



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 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 other respects, the corporate responsibility information has not been verified.

Sustainability reporting covers the economic, social and environmental impacts of Fingrid Group's own operations in 2011. We apply the international GRI G3.0 (Global Reporting Initiative) reporting guidelines for the first time to our sustainability reporting. Moreover, we report selected indicators stated in GRI's Electric Utility Sector Supplement. Page 38 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 C of GRI. The application level has been verified by a third party, PricewaterhouseCoopers Oy. In reporting, we focus on the most pertinent themes and follow the applicable sections of the reporting guidelines for state-owned enterprises in Finland. Our objective is to develop our data compilation systems related to sustainability issues and our sustainability reporting together with the related indicators comprehensively and in a balanced manner between the various sectors.

Fingrid reports its sustainability issues annually in the annual report. The reporting period for sustainability reporting is the financial year of 1 January to 31 December 2011. Fingrid's previous annual report was published on 3 May 2011. Feedback and questions concerning sustainability can be sent to viestinta@fingrid.fi.

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Fingrid Oyj 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 electricity market and system operation codes, and to European network planning.
- The transmission system in Finland 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, and by providing information on the electricity market.
- 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%), Mutual Pension Insurance Company Ilmarinen (19%) and other institutional investors (27%).
- The company was established on 29 November 1996.
- Operations started on 1 September 1997.
- Revenue 438 million euros.
- Balance sheet total 1.97 billion euros.
- Owns 20 per cent of electricity exchange Nord Pool Spot AS.
- Number of personnel at the end of the year: 266 (252 in permanent employment).
- Fingrid is headquartered in Helsinki, and the company also has offices in Hämeenlinna, Oulu, Petäjävesi, Rovaniemi and Varkaus.

Fingrid's mission

As the transmission system operator in Finland, Fingrid's mission is to:

- develop the power system
- transmit electricity reliably
- promote the functioning of the electricity market.

Fingrid's values

- transparency
- impartiality
- efficiency
- responsibility

Fingrid's vision

Fingrid's vision is to be the international forerunner in transmission system operation.



Fingrid Oyj's power transmission grid 1 January 2012

- 400 kV grid (4,300 km)
- 220 kV grid (2,600 km)
- 110 kV grid (7,500 km)
- Fenno-Skan 1 submarine cable 400 kV (100 km)
- Fenno-Skan 2 submarine cable 500 kV (100 km)
- lines of other companies



Base map © Karttakeskus Oy, Permit L9505/12

Fingrid Oyj, organisation

Jukka Ruusunen, President & CEO

	Grid service	Stakeholder relations	Power system operation	Asset management	System development	Finance and business development	Market development
Adequacy of transmission system							
System operation							
Promotion of market functioning							



Review by the CEO

The year 2011 will be remembered as the year when more money than ever before was invested in the Finnish high-voltage electricity transmission system. Fingrid's **capital expenditure** totalled approx. 240 million euros. Even though our company will invest a total of some 1,700 thousand million euros in the transmission system in the next 10 years, the annual capital investments will probably not exceed the capital expenditure level of 2011 for a long time to come. The extraordinarily high level of capital investments in euros is explained by the fact that several large-scale construction projects were in progress concurrently.

We are building the transmission system to conform to the needs of our customers and the Finnish society. The exceptionally severe storms experienced in Finland towards the end of 2011 once again reminded us that a reliable electricity supply at all times is of paramount importance to modern society. A well-functioning electricity market ensures that electricity is produced, consumed and transmitted as efficiently as possible. Fingrid is hard at work to connect the customers' new electricity generation capacity reliably to the transmission grid. We are also renewing ageing, well-served parts of the grid. Our long-term capital investment programme is a crucial part of Finnish contribution to the fight against climate change.

The system security of the transmission system in Finland continued to stay at a good level in 2011. Due to our extensive construction programme, there have been occasional tricky outage situations in the grid, but these have been overcome well in good co-operation with our customers. The summer with a record number of lightning strokes was not reflected significantly on the customers, even though

there were more disturbances than normal in the transmission grid. The Finnish grid also survived the heavy storms towards the end of the year with little consequences. Good system security is not something that is taken for granted, and the transmission system operator must always be prepared for the worst case scenario. Along with climate change, extreme weather phenomena will probably be more commonplace in the future. For such eventualities, the transmission system must be kept in a good condition, and we need to enhance our operations. One good example of this was the largest power failure exercise ever arranged in Finland in May. In addition to Fingrid's active contribution, the other participants comprised a record-high number of representatives of electricity companies and authorities.

In terms of the **electricity market**, 2011 was a year of transmission congestions. The Nordic hydropower production volume varied more than ever before, which is why electricity transmission networks were hard pressed. Large volumes of electricity were transferred between the Nordic countries from the east to the west in the early part of 2011, and from the summer onwards from the west to the east. Transmission congestions can only be removed by capital investments, and the Fenno-Skan 2 high-voltage direct current link between Finland and Sweden was brought to the use of the market at a good time in this sense. The division of Sweden into bidding areas, which attracted much criticism, at the beginning of November intensified the market mechanisms, when the "invisible hand" of the market controlled electricity generation and transmissions comprehensively.

Fingrid obtained **new owners** in April. The ownership arrangements are based on the EU's directive concerning the



internal energy market. The directive requires that transmission system companies are unbundled from electricity generating and selling companies by March 2012. Just like the former owners, the new owners are highly committed to Fingrid's long-term development. The objective is to ensure that the most important infrastructure in Finland continues to be in a condition that it earns.

For our customers, the most significant piece of news was probably the **increases made to the grid tariffs** from the beginning of 2012. For several years now, Fingrid has been communicating the pressure to raise the tariffs due to our extensive capital investment programme and a rise in the market-based costs of transmission system operation. The final increase percentage is on average 30. The new contract period extends over four years, but the grid fees will be reviewed annually. The structure of the grid tariff will remain essentially the same as before, but the electricity producers' payment contribution will rise slightly. Fingrid's grid tariffs will rise gradually to a level that corresponds to the permitted level of proceeds derived from system operation as specified by the Energy Market Authority. Despite this, Fingrid's transmission tariffs continue to be low on the European scale. This is so because of Fingrid's exemplary cost efficiency proven in international benchmarking.

In a changing world, it is good to reflect critically on your **own policies**. We compiled Fingrid's sustainability principles, which cover the significance of corporate responsibility to us comprehensively, in a new way in 2011. Fingrid has a very focal role in Finnish society, and therefore the principles of responsible efforts are the guideline in our daily work – after all, responsibility is one of our values. We have also re-

vised our land use and environmental policies to address today's key issues in these important matters.

The theme for 2012 continues to be the execution of our major capital investment programme without compromising the electricity supply of Finnish consumers and industries. We are involved in combatting climate change, because we enable the implementation of the Finnish climate and energy policy by strengthening the transmission system for new power generation capacity.

We are preparing the capital investments for new transmission connections scheduled for the end of this decade. This is done by taking forward the environmental impact assessment processes related to these projects. We will focus on occupational safety, which requires constant improvement. The third energy market directive of the European Union will begin to be reflected more and more in practice, as the technical rules and electricity market codes become legislative provisions. Alongside all other activities, Fingrid will move to new premises at the end of 2012.

The year 2011 was very interesting for Fingrid in many respects. Our team is becoming increasingly close-knit day by day, and this can also be seen in the results. The outstanding performance is accomplished by dedicated, skilled people. My thanks for the successful year 2011 go to them.

Jukka Ruusunen
President & CEO



Customers and stakeholders

GRID SERVICE AT INCREASINGLY UNAMBIGUOUS TERMS

Fingrid endeavours to promote active and efficient interaction with the grid customers, electricity market parties, authorities and landowners. The needs of customers and of the electricity market constitute the foundation of grid planning and stakeholder efforts by Fingrid. Whenever line routes are being planned and in conjunction with transmission line maintenance work, Fingrid gives landowners, neighbours of the line and other concerned parties an opportunity to express their views, to discuss the project and to co-operate in issues related to the project plan and its execution.

The **grid contract period** 2008–2011 came to an end, and the new contracts for 2012–2015 were prepared in co-operation with the customers and the Energy Market Authority throughout 2011. The new grid contract also covers the previously separate reactive power agreement, reserve agreement for reactive power, and the agreement for real-time information exchange.

The actual grid pricing continues to be based on the energy volume, and the fixed connection point fee was abandoned. At the beginning of 2012, the grid service fees were raised by an average of 30 per cent for 2012. In the future, the unit prices will be confirmed annually in September.

The pricing structure for Russian cross-border transmission service was revised to be effective from the beginning of 2012. The pricing structure was divided into three cost-based components: costs of interconnector lines, portion of cross-border transmissions of the costs of the entire grid, and costs for maintaining the European marketplace. Moreover, the 110 kilovolt import connections were segregated into separate agreements conforming to imports from Vyborg.

The new **balance service agreements** entered into force at the beginning of 2012. The structure of the agreements was revised, and they were amended to be in force until further notice. An agreement which is valid until further notice allows for better control of changes as Nordic harmonisation makes progress.

The new **terms of connection to the transmission grid** prepared by ENTSO-E will have a significant influence on the connection of both electricity production and consumption to the high-voltage transmission system and to distribution networks. The technical terms for the connection of power plants are well under way. The network terms constitute part of binding legislation in Finland.

Fingrid's objective is to simplify the procedure for new connections to the high-voltage transmission grid so that after the payment of the connection fee, the connecting party is not subject to any annual fees. The new connection fee will cover the improvements and renewal of the connecting bay. The present agreements will remain in force for old connections, and the new procedure will be adopted as agreements are renewed with the customers.

Regional **network plans** continue to be drawn up in close cooperation with the customers. Many preliminary analyses were prepared concerning the connection of wind turbines to the transmission system. However, the number of wind power projects executed was below that anticipated.

The new electricity market directive entered into force at the beginning of March 2011. The **scope of the Finnish transmission grid** and its coverage principles were also subject to lively discussion in conjunction with the preparation of the Finnish Electricity Market Act to be amended on the basis of the directive. The criteria that ultimately define the extent of the grid will be determined in line with the new Electricity Market Act in 2012. The discussions conducted with the custom-



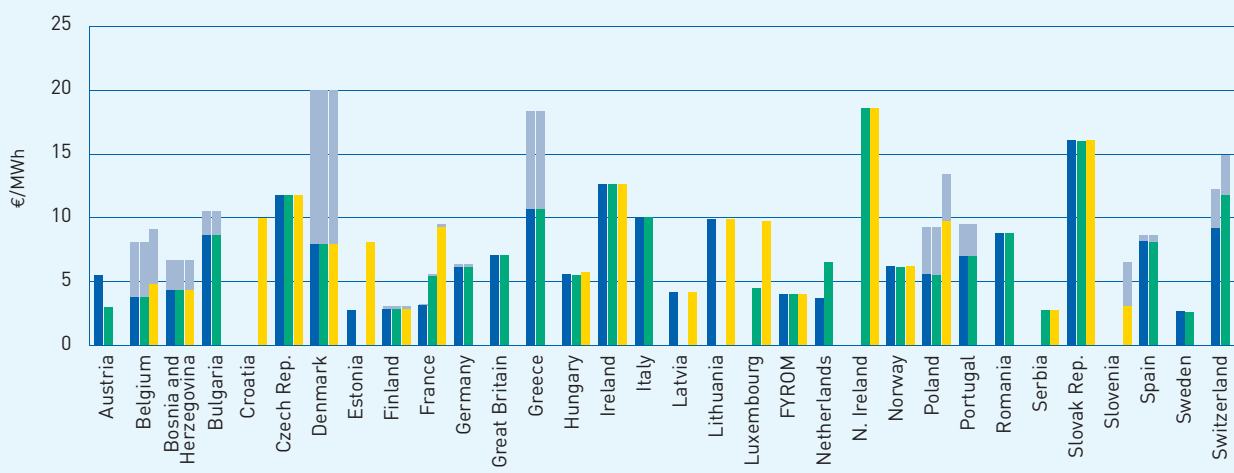
The map feedback service launched on Fingrid's website aroused interest for example at the Farmari 2011 agricultural fair.

ers revealed widely varied views of the responsibilities and the extent of the transmission grid. It has been pondered how far the coverage of the 110 kilovolt network should extend. On the other hand, it has been suggested that Fingrid should assume responsibility for more numerous radial transmission lines in excess of 100 kilovolts running between network operators.

The new Finnish act on the **peak load capacity** which secures a balance between electricity production and consumption

entered into force on 1 March 2011. The application of the act commenced at the beginning of October. Finextra Oy, a fully-owned subsidiary of Fingrid's, signed agreements with the owners of the power plants covered by the peak load capacity arrangement on the use of the Inkoo 3, Vaskiluoto 3 and Kristiina 1 power plants. The total capacity of the power plants is 600 megawatts. Finextra also signed agreements on the coverage of the costs of the peak load capacity arrangement with the grid customers.

PRICE OF GRID SERVICE IN FINLAND AND ELSEWHERE. ENTSO-E'S TARIFF COMPARISON 2010.



Costs related to grid operations, such as capital investments, loss energy, system services

■ 400-380 kV ■ 220-150 kV ■ 132-50 kV

■ Other regulatory charges not directly related to TSO activities: stranded costs, public interest contribution, renewable energy and other.



In its **customer communications**, Fingrid continued the proven practice where the company's current affairs are communicated in three different customer and stakeholder events during the year. The Electricity Market Day in the spring, the Grid Day in the early autumn and the System Security Seminar towards the end of the year were also available live through the Internet and later as recordings.

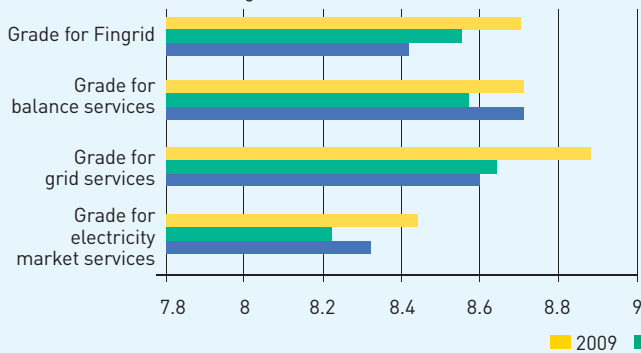
During the year, there were several regional events with customers related to the development of the transmission sys-

tem, contract terms, and other topical issues. The company's Grid Committee, Operations Committee and Market Committee have attained an established status as significant development platforms. The company's Advisory Committee serves as a two-way information channel and consultation forum between Fingrid and all its customers.

The customers continue to deem that Fingrid's services are of high quality: the company received a good rating in the annual customer satisfaction survey.

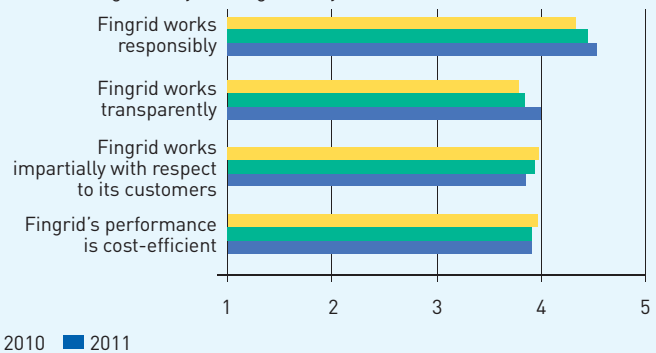
CUSTOMER AND STAKEHOLDER SATISFACTION

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



Fingrid reviews annually the opinions of its customers and stakeholders concerning the company's performance. The survey is aimed not only at the customers but also representatives of authorities, market participants, service providers and organisations in the industry. There were a total of approximately 120 respondents in 2011. The company's overall grade declined slightly in 2011. The reason for the lower grade was probably the considerable raise in the company's transmission tariffs.

Evaluate the following claims on a scale of 1 to 5 (1 = I disagree fully, 5 = I agree fully)



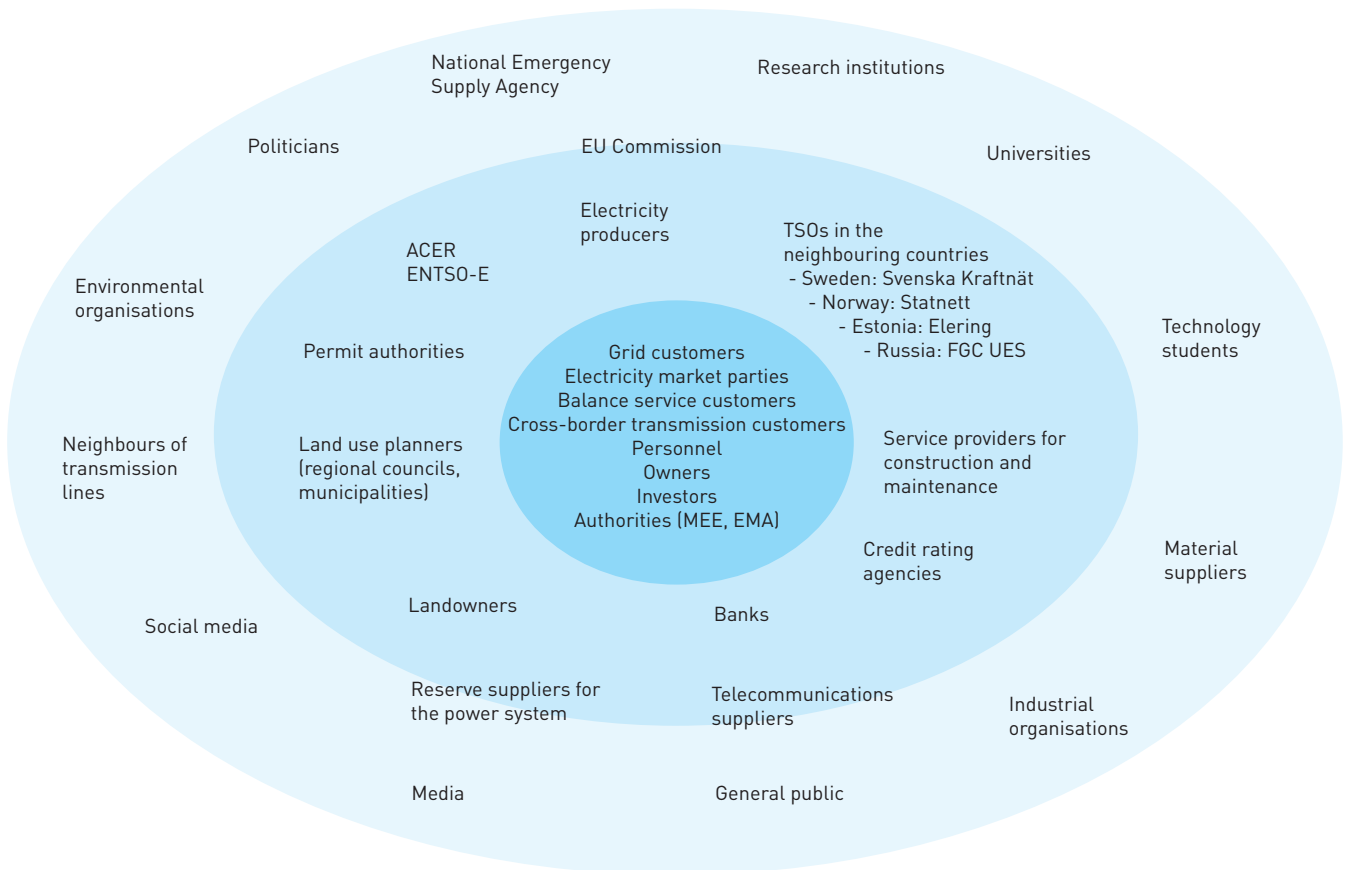
The customers and stakeholders feel that of Fingrid's values, responsibility is reflected very well in the company's operations. The company has also focused on enhancing transparency.



The planned 400 kilovolt transmission line from Central Finland to the Oulujoki river being presented in Uurainen in January 2012.



STAKEHOLDERS



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 proactively and to publish material of its efforts transparently so that the material is available to all.



Advisory Committee



Operations Committee

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, Vattenfall Verkkö Oy (Chairman)
 Kalle Ahlstedt, Fortum Power and Heat Oy
 Elina Engman, Kemira Oyj, until 4/2011
 Heikki Hukkanen, Tornionlaakson Sähkö Oy
 Pentti Kellokumpu, Inergia Oy
 Markus Lehtonen, Helsinki Energy
 Karri Mäkelä, Nord Pool Finland Oy
 Arto Pajunen, Järvi-Suomen Energia Oy
 Timo Pylvänen, Savon Voima Oyj
 Mikko Rintamäki, Energiakolmio Oy
 Janne Savelainen, Lahti Energia Oy
 Seppo Tuomisto, Kemira Oyj, from 9/2011
 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
 Kimmo Kuusinen, Fingrid Oyj (Secretary)

Market Committee

Juha Kekkonen, Fingrid Oyj (Chairman)
 Kimmo Dahl, Kymppivoima Hankinta Oy, until 8/2011
 Jukka-Pekka Häkli, Solidus Oy, until 8/2011
 Antti Koskelainen, Suomen ElFi Oy, until 8/2011
 Mika Laakkonen, Kymppivoima Hankinta Oy, from 10/2011
 Harri Mattila, Helsinki Energy
 Karri Mäkelä, Nord Pool Finland Oy
 Vesa Mäkilä, Turku Energia, until 2/2011
 Karl-Henrik Nordblad, Fortum Power and Heat Oy
 Ilkka Salonen, Vattenfall Sähkönyynti Oy, until 2/2011
 Ari Sormunen, Kuopion Energia, from 2/2011
 Anne Särkilahti, UPM-Kymmene Oyj
 Harri Tiittanen, Power-Deriva Oy, from 10/2011
 Jouni Väisänen, RAO Nordic Oy, from 10/2011
 Katja Lipponen, Fingrid Oyj (Secretary)

Grid Committee

Kari Kuusela, Fingrid Oyj (Chairman)
 Pasi Heinonen, LE Sähköverkko Oy
 Markku Hyvärinen, Helen Sähköverkko Oy
 Esa Kalla, Outokumpu Stainless Oy
 Jarkko Kohtala, Vattenfall Verkkö Oy
 Arto Pajunen, Järvi-Suomen Energia Oy
 Pekka Pollari, UPM Sähkönsiirto Oy
 Antti Timonen, Oulun Energia Siirto ja Jakelu Oy
 Eero Vauhkala, Fortum Sähkönsiirto Oy
 Petri Parviainen, Fingrid Oyj (Secretary)



Corporate finances

PERSISTENT UNCERTAINTY IN THE FINANCIAL MARKET

Fingrid ensures a stable trend in the prices of its services by planning the corporate finances, risk management, financing and capital expenditure over a long time perspective. The key objectives in financial control are predictability of finances, cost efficiency of the business processes, management of cost risks and performance, and follow-up of strategy implementation.

The international financial crisis and decelerated global economic growth had an adverse impact on corporate fundraising: the margins of interest-bearing debt increased, and issuance required more precise timing than in previous years. However, Fingrid benefited from its high rating in the uncertain economic and financial market situation.

The **rating agency** Standard & Poor's Rating Services (S&P) first raised Fingrid's credit rating in April 2011 from A+ to AA- when the Republic of Finland increased its shareholding in the company to 53 per cent as a result of Pohjolan Voima Oy and Fortum Power and Heat Oy selling their combined holding of 50 per cent to the Republic of Finland and Mutual Pension Insurance Company Ilmarinen. In December 2011, S&P placed the credit ratings of the triple A euro countries on CreditWatch with negative implications. In January 2012, this led to retaining the rating of the Republic of Finland at AAA, but the outlook was changed from stable to negative. Fingrid's rating of AA- remained unaltered, but since the outlook of the Republic of Finland was changed, Fingrid's outlook was also changed from stable to negative in January 2012.

