



FINGRID OYJ

FINGRID OYJ

ANNUAL REVIEW AND FINANCIAL STATEMENTS

1 JANUARY 2005 - 31 DECEMBER 2005

CONTENTS	Page
1. Annual review	
Report of the Board of Directors	3 - 7
Key indicators	8
The Board of Directors' proposal for the distribution of profit	9
2. Financial statements	
Consolidated financial statements (IFRS)	
Profit and loss account	10
Balance sheet	11 - 12
Statement of changes in shareholders' equity	13
Cash flow statement	14
Notes to the financial statements	15 - 35
Parent company financial statements (FAS)	
Profit and loss account	36
Balance sheet	37 - 38
Cash flow statement	39
Notes to the financial statements	40 - 51
3. Signatures of the annual review and the financial statements	52



1. Annual review

Report of the Board of Directors

Hydropower production volumes in the Nordic countries normalised in 2005 after a few years with low water reservoirs. The average price of electricity rose from the previous year. The costs of emission rights of carbon dioxide were a new factor influencing the price. The price trend caused a public discussion in Finland concerning the functioning of the Nordic electricity market and price formation of electricity. The Nordic transmission system operators have an ongoing programme for improving the Nordic electricity market. The programme includes for instance grid capital expenditure of approx. 1,000 million euros by the end of this decade.

Fingrid decided to reduce the price level of grid service by approx. 5 per cent from the beginning of 2006. This was enabled by Fingrid's strengthened equity ratio and risk outlook. The extensive capital expenditure programme launched in 2005 will decelerate further improvement in equity ratio in the coming years. Fingrid launched the implementation of grid reinforcements required by the nuclear power unit being constructed at Olkiluoto, and decided on the construction of a new 100 megawatt reserve power plant and the second sea cable between Finland and Sweden.

1 Fingrid in the electricity market

Total electricity consumption in Finland in 2005 amounted to 84.9 terawatt hours, of which Fingrid transmitted 62.4 terawatt hours in its grid. Exceptionally mild weather and the long labour market dispute in the Finnish forest industry resulted in a reduction of 2.5 per cent in electricity consumption compared to 2004.

Transmission congestions limited Nordic electricity trade more than in 2004. However, congestions on the border between Finland and Sweden were smaller than on any other national border in the Nordic countries. Finland formed a price area of its own for 9 per cent of the time.

Transmission capacity between Finland and Russia had a high utilisation rate of 90 per cent during 2005. The entire transmission capacity has also been reserved for 2006.

ETSO (Association of European Transmission System Operators) has focused on developing a European transit compensation system together with the Commission of the European Union and national regulators. The more detailed compensation system regulations will not become effective before 2007.

2 Capital expenditure and grid maintenance

Fingrid's gross capital expenditure in 2005 was 63 million euros (43 million euros in 2004). Of this amount, a total of 55 million euros were used for the grid.

The foremost project completed in 2005 was the transmission line and substation expansion on the 400 kilovolt line between Vihtavuori and Toivila. This will secure electricity transmission in the Jämsänjokilaakso region in Central Finland. Other completed projects included the 400/110 kilovolt substation built in Salo in Western Finland and the double circuit line from Yllikkälä to Lempiälä in South-Eastern Finland. Launched and ongoing projects include the construction of a 400 kilovolt transmission line from Ulvila to Kangasala and from Olkiluoto to Huittinen as well as the expansions of 400 kilovolt substations in Vuolijoki in Kainuu, in Tammisto in Vantaa, and in Espoo. These projects will be completed during 2006 - 2008.

The construction of a new gas turbine power plant at the Olkiluoto power plant area in co-operation with Teollisuuden Voima Oy was also launched in 2005.

The technical specification was started for Fenno-Skan 2, the new direct current link to be built between Finland and Sweden. Fingrid and Svenska Kraftnät, the transmission system operator in Sweden, will share the ownership and capital expenditure costs of the cable (totalling approx. 200 million euros) in equal proportions.

Approximately 16 million euros were used for the maintenance and local operation of the Finnish grid in 2005, and a total of approx. 2 million euros were used for the maintenance of gas turbine power plants.

Research and development were allocated 1.6 million euros.

3 Financial result

Turnover of the Fingrid Group in 2005 was 317 million euros (302 million euros in 2004). As a result of the labour market dispute in the Finnish forest industry, approx. 5 million euros of Fingrid's grid service income was lost. Turnover from the sales of balance power rose on the previous year.

Operating profit excluding the change in the fair value of electricity derivatives was 97 (109) million euros. The most significant factor contributing to the decreased operating profit was the considerable rise in the costs for maintaining the European electricity market. The operating profit in accordance with IFRS was 110 (101) million euros, which contains 13 (-8) million euros of positive change in the fair value of electricity derivatives. The IFRS profit before taxes was 75 (59) million euros.

The return on investment was 8.7 (8.2) per cent and the return on equity 16.9 (17.5) per cent. The equity ratio was 23.9 (21.6) per cent at the end of the review period.

4 Financing

The financial position of the Group continued to be good throughout the review period. The net financial expenses excluding the portion of the profit of associated companies decreased to 36 million euros (43 million euros in 2004). The average interest rate of interest-bearing liabilities, including capital loans and hedging costs, was 3.95 (4.53) per cent. The cash flow from the operations of the Group deducted by capital expenditure and dividends was 51 (55) million euros, which enabled a reduction of 5 (19) million euros in interest-bearing liabilities.

The financial assets at 31 December 2005 totalled 188 (143) million euros. The interest-bearing liabilities, including derivative liabilities, totalled 986 (991) million euros, of which 694 (715) million euros were long-term and 292 (276) million euros were short-term. The counterparty risk involved in the financial derivative contracts was 9 (0.9) million euros. Available committed long-term loan facilities amounted to 250 (400) million euros.

The company acquired financing from the international and domestic money and capital markets. The company covers the need for short-term funding with the Euro Commercial Paper Programme, and long-term funding has been arranged through the international Debt Issuance Programme. The company signed a revolving credit facility of 250 million euros with a domestic and international bank group in November 2005.

The international rating agencies Moody's Investors Service and Standard & Poor's Rating Services affirmed Fingrid Oyj's credit ratings, which remained unchanged. Moody's affirmed a long-term rating of Aa3 and a short-term rating of P-1. Standard &

Poor's assigned Fingrid a long-term rating of AA- and a short-term rating of A-1+. Both agencies considered Fingrid's future outlook to be stable.

5

Personnel and rewarding systems

The Fingrid Group employed 231 persons, including temporary employees, at the end of 2005. The corresponding figure a year before was 220.

Of the personnel employed by the company, 23 per cent (23 per cent in 2004) are women and 77 (77) per cent are men. Among permanent personnel, those in age group 24 - 29 years of age numbered 24 in 2005 (26 in 2004), 30 - 34 years 26 (27), 35 - 39 years 30 (24), 40 - 44 years 31 (35), 45 - 49 years 39 (35), 50 - 54 years 18 (20), 55 - 59 years 39 (42), and age group 60 - 65 years 17 (8).

During 2004 and 2005, a total of 8,080 hours were used for personnel training, with an average of 36 hours per person. Employee absences on account of illness in 2005 accounted for 2 per cent of the total working hours while the corresponding figure in 2004 was 1 per cent.

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

6

Board of Directors

Fingrid Oyj's Annual General Meeting was held on 17 March 2005. Timo Rajala, President and CEO, was elected as the Chairman of the Board, Tapio Kuula, President, as the First Deputy Chairman of the Board, and Taisto Turunen, Director General, as the Second Deputy Chairman of the Board. The Board members elected were Marjukka Aarnio, Industrial Counsellor, Risto Autio, Director, Timo Karttinen, Senior Vice President, and Timo Koivuniemi, Senior Vice President.

7

Risk management

Fingrid applies a risk management system on the basis of which an extensive annual risk analysis of a specific format is carried out in order to identify risks pertaining to Fingrid's operations. The risk analyses completed in 2005 were the review and exercises of rescue plans at different offices, analysis of procedures in the event of a major disturbance, assessment of the availability of secured communications, and risk analysis of gas turbines. On the basis of risk analyses carried out, development projects for securing the data security of substations and for the subsequent assessment of exceptional events were launched.

The foremost business risks of the company are risks relating to the functioning of the power system, risks relating to regulation, risks relating to electrical safety and the environment, price risk of electricity, interest rate risk and counterparty risk.

7.1

Risks relating to the functioning of the power system

A wide-spread disturbance in the Finnish or Nordic power system may be caused by several simultaneous faults in the grid, inoperability of Fingrid's operation control system, insufficiency of production capacity, or an external event which prevents grid operation entirely or partly. Even though Fingrid is prepared for these situations by means of various reserves, instructions and special arrangements, the company may suffer financial losses and/or deteriorated corporate image because of the disturbance.



7.2

Risks relating to regulation

Fingrid's operations are subject to a licence. The Electricity Market Act imposes obligations on the company's grid operation and restrictions on pricing. Fingrid is supervised by the Energy Market Authority. Changes in Finnish or European regulation may cause negative impacts on the company's financial position.

Fingrid is obliged to develop the electricity market. More stringent regulation in environmental matters and increasingly complicated permit processes may impede Fingrid's opportunities to carry out the objectives relating to the development of the electricity market. This may have adverse impacts on the company's corporate image and/or financial position.

Under Finnish accounting practice, depreciation method permits the deferral of taxes. If legislative amendments abolish this opportunity, it will have a negative impact on corporate finances.

7.3

Risks relating to electrical safety and the environment

Fingrid transmits electricity by means of high-voltage transmission lines and substations. The high voltage and large structures involve the risk of personal injury and damage to property. Injuries or damage may be caused if Fingrid's own grid operation fails or as a result of damage inflicted by an outside party or very exceptional weather conditions. Electric and magnetic fields may be harmful to corporate finances or image. The long-term effects of electric and magnetic fields on human health have been studied extensively, but the research has not been able to indicate potential injurious effects.

7.4

Price risk of electricity

Fingrid acquires loss energy for electricity transmission losses from the electricity exchange and through bilateral contracts. Even though preparations for short-term price fluctuations have been made, a high price of electricity over a long period of time may weaken the company's financial position.

7.5

Interest rate risk

The company finances its operations through floating rate bonds. Even though the company is prepared for rising interest rates, high interest rates over a long period of time may weaken the company's financial position.

7.6

Counterparty risk

Fingrid's counterparty risk is created by the counterparty not fulfilling its contractual commitments towards Fingrid. The company has counterparty risk relating to business operations, grid asset management, derivative contracts and investments. Even though counterparty risks are monitored, action by counterparties may become a risk which weakens the company's financial position.

Fingrid hedges the currency risk relating to financial and business exposures. Interest rate risk is managed by stabilising the financial costs during the tariff period, and the same principle is applied in managing the risk relating to the purchase of loss energy.

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



8.

Environment and corporate social responsibility

Fingrid applies an environmental management system conforming to the SFS-EN ISO 14001 standard. The environmental principles of the company have been described in its environmental policy which is implemented in accordance with an annual environmental programme.

The primary environmental impacts of Fingrid's operations are caused by transmission line areas with their transmission lines and related substations.

Fingrid has approx. 30,500 tonnes of creosote-impregnated or CCA-impregnated wooden towers and cable trench covers, categorised as hazardous waste. The related disposal costs of approx. 2 million euros have been entered in the financial statements under provisions for liabilities and charges, which in turn have been added correspondingly to the value of tangible assets.

Equipment used in Fingrid's substations contains approx. 21 tonnes of sulphur hexafluoride (SF₆ gas), which is categorised as a greenhouse gas. However, the disposal cost of this gas is small, and no provision has been made for it because the SF₆ gas can be re-used after cleaning.

The amounts of asbestos at substations were examined in 2005. The examinations indicate that these amounts at substations are small, and there are no locations categorised as particularly difficult.

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

9.

Future outlook

Turnover in 2006 is expected to decrease somewhat on the previous year mainly because of the tariff reduction. Anticipating the turnover and expenses is, however, complicated by variations in electricity transmissions and in the sales volume of balance power caused by the Nordic water reservoir situation.

The implementation of Nordel's extensive action programme will continue. The main issues in the programme are the progress of the priority cross-section projects, definition of cross-border capacities, transmission congestion management, and distribution model for bottleneck revenues. Chairmanship in Nordel will be taken over by Fingrid in the summer of 2006.

Uncertainty concerning electricity imports from Russia will be taken into account in the plans, and the terms for electricity imports will be streamlined to better suit the Nordic market.

