretations does not have a material impact on the 2012 financial statements.

IAS 12 (amendment)*: Income taxes

Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

IAS 1 (amendment): Financial statement presentation

The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

The Group will adopt the following amendments to existing standards on 1 January 2013 or later.

IFRS 7 (amendment)*: Financial instruments: Disclosures

This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

Amendment* to IFRS 10, IFRS 11 and IFRS 12 on transition guidance

These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

Annual improvements 2011 (revised)*

These annual improvements address issues in the 2009 - 2011 reporting cycle. It includes changes to:

- IFRS 1, First time adoption
- IAS 1, Financial statement presentation
- IAS 16, Property, plant and equipment
- IAS 32, Financial instruments; Presentation
- IAS 34, Interim financial reporting

IFRS 10 (amendment)*: Consolidated financial statements

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 11 (amendment)*: Joint arrangements

IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12 (amendment), 'Disclosures of interests in other entities'

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 (amendment), 'Fair value measurement'

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

IAS 27 (revised 2011); 'Separate financial statements'

IAS 27 includes the requirements relating to separate financial statements.

IAS 28 (revised 2011); 'Associates and joint ventures'

IAS 28 includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11.

Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting

These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

IFRS 9 (amendment), 'Financial instruments'

IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

The changes are not expected to have a material impact on the consolidated financial statements.

*) The amendment has not yet been approved by the EU.

2. INFORMATION ON REVENUE AND SEGMENTS

REVENUE, 1,000 €	2012	2011
Grid service revenue	276,247	210,207
Sale of imbalance power	152,489	145,861
Cross-border transmission	10,613	22,399
ITC income	9,957	22,181
Peak load capacity	18,701	7,221
Estlink congestion income	6,469	9,632
Nordic congestion income	44,244	15,765
Feed-in tariff for peat		1
Other operating revenue	3,345	5,188
Total	522,064	438,456

Through the grid services, a customer obtains the right to transmit electricity to and from the main grid through its connection point. Grid service is agreed by means of a grid service contract signed between a customer connected to the main grid and Fingrid. Fingrid charges a consumption fee, use of grid fee, connection point fee and market border fee for the grid service. The contract terms are equal and public.

Transmission services on the cross-border connections to the other Nordic countries enable participation in the Nordic Elspot and Elbas exchange trade. Fingrid makes transmission services on the cross-border connections from Russia available to all electricity market parties. The transmission service is intended for fixed electricity imports. When making an agreement on transmission services from Russia, the customer reserves a transmission right (in MW) for a period of time to be agreed upon separately. The smallest unit that can be reserved is 50 MW. The contract terms are equal and public.

Each electricity market party must ensure that its electricity balance is in balance by making an agreement with either Fingrid or some other party. Fingrid buys and sells imbalance power in order to balance the hourly power balance of an electricity market party (balance provider). Imbalance power trade and pricing of imbalance power are based on a balance service agreement with equal and public terms and conditions.

Fingrid is responsible for the continuous power balance in Finland by buying and selling regulating power in Finland. The balance providers can participate in the Nordic balancing power market by submitting bids of their available capacity. The terms and conditions of participation in the regulating power market and the pricing of balancing power are based on the balance service agreement.

The congestion income is revenues that the transmission system operator receives from market actors for use of transmission capacity for those transmission links, on which the operational reliability of the power system restricts the power transmission. Fingrid receives a contractual portion of the Nordic congestion income.

ITC-compensation are income and/or costs for Fingrid, which the transmission system operator receives for the use of its grid by other European transmission operators and/or pays to other transmission system operators when using their grid when servicing its own customers.

Peak load power includes condensing power capacity, when it is under threat of being closed down, to be kept in readiness for use (peak load power) and the feed-in tariff for peat includes compensation for peat condensing power.

Information on segments is not presented, because 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.

3. OTHER OPERATING INCOME, 1,000 €	2012	2011
Rental income	1,825	1,740
Contributions received	214	205
Other income	1,796	1,031
Total	3,835	2,976

4. MATERIALS AND SERVICES, 1,000 €	2012	2011
Purchases during financial year	238,532	225,338
Change in inventories, increase (-) or decrease (+)	-3,736	-606
Materials and consumables	234,795	224,732
External services	32,307	16,770
Total	267,103	241,503

5. EMPLOYEE BENEFITS EXPENSES, 1,000 €	2012	2011
Salaries and bonuses	18,215	17,213
Pension expenses - contribution-based schemes	3,050	2,438
Pension expenses - benefit-based schemes		-82
Other additional personnel expenses	869	765
Total	22,135	20,334

In 2011, a refund of 81,667.56 euros was received of the fees related to a benefit-based pension scheme which has ended

Salaries and bonuses of top management (note 36)	1,536	1,564
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Since 2012, the Group has applied a remuneration system whose general principles were accepted by the Board of Directors of Fingrid Oyj on 15 December 2011. The total remuneration of the members of the executive management group consists of a fixed total salary, a one-year bonus scheme, and a three-year long-term incentive scheme. The maximum amount of the one-year bonus scheme payable to the President is 25 per cent and to the other members of the executive management group 20 per cent of the annual salary. The maximum amount of the long-term incentive scheme payable to the President is 35 per cent and to the other members of the executive management group 25 per cent.

Number of salaried employees in the company during the financial year:	2012	2011
Personnel, average	269	263
Personnel, 31 Dec	275	266

6. DEPRECIATION, 1,000 €	2012	2011
Intangible assets	2,529	2,796
Buildings and structures	4,785	4,052
Machinery and equipment	36,461	32,502
Transmission lines	31,022	27,875
Other property, plant and equipment	868	653
Total	75,665	67,879

7. OTHER OPERATING EXPENSES, 1,000 €	2012	2011
Contracts, assignments etc. undertaken externally	37,913	31,833
Gains/losses from measuring electricity derivatives at fair value	12,500	4,725
Rental expenses	8,716	11,538
Foreign exchange gains and losses	162	8
Other expenses	7,083	7,050
Total	66,376	55,153

8. AUDITORS FEES, 1,000 €	2012	2011
Auditing fee	35	32
Other fees	63	6
Total	98	38

9. RESEARCH AND DEVELOPMENT, 1,000 €	2012	2011
Research and development expenses	1,533	1,833
Total	1,533	1,833

10. FINANCE INCOME AND COSTS, 1,000 €	2012	2011
Interest income on held-for-trading financial assets	-3,047	-3,523
Interest income on cash and cash equivalents and bank deposits	-21	-21
Net foreign exchange gains and losses	-51	-
Dividend income	-6	-7
	-3,126	-3,551

Interest expenses on borrowings	36,549	29,281
Net financial expenses on interest and foreign exchange derivatives	-10,792	-7,079
Gains from measuring derivative contracts at fair value	-17,744	-7,363
Losses from measuring derivative contracts at fair value	4,032	10,523
Net foreign exchange gains and losses		0
Other finance costs	1,383	2,174
	13,429	27,535
Capitalised finance costs, borrowing costs; the capitalisation rate used 2.15% (note 17)	-3,136	-1,430
Total	7,167	22,554

11. INCOME TAXES, 1,000 €

	2012	2011
Direct taxes	12,825	7,720
Change of deferred taxes (note 26)	8,445	-6,517
Total	21,269	1,204

Reconciliation of income tax:

Profit before taxes	88,299	34,201
Tax calculated in accordance with statutory tax rate in Finland 24.5% (26.0% in 2011)	21,633	8,892
Deferred tax resulting from change in tax rate		-7,653
Non-deductible expenses and tax-free income	-364	-36
Income Taxes in the Consolidated Income Statement	21,269	1,204

12. TAXES RELATED TO OTHER ITEMS IN TOTAL COMPREHENSIVE INCOME, 1,000 €

	2012			2011		
	Before taxes	Tax impact	After taxes	Before taxes	Tax impact	After taxes
Cashflow hedges	8,571	2,459	6,112	-37,841	4,443	-33,399
Translation reserve	92		92	240		240
Items related to long-term asset items available-for-sale	2	0	1	-65	17	-48
Total	8,665	2,460	6,205	-37,667	4,460	-33,207

13. EARNINGS PER SHARE

	2012	2011
Profit for the financial year, 1,000 €	67,029	32,998
Weighted average number of shares, qty	3,325	3,325
Undiluted earnings per share, €	20,159	9,924
Diluted earnings per share, €	20,159	9,924

14. DIVIDEND PER SHARE

After the closing date, the Board of Directors has proposed that a dividend of 2,018.26 (2011: A-shares 3,962.52, B-shares 2,018.26) euros for both the A- and B-series of shares to be distributed totalling 6.7 (2011: 10.8) million euros.

15. GOODWILL, 1,000 €	2012	2011
Cost at 1 Jan	87,920	87,920
Cost at 31 Dec	87,920	87,920
Carrying amount 31 Dec	87,920	87,920

The entire business of the Fingrid Group is the transmission system operation in Finland with system responsibility, which the full goodwill of the Group is comprised of.

In impairment testing, the recoverable amount from business is defined by means of value in use. The cash flow forecasts used in impairment calculations are based on financial estimates derived from the company's ten year strategy. The cash flows used in the impairment test are based on income and expenses deriving from the business operations and replacement capital expenditure according to the capital expenditure programme. The estimated cash flows cover the following five year period. The expected cash flows during the subsequent years are estimated by extrapolating the expected cash flows using a growth estimate of zero per cent. The discount rate before taxes used in the calculations is 6.0% (7.0%). The discount rate has been lowered as a result of a general decline in interest rates. According to the view of the management, reasonable changes in the primary assumptions used in the calculations will not lead to a need for recording impairment losses.

16. INTANGIBLE ASSETS, 1,000 €	2012	2011
Land use rights		
Cost at 1 Jan	86,098	84,600
Increases 1 Jan - 31 Dec	1,876	1,498
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	87,974	86,098
Carrying amount 31 Dec	87,974	86,098
Other intangible assets		
Cost at 1 Jan	24,925	23,582
Increases 1 Jan - 31 Dec	2,001	1,343
Cost at 31 Dec	26,925	24,925
Accumulated depreciation according to plan 1 Jan	-21,286	-18,489
Depreciation according to plan 1 Jan - 31 Dec	-2,529	-2,796
Carrying amount 31 Dec	3,111	3,639
Carrying amount 31 Dec	91,085	89,737

The land use rights are tested annually for impairment in connection with the testing of goodwill. No need for impairment has been noted as a result of the testing.