Fingrid also has credit ratings from Moody's Investors Service and Fitch Ratings. Moody's Investors Service updated Fingrid's credit opinion on 13 December 2011, keeping the opinion unchanged. The long-term rating is A1 and the short-term rating is P-1. The outlook was changed from negative to stable. On 21 October 2011, Fitch Ratings affirmed Fingrid's senior unsecured

debt rating of A+ and the short-term issuer default rating of F1. The outlook was changed from negative to stable.

Fingrid's **capital structure** is heavy on debt. The investor relations are based on long-term co-operation with banks and institutional bond investors. The company has an international debt issuance programme of 1.5 billion euros, under which 783 million euros worth of bonds have been issued. In the autumn, Fingrid issued, among other things, a bond valued at 1 billion Swedish krona in the Swedish capital market. Another loan of 20 million euros was signed with the Nordic Investment Bank (NIB) for the financing of EstLink 2, the second submarine cable constructed between Finland and Estonia. The company also took advantage of its international commercial paper programme. By the end of the financial year, a total of 207 million euros worth of commercial papers had been issued.

The **key objectives in financial control** are the predictability of finances, cost efficiency of the business processes, management of cost risks and performance, and follow-up of strategy implementation. The transmission system is one of the key infrastructures in Finland, and the cross-border interconnectors of Finland are necessary in the further development of the electricity market, both in the Nordic countries and elsewhere in Europe. This is why we plan the corporate finances, risk management, financing and key capital investment projects with a long time span.

From the viewpoint of corporate finances, this means cost efficiency, retaining the grid tariffs at the European reference level, attaining the owners' objectives concerning the return on investment, stable capital structure, and keeping 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 the relevant sectors were not fully attained in 2011. The average result was decreased by the area price differences between Finland



Construction work for the Forssa reserve power plant was largely completed in 2011. The 300 megawatt gas turbine plant is due to be ready in the autumn of 2012.

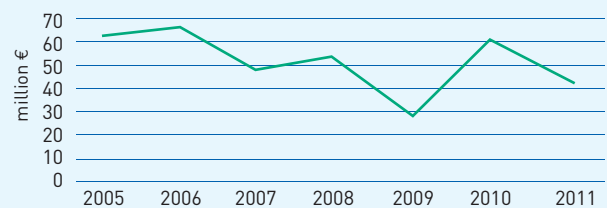
and Sweden, a few serious long-term disturbances, and an increase in market-based costs. Fingrid's objectives for the return on investment and return on equity were not fully met, and the profit of the financial year 2011 decreased to 33 million euros (42 million euros in 2010).

The profit was weakened by a reduction in electricity consumption as a result of declining industrial production and the mild weather during the latter part of the year. Electricity consumption in Finland fell by 3.8 per cent. Most of Fingrid's costs are market-based costs, and their changes influence the company's financial performance. The reserve costs increased, while the loss energy costs decreased owing to lower area prices of electricity. The interest rate level rose in 2011 on the previous year, although the interest rates began to go down again at the end of 2011 due to the slowing down of global economy and the interest rate cuts carried out by the European Central Bank. The financial costs increased to 19.2 million euros.

The Energy Market Authority supervises the **reasonableness of the proceeds** of network operators. The Energy Market Authority has confirmed that between 2005 and 2007, Fingrid's proceeds were approx. 100 million euros below the permitted level. According to the preliminary information supplied by the Energy Market Authority, Fingrid's proceeds between 2008 and 2010 were approx. 190 million euros below the permitted level. The present supervision period commenced on 1 January 2012 and it will finish on 30 December 2015.

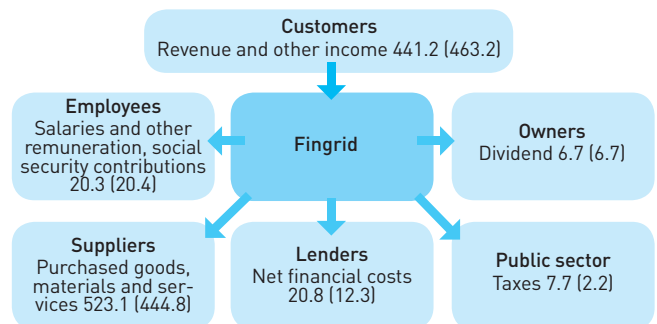
As a result of the company's sizeable capital investment programme, the amount of interest-bearing liabilities increased to 1,224 million euros. Fingrid raised the grid tariffs by 30 per cent at the beginning of 2012 in order to increase the share of internal financing of the funding of capital investments made in the transmission system. On the other hand, the increases will contribute to the achievement of the proceeds permitted by regulation during the grid contract period of 2012 to 2015. The goal with equity ratio is a level of 30 per cent.

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



CREDIT RATINGS

	Long-term debt	Short-term debt	Outlook
Fitch Ratings 21 October 2011	A+	F1	stable
Moody's Investors Service 13 December 2011	A1	P-1	stable
Standard & Poor's 17 January 2012	AA-	A-1+	negative



Financial gain created by Fingrid's business to various stakeholders, million euros.



Power system

SERVING SOCIETY AS A WHOLE

Fingrid's transmission grid and cross-border connections are an integral part of the power system in Finland. Fingrid's performance has a direct impact on the functioning of Finnish society, in other words on the everyday life and welfare of all Finns. Fingrid carries system responsibility, in other words it is to take care of the Finnish power system.

Electricity consumption in Finland in 2011 decreased by 3.8 per cent on the previous year as a result of declining industrial production and the warm latter part of 2011. Electricity consumption in 2011 totalled 84.4 terawatt hours (87.7 terawatt hours in 2010). A total of 64.2 (68.1) terawatt hours of electricity was transmitted in Fingrid's grid, representing 76 per cent of the electricity consumption in Finland.

Measurements by Finnish Energy Industries indicated that **electricity consumption** in Finland rose to the all-time high during the cold weather in mid-February, when the hourly consumption was almost 15,000 megawatt hours. Finland is dependent on electricity imports during peak consumption situations. During the peak consumption hour in the past winter, domestic production was just over 12,000 megawatt hours and the rest was covered by imports from the neighbouring countries. Despite disturbances on the cross-border transmission lines during the peak consumption week, the sufficiency of electricity in Finland was not jeopardised.

In the early part of 2011, **electricity transmissions between Finland and Sweden** consisted mainly of exports from Finland, but this changed to considerable imports to Finland in the summer. The availability of transmission capacity was at the same level as in the previous years. The capacity offered to the electricity market was restricted occasionally due to reasons such as construction work on the Fenno-Skan 2 link.

The bidding areas introduced in Sweden together with the Fenno-Skan 2 connection brought about changes to the distribution of electricity transmissions between the alternating current connections in the north and the high-voltage direct current links in the south. Finland occasionally served as a transit country when electricity was transmitted from Northern Sweden to Finland and further back to Sweden along the HVDC links. Fingrid and the Swedish transmission system operator Svenska Kraftnät have agreed on the principles of transmissions so that the determining factor in the control of physical transmissions is to achieve minimal total losses in the two transmission systems.

Electricity transmissions between Finland and Estonia were dominated by imports to Finland in the early part of 2011, but imports gave way to a majority of exports from Finland during the autumn. Maintenance work on the Estlink connection did not cause significant restrictions in the capacity offered to the market.

Almost the full **electricity import capacity from Russia** was in use until the early autumn, after which the imports have been below the volume allowed by the transmission capacity. In July and August, the import capacity was restricted by maintenance work at the Vyborg direct current substation and in the Russian grid.

The Finnish grid experienced **more disturbances than normal** in 2011, and the disturbance duration per a grid customer's connection point was longer than on average. The numerous thunderstorms in the summer raised the number of disturbances. The disturbance duration was increased especially by faults in some customers' branch lines connected to the grid, encountered during the storms at Christmas time. The impacts of these faults were also reflected in Fingrid's grid. The transmission grid itself survived the storms very well, considering their intensity. The largest disturbance



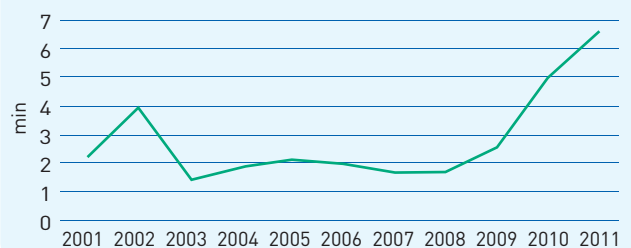
clearing exercise ever held in Finland was arranged under the Power and District Heat Pool in May. The exercise especially tested the co-operation between electricity companies and authorities in a serious and prolonged disturbance in the power system.

The transmission grid underwent a number of **difficult outage situations** as a result of construction projects in the grid, especially in Ostrobothnia, South-Western Finland, Southern Savo and Lapland. These were managed very well through advance planning and good co-operation with customers.

From the beginning of 2011, procurement from the annual and hourly market has been applied to the **purchase of frequency controlled reserves**. This revised procurement method facilitates the predictability and optimisation of the volume of reserves. In May, Fingrid signed an agreement with Lappeenranta Lämpövoima on the use of the Mertaniemi 2 power plant as reserves. This raised the volume of Fingrid's fast disturbance reserve. The Nordic transmission system operators have jointly studied the technical requirements and volumes of frequency controlled reserves in order to halt the deterioration of frequency quality. The study will probably lead to the introduction of a whole new reserve type in line with that applied in Continental Europe.

The **volume of losses** in the Finnish grid was slightly higher than average.

OUTAGES AT CONNECTION POINTS CAUSED BY DISTURBANCES IN THE TRANSMISSION GRID



POWER SYSTEM OPERATION

	2011	2010	2009	2008	2007
Electricity consumption in Finland TWh	84.4	87.7	81.3	87.2	90.3
Fingrid's transmission volume TWh	64.2	68.1	62.8	65.4	68.2
Fingrid's loss energy volume TWh	1.2	1.1	1.0	1.0	1.1
Fingrid's losses of transmitted energy, %	1.8	1.7	1.5	1.6	1.6
Electricity transmissions Finland-Sweden					
exports to Sweden TWh	4.0	5.7	4.1	4.2	3.7
imports from Sweden TWh	5.9	2.8	2.7	3.7	4.0
Electricity transmissions Finland-Estonia					
exports to Estonia TWh	0.5	0.2	0.1		
imports from Estonia TWh	1.6	2.0	1.8	2.3	1.9
Electricity transmissions Finland-Russia					
imports from Russia TWh	10.8	11.6	11.7	10.9	10.2



Electricity market

MORE TRANSPARENCY TO THE MARKET

Fingrid enhances the electricity market mechanisms together with its customers, electricity market parties, other transmission system operators, and regulators. The company develops shared rules which contribute to the functioning of the market and procedures that ensure its efficiency and transparency. The goal is to minimise transmission congestions which hamper the market and to provide a basis for the effective formation of the price of electricity.

The year 2011 started in the **Nordic electricity market** with scarce hydropower supply. At the same time, there was much demand for electricity, partly as a result of the cold and long winter. The water reservoir situation began to improve rapidly towards the summer, and in the autumn the water reservoirs were almost full. On the other hand, the economic situation and the warm weather decreased the demand for electricity during the latter part of the year. At the end of 2011, the area price for Finland was 50 per cent lower than at the beginning of the year.

There were **no price spikes** during the cold winter weather. Large-scale electricity users probably were better prepared for the peak load situations than in the previous years, and they cut their consumption whenever necessary. Moreover, it was also possible to operate the transmission connections between Continental Europe and the Nordic countries more effectively by means of the market coupling mechanism, which was introduced by the electricity exchanges and transmission system operators at the end of 2010. The supply in Continental Europe also curbed the rise in prices.

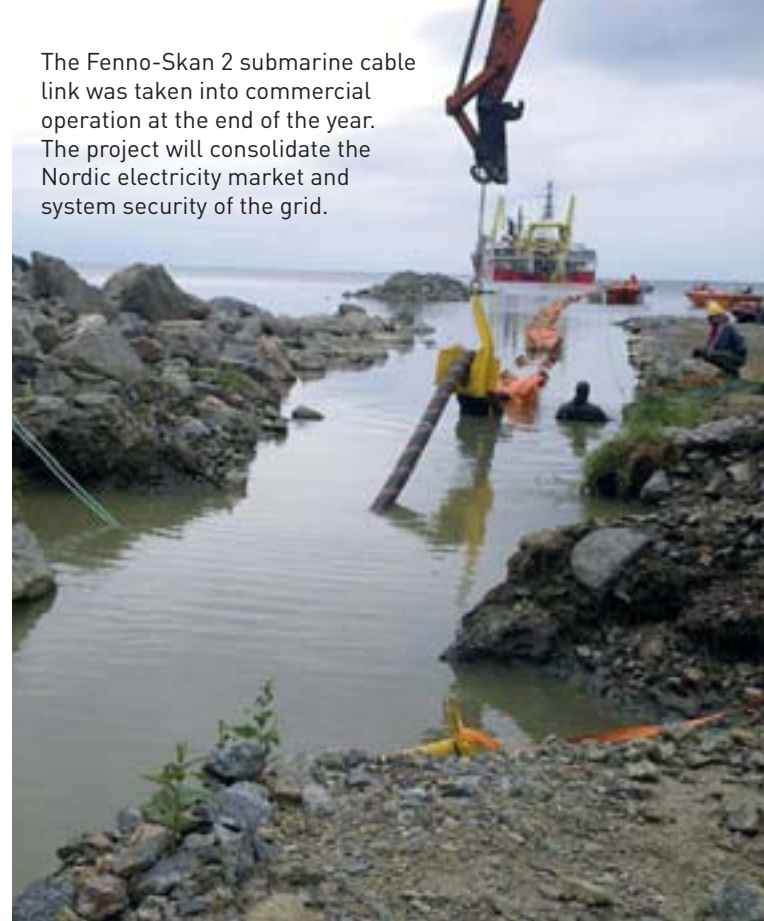
Congestions in the transmission grid restricted electricity trade between Finland and the other Nordic countries. The

available transmission capacity was about normal, but the scant rainfall in the early part of the year increased the demand for electricity exports from Finland, and abundant hydropower capacity in the autumn boosted the demand for imports into Finland. Congestions were encountered on the border between Finland and Sweden in 23 per cent of the time, and in many cases the market prices between the two countries differed from each other by dozens of euros per megawatt hour. The situation levelled off towards the late autumn, which was partly due to the fact that the Fenno-Skan 2 transmission link was made available to the electricity market a month ahead of schedule.

As a result of the high demand for transmission capacity, Fingrid accumulated a significant amount, approx. 15.8 million euros (9.0 million euros in 2010) of so-called congestion income.

The Swedish market was divided into four **bidding areas** in November. This was the result of structural congestions in the transmission grid in Sweden. Such congestions cannot be overcome otherwise at market terms within a short period of time, but they require the reinforcement of the grid. The bidding area division brought about a slight increase in transit transmissions of electricity from Northern Sweden via Finland to Central Sweden. It also complicated the price hedging options of market participants somewhat, since the earlier reference price for Sweden was divided into several area prices.

Efforts for electricity market integration were pursued further, both towards Western Continental Europe and the Baltic countries. This work involves many parties, and the pertinent issues are complex. The integration therefore makes slow progress, and any new significant results will not be seen before the end of 2012. In line with the EU's third leg-

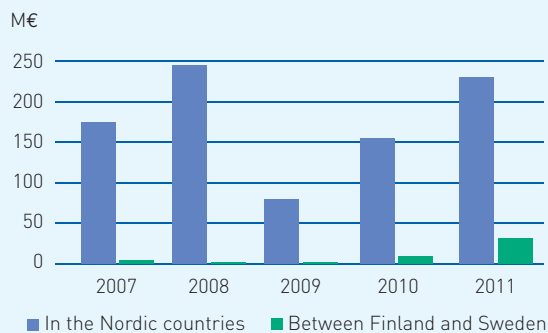


The Fenno-Skan 2 submarine cable link was taken into commercial operation at the end of the year. The project will consolidate the Nordic electricity market and system security of the grid.

islative package for an internal energy market, the European transmission system operators started to prepare new types of network codes. These binding provisions will define the rules of the electricity market very precisely.

New type of trading was introduced in **electricity trade from Russia** alongside the traditional bilateral trade. In it, Russian sellers can sell their electricity directly to the Nordic electricity exchange. The goal of this is to achieve a more market-based and transparent process. At least partly as a result of this procedure, electricity imports from Russia have started to vary as determined by the market situations.

NORDIC CONGESTION INCOME AND CONGESTION INCOME BETWEEN FINLAND AND SWEDEN



ELECTRICITY MARKET

	2011	2010	2009	2008	2007
Nord Pool Spot system price, average €/MWh	47	53	35	45	28
Area price Finland, average €/MWh	49	57	37	51	30
Congestion income in the Nordic countries million €	228.5	156.1	79.5	244.1	173.6
Congestion income between Finland and Sweden million €	31.2	8.9	1.1	1.3	2.7
Congestion hours between Finland and Sweden %	22.9	6.5	4.6	2.5	4.9
Congestion income between Finland and Estonia million €	18.9	18.9			
Congestion hours between Finland and Estonia [%]	45.5	50.0			

From 6 December 2010, Fingrid receives Nordic congestion income only from the congestion income accrued between Finland and Sweden. Fingrid's congestion income between Finland and Estonia was 9.6 million euros. The costs, i.e. the grid rents between Finland and Estonia, were 9.5 million euros, which was paid to the owners of the Estlink transmission connection (the difference of 0.2 million euros received by Fingrid was created during disturbances on the Estlink connection).



Grid development and maintenance

EVOLVING GRID

Fingrid maintains and develops the Finnish power system as part of a European infrastructure, and keeps all parts of the grid reliable. The devised procedures enable flexible and cost-efficient transmission system operation in changing circumstances. Fingrid's principles embrace issues such as high level of safety, environmental responsibility, good corporate governance, and transparency and impartiality. The company also requires ethically high standards from its service providers.

Capital expenditure in the transmission system continued to be at a high level in 2011. Similar levels of input were reached most recently in the 1970s, when the so-called atomic ring was built in Finland. Approx. 240 million euros were used for the grid investments in 2011, making it the peak year in Fingrid's capital expenditure programme. The capital investments in 2012 will be about 170 million euros.

There are many reasons for the sizeable capital investments. Many of the projects are needed so that the solutions conforming to the energy and climate strategy of Finland can be accomplished in terms of the electricity 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. New transmission connections to both Sweden and Estonia were built so as to promote the electricity market.

The input of approx. 240 million euros has also brought about many results, like **two major new transmission con-**

nections. The Fenno-Skan 2 submarine link completed towards the end of the year will increase the transmission capacity between Finland and Sweden by 40 per cent. The combined transmission capacity of the two Fenno-Skan links is now 1,350 megawatts. The new link clearly serves market needs, because the transmission capacity between Finland and Sweden was too small on a number of occasions in the summer and autumn. This is why the link was commissioned in an expedited schedule during the trial operation period in November, a month before the target date.

Another important connection was completed in Ostrobothnia in Western Finland. A 400 kilovolt transmission link with a length of approx. 55 kilometres was finalised between Seinäjoki and Vaasa in the autumn. In addition to the transmission line, a new substation was built at Tuovila, the Seinäjoki substation was upgraded, and a 400/110 kilovolt transformer substation was built in Nivala. The entire project constituted the first stage in raising the voltage level of the transmission grid in Ostrobothnia from a level of 220 kilovolts to 400 kilovolts. The new transmission lines are mainly built in the rights-of-ways of existing lines as part of the nation-wide development programme, also enhancing the reliability of the grid in Ostrobothnia.

The transmission grid needs to be strengthened in other parts of Finland, too, so that the new energy solutions required by the Finnish Parliament can be implemented. One of the **ongoing projects** is the second 400 kilovolt transmission line running from Lappeenranta via Mikkeli to the Varkaus region, due to improve the reliability of the grid in Eastern Finland. This transmission connection will be completed in 2013, and it consists of a transmission line of approx. 150 kilometres and major substation projects at Huutokoski and Yllykkälä.



The second submarine cable link EstLink 2 between Finland and Estonia is also under construction. The manufacture of the submarine cable commenced in Halden in Norway in the autumn of 2011. With the total costs being approx. 320 million euros, the connection will receive 100 million euros in investment subsidy from the EU. The purchasing negotiations for the Estlink 1 connection between the Finnish and Estonian TSOs and the present owners of the link were also launched in 2011. In 2014, the transmission capacity between Estonia and Finland will reach a level of 1,000 megawatts.

The 400 kilovolt transmission connection between Hyvinkää and Hikiä and the extension work at the Hikiä substation were subjected to competitive bidding in 2011, and these projects have already been launched. A part of the transmission line will be transferred to a new route in co-operation with the Town of Hyvinkää so that the land use plans of Hyvinkää can be implemented.

The most significant new capital investment decision was the 400 kilovolt transmission line between Forssa and Hikiä in Hausjärvi in Häme. It is part of the 10-year reinforcement programme of the transmission system, as are the upgrades of transmission connections in Ostrobothnia and Eastern Finland. During the project in Häme, part of the old Imatra-Turku transmission line with an age of more than 80 years, referred to as “Iron Lady”, will be dismantled and replaced with a new line. A reserve power plant safeguarding system security will also be built in Forssa. The cornerstone of the Forssa 300 megawatt reserve power plant was laid in January. The major project progressed rapidly to the installation of the main machinery during the year under review. There was an impressive sight on Finnish roads during a summer night when the massive main machinery travelled to Forssa from Pori in a special transport.

EVENTS IN 2011



■ The Finnish Association for Impact Assessment (FAIA) awarded the 2011 Good EIA Award to Fingrid for the environmental impact assessment (EIA) procedure conducted by the company of the Ventusneva–Pyhänselkä 400 kilovolt transmission line project. FAIA stated in its justifications of the award that Fingrid’s EIA provides a good example of how the new alternatives presented during the assessment procedure should be approached. The solutions proposed by municipalities and local residents have not been met with indifference, but they have been included in the assessment as respectable power line alternatives.



■ Energinet.dk, Fingrid, Statnett, Svenska Kraftnät and Elering introduced the State of the Nordic Power System Map. The map shows the real-time power flows between countries and the wholesale prices of electricity in the bidding areas in Denmark, Finland, Norway, Sweden and Estonia. By disclosing information on the physical situation in the Nordic power system close to real time, the TSOs take another important step to increase the transparency of the Nordic power market.



Fingrid subjected the **maintenance contracts** to competitive tendering for the next three years. Finland is divided into several maintenance areas. This ensures that any faults can be repaired as quickly as possible. Maintenance contracts for transmission lines were signed with two service providers, and substations have five maintenance service providers.

Fingrid has reached success in international maintenance benchmarking studies in several years. We take good care of the transmission system and its various parts, optimising the lifetime of the grid components and making prudent investments. Among other things, Fingrid has drawn up a basic maintenance programme for transformers, which is used for extending the service life of transformers and improving their reliability. It is sensible, both from the viewpoint of economy and the environment, to use up the full technical service life of transformers in a controlled manner. The maintenance programme also provides detailed and valuable information about the condition of an individual transformer and all installed transformers. Four transformers un-

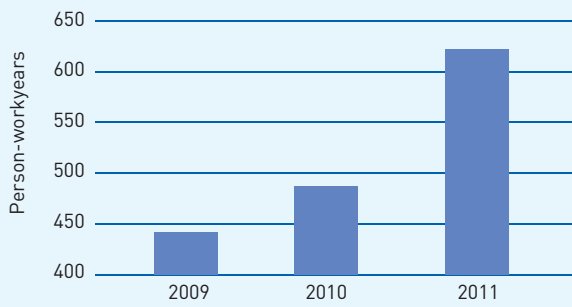
derwent an overhaul in 2011, extending their service life by some 15 years. An order for three new transformers was also placed.