An agreement will be made on co-operation concerning the operation of the sea cable link between Finland and Estonia. Well-functioning and regular co-operation will be established with the transmission system operators in the Baltic countries.

The work of three new stakeholder forums will be launched within Fingrid. The technology forum will discuss matters pertaining to the construction and maintenance of the transmission grid, the forum on transmission lines and the natural environment will discuss issues relating to the nature values of transmission line routes, and the forum consisting of representatives of environmental authorities will mainly discuss legislation pertaining to the construction of transmission lines and practical experiences of transmission line projects.


CONSOLIDATED KEY INDICATORS

		2001 FAS	2002 FAS	2003 FAS	2004 IFRS	2005 IFRS
Extent of operations						
Turnover	million €	241.6	272.6	297.6	301.8	316.7
Capital expenditure, gross	million €	43.5	50.2	43.7	42.9	63.3
- of turnover	%	18.0	18.4	14.7	14.2	20.0
Research and development expenses	million €	1.0	1.1	1.3	1.1	1.6
- of turnover	%	0.4	0.4	0.4	0.4	0.5
Personnel, average		221	211	227	233	228
Personnel, end of year		204	210	220	220	231
Profitability						
Operating profit	million €	84.8	91.0	90.5	101.5	110.0
- of turnover	%	35.1	33.4	30.4	33.6	34.7
Profit before taxes	million €	32.8	38.6	37.5	59.1	75.1
- of turnover	%	13.6	14.1	12.6	19.6	23.7
Return on investment (ROI)	%	6.8	7.2	7.3	8.2	8.7
Return on equity (ROE)	%	11.1	12.2	10.8	17.5	16.9
Financing and financial position						
Equity ratio	%	16.1	17.1	18.7	21.6	23.9
Share-specific indicators						
Earnings per share	€	6,963	8,275	7,972	14,884	16,761
Dividends per share	€	2,183	1,995	1,995	1,995	1,995
Equity per share	€	64,898	70,990	76,886	91,640	106,439
Number of shares at 31 Dec						
- Series A shares	qty	2,078	2,078	2,078	2,078	2,078
- Series B shares	qty	1,247	1,247	1,247	1,247	1,247
Total	qty	3,325	3,325	3,325	3,325	3,325

CALCULATION OF KEY INDICATORS

Return on investment, %	=	Profit before taxes + interest and other financial expenses	x 100

		Balance sheet total - non-interest-bearing liabilities (average for the year)	
Return on equity, %	=	Profit before taxes - taxes for the financial year	x 100

		Shareholders' equity excluding capital loans	
Equity ratio, %	=	Shareholders' equity excluding capital loans	x 100

		Balance sheet total - advances received	
Earnings per share, €	=	Profit for the financial year	

		Average number of shares	
Dividends per share, €	=	Dividends for the financial year	

		Average number of shares	
Equity per share, €	=	Shareholders' equity excluding capital loans	

		Number of shares at closing date	



The Board of Directors' proposal for the distribution of profit

In accordance with the consolidated balance sheet at 31 December 2005, the shareholders' equity of the Fingrid Group contains 37,381,464.61 euros of distributable profits. In accordance with the balance sheet at 31 December 2005, the shareholders' equity of Fingrid Oyj contains 13,098,601.60 euros of distributable profits.

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

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

- 6,466,190.85 euros be carried over as retained earnings.



2. Financial statements

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	1 Jan - 31 Dec 2005 1,000 €	1 Jan - 31 Dec 2004 1,000 €
TURNOVER	3	316,700	301,824
Other operating income	4	2,410	1,958
Use of materials and services	5	-120,726	-101,219
Expenses for employee benefits	6	-17,069	-15,591
Depreciation and value adjustment	7	-48,589	-44,399
Other operating expenses	8	-22,700	-41,097
OPERATING PROFIT		110,026	101,476
Financial income and expenses	9	-34,962	-42,332
PROFIT BEFORE TAXES		75,063	59,144
Income taxes	10	-19,334	-9,655
PROFIT FOR THE FINANCIAL YEAR		55,729	49,489
Earnings per share, €	11	16,761	14,884

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	31 Dec 2005 1,000 €	31 Dec 2004 1,000 €
NONCURRENT ASSETS			
Intangible assets:			
Goodwill	13	87,920	87,920
Other intangible assets	14	80,359	80,868
		168,279	168,789
Tangible fixed assets:			
Land and water areas	15	10,334	10,176
Buildings and structures		44,648	44,002
Machinery and equipment		403,215	401,118
Transmission lines		552,506	560,219
Other tangible assets		3,465	3,652
Advance payments and purchases in progress		34,271	20,494
		1,048,440	1,039,661
Investments:			
Equity investments in associated companies	16	6,684	6,312
Other shares and equity investments		300	261
		6,984	6,573
Receivables:			
Financial receivables	17	3,765	2,025
Deferred tax receivables	22	538	
Other receivables	26	16,240	3,022
		20,543	5,047
		1,243,945	1,220,070
CURRENT ASSETS			
Inventories	18	2,864	4,238
Financial receivables	17	3,141	0
Accounts receivable and other receivables	19	44,282	42,926
Financial assets recognised in profit and loss account at fair value	20	184,934	139,482
Cash and cash equivalents	20	2,988	3,874
		238,210	190,520
TOTAL ASSETS		1,482,155	1,410,590



CONSOLIDATED BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES		31 Dec 2005	31 Dec 2004
	Notes	1,000 €	1,000 €
SHAREHOLDERS' EQUITY			
Share capital	21	55,922	55,922
Premium fund	21	55,922	55,922
Fair value reserve	21	33	3
Translation differences	16	152	72
Retained earnings		241,879	192,783
		353,910	304,702
LONG-TERM LIABILITIES			
Deferred tax liabilities	22	81,038	63,583
Interest-bearing liabilities	24	693,846	715,074
Provisions	25	2,067	2,072
Other liabilities	27	150	350
		777,101	781,079
SHORT-TERM LIABILITIES			
Interest-bearing liabilities	24	291,991	275,898
Pension liabilities	23		57
Accounts payable and other liabilities	28	59,153	48,854
		351,144	324,808
		1,128,245	1,105,888
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,482,155	1,410,590



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1,000 €	Notes	Share capital	Premium fund	Fair value reserve	Translation differences	Retained earnings	Total
Shareholders' equity 1 Jan 2004							
		55,922	55,922			149,926	261,771
Translation differences	16				72		72
Dividend distribution	12					-6,632	-6,632
Other changes	21			3			3
Profit for the financial year						49,489	49,489
Shareholders' equity 31 Dec 2004							
		55,922	55,922	3	72	192,783	304,702
Translation differences	16				80		80
Dividend distribution	12					-6,632	-6,632
Other changes	21			31			31
Profit for the financial year						55,729	55,729
Shareholders' equity 31 Dec 2005							
		55,922	55,922	33	152	241,879	353,910

CONSOLIDATED CASH FLOW STATEMENT	Notes	1 Jan - 31 Dec 2005 1,000 €	1 Jan - 31 Dec 2004 1,000 €
Cash flow from operations:			
Cash from sales		315,538	300,686
Cash from other operating income		2,106	2,393
Charges paid for operating expenses		<u>-169,255</u>	<u>-152,711</u>
Cash flow from operations before financial items and taxes	34	148,389	150,368
Interests and charges paid for other financial expenses of operations		-48,579	-49,183
Interests received from operations		8,944	3,034
Direct taxes paid		-2,514	-3,039
Cash flow from operations (A)		106,240	101,181
Cash flow from investments:			
Investments in tangible and intangible assets		-53,812	-41,281
Proceeds from sale of tangible and intangible assets		4,237	1,464
Investments in other assets		2	
Repayment of loans receivable		84	84
Dividends received from investments		722	3
Cash flow from investments (B)		-48,767	-39,731
Cash flow from financial operations:			
Withdrawal of short-term loans		124,117	128,234
Repayment of short-term loans		-89,295	-61,782
Withdrawal of long-term loans		140,610	48,438
Repayment of long-term loans		-181,749	-131,838
Dividends paid and other profit distribution		-6,632	-6,632
Cash flow from financial operations (C)		-12,949	-23,579
Net change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)		44,523	37,871
Cash and cash equivalents 1 Jan		143,356	106,097
Change in fair value of cash and cash equivalents		43	-612
Cash and cash equivalents 31 Dec	20	187,922	143,356



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES OF CONSOLIDATED FINANCIAL STATEMENTS

Fingrid Oyj is a Finnish public limited company established in accordance with Finnish law. Fingrid's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The notes to the consolidated financial statements are also in accordance with Finnish accounting regulations and legislation. Fingrid's registered office is in Helsinki at address PL 530 (Arkadiankatu 23 B), 00101 Helsinki.

In its interim report for the second quarter of 2005, Fingrid adopted IFRS reporting for financial statements, and applied here the IFRS 1 (First-Time Adoption of IFRS) standard. The date of transition to IFRS reporting was 1 January 2004. The differences resulting from the adoption of IFRS reporting are presented in the reconciliations under note 2 "Transition to IFRS reporting" of the consolidated financial statements. The company published the comparison financial information for IFRS financial statements for 2004 on 27 May 2005.

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

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

Primary business areas

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

The consolidated financial statements contain the parent company Fingrid Oyj and its fully-owned subsidiary Fingrid Verkko Oy. Fingrid Verkko Oy was not operative during the financial year. The consolidated associated companies were Porvoo Alueverkko Oy (ownership 33.3%) and Nord Pool Spot AS (ownership 20.0%). The Group has no joint ventures.

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

Use of estimates

When the consolidated financial statements are drawn up in accordance with IFRS, the company management need to make estimates and assumptions which have an impact on the amounts of assets, liabilities, income and expenses recorded and conditional items presented. These estimates and assumptions are based on historical experience and other justified assumptions which are believed to be reasonable in the conditions which constitute the foundation for the estimates of the items recorded in the financial statements. The actual figures may differ from these estimates.

Segment reporting

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

Turnover and sales recognition

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

Contributions

Contributions received from the EU or other parties are recognised in the profit and loss account at the same time as the related expenses. Contributions received are presented in other operating income.

Pension schemes

The pension security of the Group's personnel is arranged by outside pension insurance companies. The Group has both contribution-based pension schemes in accordance with IAS 19 and benefit-based schemes. Pension premiums paid for contribution-based schemes are charged to the profit and loss account in the year to which they relate. Costs resulting from benefit-based schemes are recorded in the profit and loss account on the basis of annual actuarial calculations.



Research and development

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

Leases

In accordance with the principles of standard IAS 17 Leases, those leases where the company is transferred substantially all the risks and rewards incident to ownership are categorised as finance leases. Assets leased through finance leases reduced by accumulated depreciation are recorded in tangible fixed assets, and the corresponding obligations are recognised in interest-bearing liabilities. When a Group company is the lessor, the present value of future lease payments is recorded in interest-bearing receivables, and the assets leased out are depreciated in the tangible fixed assets of the lessor. Lease payments resulting from finance leases are allocated between financial expense or income and into a reduction in liability or receivable.

Finance leases in accordance with standard IAS 17 are recognised in the balance sheet and valued at the lower of an amount equal to the fair value of the assets when the lease begins or the present value of minimum lease rents. Assets acquired through finance leases are depreciated according to plan, and potential impairment losses are recognised. Depreciation is calculated in accordance with the lower of the Group's depreciation periods for fixed assets or the lease period.

Leases where the risks and rewards incident to ownership remain with the lessor are recorded as other leases. Lease obligations paid on the basis of other leases are recorded in other operating expenses, and they are recognised in the profit and loss account on a straight-line basis over the lease period.

Foreign currency transactions

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

Foreign exchange gains and losses from translating the profit and loss account items of the foreign associated company at the mid-rate and from translating its balance sheet items to the rate at the closing date are presented as a separate item in shareholders' equity. Translation differences created before 1 January 2004 are recorded in retained earnings in accordance with the exception allowed by the IFRS 1 standard.

Income taxes

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

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

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

Earnings per share

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

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

Goodwill and other intangible assets

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



Fingrid has applied the exception allowed by the IFRS 1 transition standard to business combinations which took place before 1 January 2004, which is why the goodwill resulting from the acquisition of associated companies and businesses was transferred at values in accordance with FAS. Goodwill has not been depreciated after 1 January 2004.

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

The depreciation periods of intangible assets are as follows:

Computer systems, operation control	15 years
Computer systems, others	3 years

Subsequent expenses relating to intangible assets are only capitalised if their financial benefit for the company increases above the former performance level. In other cases, the expenses are recorded in the profit and loss account when they materialise.