17. PROPERTY, PLANT AND EQUIPMENT, 1,000 €	2012	2011
Land and water areas		
Cost at 1 Jan	13,671	13,509
Increases 1 Jan - 31 Dec	262	162
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	13,933	13,671
Carrying amount 31 Dec	13,933	13,671
Buildings and structures		
Cost at 1 Jan	127,014	107,624
Increases 1 Jan - 31 Dec	32,825	19,432
Decreases 1 Jan - 31 Dec		-43
Cost at 31 Dec	159,839	127,014
Accumulated depreciation according to plan 1 Jan	-28,669	-24,633

Decreases, depreciation according to plan 1 Jan - 31 Dec		17
Depreciation according to plan 1 Jan - 31 Dec	-4,785	-4,052
Carrying amount 31 Dec	126,385	98,345
Machinery and equipment		
Cost at 1 Jan	767,533	687,816
Increases 1 Jan - 31 Dec	112,874	79,972
Decreases 1 Jan - 31 Dec		-255
Cost at 31 Dec	880,407	767,533
Accumulated depreciation according to plan 1 Jan	-316,833	-284,459
Decreases, depreciation according to plan 1 Jan - 31 Dec		127
Depreciation according to plan 1 Jan - 31 Dec	-36,461	-32,502
Carrying amount 31 Dec	527,112	450,700
Transmission lines		
Cost at 1 Jan	1,006,788	896,373
Increases 1 Jan - 31 Dec	25,425	110,415
Decreases 1 Jan - 31 Dec	-278	
Cost at 31 Dec	1,031,935	1,006,788
Accumulated depreciation according to plan 1 Jan	-316,859	-288,984
Decreases, depreciation according to plan 1 Jan - 31 Dec	133	
Depreciation according to plan 1 Jan - 31 Dec	-31,022	-27,875
Carrying amount 31 Dec	684,187	689,929
Other property, plant and equipment		
Cost at 1 Jan	14,658	14,096
Increases 1 Jan - 31 Dec	6,016	562
Cost at 31 Dec	20,674	14,658
Accumulated depreciation according to plan 1 Jan	-11,649	-10,999
Depreciation according to plan 1 Jan - 31 Dec	-837	-650
Carrying amount 31 Dec	8,188	3,009
Advance payments and purchases in progress		
Cost at 1 Jan	163,908	142,930
Increases 1 Jan - 31 Dec	116,320	224,097
Transfers to other property, plant, and equipment and to other intangible assets 1 Jan - 31 Dec	-158,464	-204,546
Borrowing costs capitalised in the financial year (note 10)	3,136	1,430
Depreciation according to plan on capitalised interests 1 Jan - 31 Dec	-30	-3
Cost at 31 Dec	124,870	163,908
Carrying amount 31 Dec	124,870	163,908
Carrying amount 31 Dec	1,484,674	1,419,561

Item advance payments and purchases in progress contains the advance payments of noncurrent property, plant and equipment and intangible assets, and acquisition costs caused by capital investments in progress.

18. INVESTMENTS, 1,000 €	2012	2011
Available-for-sale investments		
Cost at 1 Jan	301	366
Increases 1 Jan - 31 Dec		
Decreases 1 Jan - 31 Dec		
Changes in fair value 1 Jan - 31 Dec	2	-65
Carrying amount 31 Dec	302	301

The changes in fair value are recorded in equity (note 25).

Equity investments in associated companies		
Cost at 1 Jan	7,947	7,718
Portion of profit 1 Jan - 31 Dec	845	193
Share issue Nord Pool Spot AS 1 Aug 2012	737	
Translation differences 1 Jan - 31 Dec	92	240
Dividends 1 Jan - 31 Dec	-1,329	-204
Carrying amount 31 Dec	8,292	7,947
Carrying amount 31 Dec	8,594	8,247
Goodwill contained in the carrying amount of associated companies at 31 Dec	3,245	3,245

There are no such essential temporary differences with associated companies of which deferred tax assets or liabilities would have been recorded.

The ownership structure of Nord Pool Spot AS, the Nordic electricity exchange, changed on 1 August 2012. The Estonian and Lithuanian transmission system operators Elering AS and Litgrid AB respectively became co-owners through a special issue, each with a holding of 2.04 per cent. The Latvian transmission system operator Latvenergo AS has an option to become a co-owner. Fingrid Oyj's ownership in Nord Pool Spot AS decreased to 19.18 per cent. If the Latvian TSO becomes a co-owner, Fingrid Oyj's holding will decrease to 18.8 per cent. Fingrid considers that despite the reduction in the company's holding, Nord Pool Spot AS will remain as an associated company, because the holding is a vital part of the corporate strategy, and the influence in Nord Pool Spot AS continues to be significant.

Financial summary of associated companies, 1,000 €

2011	Assets	Liabilities	Revenue	Profit/loss	Ownership (%)
Nord Pool Spot AS, Lysaker, Norway	93,372	70,649	16,897	2,133	20.0
Porvoon Alueverkko Oy, Porvoo, Finland	6,979	6,358	5,039	17	33.3
2012	Assets	Liabilities	Revenue	Profit/loss	Ownership (%)
Nord Pool Spot AS, Lysaker, Norway	331,432	305,649	21,567	4,719	19.18
Porvoon Alueverkko Oy, Porvoo, Finland	6,412	6,024	7,051	12	33.3
Subsidiary shares 31 Dec 2012				Ownership (%)	Ownership (%)
Finextra Oy, Helsinki, Finland				100	100

19. INVENTORIES, 1,000 €	2012	2011
Materials and consumables at 1 Jan	10,399	6,642
Work in progress	44	65
Total	10,443	6,706

The cost of inventories recognised as expense was 0.7 (2011: 0.8) million euros.

20. TRADE RECEIVABLES AND OTHER RECEIVABLES, 1,000 €	2012	2011
Trade receivables	68,420	49,903
Trade receivables from associated companies (note 36)	2,039	708
Prepayments and accrued income	17,736	13,968
Other receivables	55	53
Total	88,251	64,633

Essential items included in prepayments and accrued income	2012	2011
Accruals of sales	244	5,024
Accruals of purchases/prepayments	9,121	493
Interest receivable	8,185	8,249
Rents/prepayments	186	203
Total	17,736	13,968

Age distribution of trade receivables	2012	2011
Unmatured trade receivables	65,365	46,672
Trade receivables matured by 1 - 30 days	4,924	3,868
Trade receivables matured by 31 - 60 days	136	60
Trade receivables matured by more than 60 days	34	12
Total	70,460	50,611

On 31 December 2012 or on 31 December 2011, the company did not have matured trade receivables of which impairment losses would have been recorded. Based on earlier payment behaviour, the company expects to receive the matured receivables in less than 3 months. Receivables where the due dates have been renegotiated are not included in matured trade receivables.

Trade receivables and other receivables broken down by currencies, 1,000 €	2012	2011
EUR	88,251	64,631
GBP		2
Total	88,251	64,633

The fair value of trade receivables and other receivables does not differ essentially from the balance sheet value.

21. FINANCIAL ASSETS RECOGNISED AT FAIR VALUE, 1,000 €	2012	2011
Certificates of deposit	45,999	99,693
Commercial papers	151,413	102,694
Short-term money market funds	10,014	
Total	207,426	202,387

Financial assets are recognised at fair value and the change in fair value is presented in the income statement in finance income and costs.

22. CASH AND CASH EQUIVALENTS, 1,000 €	2012	2011
Cash and bank accounts	5,391	152
Pledged accounts	1,020	1,302
Total	6,411	1,454

23. CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORIES, 1,000 €

	Loans and other receivables	Assets/ liabilities recognised in income statement at fair value	Available- for-sale financial assets	Financial assets/ liabilities measured at amortised cost	Total	Note
Balance sheet item 31 Dec 2012						
Non-current financial assets						
Available-for-sale investments			302		302	18
Interest rate and currency derivatives		88,932			88,932	29
Current financial assets						
Interest rate and currency derivatives		4,815			4,815	29
Trade receivables and other receivables	78,700				78,700	20
Financial Assets recognised in income statement at fair value		207,426			207,426	21
Cash in hand and bank receivables		6,411			6,411	22
Financial assets total	78,700	307,585	302		386,587	
Non-current financial liabilities						
Borrowings				1,032,199	1,032,199	27
Interest rate and currency derivatives		14,602			14,602	29
Current financial liabilities						
Borrowings				211,932	211,932	27
Interest rate and currency derivatives		1,842			1,842	29
Trade payables and other liabilities	56,677			18,181	74,859	30
Financial liabilities total	56,677	16,444		1,262,312	1,335,434	

	Loans and other receivables	Assets/liabilities recognised in income statement at fair value	Available-for-sale financial assets	Financial assets/liabilities measured at amortised cost	Total	Note
Balance sheet item 31 Dec 2011						
Non-current financial assets						
Available-for-sale investments			301		301	18
Interest rate and currency derivatives		64,558			64,558	29
Current financial assets						
Interest rate and currency derivatives		15,474			15,474	29
Trade receivables and other receivables	58,913				58,913	20
Financial assets recognised in income statement at fair value		202,387			202,387	21
Cash in hand and bank receivables		1,454			1,454	22
Financial assets total	58,913	283,873	301		343,086	
Non-current financial liabilities						
Borrowings				845,154	845,154	27
Interest rate and currency derivatives		15,293			15,293	29
Current financial liabilities						
Borrowings				378,841	378,841	27
Interest rate and currency derivatives		1,945			1,945	29
Trade payables and other liabilities	45,143			14,491	59,635	30
Financial liabilities total	45,143	17,238		1,238,486	1,300,868	

24. FAIR VALUE HIERARCHY, 1,000 €

	2012			2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held at fair value						
Available-for-sale investments	50	200		48	200	
Interest rate and currency derivatives		77,393			64,421	
Financial assets recognised at fair value	10,014	197,413			202,387	
Financial assets held at fair value total	10,064	275,006		48	267,008	
Financial liabilities held at fair value						
Interest rate and currency derivatives		90			1,628	
Electricity forward contracts, NASDAQ OMX Commodities	27,294			22,889		
Financial liabilities held at fair value total	27,294	90		22,889	1,628	

Fair value measurement of assets and liabilities are categorised in a three-level hierarchy in the fair value presentation. The appropriate hierarchy is based on the input data of the instrument. The level is determined on the basis of the lowest level of input for the instrument in its entirety that is significant to the fair value measurement.

Level 1: inputs are publicly quoted in active markets.

Level 2: inputs are not publicly quoted and are observable market parameters either directly or indirectly.

Level 3: inputs are unobservable market parameters.

25. EQUITY

Equity is composed of the share capital, share premium account, revaluation reserve (incl. hedge and fair value reserves), translation reserve, and retained earnings. The hedge reserve includes the changes in the fair value of hedging instruments for loss energy. The fair value reserve includes the changes in the fair value of available-for-sale investments. The translation reserve includes translation differences in the net capital investments of associated companies in accordance with the purchase method of accounting. The profit for the financial year is recorded in retained earnings.

Share capital and share premium account, 1,000 €	Share capital	Share premium account	Total
1 Jan 2011	55,922	55,922	111,845
Change			
31 Dec 2011	55,922	55,922	111,845
Change			
31 Dec 2012	55,922	55,922	111,845

The share capital is broken down as follows:	Number of shares qty	Of all shares %	Of votes %
Series A shares	2,078	62,49	83,32
Series B shares	1,247	37,51	16,68
Total	3,325	100,00	100,00

Number of shares, qty	Series A shares	Series B shares	Total
1 Jan 2012	2,078	1,247	3,325
Change			
31 Dec 2012	2,078	1,247	3,325

The maximum number of shares is 13,300 as in 2011. The shares have no par value.

Series A shares confer three votes each at the Annual General Meeting and series B shares one vote each. When electing members of the Board of Directors, series A share confers 10 votes each at the Annual General Meeting and each series B share one vote each.

Series B shares have the right before series A shares to obtain the annual dividend specified below from the funds available for profit distribution. After this, a corresponding dividend is distributed to series A shares. If the annual dividend cannot be distributed in some year, the shares confer a right to receive the undistributed amount from the funds available for profit distribution in the subsequent years; however so that series B shares have the right over series A shares to receive the annual dividend and the undistributed amount. Series B shares have no right to receive any other dividend.

Fingrid Oyj's Annual General Meeting decides on the annual dividend.