Our operating model is based on solid expertise as a client, because the actual work carried out at the construction sites and in the field has been outsourced to service providers and contractors. All capital investments are made in a non-partial manner, following the principles of public procurement. All suppliers who fulfil the necessary criteria get into the supplier register. In the tender inquiry stage, all tenderers are treated equally, and the procurement process takes into account the life cycle cost and quality. Moreover, ethically correct performance is important to us. Taking heed of feedback received from the stakeholders also constitutes an essential part of our operating model. One indication of this was the introduction of the new 400 kilovolt **field tower** at the Farmari agricultural fair in the summer. The idea for the design of such a tower used in arable land was originally obtained at an earlier Farmari fair.



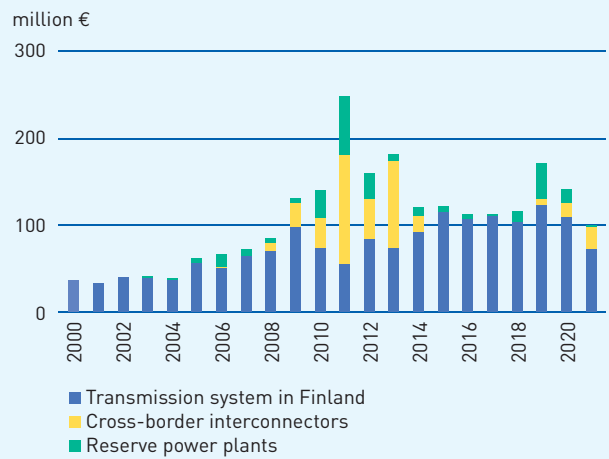
The cornerstone of the EstLink 2 submarine cable project was laid at the Püssi direct current converter station in Estonia in November. The new HVDC link will improve power system security and electricity market integration in the Baltic Sea region.

WORK INPUT BY SERVICE PROVIDERS



2009: 444 person-workyears (754,833 hours)
 2010: 490 person-workyears (832,511 hours)
 2011: 624 person-workyears (1,061,516 hours)

FINGRID'S CAPITAL INVESTMENTS IN THE TRANSMISSION SYSTEM





Research and development

R&D TO SUPPORT BUSINESS AND EXPERTISE

Fingrid focuses on the development of technologies and procedures related to electricity transmission and power system management, and maintains special expertise pertaining to transmission system operation in Finland. Development projects are used for improving the cost efficiency and system security of the power system and for enabling controlled introduction of new technologies. The development projects also contribute to securing the expertise and constant development of personnel working in the industry.

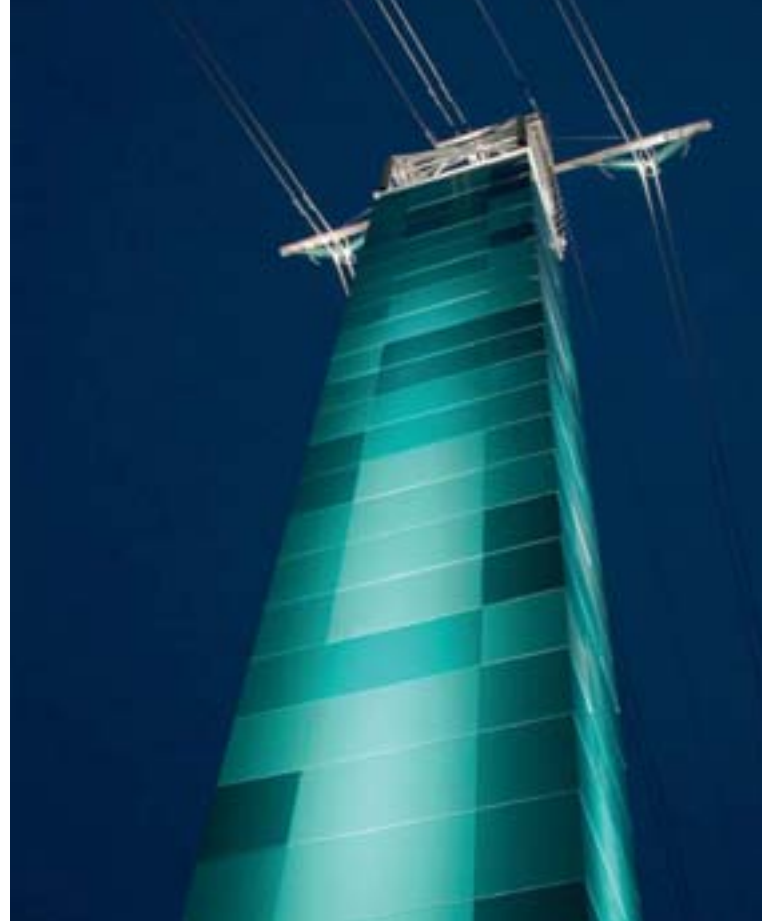
In 2011, some **50 research and development projects** by Fingrid were in progress. These constituted the company's R&D input of just under 2 million euros. The volume of R&D efforts has grown somewhat in recent years as a result of increasing Finnish and international co-operation.

Stakeholder co-operation has a focal role in Fingrid's research and development projects in the creation and implementation of the projects. A new type of transmission line tower was completed in the summer. It was devised on the basis of an idea originally received from landowners. The new double circuit tower for 400 and 110 kilovolt transmission lines is intended for use on arable land. It only takes up a small land area and allows for greater manoeuvrability of agricultural machinery in the vicinity of the towers. The design of a new field tower for 110 kilovolt lines also commenced towards the end of 2011. Other R&D issues in 2011 included the control of vibration in substation busbars.

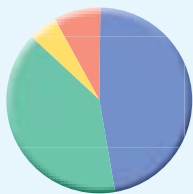
Fingrid does not have full-time research personnel, which is why a significant portion of Fingrid's research and development is carried out in **co-operation with universities and research institutes**. For several years now, Fingrid has been developing know-how in transmission systems at the School of Electrical Engineering of Aalto University. Fingrid has funded several projects, and one that was completed in 2011 was a Doctoral thesis which presents a new method for the assessment of the damping of power oscillations taking place in the power system. The real-time assessment method can contribute to the system security of the power system by providing damping assessments that give additional information about the state of the power system and about its behaviour during disturbances. The development work for utilising the damping assessment in the operation of the transmission system continues as part of the domestic Smart Grids and Energy Markets research programme.

Fingrid also conducts **international** research and development co-operation. Fingrid is actively involved in ENTSO-E's R&D Committee which was launched at the beginning of the year. 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 is also involved in Nordic co-operation projects, such as the study carried out in 2011 concerning the requirements of the Nordic system for frequency controlled reserves. The project analysed the operating principles and volumes of the reserves so as to sustain the power balance in a changing operating environment.



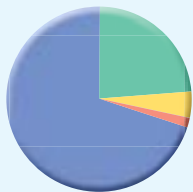
SUPPORT PROVIDED BY FINGRID'S R&D PROJECTS FOR THE COMPANY'S THREE BUSINESS PROCESSES



- Adequacy of transmission system 832,000 euros
- System operation 693,000 euros
- Promotion of market functioning 84,000 euros
- R&D administration 144,000 euros

Total approx. 1.8 million euros

BREAKDOWN OF R&D COSTS IN 2011



- Salaries (23%)
- Travel expenses (5%)
- Other expenses (2%)
- Purchased services (70%)

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

EVENTS IN 2011



■ Fingrid's stand attracted hundreds of visitors in the Farmari 2011 agricultural fair in Pori in July. Specific interest among landowners in Western Finland was aroused by the 400 kilovolt transmission line to be constructed from Pori to Kristiinankaupunki. Once completed, the line will strengthen the regional power transmission network. Fingrid's new field tower will be used on the sections of the line traversing arable land.



■ In 2012, Fingrid will carry out an extensive campaign aiming to improve occupational safety at work sites located close to transmission lines. The campaign will focus on enhancing information and awareness, and a number of energy companies have already confirmed their involvement in the campaign.



Land use and environment

ENVIRONMENTAL RESPONSIBILITY AS PART OF EVERYDAY EFFORTS

Environmental safety and stakeholder dialogue on the environment are important issues to Fingrid. Our goal is to minimise the adverse environmental impacts wherever possible. This is also a vital consideration in our capital investment programme. We have revised our land use and environmental policy which communicates our practical commitment to environmental responsibility.

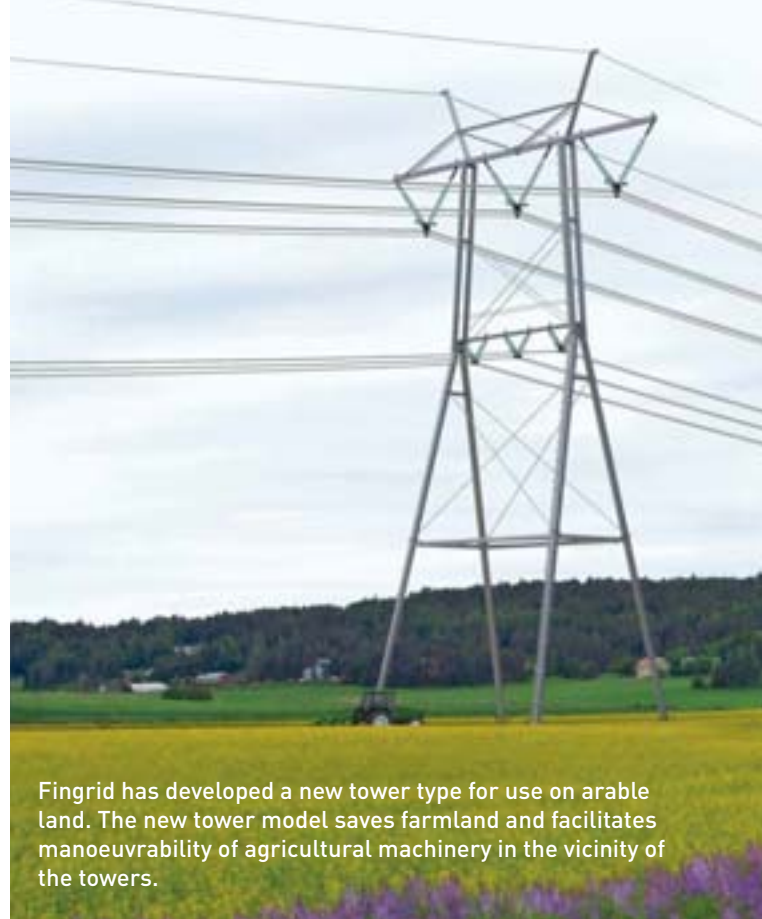
A responsible approach in land use and environmental issues represents everyday efforts for Fingrid. In 2011, environmental training supported transmission line and substation projects and increased the environmental awareness of personnel, especially as regards soil contamination and the handling of fuels. The induction of new employees also covered environmental matters. We updated the terms of contract concerning environmental issues in our contracts with service providers and contractors. Environmental training was arranged for new service providers engaged in transmission line and substation maintenance.

Our primary environmental impacts are caused by transmission lines, substations and reserve power plants, which are all part of our living 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 envi-

ronmental considerations of substations and reserve power plants are related to the storage and handling of fuels and chemicals. When the transmission system is being improved, the goal is to achieve minimum electricity transmission losses in a cost effective manner, thus enhancing energy efficiency. A reduction in greenhouse gas emissions is also regarded as a major consideration. Water consumption and waste water are not essential environmental factors in electricity transmission or in the operation of substations and reserve power plants.

The preliminary planning for the connection of new base-load generation capacity and wind power capacity to the transmission system continued in 2011. Fingrid participated, among other things, in the drawing up of wind power analyses 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. The company processed approx. 260 statement requests concerning land use planning and about 380 statement requests related to community planning and construction in the vicinity of the transmission system.

The environmental impact assessment for transmission line projects together with the related interaction is an important part of our transmission line planning. The environmental impact assessment for the 400 and 110 kilovolt transmission line project between Forssa and Lieto to be constructed on double circuit towers was completed by the assessment report statement issued by the co-ordination authori-



Fingrid has developed a new tower type for use on arable land. The new tower model saves farmland and facilitates manoeuvrability of agricultural machinery in the vicinity of the towers.

ty in April 2011. The environmental impact assessment procedures for the 400 kilovolt transmission line between Central Finland and the Oulujoki river and for the grid reinforcements required by the Olkiluoto 4 nuclear power plant unit were launched in 2011. The EIA programmes of both projects were displayed in public from December 2011. Moreover, the environmental impact assessment of the renewal of the 110 kilovolt transmission line between the Tihisenniemi and Katerma substations was completed in 2011. Evaluations conforming to the Antiquities Act were performed for one transmission line project.

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. Expropriation permit decisions were obtained in 2011 for the 400 kilovolt transmission line between the Hyvinkää and Hikiä substations and for the renewal of the 110 kilovolt transmission line between Hikiä and Nurmijärvi. An expropriation permit application concerning the new transmission line between the Kristinestad substation to be built in Kristiinankaupunki and the Ulvila substation was submitted in 2011. Compensation issues were brought to conclusion with 7 completed transmission lines with a total length of 428 kilometres, concerning some 2,200 parcels of land.

Transmission line construction has negative **nature impacts** in particular on mushroom, beetle, bird and mammal species favouring old forests. In order to mitigate these

impacts, the planned transmission line can be re-routed for example at sites inhabited by Russian flying squirrels. We installed more power line bird markers, which reduce the risk of birds colliding with a transmission line, in 2011. We also publicised a new type of transmission line tower with no guys, suited for use on arable land. The preservation of environmentally valuable sites identified in the planning process is ensured during construction by means of separate guidelines. We reduce temporary traces caused by construction work in the terrain by the proper planning of transport routes and work stages. In 2011, transmission line maintenance required the removal of an osprey nest from a transmission line tower because of electrical safety. The birds were built a replacing artificial nest in a more suitable location nearby.

Transmission lines also have positive implications on biodiversity. Transmission line rights-of-ways which are kept clear by the regular clearing of vegetation are an important alternative habitat for species suffering from the decreasing area of natural meadows. The most representative meadows are subjected to intensified management, as are habitats of the endangered butterfly false heath fritillary located under Fingrid's transmission lines in Pirkanmaa. In Nokia, the biodiversity of meadow vegetation has been boosted by means of grazing sheep in two summers. The vegetation in the relevant areas has become increasingly meadow-like. Transmission line areas also serve as an alternative habitat for mire daytime butterflies and plants whose living environments are diminishing as a result of ditching.



Of our existing transmission lines, a total of about 250 kilometres, or less than 2 per cent, are located in nature reserves (including preservation areas and Natura sites without nature conservation programme areas). A total of about 9 per cent of the area of Finland is protected.

The potential health impacts of **electric and magnetic fields** have been studied extensively, but the new research findings have not affected the recommended values concerning the exposure of population. In co-operation with the Tampere University of Technology, we published for our stakeholders two reports which deal with medical studies pertinent to the electric and magnetic fields.

At **substations** and reserve power plants, we pay special attention to the management of fuel and chemical risks and to pre-emptive damage control through technical solutions, such as protective structures and monitoring equipment for potential leaks. Sulphur hexafluoride (SF₆) used by us in substation equipment because of its good insulating properties is a greenhouse gas.

According to a nation-wide survey conducted in the spring of 2011, Fingrid's volume of SF₆ in 2010 (26,043 kg) was approx. 32 per cent of the total SF₆ gas volume possessed by electricity network operators in Finland. Our SF₆ gas emission in 2010 was 22 kg, representing about 16 per cent of the total emissions of network operators. At the end of 2011, our substations contained a total of about 28,000 kg of SF₆ gas,

and the estimated emissions in 2011 are 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.

As far as our **reserve power plants** are concerned, an environmental permit was granted in June 2011 for the operation of the new reserve power plant constructed in Forssa. Environmental protection measures were carried out at the Loviisa reserve power plant, related to the closing down of the plant. We carry out internal assessments at our own initiative in order to fulfil the environmental requirements. Such assessments were conducted at two reserve power plants: Vaskiluoto in Vaasa and Vanaja in Hämeenlinna. At the Kristiinankaupunki reserve power plant, soil which had been contaminated by oil earlier was cleaned in conjunction with renovation work. The reconditioned area is no longer subject to a need for further monitoring or to land use restrictions. Soil testing was also carried out at the Huutokoski reserve power plant in Joroinen, related to the upcoming modernisation of the plant.

The direct energy consumption of our operations consists of the fuel consumption by the reserve power plants. In 2011, a total of 769 tonnes (33,000 gigajoules) of light fuel oil was fired during trial operation, which is required to ensure that the plants start in the event of serious disturbances in the power system.



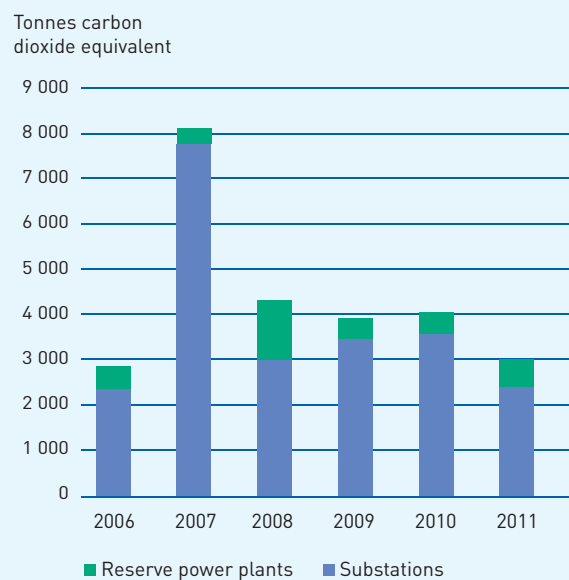
The duration of trial operation was decreased and a lower power level was applied so that the carbon dioxide emissions from fuel consumption could be brought down. Our total direct greenhouse gas emissions in 2011 were 2,989 tonnes CO₂ equivalent. This contains the CO₂ emissions from reserve power plant fuels and the SF₆ emissions from our substations. According to Statistics Finland, the CO₂ equivalent emissions in Finland in 2010 were 74.6 million carbon dioxide tonnes; our emissions were about 0.04 per mil of this.

Our operations did not cause any significant leaks of chemicals, oil or fuels in 2011. In conjunction with one substation project, some oil leaked to the ground as a result of failed waste management. The oil was removed and the area was restored.

In the future, our environmental goals will be associated with the practical measures taken within our land use and environmental policy and with its monitoring through environmental audits. Our objective is to consider the environmental aspects identified during the planning of a transmission line project systematically up to the construction and maintenance of the line. Moreover, we will further intensify the environmental management and monitoring of our construction sites for substations and reserve power plants. Alongside environmental reporting, we are developing the compilation systems for environmental data.

When we move to the new headquarters, there will be more opportunities to reduce the environmental impact of office work.

DIRECT GREENHOUSE GAS EMISSIONS IN TONNES CARBON DIOXIDE EQUIVALENT IN 2006–2011



The Olkiluoto reserve power plant was commissioned in 2007, and the emissions in that year grew on account of trial operation hours.



Personnel

FULL OF POWER

Fingrid's corporate values – transparency, impartiality, efficiency and responsibility – create the foundation for good work motivation and atmosphere. Fingrid supports actively the improvement of its personnel's professional expertise and special skills. Occupational welfare and safety are ensured by following the jointly agreed personnel and equality principles and action plan for occupational protection. The objective of the personnel strategy is a productive, innovative and satisfied workplace community. To that end, the company gathers feedback regularly by means of various indicators and surveys.

Good management and leadership are the preconditions of a productive, innovative and satisfied workplace community. **The development of expertise and procedures** lie at the core of our human resources policy. In 2011, the focal areas in the personnel strategy were specified further, and they were bound more closely to the development of leadership and constant peer activities. Essential development objectives include the management of performance in the expert organisation and strengthening the role of leadership vis-a-vis the expert responsibilities. A project was launched to support daily leadership by means of new information systems.

Fingrid's personnel have access to extensive and versatile occupational health and welfare services. **A well-being scheme** covering the entire personnel was launched during the period under review, aiming to augment personal well-being and to ensure sustained organisational performance. Processes which support welfare at work were devised in co-operation with occupational health services. One of these processes is a model for early caring, which was also discussed in the development of management and leadership. Alongside the well-being scheme, support for leisure and interest activities continued in various forms.

The long-term efforts in **occupational safety** have been reflected in a small number occupational accidents in recent years. The same trend continued in 2011, and we achieved again **the goal of zero accidents** after one year. One of Fingrid's key objectives is to secure the safety of service providers and outside parties at the work sites and in the vicinity of the transmission grid. The systematic and active development of occupational safety practices, guidelines, training and monitoring continued in 2011.

The comprehensive **"My Strategy"** workplace community training, which was launched in 2010, was completed in 2011. The goal of this training was to advance strategic thinking and expert skills at the various organisation-



Number of personnel at 31 December 2011

permanent:	252 (94.7%)
* full-time	246 (97.6%)
* part-time	6 (2.4%)
temporary:	14 (5.3%)
total:	266
on average in 2011:	263.9

Types of employment in 2011

in new permanent employment:	9
number of finished employment contracts:	7
retired:	2
average retirement age:	64
average length of employment:	13.6 years*
number of persons made redundant:	0

Fingrid complies with the industrial co-operation procedure legislation.

Fingrid complies with the collective labour agreement for salaried employees and senior professional employees in the energy industry.

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

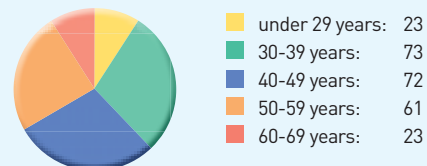
Turnover of personnel

incoming turnover: 3.60%, outgoing turnover: 2.80%

Gender distribution by employee groups at 31 December 2011

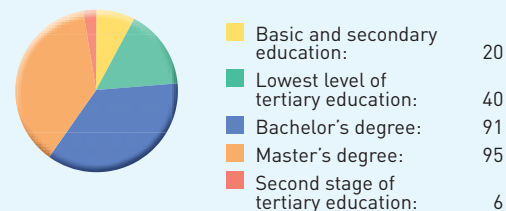
Board of Directors:	men 3, women 2
Senior management:	men 8, women 0
Senior professional employees:	men 184, women 44
Salaried employees:	men 1, women 15

Age structure of personnel (permanent employees)



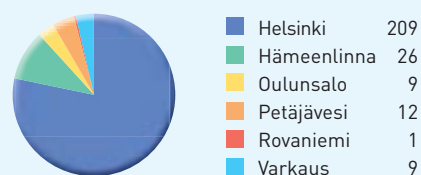
average age: 44 years

Education (permanent employees)



training days per person: 7.6

Personnel in various offices





al levels. The drawing up of a Master's thesis began at the end of the year in order to investigate the effectiveness of the training programme and implementation of strategy.

In addition to corporate-level training, there was also professional training and development related to transmission system operation in 2011. Each Fingrid employee obtained an average of 57 hours of training in 2011. Regular performance reviews are one of the most important tools in expertise management at Fingrid. The performance reviews cover all persons in permanent employment.

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 etc.

Fingrid participated in various **benchmarking studies in human resource management** in 2011 so as to further develop the personnel strategy and to utilise the best practices in

human resource management. The company again reached excellent grades in the annual "Towards a Better Working Community" study by the Finnish Institute of Occupational Health. In 2011, Fingrid's general grade as an employer was 8.7 on a scale from 4 to 10. Absences resulting from injuries or illnesses continued to be at a low level, only about 1.9 per cent of the working hours.

Fingrid also participated in a research project carried out together with the Jyväskylä University School of Business and Economics, concerning the responsible innovation ability of organisations. The project examined how responsible and renewable Fingrid's employees perceive the practices and management at the workplace. The research results can be exploited in 2012.

In 2011, Fingrid continued its input to upgrade its reputation as an employer and to consolidate co-operation with educational establishments which have bearing in transmission system operation. The goal is to make the company better known in the labour market and among students in fields which are important for Fingrid. The employer reputation campaign is carried out as part of both the management of the company's employer brand and the attractiveness of the energy sector.



