



**FINGRID OYJ**

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## **FINANCIAL STATEMENTS**

**1 January 2004 - 31 December 2004**

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## REPORT OF THE BOARD OF DIRECTORS FOR 2004

During the early part of 2004, the Nordic water reservoirs were low for the season but returned to normal levels as a consequence of precipitation in the autumn. Extensive electricity transmission from Finland to Sweden during early 2004 did not give way to long-term imports into Finland until the turn of the year. Price fluctuations of electricity were considerably smaller than in the previous years. The price level stabilised to the long-term average level towards the end of 2004.

Nordel, the co-operation organisation of the Nordic transmission system operators, suggested reinforcement of the Nordic transmission grid through five grid additions by 2010, aiming to improve the functioning of the electricity market. One of these projects, the second sea cable between Finland and Sweden, has been prepared by Fingrid and Svenska Kraftnät.

Fingrid signed new main grid contracts for the contract period of 2005 – 2007. The price level in 2005 continues to be at the year 2000 level. Fingrid also signed long-term contracts concerning the disconnection of industrial loads and use of power plant reserves for the regulation needs of the power system and for the management of disturbance situations. Moreover, the company launched a study related to the construction of a new gas turbine power plant at the Olkiluoto power plant area in co-operation with Teollisuuden Voima Oy.

### Fingrid in the electricity market

Total electricity consumption in Finland in 2004 amounted to 86.8 terawatt hours, of which Fingrid transmitted approx. 67 terawatt hours in its grid. Electricity consumption increased by 1.8 per cent on the previous year.

The Nordic water reservoirs were low during early 2004 but returned to the long-term average level towards the end of the year. The electricity transmission volumes from Finland to Sweden were high during the early part of 2004, and the transmission capacity made available to the market was in almost full use. Finland formed a price area of its own in the Nordic electricity market considerably often until the autumn of 2004.

Transmission capacity between Finland and Russia had a high utilisation rate of 90 per cent during 2004. The transmission reliability of cross-border connections from Russia was improved from the previous years. The entire transmission capacity has also been reserved for 2005.

ETSO (Association of European Transmission System Operators) has agreed on compensation principles for 2005. These mostly follow the principles applied in 2004. The cost impact of the compensation on Fingrid varies between 5 and 20 million euros annually, depending on the power situation in the Nordic countries.

### Capital expenditure and grid maintenance

In 2004, Fingrid's gross capital expenditure amounted to 43 million euros (44 million euros in 2003). Of this, a total of 37 million euros were used for the grid, approx. 1 million euros for gas turbine power plants, approx. 3 million euros for operation control and other ICT systems and approx. 2 million euros for other expenditure.

The refurbishment of the Pikkarala 400 kilovolt substation near Oulu was completed in 2004. The modernised 400 kilovolt busbar system at the substation increases the transmission capacity between Northern and Southern Finland. Other substation projects included the refurbishment of the Pirttikoski 400 kilovolt substation and 400/110 kilovolt transformer in Lapland as well as the construction of the Visulahti 400/110 kilovolt transformer substation in Mikkeli.



Transmission line and substation expansion work on the 400 kilovolt line between Vihtavuori and Toivila continued. Once completed, this will secure electricity transmission in the Jämsänjokilaakso region in Central Finland. Other substation projects are in progress for instance in Vuolijoki in Kainuu, and in Vantaa. In South-Eastern Finland, a 400 kilovolt transmission line is being constructed from Ylikkälä to Lempiälä.

The grid additions required by the third nuclear power unit to be built at Olkiluoto are being launched, with 400 kilovolt connections built from Olkiluoto to Huittinen and from Ulvila to Kangasala.

Approximately 15 million euros were used for the maintenance of the Finnish grid in 2004, and approx. 2 million euros were used for the maintenance of gas turbine power plants.

Research and development were allocated 1.1 million euros.

### **Financial result**

Turnover of the Fingrid Group in 2004 was 302 million euros (298 million euros in 2003). Turnover grew by 1.4 per cent due to higher electricity consumption. Sales of balance power decreased, but proceeds received from the upkeep of the European marketplace rose by a corresponding amount because of the exceptional transmission situation. Profit before extraordinary items and taxes was 57 (37) million euros. Profit for the financial year was 47 (27) million euros. Profit rose from 2003 as a result of a reduction in certain expense items such as loss energy and financial expenses.

The balance sheet total stood at 1,400 (1,368) million euros. The return on investment was 8.0 (7.3) per cent and the return on equity 17.1 (10.8) per cent. The equity ratio was 21.2 (18.7) per cent.

### **Financing**

The financial position of the company was good throughout the period examined. Net financial expenses decreased to 42 (53) million euros. The average interest rate of net debt, including capital loans and hedging costs, was 4.79 (5.77) per cent. The cash flow from operations of the Group deducted by capital expenditure and dividends was 55 (38) million euros, which enabled a reduction of 17 (34) million euros in interest-bearing liabilities. At the end of the year, the interest-bearing liabilities totalled 823 (840) million euros, of which 547 million euros were long-term and 276 million euros were short-term. The Group also had 168 (168) million euros of capital loans.

The company acquires 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. Available committed long-term credit facilities amounted to 400 million euros at the end of the review period. Financial securities, cash in hand and bank receivables at 31 December 2004 amounted to 143 (105) million euros. Interest rate and currency swaps, interest rate options and forward contracts totalled 1,070 (1,173) million euros. These involved a counterparty risk of 0.9 (0.1) million euros.

In the summer of 2004, Moody's Investors Service and Standard & Poor's Rating Services confirmed Fingrid's long-term and short-term ratings: Aa3/P-1 (Moody's) and AA-/A-1+ (Standard & Poor's). Both Moody's and Standard & Poor's have considered Fingrid's future outlook to be stable.



## **Personnel and rewarding systems**

The Fingrid Group employed 220 persons at the end of 2004, which is the same amount of employees as a year before.

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

## **Board of Directors**

Fingrid Oyj's Annual General Meeting was held on 18 March 2004. 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 Timo Karttinen, Senior Vice President, Timo Koivuniemi, Senior Vice President, Marjukka Aarnio, Industrial Counsellor, and Esa Auvinen, M.Sc. (Econ.).

## **Risk management**

An extensive annual risk analysis of a specific format is carried out in order to identify risks pertaining to Fingrid's operations. The main principles of risk management were updated in 2004, and the Board of Directors accepted these principles. Risk management projects pertaining to the securing of control room operations, retaining the level of system security, purchase of loss energy, and critical stakeholder communications were completed in 2004. New projects to be carried out among others are; the quality of customer connections and reliability of relay protection.

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 once a year.