Definition of dividend for series B shares: the amount of the annual dividend is calculated on the basis of calendar years so that the subscription price of the share, added by amounts paid in conjunction with potential increases of share capital and reduced by potential amounts paid in refunds of equity, is multiplied by the dividend percentage; however so that the minimum dividend is 6%. The dividend percentage is defined on the basis of the yield of the 30-year German Government Bond.

The dividend proposal for series B shares for 2012 is 6.0 per cent.

There are no non-controlling interests.

Shareholders by different categories	Number of shares qty	Of all shares %	Of votes %
Public organisations	1,767	53.14	70.86
Financial and insurance institutions	1,558	46.86	29.14
Total	3,325	100.00	100.00

Shareholders	Number of shares qty	Of all shares %	Of votes %
Republic of Finland	1,382	41.56	55.42
Mutual Pension Insurance Company Ilmarinen	661	19.88	17.15
Varma Mutual Pension Insurance Company	405	12.18	5.41
National Emergency Supply Agency	385	11.58	15.44
Tapiola Mutual Pension Insurance Company	150	4.51	2.01
Suomi Mutual Life Assurance Company	75	2.26	1.00
Pohjola Insurance Ltd	75	2.26	1.00
Mandatium Life Insurance Company Limited	54	1.62	0.72
Tapiola General Mutual Insurance Company	50	1.50	0.67
Tapiola Mutual Life Assurance Company	47	1.41	0.63
If P&C Insurance Company Ltd	25	0.75	0.33
Imatran Seudun Sähkö Oy	10	0.30	0.13
Fennia Life Insurance Company	6	0.18	0.08
Total	3,325	100.00	100.00

Share premium account

The share premium account includes the difference between the counter value of the shares and the value obtained. According to the Finnish Companies Act the premium fund means tied equity. The share capital can be increased by transferring funds from the premium fund account. The premium fund account can be decreased in order to cover losses or it can under certain conditions be returned to the owners.

Revaluation reserves

The revaluation reserves include the changes in the fair value of derivative instruments used for hedging cash flow (hedge reserve) and the changes in the fair value of available-for-sale investments (publicly quoted and unquoted securities) (fair value reserve).

Hedge reserve, 1,000 €	2012	2011
1 Jan	-13,691	19,708
Changes in fair value during financial year	3,653	-37,841
Taxes	2,459	4,443
Hedge reserve 31 Dec	-7,578	-13,691

Fair value reserve, 1,000 €	2012	2011
1 Jan	12	61
Changes in fair value during financial year	1	-65
Taxes on changes in fair value during financial year	0	17
Fair value reserve 31 Dec	14	12

Translation reserve, 1,000 €	2012	2011
Translation reserve 31 Dec	643	551

The translation reserve includes the translation differences resulting from converting the financial statements of the foreign associated company.

Dividends, 1,000 €	2012	2011
Dividends paid	10,751	6,711

The proposal for dividend distribution for the financial year 2012 is presented in note 14.

Retained earnings, 1,000 €	2012	2011
Profit from previous financial years	397,836	375,589
Profit for the financial year	67,029	32,998
Retained earnings 31 Dec	464,865	408,586

26. DEFERRED TAX ASSETS AND LIABILITIES, 1,000 €

Changes in deferred taxes in 2012:

	31 Dec 2011	Recorded in income statement at profit or loss	Recorded in other comprehensive income	31 Dec 2012
Deferred tax assets				
Provisions	493	-35		458
Current financial assets				1,235
Trade payables and other liabilities	491	15		506
Interest-bearing borrowings	10,434	1,623		12,057
Derivative instruments	8,446	-3,524	2,459	7,381
Other items	8	38		47
Total	19,873	-1,884	2,459	21,683
Deferred tax liabilities				
Accumulated depreciations difference	-106,463	-3,517		-109,980
Property, plant and equipment, tangible and intangible assets	-19,287	-3,127		-22,414
Available-for-sale investments	-22		0	-22
Other receivables	-2,024	17		-2,007
Financial assets recognised in income statement at fair value	-265	119		-145
Non-current financial assets	-10,720	-7,290		-18,010
Current financial assets	-1,559	-325		
Total	-140,340	-14,122	0	-152,579

Changes in deferred taxes in 2011:

	31 Dec 2010	Recorded in income statement at profit or loss	Recorded in other comprehensive income	31 Dec 2011
Deferred tax assets				
Provisions	494	0		493
Current financial assets	1,892	-3,452		
Trade payables and other liabilities				491
Interest-bearing borrowings	8,464	1,971		10,434
Derivative instruments	30	3,973	4,443	8,446
Other items	13	-5		8
Total	10,893	2,486	4,443	19,873
Deferred tax liabilities				
Accumulated depreciation difference	-113,453	6,991		-106,463
Property, plant and equipment, tangible and intangible assets	-17,522	-1,766		-19,287
Available-for-sale investments	-39		17	-22
Other receivables	-1,128	-896		-2,024
Financial assets recognised in income statement at fair value	-113	-152		-265
Non-current financial assets	-9,438	-1,282		-10,720
Derivative instruments	-6,924		6,924	
Current financial assets				-1,559
Trade payables and other liabilities	-644	1,134		
Total	-149,261	4,029	6,941	-140,340

27. BORROWINGS, 1,000 €	2012		2011	
	Fair value	Balance sheet value	Fair value	Balance sheet value
Non-current				
Bonds	877,061	818,199	637,276	619,998
Loans from financial institutions	230,655	214,000	231,086	225,156
	1,107,716	1,032,199	868,362	845,154
Current				
Current portion of long-term borrowings maturing within a year	126,230	123,022	173,391	171,673
Other loans / Commercial papers (international and domestic)	89,008	88,910	207,537	207,168
	215,238	211,932	380,928	378,841
Total	1,322,954	1,244,131	1,249,290	1,223,995

The fair values of borrowings are based on the present values of cash flows. Loans raised in various currencies are measured at the present value on the basis of the yield curve of each currency. The discount rate includes the company-specific and loan-specific risk premium. Borrowings denominated in foreign currencies are translated into euros at the mid-rate quoted by ECB at the closing day.

Bonds included in borrowings, 1,000 €				2012	2011
Currency	Nominal amount	Maturity date	Interest		
EUR	25,000	16.03.2012	variable interest		25,000
EUR	25,000	12.04.2012	variable interest		25,000
EUR	10,000	16.04.2013	variable interest	10,000	10,000
EUR	20,000	28.04.2013	variable interest	20,000	20,000
EUR	20,000	15.10.2013	4.30%	20,000	20,000
EUR	24,000	02.07.2014	variable interest	24,000	24,000
EUR	18,000	11.11.2014	variable interest	18,000	18,000
EUR	8,000	11.11.2014	variable interest	8,000	8,000
EUR	10,000	20.11.2014	3.26%	10,000	10,000
EUR	20,000	11.04.2017	variable interest	20,000	20,000
EUR	25,000	11.04.2017	variable interest	25,000	25,000
EUR	30,000	15.06.2017	3.07%	30,000	30,000
EUR	300,000	03.04.2024	3.50%	298,475	
				483,475	235,000
FIM	160,000	19.08.2013	5.20%	26,909	26,909
				26,909	26,909
JPY	3,000,000	25.07.2012	1.3575% *		29,940
JPY	3,000,000	20.04.2015	1.45%	26,406	29,940
JPY	500,000	22.06.2017	1.28%	4,401	4,990
				30,807	64,870
CHF	39,000	22.05.2012	2.475%		32,083
					32,083

NOK	170,000	19.11.2014	4.68%	23,135	21,924
NOK	200,000	17.10.2016	5.15%	27,217	25,793
NOK	200,000	11.04.2017	5.16%	27,217	25,793
NOK	200,000	10.11.2017	5.12%	27,217	25,793
NOK	200,000	12.11.2019	5.37%	27,217	25,793
				132,003	125,097
SEK	225,000	03.04.2012	variable interest		25,247
SEK	225,000	11.04.2012	variable interest		25,247
SEK	100,000	21.03.2013	variable interest	11,652	11,221
SEK	200,000	03.04.2013	3.70%	23,305	22,442
SEK	175,000	04.04.2014	4.30%	20,392	19,636
SEK	300,000	15.06.2015	3.195%	34,957	33,662
SEK	100,000	17.06.2015	3.10%	11,652	11,221
SEK	220,000	01.12.2015	interest rate structure	26,845	26,588
SEK	100,000	15.01.2016	3.297%	11,652	11,221
SEK	500,000	18.10.2016	variable interest	58,261	55,967
SEK	500,000	18.10.2016	3.50%	58,153	56,104
				256,870	298,556
Bonds, long-term total				818,199	619,998
Bonds, short-term total				111,866	162,517
Total				930,065	782,515

* call option not exercised 25 July 2006

Maturity of non-current borrowings, 1,000 €

	2013	2014	2015	2016	2017	2017+	Total
Bonds	111,866	103,526	99,860	155,284	133,835	325,692	930,065
Loans from financial institutions	11,156	4,000	16,424	20,710	21,662	151,203	225,156
Total	123,023	107,526	116,285	175,994	155,498	476,896	1,155,221

Capital structure

The corporate finances are planned over a long time span, and the company is ensured sufficient latitude and independent power of decision in the management of finances. The company aims to secure sufficient cash flow for the long-term development of transmission capacity, secured operational reliability and development of the electricity market so that the tariff level remains moderate. The company pursues as low average capital costs as possible by utilising a lower cost through debt financing as compared to equity cost. However, the goal is to keep the cash flow and debt service ratios of the company at such a level that the company retains its high credit rating. The high credit rating enables the company to tap the international and domestic money and capital markets. The target for the equity ratio is a level of 30 per cent.

28. PROVISIONS FOR LIABILITIES AND CHARGES, 1,000 €

	2012	2011
Provisions 1 Jan	1,897	1,899
Provisions used	-29	-2
Provisions 31 Dec	1,869	1,897

29. DERIVATIVE INSTRUMENTS, 1,000 €

	2012				2011			
	Fair value		Net fair value	Nominal value	Fair value		Net fair value	Nominal value
	Positive	Negative			Positive	Negative		
Interest rate and currency derivatives	31.12.12	31.12.12	31.12.12	31.12.12	31.12.11	31.12.11	31.12.11	31.12.11
Cross-currency swaps	78,713	-6,621	72,092	418,578	73,198	-9,592	63,606	518,841
Forward contracts		-90	-90	2,837		-384	-384	24,700
Interest rate swaps	15,032	-9,733	5,299	406,000	6,019	-7,262	-1,243	301,000
Interest rate options, bought	2		2	810,000	814		814	880,000
Total	93,747	-16,444	77,303	1,637,415	80,032	-17,238	62,793	1,724,541
	Fair value		Net fair value	Volume TWh	Fair value		Net fair value	Volume TWh
	Positive	Negative			Positive	Negative		
	31.12.12	31.12.12	31.12.12	31.12.12	31.12.11	31.12.11	31.12.11	31.12.11
Electricity derivatives								
Electricity forward contracts, designated as hedge accounting NASDAQ OMX Commodities		-16,844	-16,844	2.68		-22,814	-22,814	3.81
Electricity forward contracts, not designated as hedge accounting NASDAQ OMX Commodities		-10,450	-10,450	1.20		-75	-75	0.01
Total		-27,294	-27,294	3.88		-22,889	-22,889	3.82

Interest rate options included in interest and currency derivatives are interest rate cap contracts with identical structures. The reference rate of the contract is the 6 month Euribor, and at the effective date a contract includes 6 or 8 caplets. The option premium has been paid in full to the counterparty at the contract date.

The electricity derivatives hedge future costs of energy losses.