Merit pay*

Persons covered by the merit pay system:
all permanent employees, i.e. 252 people

Merit pay paid to various employee groups:

senior management:	275,204.80 €
senior professional employees:	957,572.40 €
salaried employees:	40,042.82 €

* 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 are held twice a year and include a discussion on personal goals and results as well as an individual long-term and short-term development plan.

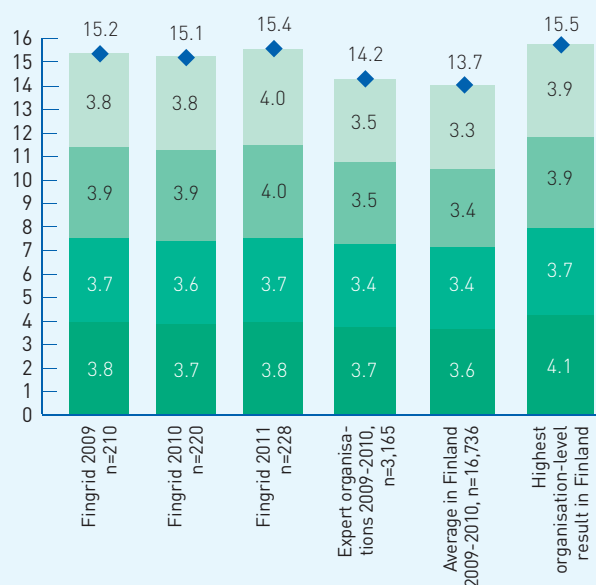
Number of occupational accidents

injuries resulting in absence from work:	0
injuries not resulting in absence from work:	8
number of injuries in proportion to million working hours:	0
work-related fatalities:	0

Absences on account of sickness in 2011

Percentage of absences on account of sickness: 1.9%
4.8 days per person

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



Sustainability management

SUSTAINABLE APPROACH AT FINGRID

A reliable supply of electricity is vital to the welfare of society and development of industry and commerce. Fingrid is responsible for reliable electricity transmission in the high-voltage grid in Finland. Alongside the responsibility for the functioning of the power system, Fingrid carries economic and social responsibility, and responsibility for the environmental implications of our operations.

Fingrid's sustainability management is founded on the company's strategy, which balances the objectives of the four perspectives: customers and stakeholders, personnel, finances, and operations. 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.

Corporate social responsibility is part of the strategic and daily management of the organisation. The principles and reporting concerning sustainability and its management are approved by the Board of Directors in accordance with the corporate governance statement. The company's direct customer and stakeholder efforts and communications are organised in accordance with the perspectives of the strategy.

The trend in the company's operating environment has a crucial impact on the evaluation of performance. The rapid changes in the European electricity generation architecture, especially involving an increase in the volume of renewable energy, will require the strengthening of the European transmission system. However, it is not at all clear whether the system can be strengthened in a sufficiently rapid schedule. The European transmission system and market developments require from all parties new kind and closer co-operation and greater financial input.

The quality and system security requirements related to electricity continue to become stricter. Fingrid's own capital investment programme covers several new transmission lines, which require approval from various government bodies and landowners.

The outlook for global economy affects our access to financing, capital investment risks and revenue through changes in electricity consumption. There will be more competition over skilled personnel as the age groups in working age become smaller. The range of service providers varies constantly as determined by competition. The competition will also be more international than before, the procurement chains will become longer, and the number of foreign workers at the worksites is on the increase. At the same time, it will be more challenging to implement uniform procedures, which ensure overall quality, throughout the procurement chain.

Fingrid's sustainability covers financial responsibility, social responsibility and environmental responsibility, and also an integral fourth dimension: **system responsibility, or responsibility for the entire power system in Finland.** Fingrid develops the transmission grid and attends to its system security in co-operation with the customers and transmission system operators in the nearby countries. The transmission system with the cross-border interconnectors is developed with a long time span, anticipating the future transmission needs. The company's goal is to reduce transmission congestions which impair the operation of the electricity market. If congestions can be overcome, electricity trade will benefit the entire society in the most efficient way possible. This also means that the conditions for a diversified electricity production architecture are safeguarded in accordance with the energy and climate goals.

Fingrid's interactive stakeholder relations emphasise transparency, responsibility, equality and efficiency. We provide ser-



vices on equal terms, and we subject outside services to competitive tendering as per unambiguous and transparent principles.

Being engaged in a regulated business, Fingrid's primary economic responsibility is cost control. The company assesses risks relating to its business, hedges such risks in a cost-effective manner, and develops procedures which reduce the costs. The company aims to retain its high efficiency proven in international benchmarking studies. This requires, among other things, that special expertise related to transmission system operation is kept up and that research and development in the industry is supported.

Fingrid's cost-effective business model as a client for transmission system equipment and services is founded on the fair competitive bidding of the purchases and services. This is why it is important for us that we can also require responsible principles from our contractual partners.

Fingrid supports the constant development of the professional expertise of its personnel and creates facilities for maintaining high work motivation. Occupational welfare and safety are ensured by following jointly agreed personnel and equality principles and action plan for occupational protection. The personnel are given training in how to identify the accountability goals related to everyday work. We have worked out the corporate sustainability principles, and we ensure that all employees comply with them.

Our approach to environmental responsibility has been recorded in our land use and environmental policy. We endeavour to apply proactive measures both in our procedures and technical solutions in order to alleviate the environmental impacts.

In all its efforts, Fingrid strives for neutrality, impartiality and transparency. Our operations are also guided by reason-

ableness, and we do not take care of our stakeholder relationships in a way that could lead to dependence or expectations for favours in return. Fingrid can also sponsor, at a reasonable amount, activities for the public good and conforming to its principles, when the emphasis is on research, education, culture and people's welfare. Fingrid does not support religious or political activities. We communicate our activities openly, honestly, impartially and simultaneously to all stakeholders without giving preference to anyone, and in accordance with valid legislation, stock exchange rules as well as generally accepted practices followed in the capital and financial markets.

The above aspects of sustainability can be summed up as an approach where all employees are aware of their own responsibility and the company's responsibility in Finnish society. The system responsibility duties assigned to Fingrid are carried out conscientiously, and the power system is built and maintained with consideration on the environment and safety. Responsible efforts are characterised by the fact that the work input of each employee is appreciated and that well-being at work is ensured. In a responsible company, everyone can trust the company being an exemplary employer, and at the same time everyone takes responsibility for their own work and does what has been promised.

We have enhanced our responsible approach by identifying the **essential issues** in the various perspectives of Fingrid's strategy and by focusing on those issues. The specification of the essential issues is based on interviews among senior management, team work within senior management, feedback received from the personnel, and experience concerning expectations towards Fingrid, accumulated through interaction with various stakeholders. The issues recognised as essential are presented in accordance with our strategic perspectives in the figure on page 36.



In conjunction with the specification of the essential issues, we have also identified our key **stakeholders**. They are described in this annual report on pages 8–11 under “Customers and stakeholders”.

We report our sustainability issues as part of the annual report. In 2011, we advanced in reporting by applying the international GRI guidelines for the first time.

We will continue to develop the reporting process in a systematic and determined manner. We will not settle for the minimum level, but we are improving sustainability report-

ing so that it communicates the sustainability aspects of our operations as purposefully as possible. The reporting must conform, among other things, to the requirements imposed on corporate responsibility reporting by the state ownership policy in terms of economic and social effects, environmental impacts, and the system responsibility for the power system imposed on us by law as a special requirement.

Alongside the development of reporting and monitoring, we will continue to instruct the entire workplace community into sustainability issues as part of the development of management.

ESSENTIAL ASPECTS OF SUSTAINABILITY

Financial aspect

Cost-efficiency
Well-functioning risk management

Customer and stakeholder aspect

Transparency and impartiality in customer and stakeholder co-operation
Long-term and fair land use and environmental policy, and interaction with local communities

Vision and strategy Fingrid’s values

Personnel and expertise aspect

Well-working workplace community
Development of expertise of personnel
Occupational safety

Aspect of internal processes

- Adequacy of transmission system
- System operation
- Promotion of market functioning

System development as a whole
Reliable and well-functioning power system
Enabling the connection of baseload power and renewable energy to the system
Functioning of electricity market
Sustainable procedures



EVENTS IN 2011



■ "Full of Power 16/7" is a corporate-level welfare scheme covering the entire personnel, aiming at the comprehensive improvement of personal well-being and at the sustainable operating capacity of the organisation. In 2011, the scheme included personal welfare meetings, supervisor training, personnel campaigns and lectures. The scheme will continue in the coming years with various welfare themes.



■ The joint Touko 2011 major disturbance exercise of power companies and authorities tested the co-operation between the various parties and the formation of an overall view in an imaginary situation where there is a black-out in Finland south of Oulu.



■ Fingrid will combine its control centre functions at the beginning of 2013 as the company will move to new premises. The goal is to intensify the performance especially in terms of control centre work, such as disturbance clearing and outage planning. Co-operation and communications between the various units will also improve. Moreover, an elevated safety level will be attained.



■ Fingrid sponsors Electricity Museum Elektra in Hämeenlinna. The museum displays everyday familiar objects and mind-boggling rarities. Settings from bygone decades describe how electricity came into homes, factories, towns and the countryside.

GRI Content Index

We apply the international GRI G3.0 (Global Reporting Initiative) reporting guidelines for the first time 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 C 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	6-7	
1.2	Key impacts, risks and opportunities	Partly	20-22, 26-28, 34-36, 46-47	The risks and impacts have been described.
	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, 16-17	
2.9	Significant changes regarding size, structure or ownership	Yes	6, 83, 94	
2.10	Awards received in the reporting period	Yes	21	
	3. Reporting Principles			
3.1	Reporting period	Yes	Inner cover	
3.2	Date of most recent report	Yes	Inner cover	
3.3	Reporting cycle	Yes	Inner cover	
3.4	Contact point for questions regarding the report	Yes	Inner cover	
3.5	Process for defining report content (materiality, prioritizing topics and stakeholders using the report)	Yes	Inner cover, 35-36	
3.6	Boundary of the report	Yes	Inner cover	
3.7	Limitations on the report's scope or boundary	Yes		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	Inner cover	
3.9	Data measurement techniques and bases of calculations	Yes	Inner cover	
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	38-39	GRI Content Index
3.13	Assurance policy and practice	Yes	Inner cover	
	4. Governance, Commitments and Engagement			
4.1	Governance structure of the organisation	Yes	41-42	
4.2	Position of the Chairman of the Board	Yes	49	
4.3	Independence of the Board members	Yes	49	
4.4	Mechanism for shareholder and employee consultation	Yes	41	
4.5	Impact of organisation's performance on executive compensation (incl. social and environmental performance)	Yes	43-44	
4.6	Processes for avoiding conflicts of interest	Yes	40-41	
4.7	Processes for determining Board members' expertise in strategic management and sustainability	Partly	49	
4.8	Implementation of mission and values statements, code of conduct and other principles	Yes	4, 7, 35	
4.9	Procedures of the Board for overseeing management of sustainability performance, including risk management	Yes	34, 40-41	
4.10	Processes for evaluating the Board's performance	Yes	41	
4.11	Addressing precautionary approach	Yes	45-46	
4.13	Memberships in associations	Yes	25	ENTSO-E, Finnish Energy Industries
4.14	List of stakeholder groups	Yes	11	
4.15	Identification and selection of stakeholders	Yes	11	
4.16	Approaches to stakeholder engagement	Yes	8-10, 26-28, 32-33	
4.17	Key topics raised through stakeholder engagement	Yes	8-10, 24	
	Economic Performance Indicators			
	Management approach to economic responsibility	Yes	14-15, 44-47	
EC1*	Direct economic value generated and distributed	Yes	15, 35	
EC3*	Coverage of defined benefit plan obligations	Yes	66	No separate benefit commitments.
EC4*	Significant subsidies received from government	Yes		Tekes: 77,697 euros. National Emergency Supply Agency: 126,829 euros.
EC6*	Policy, practices and spending on local suppliers	Partly	22	In accordance with the principles of public procurement, local suppliers cannot be favoured in purchases.

Environmental Performance Indicators				
	Management approach to environmental responsibility	Yes	26-29, 35	
EN3*	Direct energy consumption	Yes	28	
EN11*	Location and size of land holdings in areas of high biodiversity	Partly	28	
EN12*	Description of significant impact of activities, products, and services on biodiversity	Yes	27	
EN13	Habitats protected or restored	Partly	28-29	
EN14	Managing impacts on biodiversity	Partly	26-27	
EN16*	Total direct and indirect greenhouse gas emissions	Partly	29	Direct greenhouse gas emissions have been reported.
EN18	Initiatives to reduce greenhouse gas emissions	Partly	28	
EN23*	Total number and volume of significant spills	Yes	29	
EN28*	Significant fines and sanctions for non-compliance with environmental regulations	Yes		No fines or sanctions in the reporting period.
Social Performance Indicators				
Labor Practices and Decent Work				
	Management approach to labor practices and decent work	Partly	30	
LA1*	Total workforce by employment type, employment contract and region	Yes	31	
LA2*	Total number and rate of employee turnover by age group, gender and region	Partly	31	The incoming and outgoing turnover of permanent personnel has been reported.
LA3	Benefits to full-time employees that are not provided to temporary or part-time employees	Yes		The exception is paid shorter working time for the parents of small children, and partly also the merit pay.
LA4*	Coverage of collective bargaining agreements	Yes	31	
LA5*	Minimum notice period regarding operational changes	Yes		Fingrid complies with the industrial co-operation procedure legislation in Finland.
LA7*	Rates of injury, occupational diseases, lost days, fatalities and absenteeism	Yes	33	No observed occupational diseases in 2011.
LA8*	Education and prevention programmes regarding serious diseases	Yes	30	
LA10*	Average training hours per year per employee	Yes	32	Average training hours per person have been reported on page 32. Training hours by employee groups: senior professional employees 13,502.76 hours, salaried employees 830.49 hours.
LA11	Programmes for skills management and lifelong learning	Yes	30, 32	
LA12	Employees receiving regular performance and career development reviews	Yes	33	
LA13*	Composition of governance bodies and breakdown of employees	Yes	31	Compositions have been reported.
Human Rights				
HR4*	Incidents of discrimination and actions taken	Yes		No incidents of discrimination in the reporting period.
Society				
	Management approach to society	Partly	34-35	
SO1*	Programs and practices that assess and manage impacts of operations on communities	Partly	26-27	
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	35	
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				
PR1*	Assessment of health and safety impacts of products	Partly	28	
PR5	Practices related to customer satisfaction and results of customer satisfaction surveys	Yes	8-10	
GRI's Electric Utility Sector-Specific Organisational Profile Disclosures				
EU4	Length of aboveground and underground transmission and distribution lines	Yes	4-5	
EU6	Management approach to ensure short and long-term electricity availability and reliability	Yes	6-7, 16-17, 20	
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	Yes	24-25	
EU12	Transmission and distribution losses	Yes	17	
EU14	Programmes and processes to ensure the availability of a skilled workforce	Partly	32	
EU19	Stakeholder participation in the decision making process related to energy planning and infrastructure development	Partly	26-27, 8-10	
EU21	Contingency planning measures, disaster/emergency management plan and training programmes, and recovery/restoration plans	Partly	17	
EU22	Number of people physically or economically displaced and compensation broken down by type of project	Partly	27	
EU29	Average power outage duration	Yes	17	
	* Key indicator in GRI guideline			
	Key indicators EN1, EN4, EN8, EN17, EN22, EN29 in the reporting model for state-owned enterprises in Finland: No information available.			

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 Porvoon Alueverkko Oy (holding 33.3%) and Nord Pool Spot AS (holding 20.0%). 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. Moreover, 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 the minutes of the general meeting and those appendices of the minutes that are part of a decision made by the meeting 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.

Fingrid's Board of Directors takes care of corporate administration. The Board of Directors decides on significant strategic policy decisions and approves the principles related to the management system of the company. The Board approves annually the action plan and budget and reviews the risks relating to the company's operations and the management of such risks. Moreover, the Board appoints the President of the company and approves its basic organisation and composition of 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.

Duties of Chairman

- The Chairman heads the work of the Board of Directors so that the duties assigned to the Board are carried out.
- The Chairman accepts the agendas prepared by the President, summons the meetings of the Board of Directors and decides on summoning other persons to a meeting.

- The Chairman is responsible for planning and assessing the operations of the Board of Directors, keeps contacts with the President and monitors the operations of the company.

Composition of Board of Directors

From 3 May 2011, the Board members are Helena Walldén (Chairman), Arto Lepistö (Vice Chairman), Elina Engman, Timo Kärkkäinen and Esko Rautio. Tarmo Rantalankila serves as the secretary of the Board. The members of the Board are presented on pages 48–49.

Operations of the Board of Directors in 2011

The Board of Directors assembled 13 times in 2011. Three of these meetings were conducted as written proceedings.

In 2011 the Board decided on issues such as Fingrid's strategy for 2011–2020, Russian cross-border transmission tariff, new terms of grid service for 2012 to 2015, Tihisenniemi–Katerma 110 kV and Hikiä–Forssa 400 kV transmission line investments, outsourcing of internal audit and budget for the year 2012. In a Board meeting following a meeting of the audit committee and remuneration committee, the Board always reviews the matters that were in the agenda of these 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 Directors 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.

The members of the audit committee are Arto Lepistö (Chairman), Helena Walldén and Timo Kärkkäinen. All members of the audit committee are independent of the company, and Helena Walldén is also independent of significant shareholders. The members of the audit committee until 3 May 2011 were Ritva Nirkkonen (Chairperson), Risto Autio, Arto Lepistö and Anja Silvennoinen.

The committee had four meetings in 2011. 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 outsourcing of internal audit, the audit plans of the internal auditor and auditor, company's continuity management, risks and risk management principles, financing principles, competitive tendering of auditing, responsible operation, and account of the management and control system.

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 salaries 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 (Chairperson) and Arto Lepistö. Both members of the remuneration committee are independent of the company, and Helena Walldén is also independent of significant shareholders. Until 3 May 2011, the remuneration committee consisted of Lauri Virkkunen (Chairman), Timo Karttinen and Arto Lepistö. The President attends the meetings of the committee.

The remuneration committee had five meetings in 2011. The meetings handled matters such as the salary increases of the President and members of the executive management group and development of the company's long-term remuneration system.

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 serves as the Chairman of the Board of the subsidiaries and is responsible for the operations of the company assisted by the executive management group. 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 comprises 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 3 May 2011 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 450 euros.

It was also decided that the Board members and deputy members be paid 500 euros in attendance remuneration for each Board meeting and committee meeting in which the member has participated.

The remuneration of the members of the Board of Directors or its committees is not paid in the form of company shares. The members of the Board are not subject to a share-related remuneration scheme.

In 2011, the Board had 13 meetings, the audit committee 4 meetings, and the remuneration committee 5 meetings.

Remuneration of executives

Since 2011, the Group has applied a remuneration system whose general principles were accepted by the Board of Directors of Fingrid Oyj on 23 October 2007.

The total remuneration of the members of the executive management group consists of a fixed basic salary, perquisites and merit pay conforming to the remuneration system of the company.

The performance criterion in the merit pay system of the company is composed of the strategic indicators of the company. From 1 January 2010, remuneration has been based on the three-year average of the strategic indicators. The Board of Directors assesses the fulfilment of the performance criteria and decides on the payment of a potential merit pay to the members of the executive management group. The maximum amount of the merit pay payable to the President has been 35 per cent and to the other members of the executive management group 25 per cent of the annual salary.

On 15 December 2011, the Board of Directors decided on a short-term annual merit pay system for the executive management group for 2012. The maximum amount of this annual merit pay 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 long-term performance merit pay system continues to be based on a three-year average, but an indicator based on shareholder value is a new performance criterion. The other indicators are the disadvantage caused by outages, and an indicator based on the uniform hourly price of electricity in Finland and Sweden. The maximum amount of the long-term performance merit pay 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 members of Fingrid's executive management group have no share and share-related remuneration schemes or additional 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 employee 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.

In 2011, the following remuneration was paid to the members of the Board:

Name	Position	Work on the Board	Audit committee	Remuneration committee	2011 total	2010 total
Helena Walldén	Chairman of the Board from 3 May 2011	20,909	2,000	1,500	24,409	
Arto Lepistö	Vice Chairman from 3 May 2011, Second Deputy Chairman until 3 May 2011	18,955	2,000	2,000	22,955	19,050
Elina Engman	Member from 3 May 2011	10,568			10,568	
Timo Kärkkäinen	Member from 3 May 2011	10,568	2,000		12,568	
Esko Raunio	Member from 3 May 2011	10,068			10,068	
Marja Hanski	Deputy member from 3 May 2011	3,580			3,580	
Jari Eklund	Deputy member from 3 May 2011	3,580			3,580	
Antti Riivari	Deputy member from 3 May 2011	3,580			3,580	
Mikko Räsänen	Deputy member from 3 May 2011	3,580			3,580	
Lauri Virkkunen	Chairman until 3 May 2011	7,400		500	7,900	10,600
Timo Karttinen	1st Vice Chairman until 3 May 2011	6,000		500	6,500	16,500
Ari Koponen	Member until 3 May 2011	4,300			4,300	11,900
Ritva Nirkkonen	Member until 3 May 2011	4,300			4,300	13,400
Anja Silvennoinen	Member until 3 May 2011	3,800			3,800	11,900
Risto Autio	Member until 3 May 2011	4,300			4,300	13,400
Timo Ritonummi	Deputy member until 3 May 2011	5,380			5,380	5,400
Minna Korkea-oja	Deputy member 1 January 2011 to 3 May 2011	1,800			1,800	5,400
Juha Laaksonen	Deputy member until 3 May 2011	1,800			1,800	5,400
Kari Koivuranta	Deputy member until 3 May 2011	1,800			1,800	5,400
Pekka Kettunen	Deputy member until 3 May 2011	1,800			1,800	5,400
Jukka Mikkonen	Deputy member until 3 May 2011	1,800			1,800	5,400
Jorma Tammenaho	Deputy member until 3 May 2011	1,800			1,800	5,400
Jarmo Väisänen	Member 3 May 2011 to 13 May 2011	409			409	
Jarmo Kilpelä	Member 3 May 2011 to 13 May 2011	286			286	
Ilpo Nuutinen	Deputy member 3 May 2011 to 13 May 2011	184			184	
Petri Vihervuori	Deputy member 3 May 2011 to 13 May 2011	184			184	
TOTAL		132,731	6,000	4,500	143,231	143,600

The table below indicates the salaries and benefits of Fingrid's President and other members of the executive management group in 2011:

	Fixed basic salary	Varying merit pay*	Other employment benefits such as perquisites	2011 total	2010 total
President & CEO	212,943	68,448	11,520	292,912	241,137
Executive management group	862,020	206,756	59,546	1,128,322	991,503
TOTAL	1,074,963	275,204	71,066	1,421,234	1,232,640

* The merit pay is based on the performance in 2010.

6 INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

Fingrid's internal control is based on independent internal audit, internal operating principles and guidelines, financial reporting, supervision, documentation, and transparent processes and procedures. Internal control intends to make sure that Fingrid works efficiently and productively, that financial reporting is reliable, and that the applicable acts, regulations and the company's own procedural guidelines are followed. The company's internal audit was outsourced in 2011.

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. The goal is to engage the entire personnel to identify the risks associated with the company's operations and to implement risk management measures. 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. In addition, the company applies operational assessment, which supports risk management (audits), and draws up continuity plans.

The company's strategy work 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 work required to manage Fingrid's core duties and supervise their implementation. The functions carry responsibility for planning, resourcing and implementing the work and for reporting the results of the work.

The objective of the identification of the operative risks is to describe the risks that are related to the planning, resourcing and implementation of the above duties. The risks of the various implementation options are assessed as part of project planning and decisions concerning measures taken.

Main features of arranging risk management

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, performance indicators, action plan and budget.

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. The corporate strategy presents the primary corporate-level risks and the related risk management. These 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 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 taking the accepted risk management measures.