## **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.

In 2004, environmental impact assessments for the following 400 kilovolt lines were completed: Loviisa – Hikiä (in Hausjärvi), Ulvila – Kangasala, and Olkiluoto – Huittinen.

Fingrid has approx. 31,000 tonnes of creosote or CCA-impregnated wooden towers and cable trench covers, categorised as hazardous wastes. The related disposal costs of approx. 2 million euros, have for the first time been entered in the financial statements under provisions for liabilities and charges, which in turn has been added correspondingly to the value of tangible assets.



Equipment used in Fingrid's substations contains approx. 20 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. Some substations also contain small amounts of asbestos. The total amount of asbestos will be ascertained during 2005.

As of 1 January 2004, Fingrid has served 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. Fingrid also issues renewable energy certificates within the voluntary RECS system and maintains the certificate register in Finland.

### **Future outlook**

Turnover during 2005 is expected to develop in a stable manner. 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.

In 2005, Fingrid Oyj will begin to publish its interim reports and financial statements in accordance with the International Financial Reporting Standards (IFRS). The first IFRS interim report will be published for January - June 2005.

Some major capital expenditure projects will be decided during 2005. Among the foremost such projects are the second sea cable connection between Finland and Sweden as well as a new gas turbine power plant to be constructed at Olkiluoto. The implementation of these will translate into additional capital expenditure of approx. 150 million euros in the coming years. Fingrid has made preparations for these projects in its plans and in pricing of its services.

Analyses concerning the harmonisation of system responsibility and the implementation of transmission interconnections improving the functioning of the Nordic electricity market and system security, drawn up by Nordel at the suggestion of the Nordic Council of Ministers, will be complete during the early part of 2005.



<b>CONSOLIDATED PROFIT AND LOSS ACCOUNT</b>	Notes	<b>1 Jan - 31 Dec 2004</b>	<b>1 Jan - 31 Dec 2003</b>
		<b>1,000 €</b>	<b>1,000 €</b>
<b>TURNOVER</b>	2	301,824	297,561
Other operating income		1,958	1,558
Materials and services	3	-101,921	-105,333
Staff expenditure	4	-16,035	-14,701
Depreciation and value adjustment	5	-53,642	-53,041
Other operating expenses	6	-33,322	-35,592
<b>OPERATING PROFIT</b>		<b>98,862</b>	<b>90,453</b>
Financial income and expenses	7	-42,168	-52,978
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>		<b>56,693</b>	<b>37,474</b>
Extraordinary items		0	0
<b>PROFIT BEFORE TAXES</b>		<b>56,693</b>	<b>37,474</b>
Income taxes	10	-2,818	-2,962
Change in deferred tax liability	10	-6,700	-8,006
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>47,176</b>	<b>26,507</b>


**CONSOLIDATED BALANCE SHEET**

ASSETS	Notes	31 Dec 2004 1,000 €	31 Dec 2003 1,000 €
<b>NONCURRENT ASSETS</b>			
<b>Intangible assets</b>	11		
Goodwill		81,487	87,920
Other long-term expenses		83,111	86,697
		<b>164,598</b>	<b>174,617</b>
<b>Tangible assets</b>	12		
Land and water areas		10,176	9,950
Buildings and structures		43,975	41,168
Machinery and equipment		399,269	385,868
Transmission lines		560,205	572,910
Other tangible assets		84	84
Advance payments and purchases in progress		20,494	26,011
		<b>1,034,203</b>	<b>1,035,992</b>
<b>Investments</b>	13		
Equity investments in associated companies		5,385	5,623
Other investments		592	591
		<b>5,977</b>	<b>6,214</b>
		<b>1,204,779</b>	<b>1,216,823</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Materials inventories		2,863	2,938
Advance payments and work in progress		1,375	0
		<b>4,238</b>	<b>2,938</b>
<b>Receivables, long-term</b>			
Receivables from associated companies	15	363	447
<b>Receivables, short-term</b>			
Accounts receivable		37,768	35,252
Receivables from associated companies	15	316	513
Other receivables		15	39
Prepayments and accrued income	16, 17	9,435	7,171
		<b>47,534</b>	<b>42,975</b>
<b>Financial securities</b>		<b>140,845</b>	<b>102,051</b>
<b>Cash in hand and bank receivables</b>		<b>2,024</b>	<b>2,947</b>
		<b>195,004</b>	<b>151,357</b>
		<b>1,399,782</b>	<b>1,368,180</b>




**CONSOLIDATED BALANCE SHEET**

<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	Notes	<b>31 Dec 2004</b> <b>1,000 €</b>	<b>31 Dec 2003</b> <b>1,000 €</b>
<b>SHAREHOLDERS' EQUITY</b>	18		
Share capital		55,922	55,922
Premium fund		55,922	55,922
Retained earnings		137,239	117,292
Profit for the financial year		47,176	26,507
Capital loans		167,914	167,914
		<b>464,174</b>	<b>423,559</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	27	<b>2,072</b>	<b>0</b>
<b>LIABILITIES</b>			
<b>Deferred tax liability</b>	20	<b>60,943</b>	<b>54,243</b>
<b>Long-term liabilities</b>			
Bonds	21, 22	456,417	546,125
Loans from financial institutions		90,851	106,408
Accruals	26	350	800
		<b>547,618</b>	<b>653,332</b>
<b>Short-term liabilities</b>			
Bonds	21	166,384	144,519
Loans from financial institutions		15,556	15,556
Accounts payable		13,413	16,055
Liabilities to associated companies	24	0	1
Other liabilities	25	105,103	34,428
Accruals	26	24,521	26,487
		<b>324,976</b>	<b>237,047</b>
		<b>933,537</b>	<b>944,622</b>
		<b>1,399,782</b>	<b>1,368,180</b>

**CONSOLIDATED CASH FLOW STATEMENT**

	<b>2004</b>	<b>2003</b>
	<b>1,000 €</b>	<b>1,000 €</b>
<b>Cash flow from operations:</b>		
Cash from sales	300,686	303,458
Cash from other operating income	2,393	850
Charges paid for operating expenses	-152,711	-155,983
Cash flow from operations before financial items and taxes	150,368	148,325
Interests and charges paid for other financial costs for operations	-49,183	-63,161
Interests received from operations	3,034	2,476
Direct taxes paid	-3,039	-2,177
Cash flow before extraordinary items	101,181	85,462
Cash flow from extraordinary items (net)	0	0
<b>Cash flow from operations (A)</b>	<b>101,181</b>	<b>85,462</b>
<b>Cash flow from investments:</b>		
Investments in tangible and intangible assets	-39,010	-42,322
Capital gain from tangible and intangible assets	-806	987
Investments in other assets	-1	-12
Repayment of loans receivable	84	84
Dividends received from investments	3	2
<b>Cash flow from investments (B)</b>	<b>-39,731</b>	<b>-41,261</b>
<b>Cash flow from financial operations:</b>		
Withdrawal of short-term loans	128,234	0
Repayment of short-term loans	-61,782	-13,122
Withdrawal of long-term loans	48,438	119,949
Repayment of long-term loans	-131,838	-140,421
Dividends paid and other profit distribution	-6,632	-6,632
<b>Cash flow from financial operations (C)</b>	<b>-23,579</b>	<b>-40,227</b>
<b>Net change in cash and cash equivalents (A+B+C), increase (+)/decrease (-)</b>	<b>37,871</b>	<b>3,975</b>
<b>Cash and cash equivalents 1 Jan</b>	<b>104,998</b>	<b>101,023</b>
<b>Cash and cash equivalents 31 Dec</b>	<b>142,868</b>	<b>104,998</b>