The net fair value of derivatives indicates the realised profit/loss if they had been reversed on the last business day of 2012.

Maturity of derivative contracts:

Nominal value, 1,000 €	2013	2014	2015	2016	2017	2017+	Total
Interest rate swaps	80,000	36,000	30,000	70,000	30,000	160,000	406,000
Interest rate options	145,000	445,000	220,000				810,000
Cross-currency swaps	34,957	43,526	98,650	155,392	58,835	27,217	418,578
Forward contracts	1,847	321	669				2,837
Total	261,804	524,847	349,319	225,392	88,835	187,217	1,637,415
TWh	2013	2014	2015	2016	2017	2017+	Total
Electricity derivatives	1.13	1.17	0.79	0.53	0.26		3.88
Total	1.13	1.17	0.79	0.53	0.26		3.88

30. TRADE PAYABLES AND OTHER LIABILITIES, 1,000 €	2012	2011
Trade payables	34,953	23,344
Trade payables to associated companies	393	120
Interest liabilities	18,181	14,491
Value added tax	5,103	2,481
Electricity tax	2,643	1,507
Accruals	20,789	21,159
Other debt	542	520
Total	82,604	63,623

Essential items included in accruals	2012	2011
Personnel expenses	3,713	3,351
Accruals of sales and purchases	17,076	17,808
Total	20,789	21,159

31. COMMITMENTS AND CONTINGENT LIABILITIES, 1,000 €	2012	2011
Pledges		
Pledge covering property lease agreements	47	47
Pledged account in favour of the Customs Office	280	150
Pledged account covering electricity exchange purchases		127
	327	323
Unrecorded investment commitments	217,193	218,072
Other financial commitments		
Counterguarantee in favour of an associated company	1,700	1,700
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	459	401
Commitment fee for subsequent years	1,218	1,584
	3,378	3,685

32. OTHER LEASE AGREEMENTS, 1,000 €	2012	2011
Minimum rental obligations of other irrevocable lease agreements:		
In one year	2,293	1,999
In more than one year and less than five years	8,499	8,818
In more than five years	13,770	15,277
Total	24,563	26,095

The foremost lease agreements of the Group relate to office premises. The durations of the lease agreements range from less than one year to fifteen years, and the contracts can usually be extended after the original date of expiration. The index, renewal and other terms of the different agreements vary.

The Group has rented for instance several land areas and some 110 kilovolt transmission lines and circuit breaker bays.

33. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

There are no pending legal proceedings or proceedings by authorities that would have a material impact on the business of the company. Appeals to various court instances are often made in conjunction with permit procedures related to the acquisition of transmission line areas. The company's management estimates that the above-mentioned permit procedures or any other business aspects do not involve pending legal proceedings, the outcome of which would have a material effect on the Group's financial position.

Fingrid has lodged an appeal with the Market Court against a decision issued by the Energy Market Authority on 23 November 2011 (record number 831/430/2011), concerning the confirmation of the methodology for the assessment of the return of the grid owner's grid operations and of the fees levied for the transmission service for the review period starting on 1 January 2012 and finishing on 31 December 2015.

The Market Court dismissed Fingrid's appeal on 21 December 2012. Fingrid has lodged an appeal concerning the decision of the Market Court to the Supreme Administrative Court.

34. RISK MANAGEMENT

The objective of Fingrid's risk management is to make preparations for cost-effective measures providing protection against damage and loss relating to risks and to make the entire personnel committed to considering the risks pertaining to the company, its various organisational units and each employee. In order to fulfil these objectives, risk management is continuous and systematic. The significance of individual risks or risk entities is assessed against the present level of protection, taking into account the probability of a disadvantageous event, its financial impact and impact on corporate image or on the attainment of the business goals.

The Board of Directors approves the risk management principles and any amendments to them. The Board of Directors approves the primary actions for risk management as part of the corporate strategy, indicators, operating plan, and budget. The control committee of the Board of Directors receives a situation report of the major risks relating to the operations of the company and of the management of such risks.

FINANCIAL RISK MANAGEMENT

Fingrid Oyj is exposed to market, liquidity and credit risks when managing the financial position of the company. The company's objective is to reduce risks such that the fluctuations of Fingrid's cash flow remain low.

Principles for financing

The Board of Directors of Fingrid Oyj approves the principles for financing, stating the guidelines for external funding, financial asset management, market, liquidity, refinancing and credit risks. The external financing of Fingrid Group is carried out by Fingrid Oyj.

Risk management execution and reporting

The treasury is responsible for executing the external funding, the financial asset management and manages the market risks which the company is exposed to. The financial activities of the company are reported four times a year to the Board of Directors. The treasury is responsible for identifying, measuring and reporting the financial risks, which the company may be exposed to.

Risk management processes

The treasury is in charge of risk management monitoring, systems and models as well as methods, for risk calculation and assessment. The internal audit additionally ensures that there is compliance with the principles for financing activities and the internal guidelines.

Market risks

Fingrid Oyj uses derivative agreements in order to hedge market risks such as foreign exchange, interest rate risk and commodity risks. Derivatives are only used for hedging purposes, and therefore the company does not enter into any deals for market speculation. The hedging instruments are defined in the principles for financing or in the loss power procurement policy, and chosen in order to achieve efficient hedging of a risk exposure.

Foreign exchange risk

The functional currency of the company is the euro. The basic rule of the company is to hedge against foreign exchange risks, but can according to the principles for financing, leave an exposure unhedged, which may not exceed 10% of the financial assets.

Transaction exposure

The company issues securities in the international and domestic money and capital markets. The loan portfolio of the company is distributed between different convertible currencies and the total debt portfolio and the related interest rate flows are hedged against currency risk. The foreign exchange risk of each bond is done in conjunction with the underlying debt issuance. Business related currency risks are small and they are hedged. Therefore there is no sensitivity analysis presentation of these risks. During the financial year the company used foreign exchange forwards and cross currency swaps for hedging the transaction exposure. The tables below first illustrate currency distribution and the hedging rate of the interest bearing debt of the company and then the sensitivity analysis of the euro against the foreign currencies, which also proves that the company does not have any open foreign exchange risk.

Currency distribution and hedging degree of borrowings, 1,000 €

Currency distribution 31 Dec 2012	Carrying amount	Portion %	Hedging degree	Currency distribution 31 Dec 2011	Carrying amount	Portion %	Hedging degree
EUR	824,451	66		EUR	678,734	55	
CHF				CHF	56,737	5	100
JPY	30,807	2	100	JPY	64,870	5	100
NOK	132,003	11	100	NOK	125,097	10	100
SEK	256,870	21	100	SEK	298,556	24	100
Total	1,244,131	100	100	Total	1,223,995	100	100

The sensitivity analysis of foreign exchange rate is measured as a 10% change between the euro and the currency in question. The company's result will not be subject to exchange rate differentials, since the debt denominated in foreign currencies are hedged against foreign exchange changes. In the figures presented in the tables below, a negative figure would increase foreign exchange loss and a positive figure would correspondingly increase foreign exchange gain.

Exchange rate changes, 1,000 €

31 Dec 2012		Bonds	Commercial papers	Total	Cross-currency swaps	Forward contracts	Total	Net exposure Total
JPY	+10 %	-3,559			3,559			0
	-10 %	2,912			-2,912			0
NOK	+10 %	-16,467			16,467			0
	-10 %	13,473			-13,473			0
SEK	+10 %	-29,795			29,795			0
	-10 %	24,377			-24,377			0

Exchange rate changes, 1,000 €

31 Dec 2011		Bonds	Commercial papers	Total	Cross-currency swaps	Forward contracts	Total	Net exposure Total
CHF	+10 %	-3,651	-2,742	-6,392	3,651	2,742	6,392	0
	-10 %	2,987	2,243	5,230	-2,987	-2,243	-5,230	0
JPY	+10 %	-7,375		-7,375	7,375		7,375	0
	-10 %	6,033		6,033	-6,033		-6,033	0
NOK	+10 %	-14,594		-14,594	14,594		14,594	0
	-10 %	11,941		11,941	-11,941		-11,941	0
SEK	+10 %	-33,251		-33,251	33,251		33,251	0
	-10 %	27,206		27,206	-27,206		-27,206	0

Translation exposure

The company holds an equity investment in an associated company denominated in a foreign currency. This translation risk is unhedged. The sensitivity analysis (10% changes) is presented in the following table. The table shows a 10% change of the Norwegian krone and the impact of the change on the company's equity.

Translation exposure, 1,000 €		2012	2011
		Equity 31 Dec 2012	Equity 31 Dec 2011
NOK	+10 %	549	505
	-10 %	-450	-413

Interest rate risk

The company is only exposed to interest rate risk in euros, because the interest bearing debt are both in terms of principal and interest payments hedged against exchange rate risk, and the financial assets are denominated in euros. The interest-bearing liabilities are mainly linked to floating rates.

Interest rate risk is managed in accordance with the principles for financing so that 30 - 70% of the interest costs are hedged over the next five years. When the interest rates are high, the hedging level is kept close to the lower limit of the range, and when the interest rates are low, the hedging level is kept close to the upper limit of the range. The specified low level of interest rates is when 6 month Euribor interest rate is 3% or less. The interest level is considered high when the 6 month Euribor interest rate is 5% or more. At the end of 2012, 75% of the interest costs for the next five years were hedged, and correspondingly 65% were hedged at the end of 2011.

The sensitivity of the interest rate risk is measured as a 1 percentage unit interest rate fluctuation and by using the CfaR method (Cashflow at Risk). The assumed fluctuation in interest rates is the effect of a 1 percentage unit fluctuation during the next 12 months from the closing date. The analysis of interest rate sensitivity is carried out on borrowings including exchange rate hedging, the derivatives portfolio hedging the interest rate exposure, and on cash and cash equivalents, which result in a net debt position exposed to interest rate fluctuations.

Interest rate sensitivity, 1,000 €	2012		2011	
	-1%-unit	+1%-unit	-1%-unit	+1%-unit
Borrowings	5,449	-5,449	7,325	-7,325
Interest rate derivatives	-269	269	-1,350	1,350
Borrowings total	5,180	-5,180	5,975	-5,975
Financial assets and cash	-1,566	1,566	-1,624	1,624
Net borrowings total	3,614	-3,614	4,351	-4,351

The following table presents how the CfaR method is used for measuring the impact of borrowings, derivatives, and cash and cash equivalents, with a given confidence level and a time horizon of 12 months, on the cash flow of the company. The other finance costs of the company are not included in the calculation.

Cashflow at Risk, 1,000 €	2012		2011		
	31 Dec 2012		31 Dec 2011		
Confidence level	Net finance costs		Confidence level	Net finance costs	
96%	min.	17,689	96%	min.	19,747
	max.	23,961		max.	26,898
98%	min.	14,722	98%	min.	19,200
	max.	24,943		max.	27,058

Commodity risk

The company is exposed to price and volume risk through transmission losses. Loss energy purchases are hedged in accordance with the loss energy purchasing policy accepted by the executive management group. The time span of price hedging is five years, divided into three parts: basic, budgetary and operative hedging. Moreover, the company has a loss energy purchasing policy for hedging and for physical electricity purchases and operative instructions, instructions for price hedging and control room instructions. For the price hedging of loss energy purchases the company mainly uses NASDAQ OMX Commodities quoted products. The company can also use OTC products, corresponding products at NASDAQ OMX Commodities, these products are settled at the power exchange.