Risk identification, assessment and classification are the basic conditions for internal control within the company. The risks threatening the achievement of the company's strategic and financial objectives are identified and assessed in accordance with their likelihood and monetary value so that the risks can be controlled. The impact of the strategic risks on the company and society is assessed separately.

If necessary, development projects are launched to control major risks, and the corporate strategic indicators are supplemented for their more detailed monitoring whenever 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. The financial administration of the Group is responsible for the control structures relating to the financial reporting process.

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 presented to the Board of Directors annually in August.

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. Operational assessments are carried out systematically throughout the year as part of Fingrid's risk management. In all situations involving major changes to the operations, the risk caused by the change is evaluated as part of the project proposals and alternative measures. If the risk or other adverse event is realised, the impacts and likelihood of the event are always evaluated separately.

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.

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.

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).

Financial administration is to support and assist the business functions so that risk management in the business processes is ensured. The risks are related to financing, loss energy procurement, balance service, grid service and asset management in particular. Risks to which the company is typically exposed include risks pertaining to the counterparties and the operating environment. Such risks are reported to the corporate management.

Limitation of risks

The limitation of risks is based on identification, assessment, analysis and reporting. The risks are limited using various mechanisms 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

The foremost business risks of the company include risks relating to the functioning of the power system, such as a major disturbance or power shortage, and incorrect or unanticipated capital expenditure projects, for example due to a change in regional electricity consumption or generation. Also, risks related to official regulation, such as changes in Finnish or European regulation, can weaken the financial position of the company or its opportunities to pursue the objectives related to the development of the electricity market. An unanticipated increase in costs or decrease in income as a result of the realisation of the counterparty risk or sudden changes in the price of electricity or in the interest rate level may have the same effect. Other significant risks include personnel risks related to issues such as electrical safety and expertise in the transmission industry.

Fingrid is prepared for a wide-spread disturbance concerning Finland or the Nordic power system by means of various reserves, procedural guidelines, contingency plans, and exercises. In its strategy, the company also focuses on the versatile utilisation of the operation control system, expedited disturbance management, and management of power shortage situations. 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, or an external event which prevents grid operation entirely or partially.

The objective is to avoid incorrect or unanticipated capital expenditure by updating the nation-wide and regional grid plans regularly, by consolidating customer co-operation, and by conducting co-operation with the other transmission system operators.

Fingrid's operations are subject to official regulation and supervised by the Energy Market Authority. The company aims to establish well-working and transparent co-operation and interaction with the various stakeholders, to contribute actively to the reports and task forces of authorities, and to focus on working within ENTSO-E, the European organisation of transmission system operators, so that it can develop the electricity market at market terms and assess the financial changes pertaining to regulation.

An unanticipated increase in costs or decrease in income is restricted by enhancing financial control in the Group and assessment concerning financial latitude. Derivatives are used for hedging against changes in the price of electricity and the interest rate level. The counterparty risk involved in the obligations of parties which have a contractual relationship with Fingrid is limited contractually, by using various limits and by regularly monitoring the financial standing of the counterparties.

The expertise and occupational safety risks pertaining to personnel risks are limited by the company's strategic long-term personnel planning, allocated training programmes for both the company's own personnel and service providers, and by auditing the work sites systematically in order to attain the best practices and to enhance occupational safety. Keeping up an active employer image through communications and co-operation with educational establishments and students constitutes part of the limitation of personnel risks.

As part of its corporate social responsibility, Fingrid has identified the risks that have a major impact on society. These include a major disturbance or an extensive disturbance with a long duration, diminished confidence in the electricity market, postponement of cross-border line construction projects, delayed reinforcement programme for the trunk grid, and unexpected and long-term restrictions in transmission capacity.

In its selected strategic focal areas, Fingrid has also taken the management of these risks into account and made preparations for the risks in its action plan using various means, such as those described above in conjunction with a major disturbance. The company aims to contribute to the integration of the European electricity market and intensification of market mechanisms by constructing new cross-border transmission connections and by publishing market information which has bearing on the transparency of the market. The company prepares and allocates resources for projects which reinforce the cross-border connections and the trunk grid, and takes environmental impacts into account in planning and construction with a long time span. Long-term restrictions in transmission capacity inflict financial disadvantage on the customers and society. This disadvantage is minimised 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 optimising the timing of outages so that the financial impact on the customers is kept to a minimum.

The financing risks of the company are described comprehensively in accordance with the requirements of IFRS 7 in the notes to the financial statements of 2011.

Internal audit

The internal auditor monitors issues such as adherence to the internal rules 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 issues such as Fingrid's acceptance authority and capital investment management in 2011. A comprehensive audit plan has been confirmed for internal audit covering a period of three years, 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 Juha Tuomala 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 €	2011	2010
Auditing fees	32	42
Other fees	6	46
TOTAL	38	88



Helena Walldén



Arto Lelistö



Esko Raunio



Elina Engman



Timo Kärkkäinen



Tarmo Rantalankila

Board of Directors

Helena Walldén, Chairman

M.Sc. (Tech.), born in 1953

Chairman of the Board since 3 May 2011

Main position: Professional Board Member

- Alko Oy, Board member 2009-, Chairman of the audit committee 2009-
- Raskone Oy, Board member 2009-
- Metsähallitus, Board member 2005-, Chairman of the audit committee 2010-
- Lännen Tehtaat Oyj, Board member 2011-
- Saga Furs Oyj (former Turkistuottajat Oyj), Board member 2004-1/2012

Previous positions:

- 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.

Esko Raunio

LL.M., born in 1962

Member of the Board since 3 May 2011

Main position: Tapiola 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.

Timo Kärkkäinen

M.Sc. (Econ.), born in 1963

Member of the Board since 3 May 2011

Main position: Mutual Pension Insurance Company Ilmarinen, Senior Portfolio Manager, unlisted share investments, with responsibility for equity-rated investments in unlisted companies 2010-

Previous positions:

- Neste Oil Oyj, Head of Treasury Operations, Director of Finance, and representative of Pension Fund 2005-2010
- Fortum Corporation, Finance Manager, financial and risk management duties 2000-2005
- Imatran Voima Oy, forwarding, electricity pricing and financing duties 1987-2000

Main positions of trust:

- Enfo Oyj, Board member 2011-
- Ecostream Oy, Board member 2011-
- Mustavaaran Kaivos Oy, Board member 2011-
- Tieyhtiö Valtatie 7 Oy, Board member 2011-
- LNI Verkko Oy, Chairman of the Board 2012-

Independent of the company, dependent on significant shareholders.

Arto Lepistö, Vice Chairman

Lic. Tech., born in 1952

Member of the Board since 2006

Main position: Ministry of Employment and the Economy, Head of Energy Markets Division, Industrial Councillor, various duties 1980-

Previous positions:

- Energy Market Authority, temporary Director General 2002
- VTT Technical Research Centre of Finland, Senior Research Scientist 1988-1989
- Edmonton Power Ltd, Design Engineer 1979-1980
- Imatran Voima Oy, Research Engineer 1976-1979

Independent of the company, dependent on significant shareholders.

Elina Engman

M.Sc. (Tech.), born in 1970

Member of the Board since 3 May 2011

Main position: Kemira Oyj, Vice President, Energy 2005-, with responsibility for the Group's energy issues including electricity, oil and gas procurement as well as the EU's emissions trading, energy efficiency and management of the Group's power assets

Previous positions:

- Framatome ANP (Areva), General Representative 2004-2005
- Siemens Osakeyhtiö, Sales Manager 1997-2004

Main positions of trust:

- Pohjolan Voima Oy, deputy member of the Board 2006-
- PVO Vesivoima Oy, Board member 2010-
- Porin Prosessivoima Oy, Board member 2006-
- Cefic Energy Strategy Group, member 2005-
- Confederation of Finnish Industries EK, member of Energy Committee 2006-
- Chemical Industry Federation of Finland, Chairman of Energy Committee 2007-
- Destia Oy, Board member 2009-

Independent of the company and significant shareholders.

Tarmo Rantalankila

LL.M., born in 1952

Secretary of the Board

General Counsel, Fingrid Oyj

Deputy members of the Board

Antti Riivari,
Senior Advisor, Ministry of Employment and the Economy

Timo Ritonummi,
Senior Engineer, Ministry of Employment and the Economy

Marja Hanski,
Ministerial Advisor, Ministry of Employment and the Economy

Mikko Räsänen,
Head of Private Equity,
Mutual Pension Insurance Company Ilmarinen

Jari Eklund,
Director, Tapiola Group



Jukka Ruusunen



Kari Kuusela



Juha Kekkonen



Matti Tähtinen



Tom Pippingsköld



Jussi Jyrinsalo



Reima Päivinen



Pertti Kuronen

Executive management group

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 Technology Academy Finland 2010-
- Visiting Professor at Aalto University School of Science and Technology 1995- and School of Economics 1996-

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-

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

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- and Chairman of Regional Group Nordic 2010-
- Chairman of Power and District Heat Pool 2009-

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

Matti Tähtinen

B.Sc. (Tech.), born in 1957

Senior Vice President since 2000, stakeholder relations

- member of the executive management group since 2001, employed by Fingrid since 1997

Earlier positions

- 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-

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-
- Member of control group of Cleen Oy, Smart Grids and Energy Markets research programme 2009-

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-



Report of the Board of Directors and financial statements
1 January 2011 – 31 December 2011



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1. Annual review

REPORT OF THE BOARD OF DIRECTORS

Financial result

Revenue of the Fingrid Group in 2011 was 438 million euros (456 million euros in 2010). Other operating income was 3 (7) million euros.

Grid revenue remained at the same level as in 2010 despite the tariff increase of 4.5 per cent. This was due to a decrease of 3.8 per cent in electricity consumption in Finland from 2010. The sales of imbalance power decreased to 146 (160) million euros mainly as a result of lower electricity market prices. Cross-border transmission income on the connection between Finland and Russia decreased by 2 million euros from the previous year. Fingrid's congestion income on the Nordic interconnectors was 16 (9) million euros. Fingrid's portion of the Nordic congestion income is currently only calculated for the cross-border transmission connection between Finland and Sweden. As of April 2010, Fingrid and the Estonian transmission system operator Elering AS have rented the cross-border transmission capacity of the Estlink 1 transmission connection between Finland and Estonia for use by the electricity market. Fingrid's rental costs for the connection were covered by the congestion income of 10 (9) million euros earned on it. Fingrid's share of the net amount of the European inter-TSO compensations remained at the level of 2010.

Revenue and other operating income (million €)	1-12/11	1-12/10	10-12/11	10-12/10
Grid service revenue	210	211	59	64
Sales of imbalance power	146	160	25	49
Cross-border transmission	22	24	5	6
Finland-Estonia congestion income	10	9	1	6
Finland-Sweden congestion income	16	9	4	1
Peak load capacity	7	14	5	2
ITC income	22	19	7	5
Feed-in tariff for peat	0	1		0
Other revenue	5	9	2	4
Other operating income	3	7	1	4
Revenue and other income total	441	463	109	142

The purchases of imbalance power were 131 million euros (145 million euros). The loss energy costs decreased by 2 million euros from the previous year due to the lower average area price for Finland. The costs of reserves which safeguard the system security of the transmission system increased by 7 million euros and the depreciation costs rose by 1 million euros. The maintenance management costs and personnel costs remained at the same level as in 2010. The income from the peak load capacity arrangement was balanced in the early part of the year when the relevant act came to an end on 28 February 2011. In line with the new act, the peak load capacity arrangement did not begin to cause income and expenses until the last quarter of 2011. As a result, the net income from the peak load capacity arrangement decreased by 1 million euros. The act on the feed-in tariff of electricity produced from fuel peat in condensing power plants was in force until 31 December 2010. This is why the feed-in tariff did not cause income or expenses in the financial year of 2011. The corresponding changes during the last quarter of the financial year are shown in the table below (in million euros).

Costs, (million €)	1-12/11	1-12/10	10-12/11	10-12/10
Purchase of imbalance power	131	145	22	49
Purchase of loss energy	63	65	16	19
Depreciation	68	67	18	17
Reserves	28	22	7	6
Personnel	20	20	6	6
Maintenance management	18	18	6	5
Peak load capacity	7	13	5	3
ITC charges	12	10	4	2
Estlink grid rents	9	9	1	6
Feed-in tariff for peat		1		0
Other costs	23	21	7	7
Costs total	380	391	90	120

Operating profit excluding the change in the fair value of commodity derivatives

	62	72	19	22
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Operating profit of group

	57	74	17	23
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The operating profit of the Group was 57 (74) million euros. Of the change in the fair value of commodity derivatives, -5 (+2) million euros were recognised in the income statement.

The Group's revenue between October and December was 108 (138) million euros. The operating profit in the last quarter was 17 (23) million euros.

The consolidated profit for the year was 33 (42) million euros. Due to the change in the fair value of electricity derivatives, the consolidated total comprehensive income was 0.2 million euros negative (73 million euros). The cash flow from the operations of the Group deducted by capital expenditure was 148 million euros negative (-12 million euros) because many significant capital investment projects were scheduled for 2011.

The return on investment was 3.6 (5.1) per cent and the return on equity 6.5 (8.7) per cent. The equity ratio was 25.7 (28.6) per cent at the end of the review period. Revenue of the parent company was 434 (456) million euros and profit for the financial year 22 (6) million euros.

Grid development and maintenance

Fingrid's annual expenditure in the transmission system has increased considerably from the level of 40 million euros in the early part of the millennium. The year 2011 was a peak year in terms of capital investments in Fingrid's history, since many large-scale projects were in progress. 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.

Two important electricity transmission connections were brought to conclusion in 2011. The Fenno-Skan 2 submarine cable link was commissioned in November, and the Seinäjoki-Tuovila 400 kilovolt transmission link was completed in the autumn. There are also other major ongoing contracts, such as the Yliskälä-Huutokoski transmission line and the EstLink 2 cable link to Estonia. Moreover, a new reserve power plant is being built in Forssa.

Fingrid's Board of Directors made a decision concerning the construction of a 400 kilovolt transmission line between Forssa and Hikiä and a 110 kilovolt line between Tihiseniemi and Katerma. The environmental impact assessment (EIA) procedures for the 400 kilovolt transmission line between Central Finland and the Oulujoki river and for the grid reinforcements required by the Olkiluoto 4 nuclear power plant unit were launched in 2011. The EIA programmes of both projects were displayed in public from December 2011.

Fingrid plans the transmission system in Finland as part of the Nordic and European electricity transmission network through ENTSO-E and its Regional Group Nordic. The regional network plans drawn up with Fingrid's customers are also an integral part of this planning process. In 2011, a comprehensive plan was drawn up for the replacement of the aged 220 kilovolt transmission lines and substations in Ostrobothnia and Central Finland with 400 kilovolt and 110 kilovolt network solutions. There are additional challenges in the planning process especially in Ostrobothnia because preparations need to be made for numerous upcoming wind power projects.

Fingrid's gross capital expenditure in 2011 was 244 million euros (144 million euros in 2010). Of this amount, a total of 173 (109) million euros were used for the transmission grid and 68 (31) million euros for reserve power. IT-related capital expenditure was approximately 3 (4) million euros.

Research and development were allocated a total of 1.8 (1.5) million euros. Some 50 research and development projects were in progress in 2011. The foremost R&D input was placed on the development of new transmission line tower types and control methods for system security.

Power system

Electricity consumption in Finland decreased by 3.8 per cent on the previous year as a result of declining industrial production and the warm latter part of 2011. Electricity consumption in Finland in 2011 totalled 84.4 terawatt hours (87.7 terawatt hours in 2010). A total of 64.2 (68.1) terawatt hours of electricity was transmitted in Fingrid's grid, representing 76 per cent of the electricity consumption in Finland.

In the early part of 2011, electricity transmissions between Finland and Sweden consisted mainly of exports from Finland, but this changed to considerable imports to Finland in the summer. Construction work on the Fenno-Skan 2 transmission link occasionally restricted the capacity offered to the electricity market. A total of 5.9 (2.8) terawatt hours of electricity was imported from Sweden to Finland during 2011, and 4.0 (5.7) terawatt hours was exported from Finland to Sweden.

Electricity transmissions between Finland and Estonia were dominated by imports to Finland in the early part of 2011, but imports gave way to a majority of exports from Finland during the summer and autumn. Maintenance work on the Estlink connection did not cause significant restrictions in the capacity offered to the market. The volume of electricity imports from Estonia to Finland on the Estlink connection was 1.6 (2.0) terawatt hours, and 0.5 (0.2) terawatt hours of electricity was exported from Finland to Estonia.

Almost the full electricity import capacity from Russia was in use during the review period. Towards the end of the year, the imports were below the volume permitted by the transmission capacity. In July and August, the import capacity was restricted by maintenance work at the Vyborg direct current substation and in the Russian grid. Electricity imports from Russia to Finland totalled 10.8 (11.6) terawatt hours in 2011.

The transmission grid experienced more disturbances than on average due to violent thunderstorms in the summer, but these had little effect on the customers. As a result of some long supply interruptions caused by the storms at Christmas time, the disturbance duration per a grid customer's connection point was clearly longer than on average.

Promotion of electricity market

In the early part of 2011, the Nordic electricity market was characterised by a scarce supply of hydropower. At the same time, there was much demand for electricity, partly as a result of the cold and long winter. However, there were no price spikes during the cold winter weather. The water reservoir situation improved towards the summer, and in the autumn the water reservoirs were almost full. The price level in the spot market of electricity was clearly lower than in 2010. The average system price was 47 euros per megawatt hour (53 €/MWh in 2010), and the average area price for Finland was 49 €/MWh (57 €/MWh).

Efforts for electricity market integration were pursued further, both towards Western Continental Europe and the Baltic countries. However, any new significant results will not

be seen before the end of 2012. In line with the EU's third legislative package for an internal energy market, the European transmission system operators started to prepare new types of network rules. These binding provisions will define the rules of the electricity market very precisely.

Fingrid accumulated 15.8 million euros of Nordic congestion income during the year under review (9.0 million euros in 2010). Congestions were encountered on the border between Finland and Sweden in 23 per cent of the time, and in many cases the market prices between the two countries differed from each other by dozens of euros per megawatt hour. In the late autumn, the situation improved due to factors such as the commissioning of the Fenno-Skan 2 transmission link and the introduction of bidding areas in Sweden.

In 2011, Fingrid used 1.6 (0.2) million euros for counter trade. This mainly resulted from disturbances on the cross-border connections and partly from transmission restrictions within Finland.

Financing

The financial position of the Group continued to be satisfactory. During 2011, Fingrid issued a bond valued at 1 billion Swedish krona under the company's International Medium Term Note Programme and signed a long-term loan of 20 million euros with the Nordic Investment Bank, NIB. Moreover, on 18 April 2011 the company signed a multicurrency revolving credit facility of 250 million euros with a group of banks consisting of Nordic and other international banks. The loan period of the credit facility is 5 years. The credit facility is undrawn, and it secures the company's liquidity together with the financial assets.

The net financial costs excluding the change in the fair value of derivatives increased to 19 million euros (12 million euros in 2010) during the year under review as a result of the rising interest rate level and higher amount of net debt. Interest income was 4 (2) million euros. The net financial costs in accordance with the IFRS were 23 (18) million euros, including the negative change of 3 million euros (negative 6 million euros) in the fair value of derivatives.

The financial assets at 31 December 2011 totalled 204 (222) million euros. The interest-bearing borrowings totalled 1,224 (1,077) million euros, of which 845 (878) million euros were long-term and 379 (199) million euros were short-term. The counterparty risk arising from the currency derivative contracts and interest rate derivative contracts was 63 (56) million euros.

International rating agencies updated Fingrid Oyj's credit ratings in 2011. On 20 October 2011, Fitch Ratings downgraded Fingrid Oyj's senior unsecured debt rating to A+ from AA-, and long-term issuer default rating (IDR) to A from A+. Fingrid's short-term IDR assigned by Fitch Ratings remained at F1. Fitch Ratings changed Fingrid's outlook from negative to stable. Moody's Investors Service updated Fingrid's credit opinion on 13 December 2011, keeping the opinion unchanged. The long-term rating is A1 and the short-term rating is P-1. The outlook was changed from negative to stable. On 20 April 2011, Standard & Poor's Rating Services (S&P) raised Fingrid's long-term credit rating to

AA- from A+ and the short-term rating to A-1+ from A-1. At that point, S&P assessed the company's outlook to be stable. On 13 December 2011, S&P placed Fingrid's corporate credit ratings on CreditWatch with negative implications.

Personnel and rewarding systemst

The Fingrid Group and Fingrid Oyj employed 266 persons, including temporary employees, at the end of 2011. The corresponding figure a year before was 263. The number of permanent personnel was 252 (249).

Of the personnel employed by the company, 23.7 per cent (22.4 per cent in 2010) were women and 76.3 (77.6) per cent were men at the end of the year.

Number of permanent personnel:

Age	2011	2010
24 to 29 years	24	21
30 to 34 years	33	36
35 to 39 years	41	37
40 to 44 years	32	35
45 to 49 years	40	41
50 to 54 years	37	37
55 to 59 years	23	21
60 to 65 years	21	21
over 65 years	1	0

During 2011, a total of 14,333 (17,564) hours were used for personnel training, with an average of 57 (67) hours per person. Employee absences on account of illness in 2011 accounted for 1.9 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 2012.

Board of Directors and corporate management

Fingrid Oyj's Annual General Meeting was held in Helsinki on 3 May 2011. Helena Walldén, M.Sc. (Tech.), was elected as the Chairman of the Board, and Arto Lepistö, Deputy Director General, was elected as the Vice Chairman. The other Board members elected were Elina Engman, Vice President, Energy, Timo Kärkkäinen, Senior Portfolio Manager, and Esko Raunio, Director, Private Equity Real Estate Investments. The Board members until 3 May 2011 were Lauri Virkkunen (Chairman), Timo Karttinen, Arto Lepistö, Risto Autio, Ari Koponen, Ritva Nirkkonen and Anja Silvennoinen.

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 20 May 2011 are Arto Lepistö (Chairman), Helena Walldén and Timo Kärkkäinen. The members of the audit committee until 3 May 2011 were Ritva Nirkkonen (Chairperson), Risto Autio, Arto Lepistö and Anja Sil-

vennoinen. The remuneration committee consists of Helena Walldén (Chairperson) and Arto Lepistö from 20 May 2011. Until 3 May 2011, the remuneration committee consisted of Lauri Virkkunen (Chairman), Timo Karttinen and Arto Lepistö.

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

An account of the governance and control systems of the company, required by the Finnish Corporate Governance Code, has been provided separately. The account 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

Internal control intends to make sure that Fingrid works efficiently and productively, that financial reporting is reliable, and that the laws, regulations and the company's own procedural guidelines are followed. The company's internal control is based on independent internal audit, financial reporting, supervision and documentation, as well as transparent processes and procedures. Moreover, the company applies an instruction system, which contains the key principles adopted by the Board of Directors, policies approved by the executive management group, and procedural guidelines of the functions and units.

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 any 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 Board of Directors approves the risk management policy annually. The Board approves the risk management measures as part of the corporate strategy, performance indicators, action plan and budget. 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 internal auditor monitors issues such as adherence to the internal rules of the company, acts and official regulations, and reports his findings to the audit committee. A comprehensive audit plan has been accepted 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 was outsourced in the summer of 2011. As part of internal control, internal audit audited issues such as Fingrid's acceptance authority and processes related to capital investment management in 2011.

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 President 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. These 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. The financial administration of the Group is responsible for the control structures relating to the financial reporting process.

Foremost risks and factors of uncertainty

The foremost business risks of the company include risks relating to the functioning of the power system, such as a major disturbance or power shortage, and incorrect or unanticipated capital expenditure projects, for example due to a change in regional electricity consumption or changes in generation. Risks related to official regulation, such as changes in the Finnish or European regulation, can also weaken the financial position of the company or its opportunities to pursue the objectives related to the development of the electricity market. Significant risks also include an unanticipated increase in costs as a result of the realisation of the counterparty risk or due to sudden changes in the price of electricity or in the interest rate level. Correspondingly, reduced income as a result of a drastic decrease in electricity consumption constitutes a significant risk. Other risks include personnel risks related to large structures of the power system and electrical safety.