Emission rights

In June 2005, IASB decided to cancel IFRIC 3 interpretation on emission rights. The decision became effective at once. At Fingrid, the accounting principles of emission rights have been amended accordingly. Purchased emission rights are recorded in intangible rights at the acquisition cost, and emission rights acquired free of charge are valued at their nominal value. If it is estimated that the acquired emission rights do not suffice during the first emission rights period, the company must purchase the excess portion from the emission rights market. A provision is recorded of the estimated additional purchases.

Tangible fixed assets

Land areas, buildings, transmission lines, machinery and equipment constitute most of the tangible fixed assets. These are recognised in the balance sheet at the original acquisition cost less accumulated depreciation and potential impairments. Interest expenses during the construction period are not capitalised. If a fixed asset is made up of several parts with economic lives of different lengths, the parts are recorded as separate assets.

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

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

The depreciation periods of tangible assets are as follows:

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

Gains or losses from the sale or disposition of fixed assets is recorded in the profit and loss account. Fixed assets are derecognised in the balance sheet when the planned depreciation period has expired, the asset has been sold, scrapped or otherwise disposed of to an outsider.



Impairment

The book values of asset items are assessed at closing date to detect potential impairment. If impairment is detected, the recoverable amount of the asset is estimated. An asset is impaired if the balance sheet value of the asset or of a cash-generating unit exceeds the recoverable amount. Impairment losses are recorded in the profit and loss account.

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

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

An impairment loss relating to tangible fixed assets and intangible assets other than goodwill is reversed if a change has taken place in the values used for estimating the recoverable amount of the asset. An impairment loss is reversed at the most up to an amount which would have been defined as the book value of the asset (reduced by depreciation) if no impairment loss had been recorded of it in the previous years. An impairment loss recorded of goodwill is not reversed.

Available-for-sale investments

Publicly quoted securities are classified as available-for-sale investments and recorded at fair value, which is the market value at the closing date. Changes in fair value are recorded in the shareholders' equity until the investment is sold or otherwise disposed of, in which case the changes in fair value are recorded in the profit and loss account. Permanent impairments of assets are recorded in the profit and loss account. Unlisted securities are recorded at the acquisition cost as their fair values cannot be determined reliably.

Inventories

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

Accounts receivable and other receivables

Accounts receivable and other receivables are recorded at the original value. The amount of doubtful receivables is estimated based on the risks of individual items. Credit losses are recorded as expenses in the profit and loss account.

Electricity derivatives

The company enters into electricity derivative contracts in order to hedge its electricity purchases in accordance with the loss energy forecast. Fingrid does not apply hedge accounting to the electricity derivatives. Electricity derivatives are classified as held-for-trading derivative assets and liabilities. The derivative contracts are either instruments of Nord Pool ASA or bilateral contracts. The electricity derivatives are measured at fair value at the closing date, and their change in fair value is recorded in the profit and loss account in other operating expenses. Nord Pool ASA's instruments are valued at the market prices at the closing date. Bilateral price hedging contracts are valued using the price of a comparable instrument at Nord Pool ASA.

Interest rate and foreign exchange derivatives

The company enters into derivative contracts in order to hedge the financial risks (interest rate and foreign exchange exposures) in accordance with the primary principles for financing approved by the Board of Directors. Fingrid does not apply hedge accounting to the derivatives. Financial derivatives are classified as held-for-trading derivative assets and liabilities. Derivative assets and liabilities are recognised at the original acquisition cost. Derivatives are measured at fair value at the closing date, and their change in fair value is recorded in the profit and loss account in financial income and expenses.

The fair values of derivatives at the closing date are based on different calculation methods. Foreign exchange forwards have been measured at the forward prices. Interest rate and cross-currency swaps have been measured at the present value on the basis of the yield curve of each currency. Interest rate options have been valued by using generally accepted option pricing models in the market.

Financial assets and cash and cash equivalents

Financial assets are classified as held-for-trading assets. This group includes money market securities and holdings in short-term money market funds. Financial assets are recognised in the balance sheet at fair value at the settlement day. Financial assets are measured at fair value in the financial statements, and their change in fair value is recognised in the profit and loss account in financial income and expenses.

Financial assets recognised in the profit and loss account at fair value primarily comprise certificates of deposit, commercial papers and municipality commercial papers with maturities 3 - 6 months, and holdings in short-term money market funds.



Cash and cash equivalents comprise bank balances and bank deposits. Bank deposits are classified as held-to-maturity assets, and they are recognised at the original acquisition cost. In the financial statements, bank deposits are measured at the amortised acquisition cost.

Financial assets and other cash equivalents are derecognised at maturity, are sold or otherwise transferred.

Interest-bearing liabilities

Interest-bearing liabilities include bond and commercial paper issuance and loans raised by the company, recorded at the acquisition cost less transaction costs. Transaction costs consist of bond prices above or below par value, credit fees, commissions and administrative fees. In the financial statements, interest-bearing liabilities are measured at amortised cost using the effective interest rate method. Interest-bearing liabilities are derecognised when they mature and are repaid.

Provisions

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

The provisions can relate to the rearrangement of operations, unprofitable contracts, environmental obligations, litigation, and tax risks. The provisions are valued at the present value of costs required to cover the obligation. The discounting factor used in calculating the present value is chosen so that it reflects the market view of the time value of money at the assessment date and of the risks pertaining to the obligation.

Dividend distribution

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

New IFRS standards and interpretations

IASB has published the following standards and interpretations which Fingrid will introduce in 2006: IFRS 7 Financial Instruments: Disclosures, and IFRIC 4 Determining Whether an Arrangement Contains a Lease. The Group has analysed the potential impacts of these revised standards and interpretations, and they are not expected to be significant.

2. TRANSITION TO IFRS REPORTING

Fingrid shifted from the Finnish Accounting Standards (FAS) to IFRS reporting in conjunction with the interim report for the second quarter of 2005. Fingrid's date of transition to IFRS reporting was 1 January 2004. The financial statements for 2004 and the first interim report for 2005 were originally drawn up and published in accordance with FAS.

Below are the most significant changes in accounting principles and the impacts of the introduction of IFRS on Fingrid's consolidated financial statements for 2004. Fingrid published comparison financial information for IFRS financial statements plus additional information for 2004 on 27 May 2005. Fingrid has applied in the transition the exceptions allowed by IFRS 1 concerning standards IAS 21 (The Effects of Changes in Foreign Exchange Rates) and IFRS 3 (Business Combinations). Standards concerning financial instruments - IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement) - have been applied from 1 January 2004. The first interim report for 2005 was published in accordance with IFRS as an appendix to the interim report for the second quarter.

The foremost changes in the figures of the financial statements for 2004 (FAS) are caused by the discontinuation of depreciation according to plan for goodwill and certain intangible assets, and by recognising the fair value changes of electricity and financial derivatives in the profit and loss account. In its FAS financial statements, Fingrid has presented the fair values and nominal values of derivative contracts in the notes to the financial statements.

Reconciliation of profit for the financial year

Million euros	Further information	1-12/2004
Profit for period FAS		47.2
Financial instruments	1)	-8.2
Depreciation	2)	10.2
Deferred taxes	3)	-0.1
Employee benefits	4)	0.4
IFRS adjustments total		2.3
Profit for period IFRS		49.5



Reconciliation of shareholders' equity

Million euros	Further information	1 Jan 2004	31 Dec 2004
Shareholders' equity in accordance with FAS		423.6	464.2
Capital loans	5)	-167.9	-167.9
Shareholders' equity in accordance with FAS excl. capital loans		255.6	296.3
Effects of transition to IFRS			
Financial instruments	1)	9.1	1.0
Depreciation	2)	0.0	10.2
Deferred taxes	3)	-2.5	-2.6
Employee benefits	4)	-0.5	-0.1
IFRS adjustments total		6.1	8.4
Shareholders' equity in accordance with IFRS		261.8	304.7

Further information

1. Financial instruments

Electricity derivatives

The company enters into electricity derivative contracts in order to hedge its electricity purchases in accordance with the loss energy forecast. Fingrid does not apply hedge accounting to the electricity derivatives. Electricity derivatives are classified as held-for-trading derivative assets and liabilities. The derivative contracts are either instruments of Nord Pool ASA or bilateral contracts. The electricity derivatives are measured at fair value at the closing date, and their change in fair value is recorded in the profit and loss account in other operating expenses. Nord Pool ASA's instruments are valued at the market prices at the closing date. Bilateral price hedging contracts are valued using the price of a comparable instrument at Nord Pool ASA.

Financial derivatives

The company enters into derivative contracts in order to hedge the financial risks (interest rate and foreign exchange exposures) in accordance with the financial policy approved by the Board of Directors. Fingrid does not apply hedge accounting to the derivatives. Financial derivatives are classified as held-for-trading derivative assets and liabilities. Derivative assets and liabilities are recognised at the original acquisition cost. Derivatives are measured at fair value at the closing date, and their change in fair value is recorded in the profit and loss account in financial income and expenses.

The fair values of derivatives at the closing date are based on different calculation methods. Foreign exchange forwards have been measured at the forward prices. Interest rate and cross-currency swaps have been measured at the present value on the basis of the yield curve of each currency. Interest rate options have been valued by using generally accepted option pricing models in the market.

Interest-bearing liabilities

Interest-bearing liabilities include bond and commercial paper issuance and loans raised by the company, recorded at the acquisition cost less transaction costs. Transaction costs consist of bond prices above or below par value, arrangement fees, commissions and administrative fees. In the financial statements, interest-bearing liabilities are measured at the amortised cost using the effective interest rate method.

Available-for-sale investments

Publicly quoted securities are classified as available-for-sale investments and recorded at fair value, which is the market value at closing date. Changes in fair value are recorded in the shareholders' equity until the investment is sold or otherwise disposed of, in which case the changes in fair value are recorded in the profit and loss account. Permanent impairments of assets are recorded in the profit and loss account. Unlisted securities are recorded at the acquisition cost as their fair values cannot be determined reliably.

Financial assets and cash and cash equivalents

Financial assets are classified as held-for-trading assets. This group includes money market securities and holdings in short-term money market funds. Financial assets are recorded in the balance sheet at fair value at the settlement day. Financial assets are measured at fair value in the financial statements, and their change in fair value is recognised in the profit and loss account in financial income and expenses.



Cash and cash equivalents comprise bank balances and bank deposits. Bank deposits are classified as held-to-maturity assets and they are recognised at the original acquisition cost. In the financial statements, bank deposits are measured at the amortised acquisition cost.

2. Depreciation

No depreciation according to plan is recorded of goodwill and intangible assets (rights of use of transmission line areas with unlimited economic life). Impairment tests in accordance with IAS 36 (Impairment of Assets) have been carried out for all assets at the date of transition 1 January 2004 and at the closing date 31 December 2004. No impairment losses have been created.

3. Deferred taxes

Deferred tax assets and liabilities are recognised of all temporary differences between the carrying amounts and tax values of asset and liability items.

Deferred tax assets and liabilities are calculated using those tax rates which are expected to be valid during that financial year in which the asset item is liquidated or otherwise utilised or when the liability is paid. During the second quarter of 2004, the tax rate was changed from 29 per cent to 26 per cent.

4. Employee benefits

In accordance with IFRS, the pension schemes are categorised as either contribution-based or benefit-based schemes. Pension premiums paid for contribution-based schemes are charged to the profit and loss account in the year to which they relate. Liability resulting from benefit-based pension schemes is recorded in the profit and loss account on the basis of actuarial calculations.

Most of Fingrid's pension schemes are contribution-based schemes. The exception are benefit-based disability pension schemes under the Finnish TEL (Employee Pensions Act) scheme, of which a liability of 0.5 million euros was recorded in the opening balance.

The Finnish Ministry of Social Affairs and Health has accepted certain changes to the calculation principles of disability pension liabilities. These changes became effective on 1 January 2006. After the changes, the disability pension portion of TEL is recorded as a contribution-based scheme in IFRS reporting. Most of the disability pension liability was recognised during the last quarter of 2004.

5. Capital loan

The capital loan which is equity under the Finnish Companies Act is categorised as debt under IFRS reporting.

Other effects of transition to IFRS reporting

Translation differences arising from the foreign associated company prior to the transition to IFRS are not stated as a separate item of equity.