If the market prices of electricity derivatives had been 20% higher or lower on the closing date, the change in the fair value of electricity derivatives would have been 29.4 million euros higher or lower (31.2 million euros in 2011).

Liquidity risk and refinancing risk

Fingrid is exposed to liquidity and refinancing risk deriving from redemption of loans, payments and fluctuations in cash flow from operating activities.

The liquidity of the company must be arranged so that 100% of the refinancing need for the next 12 months is covered by means of liquid assets and available long-term committed credit lines; however, so that the refinancing need may not account for more than 45% of the total amount of the company's debt financing. As back-up for the liquidity the company has a revolving credit facility of 250 million euros. The revolving credit facility will mature on 18 April 2017. The revolving credit facility has not been drawn.

The company's funding is carried out through debt issuance programmes. The company operates in the international capital market by issuing bonds under the Medium Term Note Programme: The Programme size is 1.5 billion euros. Short-term funding is arranged through commercial paper programmes; a Euro Commercial Paper Programme of 600 million euros and a domestic commercial paper programme of 150 million euros. The refinancing risk is reduced by an even maturity profile so that the refinancing need over periods of 12 months in excess of one year must not exceed 30% of the company's amount of debt financing. Contractual repayments and interest costs of borrowings are presented in the next table. The interest rate percentages of variable-interest loans are defined using the zero coupon curve. The repayments and interest amounts are undiscounted values. Finance costs relating to cross-currency swaps, interest rate swaps and forward contracts are often paid in net amounts depending on their nature. In the following table, they are presented in gross amounts.

Fingrid's existing loan agreements, debt or commercial paper programmes are uncollateralized. These agreements or programmes do not include any financial covenants.

Contractual repayments and interest costs of borrowings and payments and receivables of financial derivatives, which are paid in cash 1,000 €

31 Dec 2012		2013	2014	2015	2016	2017	2017+	Total
Bonds	- repayments	111,867	103,526	98,650	155,392	133,835	327,217	930,488
	- interest costs	30,403	26,062	23,636	21,840	16,009	76,424	194,374
Loans from financial institutions	- repayments	11,156	4,000	16,424	20,710	21,662	151,203	225,156
	- interest costs	4,814	4,403	4,613	4,585	4,349	19,496	42,260
Commercial papers	- repayments	88,910						88,910
	- interest costs	90						90
Cross-currency swaps	- payments	34,761	41,765	90,394	147,961	54,041	25,036	393,958
Interest rate swaps	- payments	5,257	3,577	3,552	3,420	2,187	14,916	32,909
Forward contracts	- payments	1,920	325	681				2,927
Guarantee commitment*	- payments	1,700						1,700
Total		290,878	183,659	237,951	353,909	232,084	614,292	1,912,773
Cross-currency swaps	- receivables	50,532	57,126	110,486	165,209	63,123	30,141	476,618
Interest rate swaps	- receivables	5,440	4,349	4,127	4,417	4,004	16,006	38,343
Forward contracts	- receivables	1,847	321	669				2,837
Total		57,819	61,796	115,282	169,626	67,127	46,147	517,798
Grand total		233,059	121,863	122,668	184,282	164,956	568,145	1,394,975

*Counter guarantee in favour of an associated company. No payment claims have been presented to Fingrid.

31 Dec 2011		2012	2013	2014	2015	2016	2016+	Total
Bonds	- repayments	162,517	110,571	101,561	101,412	149,085	157,369	782,515
	- interest costs	24,705	19,751	16,464	14,210	12,072	8,401	95,603
Loans from financial institutions	- repayments	9,156	11,156	4,000	16,424	20,710	172,866	234,312
	- interest costs	6,502	5,251	5,417	5,918	5,470	27,110	55,668
Commercial papers	- repayments	207,168						207,168
	- interest costs	812						812
Cross-currency swaps	- payments	108,685	36,624	45,296	94,077	151,129	80,512	516,324
Interest rate swaps	- payments	6,623	4,810	3,329	2,804	2,375	510	20,451
Forward contracts	- payments	25,084						25,084
Guarantee commitment*	- payments	1,700						1,700
Total		552,952	188,164	176,067	234,845	340,841	446,768	1,939,637
Cross-currency swaps	- receivables	130,332	47,934	55,110	111,544	158,894	89,208	593,022
Interest rate swaps	- receivables	6,086	3,767	3,078	2,769	2,567	921	19,188
Forward contracts	- receivables	24,679						24,679
Total		161,097	51,701	58,188	114,313	161,461	90,129	636,889
Grand total		391,856	136,462	117,879	120,532	179,380	356,639	1,302,748

*Counter guarantee in favour of an associated company. No payment claims have been presented to Fingrid.

Credit risk

Credit risk arises from a counterparty not fulfilling its contractual commitments towards Fingrid. Such commitments arise in the company's operations and financial activities.

Credit risk in operations

The company measures and monitors its counterparty risks as part of business monitoring and reporting. The credit rating and payment behaviour of all counterparties and suppliers are regularly monitored. The company has no significant credit risk concentrations. The company did not incur credit losses or rearrange the terms of trade receivables during the financial year.

Credit risk in financing

The company is exposed to credit risk through derivative agreements and financial investments. The company only has derivatives outstanding and invests its funds within the permitted risk limits. There is an upper limit in euros for each counterparty. The company signs the International Swap Dealers Association's (ISDA) Master Agreement with each counterparty before entering into a derivative transaction. The company has not received any collaterals decreasing the credit risks covering the financial assets or derivative contracts. The counterparty risks of financial instruments did not incur any losses during the financial year.

35. OPERATING CASH FLOW ADJUSTMENTS, 1,000 €

	2012	2011
Business transactions not involving a payment transaction		
Depreciation	75,665	67,879
Capital gains/losses (-/+) on sale of property, plant and equipment	-467	104
Portion of profit of associated companies	-845	-193
Share Issue Nord Pool Spot AS 1.8.2012	-737	
Gains/losses from the valuation of assets and liabilities recognised in income statement at fair value	12,591	4,971
Total	86,206	72,761

36. RELATED PARTY TRANSACTIONS

Transactions with owners include transactions conducted with the State of Finland. Other related party transactions include transactions concluded with entities where the State of Finland has a holding in excess of 50%. In 2011, the related party transactions concerning owners include transactions concluded with Fortum Corporation and Pohjolan Voima Oy during period 1 January - 30 April 2011.

Fingrid Group's related parties comprise the addition of associated companies Porvoon Alueverkko Oy and Nord Pool Spot AS and top management with its related parties. The top management is composed of the Board of Directors, President, and management team.

The company has not lent money to the top management, and the company has no transactions with the top management. Fingrid Oyj has granted Porvoon Alueverkko Oy a counter guarantee of 1.7 million euros.

Business with related parties is conducted at market prices.

Employee benefits of top management, 1,000 €	2012	2011
Salaries and other short-term employee benefits	1,536	1,564
Transactions with associated companies, 1,000 €	2012	2011
Sales	7,153	4,290
Purchases	46,653	62,510
Receivables	2,039	708
Liabilities	393	120
Transactions with related parties, 1,000 €	2012	2011
Owners:		
Sales		49,911
Purchases	47	32,961
Other related parties:		
Sales	66,772	36,356
Purchases	41,509	34,399
Receivables	1,234	6,125
Liabilities	7,707	4,946

General procurement principles

The Group follows three alternative procurement methods when purchasing goods or services. When the costs and value of the purchases are less than 30,000 euros, an oral call for bid is usually made in addition to a written order or a purchasing contract. When the estimated value of the procurement exceeds 30,000 euros but is below the values applied to public procurements, the procurement is subjected to competitive bidding by requesting written bids from the supplier candidates. When the limits for public procurements concerning Fingrid (approx. 0.4 million euros for goods and services and approx. 5 million euros for construction projects in 2012 - 2013) are exceeded, the company follows the public procurement procedure applied to special areas.

37. EMISSION RIGHTS

Fingrid was granted emission rights in total 126.3 thousand tonnes for the years 2008 - 2012, of which Olkiluoto power station was granted a share of 112.3 thousand tonnes. As a rule, the emission rights held by Fingrid at 31 December correspond at least to the annual CO₂ emissions. The Forssa reserve power plant was commissioned in 2012, as a result of which the emissions have increased. The use of emission allowances had no impact on the financial result in 2012.

	2012	2011
	tCO ₂	tCO ₂
Emission rights received free of charge	25,261	25,261
Emission volumes, Olkiluoto	844	526
Emission volumes, Forssa	17,633	
Emission volumes, other power plants total	2,840	1,908
All emissions total	21,317	2,434

38. EVENTS AFTER CLOSING DATE

The Group management is not aware of such essential events after the closing date that would affect the financial statements.

PARENT COMPANY FINANCIAL STATEMENTS (FAS)

PARENT COMPANY PROFIT AND LOSS ACCOUNT

	Notes	1 Jan - 31 Dec 2012 €	1 Jan - 31 Dec 2011 €
TURNOVER	2	503,662,672.10	433,829,531.17
Other operating income	3	3,097,722.02	2,975,592.24
Materials and services	4	-248,809,581.40	-236,927,584.93
Staff expenditure	5	-22,134,749.81	-20,333,921.19
Depreciation and amortisation expense	6	-85,272,765.56	-77,448,711.28
Other operating expenses	7, 8	-53,723,489.03	-50,141,675.40
OPERATING PROFIT		96,819,808.32	51,953,230.61
Finance income and costs	9	-28,942,078.44	-24,011,192.98
PROFIT BEFORE EXTRAORDINARY ITEMS		67,877,729.88	27,942,037.63
PROFIT BEFORE PROVISIONS AND TAXES		67,877,729.88	27,942,037.63
Provisions	10	-14,355,143.94	1,817,115.05
Income taxes	11	-12,812,893.63	-7,715,876.02
PROFIT FOR THE FINANCIAL YEAR		40,709,692.31	22,043,276.66

Notes are an integral part of the financial statements.

PARENT COMPANY BALANCE SHEET

ASSETS	Notes	31 Dec 2012 €	31 Dec 2011 €
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	12	30,021,544.77	36,454,732.95
Other non-current expenses	13	90,971,574.48	88,331,632.26
		120,993,119.25	124,786,365.21
Tangible assets			
Land and water areas	14	13,932,742.17	13,671,030.45
Buildings and structures		126,339,957.54	98,298,091.08
Machinery and equipment		524,998,735.03	448,490,783.67
Transmission lines		666,157,748.90	671,539,513.14
Other tangible assets		117,516.35	117,516.35
Advance payments and purchases in progress		120,174,398.32	162,317,923.59
		1,451,721,098.31	1,394,434,858.28
Investments			
Equity investments in Group companies	15	504,563.77	504,563.77
Equity investments in associated companies		6,641,360.21	6,641,360.21
Other shares and equity investments		1,176,314.01	1,134,892.55
		8,322,237.99	8,280,816.53
TOTAL NON-CURRENT ASSETS		1,581,036,455.55	1,527,502,040.02
CURRENT ASSETS			
Inventories	16	10,442,615.15	6,706,182.09
Receivables			
Current receivables			
Trade receivables		62,648,323.09	44,109,058.75
Receivables from Group companies		139,978.60	104,809.25
Receivables from associated companies	17	2,039,225.25	707,752.76
Other receivables		55,257.35	53,228.12
Prepayments and accrued income	18, 19	26,629,008.48	27,355,285.45
		91,511,792.77	72,330,134.33
Financial assets	20	206,833,143.48	201,305,951.47
Cash in hand and bank receivables	20	6,411,098.28	1,454,207.08
TOTAL CURRENT ASSETS		315,198,649.68	281,796,474.97
TOTAL ASSETS		1,896,235,105.23	1,809,298,514.99

Notes are an integral part of the financial statements.