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

	<b>31 Dec 2004</b>	<b>31 Dec 2003</b>
Cash in hand and bank receivables	2,024	2,947
Money market deposits	1,850	
Certificates of deposit	34,734	24,752
Commercial papers	79,336	52,346
Treasury bills	9,925	4,949
Investments in money market funds	15,000	20,003
	<b>142,868</b>	<b>104,998</b>

<b>CONSOLIDATED KEY INDICATORS</b>		<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Extent of operations</b>						
Turnover	million €	235.5	241.6	272.6	297.6	301.8
Capital expenditure, gross	million €	39.3	43.5	50.2	43.7	42.9
- % of turnover	%	16.7	18.0	18.4	14.7	14.2
Research and development expenses	million €	0.9	1.0	1.1	1.3	1.1
- % of turnover	%	0.4	0.4	0.4	0.4	0.4
Personnel, average		272	221	211	227	233
Personnel, end of year		261	204	210	220	220
<b>Profitability</b>						
Operating profit	million €	88.0	84.8	91.0	90.5	98.9
- % of turnover	%	37.4	35.1	33.4	30.4	32.8
Profit before extraordinary items and taxes	million €	35.5	32.8	38.6	37.5	56.7
- % of turnover	%	15.1	13.6	14.1	12.6	18.8
Return on investment (ROI)*	%	7.2	6.8	7.2	7.3	8.0
Return on equity (ROE)*	%	13.2	11.1	12.2	10.8	17.1
<b>Financing and financial position</b>						
Equity ratio (excluding capital loans)	%	14.9	16.1	17.1	18.7	21.2
<b>Share-specific indicators</b>						
Earnings per share*	€	7,598	6,963	8,275	7,972	14,188
Equity per share	€	60,118	64,898	70,990	76,886	89,101
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

\* Taxes for the financial year include income taxes and change in deferred tax liability, which has been taken into account in the calculations of the key indicators.

#### **CALCULATION OF KEY INDICATORS**

Return on investment, %	=	$\frac{\text{Profit before extraordinary items and taxes} + \text{interest and other financial expenses}}{\text{Balance sheet total} - \text{non-interest-bearing liabilities (average for the year)}} \times 100$
Return on equity, %	=	$\frac{\text{Profit before extraordinary items and taxes} - \text{taxes for the financial year}}{\text{Shareholders' equity (excl. capital loans, average for the financial year)}} \times 100$
Equity ratio, %	=	$\frac{\text{Shareholders' equity (excluding capital loans)}}{\text{Balance sheet total} - \text{advances received}} \times 100$
Earnings per share, €	=	$\frac{\text{Profit before extraordinary items and taxes} - \text{taxes for the financial year}}{\text{Average number of shares}}$
Equity per share, €	=	$\frac{\text{Shareholders' equity (excluding capital loans)}}{\text{Number of shares at closing date}}$

<b>PROFIT AND LOSS ACCOUNT PARENT COMPANY</b>	Notes	<b>1 Jan - 31 Dec 2004</b> €	<b>1 Jan - 31 Dec 2003</b> €
<b>TURNOVER</b>	2	302,250,303.41	297,970,305.09
Other operating income		1,987,560.66	1,499,499.73
Materials and services	3	-111,790,161.19	-114,938,748.14
Staff expenditure	4	-15,738,793.99	-14,550,593.72
Depreciation and value adjustment	5	-49,760,847.63	-49,239,810.64
Other operating expenses	6	-31,689,052.89	-33,462,544.54
<b>OPERATING PROFIT</b>		<b>95,259,008.37</b>	<b>87,278,107.78</b>
Financial income and expenses	7	-39,090,370.98	-49,555,794.55
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>		<b>56,168,637.39</b>	<b>37,722,313.23</b>
Extraordinary items	8	829,249.91	110,316.60
<b>PROFIT BEFORE PROVISIONS AND TAXES</b>		<b>56,997,887.30</b>	<b>37,832,629.83</b>
Provisions	9	-47,343,545.04	-27,597,156.52
Income taxes	10	-2,818,399.23	-2,969,249.24
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>6,835,943.03</b>	<b>7,266,224.07</b>

**BALANCE SHEET  
PARENT COMPANY**

ASSETS	Notes	31 Dec 2004 €	31 Dec 2003 €
<b>NONCURRENT ASSETS</b>			
<b>Intangible assets</b>	11		
Goodwill		81,487,050.12	87,920,238.29
Other long-term expenses		83,111,396.78	86,493,811.82
		<b>164,598,446.90</b>	<b>174,414,050.11</b>
<b>Tangible assets</b>	12		
Land and water areas		10,175,802.83	9,878,606.28
Buildings and structures		43,975,231.39	36,211,433.15
Machinery and equipment		399,268,848.71	333,132,514.45
Transmission lines		560,205,055.08	572,910,089.59
Other tangible assets		84,176.83	84,268.61
Advance payments and purchases in progress		20,494,041.41	25,716,795.72
		<b>1,034,203,156.25</b>	<b>977,933,707.80</b>
<b>Investments</b>	13		
Equity investments in group companies		504,563.77	5,550,201.57
Equity investments in associated companies		6,641,360.21	6,641,360.21
Other shares and equity investments		592,001.79	590,953.79
		<b>7,737,925.77</b>	<b>12,782,515.57</b>
		<b>1,206,539,528.92</b>	<b>1,165,130,273.48</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Materials inventories		2,863,315.05	1,459,854.19
Advance payments and work in progress		1,374,524.00	0.00
		<b>4,237,839.05</b>	<b>1,459,854.19</b>
<b>Receivables, long-term</b>			
Receivables from group companies	14	0.00	53,250,000.00
Receivables from associated companies	15	363,285.94	447,379.90
		<b>363,285.94</b>	<b>53,697,379.90</b>
<b>Receivables, short-term</b>			
Accounts receivable		37,768,066.87	35,250,294.81
Receivables from group companies	14	0.00	236,818.46
Receivables from associated companies	15	316,161.03	511,033.20
Other receivables		14,745.24	38,538.32
Prepayments and accrued income	16, 17	9,435,344.80	7,167,722.43
		<b>47,534,317.94</b>	<b>43,204,407.22</b>
<b>Financial securities</b>		<b>140,844,787.06</b>	<b>102,050,599.53</b>
<b>Cash in hand and bank receivables</b>		<b>2,023,557.87</b>	<b>2,947,003.22</b>
		<b>195,003,787.86</b>	<b>203,359,244.06</b>
		<b>1,401,543,316.78</b>	<b>1,368,489,517.54</b>