3. INFORMATION ON SEGMENTS

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

Transmission services on the cross-border connections to the other Nordic countries enable participation in the Nordic Elspot and Elbas exchange trade. Fingrid makes transmission services on the cross-border connections from Russia available to all electricity market parties. The transmission service is intended for fixed electricity imports. When making an agreement on transmission services from Russia, the customer reserves a transmission right (in MW) for 1 - 2 years. The smallest unit that can be reserved is 50 MW. The contract terms are equal and public.

Information on segments is not presented, because the entire business of the Fingrid Group is deemed to comprise transmission system operation in Finland with system responsibility, only constituting a single segment. There are no essential differences in the risks and profitability of individual products and services.

4. OTHER OPERATING INCOME, 1,000 €	2005	2004
Rental income	1,602	1,593
Contributions received	94	225
Other income	715	139
Total	2,410	1,958



5. USE OF MATERIALS AND SUPPLIES, 1,000 €	2005	2004
Purchases during financial year	96,923	89,069
Foreign exchange gains and losses	190	-702
Change in inventories, increase (-) or decrease (+)	1,374	-1,300
Materials and supplies	98,488	87,067
External services	22,238	14,152
Total	120,726	101,219
6. EXPENSES FOR EMPLOYEE BENEFITS, 1,000 €	2005	2004
Salaries and bonuses	12,750	11,989
Pension expenses - contribution-based schemes	2,089	2,053
Pension expenses - benefit-based schemes (note 23)	1,060	487
Other additional personnel expenses	1,170	1,062
Total	17,069	15,591
Salaries and bonuses of top management (note 33)	1,190	1,080
Number of salaried employees in the company during the financial year:		
Personnel, average	228	233
Personnel, 31 Dec	231	220
7. DEPRECIATION AND VALUE ADJUSTMENT, 1,000 €	2005	2004
Intangible assets	1,603	1,765
Buildings and structures	1,735	1,616
Machinery and equipment	19,904	19,402
Transmission lines	24,549	20,872
Other tangible assets	798	743
Total	48,589	44,399
8. OTHER OPERATING EXPENSES, 1,000 €	2005	2004
Contracts, assignments etc. undertaken externally	25,245	23,205
Gains and losses from measuring electricity derivatives at fair value	-13,218	7,578
Rental expenses	2,498	2,475
Foreign exchange gains and losses	-621	230
Other expenses	8,796	7,609
Total	22,700	41,097
9. FINANCIAL INCOME AND EXPENSES, 1,000 €	2005	2004
Portion of profit of associated companies	-709	-618
Interest income	-4,426	-2,604
Dividend and other financial income	-4	-3
	-4,430	-2,607
Interest expenses	37,835	44,436
Gains and losses from measuring derivative contracts at fair value	1,374	1,681
Foreign exchange gains and losses	-75	66
Other financial expenses	967	-625
	40,101	45,557
Total	34,962	42,332

10. INCOME TAXES, 1,000 €	2005	2004
Direct taxes	2,428	2,818
Deferred taxes	16,906	6,837
Total	19,334	9,655

Reconciliation of income tax:

Profit before taxes	75,063	59,144
Tax calculated in accordance with Finnish corporate tax rate	19,516	15,377
Change in Finnish corporate tax rate		-5,617
Non-deductible expenses and tax-free income	-182	-105
Tax expense in profit and loss account	19,334	9,655

The amount of direct taxes in 2004 would have been 0.3 million euros smaller if the same corporate tax rate as in 2005 had been applied in 2004.

11. EARNINGS PER SHARE	2005	2004
Profit for the financial year, 1,000 €	55,729	49,489
Weighted average number of shares, qty	3,325	3,325
Undiluted earnings per share, €	16,761	14,884
Diluted earnings per share, €	16,761	14,884

12. DIVIDEND PER SHARE

After the closing date, the Board of Directors have proposed that a dividend of 1,994.71 (1,994.71) euros per share be distributed, totalling 6.6 (6.6) million euros.

13. GOODWILL, 1,000 €	2005	2004
Cost at 1 Jan	128,664	128,664
Increases 1 Jan - 31 Dec		
Cost at 31 Dec	128,664	128,664
Accumulated depreciation according to plan 1 Jan	-40,744	-40,744
Book value 31 Dec	87,920	87,920

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

In impairment testing, the recoverable amount from business is defined by means of value in use. The cash flow forecasts used in impairment calculations are based on financial plans approved by executive management, covering a period of 6 years. The expected cash flows after 6 years are estimated by extrapolating the expected cash flows using a growth estimate of zero per cent. The discount rate before taxes used in the calculations is 6.5%.

There has not been a need to record impairment losses on the basis of the impairment tests.

14. INTANGIBLE ASSETS, 1,000 €	2005	2004
Land use rights		
Cost at 1 Jan	93,018	93,090
Increases 1 Jan - 31 Dec	642	138
Decreases 1 Jan - 31 Dec	-913	-210
Cost at 31 Dec	92,748	93,018
Accumulated depreciation according to plan 1 Jan	-16,921	-16,970
Decreases, depreciation according to plan 1 Jan - 31 Dec	251	49
Book value 31 Dec	76,078	76,097



Other intangible assets		
Cost at 1 Jan	10,411	9,352
Increases 1 Jan - 31 Dec	1,114	1,060
Cost at 31 Dec	11,525	10,411
Accumulated depreciation according to plan 1 Jan	-5,640	-3,875
Depreciation according to plan 1 Jan - 31 Dec	-1,603	-1,765
Book value 31 Dec	4,281	4,771
Total	80,359	80,868
15. TANGIBLE FIXED ASSETS, 1,000 €		
2005		
2004		
Land and water areas		
Cost at 1 Jan	10,176	9,950
Increases 1 Jan - 31 Dec	158	248
Decreases 1 Jan - 31 Dec		-22
Cost at 31 Dec	10,334	10,176
Buildings and structures		
Cost at 1 Jan	53,797	49,376
Increases 1 Jan - 31 Dec	2,381	4,435
Decreases 1 Jan - 31 Dec	0	-14
Cost at 31 Dec	56,179	53,797
Accumulated depreciation according to plan 1 Jan	-9,795	-8,181
Decreases, depreciation according to plan 1 Jan - 31 Dec		3
Depreciation according to plan 1 Jan - 31 Dec	-1,735	-1,616
Book value 31 Dec	44,648	44,002
Machinery and equipment		
Cost at 1 Jan	522,378	489,735
Increases 1 Jan - 31 Dec	23,167	33,709
Decreases 1 Jan - 31 Dec	-1,557	-1,065
Cost at 31 Dec	543,989	522,378
Accumulated depreciation according to plan 1 Jan	-121,261	-102,089
Decreases, depreciation according to plan 1 Jan - 31 Dec	391	231
Depreciation according to plan 1 Jan - 31 Dec	-19,904	-19,402
Book value 31 Dec	403,215	401,118
Transmission lines		
Cost at 1 Jan	699,267	691,407
Increases 1 Jan - 31 Dec	21,478	10,263
Decreases 1 Jan - 31 Dec	-6,318	-2,403
Cost at 31 Dec	714,428	699,267
Accumulated depreciation according to plan 1 Jan	-139,048	-118,482
Decreases, depreciation according to plan 1 Jan - 31 Dec	1,675	306
Depreciation according to plan 1 Jan - 31 Dec	-24,549	-20,872
Book value 31 Dec	552,506	560,219
Other tangible assets		
Cost at 1 Jan	11,021	10,200
Increases 1 Jan - 31 Dec	611	821
Cost at 31 Dec	11,631	11,021
Accumulated depreciation according to plan 1 Jan	-7,368	-6,625
Depreciation according to plan 1 Jan - 31 Dec	-798	-743
Book value 31 Dec	3,465	3,652
Advance payments and purchases in progress		
Cost at 1 Jan	20,494	25,766
Increases 1 Jan - 31 Dec	57,813	66,500
Decreases 1 Jan - 31 Dec	-44,036	-71,771
Cost at 31 Dec	34,271	20,494
Total	1,048,440	1,039,661

16. INVESTMENTS, 1,000 €	2005	2004
Available-for-sale investments		
Cost at 1 Jan	261	257
Decreases 1 Jan - 31 Dec	-2	
Changes in fair value 1 Jan - 31 Dec	41	4
Book value 31 Dec	300	261
Equity investments in associated companies		
Cost at 1 Jan	6,312	5,623
Portion of profit 1 Jan - 31 Dec	709	617
Translation differences 1 Jan - 31 Dec	80	72
Dividends 1 Jan - 31 Dec	-718	
Book value 31 Dec	6,384	6,312
Total	6,684	6,573

Goodwill contained in the book value of associated companies at 31 Dec	3,245	3,245
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There are no such essential temporary differences with associated companies of which deferred tax assets or liabilities would have been recorded.

Financial summary of associated companies, 1,000 €					
2004	Assets	Liabilities	Turnover	Profit/ loss	Ownership (%)
Nord Pool Spot AS, Lysaker, Norway	69,481	54,923	9,002	2,736	20.0
Porvoon Alueverkko Oy, Porvoo, Finland	2,490	2,369	3,041	3	33.3
2005	Assets	Liabilities	Turnover	Profit/ loss	Ownership (%)
Nord Pool Spot AS, Lysaker, Norway	94,857	80,027	10,247	2,842	20.0
Porvoon Alueverkko Oy, Porvoo, Finland	2,270	2,126	3,232	19	33.3

Subsidiary shares 31 Dec 2005	Ownership (%)
Fingrid Verkko Oy, Helsinki, Finland	100

17. FINANCIAL RECEIVABLES, 1,000 €	2005	2004
Long-term:		
Loans receivable from associated companies	279	363
Receivables based on derivative contracts	3,486	1,662
	3,765	2,025
Short-term:		
Receivables based on derivative contracts	3,109	
Other receivables	33	0
	3,141	0
Total	6,907	2,025

18. INVENTORIES, 1,000 €	2005	2004
Materials and supplies	2,864	2,863
Work in progress		1,375
Total	2,864	4,238

19. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES, 1,000 €	2005	2004
Accounts receivable	41,602	37,768
Accounts receivable from associated companies	839	314
Prepayments and accrued income	1,828	4,827
Other receivables	13	17
Total	44,282	42,926

Essential items included in prepayments and accrued income

Accruals of sales	469	3,315
Taxes	241	159
Accruals of purchases/prepayments	865	1,054
Rents/prepayments	253	300
Total	1,828	4,827

20. CASH AND CASH EQUIVALENTS, 1,000 €	2005	2004
Certificates of deposit	54,012	34,907
Commercial papers	70,776	79,620
Treasury bills		9,942
Money market funds	60,145	15,013
	184,934	139,482
Cash in hand and bank receivables*	2,838	2,024
Money market deposits	150	1,850
	2,988	3,874
Total	187,922	143,356

*Includes bank accounts pledged in favour of the electricity exchange (note 29).

21. SHAREHOLDERS' EQUITY

Share capital and premium fund, 1,000 €	Share capital	Premium fund	Total
1 Jan 2004	55,922	55,922	111,845
Change			
31 Dec 2004	55,922	55,922	111,845
Change			
31 Dec 2005	55,922	55,922	111,845

The share capital and premium fund are not distributable profits.

The share capital is broken down as follows:	Number of shares qty	Of all shares %	Of votes %
Series A shares	2,078	62.49	83.32
Series B shares	1,247	37.51	16.68
Total	3,325	100.00	100.00

Fair value reserve, 1,000 €	2005	2004
Fair value reserve of available-for-sale investments	33	3

Distributable shareholders' equity, 1,000 €	2005	2004
Retained earnings	186,150	143,294
Profit for the financial year	55,729	49,489
	241,879	192,783
Optional provisions in shareholders' equity	-204,313	-173,452
Non-distributable shareholders' equity	-185	-75
Total	37,381	19,256

Number of shares, qty	Series A shares	Series B shares	Total
1 Jan 2005	2,078	1,247	3,325
Change			
31 Dec 2005	2,078	1,247	3,325

Series A shares confer three votes each at a shareholders' meeting and series B shares one vote each. Series B shares have preference with respect to dividends as stipulated in the Articles of Association. In 2002 - 2006, this dividend is 5.93% p.a. of the subscription price of the share. The shares have no nominal value.

There are no minority interests.

