FINGRID OYJ
www.fingrid.fi

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ANNUAL REVIEW AND FINANCIAL STATEMENTS

1 January 2017 – 31 December 2017

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1 REPORT OF THE BOARD OF DIRECTORS

1.1 Financial result

Fingrid's consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS). Unless otherwise indicated, the figures in parentheses refer to the same period of the previous year.

In preparing these consolidated financial statements, the Group has followed the same standards as in 2016.

The Group's turnover was EUR 672.0 (586.1) million. Grid service income increased to EUR 412.1 (382.4) million, as a result of the change in grid pricing enacted at the start of the year and due to the growth in electricity consumption. Electricity consumption in Finland totalled 85.5 (85.1) terawatt hours during the year. Fingrid transmitted 66.2 (68.5) terawatt hours of electricity in its grid, which represents 75.5 (77.3) per cent of all electricity transmitted in Finland. Imbalance power sales amounted to EUR 213.9 (153.9) million. The increase in imbalance power sales resulted from the transfer of imbalance settlement to eSett Oy*[1], following which the imbalance power sold to cross-border imbalance responsible parties is reported as external turnover. Cross-border transmission income from the connection between Finland and Russia decreased to EUR 20.7 (24.0) million, as a result of Russia's lower realised transmission tariff. The transmission tariff used in imports from Russia is based on the difference between Finland's and north-western Russia's area prices. Fingrid's congestion income from connections between Finland and Sweden decreased to EUR 25.5 (37.5) million, which has been used for the Hirvisuo-Pyhänselkä grid investment. Other operating income totalled EUR 2.9 (12.7) million. The decline in other operating income resulted from the EUR 6.3 million in congestion income recognised in 2016 in compliance with the regulation concerning the costs from maintaining cross-border capacity and countertrade, and from a decline of EUR 3.5 million in capital gains on fixed assets.

The Group's total costs amounted to EUR 499.0 (442.2) million. Imbalance power costs grew from the previous year's level, to EUR 186.0 (121.7) million due to the above-mentioned transfer of imbalance settlement to eSett Oy. Loss power costs amounted to EUR 47.5 (57.6) million. The declining loss power costs have been affected by the lower price of loss power procurement and the lower volume of loss power. The realised average price of loss power procurement was EUR 37.62 (43.87) per megawatt hour. The costs of reserves to safeguard the grid's system security amounted to EUR 51.5 (50.5) million. Depreciation totalled EUR 96.9 (99.2) million. Grid maintenance costs amounted to EUR 24.5 (24.1) million and personnel costs to EUR 29.4 (28.6) million.

Turnover and other operating income, € million

	Jan-Dec/17	Jan-Dec/16	July-Dec/17	July-Dec/16
Grid service revenue	412.1	382.4	191.8	184.4
Sales of imbalance power	213.9	153.9	128.9	79.3
Cross-border transmission income	20.7	24.0	9.9	13.3

[1] *eSett Oy is a company owned jointly by the Finnish, Swedish and Norwegian transmission system operators, responsible for imbalance settlement in Finland, Sweden and Norway.

Peak load capacity income*	8.3	7.0	4.7	3.5
ITC income	8.6	13.2	4.8	5.3
Other turnover	8.4	5.6	5.8	3.0
Other operating income	2.9	12.7	1.9	4.4
Turnover and other income total	**674.9**	**598.8**	**347.8**	**293.2**

Costs, € million

	Jan-Dec/17	Jan-Dec/16	July-Dec/17	July-Dec/16
Purchase of imbalance power	186.0	121.7	116.3	63.6
Cost of loss energy	47.5	57.6	26.2	26.9
Depreciation	96.9	99.2	48.4	51.0
Cost of reserves	51.5	50.5	26.6	26.4
Personnel costs	29.4	28.6	14.7	14.3
Maintenance management costs	24.5	24.1	14.9	14.7
Cost of peak load capacity*	8.0	6.6	4.6	3.3
ITC charges	13.0	12.6	6.4	6.9
Other costs	42.4	41.1	21.0	19.6
Costs total	499.0	442.2	279.1	226.7
Operating profit excluding the change in the fair value of commodity derivatives	**175.9**	**156.6**	**68.7**	**66.5**
Operating profit of Group, IFRS	**184.8**	**192.0**	**81.0**	**91.6**

* Peak load capacity income and costs are related to the securing of sufficient electricity supply during peak consumption hours in compliance with the Finnish Peak Load Capacity Act.

The Group's operating profit was EUR 184.8 (192.0) million. To recognise changes in the fair value of electricity derivatives and the currency derivatives related to capital expenditure and other operating expenses, EUR 8.9 (35.4) million was recorded in operating profit. The Group's profit before taxes was EUR 163.7 (173.9) million. The biggest differences from the previous year are explained by changes in the market value of derivatives (EUR -33.1 million), the decline in other operating income (EUR -9.8 million), and the growth in grid service income (EUR +29.7 million). Profit for the financial year was EUR 130.8 (138.7) million. The equity ratio was 37.8 (36.4) per cent at the end of the year.

The parent company's turnover was EUR 665.4 (581.4) million, profit for the financial year EUR 123.4 (103.9) million and the distributable funds EUR 201.3 million.

By the company's own calculations, the result according to the regulatory model that governs grid operations amounts to a deficit of around EUR 5 million for 2017. Towards the end of 2017, the company decided to maintain the grid service fees unchanged in 2018.

1.2 Financing

The company's credit rating remained high, reflecting the company's strong overall financial situation and debt service capacity. The Group's net financial costs in 2017 were 22.8 (18.7) million, including a change of EUR -8.2 (5.1) million in the fair value of financial derivatives.

Interest-bearing borrowings totalled EUR 1,082.7 (1,107.7) million, of which non-current borrowings accounted for EUR 813.4 (842.9) million and current borrowings for EUR 269.3 (264.9) million. In 2017, the company issued a EUR 100 million 10-year green bond to finance the company's investments, which are expected to have positive long-term net environmental impacts.

The company's liquidity remained good. Financial and cash assets recognised at fair value through profit or loss totalled EUR 83.8 (79.7) million on 31 December 2017. The company additionally has an undrawn revolving credit facility of EUR 300 million to secure liquidity and EUR 50 million in uncommitted overdraft facilities. Fingrid used the second extension option of the revolving credit facility during the period under review. This extended the maturity of the revolving credit facility until 11 December 2022.

The counterparty risk arising from derivative contracts relating to financing was EUR 8 (16) million. Fingrid's foreign exchange and commodity price risks were hedged.

Fingrid has credit rating service agreements with S&P Global (S&P) and Fitch Ratings (Fitch).

- On 31 October 2017, S&P maintained the rating for Fingrid Oyj's unsecured senior debt and long-term company rating at 'AA-' and the short-term company rating at 'A-1+', with a stable outlook.
- On 5 December 2017, Fitch affirmed the rating for Fingrid Oyj's unsecured senior debt at 'AA-', the long-term company rating at 'A+', and 'F1' for the short-term company rating, with a stable outlook. The rating received by Fingrid was, at the time of issuing, the highest valid rating given by Fitch to any European regulated TSO.

1.3 Capital expenditure

The company's total capital expenditure in 2017 amounted to EUR 111.1 (146.7) million. This included a total of EUR 91.1 (135.8) million invested in the transmission grid and EUR 14.2 (3.3) million for reserve power. ICT investments amounted to EUR 5.7 (7.5) million. A total of EUR 2.6 (2.4) million was used for R&D projects during the year under review. The company's capital expenditure will be around EUR 100 million in the next few years.

By international standards, grid asset management at Fingrid is world-class. In spring, the company once again placed at the top in the International Transmission Asset Management Study (ITAMS).

A total of 22 substation projects and 16 power line projects were under way in 2017. The biggest current projects are related to the modernisation of the aging 'Iron Lady' transmission line, connecting large-scale power plants to the grid, and maintaining system security for major cities.

- The modernisation of the oldest part of the national grid, from Forssa to Lieto and Yllikkälä to Koria, proceeded according to plan. The project will be completed in early 2018.

- A 400- + 110-kilovolt powerline will be constructed between the Hikiä substation located in Hausjärvi and the new Orimattila substation to be constructed in Pennala, Orimattila. The power line work was started in late 2017 and it will be completed by the end of 2019.
- Olkiluoto’s 400-kilovolt switching station, which is outdated and has insufficient system security, will be modernised in Eurajoki. The project will be completed during 2019. The modernisation of Inkoo’s 400-kilovolt substation has also been started, and is due for completion in 2019.
- Construction work on the 26-kilometre Vihtavuori-Koivisto power line between Laukaa’s Vihtavuori and Äänekoski’s Koivisto substations progressed and will be completed in early 2018.
- The expansion of the 400-kilovolt switching station of the Länsisalmi substation located in Vantaa in the Helsinki region aims to secure electricity supply in the capital city region. The project was completed at the end of 2017.
- A power transformer supplied to Fingrid was taken into use at the Espoo substation. The transformer will ensure sufficient transmission capacity in the Espoo region well into the future and ease grid operating situations in Southern Finland.
- The implementation within the upgrading project on the Huutokoski reserve power plant was completed in late 2017. The project consisted of replacing outdated systems and improving the plant’s environmental safety.

Finland’s electricity consumption is focussed on the south, where electricity production is insufficient with regard to consumption. In future, increasing amounts of electricity will be produced in northern Finland and northern Sweden, and this electricity must be transmitted to the south to be used by industry and consumers. This requires strong transmission connections between the north and the south. Fingrid is preparing three transmission connections to promote the functioning of the electricity markets:

- Planning of the ‘Forest Line’ (400 kV) between Oulu and Petäjävesi has begun, and construction work will be started in a couple of years. The connection will be roughly 300 kilometres long and will have a transmission capacity of approximately 700 megawatts. It is expected to be completed in 2022.
- A third 400-kilovolt alternating-current link will be built between Finland and Sweden at the latest in 2025. This is a joint project between Fingrid and the Swedish transmission system operator Svenska Kraftnät. The connection will increase the transmission capacity between the two countries by 800 megawatts. The connection has been included in the EU’s list of energy infrastructure priority projects and the European Commission has granted it PCI (Projects of Common Interest) status.
- The Finnish and Swedish transmission system operators have started planning the new Kvarken direct-current link. According to the plans, the roughly 800-megawatt connection will be built by the end of the 2020s. The Kvarken connection will replace the Fenno-Skan 1 direct-current connection, which is reaching the end of its service life.

In June, Fingrid published its grid development plan for 2017–2027. The plan is based on the regional grid plans drawn up together with customers. The plan also takes into account the Baltic Sea region’s development plan and the ten-year grid plan covering all of Europe.

In 2017, Fingrid carried out a competitive tender process for the basic maintenance on substations and power lines, as well as basic and special maintenance on secondary equipment. The new three-year contractual periods started in the beginning of 2018 and will expire at the end of 2020.

During the period under review, the company’s personnel had two lost-time accidents (0). Suppliers had 9 (12) recordable incidents, one of which was fatal and eight were lost-time accidents. Among the lost-time accidents, two led to an absence of more than 30 days from work. The suppliers’ and Fingrid’s combined accident frequency rate remained unchanged, at 8 (8).

Corporate safety is a key part of Fingrid’s operations, steered by the company’s safety policy. The occupational safety management of Fingrid’s asset management function and suppliers is steered by the safety management system and contractual terms concerning safety. These were updated in 2017 as part of the company’s continuous development efforts. In addition to the above, Fingrid has drawn up an extensive new development programme to prevent similar accidents from happening in the future.

1.4 Power system

Electricity consumption in Finland totalled 85.5 (85.1) terawatt hours in 2017. A total of 66.2 (68.5) terawatt hours of electricity was transmitted in Fingrid's grid, representing 75.5 (77.3) per cent of the total transmission volume in Finland (consumption and inter-TSO).

The electricity import and production capacity was sufficient to cover the peak consumption during the year. Electricity consumption peaked at 14,300 megawatts on 5 January 2017 between 5 and 6 p.m. During that peak consumption hour, Finland generated 10,000 megawatts of electricity, and the remaining electricity was imported from neighbouring countries. On the same day, a record-high 4,750 megawatts of electricity was imported. The availability of electricity in Finland was not in danger even during peak consumption periods, and peak load capacity was not used during the consumption peak.

Electricity transmissions between Finland and Sweden consisted mostly of large imports to Finland. In 2017, 15.6 (15.7) terawatt hours of electricity was imported from Sweden to Finland, and 0.4 (0.3) terawatt hours was exported from Finland to Sweden. The electricity transmissions between Finland and Estonia were mainly exports to Estonia, amounting to 1.7 (3.1) terawatt hours. Imports from Estonia amounted to 0.9 (0.7) terawatt hours. Electricity imports from Russia remained on the previous year’s level, at 5.8 (5.9) terawatt hours. Nearly the full transmission capacity was available. In 2017, 0.3 (0.2) terawatt hours of electricity was imported from Norway to Finland, and 0.0 (0.1) terawatt hours was exported from Finland to Norway.

The transmission reliability rate remained at an excellent level and was 99.9997 (99.9999) per cent. An outage in a connection point in the grid caused by a disturbance in Fingrid’s electricity network lasted an average of 2.2 (1.4) minutes, which is clearly shorter than the ten-year average. The cost of the disturbances (regulatory outage costs) was EUR 2.8 (3.1) million and, including the quick reconnections, EUR 5.0 million. The most significant single disturbance took place in December 2017 at the Porvoo-Ahvenkoski 110-kilovolt power line, when abundant snow damaged the tower structure and the lightning conductor.

The reliability of direct-current connections was on a record-high level in 2017. There were only four disturbances in Fingrid’s four direct-current connections, the total duration of which was only around 10 hours. The total availability of the connections reached its highest level in five years. Thanks to high reliability and availability, countertrade costs declined considerably. Disturbances in direct-current connections did not have any impact on the transmission capacity available to the electricity market.

The volume of transmission losses in the Finnish grid decreased from the previous year and was 1.2 (1.3) terawatt hours. This is 1.4 (1.4) per cent of the total volume of transmitted electricity. The decrease is attributable to a decline in ITC volumes from the previous year. The annual variation of losses is affected by the situation of Nordic electricity production, particularly the great variation in hydro power production. Losses have been minimised by keeping the voltage of the transmission grid as high as possible and by making grid investments and equipment procurements that promote energy efficiency.

Counter trade	**Jan-Dec/17**	**Jan-Dec/16**	**July-Dec/17**	**July-Dec/16**
Counter-trade between Finland and Sweden, €M	0.4	2.5	0.1	1.1
Counter-trade between Finland and Estonia, €M	0.1	0.1	0.0	0.0
Counter-trade between Finland's internal connections, €M	1.3	1.2	0.0	0.4
Total counter-trade, €M	**1.8**	**3.9**	**0.1**	**1.5**

Reserves required to maintain the power balance of the electricity system were procured from Finland, the other Nordic countries, the Baltic countries and Russia. Countertrade costs amounted to EUR 1.8 (3.9) million. Countertrade refers to special adjustments made in the management of electricity transmission which are used to eliminate short-term bottlenecks (congestion in electricity transmission caused by the transmission grid) from the grid. Fingrid guarantees the cross-border transmission capacities between countries it has confirmed by carrying out countertrades, i.e. purchasing and selling electricity, up until the end of the 24-hour usage period. The need for countertrade can arise from, for example, a power outage or disruption in a power plant or in the grid.

Power system operation	**Jan-Dec/17**	**Jan-Dec/16**	**July-Dec/17**	**July-Dec/16**
Electricity consumption in Finland TWh	85.5	85.1	41.8	41.5
TSO transmission in Finland, TWh	2.1	3.5	1.3	0.9
Transmission within Finland, TWh	87.6	88.6	43.1	42.4
Fingrid's transmission volume TWh	66.2	68.5	33.4	33.2
Fingrid's electricity transmission to customers, TWh	63.9	64.9	32.0	32.2
Fingrid's loss energy volume TWh	1.2	1.3	0.6	0.6
Electricity transmission Finland - Sweden				
Exports to Sweden TWh	0.4	0.3	0.3	0.3
Imports from Sweden TWh	15.6	15.7	8.1	6.8
Electricity transmission Finland - Estonia				
Exports to Estonia TWh	1.7	3.1	1.1	0.6
Imports from Estonia TWh	0.9	0.7	0.3	0.6
Exports to Norway TWh				
Imports from Norway TWh	0.0	0.1	0.0	0.0
Imports from Norway TWh	0.3	0.2	0.2	0.1

Electricity transmission Finland - Russia				
Imports from Russia TWh	5.8	5.9	2.8	2.9

1.5 Electricity market

The average market price of spot electricity on the electricity exchange (system price) was EUR 29.41 (26.91) per megawatt hour. The rise in wholesale prices of electricity that started in summer 2016 levelled out in 2017. In Finland, prices on the Finnish wholesale market were higher than they were in other Nordic countries. However, the price differences and thus the congestion income decreased from the previous year as a result of a general increase in prices.

Fingrid accrued EUR 25.5 (37.5) million in congestion income from the cross-border power lines between Finland and Sweden. EUR 10.5 (29.9) million of this was accrued during the first half of the year and EUR 15.1 (7.6) million during the second half of the year. The difference in Finland’s and Sweden’s area prices narrowed due to a general increase in the price of electricity, which also reduced the number of congestion hours. The links between Finland and Estonia generated EUR 0.3 (2.4) million in congestion income. In accordance with the regulation on congestion income, Fingrid has used the congestion income it received in 2017 for the Hirvisuo–Pyhänselkä grid investment project, which supports the transmission of electricity from northern Sweden to southern Finland.

Imports From Russia remained at the 2016 level. Hourly import volumes from Russia vary considerably. Russia’s capacity mechanism, in particular, has reduced electricity trade.

The energy system and with it the power system are in the midst of a major transformation aiming for a clean power system of the future. The ultimate goal of the transformation is to mitigate and combat climate change. The clean power system of the future must be supported by strong transmission connections and revamped market rules.

In spring 2017, Fingrid published an action plan titled “Our Shared Journey – a roadmap towards achieving a green power system”. It contains initiatives and measures and ongoing projects to develop the markets. The Ministry of Economic Affairs and Employment’s (MEAE) smart grid working group published in late 2017 an half-year report that seeks solutions to accomplish the energy shift by means of a smart power system. Fingrid has been actively involved in the working group’s activities. A smart power system will increase the capabilities to balance production and consumption and thereby enable the increasing use of clean energy.

Fingrid is building a solution for centralised information exchange to promote the functioning of retail markets, a so-called datahub, through its subsidiary Fingrid Datahub Oy. Once accomplished, this will enable nearly real-time processes when changing suppliers and at the same time provide electricity sellers with better conditions for serving their customers.

The European electricity market is introducing a shorter, 15-minute trade period. The relevant legislation, which came into force in December 2017, requires the introduction of a 15-minute trade period by the end of 2020, unless the roll-out is postponed by a decision by the authorities. Fingrid launched an imbalance settlement project for the 15-minute period to support the planning of the transition.

Nordic co-operation has been overshadowed by a dispute between the transmission system operators over the development and future model of imbalance settlement. However, Nordic transmission system operators have continued negotiations to reach an understanding on the future imbalance settlement model and the related decision-making.

Electricity market	**Jan-Dec/17**	**Jan-Dec/16**	**July-Dec/17**	**July-Dec/16**
Nord Pool system price, average €/MWh	29.41	26.91	29.54	29.83
Area price Finland, average €/MWh	33.19	32.45	34.44	34.55
Congestion income between Finland and Sweden, € million*	51.0	75.0	30.1	15.2
Congestion hours between Finland and Sweden %**	24.0	32.7	26.6	19.3
Congestion income between Finland and Estonia, € million*	0.5	4.7	0.2	0.2
Congestion hours between Finland and Estonia %	1.4	9.7	1.4	1.7

* The congestion income between Finland and Sweden and between Finland and Estonia is divided equally between the relevant TSOs. The income and costs of the transmission connections are presented in the tables under 'Financial result'. Congestion income is used for investments aimed at eliminating the cause of congestion.
** The calculation of a congestion hour between Finland and Sweden refers to an hour during which Finland's day-ahead area price differs from both Sweden's SE1 and its SE3 area prices.

1.6 Share capital

The company's share capital is EUR 55,922,485.55. Fingrid shares 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 voting and dividend rights 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 company's website.

1.7 Personnel and remuneration systems

Fingrid employed 355 (334) persons, including temporary employees, at the end of the year. The number of permanent personnel was 308 (291).

Of the personnel employed by the company, 24 (25) per cent were women and 76 (75) per cent were men. The average age of the personnel was 44 (44).

During 2017, the personnel received a total of 11,408 (11,647) hours of training, with an average of 32 (36) hours per person. Employee absences due to illness accounted for 1 (1) per cent of the total working hours. In addition to a compensation system that is based on the requirements of each position, Fingrid applies incentive bonus schemes.

For an expert organisation like Fingrid, employees are an important resource, which is taken good care of. The leadership and development of the work community aim at an open, social, innovative and goal-oriented corporate culture.

At Fingrid, strategic human resource management means managing people's capabilities and competencies, participation in decision-making, competitive remuneration systems and reinforcing collaboration and organisational openness. In addition, human resource management supports change leadership and strengthens personnel's motivation and commitment to the company.

Fingrid's personnel strategy aims at responding to changes by offering its employees opportunities to develop and grow their competence. Viewing securing expertise as a strategic choice improves the quality of personnel planning and helps the company to better prepare for future needs. In addition to securing expertise, efforts are focused on the ability of the employees to lead themselves.

Caring and well-being are the goals of the company's personnel strategy. This can be seen in the form of solutions supporting the individual, such as flexible working hour arrangements, support for recreational activities and comprehensive well-being. In accordance with Fingrid's personnel policy, employees are treated with respect and fairness, based on the company's values and in compliance with the principles of equal opportunity and non-discrimination. At Fingrid, equal opportunity and non-discrimination are part of the corporate culture. Alongside responsibility, openness and efficiency, impartiality is one of the company's values.

The success of the strategy is measured annually in various ways. Corporate Spirit carried out a PeoplePower personnel survey at Fingrid during the year. The company also participated in the Great Place to Work survey, which measures employees' trust in the company's management, their pride in their work and the pleasure they take in working with their colleagues. Compared to other expert organisations, Fingrid's results from the PeoplePower survey were excellent. The company received the highest rating, AAA, which is only achieved by around six per cent of all the surveyed organisations annually. The company has also fared very well in the Great Place to Work survey, according to which Fingrid is one of Finland's best companies.

1.8 Board of Directors and corporate management

Fingrid Oyj's Annual General Meeting was held in Helsinki on 24 May 2017. Juhani Järvi was re-elected Chair of Fingrid's Board of Directors and Juha Majanen was re-elected Vice Chair. Anu Hämäläinen, Sanna Syri and Esko Torsti continued as Board members.

PricewaterhouseCoopers Oy was elected as the auditor of the company, with Heikki Lassila, APA serving as the responsible auditor.

The Board of Directors has two committees: the Audit Committee and the Remuneration Committee. The Audit Committee consisted of Esko Torsti (Chair), Juhani Järvi, Juha Majanen (until 24 May 2017) and Sanna Syri (as of 24 May 2017).

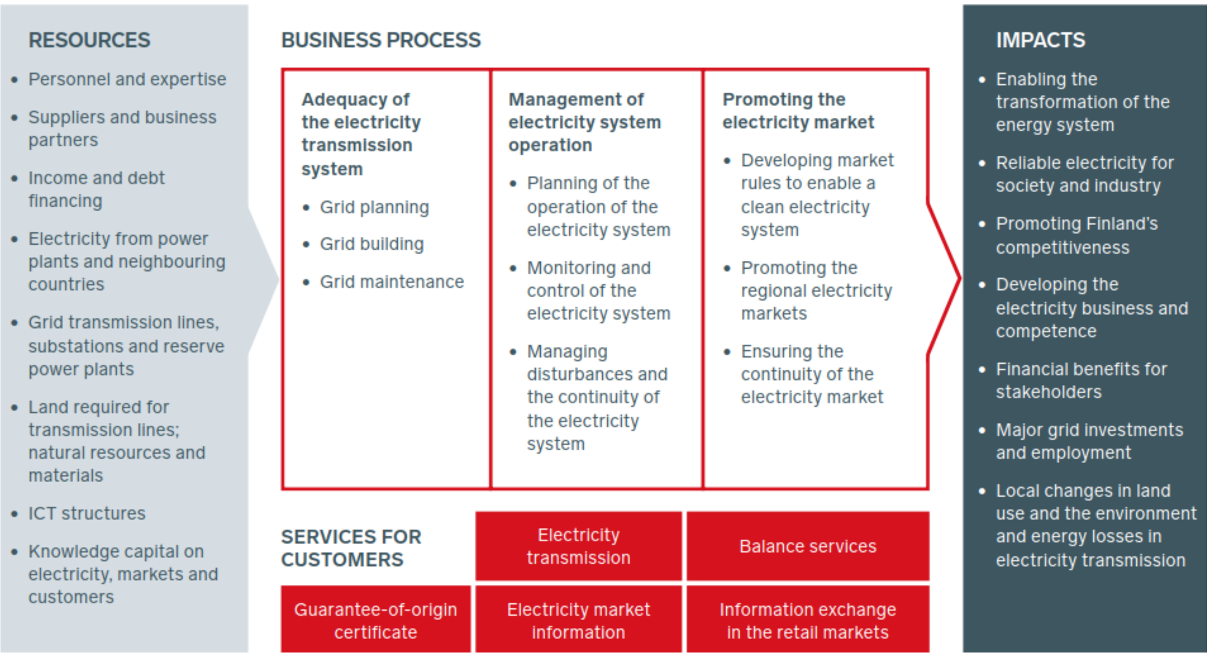
The Remuneration Committee consisted of Juhani Järvi (Chair), Anu Hämäläinen, Juha Majanen (as of 24 May 2017) and Sanna Syri (until 24 May 2017).

Jukka Ruusunen serves as President & CEO of the company. Fingrid has an Executive Management Group which supports the CEO in the company's management and decision-making.

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

1.9 Fingrid's business model

Fingrid ensures disturbance-free availability of electricity in Finland now and in future. The company is involved in developing Finnish society and the well-being of all citizens. The company has a positive effect on the daily lives of Finns via its mission: to transmit electricity reliably, to actively promote the electricity market, and to develop the transmission system over the long term.



1.10 Internal control and risk management

Fingrid's internal control is a permanent component of the company's operations and addresses all those operating methods and procedures whose objective it is to ensure

- effective and profitable operations that are in line with the company's strategy,
- the reliability and integrity of the company's financial and management information,
- that the company's assets are protected,
- that applicable legislation, guidelines, regulations, agreements and the company's own governance and operating guidelines are of quality and complied with, and
- a high standard of risk management.

Risk management is planned as a whole, with the objective of comprehensively identifying, assessing, monitoring and safeguarding the company's operations, the environment, personnel and assets from various threats and risks. Due to the nature of the company's core mission, risks are also assessed from the perspective of society in general.

Continuity management is a part of risk management. Its objective is to improve the organisation's capacity to prepare and to react in the best possible way should risks occur, and to ensure the continuity of operations in such situations.

Further information on internal control, risk management and the foremost risks and factors of uncertainty is available on the company's website.

Board of Directors

The company's Board is responsible for organising internal control and risk management, and it approves the principles of internal control and risk management on an annual basis. The Board defines the company's strategic risks and related management procedures as part of the company's strategy and action plan, and monitors their implementation. The Board decides on the operating model for the company's internal audit. The Board regularly receives internal audit and financial audit reports as well as a status update at least once a year on the strategic risks and continuity threats relating to the company's operations and their management and realisation.

Line management and other organisation

Assisted by the Executive Management Group, the President & CEO is responsible for executing and steering the company's governance, decision-making procedures, control and risk management, and for the assessment of strategic risks and continuity threats at the company level, and their related risk management.

The heads of functions are responsible for the practical implementation of the governance, decision-making procedures, controls and risk management for their areas of responsibility, as well as for the reporting of deviations and the sufficiency of more detailed guidelines. Directors appointed in charge of the threats to continuity management are responsible for drawing up and maintaining continuity management plans and guidelines, and for arranging sufficient training and practice.

The CFO is responsible for arranging procedures, controls and monitoring at the company level as required by the harmonised operating methods of internal control and risk management. The company's general counsel is responsible at the company level for assuring the legality and regulation compliance of essential contracts and internal guidelines, taking into account the company's interests, as well as for the procedures these require. Each Fingrid employee is obligated to identify and report any risks or control deficiencies she or he observes and to carry out the agreed risk management procedures.

Financial audit

An authorised public accounting company selected by the general meeting acts as auditor for the company. The company's financial auditor inspects the accounting, financial statements and financial administration for each financial period and provides the general meeting with reports required by accounting legislation or otherwise stipulated in legislation. The financial auditor reports on his or her work, observations and recommendations for the Board of Directors and may also carry out other verification-related tasks commissioned by the Board or management.