**BALANCE SHEET  
PARENT COMPANY**

<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	Notes	<b>31 Dec 2004</b>	<b>31 Dec 2003</b>
		€	€
<b>SHAREHOLDERS' EQUITY</b>	18		
Share capital		55,922,485.55	55,922,485.55
Premium fund		55,922,485.55	55,922,485.55
Retained earnings		5,375,378.21	4,741,564.89
Profit for the financial year		6,835,943.03	7,266,224.07
Capital loans		167,914,099.68	167,914,099.68
		<b>291,970,392.02</b>	<b>291,766,859.74</b>
<b>ACCUMULATED PROVISIONS</b>	19	<b>234,394,914.54</b>	<b>186,192,132.09</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	27	<b>2,071,847.00</b>	<b>0.00</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Bonds	21, 22	456,416,978.45	546,124,706.89
Loans from financial institutions		90,851,077.36	106,407,507.70
Accruals	26	350,000.00	800,000.00
		<b>547,618,055.81</b>	<b>653,332,214.59</b>
<b>Short-term liabilities</b>			
Bonds	21	166,383,538.30	144,518,999.53
Loans from financial institutions		15,556,430.34	15,556,430.34
Accounts payable		13,412,883.38	15,534,121.78
Liabilities to group companies	23	514,744.61	892,920.06
Other liabilities	25	105,102,517.18	34,246,150.67
Accruals	26	24,517,993.60	26,449,688.74
		<b>325,488,107.41</b>	<b>237,198,311.12</b>
		<b>873,106,163.22</b>	<b>890,530,525.71</b>
		<b>1,401,543,316.78</b>	<b>1,368,489,517.54</b>

**CASH FLOW STATEMENT  
PARENT COMPANY**

	2004 €	2003 €
<b>Cash flow from operations:</b>		
Cash from sales	301,143,575.07	303,766,115.12
Cash from other operating income	2,421,650.84	797,208.29
Charges paid for operating expenses	-160,741,391.77	-164,502,962.43
Cash flow from operations before financial items and taxes	142,823,834.14	140,060,360.98
Interests and charges paid for other financial costs for operations	-49,218,920.75	-63,232,140.56
Interests received from operations	5,830,725.87	5,593,470.01
Direct taxes paid	-3,038,691.89	-2,177,421.56
Cash flow before extraordinary items	96,396,947.37	80,244,268.87
<b>Cash flow from operations (A)</b>	<b>96,396,947.37</b>	<b>80,244,268.87</b>
<b>Cash flow from investments:</b>		
Investments in tangible and intangible assets	-37,374,637.18	-41,340,546.70
Capital gain from tangible and intangible assets	-806,235.72	986,867.08
Investments in other assets	-1,048.00	-12,162.32
Repayment of loans receivable	84,093.96	3,634,093.96
Dividends received from investments	11,117.60	29,128.82
<b>Cash flow from investments (B)</b>	<b>-38,086,709.34</b>	<b>-36,702,619.16</b>
<b>Cash flow from financial operations:</b>		
Withdrawal of short-term loans	128,234,472.13	279,363.34
Repayment of short-term loans	-58,752,253.82	-13,122,251.76
Withdrawal of long-term loans	48,437,927.66	119,949,020.08
Repayment of long-term loans	-131,837,547.67	-140,420,860.77
Group contributions received	110,316.60	380,321.80
Dividends paid	-6,632,410.75	-6,632,410.75
Cash and cash equivalents transferred due to merger	0.00	0.00
<b>Cash flow from financial operations (C)</b>	<b>-20,439,495.85</b>	<b>-39,566,818.06</b>
<b>Net change in cash and cash equivalents (A+B+C), increase (+)/decrease (-)</b>	<b>37,870,742.18</b>	<b>3,974,831.65</b>
<b>Cash and cash equivalents 1 Jan</b>	<b>104,997,602.75</b>	<b>101,022,771.10</b>
<b>Cash and cash equivalents 31 Dec</b>	<b>142,868,344.93</b>	<b>104,997,602.75</b>

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

	31 Dec 2004	31 Dec 2003
Cash in hand and bank receivables	2,023,557.87	2,947,003.22
Money market deposits	1,850,000.00	
Certificates of deposit	34,734,033.92	24,752,440.33
Commercial papers	79,335,873.45	52,346,213.72
Treasury bills	9,924,879.69	4,949,207.38
Investments in money market funds	15,000,000.00	20,002,738.10
	<b>142,868,344.93</b>	<b>104,997,602.75</b>

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2004

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### 1. ACCOUNTING PRINCIPLES

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#### Scope of consolidated financial statements

The consolidated financial statements contain the parent company Fingrid Oyj and its fully-owned subsidiary Fingrid Verkko Oy. The Group accounts include Fingrid Varavoima Oy, which was merged into the parent company on 31 December 2004. Fingrid Verkko Oy was not operative during the financial year. The consolidated associated companies were Porvoon Alueverkko Oy (ownership 33.3%) and Nord Pool Spot AS (ownership 20%).

#### Principles of consolidation

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

#### Interest-bearing liabilities

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

#### Interest rate and foreign exchange derivatives

In accordance with the financial policy, interest rate and cross-currency swaps, foreign exchange forwards and interest rate options are used for hedging the Group's interest and foreign exchange exposure of balance sheet items, 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

The Group 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.

#### 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.

The profit and loss account of a foreign associated company is converted to euros at the average rate of the financial year and the balance sheet at the rate current on the closing day of the year. The translation difference is booked under unrestricted equity.



## Valuation of fixed assets

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

The depreciation periods are as follows:

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

## Valuation of inventories

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

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

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

## Deferred tax liabilities

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

## Research and development

Research and development expenses are entered as annual expenses.

## Comparability

When comparing the figures to the previous financial year, the balance sheet of the parent company includes Fingrid Varavoima Oy, which was merged into the parent company on 31 December 2004.