Fingrid is prepared for a wide-spread disturbance concerning Finland or the Nordic power system by means of various reserves, procedural guidelines, contingency plans, and exercises. In its strategy, the company also focuses on the versatile utilisation of the operation control system, expedited disturbance management, and management of power shortage situations. 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.

The objective is to avoid potential incorrect or unanticipated capital expenditure by updating the grid plans regularly, by means of constant interaction with the customers, and by conducting co-operation with the other transmission system operators.

Fingrid's operations are subject to official regulation and supervised by the Energy Market Authority. The company aims to establish well-working co-operation and interaction with the various stakeholders, to contribute actively to the reports and task forces of authorities, and to focus on working within ENTSO-E, the European Network of Transmission System Operators for Electricity, hence making preparations for and contributing to the impacts of regulation.

An unanticipated increase in costs or decrease in income is restricted by enhancing financial control in the Group and assessment concerning financial latitude. 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 contractually, by using various limits and by regularly monitoring the financial standing of the counterparties.

The expertise and occupational safety risks pertaining to personnel risks are limited by the company's strategic long-term personnel planning, allocated training programmes for both the company's own personnel and service providers, and by auditing the work sites systematically in order to attain the best practices and to enhance occupational safety.

As part of its corporate social responsibility, Fingrid has identified the risks that have a major impact on society. These include a major disturbance or an extensive disturbance with a long duration, diminished confidence in the electricity market, postponement of cross-border line construction projects, delayed reinforcement programme for the trunk grid, and unexpected and long-term restrictions in transmission capacity.

In its selected strategic focal areas, Fingrid has also taken the management of these risks into account and made preparations for the risks in its action plan using various means, such as those described above in conjunction with a major disturbance. The company aims to contribute to the integration of the European electricity market and 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. The company prepares and allocates resources for projects which reinforce the cross-border connections and the trunk grid, and takes environmental impacts into account in planning and construction with a long time span. Long-term restrictions in transmission capacity inflict financial disadvantage on the customers and society. This disadvantage is minimised 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 optimising the timing of outages so that the financial impact on the customers is kept to a minimum.

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 pre-

sent, the share capital is 55,900,000 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.

Environmental matters

The primary environmental impacts of Fingrid's operations are caused by transmission lines, substations and reserve power plants, which are all part of our living 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 aspects of substations and reserve power plants are related to the storage and handling of fuels and chemicals. When the transmission system is being improved, the goal is to achieve minimum electricity transmission losses in a cost effective manner, thus enhancing energy efficiency. A reduction in greenhouse gas emissions is also regarded as a major consideration.

Fingrid has a total of 26,499 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 28 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 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 17 January 2012, the international rating agency Standard & Poor's Rating Services (S&P) affirmed Fingrid Oyj's long-term credit rating AA- and short-term rating A-1+. The outlook changed from stable to negative. The change was associated with S&P's decision to change the outlook of the Republic of Finland from stable to negative.

Fingrid will continue the implementation of its capital expenditure programme of 1,700 million euros. The capital investments will be financed by increasing external financing. Furthermore, the company raised the transmission tariffs by 30 per cent from 1 January 2012.

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.

CONSOLIDATED KEY INDICATORS

		2007	2008	2009	2010	2011
		IFRS	IFRS	IFRS	IFRS	IFRS
Extent of operations						
Turnover	million €	334.6	382.3	358.9	456.3	438.5
Capital expenditure, gross	million €	79.2	87.9	135.6	144.1	244.4
- of turnover	%	23.7	23.0	37.8	31.6	55.7
Research and development expense	million €	1.2	0.9	1.3	1.6	1.8
- of turnover	%	0.4	0.2	0.4	0.3	0.4
Personnel, average		241	241	251	260	263
Personnel, end of year		244	249	260	263	266
Salaries and bonuses, total	million €	14.6	15.8	16.0	17.2	17.2
Profitability						
Operating profit	million €	90.7	68.4	50.8	74.4	56.6
- of revenue	%	27.1	17.9	14.1	16.3	12.9
Profit before taxes	million €	56.5	37.5	33.2	56.3	34.2
- of revenue	%	16.9	9.8	9.3	12.3	7.8
Return on investment (ROI)	%	7.3	5.8	3.9	5.1	3.6
Return on equity (ROE)	%	10.3	6.6	5.7	8.7	6.5
Financing and financial position						
Equity ratio	%	27.5	26.7	27.2	28.6	25.7
Interest-bearing net borrowings	million €	754.6	726.7	797.5	855.2	1,020.2
Share-specific indicators						
Earnings per share	€	12,616	8,379	7,417	12,562	9,924
Dividends per share	€	2,156.17	2,018.26	2,022.29	2,018.26	2,018.26*
Equity per share	€	129,338	125,600	134,676	154,654	152,573
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, €	=	$\frac{\text{Dividends for the financial year}}{\text{Average number of shares}}$
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

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

Fingrid Oyj's distributable funds in the financial statements are 22,541,194.47 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

- 15,830,479.97 euros to be carried over as unrestricted equity.

2. Financial statements

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	1 Jan - 31 Dec 2011 1,000 €	1 Jan - 31 Dec 2010 1,000 €
REVENUE	2	438,456	456,326
Other operating income	3	2,976	6,978
Raw materials and consumables used	4	-241,503	-253,593
Employee benefits expenses	5	-20,334	-20,385
Depreciation	6	-67,879	-66,813
Other operating expenses	7, 8, 9	-55,153	-48,096
OPERATING PROFIT		56,563	74,416
Finance income	10	3,551	2,040
Finance costs	10	-26,106	-20,508
Finance income and costs		-22,554	-18,468
Portion of profit of associated companies		193	384
PROFIT BEFORE TAXES		34,201	56,332
Income taxes	11	-1,204	-14,564
PROFIT FOR THE FINANCIAL YEAR		32,998	41,768
OTHER COMPREHENSIVE INCOME			
Cash flow hedges	12	-33,399	31,159
Translation reserve	12	240	224
Available-for-sale financial assets	12	-48	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-209	73,152
Profit attributable to:			
Equity holders of parent company		32,998	41,768
Total comprehensive income attributable to:			
Equity holders of the company		-209	73,152
Earnings per share, €	13	9,924	12,562
Earnings per share for profit attributable to the equity holders of the parent company:			
Undiluted earnings per share, €	13	9,924	12,562
Diluted earnings per share, €	13	9,924	12,562

Notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	31 Dec 2011 1,000 €	31 Dec 2010 1,000 €
NON-CURRENT ASSETS			
Intangible assets:			
Goodwill	15	87,920	87,920
Other intangible assets	16	89,737	89,692
		177,657	177,613
Property, plant and equipment:			
Land and water areas	17	13,671	13,509
Buildings and structures		98,345	82,991
Machinery and equipment		450,700	403,357
Transmission lines		689,929	607,389
Other property, plant and equipment		3,009	3,097
Advance payments and purchases in progress		163,908	142,930
		1,419,561	1,253,273
Investments:			
Equity investments in associated companies	18	7,947	7,718
Available-for-sale investments		301	366
		8,247	8,084
Receivables:			
Derivative instruments	29	57,495	79,400
Deferred tax assets	26	19,873	10,893
		77,368	90,293
TOTAL NON-CURRENT ASSETS		1,682,834	1,529,263
CURRENT ASSETS			
Inventories	19	6,706	6,101
Derivative instruments	29	14,288	295
Trade receivables and other receivables	20	64,633	57,563
Financial assets recognised in income statement at fair value	21	202,387	217,903
Cash and cash equivalents	22	1,454	3,780
TOTAL CURRENT ASSETS		289,468	285,642
TOTAL ASSETS		1,972,301	1,814,905

Notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	Notes	31 Dec 2011 1,000 €	31 Dec 2010 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	-13,679	19,768
Translation reserve	25	551	312
Retained earnings	25	408,586	382,299
TOTAL EQUITY		507,304	514,224
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	140,340	149,262
Borrowings	27	845,154	877,530
Provisions	28	1,897	1,899
Derivative instruments	29	34,472	116
		1,021,864	1,028,807
CURRENT LIABILITIES			
Borrowings	27	378,841	199,327
Derivative instruments	29	670	481
Trade payables and other liabilities	30	63,623	72,066
		443,133	271,874
TOTAL LIABILITIES		1,464,997	1,300,681
TOTAL EQUITY AND LIABILITIES		1,972,301	1,814,905

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
Balance at 1 Jan 2010		55,922	55,922	-11,392	88	347,255	447,796
Comprehensive income							
Profit or loss	25					41,768	41,768
Other comprehensive income							
Cash flow hedges	12			31,159			31,159
Translation reserve	12				224		224
Items related to long-term asset items available-for-sale	12			1			1
Total other comprehensive income				31,160	224		31,384
Total comprehensive income				31,160	224	41,768	73,152
Transactions with owners							
Dividends relating to 2009	25					-6,724	-6,724
Balance at 31 Dec 2010		55,922	55,922	19,768	312	382,299	514,224
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				-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

Notes are an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	1 Jan - 31 Dec 2011 1,000 €	1 Jan - 31 Dec 2010 1,000 €
Cash flow from operating activities:			
Profit for the financial year	25	32,998	41,768
Adjustments:			
Business transactions not involving a payment transaction	35	72,761	63,677
Interest and other finance costs		26,106	20,508
Interest income		-3,544	-2,035
Dividend income		-7	-4
Taxes		1,204	14,564
Changes in working capital:			
Change in trade receivables and other receivables		-3,159	-3,270
Change in inventories		-606	-686
Change in trade payables and other liabilities		-8,584	-496
Change in provisions	28	-2	-23
Financial assets at fair value		645	-133
Interests paid		-22,815	-19,450
Interests received		2,899	2,167
Taxes paid	11	-2,344	-1,760
Net cash flow from operating activities		95,552	114,827
Cash flow from investing activities:			
Purchase of property, plant and equipment	17	-241,046	-137,982
Purchase of intangible assets	16	-3,331	-4,814
Purchase of other assets	18		3
Proceeds from sale of property, plant and equipment	17	50	904
Dividends received	10	211	4
Contributions received		143	15,000
Net cash flow from investing activities		-243,973	-126,885
Cash flow from financing activities:			
Withdrawal of loans		749,938	731,398
Repayment of loans		-612,649	-694,804
Dividends paid	25	-6,711	-6,724
Net cash flow from financing activities		130,579	29,870
Net change in cash and cash equivalents		-17,842	17,812
Cash and cash equivalents 1 Jan		221,683	203,871
Cash and cash equivalents 31 Dec	21, 22	203,841	221,683

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 (Arkadiankatu 23 B), 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 16 February 2012. 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 20.0%). 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 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.

The present value of the commitment at the closing date is recorded as a liability in the balance sheet of benefit-based pension schemes. The fair value of the assets included in the scheme is deducted from this present value, and it is adjusted by unrecorded actuarial gains and losses and by expenses based on retroactive long-term work performance. The amount of the commitment resulting from benefit-based schemes is based on annual calculations by impartial actuaries, with the calculations employing the projected unit credit method. The present value of the commitment is determined by discounting

the estimated future cash flows by an interest rate which corresponds to the interest rate of high-quality bonds issued by business enterprises. Actuarial gains and losses, which result from empirical adjustments and changes in actuarial assumptions and which exceed 10% of the fair value of the assets included in the scheme or 10% of the present value of the commitment resulting from a benefit-based scheme (depending on which of these two is higher), are recognised in the income statement at fair value.

The group currently only has contribution-based pension schemes.

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 (and the difference will not likely be realised in the foreseeable future). 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 systems and land use rights. Computer systems are 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 systems	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. Interest expenses during the construction period are not capitalised. 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 the 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, 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 principles approved by the Board of Directors. 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 primary 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 include bond and commercial paper issuance and loans raised by the company, recognised initially at fair value net of the transaction costs incurred. Transaction costs consist of bond prices above or below par value, credit 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 between the European transmission system operators. 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 in Europe. The ITC compensations are calculated considering the electricity transmissions between the various ITC agreement countries plus the price of electricity in Europe. 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 is monthly in arrears after all parties to the ITC agreement have accepted the invoice sums, approximately 3 to 5 months in arrears for the allocated month. This is why the uninvoiced ITC compensations for August to December 2011 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 2010 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 2011. These entered into force on the new or re-structured Standard for and interpretations does not have a material impact on the 2011 financial statements.

IAS 24 (Revised) 'Related Party Disclosures'

The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard still requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. It achieves this balance by requiring disclosure about these transactions only if they are individually or collectively significant.

IAS 32 (Amendment) 'Financial Instruments: Presentation – Classification of Rights Issues'

The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'

The interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor. IFRIC 19 requires a gain or loss to be recognised in profit or loss when a liability is settled through the issuance of the entity's own equity instruments. The amount of the gain or loss recognised in profit or loss will be the difference between the carrying value of the financial liability and the fair value of the equity instruments issued.

IASB published changes to 12 standards or interpretations in May 2010 as part of the annual Improvements to IFRSs:

IFRS 3 (amendments) 'Business combinations'

a) Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS.

Clarifies that the amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 32, 'Financial instruments: Presentation', and IAS 39, 'Financial instruments: Recognition and measurement', that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

b) Measurement of non-controlling interests

The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS.

c) Unreplaced and voluntarily replaced share-based payment awards

The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including unreplaced and voluntarily replaced share-based payment awards.

IFRS 7 (amendment) 'Financial instruments: Financial statement disclosures'

The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

IAS 1 (amendment) 'Presentation of financial statements – statement of changes in equity'

Clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27 (amendment) 'Consolidated and separate financial statements'

Clarifies that the consequential amendments from IAS 27 made to IAS 21, 'The effect of changes in foreign exchange rates', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when IAS 27 is applied earlier.

IAS 34 (amendment) 'Interim financial reporting'

The change provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around:

- The circumstances likely to affect fair values of financial instruments and their classification;
- Transfers of financial instruments between different levels of the fair value hierarchy;
- Changes in classification of financial assets; and
- Changes in contingent liabilities and assets.

The Group will adopt the following amendments to existing standards 01/01/2012 or later.

IFRS 7 (amendments)* 'Financial instruments: Disclosures' on derecognition

This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Earlier application subject to EU endorsement is permitted.

IAS 12 (amendment)* 'Income taxes' on deferred tax

IAS 12, 'Income taxes', currently 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'. This amendment therefore 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', will 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 withdrawn.

IAS 1 (amendment)* 'Financial statement presentation' regarding other comprehensive income

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 amendment has not yet been approved by the EU.

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

2. INFORMATION ON REVENUE AND SEGMENTS

REVENUE, 1,000 €	2011	2010
Grid service revenue	210,207	211,462
Sale of imbalance power	145,861	159,812
Cross-border transmission	22,399	23,865
ITC income	22,181	19,298
Peak load capacity	7,221	13,962
Estlink congestion income	9,632	9,465
Nordic congestion income	15,765	9,045
Feed-in tariff for peat	1	895
Other operating revenue	5,188	8,520
Total	438,456	456,326

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 €	2011	2010
Rental income	1,740	1,632
Contributions received	205	138
Other income	1,031	5,207
Total	2,976	6,978

4. MATERIALS AND SERVICES, 1,000 €	2011	2010
Purchases during financial year	225,338	243,000
Change in inventories, increase (-) or decrease (+)	-606	-686
Materials and consumables	224,732	242,314
External services	16,770	11,279
Total	241,503	253,593

5. EMPLOYEE BENEFITS EXPENSES, 1,000 €	2011	2010
Salaries and bonuses	17,213	17,177
Pension expenses - contribution-based schemes	2,438	2,891
Pension expenses - benefit-based schemes	-82	-456
Other additional personnel expenses	765	773
Total	20,334	20,385

Salaries and bonuses of top management (note 36)	1,564	1,376
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The Group uses a compensation system, of which the general principles have been approved by the Board of Directors on 23 October 2007. The principles for the bonus programme for the Executive Management Group have additionally been determined in a meeting held on 12 December 2007 by the Remuneration Committee. The base salary and the profit-based compensation for the Executive Management Group is based on the strategic indicators of the company. The members of the Executive Management Group are paid a bonus decided by the Remuneration Committee of the Board of Directors, of which the maximum amount is 35% for the President & CEO and 25% for the other members of the Management Executive Group of the annual salary. The system changed from a one-year to a three-year review period as of 1 January 2010, when the compensation will be based on a three-year average of the strategic indicators from 2009 until 2011.

Number of salaried employees in the company during the financial year:	2011	2010
Personnel, average	263	260
Personnel, 31 Dec	266	263

6. DEPRECIATION, 1,000 €	2011	2010
Intangible assets	2,796	2,792
Buildings and structures	4,052	3,669
Machinery and equipment	32,502	32,631
Transmission lines	27,875	27,299
Other property, plant and equipment	653	423
Total	67,879	66,813

7. OTHER OPERATING EXPENSES, 1,000 €	2011	2010
Contracts, assignments etc. undertaken externally	31,833	32,618
Gains/losses from measuring electricity derivatives at fair value	4,725	-2,282
Rental expenses	11,538	11,543
Foreign exchange gains and losses	8	-649
Other expenses	7,050	6,866
Total	55,153	48,096

8. AUDITORS FEES, 1,000 €	2011	2010
Auditing fee	32	42
Other fees	6	46
Total	38	88

9. RESEARCH AND DEVELOPMENT, 1,000 €	2011	2010
Research and development expenses	1,833	1,556
Total	1,833	1,556

10. FINANCE INCOME AND COSTS, 1,000 €	2011	2010
Interest income on held-for-trading financial assets	-3,523	-2,005
Interest income on cash and cash equivalents and bank deposits	-21	-30
Dividend income	-7	-4
	-3,551	-2,039
Interest expenses on borrowings	29,281	21,242
Net financial expenses on interest and foreign exchange derivatives	-7,079	-7,645
Gains from measuring derivative contracts at fair value	-7,363	-4,008
Losses from measuring derivative contracts at fair value	10,523	10,258
Net foreign exchange gains and losses	0	0
Other finance costs	2,174	760
	27,535	20,607
Capitalised finance costs, borrowing costs; the capitalisation rate used 2.14% (note 17)	-1,430	-100
Total	22,554	18,468

11. INCOME TAXES, 1,000 €	2011	2010
Direct taxes	7,720	2,207
Change of deferred taxes (note 26)	-6,517	12,357
Total	1,204	14,564

Reconciliation of income tax:

Profit before taxes	34,201	56,332
Tax calculated in accordance with statutory tax rate in Finland 26%	8,892	14,646
Deferred tax resulting from change in tax rate	-7,653	
Non-deductible expenses and tax-free income	-36	-82
Income Taxes in the Consolidated Income Statement	1,204	14,564

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

	2011			2010		
	Before taxes	Tax impact	After taxes	Before taxes	Tax impact	After taxes
Cashflow hedges	-37,841	4,443	-33,399	38,084	-6,924	31,159
Translation reserve	240		240	224		224
Items related to long-term asset items available-for-sale	-65	17	-48	1	0	1
Total	-37,667	4,460	-33,207	38,308	-6,924	31,384

13. EARNINGS PER SHARE	2011	2010
Profit for the financial year, 1,000 €	32,998	41,768
Weighted average number of shares, qty	3,325	3,325
Undiluted earnings per share, €	9,924	12,562
Diluted earnings per share, €	9,924	12,562

14. DIVIDEND PER SHARE

After the closing date, the Board of Directors has proposed that a dividend of 2,018.26 (2010: 2,018.26) euros per share be distributed, totalling 6.7 (2010: 6.7) million euros.

15. GOODWILL, 1,000 €	2011	2010
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 comprises transmission system operation in Finland with system responsibility, which the full goodwill of the Group concerns.

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 ten year strategic financial estimates. 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 7.0%.

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 €	2011	2010
Land use rights		
Cost at 1 Jan	84,600	82,114
Increases 1 Jan - 31 Dec	1,498	2,545
Decreases 1 Jan - 31 Dec		-59
Cost at 31 Dec	86,098	84,600
Carrying amount 31 Dec	86,098	84,600
Other intangible assets		
Cost at 1 Jan	23,582	21,623
Increases 1 Jan - 31 Dec	1,343	1,959
Cost at 31 Dec	24,925	23,582
Accumulated depreciation according to plan 1 Jan	-18,489	-15,697
Depreciation according to plan 1 Jan - 31 Dec	-2,796	-2,792
Carrying amount 31 Dec	3,639	5,092
Carrying amount 31 Dec	89,737	89,692

17. PROPERTY, PLANT AND EQUIPMENT, 1,000 €	2011	2010
Land and water areas		
Cost at 1 Jan	13,509	11,410
Increases 1 Jan - 31 Dec	162	2,098
Decreases 1 Jan - 31 Dec		0
Cost at 31 Dec	13,671	13,509
Carrying amount 31 Dec	13,671	13,509
Buildings and structures		
Cost at 1 Jan	107,624	97,842
Increases 1 Jan - 31 Dec	19,432	9,783
Decreases 1 Jan - 31 Dec	-43	
Cost at 31 Dec	127,014	107,624
Accumulated depreciation according to plan 1 Jan	-24,633	-20,964
Decreases, depreciation according to plan 1 Jan - 31 Dec	17	
Depreciation according to plan 1 Jan - 31 Dec	-4,052	-3,669
Carrying amount 31 Dec	98,345	82,991
Machinery and equipment		
Cost at 1 Jan	687,816	663,983
Increases 1 Jan - 31 Dec	79,972	23,836
Decreases 1 Jan - 31 Dec	-255	-4
Cost at 31 Dec	767,533	687,816
Accumulated depreciation according to plan 1 Jan	-284,459	-251,828
Decreases, depreciation according to plan 1 Jan - 31 Dec	127	
Depreciation according to plan 1 Jan - 31 Dec	-32,502	-32,631
Carrying amount 31 Dec	450,700	403,357
Transmission lines		
Cost at 1 Jan	896,373	869,911
Increases 1 Jan - 31 Dec	110,415	27,130
Decreases 1 Jan - 31 Dec		-668
Cost at 31 Dec	1,006,788	896,373
Accumulated depreciation according to plan 1 Jan	-288,984	-261,915
Decreases, depreciation according to plan 1 Jan - 31 Dec		230
Depreciation according to plan 1 Jan - 31 Dec	-27,875	-27,299
Carrying amount 31 Dec	689,929	607,389
Other property, plant and equipment		
Cost at 1 Jan	14,096	13,830
Increases 1 Jan - 31 Dec	562	266
Cost at 31 Dec	14,658	14,096
Accumulated depreciation according to plan 1 Jan	-10,999	-10,577
Depreciation according to plan 1 Jan - 31 Dec	-650	-423
Carrying amount 31 Dec	3,009	3,097
Advance payments and purchases in progress		
Cost at 1 Jan	142,930	69,447
Increases 1 Jan - 31 Dec	224,097	127,274
Transfers to other property, plant, and equipment and to other intangible assets 1 Jan - 31 Dec	-204,549	-53,890
Borrowing costs capitalised in the financial year (note 10)	1,430	100
Cost at 31 Dec	163,908	142,930
Carrying amount 31 Dec	163,908	142,930
Carrying amount 31 Dec	1,419,561	1,253,273

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 €	2011	2010
Available-for-sale investments		
Cost at 1 Jan	366	329
Increases 1 Jan - 31 Dec		39
Decreases 1 Jan - 31 Dec		-3
Changes in fair value 1 Jan - 31 Dec	-65	1
Carrying amount 31 Dec	301	366
The changes in fair value are recorded in equity (note 25).		
Equity investments in associated companies		
Cost at 1 Jan	7,718	7,110
Portion of profit 1 Jan - 31 Dec	193	384
Translation differences 1 Jan - 31 Dec	240	224
Dividends 1 Jan - 31 Dec	-204	
Carrying amount 31 Dec	7,947	7,718
Carrying amount 31 Dec	8,247	8,084
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.