Internal audit

The Board of Directors decides on the operating model for the company's internal audit. The internal audit acts on the basis of plans processed by the audit committee and approved by the Board. Audit results are reported to the object of inspection, the President & CEO, the audit committee and the Board. Upon decision of the Board, an internal audit outsourced to an authorised public accounting company acts within the company. From an administrative perspective, the internal audit is subordinate to the President & CEO. The internal audit provides a systematic approach to the assessment and development of the efficacy of the company's risk management, monitoring, management and administrative processes and ensures their sufficiency and functionality as an independent party. The internal audit has the authority to carry out reviews and to access all information that is essential to the audit. Fingrid's internal audit carries out risk-based auditing on the company's various processes.

1.11 Foremost risks and uncertainty factors for society and Fingrid

One of the company's biggest business risks and the biggest risk where society is concerned is a major disturbance related to the functioning of the power system. A major disturbance or other electrical system disruption can cause significant financial and physical damage to Fingrid and society in general.

Other major risks for Fingrid and society are the sector's operators losing confidence in the functioning of the electricity market, environmental risks and electricity and occupational health and safety risks.

The risks to Fingrid's operations are risks related to the unfavourable trend in official regulation, capital investments which have become idle, financing risks, personnel risks, risks related to ICT and data transfer, asset risks and reputation risks.

Risks to society arising from Fingrid's operations are unsuccessful timing of capital investments and long-term restrictions in transmission capacity.

The most significant of the above-mentioned risks to Fingrid are explored in greater detail in the company's annual report. Fingrid's financing risks are described in more detail in sections 6.2 and 6.3 of the consolidated financial statements (IFRS). No substantial risks were realised in 2017.

1.12 Corporate responsibility

Responsibility is one of Fingrid's corporate values and responsible business conduct is a strategic choice for the company. In addition to successfully fulfilling its societally important core mission, the following aspects are important to Fingrid: safety, procurement practices, stakeholder confidence, financial result, Code of Conduct and taking care of the work community. Fingrid's compliance with corporate responsibility is steered by the set strategy targets. The key targets have been set by identifying topics that are of material importance to Fingrid. The need for updates to the materiality analysis is assessed annually as part of the strategy process, based on an operating environment and stakeholder analysis and on the strategy update. Fulfilment of the targets serves as the basis for executive management's and personnel's remuneration.

Corporate responsibility is managed as an integrated part of Fingrid's management system. Fingrid's Board of Directors approves the company's Code of Conduct and monitors the company's compliance in operating responsibly. The Board is responsible for arranging corporate responsibility management and its integration into business operations. The CEO and the heads of functions are each responsible for corporate responsibility issues within their area of responsibility. Social issues and environmental impacts are taken into account in all decision-making and when assessing operations alongside profitability issues.

Fingrid's human rights commitment has been made as part of the company's Code of Conduct. To ensure its understanding of human rights impacts, the company carried out an assessment in compliance with the due diligence process recommended in the UN's Guiding Principles on Business and Human Rights, and updated its action plan during the year under review.

In accordance with its Code of Conduct, Fingrid is a responsible tax payer and combats the grey economy, and does not engage in money laundering or corruption, such as blackmail and bribery. No cases related to corruption and bribery occurred during the year under review. Fingrid reports on its tax footprint and does not carry out special arrangements to minimise taxes.

Managers and the entire work community ensure that behaviour is in line with the Code of Conduct. New employees must complete the online induction training on the Code of Conduct. A confidential whistle-blower system managed by an independent third party is available to employees who suspect a breach of the Code of Conduct. The company received an excellent AAA rating in a survey carried out during the year under review, where Fingrid employees assessed the responsibility of the company's ways of operating. According to a customer survey, the trust KPI measuring the implementation of the customer strategy and customers' trust was 3.9 on a scale of 1–5.

Fingrid has joined the United Nations' Global Compact initiative and its Code of Conduct is in line with the initiative's principles on human rights, labour, environment and anti-corruption. In procurements, Fingrid requires its contractual partners to commit to Fingrid's corporate responsibility requirements and monitors compliance using a risk-based approach. The Code of Conduct is a condition for being included in supplier registers used in recurring substation and power line procurements. In addition, contractual partners are subject to separate contract conditions related to the use of subcontractors and workforce, and to occupational safety and environmental matters. During the year under review, Fingrid carried out 13 audits on its work sites to verify compliance with contractor obligations, occupational safety and environmental management. The audits revealed that operations and induction at the work sites are generally on a good level. A third-party audit service for the international sourcing operations was established during the year. Compliance with the corporate responsibility requirements was ensured through a total of 11 supplier audits.

To ensure transparency and comparability, Fingrid reports on its corporate responsibility in accordance with the international Global Reporting Initiative (GRI) framework. Information pertaining to the outcomes and figures related to our integrated and goal-oriented sustainability efforts in the areas of, among other things, employee well-being, occupational safety, environmental impacts and tax footprint, is disclosed in the section dedicated to each area of sustainability in the annual report.

1.13 Environmental matters

The most significant environmental impacts caused by the company's operations are related to landscape changes and land use restrictions, nature and biodiversity, energy losses occurring during electricity transmission, possible fuel and oil leaks in exceptional situations and the consumption of natural resources when constructing and maintaining the grid.

Environmental management was developed during the year by certifying the environmental management system concerning the operation of the reserve power plants according to ISO 14 001. Contractors and service suppliers were encouraged to commit themselves to environmentally responsible operating practices with the help of contractual terms related to environmental matters, environmental training and audits. Environmental aspects were monitored as part of work site monitoring. Compliance with environmental requirements, occupational safety and contractor obligations was verified in a total of 13 audits. In addition, two full safety audits were carried out at reserve power plants.

Fingrid's environmental goals include completing grid investment projects and maintenance without any environmental deviations. Several development projects were carried out to improve chemical safety at substations and reserve power plants. Following the completion of the Huutokoski reserve power plant upgrading project, the plant's environmental safety also improved. One significant environmental deviation occurred in the company's operations during the year, however, when a hydraulic oil leak of roughly 120 litres occurred at a power line work site in an accident involving work machinery. The deviation did not have a significant environmental or financial impact.

Fingrid actively participates in land-use planning to ensure safety and land-use reservations for the grid. In 2017, Fingrid issued around 260 statements on land-use plans and EIAs. In addition, the company directed the construction taking place near grid installations by issuing statements containing safety guidelines and land use restrictions. Some 510 such statements were issued.

EIAs were carried out for four power line projects during the year under review. The environmental impact assessments for the Pyhänselkä-Keminmaa and Pyhänselkä-Nuojua power lines were started in accordance with the reformed EIA legislation. An environmental assessment was carried out on two power line projects (Imatra-Huutokoski and Kittilänjärvi-Taivalkoski). The Finnish Association for Impact Assessment granted the company their annual award for good EIA activities for the environmental assessment procedure carried out on the power lines required by the Hanhikivi 1 nuclear power plant.

In order to be able to build, operate and maintain a transmission line, Fingrid redeems a right of use to the transmission line area. A redemption decision was received for the Hikiä-Orimattila power lines. In addition to statutory communication, a total of over 10,000 letters were sent to landowners, concerning, among other things, environmental impact assessments, power line construction and handling vegetation in power line areas.

The service providers who carry out maintenance work and trim vegetation along power line right-of-ways are instructed to take landowners and environmental matters into account. During the year under review, Fingrid promoted the utilisation of power line areas for the benefit of nature and people by publishing idea cards targeted at landowners and offering financial support for the management of heritage landscapes. The company also informed municipalities of the opportunities offered by land-use planning to promote the sustainable use of power line areas.

Fingrid's reserve power plants are subject to an environmental permit and covered by the EU's emissions trading scheme. The accuracy of the measuring and reporting systems for fuel consumption is verified by an accredited emissions trading verifier. A total of 5,817 (10,335) units (tCO_2) of emission allowances were returned, 10 per cent of which consisted of purchased and 90 per cent of acquired emission rights units. Fingrid has not been granted free-of-charge emission rights for the emissions trade period 2013–2020. Purchased emission rights units amounted to 4,150 in 2017. Emissions trading had minor financial significance for Fingrid.

1.14 Legal proceedings and proceedings by authorities

A lawsuit was initiated against Fingrid in December 2016, demanding non-specified liquidated damages due to an alleged breach of contract. The legal proceedings ended with the district court issuing an interlocutory judgement in December 2017, according to which Fingrid had not been proven to have committed a contractual breach.

Fingrid has appealed to the Market Court against the decision issued by the Energy Authority on 2 January 2017 to the extent where the Energy Authority required Fingrid to submit the terms and conditions concerning the balancing power agreements and the grounds for the determination of fees for approval by the Energy Authority. According to Fingrid, under the legislation in force at the time the decision was issued, it was not required to submit the terms and conditions related to the procurement of balancing power beforehand to the authority for approval. The matter is still before the Market Court. The legal proceedings do not have a substantial impact on the company's financial result or financial position.

1.15 Events after the review period and estimate of future outlook

On 15 January 2018, Fingrid informed the Energy Authority and the European Agency for the Cooperation of Energy Regulators (ACER) that the Nordic transmission system operators were unable to submit a joint proposal on a new imbalance settlement structure within the timeframe required under the EU directive. The matter will be referred to the European Commission.

Fingrid Group's profit for the 2018 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to remain on the previous year's level. Fingrid did not change the grid service pricing for 2018 and it aims to achieve a regulatory-allowed result for 2018.

Results forecasts for the financial year are complicated especially by the uncertainty related to grid income, ITC income and cross-border transmission income, and to reserve and loss power costs. These are particularly dependent on the variations in outside temperature and precipitation and changes in the hydrological situation in the Nordic countries, which affect electricity consumption and electricity prices in Finland and its nearby areas, and thereby also the volume of electricity transmission in the grid. The company's debt service capacity is expected to remain stable.

1.16 Board of Directors' proposal for the distribution of profit

The guiding principle for Fingrid's dividend policy is to distribute substantially all of the parent company profit as dividends. When making the decision, however, the economic conditions, the company's near-term investment and development needs as well as any prevailing financial targets of the company are always taken into account.

Fingrid Oyj's parent company's profit for the financial year was EUR 123,358,401.74 and distributable funds in the financial statements total EUR 201,312,662.75. Since the close of the financial year, there have been no material changes in the company's financial position and, in the Board of Directors' view, the proposed dividend distribution does not compromise the company's solvency.

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

- a dividend of EUR 68,470.00 at maximum per share will be paid for Series A shares and EUR 25,050.00 at maximum for Series B shares, for a total of EUR 173,518,010.00 at maximum. The dividends shall be paid in two instalments. The first instalment of EUR 48,700.00 for each Series A share and EUR 17,820.00 for each Series B share, totalling EUR 123,420,140.00 in dividends, shall be paid on 4 April 2018. The second instalment of EUR 19,770.00 at maximum per share for each Series A share and EUR 7,230.00 at maximum per share for each Series B share, totalling EUR 50,097,870.00 at maximum in dividends, shall be paid subject to the Board's decision after the half-year report has been confirmed, based on the authorisation given to the Board in the Annual General Meeting. The Board of Directors has the right to decide, based on the authorisation granted to it, on the payment of the second dividend instalment after the half-year report has been confirmed and it has assessed the company's solvency, financial position and financial development. The dividends that have been decided on with the authorisation given to the Board shall be paid on the third banking day after the decision. It will be proposed that the authorisation remains valid until the next Annual General Meeting.
- EUR 27,794,652.75 at minimum be retained in unrestricted equity.

1.17 Annual General Meeting 2018

Fingrid Oyj's Annual General Meeting is scheduled to be held on 28 March 2018 in Helsinki.

In Helsinki, on 1 March 2018
Fingrid Oyj
Board of Directors

FINGRID

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www.fingrid.fi

1 March 2018

2 CONSOLIDATED KEY FIGURES

CONSOLIDATED KEY FIGURES		2017 IFRS	2016 IFRS	2015 IFRS	2014 IFRS	2013 IFRS
Extent of operations						
Turnover	MEUR	672.0	586.1	600.2	567.2	543.1
Capital expenditure, gross	MEUR	111.1	146.7	147.5	129.5	225.3
- % of turnover	%	16.5	25.0	24.6	22.8	41.5
Research and development expenses	MEUR	2.6	2.4	1.8	1.7	1.8
- % of turnover	%	0.4	0.4	0.3	0.3	0.3
Personnel, average		352	336	319	305	277
Personnel at the end of period		355	334	315	313	287
Salaries and remunerations total	MEUR	24.2	22.7	21.3	20.5	19.0
Profitability						
Operating profit	MEUR	184.8	192.0	162.6	142.8	115.3
- % of turnover	%	27.5	32.8	27.1	25.2	21.2
Profit before taxes	MEUR	163.7	173.9	129.3	132.9	87.3
- % of turnover	%	24.4	29.7	21.5	23.4	16.1
Return on investments (ROI)	%	10.0	10.4	8.7	7.6	6.3
Return on equity (ROE)	%	16.7	18.8	15.0	16.3	15.0
Financing and financial position						
Equity ratio	%	37.8	36.4	33.5	31.0	29.5
Interest-bearing net borrowings	MEUR	998.9	1,028.0	1,026.9	1,046.1	1,076.7
Net gearing		1.3	1.3	1.4	1.6	1.7
Share-specific key figures						
Profit/share	€	39,350.8	41,706.1	31,150.8	32,027.9	27,277.9
Dividend/A shares	€	68470*	37,536.09	33,686.24	21,655.44	29,788.26
Dividend/B shares	€	25050*	16,038.49	16,038.49	16,038.49	16,038.50
Dividend payout ratio A shares	%	174.0	90.0	108.1	67.6	109.2
Dividend payout ratio series B shares	%	63.7	38.5	51.5	50.1	58.8
Equity/share	€	240,017	230,301	213,822	200,568	193,293
Number of shares at 31 Dec						
– Series A shares	shares	2,078	2,078	2,078	2,078	2,078
– Series B shares	shares	1,247	1,247	1,247	1,247	1,247
Total	shares	3,325	3,325	3,325	3,325	3,325

* The Board of Directors' proposal to the Annual General Meeting on the maximum dividend to be distributed

CALCULATION OF KEY FIGURES

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

Return on equity, % $= \dfrac{\text{Profit for the financial year}}{\text{Equity (average for the year)}} \times 100$

Equity ratio, % $= \dfrac{\text{Equity}}{\text{Balance sheet total - advances received}} \times 100$

Earnings per share, € $= \dfrac{\text{Profit for the financial year}}{\text{Average number of shares}}$

Dividends per share, € $= \dfrac{\text{Dividends for the financial year}}{\text{Average number of shares}}$

Dividend payout ratio, % $= \dfrac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$

Equity per share, € $= \dfrac{\text{Equity}}{\text{Number of shares at closing date}}$

Interest-bearing net borrowings, € = Interest-bearing borrowings - cash and cash equivalents and financial assets

Net gearing $= \dfrac{\text{Interest-bearing borrowings - cash and cash equivalents and financial assets}}{\text{Equity}}$

3 CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

INTRODUCTION

How to read Fingrid's financial statements and get the most out of it?

- **Notes are compiled under specific themes to provide the best representation of Fingrid**
- **Chapters 4-7 consist of notes to the consolidated financial statements.**
- **Accounting principles are linked with the note most relevant for each specific principle.**
- **Accounting principles are shown at the end of each note, in a separate box and recognizable by the use of symbol .**
- **Interesting facts about Fingrid’s operating environment are highlighted in infoboxes throughout the notes to the financial statements. The infoboxes can be recognized by the use of symbol .**

Fingrid’s business model and the regulation of transmission system operations

Fingrid constitutes a natural monopoly as referred to in the Finnish Electricity Market Act (588/2013), with duties defined in legislation. The company’s operations, reasonableness in pricing and financial result are regulated and overseen by the Energy Market Authority. Transmission network operations constitute most of the company’s turnover, result and balance sheet.

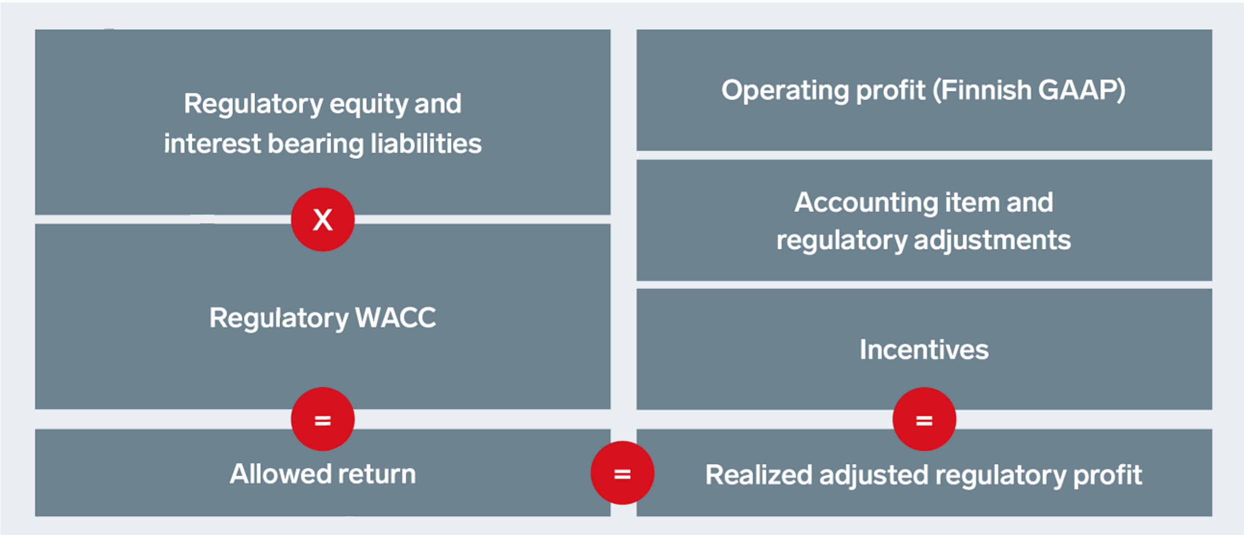
The allowed financial result from transmission network operations is calculated by multiplying the total adjusted capital invested in the transmission network operations (transmission network assets valued at the regulatory present value) with the reasonable rate of return defined by the Energy Market Authority.

The reasonable financial result allowed by the regulation forms the basis of Fingrid’s financial planning and pricing. One can calculate the required amount of turnover by adding operating expenses in the result. Fingrid’s turnover mainly consists of the electricity transmission volume multiplied by the unit prices. The company determines in advance for the next year the unit prices for the transmission of electricity to recover required turnover. The company’s total costs consist of the operating expenses and financial costs and taxes, which are excluded from regulatory calculations.

The so-called adjusted profit, realised in compliance with the regulation, is calculated by adjusting the parent company’s operating profit according to the Energy Market Authority’s regulation methods and by adding the impact of the incentives.

The regulation incentives are as follows: *Investment incentive* – intended to promote reasonable and cost-effective investments as well as a justified overhaul of components. The incentive impact is created by the fact that the methods allow the TSO straight-line depreciations based on the replacement value of the transmission network assets. *Quality incentive* – intended to encourage the TSO to improve the quality of electricity transmission. In practical terms this means minimising the calculated negative impact caused by non-transmitted energy. *Efficiency improvement incentive* – intended to encourage the TSO to operate cost-effectively. The efficiency improvement incentive is based on Fingrid's controllable operating costs. *Innovation incentive* – intended to encourage the TSO to develop and use innovative technical and operational solutions in its network operations. In practice, this means adequate R&D resources.

Any realised regulatory profit over a regulatory period that exceeds the allowed return is a surplus that must be returned to the customers in the form of lower future prices. If the realised regulatory profit over a regulatory period is below the allowed return, the result is a deficit which the company may recover from the customers in the form of higher future prices. No regulatory surplus or deficit income is recorded in the financial statements. The main aim of Fingrid's business operations is to achieve the allowed financial result each year.



The Energy Market Authority determines Fingrid's allowed financial result over four-year regulatory periods (2016–2019 and 2020–2023). The table below presents Fingrid's own rough approximations for 2017, as well as the cumulative figures for the current regulatory period. Since the company had a surplus in the previous regulatory period, the intention is to have a deficit of approx. EUR 40 million in the current regulatory period.

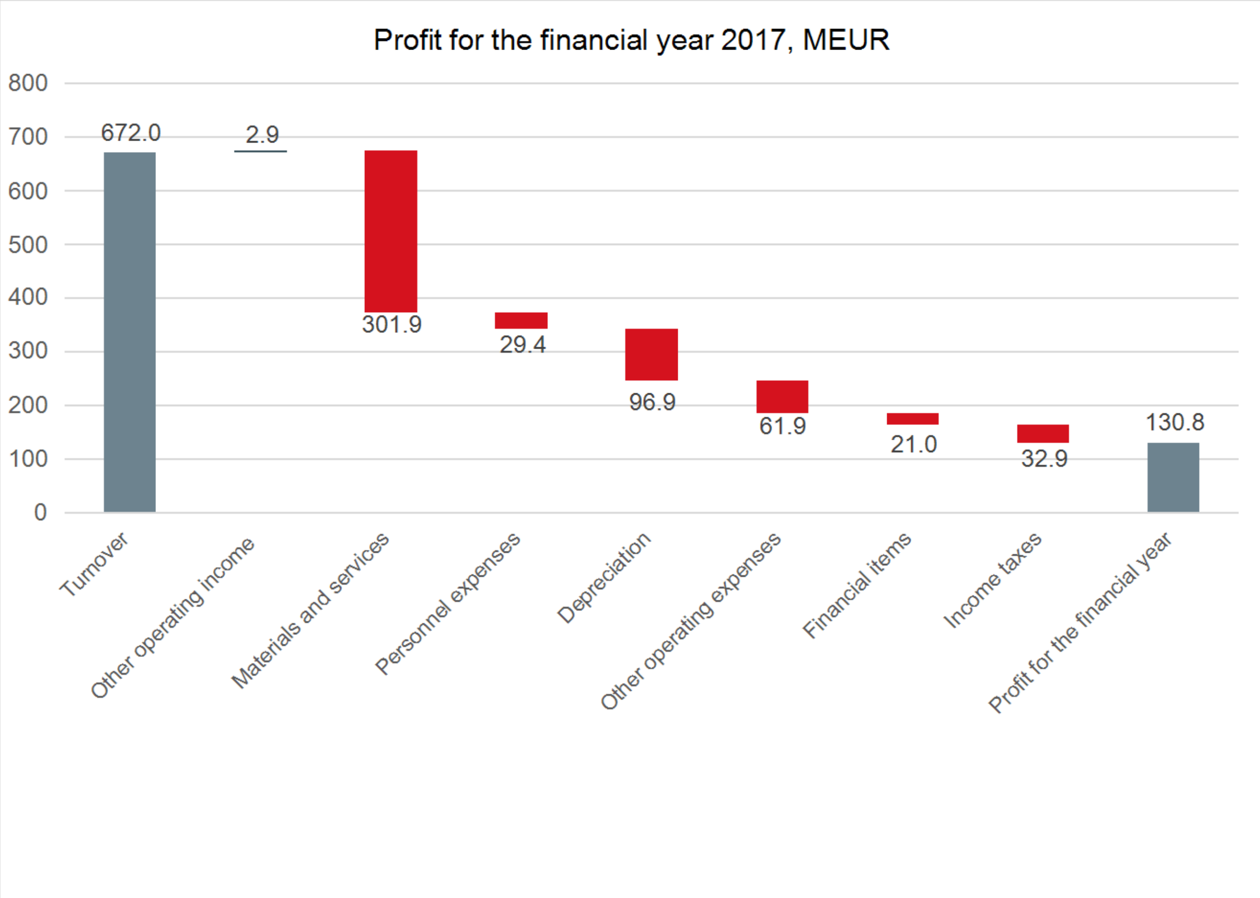
WACC (pre-tax) 2017	**Adjusted capital 2017**	**Allowed financial result 2017**	**Deficit(-)/Surplus(+) 2017**	**Cumulative Deficit (-)/Surplus(+) 2016-2019**
6.19%	Approx. EUR 2,950 million	Approx. EUR 180 million	Approx. EUR -5 million	Approx. EUR -45 million

The company also engages in other regulated business operations, but the impact of these on the company's financial income and balance sheet is negligible.

3.1 Income statement

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Notes	1 Jan - 31 Dec, 2017 € 1,000	1 Jan - 31 Dec, 2016 € 1,000
TURNOVER	1	**671,992**	**586,120**
Other operating income	2	2,933	12,689
Materials and services	5	-301,948	-248,359
Personnel expenses	9	-29,385	-28,598
Depreciation	11,12	-96,889	-99,222
Other operating expenses	6,13	-61,918	-30,586
OPERATING PROFIT		**184,786**	**192,045**
Finance income	17	483	694
Finance costs	17	-23,261	-19,385
Finance income and costs		-22,778	-18,691
Share of profit of associated companies		1,734	511
PROFIT BEFORE TAXES		**163,742**	**173,865**
Income taxes		-32,901	-35,192
PROFIT FOR THE FINANCIAL YEAR		**130,841**	**138,673**
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be transferred to profit or loss			
Cash flow hedges			7,232
Translation reserve		-475	318
Available-for-sale investments		-59	17
Taxes related to other items in total comprehensive income			-1,450
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		**130,308**	**144,790**
Profit attributable to:			
Equity holders of parent company		130,841	138,673
Total comprehensive income attributable to:			
Equity holders of parent company		130,308	144,790
Earnings per share for profit attributable to the equity holders of the parent company:			
Undiluted and diluted earnings per share, €		39,351	41,706
Weighted average number of shares, quantity		3,325	3,325

Notes are an integral part of the financial statements.


Profit for the financial year 2017, MEUR
800
700
600
500
400
300
200
100
0
672.0
2.9
301.9
29.4
96.9
61.9
21.0
32.9
130.8
Turnover
Other operating income
Materials and services
Personnel expenses
Depreciation
Other operating expenses
Financial items
Income taxes
Profit for the financial year

3.2 Consolidated balance sheet

ASSETS	Notes	31 Dec 2017 € 1,000	31 Dec 2016 € 1,000
NON-CURRENT ASSETS			
Intangible assets:	12		
Goodwill		87,920	87,920
Other intangible assets		99,795	96,580
		187,715	184,500
Property, plant and equipment:	11		
Land and water areas		15,974	15,701
Buildings and structures		209,792	193,716
Machinery and equipment		562,049	578,281
Transmission lines		786,237	825,038
Other property, plant and equipment		7,060	7,602
Prepayments and purchases in progress		94,888	69,825
		1,675,999	1,690,162
Investments in associated companies	24	14,303	14,158
Available-for-sale investments and receivables			101
Derivative instruments	23	27,762	29,657
Deferred tax assets	10	13,918	6,155
TOTAL NON-CURRENT ASSETS		**1,919,696**	**1,924,733**
CURRENT ASSETS			
Inventories	8	13,529	12,269
Derivative instruments	23	245	2,861
Trade receivables and other receivables	3	96,068	82,191
Financial assets recognised in the income statement at fair value	20	63,465	57,790
Cash in hand and cash equivalents	19	20,303	21,939
TOTAL CURRENT ASSETS		**193,610**	**177,050**
TOTAL ASSETS		**2,113,306**	**2,101,782**

Notes are an integral part of the financial statements.

EQUITY AND LIABILITIES	Notes	31 Dec 2017 € 1,000	31 Dec 2016 € 1,000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	21	55,922	55,922
Share premium account	21	55,922	55,922
Revaluation reserve	21		59
Translation reserve	21	-888	-413
Retained earnings	21	687,100	654,258
TOTAL EQUITY		**798,057**	**765,749**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	10	127,003	125,778
Borrowings	14	813,404	842,866
Provisions	25	1,474	1,481
Derivative instruments	23	12,387	18,567
		954,268	**988,692**
CURRENT LIABILITIES			
Borrowings	14	269,304	264,865
Derivative instruments	23	8,190	7,859
Trade payables and other liabilities	7	83,488	74,617
		360,981	**347,341**
TOTAL LIABILITIES		**1,315,249**	**1,336,033**
TOTAL EQUITY AND LIABILITIES		**2,113,306**	**2,101,782**

Notes are an integral part of the financial statements.

3.3 Consolidated statement of changes in equity

Attributable to equity holders of the parent company, € 1,000

	Share capital	Share premium account	Revaluation reserves	Translation reserve	Retained earnings	Total equity
Balance on 1 Jan 2016	**55,922**	**55,922**	**-5,740**	**-731**	**605,585**	**710,960**
Comprehensive income						
Profit or loss					138,673	138,673
Other comprehensive income						
Cash flow hedges			5,785			5,785
Translation reserve				318		318
Available-for-sale investments			13			13
Total other comprehensive income adjusted by tax effects			**5,799**	**318**		**6,117**
Total comprehensive income			**5,799**	**318**	**138,673**	**144,790**
Transactions with owners						
Dividend relating to 2015					-90,000	-90,000
Balance on 31 December 2016	**55,922**	**55,922**	**59**	**-413**	**654,258**	**765,749**
Balance on 1 Jan 2017	**55,922**	**55,922**	**59**	**-413**	**654,258**	**765,749**
Comprehensive income						
Profit or loss					130,841	130,841
Other comprehensive income						
Cash flow hedges						
Translation reserve				-475		-475
Available-for-sale investments			-59			-59
Total other comprehensive income adjusted by tax effects			**-59**	**-475**		**-534**
Total comprehensive income			**-59**	**-475**	**130,841**	**130,308**
Transactions with owners						
Dividend relating to 2016					-98,000	-98,000
Balance on 31 Dec 2017	**55,922**	**55,922**	**0**	**-888**	**687,100**	**798,057**

Notes are an integral part of the financial statements.