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

Shareholders	Number of shares qty	Of all shares %	Of votes %
Fortum Power and Heat Oy	834	25.08	33.44
Pohjolan Voima Oy	834	25.08	33.44
Republic of Finland	410	12.33	16.44
Varma Mutual Pension Insurance Company	405	12.18	5.41
Mutual Pension Insurance Company Ilmarinen	350	10.53	4.68
Tapiola Mutual Pension Insurance Company	150	4.51	2.01
Suomi Mutual Life Assurance Company	75	2.26	1.00
Pohjola Non-Life Insurance Company Ltd	75	2.26	1.00
Sampo Life Insurance Company Limited	54	1.62	0.72
Tapiola General Mutual Insurance Company	50	1.50	0.67
Tapiola Mutual Life Assurance Company	35	1.05	0.47
If P&C Insurance Company Ltd	25	0.75	0.33
Tapiola Corporate Life Insurance Company Ltd	12	0.36	0.16
Imatran Seudun Sähkö Oy	10	0.30	0.13
Fennia Life Insurance Company	6	0.18	0.08
Total	3,325	100.00	100.00

22. DEFERRED TAXES, 1,000 €	2005	2004
Deferred tax assets		
Valuation of derivative contracts and other financial assets and liabilities at fair value	6,075	5,886
Other temporary differences	538	552
	6,613	6,438

Deferred tax liabilities		
Depreciation difference	71,786	60,943
Intangible assets	4,807	2,403
Valuation of derivative contracts and other financial assets and liabilities at fair value	9,978	6,104
Other temporary differences	542	571
	87,113	70,021
Total*	80,500	63,583

***Deferred net tax liability is broken down in the balance sheet as follows:**

Deferred tax assets	538	
Deferred tax liabilities	81,038	63,583

Deferred tax assets

Long-term	712	1,589
Short-term	5,901	4,849
	6,613	6,438

Deferred tax liabilities

Long-term	81,680	65,276
Short-term	5,433	4,745
	87,113	70,021

Total	80,500	63,583
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Change in deferred taxes recorded in balance sheet

Deferred net tax liabilities 1 Jan	63,583	56,745
Items recorded in profit and loss account	16,906	6,837
Items recorded in shareholders' equity	11	1

Deferred net tax liabilities 31 Dec	80,500	63,583
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23. PENSION COMMITMENTS

Fingrid's most important pension scheme is in accordance with TEL (Finnish Employee Pensions Act), where the benefits are determined directly on the basis of the beneficiary's earnings. The disability pension portion of the Finnish TEL system is treated as a benefit-based scheme. In December 2004, the Finnish Ministry of Social Affairs and Health accepted certain changes to the calculation principles of disability pension liabilities, to become effective on 1 January 2006. The disability pension portion of TEL is accordingly recorded as a contribution-based scheme.

Fingrid has a benefit-based supplementary pension scheme covering those born between 1945 and 1949 who have worked at Fingrid at least as of 1 September 1997. These persons can retire at certain discretionary conditions at the earliest at an age of 60 and at the earliest in 2006. The payment of the supplementary pension will finish when the person reaches old age pension and at the latest at the age of 63, after which the person's pension will be composed of the statutory pensions incurred by that time.

Benefit-based pension expense in profit and loss account, 1,000 €

	2005	2004
Expenses based on service during financial year	1,029	443
Expected return on scheme assets	-64	
Interest expenses	94	45

Total	1,060	487
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Benefit-based pension liability in balance sheet, 1,000 €

	2005	2004
Present value of funded obligations	2,081	994
Fair value of scheme assets	-1,923	-835
Deficit/surplus	158	159
Unrecognised net actuarial gains (+) and losses (-)	-158	-102

Total		57
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Change in pension liability in balance sheet, 1,000 €	2005	2004
Pension liability 1 Jan	57	500
Contributions to pension schemes	-1,116	-931
Pension expenses in profit and loss account	1,060	487

Pension liability 31 Dec **57**

Principal actuarial assumptions used

Discount rate (%)	4.50	5.00
Expected return on scheme assets (%)	4.50	5.00
Rate of increase in future compensation levels (%)	3.30	3.30
Future pension increases (%)	1.50	1.50

24. INTEREST-BEARING LIABILITIES, 1,000 €	2005		2004	
	Fair value	Balance sheet value	Fair value	Balance sheet value
Long-term				
Capital loans*	184,891	167,914	191,099	167,914
Bonds	438,057	432,165	426,104	410,002
Loans from financial institutions	76,207	75,295	92,124	90,851
Derivative liabilities	20,415	18,473	49,307	46,307
Other loans / Commercial papers (international and domestic)				
	719,570	693,846	758,634	715,074
Short-term				
Current portion of long-term liabilities maturing within a year	156,855	153,245	145,108	142,904
Derivative liabilities	7,979	7,547	44,009	43,774
Other loans / Commercial papers (international and domestic)	132,361	131,199	89,531	89,220
	297,196	291,991	278,648	275,898
Total	1,016,766	985,837	1,037,283	990,972

*The fair value of capital loans has been presented assuming that they are redeemed on the first possible repurchase date.

The fair values of interest-bearing liabilities are based on the present values of cash flows. Loans raised in different 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. Liabilities denominated in foreign currencies are translated into euros at the mid-rate quoted by ECB at the closing day.

Capital loans included in interest-bearing liabilities, 1,000 €				2005	2004
		Maturity date	Interest		
EUR	137,914	15.05.2027	6.80%*	137,914	137,914
EUR	30,000	30.11.2029	6.388%**	30,000	30,000
Total				167,914	167,914

*The loan becomes due on 15 May 2027, but, if the company so decides, it can be paid back on 15 May 2007 or 15 May 2017 at 100% rate. The coupon rate is 6.80% p.a. until 15 May 2007, after which the interest rate is the 6 month Euribor +1.90% p.a. until 15 May 2017. After this, the coupon rate is the 6 month Euribor + 2.90% p.a.

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

Bonds included in interest-bearing liabilities, 1,000 €				2005	2004
		Maturity date	Interest		
Domestic:					
JVK II/1997		18.04.2006	6.00 %	58,707	58,920
				58,707	58,920
International:					
EUR	15,000	13.09.2006	variable interest	15,000	15,000
EUR	22,000	14.06.2007	variable interest	22,000	22,000
EUR	25,000	06.04.2009	variable interest	25,000	

EUR	10,000	31.03.2010	interest rate structure	10,000	10,000
EUR	25,000	16.03.2012	variable interest	25,000	
EUR	20,000	28.04.2013	variable interest	20,000	
EUR	20,000	15.10.2013	4.30 %	20,000	20,000
EUR	24,000	02.07.2014	variable interest	24,000	24,000
				99,000	54,000
FIM	100,000	04.09.2008	4.75 %	16,794	16,786
FIM	210,000	19.08.2013	5.20 %	26,904	26,903
				43,698	43,689
USD	25,000	10.03.2005	variable interest		18,354
USD	15,000	03.05.2005	variable interest		11,012
USD	35,000	23.05.2005	variable interest		25,696
USD	35,000	25.08.2005	7.21 %		25,696
USD	25,000	10.03.2006	variable interest	21,192	18,354
USD	25,000	13.03.2006	variable interest	21,192	18,354
USD	35,000	09.07.2007	variable interest	29,669	25,696
USD	30,000	23.03.2009	variable interest	25,430	22,025
				97,482	165,186
JPY	3,000,000	23.05.2008	0.925 %	21,598	21,482
JPY	3,000,000	15.07.2009	1.84 %	21,598	21,482
JPY	1,000,000	12.07.2010	2.00 %	21,598	7,161
JPY	2,000,000	16.10.2010	1.022 %	7,199	14,322
JPY	3,000,000	05.07.2011	1.31 % *	14,399	21,482
JPY	3,000,000	25.07.2012	1.3575 % **	21,598	21,482
JPY	3,000,000	20.04.2015	1.45 %	21,598	
				129,590	107,411
CHF	50,000	19.04.2005	variable interest		32,407
CHF	16,000	06.06.2007	2.00 %	10,289	10,370
				10,289	42,777
GBP	10,000	28.06.2005	5.44 %		14,183
GBP	10,000	07.08.2007	5.5225 %	14,592	14,183
				14,592	28,367
CZK	750,000	05.05.2010	variable interest	25,862	
				25,862	
SEK	220,000	01.12.2015	interest rate structure	28,633	
				28,633	
Bonds, long-term total				432,165	410,002
Bonds, short-term total				137,689	127,348
Total				569,854	537,350

* call option not exercised 5 July 2004

** callable 25 July 2006

	Maturity of long-term interest-bearing liabilities, 1,000 €						Total
	2006	2007	2008	2009	2010	2010+	
Bonds	137,689	76,549	38,392	72,028	57,460	187,734	569,854
Loans from financial institutions	15,556	15,556	15,556	15,556	7,156	21,469	90,851
Other loans	131,199						131,199
Total	284,444	92,106	53,949	87,585	64,617	209,203	791,904

Capital loans (167.9 million euros) are excluded from the table above, because their repayment schedule is conditional.

25. PROVISIONS FOR LIABILITIES AND CHARGES, 1,000 €		2005	2004
Provisions 1 Jan		2,072	2,072
Provisions used		-4	
Provisions 31 Dec		2,067	2,072

Fingrid uses creosote impregnated or CCA-impregnated wooden towers and cable trench covers. Decree YMA 711/2001 by the Finnish Ministry of the Environment categorises decommissioned impregnated wood as hazardous waste. A provision was recorded in 2004 of the related disposal costs materialising in the future decades.

26. DERIVATIVE CONTRACTS, 1,000 €	2005		2004	
	Net fair value 31 Dec 2005	Notional value 31 Dec 2005	Net fair value 31 Dec 2004	Notional value 31 Dec 2004
Interest and currency derivatives				
Cross-currency swaps	-25,443	301,248	-81,847	343,741
Forward contracts	3,099	126,380	-5,020	102,573
Interest rate swaps	-2,941	218,000	-6,484	273,456
Interest rate options, bought	3,486	420,000	1,662	350,000
Total	-21,799	1,065,628	-91,689	1,069,770
Electricity derivatives	Net fair value 31 Dec 2005	Volume TWh 31 Dec 2005	Net fair value 31 Dec 2004	Volume TWh 31 Dec 2004
Futures contracts of electricity, Nord Pool ASA			-1	0.00
Forward contracts of electricity, Nord Pool Clearing	15,407	1.94	2,266	2.01
Forward contracts of electricity, others	833	0.20	570	0.32
Call options, bought			187	0.04
Total	16,240	2.14	3,022	2.37

The fair values of financial derivatives are included in the balance sheet in long-term and short-term interest-bearing liabilities, interest and other financial liabilities, and long-term and short-term financial and other receivables.

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

Forward contracts of electricity, others, includes bilateral financial and physical purchase commitments concerning electricity purchases, not cleared separately by a clearing organisation. The derivatives hedge future electricity losses.

The net fair value of derivatives indicates the realised profit/loss if they had been reversed on the last business day of 2005.

Maturity of derivative contracts

Nominal value, 1,000 €	2006	2007	2008	2009	2010	2010+	Total
Interest rate swaps	15,000	32,000	47,000	69,000	10,000	45,000	218,000
Interest rate options		80,000	140,000	20,000	180,000		420,000
Cross-currency swaps	63,982	54,549	21,598	47,028	47,460	66,629	301,248
Forward contracts	126,380						126,380
Total	205,362	166,549	208,598	136,028	237,460	111,629	1,065,628
TWh	2006	2007	2008	2009	2010	2010+	Total
Electricity derivatives	1.13	0.74	0.24	0.04			2.14
Total	1.13	0.74	0.24	0.04			2.14

27. OTHER LIABILITIES, 1,000 €	2005	2004
Accruals of sales	150	350
Total	150	350



28. ACCOUNTS PAYABLE AND OTHER DEBT, 1,000 €	2005	2004
Accounts payable	23,427	13,333
Accounts payable to associated companies	549	80
Interest liabilities	17,539	18,024
Value added tax	5,111	8,869
Electricity tax	2,201	1,919
Accruals	9,878	6,194
Other debt	448	434
Total	59,153	48,854
Essential items included in accruals		
Personnel expenses	2,916	2,762
Accruals of sales and purchases	6,919	3,404
Other	43	27
Total	9,878	6,194
29. COMMITMENTS AND CONTINGENT LIABILITIES, 1,000 €	2005	2004
Pledges/bank balances given		
Pledge for the Customs Office	27	26
Pledge for electricity exchange purchases	308	1,307
	334	1,333
Unrecorded investment commitments	30,473	23,063
Other financial commitments		
Commitment fee of revolving credit facility:		
Commitment fee for the next year	101	405
Commitment fee for subsequent years	596	787
	697	1,192
Purchase commitments concerning electricity, TWh	0.04	0.01
Supplementary pension scheme for 2006 - 2009 (note 23)	1,245	2,361
Donation of five-year professorship to Helsinki University of Technology for 2006 - 2010	600	600
30. OTHER LEASE AGREEMENTS, 1,000 €	2005	2004
Minimum rental obligations of other irrevocable lease agreements:		
In one year	1,505	2,220
In more than one year and less than five years	5,414	5,743
In more than five years	1,000	2,000
Total	7,919	9,963

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

Additionally, the Group has leased several land areas (average rent period five years) and some 110 kilovolt transmission lines and circuit breaker bays (rent period from one to two years).

31. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

Fingrid Oyj's transmission line projects in excess of 220 kilovolts apply the act on the environmental impact assessment process (EIA). The assessments, including the hearing process, drawn up together with authorities take on average 18 months. The EIA process for the 400 kilovolt line route Keminmaa - Petäjäsoski was launched in 2005.



Fingrid Oyj has appealed to the Market Court against the decision of 29 December 2004, "Enforcement of the methodology for determining the return on grid operations of the grid owner" by the Energy Market Authority.

There are no ongoing legal proceedings or proceedings by authorities with material effect on operations.

32. FINANCIAL RISK MANAGEMENT

Primary principles for financial activities

The Board of Directors of Fingrid Oyj approves the primary principles for financing, stating the guidelines for external funding, financial investments and risk management of the parent company and taking into account the Group's operational environment as effectively as possible. The financial activities of the company are reported four times a year to the Board of Directors. Fingrid's objective is to hedge itself comprehensively against financial market fluctuations.

Financial risks comprise liquidity risk, foreign exchange risk, interest rate risk and credit risk. Measuring methods and clear limits have been defined for all risks.

Liquidity risk

There is always a sufficient level, meaning more than 100%, of liquid assets and undrawn committed credit lines from financial institutions covering the short-term debt, i.e. debt falling due in less than 12 months. The maturity profile of the debt portfolio is kept even. The excess liquidity is invested in a diversified manner in financial securities having a good rating, and there are limits set for individual counterparties.

Foreign exchange risk

The basic rule of the company is to protect all foreign exchange risks, and the company does not have open exposures. During the financial year, the company hedged the foreign currency denominated debt portfolio and business-related currency risks by using currency forward contracts and cross-currency swaps.

Interest rate risk

Bonds and commercial papers issued by the company and the loans raised are mainly linked to floating rates, therefore the company hedges itself against rising interest rates. The company manages interest rate risks over a five year horizon through interest rate options and interest rate swaps and further by keeping the interest rate refixing profile evenly distributed over the years aiming to reduce the impact of rising interest rates on financial expenses. These methods together decrease the immediate impact of interest rate fluctuations on the financial expenses during the tariff period.

During the tariff period, the interest rate risk is measured by using sensitivity analysis by duration and on the other hand by VaR methodology (Value-at-Risk). The VaR methodology measures for a certain confidence level over a chosen time horizon that the cash flow deducted by net financial expenses, hedging costs, capital expenditure, taxes and dividends is sufficient to improve the equity ratio. The chosen model based on the covariance matrix uses statistical analysis and simulation. The calculation of volatility and correlations are based on historical 150 week moving data.

Credit risk in financing

Credit risk in financing is created by the counterparty not fulfilling its commitments towards Fingrid. In financing, the company is exposed to counterparty risk through derivative agreements and financial investments. The company only has derivatives outstanding and invest funds with counterparties having a good rating, and limits are set for each individual counterparty. The company measures and monitors counterparty risk regularly. The company signs the International Swap Dealers Association's (ISDA) Master Agreement with each counterparty before entering into a derivative transaction. The counterparty risks of financial instruments did not incur any losses during the financial year.

Risk relating to loss energy purchases

The company adjusts the price hedging of loss energy purchases to the tariff period, which presently is 3 years. The anticipated volume of loss energy for the new year is 100% energy-protected at 1 January. The company hedges its loss energy purchases based on the loss energy forecast through electricity exchange instruments and bilateral contracts. All bilateral purchasing contracts are subjected to competitive bidding and limits are set for each individual counterparty.

Business credit risk

The business credit risks of the company are monitored as part of normal business, where the main areas are transmission system operation, balance service, loss energy purchases and grid asset management. All customers, counterparties and suppliers are monitored regularly for credit rating and payments. The company has no significant credit risk concentrations. The company did not record credit losses during the financial year.



33. RELATED PARTY TRANSACTIONS

Fingrid Group's related parties comprise associated companies Porvoon Alueverkko Oy and Nord Pool Spot AS, the biggest owners Fortum Power and Heat Oy and Pohjolan Voima Oy with their group companies, and top management. Transactions with the related parties take place at market prices.

Top management is composed of the Board of Directors, President, and Executive Management Team. The company has not lent money to the top management, and the company has no transactions with the top management.

Employee benefits of top management, 1,000 €	2005	2004
Salaries and other short-term employee benefits	1,190	1,080
Transactions with associated companies, 1,000 €	2005	2004
Sales	2,848	2,579
Purchases	31,993	29,150
Receivables	1,120	679
Liabilities	549	80
Loans receivable from associated companies, 1,000 €	2005	2004
1 Jan	363	447
Repayment of loans	-84	-84
31 Dec	279	363

Fingrid Oyj has granted two separate loans to Porvoon Alueverkko Oy. One loan has variable interest rate linked to the 6 month Euribor. The loan is repaid annually and it will mature on 28 May 2008. The debtor has a right to early repayment of the loan in conjunction with each payment of interest. The interest rate of the other loan is linked to the 5 year TEL (Finnish Employee Pensions Act) reference interest rate, and it will mature entirely on 28 May 2008.

Transactions with owners, 1,000 €	2005	2004
Sales	56,224	55,538
Purchases	40,203	38,339
Receivables	71	2
Liabilities	4,451	2,898

General procurement principles

Fingrid follows three alternative procurement methods when purchasing goods or services. When the costs and value of the purchase are less than 2,000 euros, there is no call for bids or competitive bidding (oral call for bid and written order or purchasing contract). When the procurement exceeds 2,000 euros but is below the values applied to public procurements, bids are requested and competitive bidding is arranged. When the limits for public procurements concerning Fingrid (0.5 million euros for goods and services and 5.9 million euros for construction projects in 2005) are exceeded, the company applies the public procurement procedure.

These principles are applied to procurement and purchases from the related parties including grid construction services, electricity generation reserves, electricity transmission services, and balance and regulating power services.

34. CASH FLOW FROM OPERATIONS, 1,000 €	2005	2004
Profit for the financial year	55,729	49,489
Adjustments:		
Business transactions not involving a payment transaction*	36,979	51,955
Interest expenses and other financial expenses (note 9)	40,101	45,557
Interest income (note 9)	-4,426	-2,605
Dividend income and portion of profit of associated companies (note 9)	-713	-620
Taxes (note 10)	19,334	9,655
Change in working capital:		
Change in accounts receivable and other receivables	-1,231	-2,778
Change in inventories	1,374	-1,418
Change in accounts payable and other liabilities	1,241	1,133
	1,384	-3,062
Cash flow from operations before financial items and taxes	148,389	150,368



*Business transactions not involving a payment transaction:	36,979	51,955
Depreciation	48,589	44,399
Other	-11,610	7,556



**PARENT COMPANY FINANCIAL STATEMENTS
(FAS)**

PARENT COMPANY PROFIT AND LOSS ACCOUNT	Notes	1 Jan - 31 Dec 2005	1 Jan - 31 Dec 2004
		€	€
TURNOVER	2	316,699,955.20	302,250,303.41
Other operating income	3	2,410,460.10	1,987,560.66
Materials and services	4	-120,535,619.21	-111,790,161.19
Staff expenditure	5	-17,169,814.40	-15,738,793.99
Depreciation and value adjustment	6	-57,836,599.57	-49,760,847.63
Other operating expenses	7	-36,443,429.27	-31,689,052.89
OPERATING PROFIT		87,124,952.85	95,259,008.37
Financial income and expenses	8	-35,476,530.81	-39,090,370.98
PROFIT BEFORE EXTRAORDINARY ITEMS		51,648,422.04	56,168,637.39
Extraordinary items	9		829,249.91
PROFIT BEFORE PROVISIONS AND TAXES		51,648,422.04	56,997,887.30
Provisions	10	-41,703,522.01	-47,343,545.04
Income taxes	11	-2,425,208.92	-2,818,399.23
PROFIT FOR THE FINANCIAL YEAR		7,519,691.11	6,835,943.03



PARENT COMPANY BALANCE SHEET

ASSETS	Notes	31 Dec 2005 €	31 Dec 2004 €
NONCURRENT ASSETS			
Intangible assets			
Goodwill	12	75,053,861.96	81,487,050.12
Other long-term expenses	13	79,762,222.65	83,111,396.78
		154,816,084.61	164,598,446.90
Tangible assets			
	14		
Land and water areas		10,334,209.83	10,175,802.83
Buildings and structures		44,622,483.06	43,975,231.39
Machinery and equipment		401,203,188.78	399,268,848.71
Transmission lines		552,492,126.07	560,205,055.08
Other tangible assets		84,176.83	84,176.83
Advance payments and purchases in progress		34,270,847.39	20,494,041.41
		1,043,007,031.96	1,034,203,156.25
Investments			
	15		
Equity investments in Group companies		504,563.77	504,563.77
Equity investments in associated companies		6,641,360.21	6,641,360.21
Other shares and equity investments		590,184.01	592,001.79
		7,736,107.99	7,737,925.77
		1,205,559,224.56	1,206,539,528.92
CURRENT ASSETS			
Inventories	16	2,863,983.95	4,237,839.05
Receivables, long-term			
Receivables from associated companies	17	279,191.97	363,285.94
		279,191.97	363,285.94
Receivables, short-term			
Accounts receivable		41,602,332.87	37,768,066.87
Receivables from associated companies	17	840,538.40	316,161.03
Other receivables		11,130.65	14,745.24
Prepayments and accrued income	18	14,236,246.86	9,435,344.80
		56,690,248.78	47,534,317.94
Financial assets	20	184,553,270.10	140,844,787.06
Cash in hand and bank receivables	20	2,838,434.84	2,023,557.87
		247,225,129.64	195,003,787.86
		1,452,784,354.20	1,401,543,316.78



PARENT COMPANY BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 Dec 2005 €	31 Dec 2004 €
SHAREHOLDERS' EQUITY			
	21		
Share capital		55,922,485.55	55,922,485.55
Premium fund		55,922,485.55	55,922,485.55
Retained earnings		5,578,910.49	5,375,378.21
Profit for the financial year		7,519,691.11	6,835,943.03
Capital loans		167,914,099.68	167,914,099.68
		292,857,672.38	291,970,392.02
ACCUMULATED PROVISIONS			
	22	276,098,436.55	234,394,914.54
PROVISIONS FOR LIABILITIES AND CHARGES			
	29	2,067,387.00	2,071,847.00
LIABILITIES			
Long-term liabilities			
Bonds	23	451,877,291.97	456,416,978.45
Loans from financial institutions		75,294,646.88	90,851,077.36
Accruals	28	150,000.00	350,000.00
		527,321,938.85	547,618,055.81
Short-term liabilities			
Bonds	23	145,340,969.47	166,383,538.30
Loans from financial institutions		15,556,430.34	15,556,430.34
Accounts payable		23,976,623.05	13,412,883.38
Liabilities to Group companies	25	513,498.16	514,744.61
Other liabilities	27	136,460,537.11	105,102,517.18
Accruals	28	32,590,861.29	24,517,993.60
		354,438,919.42	325,488,107.41
		881,760,858.27	873,106,163.22
		1,452,784,354.20	1,401,543,316.78



PARENT COMPANY CASH FLOW STATEMENT	1 Jan - 31 Dec 2005	1 Jan - 31 Dec 2004
	€	€

Cash flow from operations:

Cash from sales	315,537,712.58	301,143,575.07
Cash from other operating income	2,106,456.25	2,421,650.84
Charges paid for operating expenses	<u>-169,256,697.11</u>	<u>-160,741,391.77</u>
Cash flow from operations before financial items and taxes	148,387,471.72	142,823,834.14
Interests and charges paid for other financial expenses of operations	-48,589,319.24	-49,218,920.75
Interests received from operations	8,943,570.96	5,830,725.87
Direct taxes paid	-2,507,842.71	-3,038,691.89

Cash flow from operations (A)	106,233,880.73	96,396,947.37
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Cash flow from investments:

Investments in tangible and intangible assets	-53,812,252.33	-39,645,521.91
Proceeds from sale of tangible and intangible assets	4,237,102.46	1,463,601.01
Investments in other assets	1,817.78	
Repayment of loans receivable	84,093.97	84,093.96
Dividends received from investments	729,293.68	11,117.60

Cash flow from investments (B)	-48,759,944.44	-38,086,709.34
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Cash flow from financial operations:

Withdrawal of short-term loans	124,111,956.86	128,234,472.13
Repayment of short-term loans	-89,291,436.60	-58,752,253.82
Withdrawal of long-term loans	140,610,047.49	48,437,927.66
Repayment of long-term loans	-181,748,733.28	-131,837,547.67
Group contributions received	0.00	110,316.60
Dividends paid and other profit distribution	-6,632,410.75	-6,632,410.75

Cash flow from financial operations (C)	-12,950,576.28	-20,439,495.85
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**Net change in cash and cash equivalents (A+B+C)
increase (+) / decrease (-)**

44,523,360.01	37,870,742.18
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Cash and cash equivalents 1 Jan	142,868,344.93	104,997,602.75
Cash and cash equivalents 31 Dec	187,391,704.94	142,868,344.93



NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY

1. ACCOUNTING PRINCIPLES

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

Foreign currency transactions

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

Interest rate and foreign exchange derivatives

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

Electricity derivatives

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

Research and development expenses

Research and development expenses are entered as annual expenses.