## 2. TURNOVER BY BUSINESS AREAS

The business of the Fingrid Group is entirely derived from the main grid business. Because of this there is no division of the turnover into separate business areas.

3. MATERIALS AND SERVICES, 1,000 €	Group		Parent company	
	2004	2003	2004	2003
Purchases during financial year	101,791	105,238	111,778	114,860
Change in inventories, increase (-) or decrease (+)	-1,300	37	-1,418	21
Materials and supplies	100,490	105,276	110,359	114,882
External services	1,431	57	1,431	57
<b>Total</b>	<b>101,921</b>	<b>105,333</b>	<b>111,790</b>	<b>114,939</b>

4. PERSONNEL COSTS, 1,000 €	Group		Parent company	
	2004	2003	2004	2003
Wages, salaries and bonuses	11,989	11,589	11,751	11,467
Pension costs	2,984	2,101	2,942	2,080
Other additional staff costs	1,062	1,011	1,046	1,003
Staff expenditure in profit and loss account	<b>16,035</b>	<b>14,701</b>	<b>15,739</b>	<b>14,551</b>
Executive salaries and bonuses:				
Board members	92	91	92	91
Average number of personnel in the company during financial year				
Salaried employees	233	227	229	225
Personnel at year end	220	220	216	218

5. DEPRECIATION ACCORDING TO PLAN, 1,000 €	2004	2003	2004	2003
Goodwill	6,433	6,433	6,433	6,433
Other long-term expenses	5,388	5,633	5,377	5,622
Buildings and structures	1,615	1,581	1,286	1,252
Machinery and equipment	19,334	18,798	15,793	15,336
Transmission lines	20,871	20,596	20,871	20,596
<b>Total</b>	<b>53,642</b>	<b>53,041</b>	<b>49,761</b>	<b>49,240</b>

6. OTHER OPERATING EXPENSES, 1,000 €	2004	2003	2004	2003
Rents	2,475	2,283	2,461	2,273
Contracts, assignments etc. undertaken by outsiders	23,205	24,955	21,713	22,978
Others	7,642	8,354	7,514	8,212
<b>Total</b>	<b>33,322</b>	<b>35,592</b>	<b>31,689</b>	<b>33,463</b>

7. FINANCIAL INCOME AND EXPENSES, 1,000 €	2004	2003	2004	2003
Portion of net income (loss) of associated companies	-310	-340		
Dividend income from Group companies			13	27
Dividend income from associated companies				
Dividend income from others	3	2	3	2
Interest and other financial income from Group companies			2,793	3,119
Interest and other financial income from others	3,272	2,639	3,271	2,638
Interest and other financial expenses to Group companies			-37	-63
Interest and other financial expenses to others	-45,133	-55,279	-45,132	-55,279
<b>Total</b>	<b>-42,168</b>	<b>-52,978</b>	<b>-39,090</b>	<b>-49,556</b>

8. EXTRAORDINARY ITEMS, 1,000 €	2004	2003	2004	2003
Extraordinary income / Group contribution from subsidiaries			829	110

9. PROVISIONS, 1,000 €	2004	2003	2004	2003
Difference between depreciation according to plan and depreciation carried out in taxation			-47,344	-27,597

10. TAXES, 1,000 €	2004	2003	2004	2003
Income taxes for financial year	-2,818	-2,962	-2,818	-2,969
Change in deferred tax liability	-6,700	-8,006		
<b>Total</b>	<b>-9,518</b>	<b>-10,967</b>	<b>-2,818</b>	<b>-2,969</b>
Tax effect of extraordinary items			-240	-32

11. INTANGIBLE ASSETS, 1,000 €	Group		Parent company	
	2004	2003	2004	2003
<b>Goodwill</b>				
Cost at 1 Jan	128,664	128,664	128,664	128,664
Increases 1 Jan - 31 Dec	0	0	0	0
<b>Cost at 31 Dec</b>	<b>128,664</b>	<b>128,664</b>	<b>128,664</b>	<b>128,664</b>
Accumulated depreciation according to plan 1 Jan	-40,744	-34,310	-40,744	-34,310
Depreciation according to plan 1 Jan - 31 Dec	-6,433	-6,433	-6,433	-6,433
<b>Book value 31 Dec</b>	<b>81,487</b>	<b>87,920</b>	<b>81,487</b>	<b>87,920</b>
Accumulated depreciation difference 1 Jan			-49,321	-42,888
Increase in depreciation difference reserve 1 Jan - 31 Dec			-6,433	-6,433
<b>Accumulated depreciation in excess of plan 31 Dec</b>			<b>-55,754</b>	<b>-49,321</b>
<b>Other long-term expenditure</b>				
Cost at 1 Jan	118,523	121,262	114,211	116,950
Transfers between items	-196	0	0	0
Increases 1 Jan - 31 Dec	2,151	2,410	2,158	2,410
Decreases 1 Jan - 31 Dec	-210	-5,149	-210	-5,149
<b>Cost at 31 Dec</b>	<b>120,269</b>	<b>118,523</b>	<b>116,160</b>	<b>114,211</b>
Accumulated depreciation according to plan 1 Jan	-31,827	-26,194	-27,718	-22,095
Decreases, depreciation according to plan 1 Jan - 31 Dec	49	0	49	0
Depreciation according to plan 1 Jan - 31 Dec	-5,380	-5,633	-5,380	-5,622
<b>Book value 31 Dec</b>	<b>83,111</b>	<b>86,697</b>	<b>83,111</b>	<b>86,494</b>
Accumulated depreciation difference 1 Jan			-50,013	-42,770
Decrease in depreciation difference reserve 1 Jan - 31 Dec			97	0
Increase in depreciation difference reserve 1 Jan - 31 Dec			-6,302	-7,242
<b>Accumulated depreciation in excess of plan 31 Dec</b>			<b>-56,217</b>	<b>-50,013</b>
<b>12. TANGIBLE ASSETS, 1,000 €</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Land and water areas</b>				
Cost at 1 Jan	9,950	9,874	9,879	9,802
Increases 1 Jan - 31 Dec	248	155	319	155
Decreases 1 Jan - 31 Dec	-22	-79	-22	-79
<b>Cost at 31 Dec</b>	<b>10,176</b>	<b>9,950</b>	<b>10,176</b>	<b>9,879</b>
<b>Buildings and structures</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Cost at 1 Jan	49,347	48,660	42,773	42,086
Increases 1 Jan - 31 Dec	4,435	2,763	9,391	2,763
Decreases 1 Jan - 31 Dec	-14	-2,076	-14	-2,076
<b>Cost at 31 Dec</b>	<b>53,768</b>	<b>49,347</b>	<b>52,151</b>	<b>42,773</b>
Accumulated depreciation according to plan 1 Jan	-8,179	-6,901	-6,562	-5,613
Decreases, depreciation according to plan 1 Jan - 31 Dec	3	303	3	303
Depreciation according to plan 1 Jan - 31 Dec	-1,616	-1,581	-1,616	-1,252
<b>Book value 31 Dec</b>	<b>43,975</b>	<b>41,168</b>	<b>43,975</b>	<b>36,211</b>
Accumulated depreciation difference 1 Jan			-5,062	-4,785
Increase in depreciation difference reserve 1 Jan - 31 Dec			-1,890	-495
Decrease in depreciation difference reserve 1 Jan - 31 Dec			4	219
<b>Accumulated depreciation in excess of plan 31 Dec</b>			<b>-6,948</b>	<b>-5,062</b>
<b>Machinery and equipment</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Cost at 1 Jan	487,708	463,610	414,371	391,129
Increases 1 Jan - 31 Dec	33,576	24,158	86,312	23,302
Decreases 1 Jan - 31 Dec	-1,065	-60	-1,065	-60
<b>Cost at 31 Dec</b>	<b>520,218</b>	<b>487,708</b>	<b>499,618</b>	<b>414,371</b>
Accumulated depreciation according to plan 1 Jan	-101,839	-83,053	-81,238	-65,914
Decreases, depreciation according to plan 1 Jan - 31 Dec	231	12	231	12
Depreciation according to plan 1 Jan - 31 Dec	-19,341	-18,798	-19,341	-15,336
<b>Book value 31 Dec</b>	<b>399,269</b>	<b>385,868</b>	<b>399,269</b>	<b>333,133</b>
Accumulated depreciation difference 1 Jan			-37,040	-21,706
Increase in depreciation difference reserve 1 Jan - 31 Dec			-1,803	-15,383
Decrease in depreciation difference reserve 1 Jan - 31 Dec			539	48
<b>Accumulated depreciation in excess of plan 31 Dec</b>			<b>-38,304</b>	<b>-37,040</b>