3.4 Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT	Notes	**1 Jan - 31 Dec, 2017** **€ 1,000**	**1 Jan - 31 Dec, 2016** **€ 1,000**
Cash flow from operating activities:			
Profit for the financial year	21	130,841	138,673
Adjustments:			
Business transactions not involving a payment			
Depreciation		96,889	99,222
Capital gains/losses (-/+) on tangible and intangible		-321	-3,792
Share of profit of associated companies		-1,734	-511
Gains/losses from the assets and liabilities recognised in the income statement at fair value		-8,884	-35,378
Interest and other finance costs		23,261	19,385
Interest income		-478	-689
Dividend income		-5	-5
Taxes		32,901	35,192
Impact from changes in the fair value of the investment		101	203
Changes in working capital:			
Change in trade receivables and other receivables		-13,056	-13,121
Change in inventories		-1,260	396
Change in trade payables and other liabilities		7,990	7,371
Congestion income		25,752	39,863
Change in provisions	25	-7	-187
Interests paid		-17,756	-20,496
Interests received		344	440
Taxes paid		-41,911	-33,887
Net cash flow from operating activities		232,668	232,679
Cash flow from investing activities:			
Purchase of property, plant and equipment	11	-100,271	-138,084
Purchase of intangible assets	12	-7,111	-4,108
Proceeds from sale of other assets		119	152
Proceeds from sale of property, plant and equipment		544	5,885
Loans granted			-1,500
Dividends received		1,119	565
Capitalised interest paid	17	-1,223	-2,016
Net cash flow from investing activities		-106,823	-139,106
Cash flow from financing activities:			
Proceeds from non-current financing (liabilities)		100,000	80,000
Payments of non-current financing (liabilities)		-149,732	-164,824
Change in current financing (liabilities)		25,926	44,430
Dividends paid	21	-98,000	-90,000
Net cash flow from financing activities		-121,806	-130,394
Change in cash as per the cash flow statement		**4,039**	**-36,822**
Opening cash as per the cash flow statement		**79,729**	**116,550**
Closing cash as per the cash flow statement	19,20	**83,768**	**79,729**

Notes are an integral part of the financial statements.

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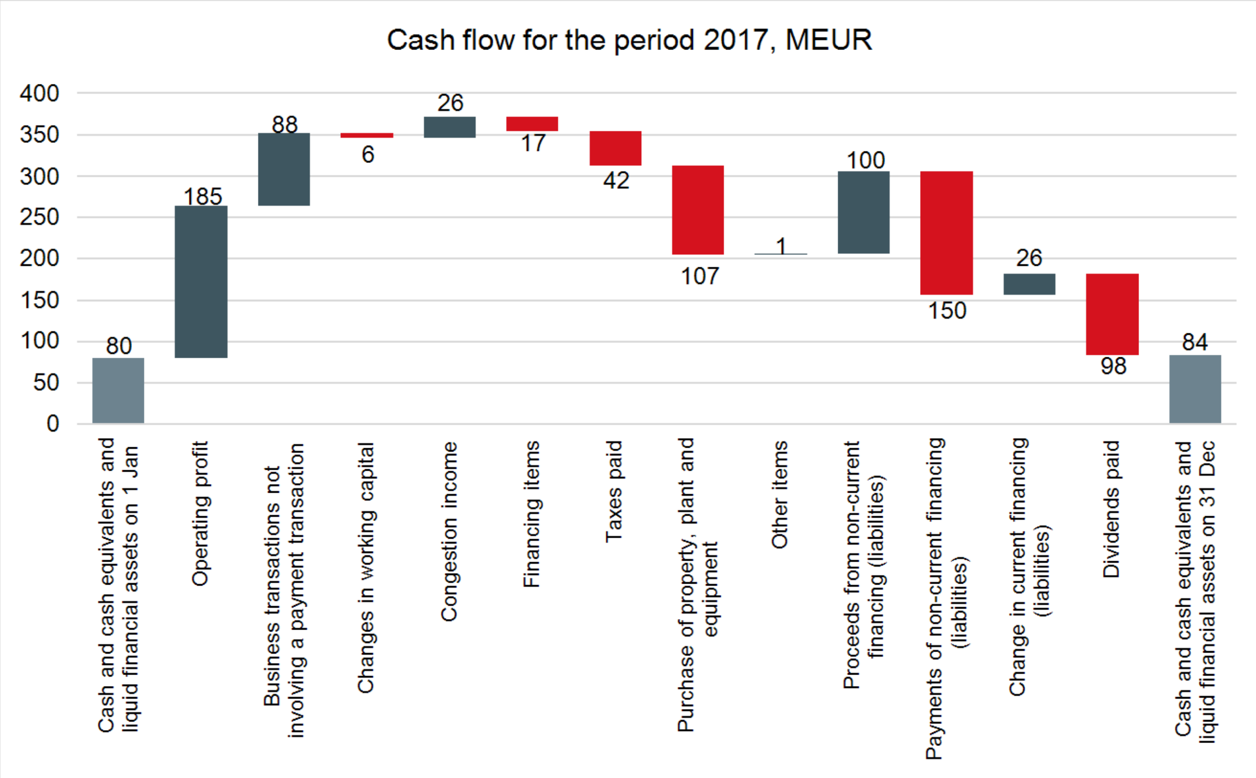
1 March 2018



4 BENCHMARK FOR TSO OPERATIONS (IFRS)

- **This chapter contains first general information about the Group and the general accounting principles applied to the consolidated financial statements.**
- **The chapter focuses on describing how Fingrid's turnover and result are formed and how they relate to the regulatory revenue level. The impact of the regulation is reflected in Fingrid's day-to-day operations and revenue collection.**
- **The chapter also describes Fingrid's operating receivables and liabilities, as well as the risk management they entail.**
- **People are Fingrid's most important resource, which is why information related to personnel has been included here, in the first note.**
- **Fingrid is a substantial tax payer, and Fingrid does not use tax planning. The note on taxes is at the end of this chapter, in chapter 4.9.**

4.1 General information about the Group and general accounting principles

Fingrid Oyj is a Finnish public limited liability company responsible for electricity transmission in the high-voltage transmission system in Finland. Fingrid's nationwide grid is an integral part of the power system in Finland. The transmission grid is the high-voltage trunk network which covers all of Finland. Major power plants, industrial plants and electricity distribution networks are connected to the grid.

Finland's main grid is part of the Nordic power system, which is connected to the system in Central Europe via high-voltage direct current transmission links. Finland also has DC links with Russia and Estonia.

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

Fingrid is in charge of planning and monitoring the operation of the main grid and for maintaining and developing the system. An additional task is to participate in work carried out by ENTSO-E, the European Network of Transmission System Operators for Electricity, and in preparing European market and operational codes as well as network planning.

Fingrid offers grid, cross-border transmission and balance services to its contract customers: electricity producers, network operators and the industry. Fingrid serves the electricity market by maintaining adequate electricity transmission capacity, by removing bottlenecks from cross-border transmission links and by providing market data.

The consolidated financial statements include the parent company Fingrid Oyj and its wholly owned subsidiaries Finextra Oy and Datahub Oy. The consolidated associated companies are Nord Pool Spot AS (ownership 18.8%) and eSett Oy (ownership 33.3%). The Group has no joint ventures.

Fingrid issues bonds under the Euro Medium Term Note (EMTN) programme. Fingrid Oyj's issuances under the EMTN programme are listed on the London Stock Exchange. Fingrid shares are not listed.

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 under the conditions which constitute the foundation for the estimates of the items recognised in the financial statements. The actual amounts may differ from these estimates. In the financial statements, estimates have been used for example, when specifying the economic lives of tangible and intangible asset items, and in conjunction with deferred taxes and provisions. Critical estimates and judgements by management are described by topic in the notes, and the judgement or estimates related to which are in accordance with the following table.

Estimate of the purchase and sale of imbalance power	Chapter 4.3
Inter-Transmission System Operator Compensation (ITC)	Chapter 4.3
Deferred tax assets and liabilities	Chapter 4.9
Determination of the fair value measurement of grid assets	Chapter 5.1
Determination of the depreciation periods of property, plant and equipment, and intangible assets	Chapter 5.2

Accounting principles

In preparing these consolidated financial statements, the Group has followed the same standards as in 2016. New standards, interpretations and changes took effect during the year, but these have not had a material effect on the consolidated financial statements. Fingrid adopted, ahead of their entry into force on 1 January 2017, the amendments to IAS 7 *Statement of Cash Flows*, according to which companies must now present disclosures on changes in liabilities arising from financing activities. This includes changes from financing cash flows (e.g. drawdowns and payments of debt), as well as changes in non-cash items, such as procurements, disposals, accrued interest and unrealised foreign currency exchange differences. The note is presented in chapter 6.3. The new IFRS 15 standard that enters into effect at the start of 2018 will somewhat affect the current year's recognition practices and the next consolidated financial statements; however, the new IFRS 9 standard will not have a significant impact on the company's practices. The notes and related amendments are presented in chapters 4.3 and 6.3.

IASB has published the following new and amended standards and interpretations, which the company has not yet applied. The company will begin applying the standard and interpretation from the date of its entry into force. The estimated impact of the standards is described in the notes listed in the table.

IFRS 9 Financial instruments, effective 1 January 2018	Chapter 6.6
IFRS 15 Revenue from Contracts with Customers, effective 1 January 2018	Chapter 4.3
IFRS 16 Leases, effective 1 January 2019	Chapter 5.3

Segment reporting

The entire business of the Fingrid Group is deemed to comprise grid operations 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. For that reason, 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 to the chief operating decision-maker. The chief operating decision-maker is the company's Board of Directors. Fingrid operates only in Finland, which is also why geographical data is not presented.

Foreign currency transactions

The consolidated financial statements are presented in euros, which is the functional currency of the parent company. Transactions and financial items denominated in foreign currencies are recognised at the foreign exchange mid-rate quoted by the European Central Bank (ECB) at the transaction date. Receivables and liabilities denominated in foreign currencies are valued in the financial statements at the mid-rate quoted by the ECB at the closing date. Foreign exchange gains and losses from business are included in the corresponding items above operating profit. Foreign exchange gains and losses from financial instruments are recognised at net amounts in finance income and costs.

Earnings per share

The Group has calculated undiluted earnings per share in accordance with standard IAS 33. Undiluted earnings per share are calculated using the weighted average number of shares outstanding during the financial year. Since Fingrid has no share option schemes or benefits bound to shareholders' equity or other equity financial instruments, there is no dilutive effect.

4.2 The company's general risk management processes and policies

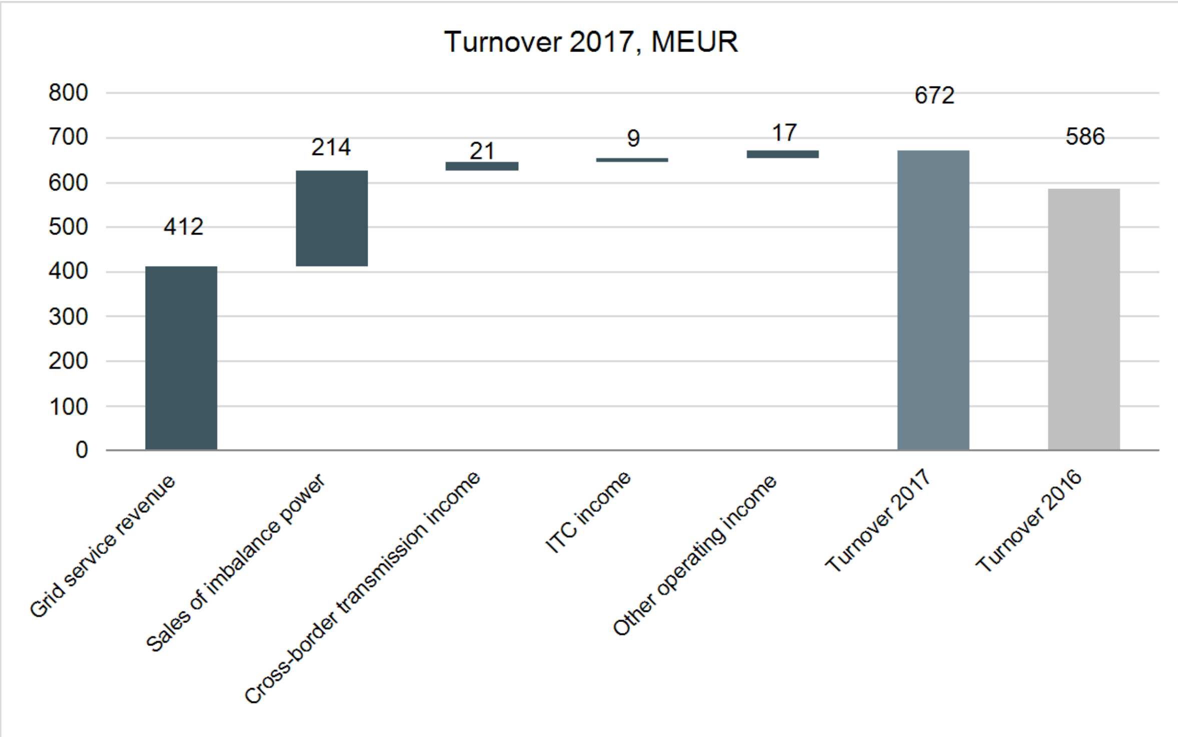
The objective of Fingrid's risk management is to make preparations for cost-effective measures providing protection against damage and loss relating to risks and to ensure the commitment of the entire personnel to considering the risks pertaining to the company, its various organisational units and each 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 harmful event, its financial impact and impact on corporate image or on the attainment of the business goals.

Risk management is planned as a whole with the objective of comprehensively identifying, assessing, monitoring and safeguarding the company's operations, the environment, personnel and assets from various threats and risks. Due to the nature of the company's basic mission, risks are also assessed from a societal perspective.

The Board approves the key principles of internal control and risk management and any amendments to them. The Board of Directors approves the primary actions for risk management as part of the corporate strategy, indicators, action plan, and budget. The Board of Directors (Audit Committee) receives a situation report on the major risks relating to the operations of the company and on the management of such risks.

4.3 Formation of turnover and financial result

Turnover consists of the following:



1. TURNOVER, €1,000	**2017**	**2016**
Grid service revenue	412,082	382,395
Sales of imbalance power	213,872	153,881
Cross-border transmission income	20,711	24,015
ITC income	8,647	13,199
Peak load capacity	8,264	7,023
Other operating income	8,416	5,607
Total	**671,992**	**586,120**

Grid service income mainly consists of the unit price for electricity transmission multiplied by the volume. The Energy Market Authority approves the pricing structure for grid services, on the basis of which Fingrid sets the unit prices for electricity transmission during the winter period and for consumption during other times. The winter period begins on 1 December and ends on the last day of February. Fingrid additionally charges fees for output from and input into the grid, and power generation capacity fees. Fingrid strives to set the unit prices for electricity transmission each autumn for the next year, for one year at a time.

Within the framework of 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.

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

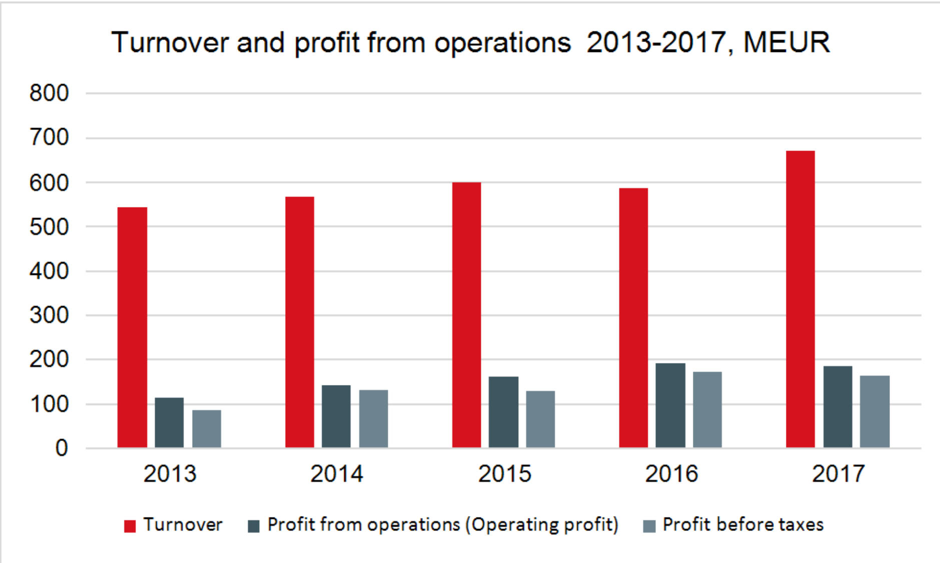
Fingrid is responsible for the continuous power balance in Finland at all times by buying and selling regulating power in Finland. The balance responsible parties can participate in the Nordic balancing power market by submitting bids on their available capacity. The terms and conditions of participation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

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 with 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 contractual terms are equal and public.

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

The peak load capacity secures the supply security of electricity in situations of the Finnish power system where the planned electricity procurement is not sufficient to cover the anticipated electricity consumption. The peak load capacity can consist of both power plants and facilities capable of adjusting their electricity consumption.

2. OTHER OPERATING INCOME, €1,000	**2017**	**2016**
Rental income	942	922
Capital gains on fixed assets	321	3,792
Contributions received	170	282
Congestion income		6,325
Other income	1,500	1,368
Total	**2,933**	**12,689**



Accounting principles

Revenue recognition
Sales recognition takes place on the basis of the delivery of the service. Electricity transmission is recognised once the transmission has taken place. Non-recurring connection fees are recognised when the connection is agreed on with the customer. Indirect taxes and discounts, etc., are deducted from the sales income when calculating turnover.

Adoption of the IFRS 15 Revenue from Contracts with Customers standard, effective 1 Jan 2018
IFRS 15 will replace IAS 18, which outlines the accounting requirements for the sale of goods and services, and IAS 11 applied to long-term projects.
The fundamental principle of the new standard is that sales revenue should be recognised when control over the goods or the service is transferred to the customer; in other words, control of the asset is the criterion to be examined instead of the previous criteria of risks and rewards.
A new five-step process should be applied when recognising sales revenue:
• Identify the contract(s) with a customer
• Identify the individual performance obligations
• Determine the transaction price according to the contract
• Allocate the transaction price to individual performance obligations, and
• Recognise revenue when each performance obligation is met.
A significant change from current practice is the change in the timing of sales recognition: with the new standard, the timing of recognition of grid connection fees will change. Like all new standards, this one also includes new requirements for the notes to the financial statements. These

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

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

For Fingrid, the identified performance obligations will not bring significant changes to the current recognition practices.

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

Calculation of the standard's impacts on the financial statements
Application of the standard does not have significant impacts on the company's result and balance sheet.
If sales in 2017 were recognised according to the IFRS 15 revenue recognition standard, it would have had a reducing effect of EUR 1.2 million on net sales on 31 Dec. 2017, in which case net sales would have amounted to EUR 670.8 million. Until 31 Dec. 2017, non-recurring connection fees have been recognised when the connection is agreed on with the customer. If the connection fees were recognised over 15 years, it would have had a reducing effect on equity of EUR 35.1 million on the balance sheet date of 31 Dec. 2017, and it would have increased the deferred tax assets and accruals. The total impact in the balance sheet would have been EUR 8.8 million. Impacts on the income statement and balance sheet are presented in the table below.

Consolidated Income Statement € 1,000	**Reported 31.12.2017**	**Change, IFRS 15 31.12.2017**	**Revised 31.12.2017**
Turnover	671 992	-1 208	670 784
Operating profit	184 786	-1 208	183 578
Profit before taxes	163 742	-1 208	162 534
Income taxes	-32 901	242	-32 659
Profit for financial year	**130 841**	**-966**	**129 875**

Consolidated Balance Sheet € 1,000	**Reported 31.12.2017**	**Change, IFRS 15 31.12.2017**	**Revised 31.12.2017**
Deferred tax assets	5 071	8 786	13 858
Total assets	**2 113 306**	**8 786**	**2 122 093**
Equity	-798 057	35 146	-762 912
Long-term deferred income		-40 140	-40 140
Short-term deferred income	-20 627	-3 792	-24 419
Total equity and liabilities	**2 113 306**	**-8 786**	**2 122 093**

Judgements and estimates

Estimate of the purchase and sale of imbalance power
The income and expenses of imbalance power are ascertained through a nationwide imbalance settlement procedure, which is based on the Ministry of Employment and Economy's 9 December 2008 decree on the disclosure obligation related to the settlement of electricity delivery. The final imbalance settlement is completed no later than 13 days from the delivery month, which is why the income and expenses of imbalance power in the financial statements are partly based on preliminary imbalance settlement. The estimate is based on the preliminary imbalance settlement information provided by the imbalance settlement. For foreign balances, the calculations have been verified with the foreign counterparties.

Inter-Transmission System Operator Compensation (ITC)
Compensation for the transit transmissions of electricity has been agreed upon through an ITC (Inter-Transmission System Operator Compensation) agreement. The centralised calculations are carried out by ENTSO-E (the European Network of Transmission System Operators of Electricity). ITC compensation is determined on the basis of the compensation paid for use of the grid and transmission losses. The ITC calculations take into account the electricity transmissions between the various ITC agreement countries. ITC compensation can represent both an income and a cost for a transmission system operator. Fingrid's share of the ITC compensation is determined on the basis of the cross-border electricity

transmissions and imputed grid losses. ITC compensation is invoiced retroactively after all parties to the ITC agreement have approved the invoiced sums. Control is carried out monthly. This is why the uninvoiced ITC compensations for 2017 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 by analysing the actual figures from previous months and data on grid transmissions during these months.

4.4 Revenue-related receivables and credit risk management

3. TRADE RECEIVABLES AND OTHER RECEIVABLES, €1,000	2017	2016
Trade receivables	80,915	72,914
Trade receivables from associated companies	3,888	125
Prepayments and accrued income from associated companies	46	18
Prepayments and accrued income	9,771	7,835
Other receivables	1,448	1,298
Total	**96,068**	**82,191**

Essential items included in prepayments and accrued income	2017	2016
Accruals of sales	1,634	1,153
Accruals of purchases/prepayments	2,281	2,364
Interest receivables	2,737	4,118
Rents/prepayments	789	200
Tax assets	2,331	
Total	**9,771**	**7,835**

Credit risk management – customers
According to The Electricity Market Act, the company is obliged to accept distribution network operators joining the grid as well as electricity producers and consumers as its customers. Accordingly, the company cannot choose its customers based on a credit risk analysis or collect different fees from them. In general, collateral are not required from the company's customers to secure sales payments, but in the event of an overdue payment, this is possible. The unit in charge of the customer relationships is responsible for verifying their creditworthiness, with assistance from the Treasury unit. The Treasury has defined an operating process for monitoring customers' payment defaults in the terms and conditions of the Main Grid Contract. Any collateral required by Fingrid will be either bank guarantees or an upfront payment in order to cover the electricity taxes payable by customers connected to the grid and subject to the tax, as ruled in the Main Grid Contract's Service Terms and Conditions. At the turn of the year, the company had few outstanding receivables, the credit risk for which was considered to be low, and the company estimates it will receive these payments. The company has no impairments related to receivables.

Netting of trade receivables and trade payables

The trade receivables and trade payables are netted in the balance sheet as presented in the table below. The netted items are associated with purchases and sales of imbalance power. The company has a legally enforceable right of set-off to these items in any circumstance and will use this right.

4. NETTING OF TRADE RECEIVABLES AND TRADE PAYABLES € 1,000						
	2017			2016		
	Gross amount of trade receivables/trade payables	Amount of netted items	Net amount of trade receivables and trade payables presented in the balance sheet	Gross amount of trade receivables/trade payables	Amount of netted items	Net amount of trade receivables and trade payables presented in the balance sheet
Trade receivables	94,764	-9,961	84,803	88,176	-15,136	73,040
Trade payables	43,583	-9,961	33,622	40,113	-15,136	24,976

Accounting principles

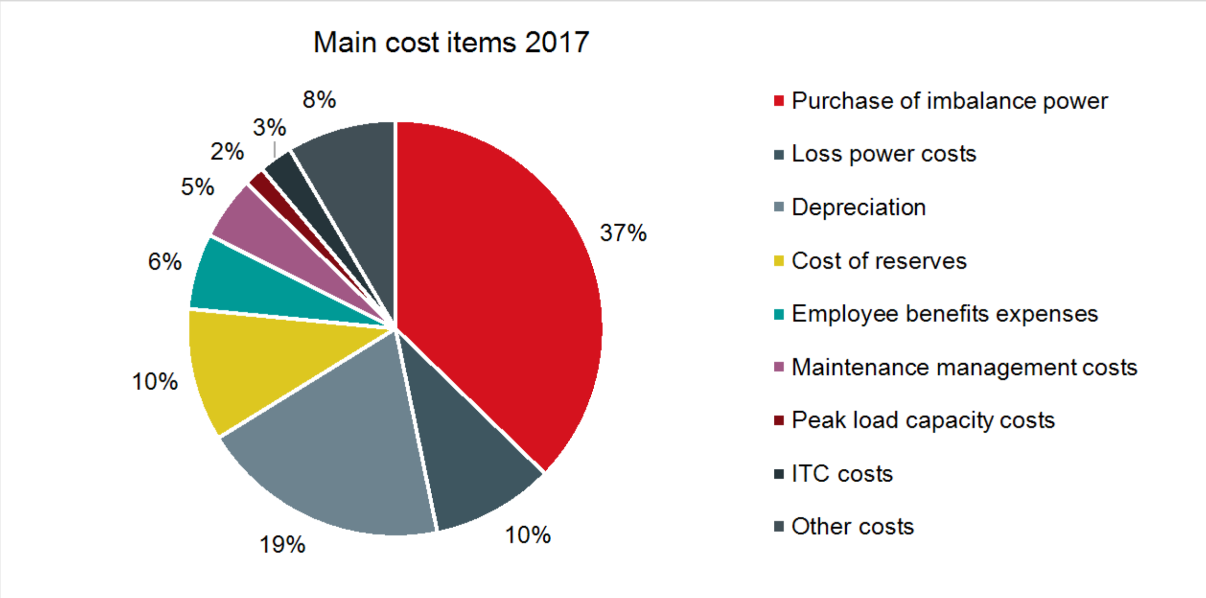
Trade and other receivables
Loans and other receivables are recognised initially at fair value; subsequently they are measured at amortised cost using the effective interest rate method. The amount of doubtful receivables is estimated based on the risks of individual items. An impairment loss is recorded on receivables 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 be subject to other financial rearrangements, and payments overdue by more than 90 days).

Impairment losses are recognised directly, under other operating expenses, to reduce the carrying amount of the receivables. Fingrid did not have any impairment losses during the periods presented here.

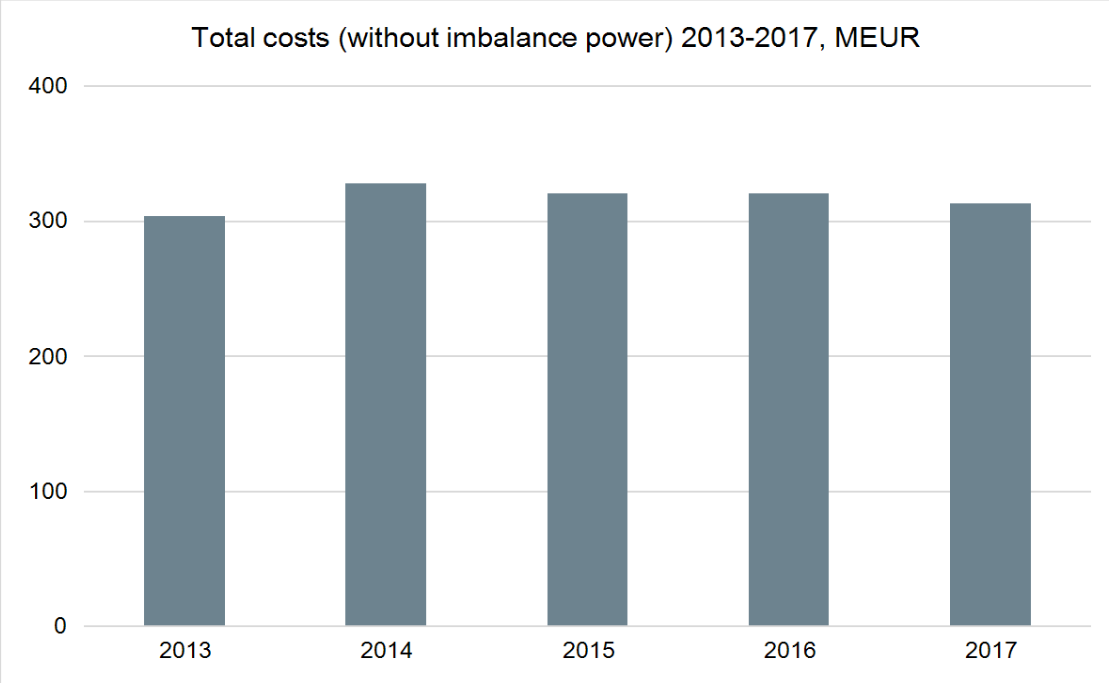
In addition to trade receivables and other receivables, the company has a small amount of loan receivables from associated companies. These are long-term and described in Chapter 7.1. The receivables from associated companies are recognised according to these same accounting principles.