PARENT COMPANY BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 Dec 2012 €	31 Dec 2011 €
SHAREHOLDERS' EQUITY	21		
Share capital		55,922,485.55	55,922,485.55
Share premium account		55,922,485.55	55,922,485.55
Profit from previous financial years		11,790,307.69	497,917.81
Profit for the financial year		40,709,692.31	22,043,276.66
TOTAL SHAREHOLDERS' EQUITY		164,344,971.10	134,386,165.57
ACCUMULATED PROVISIONS	22	448,896,757.27	434,541,613.33
PROVISIONS FOR LIABILITIES AND CHARGES	29	1,868,946.78	1,897,446.78
LIABILITIES			
Non-current liabilities			
Bonds	23, 24	782,848,102.36	591,622,542.18
Loans from financial institutions		213,999,999.98	225,156,064.52
		996,848,102.34	816,778,606.70
Current liabilities			
Bonds	23	108,774,439.32	148,735,179.54
Loans from financial institutions		11,156,064.01	9,156,429.94
Trade payables		29,315,342.32	23,340,117.28
Liabilities to Group companies	25	542,728.15	459,652.50
Liabilities to associated companies	26	393,455.81	120,118.18
Other liabilities	27	97,197,420.08	211,878,601.87
Accruals	28	36,896,878.05	28,004,583.30
		284,276,327.74	421,694,682.61
TOTAL LIABILITIES		1,281,124,430.08	1,238,473,289.31
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,896,235,105.23	1,809,298,514.99

Notes are an integral part of the financial statements.

PARENT COMPANY CASH FLOW STATEMENT

	Notes	1 Jan - 31 Dec 2012 €	1 Jan - 31 Dec 2011 €
Cash flow from operating activities:			
Profit for the financial year	21	40,709,692.31	22,043,276.66
Adjustments:			
Business transactions not involving a payment transaction	31	99,160,604.38	75,735,593.41
Interest and other finance costs		37,961,966.04	31,456,287.80
Interest income		-7,672,856.82	-7,233,286.64
Dividend income		-1,347,030.78	-211,808.18
Taxes		12,812,893.63	7,715,876.02
Changes in working capital:			
Change in trade receivables and other receivables		-22,756,802.95	2,630,494.62
Change in inventories		-3,736,433.06	-605,625.97
Change in trade payables and other liabilities		22,751,951.30	-14,230,928.03
Change in provisions		-28,500.00	-1,500.00
Interests paid		-24,924,248.03	-24,250,843.24
Interests received		3,555,790.10	2,898,710.93
Taxes paid	11	-14,597,786.91	-2,343,505.78
Net cash flow from operating activities		141,889,239.21	93,602,741.60
Cash flow from investing activities:			
Purchase of tangible assets	14	-134,889,618.00	-221,489,627.11
Purchase of intangible assets	13	-9,785,186.55	-21,235,186.68
Investments in other assets	15	-41,421.46	-221,767.52
Proceeds from sale of tangible assets	14	612,000.00	50,000.00
Dividends received	9	1,347,030.78	211,808.18
Contributions received			142,500.00
Net cash flow from investing activities		-142,757,195.23	-242,542,273.13
Cash flow from financing activities:			
Withdrawal of short-term loans		345,208,475.73	620,754,894.13
Repayment of short-term loans		-463,553,819.40	-507,247,826.61
Withdrawal of long-term loans		298,410,000.00	129,183,417.22
Repayment of long-term loans		-157,961,730.32	-105,527,907.73
Dividends paid	21	-10,750,886.78	-6,710,698.27
Net cash flow from financing activities		11,352,039.23	130,451,878.74
Net change in cash and cash equivalents		10,484,083.21	-18,487,652.79
Cash and cash equivalents 1 Jan		202,760,158.55	221,247,811.34
Cash and cash equivalents 31 Dec	20	213,244,241.76	202,760,158.55

Notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY

1. ACCOUNTING PRINCIPLES

Fingrid Oyj's financial statements have been drawn up in accordance with Finnish Accounting Standards (FAS). The items in the financial statements are valued at original acquisition cost.

Foreign currency transactions

Commercial flows and financial 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. Interest-bearing liabilities and assets and the derivatives hedging these items are valued at the mid-rate quoted by ECB at the closing day. Realised foreign exchange gains and losses of interest-bearing liabilities and assets and of the related derivatives are booked under finance income and costs at maturity. The realised foreign exchange rate differences of derivatives hedging commercial flows adjust the corresponding item in the income statement.

Interest rate and currency derivatives

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

Electricity derivatives

Fingrid hedges the loss energy purchases by using bilateral contracts and electricity exchange products, such as forwards, futures and options. The price differentials arising from these contracts are booked at maturity adjusting the loss energy purchases in the income statement. Up-front paid or received premiums for options are accrued over the hedging period.

Research and development expenses

Research and development expenses are entered as annual expenses.

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 asset-specifically from the month of introduction.

The depreciation periods are as follows:

Goodwill	20	years
Other non-current expenses		
Rights of use to line areas	30 - 40	years
Other rights of use according to economic lives, maximum	10	years
Computer software	3	years
Buildings and structures		
Substation buildings and separate buildings	40	years
Substation structures	30	years
Buildings and structures at gas turbine power plants	20 - 40	years
Separate structures	15	years
Transmission lines		
Transmission lines 400 kV	40	years
Direct current lines	40	years
Transmission lines 110 - 220 kV	30	years
Creosote-impregnated towers and related disposal expenses*	30	years
Aluminium towers of transmission lines (400 kV)	10	years
Optical ground wires	10 - 20	years
Machinery and equipment		
Substation machinery	10 - 30	years
Gas turbine power plants	20	years
Other machinery and equipment	3 - 5	years

* The disposal expenses are discounted at present value and added to the value of fixed assets and booked under provisions for liabilities and charges.

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.

Emission rights

Emission rights are treated in accordance with the net procedure in conformance with statement 1767/2005 of the Finnish Accounting Board.

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, treasury bills and investments in short-term money-market funds. Quoted securities and comparable assets are valued at the lower of original acquisition cost or probable market price.

Interest-bearing liabilities

Fingrid's non-current interest-bearing liabilities consist of loans from financial institutions and bonds issued under the international Debt Issuance Programme. The current interest-bearing liabilities consist of commercial papers issued under the domestic and international programmes and of the current portion of noncurrent debt and bonds maturing within a year. The outstanding notes under the programmes are denominated in euros and foreign currencies. Fingrid 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 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.

Financial risk management

The principles applied to the management of financial risks are presented in the notes of the Group under item 34.

Income taxes

The taxes include the accrued tax corresponding to the profit of the financial year as well as adjustments of taxes for previous financial years.

Deferred taxes

Deferred tax assets and liabilities are not recorded in the profit and loss statement or balance sheet. Information concerning these is presented in the notes.

2. REVENUE BY BUSINESS AREAS

The business of Fingrid Oyj comprises entirely transmission grid business with system responsibility. Because of this there is no division of revenue into separate business areas.

REVENUE, 1, 000 €	2012	2011
Grid service revenue	276,247	210,207
Sale of imbalance power	152,489	145,861
Cross-border transmission	10,613	22,399
ITC income	9,957	22,181
Peak load capacity		2,510
Estlink congestion income	6,469	9,632
Nordic congestion income	44,244	15,765
Income from peak load capacity services	300	85
Other operating revenue	3,345	5,188
Total	503,663	433,830

3. OTHER OPERATING INCOME, 1,000 €	2012	2011
Rental income	1,825	1,740
Contributions received	214	205
Other income	1,059	1,031
Total	3,098	2,976

4. MATERIALS AND SERVICES, 1,000 €	2012	2011
Purchases during the financial year	173,954	162,748
Loss energy purchases	64,578	62,590
Change in inventories, increase (-) or decrease (+)	-3,736	-606
Materials and supplies	234,795	224,732
Grid service charges	40	53
Other external services	13,975	12,142
Services	14,014	12,195
Total	248,810	236,928

5. STAFF EXPENDITURE, 1,000 €	2012	2011
Salaries and bonuses	18,215	17,213
Pension expenses	3,050	2,356
Other additional personnel expenses	869	765
Total	22,135	20,334

Salaries and bonuses of the members of the Board of Directors and President and CEO	418	436
Helena Walldén, Chairman (since 3.5.2011)	34	24
Juha Majanen, Vice Chairman (since 22.3.2012)	15	
Sirpa Ojala, Member of the Board (since 22.3.2012)	11	
Esko Torsti, Member of the Board (since 22.3.2012)	12	
Esko Raunio, Member of the Board (since 3.5.2011)	13	10
Timo Ritonummi, Deputy Member of the Board (since 3.5.2001)	3	5
Marja Hanski, Deputy Member of the Board (since 3.5.2011)	4	4
Niko Ijäs, Deputy Member of the Board (since 22.3.2012)	2	
Matti Rusanen, Deputy Member of the Board (since 22.3.2012)	2	
Jari Eklund, Deputy Member of the Board (since 3.5.2011)	4	4
Arto Lepistö, Vice Chairman (until 22.3.2012)	7	23
Elina Engman, Member of the Board (3.5.2011 - 29.2.2012)	2	11
Timo Kärkkäinen, Member of the Board (3.5.2011 - 22.3.2012)	4	13
Mikko Räsänen Deputy Member of the Board (3.5.2011 - 22.3.2012)	1	4
Antti Riivari, Deputy Member of the Board (3.5.2011 - 22.3.2012)	1	4
Jarmo Väisänen, Member of the Board (3.5. - 13.5.2011)		0
Jarmo Kilpelä, Member of the Board (3.5. - 13.5.2011)		0
Ilpo Nuutinen, Deputy Member of the Board (3.5. - 13.5.2011)		0
Petri Vihervuori, Deputy Member of the Board (3.5. - 13.5.2011)		0
Lauri Virkkunen, Chairman (until 3.5.2011)		8
Timo Karttinen, First Deputy Chairman (until 3.5.2011)		7
Risto Autio, Member of the Board (until 3.5.2011)		4
Ari Koponen, Member of the Board (until 3.5.2011)		4
Ritva Nirkkonen, Member of the Board (until 3.5.2011)		4
Anja Silvennoinen, Member of the Board (until 3.5.2011)		4
Jorma Tammenaho, Deputy Member of the Board (until 3.5.2011)		2
Pekka Kettunen, Deputy Member of the Board (until 3.5.2011)		2
Kari Koivuranta, Deputy Member of the Board (until 3.5.2011)		2
Jukka Mikkonen, Deputy Member of the Board (until 3.5.2011)		2
Juha Laaksonen, Deputy Member of the Board (until 3.5.2011)		2
Minna Korkeaolja, Deputy Member of the Board (1.1. - 3.5.2011)		2
Jukka Ruusunen, President and CEO	303	293
Number of salaried employees in the company during the financial year:		
Personnel, average	269	263
Personnel, 31 Dec	275	266