Transmission lines	Group		Parent company	
	2004	2003	2004	2003
Cost at 1 Jan	691,391	675,450	691,391	675,450
Increases 1 Jan - 31 Dec	10,263	17,119	10,263	17,119
Decreases 1 Jan - 31 Dec	-2,403	-1,177	-2,403	-1,177
<b>Cost at 31 Dec</b>	<b>699,251</b>	<b>691,391</b>	<b>699,251</b>	<b>691,391</b>
Accumulated depreciation according to plan 1 Jan	-118,481	-98,096	-118,481	-98,096
Decreases, depreciation according to plan 1 Jan - 31 Dec	306	211	306	211
Depreciation according to plan 1 Jan - 31 Dec	-20,871	-20,596	-20,871	-20,596
<b>Book value 31 Dec</b>	<b>560,205</b>	<b>572,910</b>	<b>560,205</b>	<b>572,910</b>
Accumulated depreciation difference 1 Jan			-44,757	-46,446
Increase in depreciation difference reserve 1 Jan - 31 Dec			-33,499	378
Decrease in depreciation difference reserve 1 Jan - 31 Dec			1,084	1,311
<b>Accumulated depreciation in excess of plan 31 Dec</b>			<b>-77,172</b>	<b>-44,757</b>

Other tangible assets	2004	2003	2004	2003
Cost at 1 Jan	84	77	84	77
Increases 1 Jan - 31 Dec	0	7	0	7
Decreases 1 Jan - 31 Dec				
<b>Cost at 31 Dec</b>	<b>84</b>	<b>84</b>	<b>84</b>	<b>84</b>

13. INVESTMENTS, 1,000 €	2004	2003	2004	2003
<b>Equity investments in Group companies</b>				
Cost at 1 Jan			5,550	5,550
Decreases (merger) 1 Jan - 31 Dec			-5,046	0
<b>Cost at 31 Dec</b>			<b>505</b>	<b>5,550</b>
<b>Equity investments in associated companies</b>				
Cost at 1 Jan	5,623	6,236	6,641	6,641
Increases 1 Jan - 31 Dec				
Decreases 1 Jan - 31 Dec				
portion of net income	-310	-340		
change in translation difference	72	-272		
<b>Cost at 31 Dec</b>	<b>5,385</b>	<b>5,623</b>	<b>6,641</b>	<b>6,641</b>
Undepreciated goodwill of associated companies 31 Dec	2,318	3,245		
<b>Other shares and equity investments</b>				
Cost at 1 Jan	591	579	591	579
Increases 1 Jan - 31 Dec	1	15	1	15
Decreases 1 Jan - 31 Dec	0	-3	0	-3
<b>Cost at 31 Dec</b>	<b>592</b>	<b>591</b>	<b>592</b>	<b>591</b>
<b>Total</b>	<b>5,977</b>	<b>6,214</b>	<b>7,738</b>	<b>12,783</b>

Shares and equity investments 31 Dec 2004	Ownership %	
	Group	Parent
Subsidiary shares:		
Fingrid Verkko Oy, Helsinki	100.0	100.0
Associated companies:		
Nord Pool Spot AS, Lysaker, Norway	20.0	20.0
Porvoon Alueverkko Oy, Porvoo	33.3	33.3



14. RECEIVABLES FROM GROUP COMPANIES, 1,000 €	Group		Parent company	
	2004	2003	2004	2003
<b>Long-term:</b>				
Loans receivable			0	53,250
<b>Short-term:</b>				
Accounts receivable			0	127
Prepayments and accrued income			0	110
			<b>0</b>	<b>237</b>
<b>Total</b>			<b>0</b>	<b>53,487</b>

15. RECEIVABLES FROM ASSOCIATED COMPANIES, 1,000 €	2004	2003	2004	2003
<b>Long-term:</b>				
Loans receivable	363	477	363	477
<b>Short-term</b>				
Accounts receivable	314	511	314	509
Prepayments and accrued income	2	2	2	2
	<b>316</b>	<b>513</b>	<b>316</b>	<b>511</b>
<b>Total</b>	<b>679</b>	<b>990</b>	<b>679</b>	<b>988</b>

16. PREPAYMENTS AND ACCRUED INCOME, 1,000 €	2004	2003	2004	2003
Interests and other financial items	4,608	2,982	4,608	2,982
Taxes	159	0	159	0
Accruals of sales and purchases	4,369	1,340	4,369	1,336
Insurance claim	0	2,348	0	2,348
Other	300	502	300	502
<b>Total</b>	<b>9,435</b>	<b>7,171</b>	<b>9,435</b>	<b>7,168</b>