4.5 Operating expenses, liabilities and credit risk management for purchases

Fingrid's operating expenses consist of and have developed as follows:



Cost increases due in particular to new tasks and unexpected external changes affecting operations has been a special characteristic of grid operations in recent years. The new tasks involve, among other things, developing the Nordic imbalance markets, changes required by the new Electricity Market Act and the European network codes and the R&D expenses for these tasks. Some of the new tasks and responsibilities are assigned to Fingrid by law, which means the company must increasingly develop and back up its operations. The cost factors also include society's increasing dependency on the power system, as well as needs related to data security. Fingrid nevertheless continues to be one of the most cost-effective TSOs in the world in international benchmark studies. The Group's R&D costs in 2017 amounted to EUR 2.6 (2.4) million.



5. MATERIALS AND SERVICES, €1,000	**2017**	**2016**
Loss power costs	47,397	57,555
Purchase of imbalance power	183,426	121,697
Cost of reserves	46,245	44,907
Other material costs	4,562	4,189
Change in inventories, increase (-) or decrease (+)	-1,260	396
Peak load capacity costs	7,963	6,604
ITC costs	13,015	12,645
Other external services	600	365
Total	**301,948**	**248,359**

6. OTHER OPERATING EXPENSES, €1,000	**2017**	**2016**
Contracts, assignments etc. undertaken externally	56,746	53,427
Gains/losses from measuring electricity derivatives at fair value	-9,053	-35,310
Other rental expenses	3,622	2,816
Other expenses	10,603	9,653
Total	**61,918**	**30,586**

Auditors' fees	**2017**	**2016**
PricewaterhouseCoopers Oy		
Auditing fee	68	65
Tax advisory fees	20	21
Assignments referred to in the Auditing Act, Chapter 1, Section 1, Subsection 2		3
Other fees	41	60
Total	**130**	**149**

Auditors' fees are included in other operating expenses

The company’s operating model is largely based on outsourcing, including areas such as grid investments, maintenance management and ICT purchases. The company will apply competitive tendering as described in the procurement policy. All purchasing activities are based on impartiality, equality and transparency. Procurement decisions will be made according to previously published financial and qualitative criteria that are verifiable also after the fact. Fingrid aims to ensure that all suppliers and their subcontractors operate in a sustainable manner. A commitment to Fingrid’s Supplier Code of Conduct is required from all suppliers.

7. TRADE PAYABLES AND OTHER LIABILITIES, €1,000	2017	2016
Trade payables	30,246	24,825
Trade payables to associated companies	3,376	152
Interest payable	12,257	13,751
Value added tax	12,378	11,860
Collaterals received	923	923
Electricity tax	3,092	3,093
Accruals	20,627	19,259
Other debt	588	755
Total	**83,488**	**74,617**

Essential items included in accruals	2017	2016
Personnel expenses	6,613	5,693
Accruals of sales and purchases	8,848	7,849
Tax liabilities	5,150	5,305
Other accruals	16	413
Total	**20,627**	**19,259**

Credit risk in purchasing
The heads of functions are in charge of credit risks related to suppliers. The procurement policy and guidelines, and separate instructions set out the financial criteria required for Fingrid’s suppliers and how they should be monitored.

General procurement principles
The Group follows three alternative procurement methods when purchasing goods or services. When the value of the purchase is less than 30,000 euros and the benefits of a competitive tender are smaller than the costs of the purchase, the purchase can be realised without a competitive tender or it can be realised through an oral request. A written order or purchasing agreement is always drawn up. When the estimated value of the procurement exceeds 30,000 euros but is below the threshold values applied to public procurements, the procurement is subject to competitive bidding by requesting written bids from the supplier candidates. When the public procurement threshold values that apply to Fingrid (in 2017: EUR 418,000 for goods and services and EUR 5,225,000 for construction projects) are exceeded, the company follows the public procurement legislation applied to special sectors.

4.6 Inventories

Fingrid prepares for outages by maintaining reserve power plants. The inventories contain fuel for reserve power plants, spare parts for submarine cables, back-up equipment and parts for substations, and repair equipment for transmission lines. The aim of stockpiling is to achieve sufficient preparedness in case of faults and events possibly occurring during times of crisis at the substations and on the transmission lines owned by Fingrid.

8. INVENTORIES, €1,000	2017	2016
Materials and consumables at 1 Jan		
Material stocks	6,836	6,144
Fuel stocks	6,412	5,995
Work in progress	281	131
Total	**13,529**	**12,269**

The use of inventories was entered as an expense of EUR 2.6 (2.1) million.

Accounting principles

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

4.7 Management of electricity price and volume risk and commodity risks

The electricity price and volume risks are not significant to the company's turnover and financial result over time. If the volume of transmitted electricity deviates from the forecasted volume, the result may be a deviation in the company's turnover and financial result. This can lead to a surplus or deficit compared with the allowed reasonable return for the year in question, which the company will aim to offset during the subsequent financial year.

The company is exposed to electricity price and volume risk through transmission losses so that the company must acquire so-called loss power in an amount corresponding to the electricity transmission losses. Loss power purchases and the price hedging thereof are based on the Corporate Finance and Financing Principles approved by the Board of Directors. Moreover, the company has a loss power purchasing policy, approved by the Executive Management Group, for loss power hedging and purchases, as well as operative instructions, instructions for price hedging and control room instructions. The purpose of price hedging is to reduce the impact of market price volatility and enable sufficient predictability in order to keep the annual pressures on grid service fees of loss energy at a moderate level. Price hedging is implemented over a four year horizon such that by the end of September in the year preceding the delivery, the price risk for the next year is fully hedged. For the price hedging of loss power purchases, the company mainly uses NASDAQ OMX Commodities quoted futures. The company can also use OTC futures comparable with NASDAQ OMX Commodities futures. The nominal values, fair values and exposures of electricity futures are disclosed in Table 23.

Commodity risks other than those related to loss energy purchases arise if the company enters into purchasing agreements in which the price of the underlying commodity influences the final price of the investment commodity (commodity price risk). As a rule, commodity price risks and exchange rate risks are fully hedged. A risk that amounts to less than EUR 5 million when realised can be unhedged for reasons of cost-effectiveness.

4.8 Personnel - the cornerstone of our operations

Fingrid Oyj employed 355 (334) persons, including temporary employees, at the end of the year. The number of permanent personnel was 308 (291). Of the personnel employed by the company, 24 (25) per cent were women and 76 (75) per cent were men. The average age of the personnel was 44 (44).

9. PERSONNEL EXPENSES, €1,000	2017	2016
Salaries and bonuses	24,187	22,735
Pension expenses - contribution-based schemes	4,139	4,433
Other additional personnel expenses	1,059	1,430
Total	**29,385**	**28,598**
Salaries and bonuses of top management	**1,720**	**1,570**

In 2017, the Group applied a remuneration system for senior management; the general principles of the system were accepted by the Board of Directors of Fingrid Oyj on 15 December 2016. The total remuneration of the members of the executive management group consists of a fixed total salary, a one-year bonus scheme, and a three-year long-term incentive scheme. The maximum amount of the one-year bonus scheme payable to the CEO was 40 per cent of the annual salary and to the other members of the executive management group 20 per cent of the annual salary. The maximum amount of the annual long-term incentive scheme payable to the CEO was 35 per cent (in programmes 2015–2017 and 2016–2018) or 40 per cent (in programme 2017–2019), and to the other members of the executive management group 25 per cent.

The Group currently has contribution-based pension schemes only. The pension security of the Group's personnel is arranged by an external pension insurance company. Pension premiums paid for contribution-based schemes are recognised as an expense in 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.

NUMBER OF SALARIED EMPLOYEES IN THE COMPANY DURING THE FINANCIAL YEAR:	2017	2016
Personnel, average	352	336
Personnel, 31 Dec	355	334

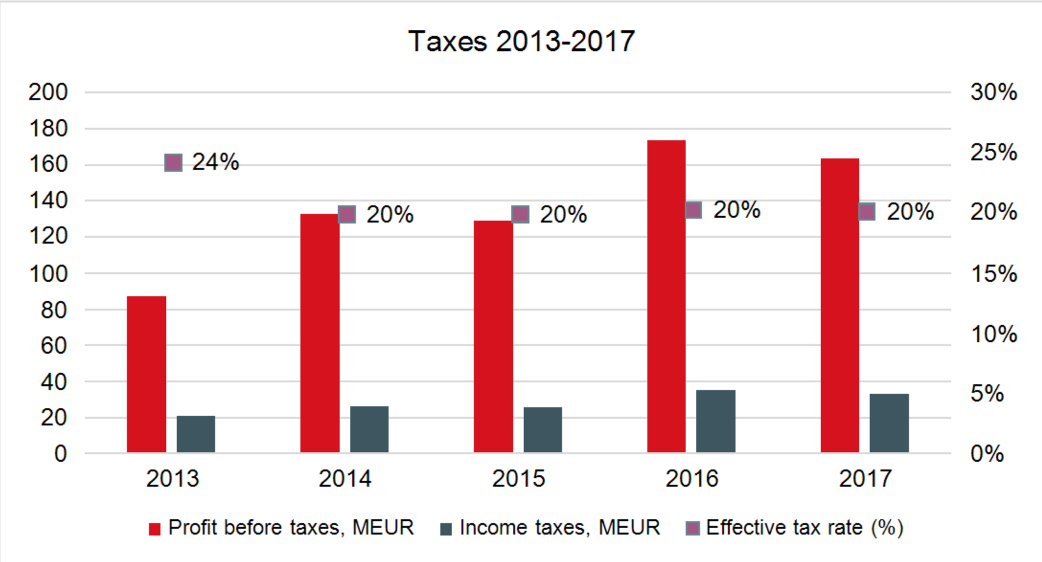
Accounting principles

Employee benefits

Pension obligations
The company has only defined contribution-based pension schemes. A defined contribution-based pension arrangement refers to a pension scheme according to which fixed contributions are paid into a separate entity, and the Group bears no legal or actual obligation to make additional contributions if the fund does not contain sufficient funds to pay out benefits based on work performed during current and previous financial periods to all employees. Under defined contribution-based pension schemes, the Group pays mandatory, contractual or voluntary contributions into publicly or privately managed pension insurance policies. The Group has no other contribution obligations in addition to those payments. The payments are entered as personnel costs when they fall due. Advance payments are entered in the balance sheet as assets insofar as they are recoverable as refunds or deductions from future payments.

4.9 Taxes

The company will pay its income taxes in accordance with the underlying tax rate, without special tax arrangements. Income taxes consist of direct taxes and the change in deferred tax: EUR -39.4 (-25.8) million and EUR 6.5 (-9.4) million respectively. Fingrid's effective tax rate is essentially comparable to Finland's corporate tax rate 20%. The only difference between the Finnish corporate tax rate and Fingrid's effective tax rate is due to a minor amount of non-deductible items, amounting in 2017 to EUR 0.2 (0.4) million. The table below illustrates the development of Fingrid's effective tax rate. The impact of a change in the tax rate has been eliminated over the year in the 2013 figures.



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

Changes in deferred taxes in 2017:

Deferred tax assets	31 Dec 2016	Recorded in income statement at profit or loss	Recorded in other comprehensive income	31 Dec 2017
Provisions	296	-1		295
Current financial receivables	12	-9		3
Trade payables and other liabilities	1,858	-291		1,566
Derivative instruments	3,989	-781		3,207
Congestion income		8,846		8,846
Total	**6,155**	**7,763**	**0**	**13,918**

Deferred tax liabilities

Accumulated depreciations difference	-89,779			-89,779
Property, plant and equipment, tangible and intangible assets	-27,120	-1,545		-28,665
Available-for-sale investments	-20	20		
Other receivables	-840	280		-560
Financial assets recognised in the income statement at fair value	-79	-20		-99
Borrowings	-2,332	-287		-2,619
Derivative instruments	-5,608	327		-5,281
Total	**-125,778**	**-1,225**	**0**	**-127,003**

Changes in deferred taxes in 2016:

Deferred tax assets	31 Dec 2015	Recorded in income statement at profit or loss	Recorded in other comprehensive income	31 Dec 2016
Provisions	334	-37		296
Current financial receivables	3	9		12
Trade payables and other liabilities	6,336	-4,478		1,858
Derivative instruments	9,800	-4,365	-1,446	3,989
Other items	6		-6	
Total	**16,479**	**-8,872**	**-1,452**	**6,155**
Deferred tax liabilities				
Accumulated depreciations difference	-89,779			-89,779
Property, plant and equipment, tangible and intangible assets	-24,896	-2,224		-27,120
Available-for-sale investments	-33		13	-20
Other receivables	-1,005	166		-840
Financial assets recognised in the income statement at fair value	-39	-41		-79
Borrowings	-3,259	927		-2,332
Derivative instruments	-6,230	622		-5,608
Total	**-125,240**	**-551**	**13**	**-125,778**

Accounting principles

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. Deferred taxes are recorded in accordance with Finland's statutory corporate tax rate of 20%. Taxes are recognised in the income statement unless they are linked with other comprehensive income, in which case the tax is also recognised in other comprehensive income. Such items in the Group consist solely of available-for-sale investments, since hedge accounting for electricity derivatives was discontinued in 2014.

Deferred tax assets and liabilities are recognised on all temporary differences between the tax values of asset and liability items and their carrying amounts using the liability method. Deferred tax is recognised using tax rates valid up until the closing date. The deferred tax liabilities arising from the original recognition of goodwill will not be recognised, however. Deferred tax liabilities will also not be recognised if they are caused by the original recognition of the asset or liability and the item is not related to a merger and the transaction will not affect the accounting totals or the taxable revenue during its implementation. The deferred tax assets are shown as non-current receivables and deferred tax liabilities correspondingly as non-current liabilities.

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

5 LONG-TERM INVESTOR (IFRS)

- **This chapter focusses on Fingrid's assets, and above the most important ones: Grid assets and the indicators related to them.**
- **The chapter also takes a look at the company's goodwill and provides a description of other property, plant and equipment, and intangible assets.**
- **Leases are also included in this chapter as, for example, right-of-use agreements make up a considerable share of the company's operations and are as important as the company's other assets. Their share will be especially highlighted when all lease agreements are included in the company's balance sheet following the introduction of the new IFRS 16 standard.**

5.1 Grid assets

Fingrid's grid investment programme promotes the national climate and energy strategy, improves system security, increases transmission capacity and promotes the electricity markets. The annual capital expenditure in the grid has remained extensive.

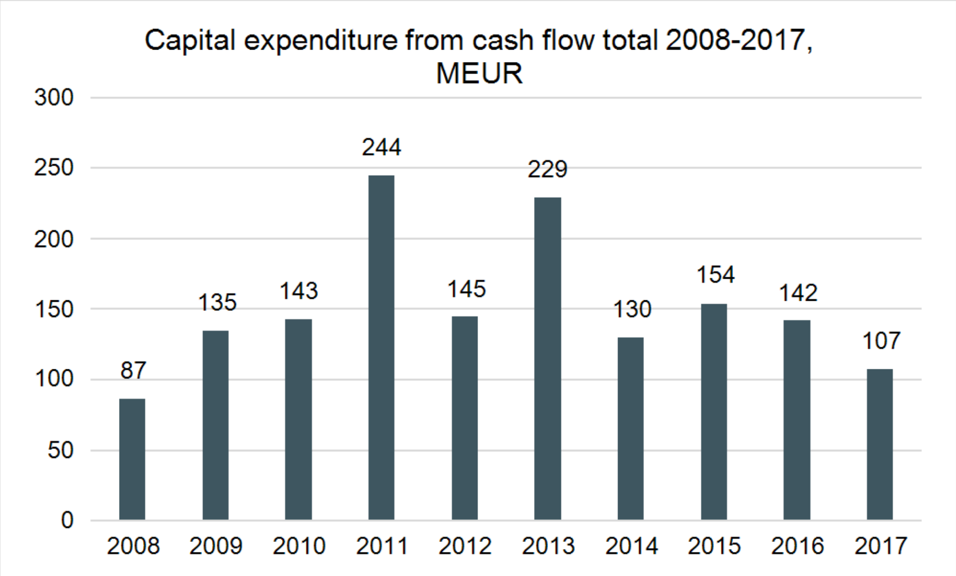
14 400 km of power lines
300 km of submarine cable

over
47 000 towers

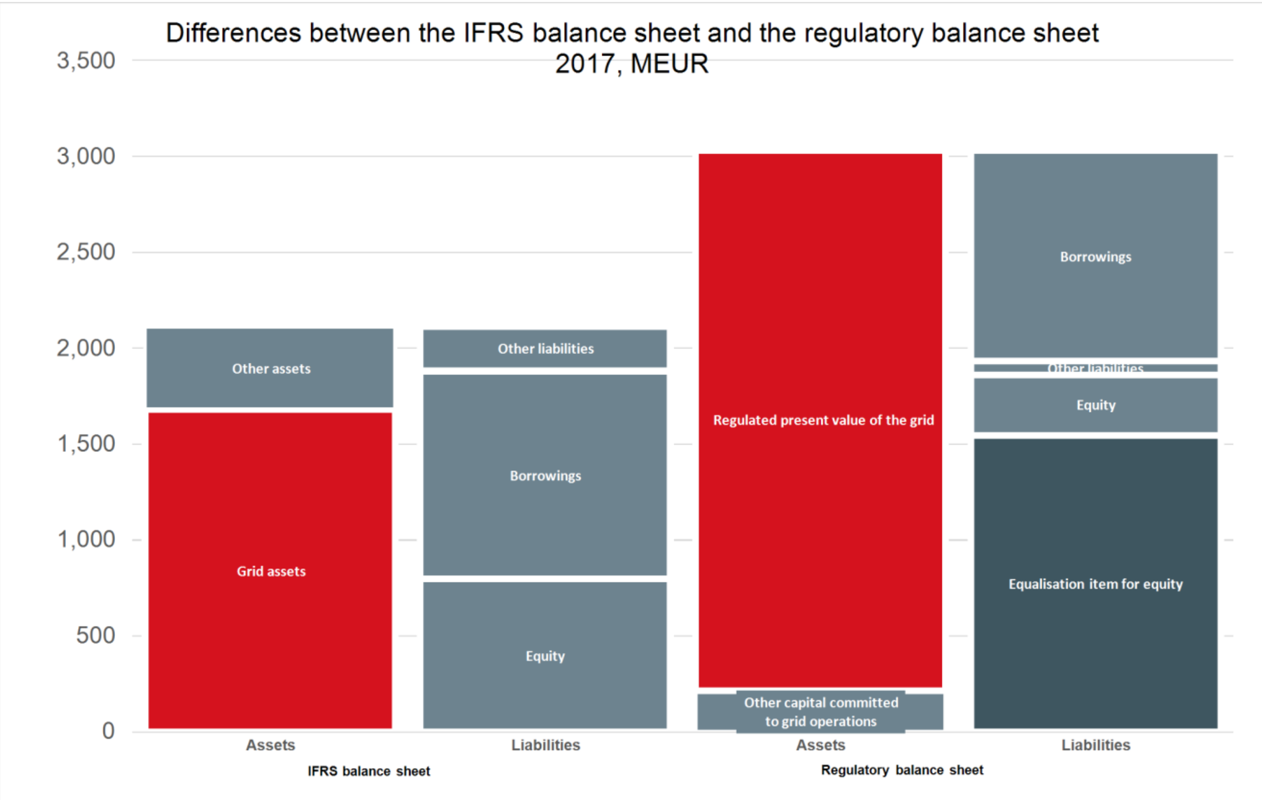
115 substations

10 reserve power plants
> 935 MW reserve

The company's total capital expenditure in 2017 amounted to EUR 111.1 (146.7) million. This included a total of EUR 91.1 (135.8) million invested in the transmission grid and EUR 14.2 (3.3) million for reserve power. ICT investments amounted to EUR 5.7 (7.5) million. A total of EUR 2.6 (2.4) million was used for R&D projects during the year under review. A total of 22 substation projects and 16 power line projects or transmission line arrangements were under way in 2017. The biggest current projects are related to the modernisation of the aging 'Iron Lady' transmission line, connecting large-scale power plants to the grid, and maintaining system security for major cities

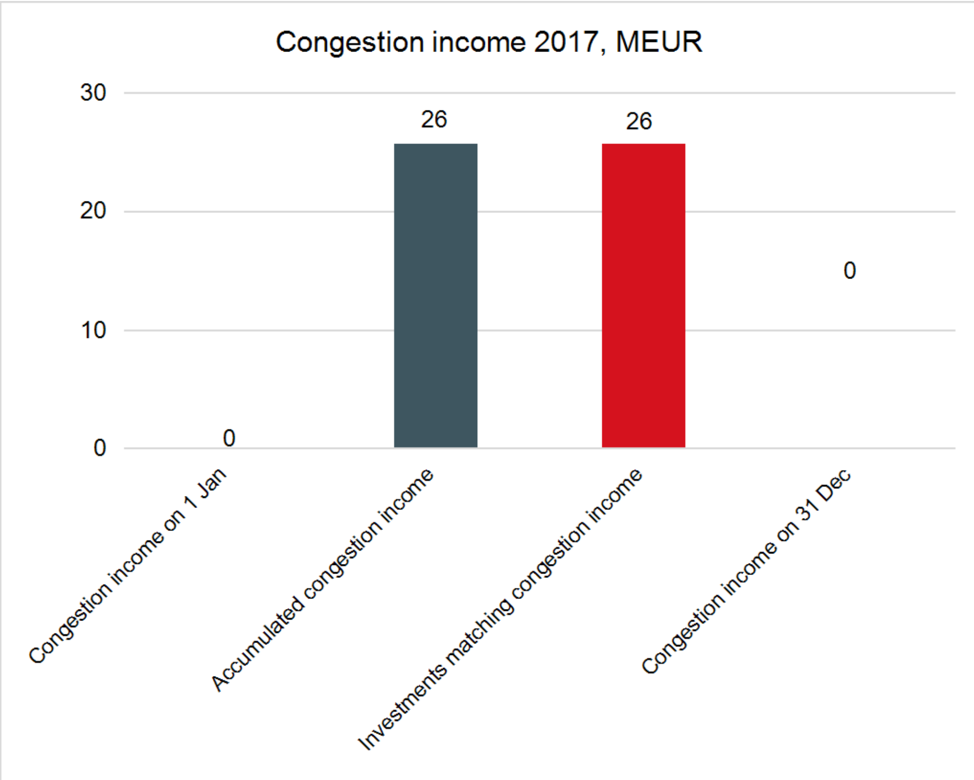


Grid assets are recognised at fair value for the purposes of the company's regulatory balance sheet, as described above. The fair value of the transmission network assets (adjusted replacement cost) is calculated by adding up the adjusted replacement costs for each grid component; these are calculated by multiplying the unit price specified by the Energy Authority with the number of grid components. The adjusted present value in use for a grid component is calculated based on the adjusted replacement cost, using the useful life of the grid component and its mean lifetime data.



Congestion income

Congestion income is generated because of an insufficient transmission capacity between the bidding zones of an electricity exchange. In such cases, the bidding zones become separate price areas, and the transmission link joining them generates congestion income in the electricity exchange as follows: congestion income [€/h] = transmission volume in the day-ahead markets [MW] * area price difference [€/MWh]. The basis for this is that a seller operating in a lower priced area receives less for their power than what a buyer pays for it in a higher priced area. The additional income caused by this price difference, i.e. congestion income, remains in the electricity exchange, which then pays the income to the TSOs as per the contractual terms. The congestion income received by a grid owner must be used for the purposes stated in EC Regulation 714/2009, Article 16, Paragraph 6: guaranteeing the actual availability of the allocated capacity, and maintaining or increasing interconnection capacities through network investments. As a consequence of the change in the regulation governing Fingrid's grid pricing, the company will include the congestion income received after 1 January 2016 as accruals in the item other liabilities in the balance sheet.



The congestion income from 2017 was used for the Hirvisuo–Pyhänselkä transmission network investment, which promotes the cross-border transmission from northern Sweden.

Accounting principles

Congestion income
As a consequence of the change in the regulation governing Fingrid's grid pricing, the company will include the congestion income received after 1 January 2016 as accruals in the item other liabilities in the balance sheet. Of the accruals, congestion income will be recognised in the income statement as other operating income when their corresponding costs, as defined in the regulation, accrue as annual expenses in the income statement. Alternatively, they are entered in the balance sheet against investments, as defined by regulation, to lower the acquisition cost of property, plant and equipment, which lowers the depreciation of the property, plant and equipment in question. The congestion income received before 1 January 2016 was recognised in turnover.

Public contributions
Public contributions received from the EU or other parties related to property, plant and equipment are deducted from the acquisition cost of the item, and the contributions consequently reduce the depreciation made on the item. Other contributions are distributed as income over those periods when costs linked with the contributions arise. Other contributions received are presented in other operating income.

5.2 Tangible and intangible assets

11. PROPERTY, PLANT AND EQUIPMENT, € 1,000	2017	2016
Land and water areas		
Cost at 1 Jan	15,701	15,349

Increases 1 Jan - 31 Dec	274	393
Decreases 1 Jan - 31 Dec		-41
Cost at 31 Dec	**15,974**	**15,701**
Carrying amount 31 Dec	**15,974**	**15,701**
Buildings and structures		
Cost at 1 Jan	254,823	220,357
Increases 1 Jan - 31 Dec	24,614	34,634
Decreases 1 Jan - 31 Dec	-5	-168
Cost at 31 Dec	**279,432**	**254,823**
Accumulated depreciation 1 Jan	-61,108	-53,077
Decreases, depreciation 1 Jan - 31 Dec	5	73
Depreciation 1 Jan - 31 Dec	-8,538	-8,103
Carrying amount 31 Dec	**209,792**	**193,716**
Machinery and equipment		
Cost at 1 Jan	1,115,218	1,053,479
Increases 1 Jan - 31 Dec	31,992	61,839
Decreases 1 Jan - 31 Dec	-718	-100
Cost at 31 Dec	**1,146,492**	**1,115,218**
Accumulated depreciation 1 Jan	-536,937	-485,852
Decreases, depreciation 1 Jan - 31 Dec	718	8
Depreciation 1 Jan - 31 Dec	-48,224	-51,094
Carrying amount 31 Dec	**562,049**	**578,281**
Transmission lines		
Cost at 1 Jan	1,307,111	1,238,261
Increases 1 Jan - 31 Dec	-1,658	74,414
Decreases 1 Jan - 31 Dec	-433	-5,565
Cost at 31 Dec	**1,305,020**	**1,307,111**
Accumulated depreciation 1 Jan	-482,073	-448,647
Decreases, depreciation 1 Jan - 31 Dec	184	3,944
Depreciation 1 Jan - 31 Dec	-36,894	-37,370
Carrying amount 31 Dec	**786,237**	**825,038**
Other property, plant and equipment		
Cost at 1 Jan	23,721	22,756
Increases 1 Jan - 31 Dec	424	966
Cost at 31 Dec	**24,145**	**23,721**
Accumulated depreciation 1 Jan	-16,119	-15,208
Depreciation 1 Jan - 31 Dec	-966	-911
Carrying amount 31 Dec	**7,060**	**7,602**
Prepayments and purchases in progress		
Cost at 1 Jan	59,404	120,816
Increases 1 Jan - 31 Dec	94,299	116,534
Transfers to other tangible and intangible assets 1 Jan - 31 Dec	-70,047	-177,946
Cost at 31 Dec	**83,656**	**59,404**
Carrying amount 31 Dec	**83,656**	**59,404**
Capitalised interest		
Cost at 1 Jan	11,442	9,426
Increases 1 Jan - 31 Dec	1,223	2,016
Cost at 31 Dec	**12,664**	**11,442**
Accumulated depreciation 1 Jan	-1,021	-676
Depreciation on capitalised interest 1 Jan - 31 Dec	-412	-345

Carrying amount 31 Dec	**11,232**	**10,421**
Carrying amount 31 Dec	**94,888**	**69,825**
Property, plant and equipment	**1,675,999**	**1,690,162**

12. INTANGIBLE ASSETS, €1,000	**2017**	**2016**
Land use rights		
Cost at 1 Jan	94,507	92,749
Increases 1 Jan - 31 Dec	706	2,022
Decreases 1 Jan - 31 Dec	-126	-263
Cost at 31 Dec	**95,087**	**94,507**
Carrying amount 31 Dec	**95,087**	**94,507**
Other intangible assets		
Cost at 1 Jan	31,644	30,853
Increases 1 Jan - 31 Dec	4,974	848
Decreases 1 Jan - 31 Dec	-485	-57
Cost at 31 Dec	**36,133**	**31,644**
Accumulated depreciation 1 Jan	-29,571	-28,173
Depreciation 1 Jan - 31 Dec	-1,855	-1,398
Carrying amount 31 Dec	**4,707**	**2,073**
Carrying amount 31 Dec	**99,795**	**96,580**

Land use rights are not depreciated but tested annually for impairment in connection with the testing of goodwill. No need for impairment has been noted as a result of the testing.