6. DEPRECIATION ACCORDING TO PLAN, 1,000 €	2012	2011
Goodwill	6,433	6,433
Other noncurrent expenses	7,145	6,733
Buildings and structures	4,783	4,050
Machinery and equipment	36,356	32,405
Transmission lines	30,555	27,827
Total*	85,273	77,449
*Depreciation on the electricity grid (notes 13 and 14)	76,644	63,821
7. OTHER OPERATING EXPENSES, 1,000 €	2012	2011
Contracts, assignments etc. undertaken externally	37,851	31,808
Grid rents	551	131
Other rental expenses	8,166	11,407
Other expenses	7,156	6,796
Total	53,723	50,142
8. AUDITORS FEES, 1,000 €	2012	2011
Auditing fee	35	32
Other fees	63	6
Total	98	38
9. FINANCE INCOME AND COSTS, 1,000 €	2012	2011
Dividend income from Group companies	-12	-1
Dividend income from others	-1,335	-212
Interest and other finance income from others	-7,673	-7,233
	-9,020	-7,446
Interest and other finance costs to Group companies	3	7
Interest and other finance costs to others	37,959	31,449
	37,962	31,456
Total	28,942	24,011
10. PROVISIONS, 1,000 €	2012	2011
Difference between depreciation according to plan and depreciation carried out in taxation	14,355	-1,817

11. INCOME TAXES, 1,000 €	2012	2011
Income taxes for the financial year	12,813	7,716
Total	12,813	7,716
Deferred tax assets and liabilities, 1,000 €		
Deferred tax assets		
On temporary differences	458	493
	458	493
Deferred tax liabilities		
On temporary differences	364	404
On provisions	109,980	106,463
	110,343	106,867
Total	109,886	106,373
12. GOODWILL, 1,000 €		
Cost at 1 Jan	128,664	128,664
Cost at 31 Dec	128,664	128,664
Accumulated depreciation according to plan 1 Jan	-92,209	-85,776
Depreciation according to plan 1 Jan - 31 Dec	-6,433	-6,433
Carrying amount 31 Dec	30,022	36,455
Accumulated depreciation difference 1 Jan	-36,455	-42,888
Increase in depreciation difference reserve 1 Jan - 31 Dec		
Decrease in depreciation difference reserve 1 Jan - 31 Dec	6,433	6,433
Accumulated depreciation in excess of plan 31 Dec	-30,022	-36,455
13. OTHER NON-CURRENT EXPENSES, 1,000 €		
Cost at 1 Jan	162,236	141,001
Increases 1 Jan - 31 Dec	9,785	21,235
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	172,021	162,236
Accumulated depreciation according to plan 1 Jan	-73,904	-67,171
Decreases, depreciation according to plan 1 Jan - 31 Dec		
Depreciation according to plan 1 Jan - 31 Dec	-7,145	-6,733
Carrying amount 31 Dec*	90,972	88,332
Accumulated depreciation difference 1 Jan	-58,135	-59,326
Increase in depreciation difference reserve 1 Jan - 31 Dec	-6,122	-5,542
Decrease in depreciation difference reserve 1 Jan - 31 Dec	7,145	6,733
Accumulated depreciation in excess of plan 31 Dec	-57,111	-58,135
*Net capital expenditure in electricity grid, 1,000 €		
Carrying amount 31 Dec	83,901	86,763
Carrying amount 1 Jan	-86,802	-72,067
Depreciation according to plan 1 Jan - 31 Dec	5,803	5,887
Decreases 1 Jan - 31 Dec		
Total	2,903	20,583

14. TANGIBLE ASSETS, 1,000 €	2012	2011
Land and water areas		
Cost at 1 Jan	13,671	13,509
Increases 1 Jan - 31 Dec	262	162
Cost at 31 Dec	13,933	13,671
Buildings and structures		
Cost at 1 Jan	125,336	105,946
Increases 1 Jan - 31 Dec	32,825	19,432
Decreases 1 Jan - 31 Dec		-43
Cost at 31 Dec	158,161	125,336
Accumulated depreciation according to plan 1 Jan	-27,038	-23,004
Decreases, depreciation according to plan 1 Jan - 31 Dec		17
Depreciation according to plan 1 Jan - 31 Dec	-4,783	-4,050
Carrying amount 31 Dec	126,340	98,298
Accumulated depreciation difference 1 Jan	-9,925	-9,614
Increase in depreciation difference reserve 1 Jan - 31 Dec	-6,275	-4,373
Decrease in depreciation difference reserve 1 Jan - 31 Dec	4,783	4,062
Accumulated depreciation in excess of plan 31 Dec	-11,417	-9,925
Machinery and equipment		
Cost at 1 Jan	743,781	664,281
Increases 1 Jan - 31 Dec	112,864	79,755
Decreases 1 Jan - 31 Dec		-255
Cost at 31 Dec	856,645	743,781
Accumulated depreciation according to plan 1 Jan	-295,290	-263,013
Decreases, depreciation according to plan 1 Jan - 31 Dec		127
Depreciation according to plan 1 Jan - 31 Dec	-36,356	-32,405
Carrying amount 31 Dec	524,999	448,491
Accumulated depreciation difference 1 Jan	-100,690	-104,170
Increase in depreciation difference reserve 1 Jan - 31 Dec	-43,342	-29,028
Decrease in depreciation difference reserve 1 Jan - 31 Dec	36,356	32,509
Accumulated depreciation in excess of plan 31 Dec	-107,676	-100,690
Transmission lines		
Cost at 1 Jan	988,334	896,062
Increases 1 Jan - 31 Dec	25,318	92,271
Decreases 1 Jan - 31 Dec	-278	
Cost at 31 Dec	1,013,374	988,334
Accumulated depreciation according to plan 1 Jan	-316,794	-288,967
Decreases, depreciation according to plan 1 Jan - 31 Dec	133	
Depreciation according to plan 1 Jan - 31 Dec	-30,555	-27,827
Carrying amount 31 Dec	666,158	671,540
Accumulated depreciation difference 1 Jan	-229,337	-220,360
Increase in depreciation difference reserve 1 Jan - 31 Dec	-44,450	-36,804
Decrease in depreciation difference reserve 1 Jan - 31 Dec	31,116	27,827
Accumulated depreciation in excess of plan 31 Dec	-242,671	-229,337

Other tangible assets		
Cost at 1 Jan	118	118
Cost at 31 Dec	118	118
Advance payments and purchases in progress		
Cost at 1 Jan	162,318	142,767
Increases 1 Jan - 31 Dec	116,320	224,097
Decreases 1 Jan - 31 Dec	-158,464	-204,546
Cost at 31 Dec	120,174	162,318
Total*	1,451,722	1,394,435

*Net capital expenditure in electricity grid, 1,000	2012	2011
Carrying amount 31 Dec	1,442,711	1,228,890
Carrying amount 1 Jan	-1,387,391	-1,144,803
Depreciation according to plan 1 Jan - 31 Dec	70,840	57,935
Decreases 1 Jan - 31 Dec	145	154
Total	126,305	142,176

Fingrid's reserve power plants are included in the property, plant and equipment of the transmission system from 1 January 2012, in accordance with the third supervision period.

15. INVESTMENTS, 1,000 €	2012	2011
Equity investments in Group companies		
Cost at 1 Jan	505	505
Cost at 31 Dec	505	505
Equity investments in associated companies		
Cost at 1 Jan	6,641	6,641
Cost at 31 Dec	6,641	6,641
Other shares and equity investments		
Cost at 1 Jan	1,135	913
Increases 1 Jan - 31 Dec	41	222
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	1,176	1,135
Total	8,322	8,281

16. INVENTORIES, 1,000 €	2012	2011
Materials and supplies	10,399	6,642
Work in progress	44	65
Total	10,443	6,706

17. RECEIVABLES FROM ASSOCIATED COMPANIES, 1,000 €	2012	2011
Current:		
Trade receivables	2,039	708
Total	2,039	708
18. PREPAYMENTS AND ACCRUED INCOME, 1,000 €	2012	2011
Interests and other financial items	18,075	21,650
Accruals of sales and purchases	8,368	5,502
Other	186	203
Total	26,629	27,355
19. UNRECORDED EXPENSES AND PAR VALUE DIFFERENTIALS ON THE ISSUE OF LOANS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME, 1,000 €	2012	2011
Par value differentials	2,928	2,167
20. CASH AND CASH EQUIVALENTS, 1,000 €	2012	2011
Certificates of deposit	45,837	99,206
Commercial papers	150,996	102,100
Short term money market funds	10,000	
	206,833	201,306
Cash in hand and bank receivables	5,391	152
Pledged accounts	1,020	1,302
	6,411	1,454
Total	213,244	202,760
21. SHAREHOLDERS' EQUITY, 1,000 €	2012	2011
Share capital 1 Jan	55,922	55,922
Share capital 31 Dec	55,922	55,922
Share premium account 1 Jan	55,922	55,922
Share premium account 31 Dec	55,922	55,922
Profit from previous financial years 1 Jan	22,541	7,209
Dividend distribution	-10,751	-6,711
Profit from previous financial years 31 Dec	11,790	498
Profit for the financial year	40,710	22,043
Shareholders' equity 31 Dec	164,345	134,386
Distributable shareholders' equity	52,500	22,541

Number of shares, qty	Series A shares	Series B shares	Total
1 Jan 2012	2,078	1,247	3,325
31 Dec 2012	2,078	1,247	3,325

Series A shares confer three votes each at the Annual General Meeting and series B shares one vote each. When electing members of the Board of Directors, series A share confers 10 votes each at the Annual General Meeting and each series B share one vote each.

Series B shares have the right before series A shares to obtain the annual dividend specified below from the funds available for profit distribution. After this, a corresponding dividend is distributed to series A shares. If the annual dividend cannot be distributed in some year, the shares confer a right to receive the undistributed amount from the funds available for profit distribution in the subsequent years; however so that series B shares have the right over series A shares to receive the annual dividend and the undistributed amount. Series B shares have no right to receive any other dividend.

Fingrid Oyj's Annual General Meeting decides on the annual dividend.

Definition of dividend for series B shares: the amount of the annual dividend is calculated on the basis of calendar years so that the subscription price of the share, added by amounts paid in conjunction with potential increases of share capital and reduced by potential amounts paid in refunds of equity, is multiplied by the dividend percentage; however so that the minimum dividend is 6%. The dividend percentage is defined on the basis of the yield of the 30-year German Government Bond.

The dividend proposal for series B shares for 2012 is 6.0 per cent.

There are no minority interests.