17. UNRECORDED EXPENSES AND PAR VALUE DIFFERENTIALS ON THE ISSUE OF LOANS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME, 1,000 €	2004	2003	2004	2003
Par value differentials	62	93	62	93

18. SHAREHOLDERS' EQUITY, 1,000 €	Group		Parent company	
	2004	2003	2004	2003
Share capital 1 Jan	55,922	55,922	55,922	55,922
<b>Share capital 31 Dec</b>	<b>55,922</b>	<b>55,922</b>	<b>55,922</b>	<b>55,922</b>
Premium fund 1 Jan	55,922	55,922	55,922	55,922
<b>Premium fund 31 Dec</b>	<b>55,922</b>	<b>55,922</b>	<b>55,922</b>	<b>55,922</b>
Profit from previous financial years 1 Jan	143,799	124,197	12,008	11,374
Change in translation difference	72	-272		
Dividend distribution	-6,632	-6,632	-6,632	-6,632
<b>Profit from previous financial years 31 Dec</b>	<b>137,239</b>	<b>117,292</b>	<b>5,375</b>	<b>4,742</b>
<b>Profit for the financial year</b>	<b>47,176</b>	<b>26,507</b>	<b>6,836</b>	<b>7,266</b>
Capital loans 1 Jan	167,914	167,914	167,914	167,914
<b>Capital loans 31 Dec</b>	<b>167,914</b>	<b>167,914</b>	<b>167,914</b>	<b>167,914</b>
<b>Shareholders' equity 31 Dec</b>	<b>464,174</b>	<b>423,559</b>	<b>291,970</b>	<b>291,767</b>
<b>Distributable shareholders' equity</b>	<b>10,962</b>	<b>10,998</b>	<b>12,211</b>	<b>12,008</b>

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

Series A shares confer three votes each at a shareholders' meeting and series B shares one vote each.

Series B shares have preference with respect to dividends as stipulated in the Articles of Association.

In 2002-2006, this dividend is 5.93 % p.a. of the subscription price of the share.

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

Shareholders 31 Dec 2004:	Number of shares	% of all shares	% of votes
	qty	%	%
Fortum Power and Heat Oy	834	25.08	33.44
Pohjolan Voima Oy	834	25.08	33.44
Republic of Finland	410	12.33	16.44
Varma Mutual Pension Insurance Company	415	12.48	5.55
Mutual Pension Insurance Company Ilmarinen	350	10.53	4.68
Tapiola Mutual Pension Insurance Company	150	4.51	2.01
Suomi Mutual Life Assurance Company	75	2.26	1.00
Pohjola Non-Life Insurance Company Ltd	75	2.26	1.00
Sampo Life Insurance Company	54	1.62	0.72
Tapiola General Mutual Insurance Company	50	1.50	0.67
Tapiola Mutual Life Assurance Company	35	1.05	0.47
If P&C Insurance Company Ltd	25	0.75	0.33
Tapiola Corporate Life Insurance Company Ltd	12	0.36	0.16
Insurance Company Henki-Fennia	6	0.18	0.08
<b>Total</b>	<b>3,325</b>	<b>100.00</b>	<b>100.00</b>

<b>Capital loans, 1,000 €</b>	<b>Group</b>		<b>Parent company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Debenture of capital loan nature 1997	137,914	137,914	137,914	137,914
Debenture of capital loan nature 1999	30,000	30,000	30,000	30,000
	<b>167,914</b>	<b>167,914</b>	<b>167,914</b>	<b>167,914</b>

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

Debenture of capital loan nature 1997

The loan becomes due on 15 May 2027, but, if the company so decides, it can be paid back on 15 May 2007 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.

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

<b>19. ACCUMULATED PROVISIONS, 1,000 €</b>	<b>Group</b>		<b>Parent company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Accumulated depreciation in excess of plan, the difference between depreciation according to plan and depreciation carried out in taxation			234,395	186,192

<b>20. DEFERRED TAX LIABILITIES AND CLAIMS, 1,000 €</b>	<b>Group</b>		<b>Parent company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Deferred tax receivables</b>				
Resulting from provisions for liabilities and charges	-539	0		
<b>Deferred tax liabilities</b>				
Resulting from provisions	61,482	54,243		
<b>Total</b>	<b>60,943</b>	<b>54,243</b>		

21. BONDS, 1,000 €				Group		Parent company	
				2004	2003	2004	2003
Domestic:		Maturity date	Interest				
Bond II/1997		18.04.2006	6.00%	58,643	58,643	58,643	58,643
International:							
CAD	15,000	15.03.2004	variable interest	0	10,400	0	10,400
USD	25,000	28.05.2004	variable interest	0	27,144	0	27,144
AUD	10,000	18.06.2004	variable interest	0	6,030	0	6,030
USD	35,000	13.08.2004	variable interest	0	39,800	0	39,800
CHF	50,000	23.08.2004	variable interest	0	32,945	0	32,945
USD	25,000	10.03.2005	variable interest	23,147	23,147	23,147	23,147
CHF	50,000	19.04.2005	variable interest	34,150	34,150	34,150	34,150
USD	15,000	03.05.2005	variable interest	16,725	16,725	16,725	16,725
USD	35,000	23.05.2005	variable interest	38,462	38,461	38,462	38,461
GBP	10,000	28.06.2005	5.44%	15,600	15,600	15,600	15,600
USD	35,000	25.08.2005	7.21%	38,300	38,300	38,300	38,300
USD	25,000	10.03.2006	variable interest	23,150	23,150	23,150	23,150
USD	25,000	13.03.2006	variable interest	23,148	23,148	23,148	23,148
EUR	15,000	13.09.2006	variable interest	15,000	15,000	15,000	15,000
CHF	16,000	06.06.2007	2.00%	10,180	10,180	10,180	10,180
EUR	22,000	14.06.2007	variable interest	22,000	22,000	22,000	22,000
USD	35,000	09.07.2007	variable interest	35,497	35,497	35,497	35,497
GBP	10,000	07.08.2007	5.5225%	15,576	15,576	15,576	15,576
JPY	3,000,000	23.05.2008	0.925%	27,700	27,700	27,700	27,700
FIM	100,000	04.09.2008	4.75%	16,819	16,819	16,819	16,819
USD	30,000	23.03.2009	variable interest	24,476	0	24,476	0
JPY	3,000,000	15.07.2009	1.84%	24,000	24,000	24,000	24,000
EUR	10,000	31.03.2010	interest rate structure	10,000	10,000	10,000	10,000
JPY	1,000,000	12.07.2010	2.00%	10,215	10,215	10,215	10,215
JPY	2,000,000	16.10.2010	1.022%	15,504	15,504	15,504	15,504
JPY	3,000,000	05.07.2011	1.31% *	28,200	28,200	28,200	28,200
JPY	3,000,000	25.07.2012	1.3575% **	25,400	25,400	25,400	25,400
EUR	20,000	15.10.2013	4.30%	20,000	20,000	20,000	20,000
FIM	210,000	19.08.2013	5.20%	26,910	26,910	26,910	26,910
EUR	24,000	02.07.2014	variable interest	24,000	0	24,000	0
Bonds, long-term total				456,417	546,125	456,417	546,125
Bonds, short-term total				166,384	144,519	166,384	144,519
<b>Total</b>				<b>622,801</b>	<b>690,644</b>	<b>622,801</b>	<b>690,644</b>