The entire business of the Fingrid Group is grid operations in Finland with system responsibility, which the full goodwill of the Group in the balance sheet is fully allocated to. The goodwill included in the balance sheet amounts to EUR 87.9 million and has not changed during the periods under review. Since, per the regulation, the fair value of the net assets included in the company's grid assets is approximately EUR 2,800.0 million compared to the carrying amount of EUR 1,863.7 million in net assets, which includes land use rights and goodwill, the book value of the asset items has not decreased.

Accounting principles

Property, plant and equipment
Grid assets form most of the property, plant and equipment. Grid assets include, among other things, 400 kV, 220 kV, 110 kV transmission lines, direct current lines, transmission line right-of-ways, substations and the areas they encompass (buildings, structures, machinery and equipment, substation access roads), gas turbine power plants, fuel tanks, generators and turbines.

Property, plant and equipment are valued in the balance sheet at the original acquisition cost less accumulated depreciation and potential impairment. If an asset is made up of several parts with useful lives of different lengths, the parts are treated as separate items and are depreciated over their separate useful lives.

When a part of property, plant and equipment that is treated as a separate item is replaced, the costs relating to the new part are capitalised. Other subsequent costs are capitalised only if it is likely that the future economic 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 when they are incurred.

Borrowing costs, such as interest costs and arrangement fees, directly linked with the acquisition, construction or manufacture of a qualifying asset form part of the acquisition cost of the asset item in question. A qualifying commodity is one that necessarily requires a considerably long time to be made ready for its intended purpose. Other borrowing costs are recognised as an expense. Borrowing costs included in the acquisition cost are calculated on the basis of the average borrowing cost of the Group.

Property, plant and equipment is depreciated over the useful life of the item using the straight-line method. Depreciation on property, plant and equipment taken into use during the financial year is calculated on an item-by-item basis 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 structure	
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 costs	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 recognised in the income statement under either other operating income or expenses. Property, plant and equipment are derecognised in the balance sheet when their economic useful life has expired, the asset has been sold, scrapped or otherwise disposed of to an outsider.

Goodwill and other intangible assets

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

Other intangible assets consist of computer software and land use and emission rights. Computer software is valued at its original acquisition cost and depreciated on a straight line basis during its estimated useful life. Land use rights, which have an indefinite useful life, are not depreciated but are tested annually for impairment.

More on emission rights in chapter 7.2.

Subsequent expenses relating to intangible assets are only capitalised if their economic benefits to the company increase beyond the former performance level. In other cases, expenses are recognised in the income statement when they are incurred.

5.3 Lease agreements

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

In addition to real estate, the Group has additionally leased assets such as several land areas under substations and transmission lines and some 110 kilovolt transmission lines and circuit breaker bays.

13. LEASE AGREEMENTS, € 1,000	**2017**	**2016**
Rental obligations from lease agreements:		
In one year	4,079	3,536
In more than one year and less than five years	14,279	13,676
In more than five years	13,913	14,977
Total	**32,270**	**32,189**

Accounting principles

Lease agreements
Lease obligations where the risks and rewards incident to ownership remain with the lessor are treated as other lease agreements. Lease obligations paid on the basis of other lease agreements are treated within other operating expenses and are recognised in the income statement as equally large items during the lease period. Other lease agreements primarily concern office facilities, land areas and network leases. In accordance with the principles of standard IAS 17 Leases, those leases which transfer substantially all the risks and rewards incident to ownership to the company are classified as finance leases. The company has not leased tangible or intangible assets using finance leases.

Adoption of the IFRS 16 Leases standard, effective 1 Jan 2019

The company has started an assessment of the impacts of the adoption of the IFRS 16 standard. From the point of view of a lessee, the standard eliminates the current classification of leases as either operating leases or finance leases, and instead requires the recognition of practically all lease agreements as assets (right-of-use of the leased property) and the obligation of lease payments as a financial liability. Exceptions are possible for leases concerning short-term asset items of insignificant value.

Consequently, the standard will affect both Fingrid's corporate balance sheet and income statement. The rental expenses now included in other operating expenses will be replaced by interest and depreciation to be recognised under operating profit. The liability will be amortized using the effective interest rate method, where the relative amount of interest expenditure decreases along with the loan capital. The expenditure is thus recognised in the income statement over the lease term according to a front-end-loaded schedule.

The cash flow from operating activities will increase, as the capital repayment in rental payments will be classified as cash flow from financing activities. The interest component will continue to be disclosed in the cash flow from operating activities.

6 STRONG FINANCIAL POSITION (IFRS)

- **This chapter focusses on describing how Fingrid's financing is formed and how the related risks are managed, and at the same time, how short-term financial assets that secure liquidity are formed.**
- **The chapter describes the company's principles of capital management, ownership structure and dividend distribution policy.**
- **The end of the chapter contains a summary of all the financial assets and financing liabilities, as well as derivatives, that the company uses solely for risk management purposes. The risks relate to various market risks: the electricity price risk and the interest rate and exchange rate risk. The management of electricity price risk is described in chapter 4.7.**

6.1 Capital management

Equity and liabilities as shown in the balance sheet are managed by the company as capital. The principal aim of Fingrid's capital management is to ensure that the company is capable of uninterrupted operations and can rapidly recover from any exceptional circumstances. Additional key goals include maintaining an optimal capital structure such that the company's credit rating remains solid, cost of capital remains reasonable, and the company can pay dividends to its shareholders.

The company has not set specific financial ratio targets for capital management, but instead monitors and controls the overall capital structure based on credit ratings and their underlying parameters.

The company's credit rating remained high in 2017. This reflects the company's strong overall financial situation and debt service capacity. Fingrid has credit rating service agreements with S&P Global (S&P) and Fitch Ratings (Fitch).

- On 31 October 2017, S&P maintained the rating for Fingrid Oyj's unsecured senior debt and long-term company rating at 'AA-' and the short-term company rating at 'A-1+', with a stable outlook.
- On 5 December 2017, Fitch affirmed the rating for Fingrid Oyj's unsecured senior debt to 'AA-', the long-term company rating to 'A+', and 'F1' for the short-term company rating, with a stable outlook. The rating received by Fingrid was, at the time of issuing, the highest valid rating given by Fitch to any European regulated TSO.

The company aims to maintain a credit rating of at least 'A-'. The credit rating target and criteria guide financing activities.

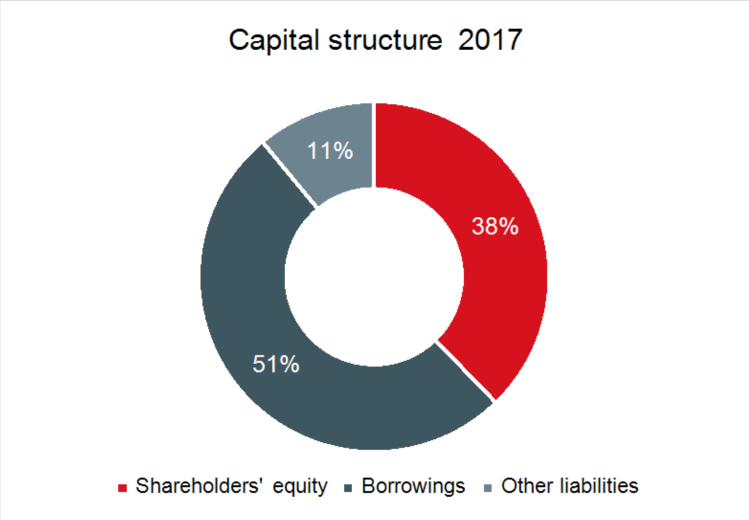
6.2 The aims and organisation of financing activities and the principles for financial risk management

The company has a holistic approach to the management of financing activities, encompassing external financing, as well as managing liquidity, counterparty and financial risks, and supporting business operations in matters related to financing in general.

Core aims for financing activities:
- Protecting shareholder value by securing the financing required for the company's business operations, by hedging against the main financial risks and by minimising financial costs within the risk limits;
- Maintaining adequate liquidity even in unexpected situations;
- Long-term financing from diverse sources, taking into account the company's investment plan and cash flow from operating activities as well as credit rating and its criteria;
- Overall optimisation of the interest rate risk, including the interest rate risk of business operations via the Energy Authority's regulatory model (risk-free interest in the so called WACC model) and the company's interest rate risk of net debt;
- Forward-looking financial planning to ensure that the overall impact from the cash flow from operating activities, future investments, maturing loans and future dividends is taken into account when raising funds and optimising the loan portfolio structure.

The Treasury maintains active and consistent dialogue with the credit rating agencies and monitors the key ratios used by the agencies, as well as other generally accepted financial ratios.

Fingrid's financial capital consists of equity and debt financing. The share of equity from the balance sheet total was 37.8% and that of liabilities 62.2% in 2017. Equity according to the regulatory balance sheet amounted to 61.4% and the corresponding liabilities to 38.6% of regulatory balance sheet total in 2017.



Fingrid Oyj is exposed to market, liquidity, counterparty and credit risks, among others, when the company's financial position is managed. The objective of financial risk management is to foster shareholder value by securing the financing required for the company's business operations, by hedging against the main financial risks and by minimising financing costs within the risk limits.

Corporate finance and financing principles
The Board of Directors of Fingrid Oyj approves the Corporate Finance and Financing Principles which define how Fingrid Oyj manages financing as a whole. The external financing of Fingrid Group is carried out by Fingrid Oyj.

Risk management execution and reporting
Fingrid's Chief Financial Officer is responsible for the practical measures related to securing financing and managing financial risks, in line with the company's Corporate Finance and Financing Principles and Treasury Policy. The CFO oversees the day-to-day organising, reporting and adequate controls of financing activities, and reports regularly to the CEO and the Board (Audit Committee).

Risk management processes
The Treasury unit is in charge of risk monitoring, systems and the models and methods used to calculate and assess risks. The Treasury unit is furthermore responsible for identifying, measuring and reporting the financial risks that the company may be exposed to. The internal audit additionally ensures compliance with the Corporate Finance and Financing Principles and the company's internal guidelines.

Fair value hierarchy
In the presentation of fair value, assets and liabilities measured at fair value are categorised into a three-level hierarchy. 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 that is significant to the overall fair value measurement.
Level 1: inputs are publicly quoted in active markets.
Level 2: inputs are not publicly quoted and are based on observable market parameters either directly or indirectly.
Level 3: inputs are not publicly quoted and are unobservable market parameters.

6.3 Financial liabilities, financial costs and managing the financial risks of liabilities

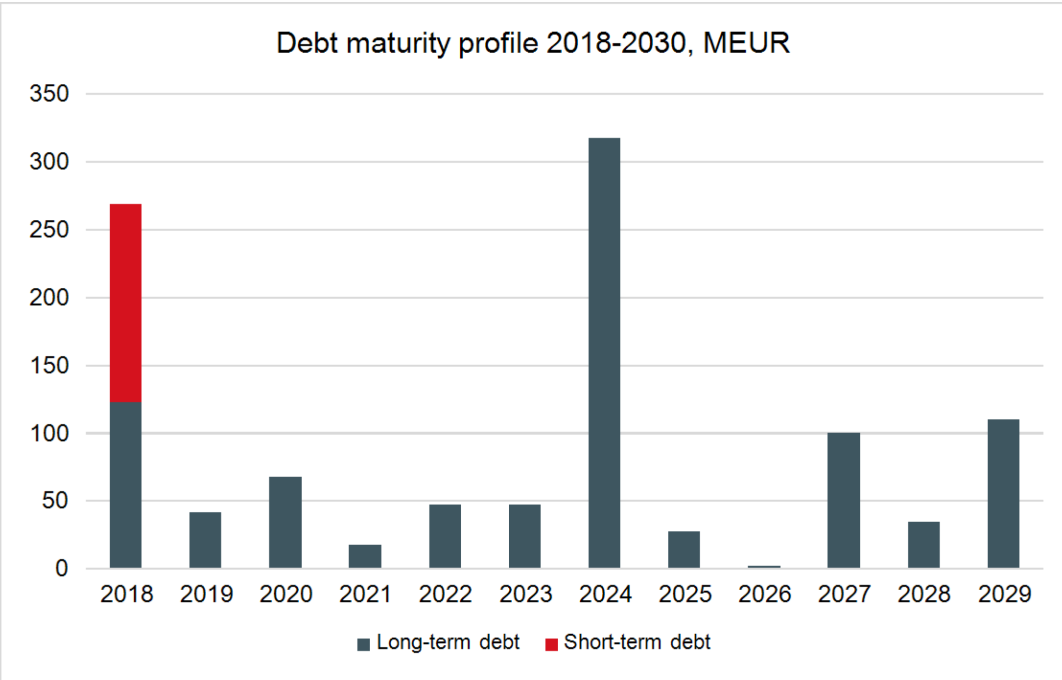
The company takes advantage of the possibilities offered by its credit ratings at any given time on the international and domestic debt capital and money markets. Market-based and diversified financing is sought from several sources aiming at a balanced maturity profile.Fingrid's existing loan agreements, debt or commercial paper programmes are unsecured and do not include any financial covenants based on financial ratios. In 2017, the company issued a 10 year EUR 100 million green bond.

Borrowings are as follows:

14. BORROWINGS, €1,000	**2017**			**2016**			**Hierarchy level**
	Fair value	Balance sheet value	%	Fair value	Balance sheet value	%	
Non-current							
Bonds	766,069	683,863		791,948	691,662		Level 2
Loans from financial institutions	138,942	129,541		163,895	151,203		Level 2
	905,011	**813,404**	75%	**955,843**	**842,866**	76%	

Current							
Bonds	102,112	101,587		125,885	123,074		Level 2
Loans from financial institutions	23,817	22,474		23,246	21,662		Level 2
Other loans/Commercial papers (international and domestic)	145,116	145,243		120,059	120,128		Level 2
	271,045	269,304	25%	269,190	264,865	24%	
Total	**1,176,057**	**1,082,707**	100%	**1,225,033**	**1,107,730**	100%	

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 fixing rate quoted by the ECB at the closing date.



15. BONDS INCLUDED IN BORROWINGS, €1,000

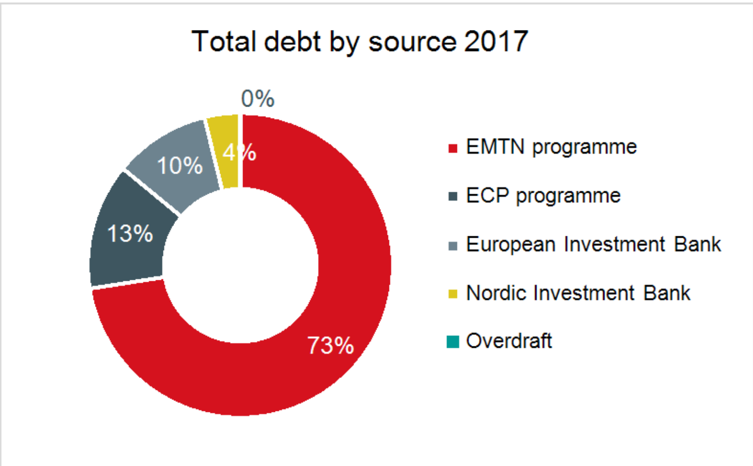
Currency	Nominal value	Maturity	Interest	Balance sheet value 2017	2016
EUR	20,000	11/04/2017	floating rate		20,000
EUR	25,000	11/04/2017	floating rate		25,000
EUR	30,000	15/06/2017	3.07%		30,000
EUR	50,000	20/09/2020	floating rate	50,000	50,000
EUR	30,000	19/09/2022	floating rate	30,000	30,000
EUR	30,000	11/09/2023	2.71%	30,000	30,000
EUR	300,000	03/04/2024	3.50%	299,089	298,961
EUR	100,000	23/11/2027	1.13%	99,286	
EUR	25,000	27/03/2028	2.71%	25,000	25,000
EUR	10,000	12/09/2028	3.27%	10,000	10,000
EUR	80,000	24/04/2029	2.95%	80,000	80,000
EUR	30,000	30/05/2029	2.89%	30,000	30,000
				653,376	628,961
JPY	500,000	22/06/2017	1.28%		4,052

					4,052
NOK	200,000	11/04/2017	5.16%		22,011
NOK	200,000	10/11/2017	5.12%		22,011
NOK	200,000	12/11/2019	5.37%	20,325	22,011
NOK	100,000	16/09/2025	4.31%	10,162	11,006
				30,487	77,039
SEK	1,000,000	19/11/2018	floating rate	101,587	104,685
				101,587	104,685
Bonds, long-term total				683,863	691,663
Bonds, short-term total				101,587	123,074
Total				**785,449**	**814,737**

The company operates in the debt capital, commercial paper and loan markets:

- For long-term financing, the company has a Medium Term Note Programme ("EMTN Programme"), totalling EUR 1.5 billion.
- Fingrid has a Euro Commercial Paper Programme ("ECP Programme") totalling EUR 600 million.
- Fingrid has a domestic commercial paper programme totalling EUR 150 million.
- Furthermore, Fingrid has bilateral long-term loan agreements with both the European Investment Bank (EIB) and the Nordic Investment Bank (NIB).

The graph below illustrates Fingrid's various sources of debt financing. Fingrid obtains debt financing mainly from the international debt capital markets.



The company defines net debt as the difference between cash in hand, and the financial assets recognized in the income statement at fair value and borrowings as shown in the balance sheet. The development of net debt is actively monitored.

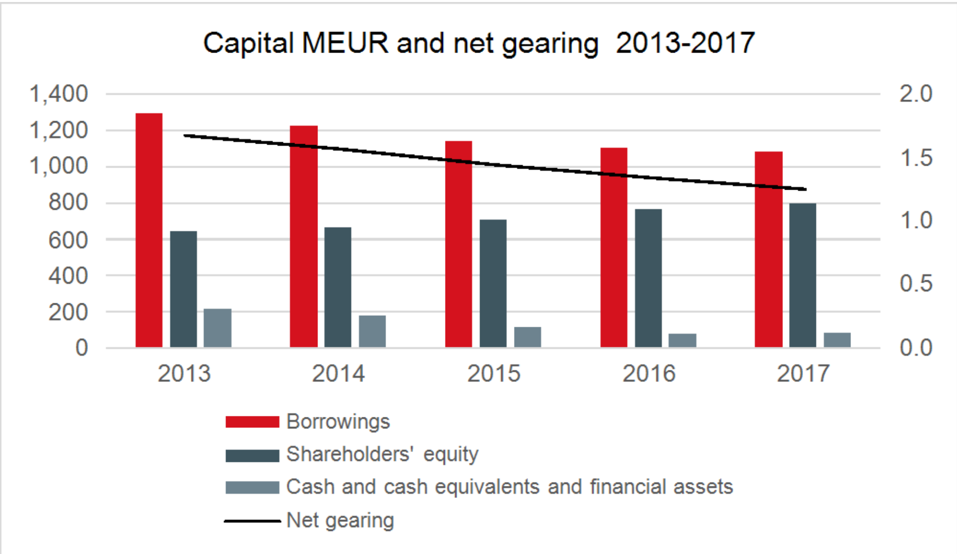
16. RECONCILIATION OF DEBT, €1,000	**Borrowings due within 1 year**	**Borrowings due after 1 year**	**Total**
Debt on 1 Jan 2016	**236,217**	**907,232**	**1,143,448**
Cash flow from financing activities	-119,917	80,000	-39,917
Exchange rate adjustments	-1,192	5,243	4,051
Other changes not involving a payment transaction	25	124	149

Transfer to short-term loans	149,732	-149,732	
Debt on 31 Dec 2016	**264,865**	**842,866**	**1,107,731**
Cash flow from financing activities	-123,806	100,000	-23,806
Exchange rate adjustments	-842	210	-632
Other changes not involving a payment transaction		-586	-586
Transfer to short-term loans	129,086	-129,086	
Debt on 31 Dec 2017	**269,304**	**813,404**	**1,082,707**

Financial assets recognised in the income statement at fair value are liquid investments traded on active markets.

Reconciliation of net debt, € 1,000	**2017**	**2016**
Cash in hand and cash equivalents	20,303	21,939
Financial assets recognised in the income statement at fair value	63,465	57,790
Borrowings - repayable within one year	269,304	264,865
Borrowings - repayable after one year	813,404	842,866
Net debt	**998,939**	**1,028,002**

Net debt is the difference between the company's debt and its cash in hand and cash equivalents



Interest income and costs on loans and other receivables are as follows:

17. INTEREST INCOME AND EXPENSES FROM LOANS AND OTHER RECEIVABLES, €1,000	**2017**	**2016**
Interest income on held-for-trading financial assets	312	500
Interest income on cash, cash equivalents and bank deposits	166	189
Dividend income	5	5
	483	694
Interest expenses on borrowings	-21,843	-27,017
Net interest expenses on interest rate and foreign exchange derivatives	4,752	7,261

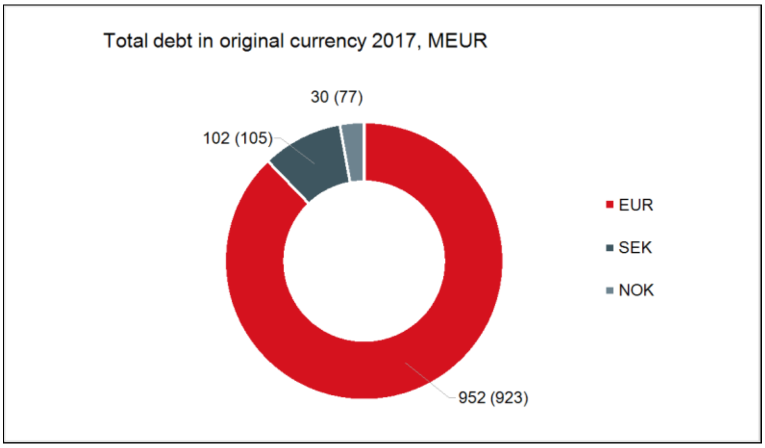
Gains from measuring derivative contracts at fair value	656	6,016
Losses from measuring derivative contracts at fair value	-6,477	-5,346
Net foreign exchange gains and losses from borrowings, derivatives and FX-accounts	-115	-67
Other finance costs	-1,457	-2,248
	-24,484	-21,401
Capitalised finance costs, borrowing costs; at a capitalisation rate of 2 % (note 11)	1,223	2,016
Total	**-22,778**	**-18,691**

Managing the market risks of debt

Fingrid's debts are issued in both fixed and floating interest rates and in several currencies. They thus expose Fingrid's cash flow to interest rate and exchange rate risks. Fingrid uses derivative contracts to hedge against these risks. Fingrid generally holds issued bonds to maturity and thus does not value its bonds in the balance sheet at fair value or hedge against the fair value interest rate risk. The permitted hedging instruments are defined in the Treasury policy and are chosen in order to achieve the most effective hedging possible for the risks in question.

The functional currency of the company is euro. Generally, currency risks and the foreign exchange interest rate risk are fully hedged. A risk that amounts to less than EUR 5 million when realised can be unhedged for reasons of cost-effectiveness.

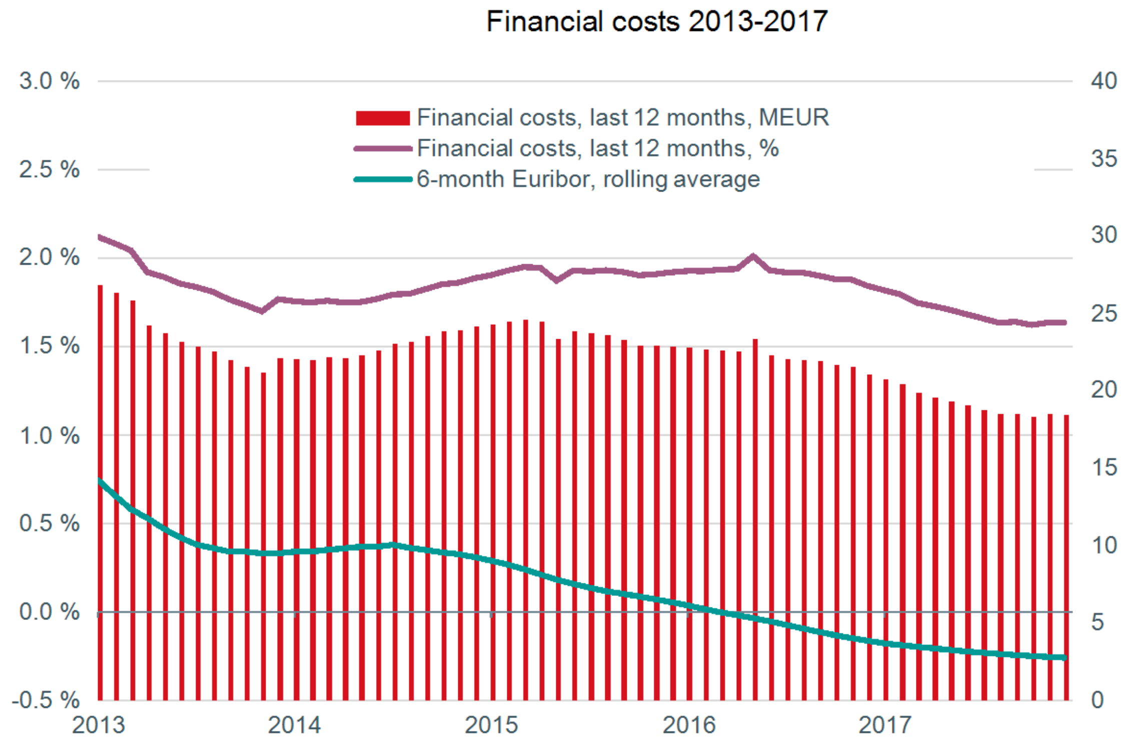
Transaction risk



The company issues bonds in the international and domestic money and debt capital markets. The company's loan portfolio is spread across euro and non-euro currencies, and the total debt portfolio and the related interest rate flows are hedged against the currency risk. The currency risk for each bond is fully hedged in conjunction with its issuance. The company uses interest rate and cross currency swaps to hedge the exchange rate and interest risk of bonds.

Business-related currency risks are small and they are mainly hedged. During the financial year, the company used foreign exchange forwards to hedge business transaction risks. A summary of the derivatives is presented in Note 23.

The sensitivity analysis of changes in the foreign exchange rate is measured as a 10 per cent change between the euro and the currency in question. The most important foreign currency for the Group is the Swedish krona (SEK). If the rate of SEK on 31 December 2017 had been 10% lower/higher than the euro, with all other variables remaining unchanged, the profit after taxes would have been EUR 1,000 lower/EUR 1,000 higher (2016: EUR 1,000 higher/EUR 1,000 lower). The main impact on the net profit is caused by the change in the fair value of derivatives. The impact of SEK-denominated forward curve and change in exchange rate are taken into account in the sensitivity analysis.



Interest rate risk

The company is only exposed to euro denominated interest rate risk from its business operations, assets and borrowings. The company's borrowings are, both in terms of principal and interest payments, fully hedged against exchange rate risks, and cash and cash equivalents and financial assets recognised in the income statement at fair value are denominated in euros.

Interest rate risk management includes optimisation of future interest rate risk of business operations (risk-free interest in the WACC model described in the next infobox) together with company's net debt interest rate risk through a regulatory model specified by the Energy Authority.

The interest rate risk from business operations can in part or in its entirety be hedged in terms of the adjusted capital committed to grid operations. The Board of Directors always makes a separate decision on the hedging of operational interest rate risks. The interest rate risk included in business operations was not hedged in 2017. The interest rate risk inherent in Fingrid's business operations is caused by changes in the risk-free interest in the WACC model. If the risk-free interest rate rises/falls by one percentage unit, the post-tax WACC rises/falls by 0.9%.

The objective of managing the interest rate risk on the loan portfolio is to minimise interest costs in the long term. The basic principle is to keep the interest rate exposure of the company's loan portfolio linked to floating interest rates, targeting at most an average interest refixing period of 12 months.The loan portfolio's interest rate risk arises from market interest rate volatility, which decreases or increases the annual interest expenses on the company's floating-rate loans. When market interest rates increase (decrease), the interest expenses of the floating-rate loans also increase (decrease). The company hedges this so-called cash flow risk with derivatives. The exposure of the loan portfolio to interest rate risk is measured by using a Cash Flow at Risk (CFaR) type of model, more specifically the Autoregressive Integrated Moving Average (ARIMA) model. The key parameters of the model are the 3-month and 6-month Euribor rates, of which the historical time series serve as a basis for a forward-looking simulation of the probable future interest expenses for Fingrid's loan portfolio. The exposure on which the sensitivity analysis is calculated includes all of the Group's interest-bearing borrowings, the loan portfolio's derivatives and interest-rate options purchased to hedge against unexpected changes in interest rates. According to the model, there is a 95% (99%) probability that Fingrid's interest expenditure will amount to no more than EUR 20 (20) million during the next 12 months.