22. ACCUMULATED PROVISIONS, 1,000 €	2012	2011
Accumulated depreciation in excess of plan, the difference between depreciation according to plan and depreciation carried out in taxation	448,897	434,542

23. BONDS, 1,000 €

				2012	2011
Currency	Nominal amount	Maturity date	Interest		
EUR	25,000	16.03.2012	variable interest		25,000
EUR	25,000	12.04.2012	variable interest		25,000
EUR	10,000	16.04.2013	variable interest	10,000	10,000
EUR	20,000	28.04.2013	variable interest	20,000	20,000
EUR	20,000	15.10.2013	4.30%	20,000	20,000
EUR	24,000	02.07.2014	variable interest	24,000	24,000
EUR	18,000	11.11.2014	variable interest	18,000	18,000
EUR	8,000	11.11.2014	variable interest	8,000	8,000
EUR	10,000	20.11.2014	3.26%	10,000	10,000
EUR	20,000	11.04.2017	variable interest	20,000	20,000
EUR	25,000	11.04.2017	variable interest	25,000	25,000
EUR	30,000	15.06.2017	3.07%	30,000	30,000
EUR	300,000	03.04.2024	3.50%	300,000	
				485,000	235,000
FIM	160,000	19.08.2013	5.20%	26,910	26,910
				26,910	26,910
JPY	3,000,000	25.07.2012	1.3575% *		25,400
JPY	3,000,000	20.04.2015	1.45%	21,563	21,563
JPY	500,000	22.06.2017	1.28%	4,507	4,507
				26,070	51,470
CHF	39,000	22.05.2012	2.475%		25,000
					25,000
NOK	170,000	19.11.2014	4.68%	20,166	20,166
NOK	200,000	17.10.2016	5.15%	24,620	24,620
NOK	200,000	11.04.2017	5.16%	24,620	24,620
NOK	200,000	10.11.2017	5.12%	23,725	23,725
NOK	200,000	12.11.2019	5.37%	23,725	23,725
				116,856	116,856
SEK	225,000	03.04.2012	variable interest		24,194
SEK	225,000	11.04.2012	variable interest		24,142
SEK	100,000	21.03.2013	variable interest	10,560	10,560
SEK	200,000	03.04.2013	3.70%	21,305	21,305
SEK	175,000	04.04.2014	4.30%	18,811	18,811
SEK	300,000	15.06.2015	3.195%	31,168	31,168
SEK	100,000	17.06.2015	3.10%	10,417	10,417
SEK	220,000	01.12.2015	interest rate structure	24,336	24,336
SEK	100,000	15.01.2016	3.297%	10,390	10,390
SEK	500,000	18.10.2016	variable interest	54,900	54,900
SEK	500,000	18.10.2016	3.50%	54,900	54,900
				236,786	285,122
Bonds, long-term total				782,847	591,622
Bonds, short-term total				108,775	148,736
Total				891,622	740,358

* call option not exercised 25 July 2006

24. LOANS FALLING DUE FOR PAYMENT IN FIVE YEARS OR MORE, 1,000 €	2012	2011
Bonds	323,725	151,577
Loans from financial institutions	151,203	172,866
Total	474,928	324,443
<hr/>		
25. LIABILITIES TO GROUP COMPANIES, 1,000 €	2012	2011
Current:		
Other debts	543	460
Total	543	460
<hr/>		
26. LIABILITIES TO ASSOCIATED COMPANIES, 1,000 €	2012	2011
Current:		
Trade payables	393	120
Total	393	120
<hr/>		
27. OTHER LIABILITIES, 1,000 €	2012	2011
Current:		
Other loans / Commercial papers (international and domestic)	88,910	207,405
Value added tax	5,103	2,481
Electricity tax	2,643	1,507
Other debts	542	485
Total	97,197	211,879
<hr/>		
28. ACCRUALS, 1,000 €	2012	2011
Current:		
Interests and other financial items	16,889	13,136
Salaries and additional personnel expenses	3,713	3,351
Accruals of sales and purchases	16,295	11,517
Total	36,897	28,005
<hr/>		
29. PROVISIONS FOR LIABILITIES AND CHARGES, 1,000 €	2012	2011
Creosote-impregnated and CCA-impregnated wooden towers, disposal expenses	1,869	1,897
Total	1,869	1,897

30. COMMITMENTS AND CONTINGENT LIABILITIES, 1,000 €	2012	2011
Rental liabilities		
Liabilities for the next year	2,293	1,999
Liabilities for subsequent years	22,269	24,096
	24,563	26,095
Pledges		
Pledge covering property lease agreements	47	47
Pledged account in favour of the Customs Office	280	150
Pledged account covering electricity exchange purchases		127
	327	323
Other financial commitments		
Counterguarantee in favour of an associated company	1,700	1,700
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	459	401
Commitment fee for subsequent years	1,218	1,584
	3,378	3,685
31. OPERATING CASH FLOW ADJUSTMENTS, 1,000 €	2012	2011
Business transactions not involving a payment transaction		
Depreciation	85,273	77,449
Increase or decrease in accumulated depreciation difference	14,355	-1,817
Capital gains/losses (-/+) on tangible and intangible assets	-467	104
Other		
Total	99,161	75,736

32. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

There are no ongoing legal proceedings or proceedings by authorities that would have a material impact on the business of the company. In relation to transmission line projects there are many times complaints made to different instances of justice. According to the management of the company there are no ongoing legal proceedings or other such legal proceedings relating to other areas, which final outcome would have a material impact on the financial position of the Group.

Fingrid has lodged an appeal with the Market Court against a decision issued by the Energy Market Authority on 23 November 2011 (record number 831/430/2011), concerning the confirmation of the methodology for the assessment of the return of the grid owner's grid operations and of the fees levied for the transmission service for the review period starting on 1 January 2012 and finishing on 31 December 2015.

The Market Court dismissed Fingrid's appeal on 21 December 2012. Fingrid has lodged an appeal concerning the decision of the Market Court to the Supreme Administrative Court.

33. SEPARATION OF BUSINESSES IN ACCORDANCE WITH THE ELECTRICITY MARKET ACT

Imbalance power and regulating power

Each electricity market party must ensure that its electricity balance is in balance by making an agreement with either Fingrid or some other party. Fingrid buys and sells imbalance power in order to balance the hourly power balance of an electricity market party (balance provider). Imbalance power trade and pricing of imbalance power are based on a balance service agreement with equal and public terms and conditions.

Fingrid is responsible for the continuous power balance in Finland by buying and selling regulating power in Finland. The balance providers can participate in the Nordic balancing power market by submitting bids of their available capacity. The terms and conditions of participation in the regulating power market and the pricing of balancing power are based on the balance service agreement.

Management of balance operation

In accordance with a decision 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 the balance operation unit is separated by means of cost accounting as follows:

Income	direct
Separate costs	direct
Production costs	matching principle
Administrative costs	matching principle
Depreciation	matching principle in accordance with Fingrid Oyj's depreciation principles
Finance income and costs	on the basis of imputed debt
Income taxes	based on result

The average number of personnel during 2012 was 17 (16). The operating profit was -2.4 (-1.5) per cent of turnover.

MANAGEMENT OF BALANCE OPERATION, SEPARATED PROFIT AND LOSS ACCOUNT	1 Jan - 31 Dec 2012 1,000 €	1 Jan - 31 Dec 2011 1,000 €
TURNOVER*	164,730	154,927
Other operating income	67	12
Materials and services*	-164,594	-153,735
Staff expenditure	-1,677	-1,388
Depreciation and amortisation expense	-653	-733
Other operating expenses	-1,754	-1,477
OPERATING PROFIT	-3,882	-2,393
PROFIT BEFORE PROVISIONS AND TAXES	-3,882	-2,393
Provisions	226	43
PROFIT FOR THE FINANCIAL YEAR	-3,656	-2,350

* Turnover includes 12.2 (8.5) million euros of sales of imbalance power to balance provider Fingrid Oyj, and Materials and services includes 7.7 (8.0) million euros of its purchases.

MANAGEMENT OF BALANCE OPERATION,
SEPARATED BALANCE SHEET

ASSETS	31 Dec 2012 1,000 €	31 Dec 2011 1,000 €
NON-CURRENT ASSETS		
Intangible assets		
Other non-current expenses	417	232
Tangible assets		
Machinery and equipment	735	463
	735	463
TOTAL NON-CURRENT ASSETS	1,153	695
CURRENT ASSETS		
Current receivables		
Trade receivables	2,288	8,654
Receivables from Group companies	4,655	4,307
Other receivables	1,906	770
	8,849	13,731
Cash in hand and bank receivables	1	1
TOTAL CURRENT ASSETS	8,850	13,732
TOTAL ASSETS	10,002	14,427
SHAREHOLDERS' EQUITY AND LIABILITIES		
	31 Dec 2012 1,000 €	31 Dec 2011 1,000 €
SHAREHOLDERS' EQUITY		
Share capital	32	32
Share premium account	286	286
Profit from previous financial years	11,347	13,697
Profit for the financial year	-3,656	-2,350
TOTAL SHAREHOLDERS' EQUITY	8,009	11,665
ACCUMULATED PROVISIONS	-732	-506

LIABILITIES		
Current liabilities		
Liabilities to Group companies	2,725	3,268
	2,725	3,268
TOTAL LIABILITIES	2,725	3,268
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	10,002	14,427

Transmission system operation

Transmission system operation is deemed to cover the entire business of Fingrid Oyj, including system responsibility, which in turn includes balance operation.

Therefore, Fingrid Oyj's financial statements represent the financial statements of transmission system operation.

34. KEY INDICATORS OF TRANSMISSION SYSTEM OPERATION

	2012	2011
Return on investment (ROI) in transmission system operation, %	6.3	3.8
Return on investment, %	$= \frac{\text{profit before extraordinary items} + \text{interest and other finance costs} + \text{interest portions of leasing fees and rents of electricity grid}}{\text{balance sheet total} - \text{non-interest-bearing liabilities} + \text{leasing and rent liabilities related to electricity grid (average for the year)}} \times 100$	

35. EMISSION RIGHTS

Fingrid was granted emission rights totaling 126.3 thousand tonnes for the years 2008 - 2012, of which Olkiluoto power station was granted a share of 112.3 thousand tonnes. As a rule, the emission rights held by Fingrid at 31 December correspond at least to the annual CO₂ emissions. The Forssa reserve power plant was commissioned in 2012, as a result of which the emissions have increased. The use of emission allowances had no impact on the financial result in 2012.

	2012	2011
	tCO ₂	tCO ₂
Emission rights received free of charge	25,261	25,261
Emission volumes, Olkiluoto	844	526
Emission volumes, Forssa	17,633	
Emission volumes, other power plants total	2,840	1,908
All emissions, total	21,317	2,434

3. SIGNATURES FOR THE ANNUAL REVIEW AND FOR THE FINANCIAL STATEMENTS

Helsinki, 14 February 2013

Helena Walldén
Chairman

Juha Majanen
Deputy Chairman

Sirpa Ojala

Esko Torsti

Esko Raunio

Jukka Ruusunen
President & CEO

AUDITOR'S NOTATION

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

Helsinki, 15 February 2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Henrik Sormunen, Authorised Public Accountant



Auditor's Report (Translation from the Finnish Original)

To the Annual General Meeting of Fingrid Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Fingrid Oyj for the year ended 31 December, 2012. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, 15 February 2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Henrik Sormunen
Authorised Public Accountant

STOCK EXCHANGE RELEASES IN 2012

20 December 2012

Fingrid Oyj's financial reports in 2013

14 December 2012

Moody's has updated Fingrid's credit ratings

02 November 2012

Standard & Poor's Rating Services has updated Fingrid's credit ratings. The long-term credit rating is AA- and the short-term rating is A-1+

25 October 2012

Fingrid Group's Interim Report 1 January - 30 September 2012

16 October 2012

Fitch Ratings affirms Fingrid's senior unsecured rating at A+, Stable Outlook

24 August 2012

Fingrid Group's Interim Report 1 January - 30 June 2012

27 April 2012

Fingrid Group's Interim Report 1 January-31 March 2012

03 April 2012

Fingrid issued a EUR 300 million public bond

22 March 2012

Helena Walldén continues as Chairman of the Board of Directors

21 February 2012

Fingrid Group's financial statements and annual report 2011: Capital investments at a record-high level, profit decreased

18 January 2012

Standard & Poor's Rating Services has affirmed long-term credit rating for Fingrid AA- and short-term rating A-1+. Outlook negative.

Fingrid Group will release the following financial reports in 2013

- 21 February 2013 financial review 2012
- 25 April 2013 interim report January - March 2013
- 24 July 2013 interim report January - June 2013
- 23 October 2013 interim report January - September 2013

Annual general meeting will be held on 27 May 2013.

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Fingrid. Powering Finland.