Valuation of fixed assets

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

The depreciation periods are as follows:

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

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



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

Emission rights

Purchased emission rights are recorded in intangible rights at the acquisition cost, and emission rights acquired free of charge are recorded at the market price of the acquisition date. If it is estimated that the acquired emission rights do not suffice during the first emission rights period, the company must purchase the excess portion from the emission rights market. A provision is recorded of the estimated additional purchases.

Valuation of inventories

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

Cash in hand, bank receivables and financial assets

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

Interest-bearing liabilities

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

Financial risk management

The principles applied to the management of financial risks are presented in the notes of the Group under item 32.

Comparability

When comparing the profit and loss account of the parent company to the previous financial year, the figures for the financial year 2005 include Fingrid Varavoima Oy, which was merged into the parent company on 31 December 2004.

2. TURNOVER BY BUSINESS AREAS

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

3. OTHER OPERATING INCOME, 1,000 €	2005	2004
Rental income	1,602	1,624
Contributions received	94	225
Other income	715	138
Total	2,410	1,988
4. MATERIALS AND SERVICES, 1,000 €	2005	2004
Purchases during the financial year	71,248	71,622
Loss energy purchases	25,675	27,435
Change in inventories, increase (-) or decrease (+)	1,374	-1,418
Materials and supplies	98,297	97,638
Grid service charges	47	
Other external services	22,192	14,152
Services	22,238	14,152
Total	120,536	111,790



5. PERSONNEL EXPENSES, 1,000 €	2005	2004
Salaries and bonuses	12,750	11,751
Pension expenses	3,248	2,942
Other additional personnel expenses	1,172	1,046
Total	17,170	15,739
Salaries and bonuses of the members of the Board of Directors and President, 1,000 €		
	2005	2004
Timo Rajala, Chairman of the Board	16	12
Tapio Kuula, 1st Deputy Chairman of the Board	12	11
Taisto Turunen, 2nd Deputy Chairman of the Board	14	11
Marjukka Aarnio, Member of the Board	9	8
Risto Autio, Member of the Board	6	
Esa Auvinen, former Member of the Board	2	6
Timo Karttinen, Member of the Board	9	8
Timo Koivuniemi, Member of the Board	9	7
Pertti Simola, former Member of the Board	0	2
Pertti Voutilainen, former Member of the Board	0	2
Matti Kaisjoki, deputy Member of the Board	5	4
Pekka Kettunen, deputy Member of the Board	5	4
Juha Laaksonen, deputy Member of the Board	5	4
Tapio Lehtisalo, deputy Member of the Board	5	4
Paavo Monni, former deputy Member of the Board	2	4
Timo Ritoumumi, deputy Member of the Board	5	4
Jorma Tammenaho, deputy Member of the Board	3	
Markku Tynkkynen, deputy Member of the Board	4	3
Timo Toivonen, President & CEO	193	181
Pension commitments:		
The President is covered by the supplementary pension arranged by the company, described in the notes of the Group under item 23.		
Number of salaried employees in the company during the financial year:		
Personnel, average	228	229
Personnel, 31 Dec	231	216
6. DEPRECIATION ACCORDING TO PLAN, 1,000 €		
	2005	2004
Goodwill	6,433	6,433
Other long-term expenses	5,289	5,377
Buildings and structures	1,734	1,286
Machinery and equipment	19,831	15,793
Transmission lines	24,549	20,871
Total*	57,837	49,761
*Depreciation on the electricity grid (notes 13 and 14)	44,212	39,727
7. OTHER OPERATING EXPENSES, 1,000 €		
	2005	2004
Contracts, assignments etc. undertaken externally	25,245	21,713
Grid rents	926	924
Other rental expenses	1,572	1,538
Other expenses	8,700	7,514
Total	36,443	31,689
8. FINANCIAL INCOME AND EXPENSES, 1,000 €		
	2005	2004
Dividend income from Group companies	-7	-13
Dividend income from others	-722	-3
Interest and other financial income from Group companies	-10	-2,793
Interest and other financial income from others	-4,328	-3,271
	-5,068	-6,079

Interest and other financial expenses to Group companies	11	37
Interest and other financial expenses to others	40,534	45,132
	40,544	45,170
Total	35,477	39,090

9. EXTRAORDINARY ITEMS, 1,000 €	2005	2004
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Extraordinary income / Group contribution from subsidiaries		829
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10. PROVISIONS, 1,000 €	2005	2004
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Difference between depreciation according to plan and depreciation carried out in taxation	41,704	47,344
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11. TAXES, 1,000 €	2005	2004
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Income taxes for the financial year	2,425	2,818
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Total	2,425	2,818
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Tax impact of extraordinary items		240
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12. GOODWILL, 1,000 €	2005	2004
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Cost at 1 Jan	128,664	128,664
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Cost at 31 Dec	128,664	128,664
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Accumulated depreciation according to plan 1 Jan	-47,177	-40,744
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Depreciation according to plan 1 Jan - 31 Dec	-6,433	-6,433
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Book value 31 Dec	75,054	81,487
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Accumulated depreciation difference 1 Jan	-55,754	-49,321
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Increase in depreciation difference reserve 1 Jan - 31 Dec	-6,433	-6,433
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Accumulated depreciation in excess of plan 31 Dec	-62,187	-55,754
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13. OTHER LONG-TERM EXPENSES, 1,000 €	2005	2004
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Cost at 1 Jan	116,160	114,211
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Increases 1 Jan - 31 Dec	2,610	2,158
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Decreases 1 Jan - 31 Dec	-913	-210
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Cost at 31 Dec	117,857	116,160
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Accumulated depreciation according to plan 1 Jan	-33,048	-27,718
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Decreases, depreciation according to plan 1 Jan - 31 Dec	243	49
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Depreciation according to plan 1 Jan - 31 Dec	-5,289	-5,380
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Book value 31 Dec*	79,762	83,111
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Accumulated depreciation difference 1 Jan	-56,217	-50,013
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Increase in depreciation difference reserve 1 Jan - 31 Dec	-6,257	-6,302
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Decrease in depreciation difference reserve 1 Jan - 31 Dec		97
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Accumulated depreciation in excess of plan 31 Dec	-62,475	-56,217
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*Net capital expenditure in electricity grid, 1,000 €	2005	2004
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Book value 31 Dec	73,497	76,352
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Book value 1 Jan	-76,352	-78,623
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Depreciation according to plan 1 Jan - 31 Dec	3,071	3,023
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Decreases 1 Jan - 31 Dec	662	160
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Total	878	912
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14. TANGIBLE ASSETS, 1,000 €	2005	2004
Land and water areas		
Cost at 1 Jan	10,176	9,879
Increases 1 Jan - 31 Dec	158	319
Decreases 1 Jan - 31 Dec		-22
Cost at 31 Dec	10,334	10,176
Buildings and structures		
Cost at 1 Jan	52,151	42,773
Increases 1 Jan - 31 Dec	2,381	9,391
Decreases 1 Jan - 31 Dec		-14
Cost at 31 Dec	54,532	52,151
Accumulated depreciation according to plan 1 Jan	-8,175	-6,562
Decreases, depreciation according to plan 1 Jan - 31 Dec		3
Depreciation according to plan 1 Jan - 31 Dec	-1,734	-1,616
Book value 31 Dec	44,622	43,975
Accumulated depreciation difference 1 Jan	-6,948	-5,062
Increase in depreciation difference reserve 1 Jan - 31 Dec	-389	-1,890
Decrease in depreciation difference reserve 1 Jan - 31 Dec		4
Accumulated depreciation in excess of plan 31 Dec	-7,337	-6,948
Machinery and equipment		
Cost at 1 Jan	499,618	414,371
Increases 1 Jan - 31 Dec	22,931	86,312
Decreases 1 Jan - 31 Dec	-1,557	-1,065
Cost at 31 Dec	520,992	499,618
Accumulated depreciation according to plan 1 Jan	-100,349	-81,238
Decreases, depreciation according to plan 1 Jan - 31 Dec	391	231
Depreciation according to plan 1 Jan - 31 Dec	-19,831	-19,341
Book value 31 Dec	401,203	399,269
Accumulated depreciation difference 1 Jan	-38,304	-37,040
Increase in depreciation difference reserve 1 Jan - 31 Dec	-14,532	-1,803
Decrease in depreciation difference reserve 1 Jan - 31 Dec		539
Accumulated depreciation in excess of plan 31 Dec	-52,835	-38,304
Transmission lines		
Cost at 1 Jan	699,251	691,391
Increases 1 Jan - 31 Dec	21,478	10,263
Decreases 1 Jan - 31 Dec	-6,318	-2,403
Cost at 31 Dec	714,412	699,251
Accumulated depreciation according to plan 1 Jan	-139,046	-118,481
Decreases, depreciation according to plan 1 Jan - 31 Dec	1,675	306
Depreciation according to plan 1 Jan - 31 Dec	-24,549	-20,871
Book value 31 Dec	552,492	560,205
Accumulated depreciation difference 1 Jan	-77,172	-44,757
Increase in depreciation difference reserve 1 Jan - 31 Dec	-14,092	-33,499
Decrease in depreciation difference reserve 1 Jan - 31 Dec		1,084
Accumulated depreciation in excess of plan 31 Dec	-91,264	-77,172
Other tangible assets		
Cost at 1 Jan	84	84
Cost at 31 Dec	84	84
Advance payments and purchases in progress		
Cost at 1 Jan	20,494	25,766
Increases 1 Jan - 31 Dec	57,813	66,500
Decreases 1 Jan - 31 Dec	-44,036	-71,771
Cost at 31 Dec	34,271	20,494
Total*	1,043,007	1,034,203



*Net capital expenditure in electricity grid, 1,000 €	2005	2004
Book value 31 Dec	975,512	968,529
Book value 1 Jan	-968,529	-971,275
Depreciation according to plan 1 Jan - 31 Dec	41,140	36,704
Decreases 1 Jan - 31 Dec	5,808	2,965
Total	53,931	36,923
15. INVESTMENTS, 1,000 €	2005	2004
Equity investments in Group companies		
Cost at 1 Jan	505	5,550
Decreases (merger) 1 Jan - 31 Dec		-5,046
Cost at 31 Dec	505	505
Equity investments in associated companies		
Cost at 1 Jan	6,641	6,641
Cost at 31 Dec	6,641	6,641
Other shares and equity investments		
Cost at 1 Jan	592	591
Increases 1 Jan - 31 Dec		1
Decreases 1 Jan - 31 Dec	-2	
Cost at 31 Dec	590	592
Total	7,736	7,738
16. INVENTORIES, 1,000 €	2005	2004
Materials and supplies	2,864	2,863
Work in progress		1,375
Total	2,864	4,238
17. RECEIVABLES FROM ASSOCIATED COMPANIES, 1,000 €	2005	2004
Long-term:		
Loans receivable	279	363
Short-term:		
Accounts receivable	839	314
Prepayments and accrued income	2	2
	841	316
Total	1,120	679
18. PREPAYMENTS AND ACCRUED INCOME, 1,000 €	2005	2004
Interests and other financial items	12,451	4,608
Accruals of sales and purchases	1,291	4,369
Taxes	241	159
Other	253	300
Total	14,236	9,435
19. UNRECORDED EXPENSES AND PAR VALUE DIFFERENTIALS ON THE ISSUE OF LOANS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME, 1,000 €	2005	2004
Par value differentials	5,315	62



20. CASH AND CASH EQUIVALENTS, 1,000 €	2005	2004
Money market deposits	150	1,850
Certificates of deposit	53,806	34,734
Commercial papers	70,596	79,336
Treasury bills		9,925
Money market funds	60,001	15,000
	184,553	140,845
Cash in hand and bank receivables*	2,838	2,024
	2,838	2,024
Total	187,392	142,868

*Includes bank accounts pledged in favour of the electricity exchange (note 30).