Determination of the reasonable rate of return in regulation and operational interest rate risk

The reasonable rate of return on adjusted capital committed to grid operations is determined by using the weighted average cost of capital model (WACC). The WACC model illustrates the average cost of the capital used by the company, where the weights are the relative values of equity and debt. The weighted average of the costs of equity and interest-bearing debt are used to calculate the total cost of capital, i.e. the reasonable rate of return per the regulation. The reasonable return is calculated by multiplying the adjusted capital invested in network operations by the WACC.

$$WACC_{post\text{-}tax} = C_E \times \frac{E}{E+D} + C_D \times (1 - ctr) \times \frac{D}{E+D}$$

$WACC_{post\text{-}tax}$ = reasonable rate of return after corporate tax
C_E = reasonable cost of equity
C_D = reasonable cost of interest-bearing debt
E = adjusted equity invested in network operations
D = adjusted interest-bearing debt invested in network operations
ctr = current rate of corporate tax

$\mathbf{C_D = R_r + DP}$
R_r = risk-free interest rate
DP = risk premium of debt

$\mathbf{C_E = R_r + \beta_{levered} \times (R_m - R_r) + LP}$
R_r = risk-free interest rate
$\beta_{levered}$ = levered beta
R_m = average market return
$R_m - R_r$ = market risk premium
LP = liquidity premium

The above-mentioned reasonable rate of return after taxes is then adjusted with the current rate of corporate tax. This calculation gives the reasonable pre-tax rate of return.

$$WACC_{pre\text{-}tax} = \frac{WACC_{post\text{-}tax}}{(1 - ctr)}$$

WACC pre-tax = reasonable rate of return before corporate tax

A fixed capital structure is applied to the TSO, whereby the weight of debt capital is 50% and the weight of equity capital is 50%. The pre-tax reasonable rate of return is calculated as follows:

$$WACC_{pre\text{-}tax} = \frac{C_E \times 0{,}5}{(1 - ctr)} + C_D \times 0{,}5$$

$$R_{k,pre\text{-}tax} = WACC_{pre\text{-}tax} \times (E+D)$$

$R_{k,\ pre\text{-}tax}$ = pre-tax reasonable return, EUR
$WACC_{pre\text{-}tax}$ = reasonable rate of return, %
E = adjusted equity invested in network operations, EUR
D = adjusted interest-bearing debt invested in network operations, EUR
E + D = adjusted capital invested in network operations, EUR

Reasonable cost of equity
$C_E = R_r + \beta_{debt\text{-}free} \times (1 + (1 - t) \times D/E) \times (R_m - R_f) + LP$ *C_E = Finland's 10y govt. bond + 0.4 x (1 + (1 – 20%) x 50/50) x 5% + 0.6%* ***C_E = Finland's 10y government bond + 4.2%***
Reasonable cost of liabilities
$C_D = R_r + DP$ ***C_D = Finland's 10y government bond + 1.4%***
WACC (pre-tax)
$WACC_{post\text{-}tax} = C_E \times 50 / 100 + C_D \times (1 - t) \times 50 / 100$ ***$WACC_{post\text{-}tax}$ = Finland's 10y government bond x 0.9 + 2.66%*** *$WACC_{pre\text{-}tax}$ = Finland's 10y government bond x 1.125 + 3.33%*

Variable	Value used
Risk-free interest rate (R_r)	Higher: a) 10-year daily average of Finland's 10y government bond b) Daily average of previous year April–September of Finland's 10y government bond rate
Asset beta ($\beta_{debt\text{-}free}$)	0.4
Market risk premium ($R_m - R_f$)	5.0%
Liquidity premium (LP)	0.6%
Capital structure (D/E)	50/50
Risk premium of debt (DP)	1.4%*
Corporate income tax rate (t)	20%

*Will be updated by end of 2019 for regulatory period 2020-2023 based on Bloomberg's utility sector A-BBB rated companies' fixed income indices

Liquidity risk and refinancing risk
Fingrid is exposed to liquidity and refinancing risks arising from the redemption of loans, payments and fluctuations in cash flow from operating activities.The liquidity of the company must be arranged so that 110% of the refinancing needs for the next 12 months can be covered by liquid assets (cash and cash equivalents, and financial assets recognised in the income statement at fair value) and available long-term committed credit lines.

The company has a revolving credit facility agreement of EUR 300 million signed on 11 December 2015. The maturity of the facility is five years. In addition to this, the company has two one-year extension options, both of them have been used. These extended the maturity of the revolving credit facility until 11 December 2022. The facility is committed and has not been drawn. The company additionally has uncommitted overdraft facilities totaling EUR 50 million.

The refinancing risk is managed by building an even maturity profile such that the share of long-term loans in a single year constitutes less than 30 per cent of the total debt and the average maturity of the company's loan portfolio is at least three years. To secure refinancing, the company makes wide use of diverse sources of financing. The high credit rating and good bank and investor relations enable ready access to the debt capital market and thus minimises the company's debt refinancing risks and financing costs.

The counterparty risks of financing activities are caused by counterparties related to investing (e.g. money market funds), derivatives counterparties and bank counterparties. The company minimises any counterparty risks. As a rule, credit rating categories are the decisive factor in specifying the counterparty limit.

Contractual repayments and interest costs on borrowings are presented in the next table. The interest rates on floating-rate loans are defined using the zero coupon curve. The repayments and interest amounts are undiscounted values. Finance costs arising from interest rate swaps are often paid in net amounts depending on the nature of the swap. In the following table, they are presented in gross amounts.

18. DEBT REPAYMENTS, INTEREST PAYMENTS AND PAYMENTS AND RECEIVABLES UNDER DERIVATIVE CONTRACTS IN CASH, €1,000

31 Dec 2017		**2018**	**2019**	**2020**	**2021**	**2022**	**2023-**	**Total**
Bonds	- repayments	101,587	20,325	50,000		30,000	583,538	**785,449**
	- interests	18,635	18,404	17,559	17,416	17,386	57,364	**146,765**
Loans from financial institutions	- repayments	21,662	21,662	17,662	17,662	17,662	54,892	**151,203**
	- interests	2,848	2,512	2,317	2,038	1,695	2,691	**14,102**
Commercial papers	- repayments	145,000						**145,000**
Overdraft	- payments	811						**811**
Currency swaps	- payments	107,753	23,928	97	140	174	13,193	**145,286**
Interest rate swaps	- payments	2,355	1,105	908	1,365	1,712	10,625	**18,070**
Forward contracts	- payments	1,270						**1,270**
Total		**401,923**	**87,936**	**88,544**	**38,622**	**68,629**	**722,302**	**1,407,956**
Currency swaps	- receivables	103,397	21,854	438	438	438	11,476	**138,041**
Interest rate swaps	- receivables	5,181	5,014	4,584	4,185	3,953	10,846	**33,764**
Forward contracts	- receivables	1,167						**1,167**
Total		**109,745**	**26,868**	**5,022**	**4,622**	**4,391**	**22,323**	**172,972**
Total		**292,178**	**61,068**	**83,522**	**34,000**	**64,238**	**699,979**	**1,234,984**

31 Dec 2016		**2017**	**2018**	**2019**	**2020**	**2021**	**2022-**	**Total**
Bonds	- repayments	123,074	104,685	22,011	50,000		514,967	**814,737**
	- interests	20,874	17,555	17,361	16,398	16,247	68,012	**156,447**
Loans from financial institutions	- repayments	21,662	21,662	21,662	17,662	17,662	72,554	**172,866**
	- interests	3,264	2,859	2,572	2,305	1,999	4,383	**17,382**
Commercial papers	- repayments	120,000						**120,000**
Currency swaps	- payments	53,453	107,833	23,967	87	118	13,342	**198,800**
Interest rate swaps	- payments	2,287	2,204	845	269	370	2,204	**8,180**
Forward contracts	- payments	2,214						**2,214**
Total		**346,829**	**256,798**	**88,419**	**86,721**	**36,397**	**675,463**	**1,490,626**
Currency swaps	- receivables	49,434	110,878	22,394	449	449	12,209	**195,812**

Interest rate swaps	- receivables	4,933	4,015	3,859	3,662	3,371	8,381	**28,221**
Forward contracts	- receivables	2,271						**2,271**
Total		**56,638**	**114,893**	**26,253**	**4,111**	**3,820**	**20,590**	**226,304**
Total		**290,191**	**141,905**	**62,165**	**82,610**	**32,577**	**654,873**	**1,264,322**

Accounting principles

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

Commitment fees to be paid on credit facilities are entered as transaction costs related to the loan insofar as partial or full utilisation of the facility is likely. In such cases, the fee is capitalized in the balance sheet until the facility is utilised. If there is no proof that loans included in a facility are likely to be drawn in part or in full, the fee will be recognised as an upfront payment for liquidity services and amortized over the maturity of the facility in question.

6.4 Cash and cash equivalents and other financial assets

19. CASH AND CASH EQUIVALENTS, €1,000	**2017**	**2016**
Bank deposits	10,000	10,000
Cash assets and bank account balances	10,303	11,939
Total	**20,303**	**21,939**

20. FINANCIAL ASSETS RECOGNISED IN THE INCOME STATEMENT AT FAIR VALUE, €1,000	**2017**	**2016**	**Hierarchy level**
Commercial papers	6,499	12,998	Level 2
Short-term money market funds	56,966	44,792	Level 1
Total	**63,465**	**57,790**	

Accounting principles

Cash and cash equivalents
Cash and cash equivalents in the balance sheet include cash in hand and bank deposits with an initial maturity of no more than three months. Cash and cash equivalents in the cash flow statement also include financial assets recognised in the income statement at fair value. Cash and cash equivalents are derecognised when they mature, are sold or otherwise disposed of.

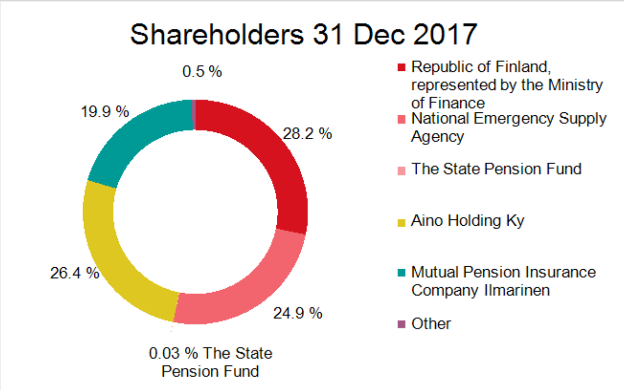
Held-for-trading financial assets
This category consists of the financial assets held specifically for trading purposes. The financial assets classified in this category include short-term money market securities (certificates of deposit, commercial papers and municipality bills) and current investments in short-term fixed income funds. Financial assets recognised at fair value in the income statement are entered in the balance sheet at fair value at the settlement date. Subsequently, the financial assets are measured on each reporting day at fair value, and the change in their fair value is recognised in the income statement under finance income and costs. Derivatives are also included in this group, but are presented in the balance sheet on their own lines. Accounting principles for derivatives are disclosed in Chapter 6.6.

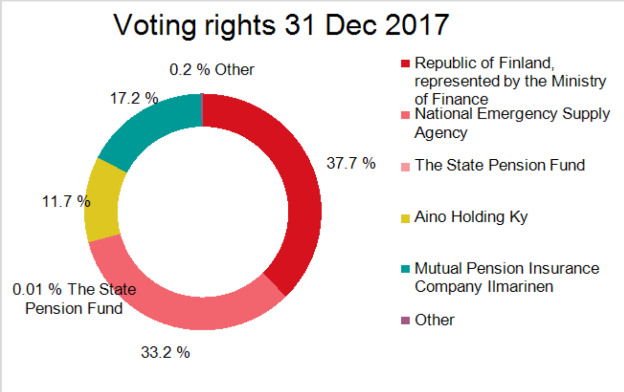
Available-for-sale investments
Fingrid does not have financing assets classified as available-for-sale investments.

Financial assets are derecognised when they mature, are sold or otherwise disposed of such that their risks and revenues have been transferred.

6.5 Equity and dividend distribution

The shareholders' equity is composed of two share classes. The shareholder breakdown and voting rights are illustrated in the following graphs.





SHAREHOLDERS BY CATEGORY 31 DEC2017	Number of shares	Of all shares %	Of votes %
Public organisations	1,768	53.17	70.87
Financial and insurance institutions	1,557	46.83	29.12
Total	**3,325**	**100.00**	**100.00**

Shareholders, 31 Dec 2017	Number of shares	Of all shares %	Of votes %
Republic of Finland, represented by the Ministry of Finance	939	28.24	37.66
Aino Holding Ky	878	26.41	11.74
National Emergency Supply Agency	828	24.90	33.20
Mutual Pension Insurance Company Ilmarinen	661	19.88	17.15
Imatran Seudun Sähkö Oy	10	0.30	0.13
Fennia Life	6	0.18	0.08
Elo Mutual Pension Insurance	1	0.03	0.01
OP Insurance Ltd	1	0.03	0.01
The State Pension Fund	1	0.03	0.01
Total	**3,325**	**100.00**	**100.00**

The company's share capital is EUR 55,922,485.55. Fingrid shares are divided into Serias 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 maximum number of shares is 13,300, as in 2016. The shares have no par value.

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

Series B shares have the right before Series A shares to obtain the annual minimum dividend specified below from the funds available for profit distribution. If the annual minimum 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, such that Series B shares have the right over Series A shares to receive the annual minimum dividend and the undistributed amount. Series B shares have no right to receive any other dividend.

Fingrid Oyj's Annual General Meeting decides on the annual dividend.
Eighty-two per cent of the dividends to be distributed for each financial year is distributed for all Series A shares and eighteen per cent for all Series B shares, however such that EUR twenty million of the dividends to be distributed for each financial year is first distributed for all Series B shares. If

the above-mentioned EUR twenty million minimum amount for the financial period is not distributed (all or in part) for Series B shares in a financial period, Series B shares confer the right to receive the undistributed minimum amount in question (or the accumulated undistributed minimum amount accrued during such financial periods) in the next profit distribution, in any disbursements paid out, or in any other distribution of assets prior to any other dividends, disbursements or asset distribution until the undistributed minimum amount has been distributed in full for Series B shares. There are no non-controlling interests.

Equity is composed of the share capital, share premium account, revaluation reserve (incl. fair value reserve), translation reserve, and retained earnings. The translation reserve includes translation differences in the net capital investments of associated companies in accordance with the equity method of accounting. The profit for the financial year is posted in retained earnings.

Share premium account
The share premium account includes the difference between the counter value of the shares and the value obtained. The share premium account consists of restricted equity as referred to in the Finnish Limited Liability Companies Act. The share capital can be increased by transferring funds from the share premium account. The share premium account can be decreased in order to cover losses or, under certain conditions, it can be returned to the owners.

Revaluation reserve
In 2017, the company divested its available-for-sale investments.

Changes to equity funds during the financial year are presented in the statement of changes in equity.

21. SHAREHOLDERS BY CATEGORY

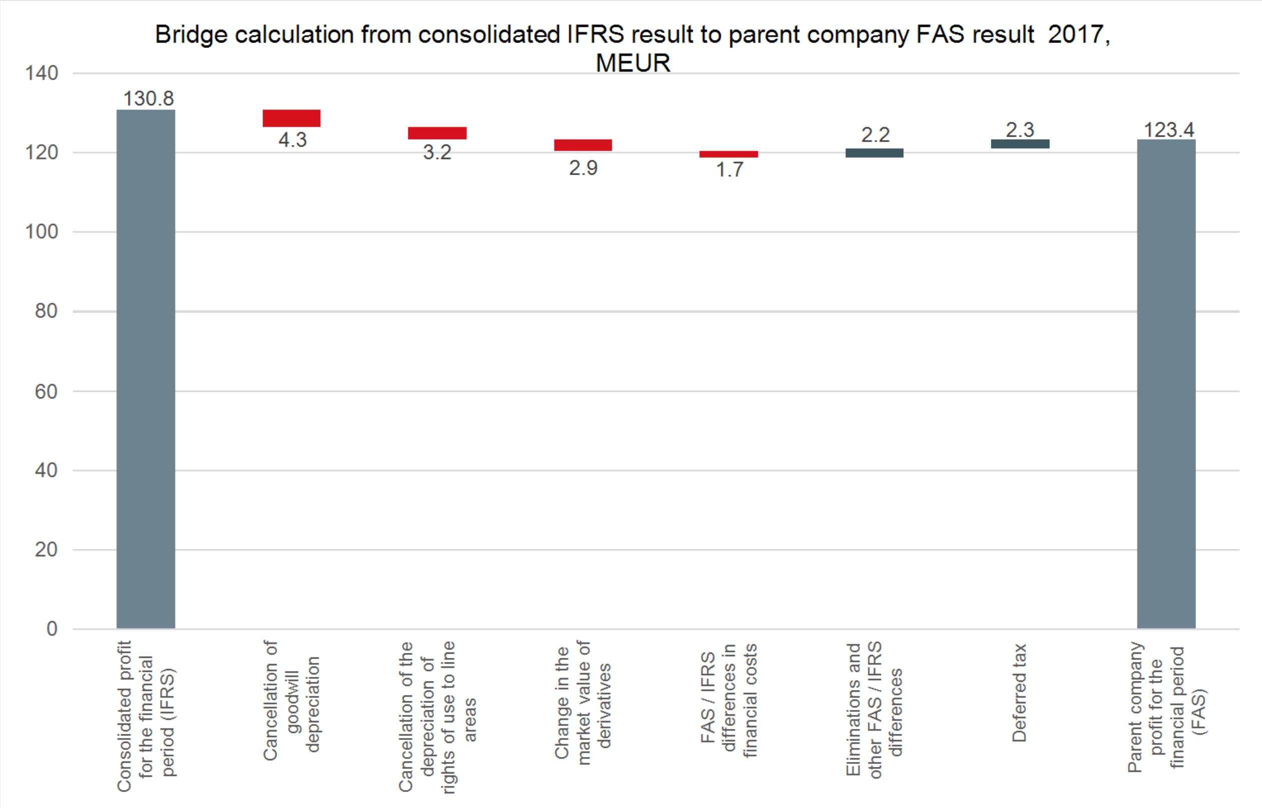
The share capital is broken down as follows	Number of shares	Of all shares %	Of votes %
Series A shares	2,078	62.50	83.33
Series B shares	1,247	37.50	16.67
Total	**3,325**	**100.00**	**100.00**

Fingrid’s dividends are distributed such that the shareholders receive a reasonable return on their invested capital, but also such that the company’s financial position is maintained.
Fingrid Oyj's distributable funds in the financial statements total EUR 201,312,662.75. In 2017, EUR 98.0 million was paid in dividends (EUR 90.0). Since the closing date, the Board of Directors has proposed that a dividend of EUR 68,470.00 at maximum per share will be paid for Series A shares, and EUR 25,050.00 at maximum for Series B shares (2016: A shares 37,536.09, B shares 16,038.49) for a total of EUR 173.5 (98.0) million at maximum. The dividends shall be paid in two instalments. The first instalment of EUR 48,700.00 for each Series A share and EUR 17,820.00 for each Series B share, totalling EUR 123,420,140.00 in dividends, shall be paid on 4 April 2018. The second instalment of EUR 19,770.00 at maximum per share for each Series A share and EUR 7,230.00 at maximum per share for each Series B share, totalling EUR 50,097,870.00 at maximum in dividends, shall be paid subject to the Board’s decision after the half-year report has been confirmed, based on the authorisation given to the Board in the Annual General Meeting. The Board of Directors has the right to decide, based on the authorisation granted to it, on the payment of dividends after the half-year report has been confirmed and it has assessed the company’s solvency, financial position and financial development. The dividends that have been decided on with the authorisation given to the Board shall be paid on the third banking day after the decision. It will be proposed that the authorisation remains valid until the next Annual General Meeting.

The distributable funds are calculated on the basis of the parent company’s equity. Dividends are paid based on the distributable funds of the parent company.

The guiding principle for Fingrid’s dividend policy is to distribute substantially all of the parent company profit as dividend. When making the decision, however, the economic conditions, the company’s near term investment and development needs as well as any prevailing financial targets of the company are always taken into account.

The graph below indicates the differences between the consolidated IFRS income statement and the parent company’s FAS income statement.



Accounting principles

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

6.6 Summary of financial assets, financial liabilities and derivatives

The carrying amounts of Fingrid's financial assets and liabilities by measurement category are as follows:

22. CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY, €1,000

Balance sheet item 31 Dec 2017	Assets/ liabilities recognised in income statement at fair value	Available-for-sale financial assets	Financial assets/liabilities measured at amortised cost	Total	Note
Non-current financial assets					
Interest rate and currency derivatives	25,097			25,097	23
Electricity derivatives	2,665			2,665	23
Loan receivables			4,000	4,000	
Current financial assets					
Interest rate and currency derivatives	5			5	23
Electricity derivatives	240			240	23
Trade receivables and other receivables			90,330	90,330	3

Financial assets recognised in the income statement at fair value	63,465			63,465	20
Cash in hand and cash equivalents			20,303	20,303	19
Financial assets total:	**91,472**		**114,633**	**206,105**	
Non-current financial liabilities:					
Borrowings			813,404	813,404	14
Interest rate and currency derivatives	12,387			12,387	23
Electricity derivatives					23
Current financial liabilities:					
Borrowings			269,304	269,304	14
Interest rate and currency derivatives	6,945			6,945	23
Electricity derivatives	1,244			1,244	23
Trade payables and other liabilities			46,818	46,818	7
Financial liabilities total	**20,576**		**1,129,526**	**1,150,102**	

Balance sheet item 31 Dec 2016	Assets/ liabilities recognised in income statement at fair value	Available-for-sale financial assets	Financial assets/liabilities measured at amortised cost	Total	Note
Non-current financial assets					
Available-for-sale investments		101		101	
Interest rate and currency derivatives	29,403			29,403	23
Electricity derivatives	254			254	23
Loan receivables			4,000	4,000	
Current financial assets					
Interest rate and currency derivatives	1,475			1,475	23
Electricity derivatives	1,385			1,385	23
Trade receivables and other receivables			79,887	79,887	3
Financial assets recognised in the income statement at fair value	57,790			57,790	20
Cash in hand and cash equivalents			21,939	21,939	19
Financial assets total:	**90,308**	**101**	**105,826**	**196,235**	
Non-current financial liabilities:					
Borrowings			842,866	842,866	14
Interest rate and currency derivatives	13,196			13,196	23
Electricity derivatives	5,371			5,371	23
Current financial liabilities:					
Borrowings			264,865	264,865	14
Interest rate and currency derivatives	5,072			5,072	23
Electricity derivatives	2,786			2,786	23
Trade payables and other liabilities			39,666	39,666	7
Financial liabilities total	**26,426**		**1,147,397**	**1,173,823**	

Fingrid uses derivatives for hedging purposes only, even though the company does not apply hedge accounting. Bilateral derivative transactions require a valid International Swap Dealers Association's (ISDA) Master Agreement with the counterparty. The derivatives falling under the scope of an ISDA agreement can be netted in conditional circumstances such as default or bankruptcy. The company had derivatives that can be netted as per ISDA at a total fair value of EUR 7.6 million in 2017 (15.8). Fingrid uses collaterals to cover the market value of electricity futures. The management of electricity price risk is described in chapter 4.7. The hedging of interest rate and foreign exchange risks is described in chapter 6.3.

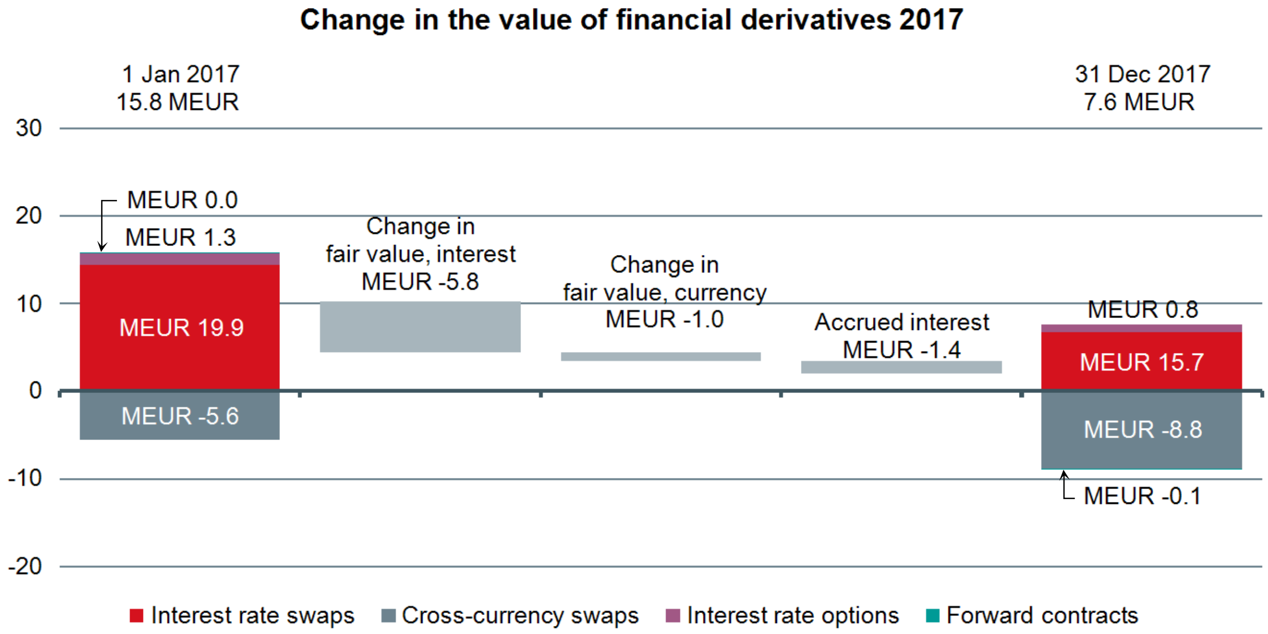
The company's derivative transactions consist of interest rate and cross currency swaps hedging the loan portfolio, and purchased cap options to hedge the loan portfolio from a sudden change in short-term interest rates. Forward contracts are used to fix the exchange rate for non-euro-denominated contracts related to business operations.The company uses electricity futures to hedge the price risk of future loss power purchases.

The table below includes all of the Group's derivatives.

23. DERIVATIVE INSTRUMENTS, € 1,000

	2017				**2016**				**Hierarchy level**
Interest rate and currency derivatives	Fair value pos. 31.12.17	Fair value neg. 31.12.17	Net fair value 31.12.17	Nominal value 31.12.17	Fair value pos. 31.12.16	Fair value neg. 31.12.16	Net fair value 31.12.16	Nominal value 31.12.16	
Cross-currency swaps	3,837	-12,660	-8,822	143,544	6,930	-12,487	-5,558	196,396	Level 2
Forward contracts		-123	-123	1,167	46		46	2,271	Level 2
Interest rate swaps	23,209	-7,487	15,722	430,000	26,667	-6,725	19,943	360,000	Level 2
Bought interest rate options	787		787	571,587	1,350		1,350	514,685	Level 2
Total	**27,833**	**-20,270**	**7,563**	**1,146,298**	**34,993**	**-19,212**	**15,781**	**1,073,352**	
Electricity derivatives	Fair value pos. 31.12.17	Fair value neg. 31.12.17	Net fair value 31.12.17	Volume TWh 31.12.17	Fair value pos. 31.12.16	Fair value neg. 31.12.16	Net fair value 31.12.16	Volume TWh 31.12.16	
Electricity future contracts. NASDAQ OMX Commodities	1,010	-135	875	1.13					Level 1
Electricity forward contracts. NASDAQ OMX Commodities	2,905	-1,244	1,661	3.75	1,640	-8,157	-6,518	4.07	Level 1
Total	**3,915**	**-1,379**	**2,536**	**4.88**	**1,640**	**-8,157**	**-6,518**	**4.07**	

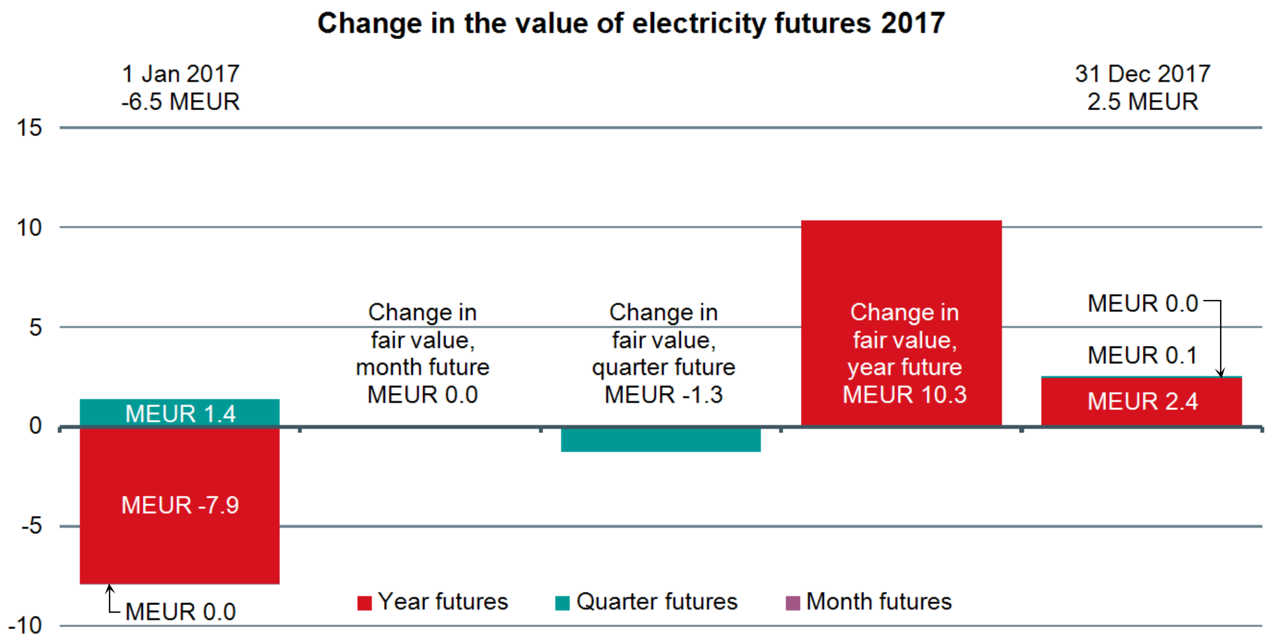
The net fair value of derivatives indicates the realised profit/loss if they had been closed on the last trading day of 2017. The net fair value cannot be used for deriving the net derivative liabilities or receivables in the balance sheet, as accrued interest is taken into account here.
The graph below indicates the change of value of all of the company's currency and interest rate derivatives in 2017.