Financial summary of associated companies, 1,000 €

2010	Assets	Liabilities	Revenue	Profit/loss	Ownership (%)
Nord Pool Spot AS, Lysaker, Norway	340,747	319,121	13,839	2,002	20.0
Porvoon Alueverkko Oy, Porvoo, Finland	5,797	5,209	4,949	12	33.3
2011					
Nord Pool Spot AS, Lysaker, Norway	97,372	70,649	16,897	2,133	20.0
Porvoon Alueverkko Oy, Porvoo, Finland	6,979	6,358	5,039	17	33.3
Subsidiary shares 31 Dec 2011				Ownership (%)	Ownership (%)
Finextra Oy, Helsinki, Finland				100	100

19. INVENTORIES, 1,000 €	2011	2010
Materials and consumables at 1 Jan	6,642	5,542
Work in progress	65	559
Total	6,706	6,101

The cost of inventories recognised as expense was 0.4 (2010: 0.5) million euros.

20. TRADE RECEIVABLES AND OTHER RECEIVABLES, 1,000 €	2011	2010
Trade receivables	49,903	45,300
Trade receivables from associated companies (note 36)	708	3,219
Prepayments and accrued income	13,968	9,001
Other receivables	53	43
Total	64,633	57,563

Essential items included in prepayments and accrued income	2011	2010
Accruals of sales	5,024	3,606
Accruals of purchases/prepayments	493	857
Interest receivable	8,249	4,334
Rents/prepayments	203	205
Total	13,968	9,001

Age distribution of trade receivables	2011	2010
Unmatured trade receivables	46,672	47,970
Trade receivables matured by 1-30 days	3,868	501
Trade receivables matured by 31-60 days	60	32
Trade receivables matured by more than 60 days	12	16
Total	50,611	48,519

On 31 December 2011 or on 31 December 2010, the company did not have matured trade receivables of which impairment losses would have been recorded. Based on earlier payments, 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 €	2011	2010
EUR	64,631	57,546
GBP	2	
SEK		17
Total	64,633	57,563

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 €	2011	2010
Certificates of deposit	99,693	99,659
Commercial papers	102,694	118,244
Total	202,387	217,903

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 €	2011	2010
Cash and bank accounts	152	1,111
Pledged accounts	1,302	2,669
Total	1,454	3,780

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 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	64,633				64,633	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	64,633	283,873	301		348,806	
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	

	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 2010						
Non-current financial assets						
Available-for-sale investments			366		366	18
Interest rate and currency derivatives		52,798			52,798	29
Current financial assets						
Interest rate and currency derivatives		4,629			4,629	29
Trade receivables and other receivables	57,563				57,563	20
Financial assets recognised in income statement at fair value		217,903			217,903	21
Cash in hand and bank receivables	3,780				3,780	22
Financial assets total	61,343	275,330	366		337,039	
Non-current financial liabilities						
Borrowings				877,530	877,530	27
Interest rate and currency derivatives		116			116	29
Current financial liabilities						
Borrowings				199,327	199,327	27
Interest rate and currency derivatives		1,679			1,679	29
Trade payables and other liabilities	58,556			9,843	68,398	30
Financial liabilities total	58,556	1,795		1,086,700	1,147,051	

24. FAIR VALUE HIERARCHY, 1,000 €	2011			2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held at fair value						
Available-for-sale investments	48	200		49	265	
Interest rate and currency derivatives		64,421			56,645	
Electricity forward contracts, NASDAQ OMX Commodities				26,602		
Financial assets recognised at fair value		202,387			217,903	
Financial assets held at fair value total	48	267,008		26,651	274,813	
Financial liabilities held at fair value						
Interest rate and currency derivatives		1,628			1,013	
Electricity forward contracts, NASDAQ OMX Commodities	22,814					
Electricity forward contracts, others	75					
Financial liabilities held at fair value total	22,889	1,628			1,013	

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, fair value reserve (incl. hedge and revaluation 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 2010	55,922	55,922	111,845
Change			
31 Dec 2010	55,922	55,922	111,845
Change			
31 Dec 2011	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 2011	2,078	1,247	3,325
Change			
31 Dec 2011	2,078	1,247	3,325

The maximum number of shares is 13,300 as in 2010. The shares have no par value.

Series A shares confer three votes each at a shareholders' meeting and series B shares one vote each. When electing members of the Board of Directors, series A share confers 10 votes each at a shareholders' 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 before series A shares to receive the annual dividend and the undistributed amount. Series B shares have no right to receive any other dividend.

The shareholders' meeting decides on the annual dividend.

The determination of the dividend: 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 2011 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.

Fair value reserves

The fair value 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) (re-valuation reserve).

Hedge reserve, 1,000 €	2011	2010
1 Jan	19,708	-11,452
Changes in fair value during financial year	-37,841	38,084
Taxes	4,443	-6,924
Hedge reserve 31 Dec	-13,691	19,708

Revaluation reserve, 1,000 €	2011	2010
1 Jan	61	60
Changes in fair value during financial year	-65	1
Taxes on changes in fair value during financial year	17	0
Revaluation reserve 31 Dec	12	61

Translation reserve, 1,000 €	2011	2010
Translation reserve 31 Dec	551	312

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

Dividends, 1,000 €	2011	2010
Dividends paid	6,711	6,724

The proposal for dividend distribution for the financial year 2011 is presented in note 14.

Retained earnings, 1,000 €	2011	2010
Profit from previous financial years	375,589	340,531
Profit for the financial year	32,998	41,768
Retained earnings 31 Dec	408,586	382,299

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

Changes in deferred taxes in 2011:

	31 Dec 2010	Recorded in income statement at fair value	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 depreciations 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

Changes in deferred taxes in 2010:

	31 Dec 2009	Recorded in income statement at fair value	Recorded in equity	31 Dec 2010
Deferred tax assets				
Provisions	500	-6		494
Current financial assets	1,376	516		1,892
Non-current financial assets	196			
Interest-bearing borrowings		10,242		8,464
Derivative instruments	4,625	-571	-4,024	30
Other items	15	-1		13
Total	6,711	10,179	-4,024	10,893
Deferred tax liabilities				
Accumulated depreciation difference	-103,074	-10,379		-113,453
Property, plant and equipment, tangible and intangible assets	-14,997	-2,525		-17,522
Available-for-sale investments	-39		0	-39
Other receivables	-1,020	-109		-1,128
Financial assets recognised in income statement at fair value	-148	35		-113
Non-current financial assets		-9,634		-9,438
Interest-bearing borrowings	-1,778			
Derivative instruments			-6,924	-6,924
Trade payables and other liabilities	-718	75		-644
Total	-121,774	-22,536	-6,925	-149,262

27. BORROWINGS, 1,000 €	2011		2010	
	Fair value	Balance sheet value	Fair value	Balance sheet value
Non-current				
Bonds	637,276	619,998	675,619	663,218
Loans from financial institutions	231,086	225,156	212,976	214,312
	868,362	845,154	888,595	877,530
Current				
Current portion of long-term borrowings maturing within a year	173,391	171,673	105,888	104,768
Other loans / Commercial papers (international and domestic)	207,537	207,168	94,897	94,559
	380,928	378,841	200,785	199,327
Total	1,249,290	1,223,995	1,089,380	1,076,858

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 €				2011	2010
International:		Maturity date	Interest		
EUR	10,000	16.03.2011	3.625%		10,000
EUR	25,000	23.03.2011	variable interest		25,000
EUR	15,000	24.03.2011	variable interest		15,000
EUR	20,000	07.04.2011	variable interest		20,000
EUR	25,000	16.03.2012	variable interest	25,000	25,000
EUR	25,000	12.04.2012	variable interest	25,000	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
				235,000	305,000
FIM	160,000	19.08.2013	5.20%	26,909	26,908
				26,909	26,908
JPY	3,000,000	05.07.2011	1.31% *		27,612
JPY	3,000,000	25.07.2012	1.3575% **	29,940	27,612
JPY	3,000,000	20.04.2015	1.45%	29,940	27,612
JPY	500,000	22.06.2017	1.28%	4,990	4,602
				64,870	87,437
CHF	39,000	22.05.2012	2.475%	32,083	31,190
				32,083	31,190

NOK	170,000	19.11.2014	4.68%	21,924	21,795
NOK	200,000	17.10.2016	5.15%	25,793	25,641
NOK	200,000	11.04.2017	5.16%	25,793	25,641
NOK	200,000	10.11.2017	5.12%	25,793	25,641
NOK	200,000	12.11.2019	5.37%	25,793	25,641
				125,097	124,359
SEK	225,000	03.04.2012	variable interest	25,247	25,096
SEK	225,000	11.04.2012	variable interest	25,247	25,096
SEK	100,000	21.03.2013	variable interest	11,221	11,154
SEK	200,000	03.04.2013	3.70%	22,442	22,308
SEK	175,000	04.04.2014	4.30%	19,636	19,519
SEK	300,000	15.06.2015	3.195%	33,662	33,462
SEK	100,000	17.06.2015	3.10%	11,221	11,154
SEK	220,000	01.12.2015	interest rate structure	26,588	26,994
SEK	100,000	15.01.2016	3.297%	11,221	11,154
SEK	500,000	18.10.2016	variable interest	55,967	
SEK	500,000	18.10.2016	3.50%	56,104	
				298,556	185,936
Bonds, long-term total				619,998	663,218
Bonds, short-term total				162,517	97,612
Total				782,515	760,830

*call option not exercised 5 July 2004

**call option not exercised 25 July 2006

Maturity of non-current borrowings, 1,000 €

	2012	2013	2014	2015	2016	2016+	Total
Bonds	162,517	110,571	101,561	101,412	149,085	157,369	782,515
Loans from financial institutions	9,156	11,156	4,000	16,424	20,710	172,866	234,312
Total	171,673	121,727	105,561	117,836	169,795	330,235	1,016,827

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 €

	2011	2010
Provisions 1 Jan	1,899	1,921
Provisions used	-2	-23
Provisions 31 Dec	1,897	1,899

29. DERIVATIVE INSTRUMENTS, 1,000 €

	2011				2010			
	Fair value Positive	Fair value Negative	Net fair value	Nominal value	Fair value Positive	Fair value Negative	Net fair value	Nominal value
Interest rate and currency derivatives	31 Dec 2011	31 Dec 2011	31 Dec 2011	31 Dec 2011	31 Dec 2010	31 Dec 2010	31 Dec 2010	31 Dec 2010
Cross-currency swaps	73,198	-9,592	63,606	518,841	48,940	-479	48,462	426,467
Forward contracts		-384	-384	24,700	245		245	1,747
Interest rate swaps	6,019	-7,262	-1,243	301,000	300	-1,313	-1,013	241,000
Interest rate options, bought	814		814	880,000	7,938		7,938	880,000
Total	80,032	-17,238	62,793	1,724,541	57,424	-1,792	55,632	1,549,214
Electricity derivatives	Fair value Positive	Fair value Negative	Net fair value	Volume TWh	Fair value Positive	Fair value Negative	Net fair value	Volume TWh
	31 Dec 2011	31 Dec 2011	31 Dec 2011	31 Dec 2011	31 Dec 2010	31 Dec 2010	31 Dec 2010	31 Dec 2010
Electricity forward contracts, designated as hedge accounting, NASDAQ OMX Commodities		-22,814	-22,814	3.81	26,625	-400	26,225	3.66
Electricity forward contracts, NASDAQ OMX Commodities		-75	-75	0.01	377		377	0.03
Total		-22,889	-22,889	3.82	27,002	-400	26,602	3.69

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 2011.

Maturity of derivative contracts:

Nominal value, 1,000 €	2012	2013	2014	2015	2016	2016+	Total
Interest rate swaps	55,000	80,000	36,000	30,000	70,000	30,000	301,000
Interest rate options	30,000	185,000	445,000	220,000			880,000
Cross-currency swaps	112,517	33,662	41,561	99,509	149,222	82,369	518,841
Forward contracts	24,700						24,700
Total	222,217	298,662	522,561	349,509	219,222	112,369	1,724,541
TWh	2012	2013	2014	2015	2016	2016+	Total
Electricity derivatives	1.21	1.04	0.79	0.52	0.26		3.82
Total	1.21	1.04	0.79	0.52	0.26		3.82

30. TRADE PAYABLES AND OTHER LIABILITIES, 1,000 €	2011	2010
Trade payables	23,344	30,805
Trade payables to associated companies	120	324
Interest liabilities	14,491	9,843
Value added tax	2,481	3,051
Electricity tax	1,507	616
Accruals	21,159	26,782
Other debt	520	644
Total	63,623	72,066
Essential items included in accruals	2011	2010
Personnel expenses	3,351	4,409
Accruals of sales and purchases	17,808	22,361
Other		12
Total	21,159	26,782
31. COMMITMENTS AND CONTINGENT LIABILITIES, 1,000 €	2011	2010
Pledges		
Pledge covering property lease agreements	47	46
Pledged account in favour of the Customs Office	150	150
Pledged account covering electricity exchange purchases	127	1,878
	323	2,074
Unrecorded investment commitments	218,072	385,012
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	401	120
Commitment fee for subsequent years	1,584	89
	3,685	1,908
32. OTHER LEASE AGREEMENTS, 1,000 €	2011	2010
Minimum rental obligations of other irrevocable lease agreements:		
In one year	1,999	2,038
In more than one year and less than five years	8,818	9,664
In more than five years	15,277	16,003
Total	26,095	27,706

The foremost lease agreements of the Group relate to office premises. The durations of the lease agreements range from less than one year to ten 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 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.

In December 2008 the Market Court reached a decision concerning Fingrid's appeal to the Energy Market Authority's decision 13 December 2007 "Determination of the methodology for the assessment of the return of the grid owners' grid operations transmission services pricing for the review period starting on 1 January 2008 and ending on 31 December 2011". The Market Court partly changed the Energy Market Authority's decision according to Fingrid's appeal. The Energy Market Authority in turn appealed the decision to the Supreme Administrative Court. The Supreme Administrative Court partly approved the Energy Market Authority's appeal.

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.

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 primary principles for risk management and any amendments to them. The Board of Directors approves the primary action 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.

Primary principles for financing

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

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 primary 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 primary 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 primary principals for financing, leave an exposure unhedged, which may not exceed 10% of the financial assets.

Transaction exposure

The company issues securities in the domestic and international 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. 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 2011	Carrying amount	Portion %	Hedging degree	Currency distribution 31 Dec 2010	Carrying amount	Portion %	Hedging degree
EUR	678,734	55		EUR	647,936	60	
CHF	56,737	5	100	CHF	31,190	3	100
JPY	64,870	5	100	JPY	87,437	8	100
NOK	125,097	10	100	NOK	124,359	12	100
SEK	298,556	24	100	SEK	185,936	17	100
Total	1,223,995	100	100	Total	1,076,858	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 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

Exchange rate changes, 1,000 €

31 Dec 2010		Bonds	Commercial papers	Total	Cross-currency swaps	Forward contracts	Total	Net exposure Total
CHF	+10%	-3,608		-3,608	3,608		3,608	0
	- 10%	2,952		2,952	-2,952		-2,952	0
JPY	+10%	-9,442		-9,442	9,442		9,442	0
	- 10%	8,135		8,135	-8,135		-8,135	0
NOK	+10%	-14,280		-14,280	14,280		14,280	0
	- 10%	11,684		11,684	-11,684		-11,684	0
SEK	+10%	-20,583		-20,583	20,583		20,583	0
	- 10%	16,841		16,841	-16,841		-16,841	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 €		2011		2010	
		Equity 31 Dec 2011		Equity 31 Dec 2010	
NOK	+10%	505		481	
	-10%	-413		-393	

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 main principles of 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 high level of interest rates is when the 6 month Euribor interest rate is 5% or more. At the end of 2011, 65% of the interest costs for the next five years were hedged, and correspondingly 70% were hedged at the end of 2010.

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 €	2011		2010	
	-1%-unit	+1%-unit	-1%-unit	+1%-unit
Borrowings	7,325	-7,325	6,692	-6,692
Interest rate derivatives	-1,350	1,350	-1,034	1,034
Borrowings total	5,975	-5,975	5,658	-5,658
Cash and cash equivalents	-1,624	1,624	-1,772	1,772
Net borrowings total	4,351	-4,351	3,887	-3,887

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 €	2011		2010		
	31 Dec 2011		31 Dec 2010		
Confidence level	Net finance costs		Confidence level	Net finance costs	
96%	min.	19,747	96%	min.	16,511
	max.	26,898		max.	22,339
98%	min.	19,200	98%	min.	16,264
	max.	27,058		max.	22,642

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 principles accepted by the Board of Directors. 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 31.2 million euros higher or lower (39.9 million euros in 2010).

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 2016. 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 related to the financial key indicators.

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

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

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

31 Dec 2010		2011	2012	2013	2014	2015	2015+	Total
Bonds	- repayments	97,612	158,994	110,371	101,314	99,220	193,319	760,830
	- interest costs	19,783	19,224	17,421	14,616	11,095	17,101	99,240
Loans from financial institutions	- repayments	7,156	9,156	11,156	4,000	16,424	173,576	221,469
	- interest costs	5,543	5,757	6,145	6,256	6,486	31,746	61,933
Commercial papers	- repayments	94,559						94,559
	- interest costs	441						441
Cross-currency swaps	- payments	33,729	105,101	38,878	46,613	93,957	121,436	439,715
Interest rate swaps	- payments	4,142	4,353	4,222	2,277	1,829	2,037	18,860
Forward contracts	- payments	1,501						1,501
Guarantee commitment*	- payments	1,700						1,700
Total		266,166	302,586	188,194	175,076	229,011	539,215	1,700,248
Cross-currency swaps	- receivables	40,966	122,059	44,602	51,635	105,320	130,876	495,457
Interest rate swaps	- receivables	3,811	3,941	3,573	2,429	1,941	1,842	17,537
Forward contracts	- receivables	1,743						1,743
Total		46,520	126,000	48,175	54,064	107,261	132,718	514,737
Grand total		219,646	176,586	140,019	121,012	121,750	406,497	1,185,511

*Counterguarantee 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 €	2011	2010
Business transactions not involving a payment transaction		
Depreciation	67,879	66,813
Capital gains/losses (-/+) on property, plant and equipment and intangible assets	104	-404
Portion of profit of associated companies	-193	-384
Gains/losses from the valuation of assets and liabilities recognised in income statement at fair value	4,971	-2,349
Total	72,761	63,677

36. RELATED PARTY TRANSACTIONS

The State of Finland acquired in 2011 approx. 81 per cent of the shares held previously by Fortum and Pohjolan Voima. After the share transaction, the holding of the State of Finland in Fingrid is 53.1 per cent. Related party transactions cover transactions concluded with entities where the State of Finland has a holding in excess of 50%.

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 €	2011	2010
Salaries and other short-term employee benefits	1,564	1,376
Transactions with associated companies, 1,000 €	2011	2010
Sales	4,290	4,155
Purchases	62,510	71,154
Receivables	708	3,219
Liabilities	120	324
Transactions with related parties, 1,000 €	2011	2010
Owners:		
Sales	49,911	106,742
Purchases	32,961	72,631
Receivables		8,341
Liabilities		1,738
Other related parties:		
Sales	36,356	
Purchases	34,399	
Receivables	6,125	
Liabilities	4,946	

General procurement principles

The group follows three alternative procurement methods when purchasing goods or services. When the costs and value of the purchase 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) 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.

	2011	2010
	tCO₂	tCO₂
Emission rights received free of charge	25,261	25,261
Emission volumes, Olkiluoto	526	674
Emission volumes, other power plants total	1,908	2,218
Sales of emission rights		9,000

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 2011 €	1 Jan - 31 Dec 2010 €
TURNOVER	2	433,829,531.17	455,655,341.59
Other operating income	3	2,975,592.24	6,977,724.05
Materials and services	4	-236,927,584.93	-252,934,683.61
Staff expenditure	5	-20,333,921.19	-20,385,296.72
Depreciation and amortisation expense	6	-77,448,711.28	-76,334,772.29
Other operating expenses	7, 8	-50,141,675.40	-50,392,640.16
OPERATING PROFIT		51,953,230.61	62,585,672.86
Finance income and costs	9	-24,011,192.98	-14,238,443.93
PROFIT BEFORE EXTRAORDINARY ITEMS		27,942,037.63	48,347,228.93
PROFIT BEFORE PROVISIONS AND TAXES		27,942,037.63	48,347,228.93
Provisions	10	1,817,115.05	-39,918,607.06
Income taxes	11	-7,715,876.02	-2,206,584.38
PROFIT FOR THE FINANCIAL YEAR		22,043,276.66	6,222,037.49

Notes are an integral part of the financial statements.

PARENT COMPANY BALANCE SHEET

ASSETS	Notes	31 Dec 2011 €	31 Dec 2010 €
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	12	36,454,732.95	42,887,921.11
Other non-current expenses	13	88,331,632.26	73,829,424.65
		124,786,365.21	116,717,345.76
Tangible assets			
Land and water areas	14	13,671,030.45	13,508,605.63
Buildings and structures		98,298,091.08	82,942,332.94
Machinery and equipment		448,490,783.67	401,268,462.18
Transmission lines		671,539,513.14	607,095,469.42
Other tangible assets		117,516.35	117,516.35
Advance payments and purchases in progress		162,317,923.59	142,767,394.87
		1,394,434,858.28	1,247,699,781.39
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		1,134,892.55	913,125.03
		8,280,816.53	8,059,049.01
TOTAL NON-CURRENT ASSETS		1,527,502,040.02	1,372,476,176.16
CURRENT ASSETS			
Inventories	16	6,706,182.09	6,100,556.12
Receivables			
Current receivables			
Trade receivables		44,109,058.75	45,300,257.51
Receivables from Group companies		104,809.25	276,750.00
Receivables from associated companies	17	707,752.76	3,218,535.01
Other receivables		53,228.12	43,066.26
Prepayments and accrued income	18, 19	27,355,285.45	28,514,948.37
		72,330,134.33	77,353,557.15
Financial assets	20	201,305,951.47	217,467,915.94
Cash in hand and bank receivables	20	1,454,207.08	3,779,895.40
TOTAL CURRENT ASSETS		281,796,474.97	304,701,924.61
TOTAL ASSETS		1,809,298,514.99	1,677,178,100.77

Notes are an integral part of the financial statements.

PARENT COMPANY BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 Dec 2011 €	31 Dec 2010 €
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		497,917.81	986,578.59
Profit for the financial year		22,043,276.66	6,222,037.49
TOTAL SHAREHOLDERS' EQUITY		134,386,165.57	119,053,587.18
ACCUMULATED PROVISIONS	22	434,541,613.33	436,358,728.38
PROVISIONS FOR LIABILITIES AND CHARGES	29	1,897,446.78	1,898,946.78
LIABILITIES			
Non-current liabilities			
Bonds	23, 24	591,622,542.18	630,558,105.45
Loans from financial institutions		225,156,064.52	214,312,494.90
		816,778,606.70	844,870,600.35
Current liabilities			
Bonds	23	148,735,179.54	98,200,000.00
Loans from financial institutions		9,156,429.94	7,156,430.08
Trade payables		23,340,117.28	30,804,861.93
Liabilities to Group companies	25	459,652.50	586,368.95
Liabilities to associated companies	26	120,118.18	324,440.99
Other liabilities	27	211,878,601.87	98,824,331.09
Accruals	28	28,004,583.30	39,099,805.04
		421,694,682.61	274,996,238.08
TOTAL LIABILITIES		1,238,473,289.31	1,119,866,838.43
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,809,298,514.99	1,677,178,100.77

Notes are an integral part of the financial statements.