21. SHAREHOLDERS' EQUITY, 1,000 €	2005	2004
Share capital 1 Jan	55,922	55,922
Share capital 31 Dec	55,922	55,922
Premium fund 1 Jan	55,922	55,922
Premium fund 31 Dec	55,922	55,922
Profit from previous financial years 1 Jan	12,211	12,008
Dividend distribution	-6,632	-6,632
Profit from previous financial years 31 Dec	5,579	5,375
Profit for the financial year	7,520	6,836
Capital loans 1 Jan	167,914	167,914
Capital loans 31 Dec	167,914	167,914
Shareholders' equity 31 Dec	292,858	291,970
Distributable shareholders' equity	13,099	12,211
Capital loans		
Debenture of capital loan nature 1997	137,914	137,914
Debenture of capital loan nature 1999	30,000	30,000
	167,914	167,914

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

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

Debenture of capital loan nature 1997

The loan becomes due on 15 May 2027, but, if the company so decides, it can be paid back on 15 May 2007 or 15 May 2017 at 100% rate. The coupon rate is 6.80% p.a. until 15 May 2007, after which the interest rate is the 6 month Euribor +1.90% p.a. until 15 May 2017. After this, the coupon rate is the 6 month Euribor + 2.90% p.a.

Debenture of capital loan nature 1999

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

22. ACCUMULATED PROVISIONS, 1,000 €	2005	2004
Accumulated depreciation in excess of plan, the difference between depreciation according to plan and depreciation carried out in taxation	276,098	234,395



23. BONDS, 1,000 €				2005	2004
Domestic:		Maturity date	Interest		
JVK II/1997		18.04.2006	6.00 %	58,643	58,643
				58,643	58,643
International:		Maturity date	Interest		
EUR	15,000	13.09.2006	variable interest	15,000	15,000
EUR	22,000	14.06.2007	variable interest	22,000	22,000
EUR	25,000	06.04.2009	variable interest	25,000	
EUR	10,000	31.03.2010	interest rate structure	10,000	10,000
EUR	25,000	16.03.2012	variable interest	25,000	
EUR	20,000	28.04.2013	variable interest	20,000	
EUR	20,000	15.10.2013	4.30 %	20,000	20,000
EUR	24,000	02.07.2014	variable interest	24,000	24,000
				161,000	91,000
FIM	100,000	04.09.2008	4.75 %	16,819	16,819
FIM	210,000	19.08.2013	5.20 %	26,910	26,910
				43,729	43,729
USD	25,000	10.03.2005	variable interest		23,147
USD	15,000	03.05.2005	variable interest		16,725
USD	35,000	23.05.2005	variable interest		38,462
USD	35,000	25.08.2005	7.21 %		38,300
USD	25,000	10.03.2006	variable interest	23,150	23,150
USD	25,000	13.03.2006	variable interest	23,148	23,148
USD	35,000	09.07.2007	variable interest	35,497	35,497
USD	30,000	23.03.2009	variable interest	24,476	24,476
				106,271	222,904
JPY	3,000,000	23.05.2008	0.925 %	27,700	27,700
JPY	3,000,000	15.07.2009	1.84 %	24,000	24,000
JPY	1,000,000	12.07.2010	2.00 %	10,215	10,215
JPY	2,000,000	16.10.2010	1.022 %	15,504	15,504
JPY	3,000,000	05.07.2011	1.31 % *	28,200	28,200
JPY	3,000,000	25.07.2012	1.3575 % **	25,400	25,400
JPY	3,000,000	20.04.2015	1.45 %	21,563	
				152,581	131,018
CHF	50,000	19.04.2005	variable interest		34,150
CHF	16,000	06.06.2007	2.00 %	10,180	10,180
				10,180	44,330
GBP	10,000	28.06.2005	5.44 %		15,600
GBP	10,000	07.08.2007	5.5225 %	15,576	15,576
				15,576	31,176
CZK	750,000	05.05.2010	variable interest	24,902	
				24,902	
SEK	220,000	02.07.2016	interest rate structure	24,336	
				24,336	
Bonds, long-term total				451,877	456,417
Bonds, short-term total				145,341	166,384
Total				597,218	622,801

* call option not exercised 5 July 2004

** callable 25 July 2006

24. LOANS FALLING DUE FOR PAYMENT IN FIVE YEARS OR MORE, 1,000 €		2005	2004
Bonds		190,010	160,228
Loans from financial institutions		21,469	28,625
Total		211,479	188,854



25. LIABILITIES TO GROUP COMPANIES, 1,000 €	2005	2004
Short-term:		
Other debts	512	514
Accruals	1	1
Total	513	515
26. LIABILITIES TO ASSOCIATED COMPANIES, 1,000 €	2005	2004
Short-term:		
Accounts payable	549	80
Total	549	80
27. OTHER DEBTS, 1,000 €	2005	2004
Short-term:		
Other loans / Commercial papers (international and domestic)	128,701	93,879
Value added tax	5,111	8,869
Electricity tax	2,201	1,919
Other debt	448	434
Total	136,461	105,103
28. ACCRUALS, 1,000 €	2005	2004
Long-term:		
Accruals of sales	150	350
	150	350
Short-term:		
Interests and other financial items	22,756	18,352
Salaries and additional personnel expenses	2,916	2,762
Accruals of sales and purchases	6,919	3,380
Other		24
	32,591	24,518
Total	32,741	24,868
29. PROVISIONS FOR LIABILITIES AND CHARGES, 1,000 €	2005	2004
Creosote or CCA-impregnated wooden towers, disposal expenses	2,067	2,072
Total	2,067	2,072
30. COMMITMENTS AND CONTINGENT LIABILITIES, 1,000 €	2005	2004
Rental obligations		
Obligations for the next year	1,505	2,220
Obligations for subsequent years	6,414	7,744
	7,919	9,963
Pledges/bank balances		
Pledge for the Customs Office	27	26
Pledge for electricity exchange purchases	308	1,307
	334	1,333
Other financial commitments		
Commitment fee of revolving credit facility:		
Commitment fee for the next year	101	405
Commitment fee for subsequent years	596	787
	697	1,192

Purchase commitments concerning electricity, TWh	0.04	0.01
Supplementary pension scheme for 2006 - 2009 (see Group note 23)	1,245	2,361
Donation of five-year professorship to Helsinki University of Technology for 2006 - 2010	600	600

31. DERIVATIVE AGREEMENTS, 1,000 €	2005		2004	
	Net fair value 31 Dec 2005	Notional value 31 Dec 2005	Net fair value 31 Dec 2004	Notional value 31 Dec 2004
Interest and currency derivatives				
Cross-currency swaps	-25,443	301,248	-81,847	343,741
Forward contracts	3,099	126,380	-5,020	102,573
Interest rate swaps	-2,941	218,000	-6,484	273,456
Interest rate options, bought	3,486	420,000	1,662	350,000
Total	-21,799	1,065,628	-91,689	1,069,770
	Net fair value 31 Dec 2005	Volume TWh 31 Dec 2005	Net fair value 31 Dec 2004	Volume TWh 31 Dec 2004
Electricity derivatives				
Futures contracts of electricity, Nord Pool ASA			-1	0.00
Forward contracts of electricity, Nord Pool Clearing	15,407	1.94	2,266	2.01
Forward contracts of electricity, others	833	0.20	570	0.32
Call options, bought			187	0.04
Total	16,240	2.14	3,022	2.37

Interest rate and cross-currency swaps and interest rate options are fair valued at the closing date so that the derived net cash flow is calculated on a net present value basis. Currency forwards are fair valued by using prevailing forward rates at the closing date.

Forward contracts of electricity, others, includes bilateral financial and physical purchase commitments concerning electricity purchases, not cleared separately by a clearing organisation. The derivatives hedge future electricity losses.

The net fair value of derivatives indicates the realised profit/loss if they had been reversed on the last business day of 2005.

32. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

Fingrid Oyj's transmission line projects in excess of 220 kilovolts apply the act on the environmental impact assessment process (EIA). The assessments, including the hearing process, drawn up together with authorities take on average 18 months. The EIA process for the 400 kilovolt line route Kemina - Petäjaskoski was launched in 2005.

Fingrid Oyj has appealed to the Market Court against the decision of 29 December 2004, "Enforcement of the methodology for determining the return on grid operations of the grid owner" by the Energy Market Authority.

There are no ongoing legal proceedings or proceedings by authorities with material effect on operations.

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

Balance and regulating power

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

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

Management of balance operation

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

The profit and loss account of the balance operation unit is separated by means of cost accounting as follows:

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

The average number of personnel during the year was 12 (12). The operating profit was 2.8 (1.3) per cent of turnover. The return on investment was 34.1 (15.5) per cent.

SEPARATED PROFIT AND LOSS ACCOUNT, 1,000 €	MANAGEMENT OF BALANCE OPERATION	
	1 Jan - 31 Dec 2005	1 Jan - 31 Dec 2004
TURNOVER*	64,703	55,691
Materials and services*	-60,729	-52,559
Staff expenditure	-1,041	-1,076
Depreciation and value adjustment	-251	-441
Other operating expenses	-848	-885
OPERATING PROFIT	1,833	730
Financial income and expenses	-11	-24
PROFIT BEFORE PROVISIONS AND TAXES	1,822	706
Provisions	61	146
Income taxes	-490	-248
PROFIT FOR THE FINANCIAL YEAR	1,393	604

*Turnover includes 3.8 (2.3) million euros of sales of balance power to balance provider Fingrid Oyj, and Materials and services includes 5.5 (4.2) million euros of its purchases.

SEPARATED BALANCE SHEET, 1,000 €	MANAGEMENT OF BALANCE OPERATION	
	31 Dec 2005	31 Dec 2004
NONCURRENT ASSETS		
Intangible assets		
Other long-term expenses	143	285
	143	285
Tangible assets		
Machinery and equipment	27	102
Advance payments and purchases in progress	366	318
	394	420
	537	705
CURRENT ASSETS		
Short-term receivables		
Accounts receivable	61	2,672
Receivables from Group companies	6,124	1,721
	6,185	4,393
Cash in hand and bank receivables	<u>1</u>	<u>1</u>
	6,186	4,394
TOTAL ASSETS	6,723	5,100

SHAREHOLDERS' EQUITY AND LIABILITIES
SHAREHOLDERS' EQUITY

Share capital	32	32
Premium fund	286	286
Retained earnings	4,451	3,846
Profit for the financial year	1,393	604
	6,161	4,768

ACCUMULATED PROVISIONS	-319	-258
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LIABILITIES
Long-term liabilities

Loans from Group companies		<u>248</u>
		248

Short-term liabilities

Accounts payable	848	
Liabilities to Group companies	0	243
Other liabilities	<u>32</u>	<u>98</u>
	881	341
	881	590

TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	6,723	5,100
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Transmission system operation

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

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

34. KEY INDICATORS OF TRANSMISSION SYSTEM OPERATION

	2005	2004
Return on investment (ROI) in transmission system operation, %	7.1	7.9

$$\text{Return on investment, \%} = \frac{\text{Profit before extraordinary items + interest and other financial expenses + interest portions of leasing fees and rents of electricity grid}}{\text{Balance sheet total - non-interest-bearing liabilities + leasing and rent liabilities related to electricity grid}} \times 100$$



3. Signatures of the annual review and the financial statements

Helsinki, 14 February 2006

Timo Rajala
Chairman

Tapio Kuula
1st Deputy Chairman

Taisto Turunen
2nd Deputy Chairman

Marjukka Aarnio

Timo Karttinen

Timo Koivuniemi

Risto Autio

Timo Toivonen
President & CEO

AUDITOR'S NOTATION

The financial statements for the financial year 2005 have been prepared in accordance with Generally Accepted Accounting Principles. A report on the audit carried out has been submitted today.

Helsinki, 15 February 2006

PricewaterhouseCoopers Oy
Authorised Public Accountants

Henrik Sormunen, Authorised Public Accountant