The purpose of Fingrid's loss power price hedging is to reduce the effect of volatility in market prices to the loss power purchase costs and to give adequate predictability in order to keep the pressure to change transmission fees moderate. The change in the fair value of electricity futures used in Fingrid's loss power price hedging was EUR 9.1 million positive (EUR 35.3 million positive). The volatility in the fair value of electricity futures can be significant. The positive impact on profit was caused by the impact of increased spot price of electricity to the fair value of electricity futures. Fingrid holds its bought futures to maturity.

The sensitivity of electricity price to the fair value of electricity futures is measured as the difference a 10 per cent fluctuation in market price would have on outstanding electricity futures on the reporting date. A positive/negative change of 10 per cent in the market price of electricity would have an impact of EUR 9.4 million/EUR -9.4 million on the Group's profit before taxes.

The graph below indicates the change of value of all of the company's electricity futures in 2017.



Accounting principles

Derivative instruments
Derivatives are initially recognised at fair value according to the date the derivative contract is entered into, and are subsequently re-measured at fair value. Changes in the fair value of derivatives are recognised in profit and loss. The company uses derivative contracts only for hedging purposes according to the Corporate Finance and Financing principles and the loss energy hedging policy.

Electricity futures
The company enters into electricity future contracts in order to hedge the price risk of electricity purchases in accordance with the loss energy forecast. Fingrid discontinued hedge accounting for electricity futures at the beginning of 2014. As a result, the entire change in the fair value of electricity futures was recorded and will continue to be recorded in the income statement. The hedge fund in the balance sheet was dismantled in the income statement during 2015 and 2016 in fixed instalments such that it decreases the result by EUR 11.6 million.

Interest and currency derivatives
The company enters into derivative contracts in order to hedge financial risks (interest rate and foreign exchange exposure) in compliance with the Corporate Finance and Financing Principles approved by the Board of Directors. Fingrid does not apply hedge accounting to these derivatives. A derivative asset or liability is recognised at its original fair value. Derivatives are measured at fair value at the closing date, and the change in fair value is recognised in the income statement under 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 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 using generally accepted option pricing models in the market.

Adoption of the IFRS 9 standard, effective 1 January 2018
IFRS 9 Financial instruments replaces IAS 39 and brings changes to how financial assets are recognised and measured, the application of impairment and hedge accounting principles.
The Group's financial assets and liabilities have been reviewed, and the introduction of the new IFRS 9 standard on 1 January 2018 is not expected to have material impacts on the company's reported financial position and result. The Group's financial assets include investments in short-term money-market securities (certificates of deposit, commercial papers and municipality bills) and investments in short-term fixed income funds. Currently, investments in short-term fixed income funds are classified and entered at fair value in the income statement, and the same entering and valuing principle, in the income statement at fair value, continues also under IFRS 9. Investments in short-term money-market securities have previously been entered at fair value in the income statement, and with the application of IFRS 9, they are entered at amortised cost; the change does not, however, have a material impact on the company's financial result.

The Group's available-for-sale investments were divested in 2017, for which reason their value in the balance sheet on 31 Dec. 2017 is nil, and no entries on these are made in the opening balance sheet on 1 January 2018.

There are no changes in the accounting procedures for financial liabilities, as the new requirements only affect the accounting procedures for financial liabilities specifically classified at fair value in the income statement, and the Group does not have such liabilities. The rules concerning balance sheet derecognition have not changed from the standard IAS 39 standard 'Financial Instruments: Recognition and Measurement'.
The Group does not apply hedge accounting, and the rules that apply to hedge accounting according to the new IFRS 9 standard do not affect the company's accounting procedures.

7 OTHER INFORMATION (IFRS)

- **This chapter contains the rest of the notes.**
- **First comes a joint presentation of the Group companies and insider data.**
- **After that, other notes follow in the same sequence they appear in the income statement and balance sheet.**

7.1 Group companies and related parties

The Group has two Fingridi's wholly-owned subsidiaries, Finextra Oy and Fingrid Datahub Oy.

Finextra Oy is a subsidiary wholly-owned by Fingrid Oyj established to handle the statutory public service obligations not included in actual grid operations or transmission system responsibility. These tasks include peak load capacity services and guarantee-of-origin services for electricity. Through Finextra, the cost of public service tasks is separated from the cost of grid maintenance, which makes it possible to ensure the unequivocal transparency of the different operations. The Energy Authority oversees Finextra's operations and reasonable returns from its services. The aim of Finextra is to carry out the assigned duties cost effectively, making use of joint resources. The allowable annual return on peak load capacity services is EUR 75,000. The allowed return on guarantee-of-origin services for the regulatory period starting on 1 January 2017 was approximately EUR 63,000. The realised return during the regulatory period consisted of a deficit of roughly EUR 111,000.

Fingrid Datahub Oy is a subsidiary wholly-owned by Fingrid Oyj established in 2016 to handle the operations linked to the Datahub. Key duties of the subsidiary is to offer and develop centralised electricity market information exchange services and other related services to the market parties and to govern the register information required by the electricity markets. The Datahub is a centralised information exchange system for retail markets that stores data from all of Finland's 3.5 million places of electricity consumption. The information stored in the Datahub will be utilised by around 100 electricity sales companies and more than 80 distribution network operators to provide services to the consumers of electricity. Fingrid started the Datahub project during the spring of 2015.

The consolidated associated companies are Nord Pool AS (ownership 18.8%) and eSett Oy (ownership 33.3%).

The investments in associated companies included in the balance sheet are composed of the following:

24. INVESTMENTS IN ASSOCIATED COMPANIES, € 1,000	**2017**	**2016**
Interests in associated companies	10,303	10,158
Loan receivables from associated companies	4,000	4,000
Total	**14,303**	**14,158**

Receivable from an associated company consists of a loan receivable from eSett Oy. The main terms and conditions are as follows:

Associated company loan:
The loan capital is EUR 2.5 (2.5) million and the annual interest rate is 1.5 per cent, on top of the 12-month Euribor. The loan repayment is ten equal instalments every six months beginning one year from when eSett begins its operations. The amount of the loan capital is one third of the total loan that eSett's owners have granted the company proportionate to their holdings. The terms of the loan are the same as the loan terms for eSett's other owners.

Capital loan:
The loan capital is EUR 1.5 (0) million. The fixed annual interest rate is 3.0 per cent. The loan repayment is ten equal instalments every six months beginning one year from when eSett begins its operations. The loan repayment is three equal instalments once a year beginning one year from when eSett begins its operations. The repayment is subordinated to all of the company's other liabilities and to the Limited Liability Companies Act's terms to be applied to capital loans.

Financial summary of associated companies, €1,000

	Non-current		Current assets				Dividends received during the financial	
2017	Assets	Liabilities	Assets	Liabilities	Turnover	Profit/loss	period	Ownership (%)
Nord Pool AS	1,346		151,389	121,007	38,265	4,988	1,114	18.8
eSett Oy	8,232	11,250	39,540	33,246	7,560	2,677		33.3

2016	Non-current Assets	Liabilities	Current assets Assets	Liabilities	Turnover	Profit/loss	Dividends received during the financial period	Ownership (%)
Nord Pool AS	2,465		121,162	94,420	26,965	7,103	560	18.8
eSett Oy	7,507	12,000	5,748	657		-2,392		33.3

The Group's associated companies indicated in the tables are treated in the consolidated financial statements using the equity method of accounting.

The Nordic Balance Settlement (NBS) was introduced in Finland on 1 May 2017. When the NBS began its operations, imbalance settlement transferred from Fingrid's Balance Service Unit to eSett Oy.

The company has an equity investment in Norwegian kroner in an associated company, which results in exposure to translation risk. The translation risk is not significant and the company does not hedge against this risk.

Equity investments in associated companies, € 1,000	**2017**	**2016**
Cost at 1 Jan	10,158	9,888
Share of profit	1,734	511
Translation reserve	-475	318
Dividends	-1,114	-560
Carrying amount 31 Dec	**10,303**	**10,158**
Carrying amount of associated companies includes goodwill 31 Dec.	**3,245**	**3,245**

There are no material temporary differences related to associated companies on which deferred tax assets or liabilities have been recognised.

The subsidiaries, associated companies and parent company (Fingrid Oyj) described above are related parties of the Group. In addition, the shareholder entities mentioned in chapter 6.5 and the top management and its related parties are also considered related parties. The top management is composed of the Board of Directors, the President & CEO, and the executive management group. All transactions between Fingrid and related parties take place on market terms. The company has not lent money to the top management, and the company has no transactions with the top management. At the close of the reporting period, the Republic of Finland owned 53.1 per cent of the company's shares. The Finnish Parliament has authorised the Ministry of Finance to reduce the state's ownership in Fingrid Oyj to no more than 50.1 per cent of the company's shares and votes.

Transactions with associated companies, € 1,000	**2017**	**2016**
Sales	520	471
Expense adjustments	81	48
Purchases	3,276	832
Receivables	3,934	343
Liabilities	3,376	152
Loan receivables	4,000	4,000

Accounting principles

Subsidiaries

The subsidiaries encompass all companies over which the Group has control (including structured entities). The Group is considered to have control over a company if the Group's holding results in exposure to variable returns or if the Group is entitled to variable returns and it can influence these returns by exercising its control over the company. The subsidiaries are consolidated into the consolidated financial statements starting from the day on which the Group gained control over the company. Consolidation is discontinued once the control ceases to exist.

Consolidation of operations is carried out using acquisition cost method.

Transactions, receivables and liabilities between Group companies and any unrealised profits from internal transactions are eliminated. Unrealised losses are also eliminated unless the transaction indicates an impairment of the disposed asset. If necessary, the financial statements of the subsidiaries have been adjusted to correspond to the accounting principles applied by the Group.

Associated companies

The associated companies include all companies over which the Group has significant influence but no control or joint control. This is generally based on a shareholding amounting to 20–50% of the votes. Investments in associated companies are initially recognised at the acquisition cost and subsequently handled using the equity method. According to the equity method, investments are initially recorded at the acquisition cost and this is subsequently adjusted by recognising the Group's share of the profit or loss after the time of acquisition in the income statement and the Group's share of any changes in the investment object's other comprehensive income in other comprehensive income. Any dividends received or to be received from the associated companies and joint ventures are deducted from the investment's carrying amount.

If the Group's share of the losses of an investment recognised according to the equity method equals or exceeds the Group's holding in the company in question, including any other non-current receivables without collaterals, the Group will not recognise any additional losses unless it has obligations or it has made payments on behalf of the company.

A share corresponding to the Group's ownership interest is eliminated from the unrealised profits between the Group and its associated companies and joint ventures. Any unrealised losses are also eliminated unless the transaction indicates an impairment of the disposed asset. If necessary, the accounting principles applied by the investments to be recognised according to the equity method have been adjusted to correspond to the principles applied by the Group.

7.2 Other notes

Emission rights

Fingrid's reserve power plants are subject to an environmental permit and covered by the EU's emissions trading scheme. Fingrid has not been granted free-of-charge emission rights for the emissions trade period 2013–2020. Emission rights purchased in 2017 amounted to 4,150 units (tCO_2). Emissions trading had minor financial significance for Fingrid. CO_2 emissions included in emissions trading totalled 5,817 tonnes in 2017 (10,335).

Accounting principles

Emission rights
Emission rights acquired free of charge are recognised in intangible assets at their nominal value, and purchased emission rights at their acquisition cost. A liability is recognised for emission rights to be returned. If the Group has sufficient 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 value of the emission rights in question. No depreciation is recognised on 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 recognised in the income statement under the expense item 'Materials and services'. Capital gains from emissions rights are recognised under other operating income.

25. PROVISIONS, € 1,000

	2017	**2016**
Provisions for creosote-impregnated towers 1 Jan	1,481	1,668
Provisions used	-7	-187
Provisions 31 Dec	**1,474**	**1,481**

Accounting principles

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 the 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 the risks pertaining to the obligation.

26. COMMITMENTS AND CONTINGENT LIABILITIES, €1,000

	2017	**2016**
Pledges		
Pledge covering property lease agreements		9
Pledge covering customs credit account	200	280

Pledge covering excise duty	280	
	480	**289**
Other financial commitments		
Rent security deposit, guarantee	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	400	395
Commitment fee for subsequent years	1,154	1,154
	1,592	**1,587**
Unrecognised investment commitments	**93,991**	**84,572**

The investment commitments consist of agreements signed by the company to carry out grid construction projects.

Payment obligations from right-of-use agreements for reserve power plants:		
In one year	10,769	7,601
In more than one year and less than five years	34,124	36,477
In more than five years	27,888	36,201
Total	**72,780**	**80,278**

Under its system responsibility, Fingrid is also obligated to maintain a rapid response disturbance reserve to prepare for disruptions to the power system. In order to ensure the availability of this disturbance reserve, Fingrid has, in addition to its reserve power plant capacity, acquired power plant capacity suited to this purpose by long-term Right-of-use agreements.

LEGAL PROCEEDINGS AND PROCEEDIGNS BY AUTHORITIES

A lawsuit was initiated against Fingrid in December 2016, demanding non-specified liquidated damages due to an alleged breach of contract. The legal proceedings ended with the district court issuing an interlocutory judgement in December 2017, according to which Fingrid had not been proven to have committed a contractual breach.

Fingrid has appealed to the Market Court against the decision issued by the Energy Authority on 2 January 2017 to the extent where the Energy Authority required Fingrid to submit the terms and conditions concerning the balancing power agreements and the grounds for the determination of fees for approval by the Energy Authority. According to Fingrid, under the legislation in force at the time the decision was issued, it was not required to submit the terms and conditions related to the procurement of balancing power beforehand to the authority for approval. The matter is still before the Market Court. The legal proceedings do not have a substantial impact on the company’s financial result or financial position.

EVENTS AFTER THE CLOSING DATE

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

GROUP’S CONTACT INFORMATION AND APPROVAL OF THE FINANCIAL STATEMENTS

Fingrid Oyj is a Finnish public limited liability company incorporated under the Finnish Companies Act. 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 the address P.O. Box 530 (Läkkisepäntie 21, 00620, Helsinki), 00101 Helsinki.

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

The amounts in the financial statements are expressed in thousands of euros and are 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 1 March 2018. In accordance with the Finnish Companies Act, the shareholders have the 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.

8 Parent company financial statements (FAS)

8.1 Parent company income statement

	Notes	Jan-Dec/2017 €	Jan-Dec/2016 €
TURNOVER	2	**665,392,912.15**	**581,409,910.01**
Other operating income	3	2,952,426.51	12,693,378.54
Materials and services	4	-293,984,228.25	-241,754,851.27
Personnel costs	5	-29,384,630.35	-28,597,902.39
Depreciation and amortisation expense	6	-103,744,514.46	-108,266,566.81
Other operating expenses	7,8	-70,125,942.52	-65,773,725.99
OPERATING PROFIT		**171,106,023.08**	**149,710,242.09**
Finance income and costs	9	-17,179,788.71	-20,121,491.84
PROFIT BEFORE EXTRAORDINARY ITEMS		**153,926,234.37**	**129,588,750.25**
PROFIT BEFORE APPROPRIATIONS AND TAXES		**153,926,234.37**	**129,588,750.25**
Income taxes	10	-30,567,832.63	-25,722,449.53
PROFIT FOR THE FINANCIAL YEAR		**123,358,401.74**	**103,866,300.72**

Notes are an integral part of the financial statements.

8.2 Parent company balance sheet

ASSETS	Notes	31 Dec 2017 €	31 Dec 2016 €
Intangible assets:			
Goodwill	11	0.00	4,288,792.08
Other intangible assets	12	79,273,488.45	79,770,462.84
		79,273,488.45	**84,059,254.92**
Tangible assets	13		
Land and water areas		15,974,431.21	15,700,654.61
Buildings and structures		209,719,017.99	193,639,539.82
Machinery and equipment		560,151,242.49	576,316,710.23
Transmission lines		770,540,624.65	808,874,948.90
Other property, plant and equipment		117,516.35	117,516.35
Prepayments and purchases in progress		83,656,395.80	59,404,402.54
		1,640,159,228.49	**1,654,053,772.45**
Investments:	14		
Interests in Group companies		507,063.77	507,063.77
Interests in associated companies		8,587,578.95	8,587,578.95
Other shares and interests		2,096,934.13	1,965,313.45
		11,191,576.85	**11,059,956.17**
TOTAL NON-CURRENT ASSETS		**1,730,624,293.79**	**1,749,172,983.54**
CURRENT ASSETS			
Inventories	15	**13,528,910.29**	**12,269,117.70**
Receivables			
Non-current			
Loan receivables from Group companies	16	5,000,000.00	2,807,700.00
Loan receivables from associated companies	16	4,000,000.00	4,000,000.00
Deferred tax assets	10	8,846,460.43	
		17,846,460.43	**6,807,700.00**
Current			
Trade receivables		75,073,908.08	70,674,359.79
Receivables from Group companies	17	833,329.87	826,575.41
Receivables from associated companies	18	3,934,309.64	143,749.03
Other receivables		1,447,709.38	1,298,105.32
Prepayments and accrued income	19,20	11,866,139.02	9,198,988.07
		93,155,395.99	**82,141,777.62**
Financial securities	21	**62,968,050.83**	**57,393,757.42**
Cash in hand and bank receivables	21	**20,302,954.11**	**21,939,069.16**
TOTAL CURRENT ASSETS		**207,801,771.65**	**180,551,421.90**
TOTAL ASSETS		**1,938,426,065.44**	**1,929,724,405.44**

Notes are an integral part of the financial statement.

FINGRID OYJ
www.fingrid.fi

1 March 2018

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 Dec 2017 €	31 Dec 2016 €
EQUITY	22		
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		77,954,261.01	72,087,952.34
Profit for the financial year		123,358,401.74	103,866,300.72
TOTAL SHAREHOLDERS' EQUITY		**313,157,633.85**	**287,799,224.16**
ACCUMULATED APPROPRIATIONS	23	**448,896,757.27**	**448,896,757.27**
PROVISIONS FOR LIABILITIES AND CHARGES	30	**1,474,146.78**	**1,480,946.78**
LIABILITIES			
Non-current liabilities			
Bonds	24,25	691,236,522.43	698,544,173.57
Loans from financial institutions		129,541,125.54	151,203,463.20
		820,777,647.97	**849,747,636.77**
CURRENT LIABILITIES			
Bonds	24	107,307,651.26	127,852,092.56
Loans from financial institutions		22,473,741.62	21,662,337.66
Trade payables		25,308,354.72	24,801,601.35
Liabilities to Group companies	26	1,157,812.70	1,102,734.71
Liabilities to associated companies	27	3,375,839.59	151,737.02
Other liabilities	28	162,224,988.65	136,671,358.46
Accruals	29	32,271,491.03	29,557,978.70
		354,119,879.57	**341,799,840.46**
TOTAL LIABILITIES		**1,174,897,527.54**	**1,191,547,477.23**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,938,426,065.44**	**1,929,724,405.44**

Notes are an integral part of the financial statements.

8.3 Parent company cash flow statement

	Note	1 Jan - 31 Dec, 2017 €	1 Jan - 31 Dec, 2016 €
Cash flow from operating activities:			
Profit for the financial year	22	123,358,401.74	103,866,300.72
Adjustments:			
Business transactions not involving a payment transaction	33	103,404,458.81	104,488,603.07
Interest and other finance costs		23,205,080.13	28,312,997.36
Interest income		-4,767,603.36	-7,332,443.33
Dividend income		-1,257,688.06	-859,062.19
Taxes		30,567,832.63	25,722,449.53
Changes in working capital:			
Change in trade receivables and other receivables		-9,443,145.18	-13,573,931.59
Change in inventories		-1,259,792.59	395,852.70
Change in trade payables and other liabilities		4,185,979.27	7,437,144.67
Congestion income		25,752,020.51	39,864,046.47
Change in provisions		-6,800.00	-186,600.00
Interest paid		-19,012,238.47	-22,481,770.87
Interest received		415,917.88	436,541.27
Taxes paid	10	-41,871,316.36	-33,782,121.37
Net cash flow from operating activities		233,271,106.95	232,308,006.44
Cash flow from investing activities:			
Purchase of property, plant and equipment	13	-101,357,371.07	-138,768,010.88
Purchase of intangible assets	12	-5,893,088.91	-3,284,749.24
Purchase of other assets	14	-131,620.68	-82,347.14
Proceeds from sale of other assets	14	118,990.19	152,000.00
Proceeds from sale of property, plant and equipment	13	543,925.81	5,885,200.00
Loans granted		-2,120,610.67	-4,300,000.00
Dividends received	9	1,257,688.06	859,062.19
Net cash flow from investing activities		-107,582,087.27	-139,538,845.07
Cash flow from financing activities:			
Proceeds from current financing (liabilities)		451,535,449.76	240,118,091.67
Payments of current financing (liabilities)		-425,554,006.96	-195,087,574.26
Proceeds from non-current financing (liabilities)		100,000,000.00	80,000,000.00
Payments of non-current financing (liabilities)		-149,732,292.07	-164,824,440.82
Dividends paid	22	-97,999,992.05	-90,000,003.75
Net cash flow from financing activities		-121,750,841.32	-129,793,927.16
Change in cash and cash equivalents and financial assets		**3,938,178.36**	**-37,024,765.79**
Cash and cash equivalents and financial assets 1 Jan		**79,332,826.58**	**116,357,592.37**
Cash and cash equivalents and financial assets 31 Dec	21	**83,271,004.94**	**79,332,826.58**

Notes are an integral part of the financial statements.

8.4 Notes to the financial statements of parent company

1. ACCOUNTING PRINCIPLES

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

Foreign currency transactions
Commercial transactions and financial items denominated in foreign currencies are recognised at the foreign exchange mid-rate quoted by the European Central Bank (ECB) at the transaction date. Interest-bearing liabilities and receivables and the derivatives hedging these items are valued at the mid-rate quoted by the ECB at the closing date. Foreign exchange gains and losses on interest-bearing liabilities and receivables, and on the instruments hedging these items, are recognised at maturity under finance income and costs. Foreign exchange rate differences arising from the derivatives used to hedge commercial currency flows are recognised to adjust the corresponding item in the income statement.

Interest and currency derivatives
Interest rate and currency swaps, foreign exchange forwards and interest rate options are used, in accordance with the Treasury Policy, to hedge the interest rate and foreign exchange risk, as well as the commercial items, in Fingrid's balance sheet items. The accounting principles for derivative contracts are the same as for the underlying items. The interest rate items of interest rate and currency swaps and interest rate options are accrued and recognised in the income statement under interest income and costs. The interest portion of forward foreign exchange contracts hedging the interest-bearing liabilities and receivables is accrued over the maturity of the contracts and recognised under finance income and costs. Premiums paid or received on interest rate options are accrued over the hedging period.

Electricity derivatives
Fingrid hedges its loss energy purchases by employing futures instruments quoted on the NASDAQ OMX Oslo ASA. There can also be trading in the OTC market in instruments corresponding to Nasdaq OMX Oslo ASA's financial instruments. The profits and losses arising from these contracts are used to adjust the loss energy purchases in the income statement in the period in which the hedging impacts profit or loss.

Research and development expenses
Research and development expenses are treated 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 useful life of the fixed asset. Depreciation on fixed assets taken into use during the financial year is calculated on an item-by-item basis 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 useful life, maximum	10 years
Computer software	3 years
Buildings and structures	
Substation buildings and separate buildings	40 years
Substation structures	30 years
Buildings and structures at gas turbine power plants	20–40 years
Separate structures	15 years
Transmission lines	
Transmission lines 400 kV	40 years
Direct current lines	40 years
Transmission lines 110–220 kV	30 years
Creosote-impregnated towers and related disposal costs*	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

*Disposal costs are discounted at present value and added to the value of the fixed asset and recognised under provisions for liabilities and charges.

Goodwill is depreciated over a 20-year period, since grid operations are 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 recognised according to the FIFO principle at acquisition cost, or at the lower of replacement cost or probable market price.

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

Interest-bearing liabilities
Fingrid's non-current interest-bearing liabilities consist of loans from financial institutions and bonds issued under the Euro Medium Term Note (EMTN) programme. The current interest-bearing liabilities consist of commercial papers issued under the domestic and international programmes and of the current portion of noncurrent borrowings 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. 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 recognised as an expense, and the commitment fees are recognised as an expense over the maturity of the facility.

Financial risk management
The principles applied to the management of financial risks are presented in chapters 6.2 and 6.3 of the Notes to the Consolidated Financial Statements.

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

Deferred taxes
The company enters deferred tax assets for the congestion income it uses for investments, and they become taxable income and tax in the year in which they were used. The tax assets entered for congestion income are recognised in accordance with the depreciation used in taxation for investments covered by congestion income. Congestion income allocated to investments is entered as a reduction in acquisition cost. For the rest, deferred tax assets and liabilities are not recorded in the income statement or balance sheet, but are instead presented in the notes.

2. TURNOVER BY BUSINESS AREA

The business of Fingrid Oyj comprises entirely transmission grid business with system responsibility. For that reason, there is no distribution of turnover by business area.