PARENT COMPANY CASH FLOW STATEMENT

	Notes	1 Jan - 31 Dec 2011 €	1 Jan - 31 Dec 2010 €
Cash flow from operating activities:			
Profit for the financial year	21	22,043,276.66	6,222,037.49
Adjustments:			
Business transactions not involving a payment transaction	31	75,735,593.41	115,810,485.26
Interest and other finance costs		31,456,287.80	22,012,788.21
Interest income		-7,233,286.64	-7,713,629.23
Dividend income		-211,808.18	-60,715.05
Taxes		7,715,876.02	2,206,584.38
Changes in working capital:			
Change in trade receivables and other receivables		2,630,494.62	-6,984,934.21
Change in inventories		-605,625.97	-685,809.33
Change in trade payables and other liabilities		-14,230,928.03	3,086,305.82
Change in provisions		-1,500.00	-22,500.00
Interests paid		-24,250,843.24	-23,219,684.77
Interests received		2,898,710.93	5,835,751.33
Taxes paid	11	-2,343,505.78	-1,761,915.96
Net cash flow from operating activities		93,602,741.60	114,724,763.94
Cash flow from investing activities:			
Purchase of tangible assets	14	-221,489,627.11	-138,106,461.73
Purchase of intangible assets	13	-21,235,186.68	-4,563,487.45
Investments in other assets	15	-221,767.52	-23,685.92
Proceeds from sale of tangible assets	14	50,000.00	903,900.00
Dividends received	9	211,808.18	60,715.05
Contributions received		142,500.00	15,000,000.00
Net cash flow from investing activities		-242,542,273.13	-126,729,020.05
Cash flow from financing activities:			
Withdrawal of short-term loans		620,754,894.13	474,878,862.04
Repayment of short-term loans		-507,247,826.61	-601,994,983.73
Withdrawal of long-term loans		129,183,417.22	256,519,369.47
Repayment of long-term loans		-105,527,907.73	-92,730,348.73
Dividends paid	21	-6,710,698.27	-6,724,119.67
Net cash flow from financing activities		130,451,878.74	29,948,779.38
Net change in cash and cash equivalents		-18,487,652.79	17,944,523.27
Cash and cash equivalents 1 Jan		221,247,811.34	203,303,288.07
Cash and cash equivalents 31 Dec	20	202,760,158.55	221,247,811.34

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 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 financial policy, 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 systems	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 and domestic Debt Issuance Programmes. 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 €	2011	2010
Grid service revenue	210,207	211,464
Sale of imbalance power	145,861	159,812
Cross-border transmission	22,399	23,865
ITC income	22,181	19,298
Peak load capacity	2,510	13,962
Estlink congestion income	9,632	9,465
Nordic congestion income	15,765	9,045
Service fee for feed-in tariff		225
Income from peak load capacity services	85	
Other operating revenue	5,188	8,520
Total	433,830	455,655

3. OTHER OPERATING INCOME, 1,000 €	2011	2010
Rental income	1,740	1,632
Contributions received	205	138
Other income	1,031	5,207
Total	2,976	6,978

4. MATERIALS AND SERVICES, 1,000 €	2011	2010
Purchases during the financial year	162,748	177,788
Loss energy purchases	62,590	65,212
Change in inventories, increase (-) or decrease (+)	-606	-686
Materials and supplies	224,732	242,314
Grid service charges	53	49
Other external services	12,142	10,571
Services	12,195	10,620
Total	236,928	252,935

5. STAFF EXPENDITURE, 1,000 €	2011	2010
Salaries and bonuses	17,213	17,177
Pension expenses	2,356	2,435
Other additional personnel expenses	765	773
Total	20,334	20,385

Salaries and bonuses of the members of the Board of Directors and President	436	385
Helena Walldén, Chairman (since 3.5.2011)	24	
Arto Lepistö, Vice Chairman (since 3.5.2011, Board member 17.3.2006-)	23	19
Elina Engman, Member of the Board (since 3.5.2011)	11	
Timo Kärkkäinen, Member of the Board (since 3.5.2011)	13	
Esko Raunio, Member of the Board (since 3.5.2011)	10	
Antti Riivari, Deputy Member of the Board (since 3.5.2011)	4	
Timo Ritonummi, Deputy Member of the Board (Board member 3.5.2001-)	5	5
Marja Hanski, Deputy Member of the Board (since 3.5.2011)	4	
Mikko Räsänen, Deputy Member of the Board (since 3.5.2011)	4	
Jari Eklund, Deputy Member of the Board (since 3.5.2011)	4	
Jarmo Väisänen, Member of the Board (3-13.5.2011)	0	
Jarmo Kilpelä, Member of the Board (3-13.5.2011)	0	
Ilpo Nuutinen, Deputy Member of the Board (3-13.5.2011)	0	
Petri Vihervuori, Deputy Member of the Board (3-13.5.2011)	0	
Lauri Virkkunen, Chairman (1.7.2010-3.5.2011)	8	11
Timo Karttinen, First Deputy Chairman (until 3.5.2011)	7	17
Risto Autio, Member of the Board (until 3.5.2011)	4	13
Ari Koponen, Member of the Board (until 3.5.2011)	4	12
Ritva Nirkkonen, Member of the Board (until 3.5.2011)	4	13
Anja Silvennoinen, Member of the Board (until 3.5.2011)	4	12
Jorma Tammenaho, Deputy Member of the Board (until 3.5.2011)	2	5
Jussi Hintikka, Deputy Member of the Board (until 31.12.2010)		5
Pekka Kettunen, Deputy Member of the Board (until 3.5.2011)	2	5
Kari Koivuranta, Deputy Member of the Board (until 3.5.2011)	2	5
Jukka Mikkonen, Deputy Member of the Board (until 3.5.2011)	2	5
Juha Laaksonen, Deputy Member of the Board (until 3.5.2011)	2	5
Timo Rajala, Chairman (until 30.6.2010)		9
Minna Korkea-oja, Deputy Member of the Board (1.1.-3.5.2011)	2	
Jukka Ruusunen, President and CEO	293	241

Number of salaried employees in the company during the financial year:		
Personnel, average	263	260
Personnel, 31 Dec	266	263

6. DEPRECIATION ACCORDING TO PLAN, 1,000 €	2011	2010
Goodwill	6,433	6,433
Other noncurrent expenses	6,733	6,409
Buildings and structures	4,050	3,667
Machinery and equipment	32,405	32,537
Transmission lines	27,827	27,289
Total*	77,449	76,335
*Depreciation on the electricity grid (notes 13 and 14)	63,821	63,275
7. OTHER OPERATING EXPENSES, 1,000 €	2011	2010
Contracts, assignments etc. undertaken externally	31,808	32,606
Grid rents	9,603	9,860
Other rental expenses	1,935	1,684
Other expenses	6,796	6,243
Total	50,142	50,393
8. AUDITORS FEES, 1,000 €	2011	2010
Auditing fee	32	42
Other fees	6	46
Total	38	88
9. FINANCE INCOME AND COSTS, 1,000 €	2011	2010
Dividend income from Group companies	-1	-56
Dividend income from others	-212	-4
Interest and other finance income from Group companies		
Interest and other finance income from others	-7,233	-7,714
	-7,446	-7,774
Interest and other finance costs to Group companies	7	2
Interest and other finance costs to others	31,449	22,010
	31,456	22,013
Total	24,011	14,238
10. PROVISIONS, 1,000 €	2011	2010
Difference between depreciation according to plan and depreciation carried out in taxation	-1,817	39,919

11. INCOME TAXES, 1,000 €	2011	2010
Income taxes for the financial year	7,716	2,207
Total	7,716	2,207
Deferred tax assets and liabilities, 1,000 €		
Deferred tax assets		
On temporary differences	493	494
	493	494
Deferred tax liabilities		
On temporary differences	404	422
On provisions	106,463	113,453
	106,867	113,875
Total	106,373	113,382
12. GOODWILL, 1,000 €	2011	2010
Cost at 1 Jan	128,664	128,664
Cost at 31 Dec	128,664	128,664
Accumulated depreciation according to plan 1 Jan	-85,776	-79,343
Depreciation according to plan 1 Jan - 31 Dec	-6,433	-6,433
Carrying amount 31 Dec	36,455	42,888
Accumulated depreciation difference 1 Jan	-42,888	-49,321
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	-36,455	-42,888
13. OTHER NON-CURRENT EXPENSES, 1,000 €	2011	2010
Cost at 1 Jan	141,001	136,473
Increases 1 Jan - 31 Dec	21,235	4,622
Decreases 1 Jan - 31 Dec		-95
Cost at 31 Dec	162,236	141,001
Accumulated depreciation according to plan 1 Jan	-67,171	-60,798
Decreases, depreciation according to plan 1 Jan - 31 Dec		36
Depreciation according to plan 1 Jan - 31 Dec	-6,733	-6,409
Carrying amount 31 Dec*	88,332	73,829
Accumulated depreciation difference 1 Jan	-59,326	-61,766
Increase in depreciation difference reserve 1 Jan - 31 Dec	-5,542	-4,433
Decrease in depreciation difference reserve 1 Jan - 31 Dec	6,733	6,873
Accumulated depreciation in excess of plan 31 Dec	-58,135	-59,326
*Net capital expenditure in electricity grid, 1,000 €	2011	2010
Carrying amount 31 Dec	86,763	72,067
Carrying amount 1 Jan	-72,067	-73,747
Depreciation according to plan 1 Jan - 31 Dec	5,887	5,811
Decreases 1 Jan - 31 Dec		59
Total	20,583	4,189

14. TANGIBLE ASSETS, 1,000 €	2011	2010
Land and water areas		
Cost at 1 Jan	13,509	11,410
Increases 1 Jan - 31 Dec	162	2,098
Cost at 31 Dec	13,671	13,509
Buildings and structures		
Cost at 1 Jan	105,946	96,164
Increases 1 Jan - 31 Dec	19,432	9,783
Decreases 1 Jan - 31 Dec	-43	
Cost at 31 Dec	125,336	105,946
Accumulated depreciation according to plan 1 Jan	-23,004	-19,337
Decreases, depreciation according to plan 1 Jan - 31 Dec	17	
Depreciation according to plan 1 Jan - 31 Dec	-4,050	-3,667
Carrying amount 31 Dec	98,298	82,942
Accumulated depreciation difference 1 Jan	-9,614	-9,577
Increase in depreciation difference reserve 1 Jan - 31 Dec	-4,373	-3,704
Decrease in depreciation difference reserve 1 Jan - 31 Dec	4,062	3,667
Accumulated depreciation in excess of plan 31 Dec	-9,925	-9,614
Machinery and equipment		
Cost at 1 Jan	664,281	640,486
Increases 1 Jan - 31 Dec	79,755	23,799
Decreases 1 Jan - 31 Dec	-255	-4
Cost at 31 Dec	743,781	664,281
Accumulated depreciation according to plan 1 Jan	-263,013	-230,476
Decreases, depreciation according to plan 1 Jan - 31 Dec	127	0
Depreciation according to plan 1 Jan - 31 Dec	-32,405	-32,537
Carrying amount 31 Dec	448,491	401,268
Accumulated depreciation difference 1 Jan	-104,170	-89,485
Increase in depreciation difference reserve 1 Jan - 31 Dec	-29,028	-47,222
Decrease in depreciation difference reserve 1 Jan - 31 Dec	32,509	32,537
Accumulated depreciation in excess of plan 31 Dec	-100,690	-104,170
Transmission lines		
Cost at 1 Jan	896,062	869,600
Increases 1 Jan - 31 Dec	92,271	27,130
Decreases 1 Jan - 31 Dec		-668
Cost at 31 Dec	988,334	896,062
Accumulated depreciation according to plan 1 Jan	-288,967	-261,908
Decreases, depreciation according to plan 1 Jan - 31 Dec		230
Depreciation according to plan 1 Jan - 31 Dec	-27,827	27,289
Carrying amount 31 Dec	671,540	607,095
Accumulated depreciation difference 1 Jan	-220,360	-186,290
Increase in depreciation difference reserve 1 Jan - 31 Dec	-36,804	-61,472
Decrease in depreciation difference reserve 1 Jan - 31 Dec	27,827	27,402
Accumulated depreciation in excess of plan 31 Dec	-229,337	-220,360

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	142,767	69,384
Increases 1 Jan - 31 Dec	224,097	127,274
Decreases 1 Jan - 31 Dec	-204,546	-53,890
Cost at 31 Dec	162,318	142,767
Total*	1,394,435	1,247,700
* Net capital expenditure in electricity grid, 1,000	2011	2010
Carrying amount 31 Dec	1,228,861	1,144,803
Carrying amount 1 Jan	-1,144,803	-1,098,811
Depreciation according to plan 1 Jan - 31 Dec	57,935	57,464
Decreases 1 Jan - 31 Dec	154	442
Total	142,147	103,898
15. INVESTMENTS, 1,000 €	2011	2010
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	913	850
Increases 1 Jan - 31 Dec	222	66
Decreases 1 Jan - 31 Dec		-3
Cost at 31 Dec	1,135	913
Total	8,281	8,059
16. INVENTORIES, 1,000 €	2011	2010
Materials and supplies	6,642	5,542
Work in progress	65	559
Total	6,706	6,101

17. RECEIVABLES FROM ASSOCIATED COMPANIES, 1,000 €	2011	2010
Current:		
Trade receivables	708	3,219
Total	708	3,219
18. PREPAYMENTS AND ACCRUED INCOME, 1,000 €	2011	2010
Interests and other financial items	21,650	24,043
Accruals of sales and purchases	5,502	4,267
Other	203	205
Total	27,355	28,515
19. UNRECORDED EXPENSES AND PAR VALUE DIFFERENTIALS ON THE ISSUE OF LOANS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME, 1,000 €	2011	2010
Par value differentials	2,167	2,588
20. CASH AND CASH EQUIVALENTS, 1,000 €	2011	2010
Certificates of deposit	99,206	99,484
Commercial papers	102,100	117,984
	201,306	217,468
Cash in hand and bank receivables	152	1,111
Pledged accounts	1,302	2,669
	1,454	3,780
Total	202,760	221,248
21. SHAREHOLDERS' EQUITY, 1,000 €	2011	2010
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	7,209	7,711
Dividend distribution	-6,711	-6,724
Profit from previous financial years 31 Dec	498	987
Profit for the financial year	22,043	6,222
Shareholders' equity 31 Dec	134,386	119,054
Distributable shareholders' equity	22,541	7,209

Number of shares, qty	Series A shares	Series B shares	Total
1 Jan 2011	2,078	1,247	3,325
31 Dec 2011	2,078	1,247	3,325

Series A shares confer three votes each at a shareholders' meeting and series B shares one vote each. When electing members of the Board of Directors, series A share confers 10 votes each at a shareholders' 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.

The shareholders' meeting decides on the annual dividend.

The determination of the dividend: the amount of the annual dividend is calculated on the basis of calendar years so that the subscription price of a 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 2011 is 6.0 per cent.

There are no minority interests.

22. ACCUMULATED PROVISIONS, 1,000 €	2011	2010
Accumulated depreciation in excess of plan, the difference between depreciation according to plan and depreciation carried out in taxation	434,542	436,359

23. BONDS, 1,000 €

				2011	2010
International:		Maturity date	Interest		
EUR	10,000	16.03.2011	3.625%		10,000
EUR	25,000	23.03.2011	variable interest		25,000
EUR	15,000	24.03.2011	variable interest		15,000
EUR	20,000	07.04.2011	variable interest		20,000
EUR	25,000	16.03.2012	variable interest	25,000	25,000
EUR	25,000	12.04.2012	variable interest	25,000	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
				235,000	305,000
FIM	160,000	19.08.2013	5.20%	26,910	26,910
				26,910	26,910
JPY	3,000,000	05.07.2011	1.31% *		28,200
JPY	3,000,000	25.07.2012	1.3575% **	25,400	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
				51,470	79,670
CHF	39,000	22.05.2012	2.475%	25,000	25,000
				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	24,194
SEK	225,000	11.04.2012	variable interest	24,142	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	
SEK	500,000	18.10.2016	3.50%	54,900	
				285,122	175,321

Bonds, long-term total	591,622	630,557
Bonds, short-term total	148,736	98,200
Total	740,358	728,757

*call option not exercised 5 July 2004

**call option not exercised 25 July 2006

24. LOANS FALLING DUE FOR PAYMENT IN FIVE YEARS OR MORE, 1,000 €

	2011	2010
Bonds	151,577	186,586
Loans from financial institutions	172,866	173,576
Total	324,443	360,162

25. LIABILITIES TO GROUP COMPANIES, 1,000 €

	2011	2010
Current:		
Other debts	460	586
Total	460	586

26. LIABILITIES TO ASSOCIATED COMPANIES, 1,000 €

	2011	2010
Current:		
Trade payables	120	324
Total	120	324

27. OTHER LIABILITIES, 1,000 €

	2011	2010
Current:		
Other loans / Commercial papers (international and domestic)	207,405	94,559
Value added tax	2,481	3,051
Electricity tax	1,507	616
Other debts	485	598
Total	211,879	98,824

28. ACCRUALS, 1,000 €

	2011	2010
Current:		
Interests and other financial items	13,136	12,658
Salaries and additional personnel expenses	3,351	4,409
Accruals of sales and purchases	11,517	22,032
Total	28,005	39,100

29. PROVISIONS FOR LIABILITIES AND CHARGES, 1,000 €	2011	2010
Creosote-impregnated and CCA-impregnated wooden towers, disposal expenses	1,897	1,898
Total	1,897	1,898

30. COMMITMENTS AND CONTINGENT LIABILITIES, 1,000 €	2011	2010
Rental liabilities		
Liabilities for the next year	1,999	2,038
Liabilities for subsequent years	24,096	25,667
	26,095	27,706
Pledges		
Pledge covering property lease agreements	47	46
Pledged account in favour of the Customs Office	150	150
Pledged account covering electricity exchange purchases	127	1,878
	323	2,074
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	401	120
Commitment fee for subsequent years	1,584	89
	3,685	1,908

31. OPERATING CASH FLOW ADJUSTMENTS, 1,000 €	2011	2010
Business transactions not involving a payment transaction		
Depreciation	77,449	76,335
Increase or decrease in accumulated depreciation difference	-1,817	39,919
Capital gains/losses (-/+) on tangible and intangible assets	104	-404
Other		-39
Total	75,736	115,810

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. In December 2008 the Market Court reached a decision concerning Fingrid's appeal to the Energy Market Authority's decision 13 December 2007 "Determination of the methodology for the assessment of the return of the grid owners' grid operations transmission services pricing for the review period starting on 1 January 2008 and ending on 31 December 2011". The Market Court partly changed the Energy Market Authority's decision according to Fingrid's appeal. The Energy Market Authority in turn appealed the decision to the Supreme Administrative Court. The Supreme Administrative Court partly approved the Energy Market Authority's appeal.

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.

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 2011 was 16 (16). The operating profit was -1.5 (1.8) per cent of turnover.

MANAGEMENT OF BALANCE OPERATION SEPARATED PROFIT AND LOSS ACCOUNT	1 Jan - 31 Dec 2011 1,000 €	1 Jan - 31 Dec 2010 1,000 €
TURNOVER*	154,927	167,073
Other operating income	12	
Materials and services*	-153,735	-160,913
Staff expenditure	-1,388	-1,202
Depreciation and amortisation expense	-733	-943
Other operating expenses	-1,477	-1,000
OPERATING PROFIT	-2,393	3,015
PROFIT BEFORE PROVISIONS AND TAXES	-2,393	3,015
Provisions	43	173
Income taxes		-829
PROFIT FOR THE FINANCIAL YEAR	-2,350	2,359

*Turnover includes 8.5 (6.5) million euros of sales of imbalance power to balance provider Fingrid Oyj, and Materials and services includes 8.0 (6.8) million euros of its purchases.

MANAGEMENT OF BALANCE OPERATION,
SEPARATED BALANCE SHEET

ASSETS	31 Dec 2011 1,000 €	31 Dec 2010 1,000 €
NON-CURRENT ASSETS		
Intangible assets		
Other non-current expenses	232	630
Tangible assets		
Machinery and equipment	463	673
	463	673
TOTAL NON-CURRENT ASSETS	695	1,303
CURRENT ASSETS		
Current receivables		
Trade receivables	8,654	4,480
Receivables from Group companies	4,307	
Other receivables	770	7,958
	13,731	12,438
Cash in hand and bank receivables	1	1
TOTAL CURRENT ASSETS	13,732	12,439
TOTAL ASSETS	14,427	13,741
SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec 2011 1,000 €	31 Dec 2010 1,000 €
SHAREHOLDERS' EQUITY		
Share capital	32	32
Share premium account	286	286
Profit from previous financial years	13,697	11,338
Profit for the financial year	-2,350	2,359
TOTAL SHAREHOLDERS' EQUITY	11,665	14,015
ACCUMULATED PROVISIONS	-506	-463

LIABILITIES		
Current liabilities		
Liabilities to Group companies	3,268	
Other liabilities		190
	3,268	190
TOTAL LIABILITIES	3,268	190
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	14,427	13,741

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	2011	2010
Return on investment (ROI) in transmission system operation, %	3.8	4.8
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.

	2011	2010
	tCO₂	tCO₂
Emission rights received free of charge	25,261	25,261
Emission volumes, Olkiluoto	526	674
Emission volumes, other power plants total	1,908	2,218
Sales of emission rights		9,000

3. SIGNATURES FOR THE ANNUAL REVIEW AND FOR THE FINANCIAL STATEMENTS

Helsinki, 16 February 2012

Helena Walldén
Chairman

Arto Lepistö
Vice Chairman

Elina Engman

Timo Kärkkäinen

Esko Raunio

Jukka Ruusunen
President & CEO

AUDITOR'S NOTATION

The financial statements for the financial year 2011 have been prepared in accordance with Generally Accepted Accounting Principles. A report on the audit carried out has been submitted today.

Helsinki, 17 February 2012

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Tuomala,
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, 2011. 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, 17 February, 2012

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Tuomala
Authorised Public Accountant

STOCK EXCHANGE RELEASES IN 2011

23 December 2011

Fingrid's financial reports in 2012

14 December 2011

Moody's affirms Fingrid Oyj's A1/P-1 ratings; changes outlook to stable

13 December 2011

Standard & Poor's Rating Services has published a Research Update on Fingrid Oyj

9 December 2011

Fingrid's ratings on CreditWatch Negative after similar action on Republic of Finland

27 October 2011

Fingrid Group's interim report
1 January - 30 September 2011

25 October 2011

Standard & Poor's long-term credit rating for Fingrid is AA-

21 October 2011

Fitch Ratings downgraded Fingrid's senior unsecured rating to A+, outlook is stable

7 September 2011

Fingrid will raise the grid fees

19 August 2011

Fingrid Group's interim report 1 January - 30 June 2011

14 July 2011

Fitch Ratings affirmed Fingrid's credit rating

23 June 2011

Fitch Ratings updated Fingrid's credit rating

4 May 2011

Fingrid Group's interim report 1 January - 31 March 2011

3 May 2011

Helena Walldén elected as Chairman of the Board of Directors of Fingrid Oyj

20 April 2011

Standard & Poor's updated Fingrid's credit ratings

19 April 2011

Fingrid signed EUR 250 million multicurrency revolving credit facility

19 April 2011

Fingrid's ownership rearrangements brought to conclusion

16 February 2011

Changes to Fingrid's financial reporting in 2011

16 February 2011

Fingrid Group's financial statements and annual report 2010: Profit improved significantly and capital investments continued to stay at a high level

14 February 2011

Moody's updated Fingrid's credit opinion

28 January 2011

Fingrid ratings on CreditWatch Positive on potential increase in Government ownership

26 January 2011

Fingrid's ownership arrangements progressing

Fingrid Group will release the following financial reports in 2012:

- 21 February 2012 financial review 2011
- 27 April 2012 interim report January - March 2012
- 24 August 2012 interim report January - June 2012
- 25 October 2012 interim report January - September 2012

Annual general meeting will be held on 22 March 2012 at 10.00.

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Fingrid. Powering Finland.