TURNOVER, €1,000	2017	2016
Grid service income	412,082	382,395
Imbalance power sales	213,872	153,881
Cross-border transmission	20,711	24,015
ITC income	8,647	13,199
Income from peak load capacity services	293	295
Income from guarantee-of-origin services	234	244
Other operating income	9,553	7,382
Total	**665,393**	**581,410**

3. OTHER OPERATING INCOME, €1,000	2017	2016
Rental income	942	922
Capital gains of fixed assets	340	3,796
Contributions received	170	282
Congestion income		6,325
Other income	1,500	1,368
Total	**2,952**	**12,693**

4. MATERIALS AND SERVICES, €1,000	2017	2016
Purchases during the financial year	234,232	170,793
Loss energy purchases	47,397	57,555
Change in inventories, increase (-) or decrease (+)	-1,260	396
Materials and consumables	280,369	228,745
Services	13,615	13,010
Total	**293,984**	**241,755**

5. PERSONNEL EXPENSES, €1,000	2017	2016
Salaries and bonuses	24,187	22,735
Pension expenses	4,139	4,433
Other personnel expenses	1,059	1,430
Total	**29,385**	**28,598**

Salaries and bonuses of the members of the Board of Directors and President and CEO, €1,000	2017	2016
Juhani Järvi, Chairman (since 6 June 2014)	39	34
Helena Walldén, Chairman (until 6 April 2016)		11
Juha Majanen, Vice Chairman (since 22 March 2012)	24	23
Sanna Syri, Member of the Board (since 14 April 2015)	19	20
Esko Torsti, Member of the Board (since 22 March 2012)	20	20
Anu Hämäläinen, Member of the Board (since 6 April 2016)	19	14

Jukka Ruusunen, Presiden and CEO	416	352

Number of salaried employees in the company during the financial year:		
Personnel, average	352	336
Personnel, 31 Dec	355	334

DEPRECATION ACCORDING TO PLAN, €1,000	**2017**	**2016**
Goodwill	4,289	6,433
Other non-current expenses	6,390	5,856
Buildings and structures	8,535	8,100
Machinery and equipment	48,104	50,973
Transmission lines	36,427	36,904
Total*	**103,745**	**108,267**
* deprecation on the electricity grid (notes 12 and 13)	89,658	88,967

7. OTHER OPERATING EXPENSES, €1,000	**2017**	**2016**
Contracts, assignments etc. undertaken externally	56,173	53,277
Grid rents	241	241
Other rental expenses	3,381	2,575
Other costs	10,331	9,681
Total	**70,126**	**65,774**

8. AUDITORS' FEES, €1,000	**2017**	**2016**
PricewaterhouseCoopers Oy:		
Auditing fee	63	61
Tax consulting	20	21
Assignments referred to in the Auditing Act, Chapter 1, Section 1, Subsection 2		3
Other fees	41	60
Total	**124**	**145**

9. FINANCE INCOME AND COSTS, €1,000	**2017**	**2016**
Dividend income from Group companies	139	294
Dividend income from others	1,119	565
Interest and other finance income from others	4,768	7,332
	6,025	8,192
Interest and other finance costs to Group companies		
Interest and other finance costs to others	-23,205	-28,313
	-23,205	-28,313
Total	**-17,180**	**-20,121**

10. INCOME TAXES, €1,000	**2017**	**2016**
Income taxes for the financial year	33,197	25,722
Income taxes for the previous financial years	6,217	
Changes in deferred taxes	-8,846	
Total	30,568	25,722

The company will pay its income taxes in accordance with the underlying tax rate, with no tax planning

Deferred tax assets in balance sheet, €1,000		
On temporary differences from congestion income	8,846	
Total	8,846	

Deferred tax assets and liabilities of balance sheet, €1,000		
Deferred tax assets		
On temporary differences	295	296
	295	296
Deferred tax liabilities		
On temporary differences	220	242
On appropriations	89,779	89,779
	90,000	90,021
Total	**89,705**	**89,725**

11. GOODWILL, €1,000	**2017**	**2016**
Cost at 1 Jan	128,664	128,664
Cost at 31 Dec	128,664	128,664
Accumulated depreciation according to plan 1 Jan	-124,375	-117,942
Depreciation according to plan 1 Jan–31 Dec	-4,289	-6,433
Carrying amount 31 Dec	**0**	**4,289**
Accumulated depreciation difference 1 Jan	-4,289	-10,722
Decrease in depreciation difference reserve 1 Jan–31 Dec	4,289	6,433
Accumulated depreciation in excess of plan 31 Dec	**0**	**-4,289**

12. OTHER NON-CURRENT EXPENSES, €1,000	**2017**	**2016**
Cost at 1 Jan	183,719	180,861
Increases 1 Jan–31 Dec	5,959	3,548
Decreases 1 Jan–31 Dec	-126	-690
Cost at 31 Dec	189,553	183,719
Accumulated depreciation according to plan 1 Jan	-103,949	-98,519
Decreases, depreciation according to plan 1 Jan–31 Dec	60	427
Depreciation according to plan 1 Jan–31 Dec	-6,390	-5,856
Carrying amount 31 Dec*	79,273	79,770
Accumulated depreciation difference 1 Jan	-52,620	-53,378
Increase in depreciation difference reserve 1 Jan–31 Dec	-5,908	-737
Decrease in depreciation difference reserve 1 Jan–31 Dec	6,481	1,496
Accumulated depreciation in excess of plan 31 Dec	**-52,047**	**-52,620**

***Net capital expenditure in electricity grid, €1,000**	**2017**	**2016**

Carrying amount 31 Dec	71,258	74,378
Carrying amount 1 Jan	-74,378	-77,101
Depreciation according to plan 1 Jan–31 Dec	4,030	3,941
Decreases 1 Jan–31 Dec	66	263
Total	**976**	**1,482**

13. TANGIBLE ASSETS, €1,000	2017	2016
Land and water areas		
Cost at 1 Jan	15,701	15,349
Increases 1 Jan–31 Dec	274	393
Decreases 1 Jan–31 Dec	0	-41
Cost at 31 Dec	**15,974**	**15,701**
Buildings and structures		
Cost at 1 Jan	253,104	218,637
Increases 1 Jan–31 Dec	24,614	34,634
Decreases 1 Jan–31 Dec	-5	-168
Cost at 31 Dec	**277,712**	**253,104**
Accumulated depreciation according to plan 1 Jan	-59,464	-51,436
Decreases, depreciation according to plan 1 Jan–31 Dec	5	73
Depreciation according to plan 1 Jan–31 Dec	-8,535	-8,100
Carrying amount 31 Dec	**209,719**	**193,640**
Accumulated depreciation difference 1 Jan	-12,694	-12,649
Increase in depreciation difference reserve 1 Jan–31 Dec	-9,383	-970
Decrease in depreciation difference reserve 1 Jan–31 Dec	8,535	925
Accumulated depreciation in excess of plan 31 Dec	**-13,542**	**-12,694**
Machinery and equipment		
Cost at 1 Jan	1,091,578	1,029,839
Increases 1 Jan–31 Dec	31,938	61,839
Decreases 1 Jan–31 Dec	-718	-100
Cost at 31 Dec	**1,122,798**	**1,091,578**
Accumulated depreciation according to plan 1 Jan	-515,261	-464,296
Decreases, depreciation according to plan 1 Jan–31 Dec	718	8
Depreciation according to plan 1 Jan–31 Dec	-48,104	-50,973
Carrying amount 31 Dec	**560,151**	**576,317**
Accumulated depreciation difference 1 Jan	-90,425	-97,309
Increase in depreciation difference reserve 1 Jan–31 Dec	-44,144	-782
Decrease in depreciation difference reserve 1 Jan–31 Dec	48,104	7,665
Accumulated depreciation in excess of plan 31 Dec	**-86,466**	**-90,425**
Transmission lines		
Cost at 1 Jan	1,290,658	1,221,808
Increases 1 Jan–31 Dec	-1,658	74,414
Decreases 1 Jan–31 Dec	-433	-5,565
Cost at 31 Dec	**1,288,567**	**1,290,658**
Accumulated depreciation according to plan 1 Jan	-481,783	-448,824
Decreases, depreciation according to plan 1 Jan–31 Dec	184	3,944
Depreciation according to plan 1 Jan–31 Dec	-36,427	-36,904

Carrying amount 31 Dec	**770,541**	**808,875**
Accumulated depreciation difference 1 Jan	-288,869	-274,839
Increase in depreciation difference reserve 1 Jan–31 Dec	-44,400	-50,934
Decrease in depreciation difference reserve 1 Jan–31 Dec	36,427	36,904
Accumulated depreciation in excess of plan 31 Dec	**-296,842**	**-288,869**
Other property, plant and equipment		
Cost at 1 Jan	118	118
Cost at 31 Dec	**118**	**118**
Prepayments and purchases in progress		
Cost at 1 Jan	59,404	120,816
Increases 1 Jan–31 Dec	94,299	116,534
Transfers to other tangible and intangible assets 1 Jan - 31 Dec	-70,047	-177,946
Cost at 31 Dec	**83,656**	**59,404**
Tangible assets total*	**1,640,160**	**1,654,054**

***Net capital expenditure in electricity grid, €1,000**	**2017**	**2016**
Carrying amount 31 Dec	1,609,354	1,618,586
Carrying amount 1 Jan	-1,618,586	-1,635,324
Depreciation according to plan 1 Jan–31 Dec	85,628	85,026
Decreases 1 Jan–31 Dec	249	1,742
Total	**76,645**	**70,030**

Fingrid's reserve power plants are included in the property, plant and equipment of the transmission system.

14. INVESTMENTS, €1,000	**2017**	**2016**
Interests in Group companies		
Cost at 1 Jan	507	505
Increases 1 Jan–31 Dec		3
Cost at 31 Dec	**507**	**507**
Interests in associated companies		
Cost at 1 Jan	8,588	8,588
Decreases 1 Jan–31 Dec		
Cost at 31 Dec	**8,588**	**8,588**
Other shares and interests		
Cost at 1 Jan	1,965	1,885
Increases 1 Jan–31 Dec	139	227
Decreases 1 Jan–31 Dec	-8	-147
Cost at 31 Dec	**2,097**	**1,965**
Investments total	**11,192**	**11,060**

15. INVENTORIES, €1,000	**2017**	**2016**
Materials and consumables at 31 Dec	13,248	12,139
Work in progress	281	131

Total	**13,529**	**12,269**

16. OTHER NON-CURRENT RECEIVABLES, €1,000	**2017**	**2016**
Loan receivables from Group companies	5,000	2,808
Loan receivables from associated companies	4,000	4,000
Total	**9,000**	**6,808**

17. RECEIVABLES FROM GROUP COMPANIES, €1,000	**2017**	**2016**
Current:		
Trade receivables	772	799
Interest receivables	62	27
Total	**833**	**827**

18. RECEIVABLES FROM ASSOCIATED COMPANIES, €1,000	**2017**	**2016**
Current:		
Trade receivables	3,888	125
Interest receivables	46	18
Total	**3,934**	**144**

19. PREPAYMENTS AND ACCRUED INCOME, €1,000	**2017**	**2016**
Interest and other financial items	6,545	7,333
Accruals of sales and purchases	2,201	1,666
Tax assets	2,331	0
Other prepayments and accrued income	789	200
Total	**11,866**	**9,199**

20. UNRECORDED EXPENSES AND PAR VALUE DIFFERENTIALS ON THE ISSUE OF LOANS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME, €1,000	**2017**	**2016**
Par value differentials	**1,624**	**1,039**

21. CASH AND CASH EQUIVALENTS, €1,000	**2017**	**2016**
Commercial papers	6,496	12,991
Short-term money market funds	56,472	44,402
Bank deposits	10,000	10,000
Cash in hand and bank receivables	10,303	11,939
Total	**83,271**	**79,333**

22. SHAREHOLDERS' EQUITY, €1,000	**2017**	**2016**
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	**175,954**	**162,088**
Dividend distribution	-98,000	-90,000
Profit from previous financial years 31 Dec	**77,954**	**72,088**
Profit for the financial year	**123,358**	**103,866**
Shareholders' equity 31 Dec	**313,158**	**287,799**
Distributable shareholders' equity	**201,313**	**175,954**

Number of shares	Series A shares	Series B shares	Total
1 Jan 2017	2,078	1,247	3,325
31 Dec 2017	**2,078**	**1,247**	**3,325**

Series A shares confer three votes each at the Annual General Meeting and Series B shares one vote each. When electing members of the Board of Directors, Series A shares confer 10 votes each at the Annual General Meeting and Series B shares 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. 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, such that Series B shares have the right over Series A shares to receive the annual dividend and the undistributed amount. Series B shares have no right to receive any other dividend.

Fingrid Oyj's Annual General Meeting decides on the annual dividend.
Eighty-two (82) per cent of the dividends to be distributed for each financial year is distributed for all Series A shares and eighteen (18) per cent for all Series B shares, however such that EUR twenty (20) million of the dividends to be distributed for each financial year is first distributed for all Series B shares. If the above-mentioned EUR twenty (20) million minimum amount for the financial period is not distributed (all or in part) for Series B shares in a financial period, Series B shares confer the right to receive the undistributed minimum amount in question (or the accumulated undistributed minimum amount accrued during such financial periods) in the next profit distribution, in any disbursements paid out, or in any other distribution of assets prior to any other dividends, disbursements or asset distribution until the undistributed minimum amount has been distributed in full for Series B shares.

There are no non-controlling interests.

23. ACCUMULATED APPROPRIATIONS, €1,000	**2017**	**2016**
Accumulated depreciation from the difference between depreciation according to plan and depreciation carried out in taxation	**448,897**	**448,897**

24. BONDS, €1,000					**2017**	**2016**
Currency	Nominal value	Maturity date	Interest			
EUR	20,000	11/04/2017	floating rate			20,000
EUR	25,000	11/04/2017	floating rate			25,000
EUR	30,000	15/06/2017		3.07%		30,000
EUR	50,000	20/09/2020	floating rate		50,000	50,000
EUR	30,000	19/09/2022	floating rate		30,000	30,000
EUR	30,000	11/09/2023		2.71%	30,000	30,000
EUR	300,000	03/04/2024		3.50%	300,000	300,000
EUR	100,000	23/11/2027		1.125 %	100,000	
EUR	25,000	27/03/2028		2.71%	25,000	25,000
EUR	10,000	12/09/2028		3.27%	10,000	10,000
EUR	80,000	24/04/2029		2.95%	80,000	80,000
EUR	30,000	30/05/2029		2.89%	30,000	30,000
					655,000	**630,000**

JPY	500,000	22/06/2017	1.28%		4,507
					4,507
NOK	200,000	11/04/2017	5.16%		24,620
NOK	200,000	10/11/2017	5.12%		23,725
NOK	200,000	12/11/2019	5.37%	23,725	23,725
NOK	100,000	16/09/2025	4.31%	12,512	12,512
				36,237	**84,582**
SEK	1,000,000	19/11/2018	floating rate	107,308	107,308
				107,308	**107,308**
Bonds, non-current, total				691,237	698,544
Bonds, current, total				107,308	127,852
Total				**798,544**	**826,396**

25. LOANS FALLING DUE IN FIVE YEARS OR MORE, €1,000	2017	2016
Bonds	617,512	517,512
Loans from financial institutions	72,554	90,216
Total	**690,066**	**607,728**

26. LIABILITIES TO GROUP COMPANIES, €1,000	2017	2016
Current:		
Other liabilities	1,158	1,103
Total	**1,158**	**1,103**

27. LIABILITIES TO ASSOCIATED COMPANIES, €1,000	2017	2016
Current:		
Trade payables	3,376	152
Total	**3,376**	**152**

28. OTHER LIABILITIES, €1,000	2017	2016
Current:		
Other loans/Commercial papers (international and domestic)	145,243	120,128
Value added tax	12,378	11,860
Electricity tax	3,092	3,093
advances received	923	923

Other liabilities	588	667
Total	**162,225**	**136,671**

29. ACCRUALS, €1,000	**2017**	**2016**
Current:		
Interest and other financial items	11,757	12,822
Salaries and additional personnel expenses	6,613	5,693
Accruals of sales and purchases	8,751	5,766
Other accruals	5,150	5,277
Total	**32,271**	**29,558**

30. PROVISIONS FOR LIABILITIES AND CHARGES, €1,000	**2017**	**2016**
Creosote-impregnated and CCA-impregnated wooden towers, disposal costs	1,474	1,481
Total	**1,474**	**1,481**

31. DERIVATIVE AGREEMENTS, €1,000

	2017				**2016**				**Hierarchy level**
Interest rate and currency derivatives	Fair value pos. 31.12.17	Fair value neg. 31.12.17	Net fair value 31.12.17	Nominal value 31.12.17	Fair value pos. 31.12.16	Fair value neg. 31.12.16	Net fair value 31.12.16	Nominal value 31.12.16	
Cross-currency swaps	3,837	-12,660	-8,822	143,544	6,930	-12,487	-5,558	196,396	Level 2
Forward contracts		-123	-123	1,167	46		46	2,271	Level 2
Interest rate swaps	23,209	-7,487	15,722	430,000	26,667	-6,725	19,943	360,000	Level 2
Bought interest rate options	787		787	571,587	1,350		1,350	514,685	Level 2
Total	**27,833**	**-20,270**	**7,563**	**1,146,298**	**34,993**	**-19,212**	**15,781**	**1,073,352**	
Electricity derivatives	Fair value pos. 31.12.17	Fair value neg. 31.12.17	Net fair value 31.12.17	Volume TWh 31.12.17	Fair value pos. 31.12.16	Fair value neg. 31.12.16	Net fair value 31.12.16	Volume TWh 31.12.16	
Electricity future contracts. NASDAQ OMX Commodities	1,010	-135	875	1.13					Level 1
Electricity forward contracts. NASDAQ OMX Commodities	2,905	-1,244	1,661	3.75	1,640	-8,157	-6,518	4.07	Level 1
Total	**3,915**	**-1,379**	**2,536**	**4.88**	**1,640**	**-8,157**	**-6,518**	**4.07**	

32. COMMITMENTS AND CONTINGENT LIABILITIES, €1,000	**2017**	**2016**

Rental liabilities		
Liabilities for the next year	4,079	3,536
Liabilities for subsequent years	28,192	28,653
	32,270	**32,189**
Right-of-use agreements		
Liabilities for the next year	10,769	7,601
Liabilities for subsequent years	62,011	72,677
	72,780	**80,278**
Pledges		
Pledge covering property lease agreements		9
Pledge covering customs credit account	200	280
Pledge covering excise duty	280	
	480	**289**
Other financial commitments		
Rent security deposit, guarantee	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	400	395
Liabilities for subsequent years	1,154	1,154
	1,592	**1,587**

33. OPERATING CASH FLOW ADJUSTMENTS, €1,000	**2017**	**2016**
Business transactions not involving a payment transaction		
Depreciation	103,745	108,267
Capital gains/losses (-/+) on tangible and intangible assets	-340	-3,778
Total	**103,404**	**104,489**

34. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

A lawsuit was initiated against Fingrid in December 2016, demanding non-specified liquidated damages due to an alleged breach of contract. The legal proceedings ended with the district court issuing an interlocutory judgement in December 2017, according to which Fingrid had not been proven to have committed a contractual breach.

Fingrid has appealed to the Market Court against the decision issued by the Energy Authority on 2 January 2017 to the extent where the Energy Authority required Fingrid to submit the terms and conditions concerning the balancing power agreements and the grounds for the determination of fees for approval by the Energy Authority. According to Fingrid, under the legislation in force at the time the decision was issued, it was not required to submit the terms and conditions related to the procurement of balancing power beforehand to the authority for approval. The matter is still before the Market Court. The legal proceedings do not have a substantial impact on the company's financial result or financial position.

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

Imbalance power and regulating power
Each electricity market party must ensure its electricity balance by making an agreement with either Fingrid or some other party. Fingrid buys and sells imbalance power in order to stabilise the hourly power balance of an electricity market party (balance responsible party). Imbalance power trade and pricing 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 responsible parties can participate in the Nordic balancing power market by submitting bids on 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.

Fingrid is responsible for organising national imbalance settlement. As of the beginning of May 2017, Fingrid has transferred the imbalance settlement to eSett Oy, a company jointly owned by the Finnish, Swedish and Norwegian transmission system operators.
The balance settlement takes place after the utilisation hours by determining the actual electricity generation, consumption and electricity trade. The outcome of the balance settlement is power balances for each party to the electricity trade.

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 by virtue of Chapter 12 of the Electricity Market Act. The management of balance operation is a part of grid operations.

The income statement of the balance service 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 principle
Finance income and costs	on the basis of imputed debt
Income taxes	based on result

The average number of personnel during 2017 was 11 (12). The operating profit was 0,5 (3,7) per cent of turnover.

MANAGEMENT OF BALANCE OPERATION, SEPARATED INCOME STATEMENT	**1 Jan - 31 Dec, 2017 €1,000**	**1 Jan - 31 Dec, 2016 €1,000**
TURNOVER*	**219,344**	**165,393**
Other operating income	1	1
Materials and services*	-213,014	-156,520
Personnel costs	-1,148	-1,385
Depreciation and amortisation expense	-434	-181
Other operating expenses	-3,718	-1,129
OPERATING PROFIT	**1,028**	**6,178**
Finance income and costs	81	48
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	**1,110**	**6,226**
Appropriations	-81	-89
Income taxes	-206	-884
PROFIT/LOSS FOR THE FINANCIAL YEAR	**823**	**5,253**

Turnover includes EUR 56.7 (9.2) million in sales of imbalance power to balance provider Fingrid Oyj, and Materials and services includes EUR 54.7 (6.5) million euros in purchases by Fingrid Oyj.
*The increase in imbalance power sales and purchases resulted from the transfer of imbalance settlement to eSett Oy, following which the imbalance power sold to cross-border imbalance responsible parties is reported as external turnover and the imbalance power purchased from them is reported as external purchases.

MANAGEMENT OF BALANCE OPERATION, SEPARATED BALANCE SHEET

ASSETS	**31 Dec 2017 €1,000**	**31 Dec 2016 €1,000**
NON-CURRENT ASSETS		
Intangible assets		
Other non-current expenses	1,311	385
Tangible assets		
Machinery and equipment	461	247
Prepayments and purchases in progress		62

Investments		
Interests in associated companies	2,001	2,001
TOTAL NON-CURRENT ASSETS	**3,772**	**2,695**
CURRENT ASSETS		
Non-current		
Loan receivables from associated companies	4,000	4,000
Current receivables		
Trade receivables	2,649	27,420
Receivables from Group companies	10,594	18,469
Receivables from associated companies	13,214	144
Other receivables	2,234	1,504
	28,690	47,537
Cash in hand and bank receivables	1	1
TOTAL CURRENT ASSETS	**32,691**	**51,538**
TOTAL ASSETS	**36,463**	**54,233**

SHAREHOLDERS' EQUITY AND LIABILITIES	**31 Dec 2017**	**31 Dec 2016**
	€1,000	**€1,000**
EQUITY		
Share capital	32	32
Share premium account	286	286
Profit from previous financial years	21,873	16,620
Profit for the financial year	823	5,253
TOTAL SHAREHOLDERS' EQUITY	**23,013**	**22,190**
ACCUMULATED APPROPRIATIONS	**-389**	**-470**
LIABILITIES		
Current liabilities		
Trade payables	520	30,724
Liabilities to Group companies		906
Liabilities to associated companies	13,113	
Accruals	206	884
	13,839	32,513
TOTAL LIABILITIES	**13,839**	**32,513**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**36,463**	**54,233**

Development of information exchange
It is Fingrid's task to develop the exchange of information required for electricity trade and imbalance settlement as set out in the Electricity Market Act. Fingrid's information exchange services are part of the electricity markets' information exchange environment. In order to develop the effective and accurate exchange of information, Fingrid works in close co-operation with e.g. electricity market parties, interest groups, service providers, supervisory authorities, legislators, organisations that develop national and international communications and other transmission system operators.

In accordance with a decision by the Energy Market Authority, Fingrid Oyj must separate the duties pertaining to the development of information exchange by virtue of Chapter 12 of the Electricity Market Act. The development of information exchange is a part of grid operations.

The separation of the income statement for the development of information exchange is realised by means of cost accounting as follows:

Income	direct
Separate costs	direct
Administrative costs	matching principle
Income taxes	based on result

DEVELOPMENT OF INFORMATION EXCHANGE, SEPARATED INCOME STATEMENT	1 Jan - 31 Dec, 2017 €1,000	1 Jan - 31 Dec, 2016 €1,000
TURNOVER	**575**	**595**
Personnel costs	-116	-144
Other operating expenses	-374	-392
OPERATING PROFIT	**86**	**59**
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	**86**	**59**
Income taxes	-17	-12
PROFIT/LOSS FOR THE FINANCIAL YEAR	**69**	**48**

DEVELOPMENT OF INFORMATION EXCHANGE, SEPARATED BALANCE SHEET

ASSETS	31 Dec 2017 €1,000	31 Dec 2016 €1,000
CURRENT ASSETS		
Trade receivables	1	
Other receivables	130	147
TOTAL CURRENT ASSETS	**131**	**147**
TOTAL ASSETS	**131**	**147**

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec 2017 €1,000	31 Dec 2016 €1,000
EQUITY		
Share capital	3	3
Profits/losses from previous financial years	-589	-636

Profit for the financial year	69	48
TOTAL SHAREHOLDERS' EQUITY	**-518**	**-586**
LIABILITIES		
Current liabilities		
Trade payables	11	12
Liabilities to Group companies	575	686
Other liabilities	62	36
	649	734
TOTAL LIABILITIES	**649**	**734**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**131**	**147**

Grid operations
Grid operations refers to licensed electricity system operation that takes place on the electricity grid. Electricity system operations are defined in Chapter 1 of the Electricity Market Act (588/2013) and grid operations are defined in Chapter 5. Of Fingrid Oyj's operations, activities related to the management of the power reserve system and guarantees of origin for electricity, as well as the data hub project that was started in 2015 are not included in grid operations. Operations that are not part of grid operations constitute 'other operations' as referred to in Chapter 12 of the Electricity Market Act and must be separated from grid operations in accordance with that Chapter.

The income statement and balance sheet of grid operations and other operations have, in compliance with Chapter 12 of the Electricity Market Act, been 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 principle
Finance income and costs	on the basis of imputed debt
Income taxes	based on result
Balance sheet items	matching principle

	TRANSMISSION SYSTEM OPERATION	**OTHER OPERATION**
	1 Jan - 31 Dec, 2017	**1 Jan - 31 Dec, 2017**
SEPARATED INCOME STATEMENT	**€1,000**	**€1,000**
TURNOVER	**663,176**	**2,217**
Other operating income	2,952	
Materials and services	-293,984	
Personnel costs	-28,182	-1,203
Depreciation and amortisation expense	-103,745	
Other operating expenses	-69,112	-1,014
OPERATING PROFIT	**171,106**	**0**
Finance income and costs	-17,424	245
PROFIT BEFORE EXTRAORDINARY ITEMS	**153,682**	**245**
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	**153,682**	**245**
Income taxes	-30,519	-49

PROFIT/LOSS FOR THE FINANCIAL YEAR	**123,163**	**196**

SEPARATED BALANCE SHEET

	TRANSMISSION SYSTEM OPERATION	**OTHER OPERATION**
ASSETS	**31 Dec 2017**	**31 Dec 2017**
	€1,000	**€1,000**
Intangible assets:		
Goodwill		
Other intangible assets	79,273	
	79,273	
Tangible assets		
Land and water areas	15,974	
Buildings and structures	209,719	
Machinery and equipment	560,151	
Transmission lines	770,541	
Other property, plant and equipment	118	
Prepayments and purchases in progress	83,656	
	1,640,159	
Investments:		
Interests in Group companies		507
Interests in associated companies	8,588	
Other shares and interests	2,097	
	10,685	**507**
TOTAL NON-CURRENT ASSETS	**1,730,117**	**507**
CURRENT ASSETS		
Inventories	13,529	
Receivables		
Non-current		
Loan receivables from Group companies		5,000
Loan receivables from associated companies	4,000	
Deferred tax assets	8,846	
	12,846	**5,000**
Current		
Trade receivables	75,074	
Receivables from Group companies	5,445	833
Receivables from associated companies	3,934	
Other receivables	1,448	
Prepayments and accured income	11,866	
	97,767	**833**

Financial securities	62,968	
Cash in hand and bank receivables	20,303	
TOTAL CURRENT ASSETS	**207,413**	**5,833**
TOTAL ASSETS	**1,937,530**	**6,340**

SEPARATED BALANCE SHEET

	TRANSMISSION SYSTEM OPERATION	OTHER OPERATION
SHAREHOLDERS' EQUITY AND LIABILITIES	**31 Dec 2017**	**31 Dec 2017**
	€1,000	**€1,000**
EQUITY		
Share capital	55,920	3
Share premium account	55,922	
Profit from previous financial years	77,695	259
Profit for the financial year	123,163	196
TOTAL SHAREHOLDERS' EQUITY	**312,700**	**458**
ACCUMULATED APPROPRIATIONS	**448,897**	
PROVISIONS FOR LIABILITIES AND CHARGES	**1,474**	
LIABILITIES		
Non-current liabilities		
Bonds	691,237	
Loans from financial institutions	129,541	
	820,778	
Current liabilities		
Bonds	107,308	
Loans from financial institutions	22,474	
Trade payables	25,308	
Liabilities to Group companies	1,158	5,445
Liabilities to associated companies	3,376	
Other liabilities	162,053	172
Accruals	32,006	266
	353,682	**5,883**
TOTAL LIABILITIES	**1,174,459**	**5,883**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,937,530**	**6,340**

Other non-current assets included in the separated balance sheet for grid operations

SEPARATED BALANCE SHEET

	TRANSMISSION SYSTEM OPERATION
ASSETS	**31 Dec 2017**

	€1,000
Intangible assets:	
Other intangible assets	8,016
	8,016
Tangible assets	
Land and water areas	15,732
Buildings and structures	4,258
Machinery and equipment	9,557
Transmission lines	1,140
Other property, plant and equipment	118
Prepayments and purchases in progress	83,656
	114,462
TOTAL NON-CURRENT ASSETS	**122,477**

Congestion income in grid operations
The congestion income received by a grid owner must be used for the purposes stated in EC Regulation 714/2009, Article 16, Paragraph 6: guaranteeing the actual availability of the allocated capacity, and maintaining or increasing interconnection capacities through network investments. As a consequence of the change in the regulation governing Fingrid's grid pricing, the company will include the congestion income received after 1 January 2016 as accruals in the item other liabilities in the balance sheet. Of the accruals, congestion income will be recognised in the income statement as other operating income when their corresponding costs, as defined in the regulation, accrue as annual expenses in the income statement. Alternatively, they are entered in the balance sheet against investments, as defined by regulation, to lower the acquisition cost of property, plant and equipment, which lowers the depreciation of the property, plant and equipment in question. The congestion income received before 1 January 2016 was recognised in turnover. The congestion income from 2017 was used entirely for the Hirvisuo–Pyhänselkä grid investment, and the congestion income from 2016 was used for improving and maintaining the cross-border transmission connections, and in part also for the Hirvisuo–Pyhänselkä grid investment. The Hirvisuo–Pyhänselkä grid investment supports the cross-border transmission from northern Sweden to Finland.

Congestion income, €1,000	**2017**	**2016**
Congestion income on 1 Jan		
Accumulated congestion income	25,752	39,863
Expenses matching congestion income		-6,325
Investments matching congestion income	-25,752	-33,538
Congestion income on 31 Dec		

Countertrade
In terms of the costs arising from countertrade used to safeguard system security in grid operations, congestion income may be used to offset countertrade costs arising from cross-border transmission connections.

Counter trade, €1,000	**2017**	**2016**
Counter-trade between Finland and Sweden	366	2,531
Counter-trade between Finland and Estonia	96	87
Counter-trade between Finland's internal connections	1,295	1,242
Total counter-trade	**1,756**	**3,861**

36. EMISSION RIGHTS

Fingrid has not been granted free-of-charge emission rights for the emissions trade period 2013–2020.
The use of emission rights had no impact on the financial result in 2016.

	2017	**2016**
Total CO_2 emissions tCO_2	5,817	10,335

9 SIGNATURES FOR THE ANNUAL REVIEW AND FOR THE FINANCIAL STATEMENTS

Helsinki, 1 March 2018

Juhani Järvi Chair	Juha Majanen Deputy Chairman
Sanna Syri	Esko Torsti
Anu Hämäläinen	Jukka Ruusunen President & CEO

Auditor's notation

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

Helsinki, 1 March 2018

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila, APA