\* call option not exercised 5 July 2004

\*\* callable 25 July 2006

22. LOANS FALLING DUE FOR PAYMENT IN FIVE YEARS OR MORE, 1,000 €	2004	2003	2004	2003
Bonds	160,228	106,628	160,228	106,628
Loans from financial institutions	28,625	44,182	28,625	44,182
<b>Total</b>	<b>188,854</b>	<b>150,810</b>	<b>188,854</b>	<b>150,810</b>

23. LIABILITIES TO GROUP COMPANIES, 1,000 €	2004	2003	2004	2003
<b>Short-term:</b>				
Accounts payable				
Other debts			514	887
Accruals			1	6
<b>Total</b>			<b>515</b>	<b>893</b>

24. LIABILITIES TO ASSOCIATED COMPANIES, 1,000 €	2004	2003	2004	2003
<b>Short-term:</b>				
Accounts payable	0	1		
<b>Total</b>	<b>0</b>	<b>1</b>		

25. OTHER DEBTS, 1,000 €	2004	2003	2004	2003
<b>Short-term:</b>				
Other loans / Commercial papers (international and domestic)	93,879	27,427	93,879	27,427
Value added tax	8,869	4,848	8,869	4,669
Electricity tax	1,919	1,733	1,919	1,733
Other short-term debt	434	421	434	417
<b>Total</b>	<b>105,103</b>	<b>34,428</b>	<b>105,103</b>	<b>34,246</b>



26. ACCRUALS, 1,000 €	Group		Parent company	
	2004	2003	2004	2003
<b>Long-term:</b>				
Accruals of sales	350	800	350	800
<b>Short-term:</b>				
Interests and other financial items	18,352	21,017	18,352	21,017
Wages, salaries and additional staff costs	2,762	2,832	2,762	2,814
Accruals of sales and purchases	3,380	2,426	3,380	2,410
Other	27	212	24	208
<b>Total</b>	<b>24,521</b>	<b>26,487</b>	<b>24,518</b>	<b>26,450</b>
<b>27. PROVISIONS FOR LIABILITIES AND CHARGES 1,000 €</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Creosote and CCA-impregnated wooden towers, disposal expenses	2,072		2,072	
<b>Total</b>	<b>2,072</b>		<b>2,072</b>	

28. PLEDGES, MORTGAGES AND CONTINGENT LIABILITIES, 1,000 €	2004	2003	2004	2003
<b>Leasing liabilities (motor vehicles)</b>				
Leasing liabilities for the next year	104	102	104	99
Leasing liabilities for subsequent years	100	101	100	101
	204	203	204	199
<b>Commitment fee of revolving credit facility</b>				
Commitment fee for the next year	405	407	405	407
Commitment fee for subsequent years	787	1,192	787	1,192
	1,192	1,599	1,192	1,599
<b>Pledges/bank balances</b>				
Pledge for the Customs Office	26	26	26	26
Pledge for electricity exchange purchases	1,307	1,983	1,307	1,983
	1,333	2,009	1,333	2,009
<b>Total</b>	<b>2,729</b>	<b>3,811</b>	<b>2,729</b>	<b>3,807</b>

Other financial liabilities	Group		Parent company	
	2004	2003	2004	2003
Purchase commitments concerning electricity, TWh	0.0	0.1	0.0	0.1
Donation to a five-year professorship to Helsinki University of Technology	600		600	

### 29. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

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 other ongoing legal proceedings or proceedings by the authorities with material adverse effect on the Group's operations.

30. DERIVATIVE AGREEMENTS, 1,000 €	Group and Parent			
	2004		2003	
	Market value 31 Dec 2004	Nominal value 31 Dec 2004	Market value 31 Dec 2003	Nominal value 31 Dec 2003
<b>Interest and currency derivatives</b>				
Cross-currency swaps	-81,847	343,741	-85,315	430,998
Forward contracts	-5,020	102,573	-1,805	84,917
Interest rate swaps	-6,484	273,456	-12,059	441,732
Interest rate options, bought	1,662	350,000	1,803	215,000
<b>Total</b>	<b>-91,689</b>	<b>1,069,770</b>	<b>-97,376</b>	<b>1,172,647</b>
<b>Electricity derivatives</b>				
Futures contracts, Nord Pool	-1	10		
Forward contracts of electricity, Nord Pool Clearing	2,266	52,349	7,800	76,820
Forward contracts of electricity, others	570	8,085	2,170	11,790
Call options, bought (44 GWh, 175 GWh in 2003)	187		630	
<b>Total</b>	<b>3,022</b>	<b>60,444</b>	<b>10,600</b>	<b>88,610</b>

Interest rate, cross-currency swaps and interest options are mark-to-market on the closing date so that the derived net cash flow was calculated on a net present value basis. Currency forwards are mark-to-market by using prevailing forward rates of the closing day.

Forward contracts of electricity, others, includes fixed price physical purchase commitments concerning electricity purchases. Options are hedging the year 2006. The derivatives hedge future electricity losses. Mark-to-market value of derivatives indicates the realised profit/loss if they had been reversed on the last business day of 2004.




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## 31. RISK MANAGEMENT

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The risk management complies with the Group's risk management policy approved by the Board of Directors. Risk management refers to those procedures that are used for identifying and assessing the risks caused by various threats and, if necessary, for hedging against damage or loss related to the risks. The Fingrid Group's business risk management policies support integrated risk management. The objective of Fingrid's risk management policy is to control risk-related damage or loss through cost-efficient measures. Hedging against risks must be carried out whenever the costs caused by hedging are reasonable in relation to the magnitude of the risk. When assessing the magnitude of a risk the probability, economical effects and other damages are taken into consideration. The main projects for the annual risk management programme are selected on the basis of an annual risk analysis.

### Financial risk management

The Board of Directors of Fingrid Oyj approves the financial policy for each year, stating the operational principles 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 treasury reports four times a year to the Board of Directors. Fingrid's objective is to hedge itself comprehensively against financial market fluctuations. The company has a long-term diversified debt portfolio where the target is to eliminate foreign exchange risks and where the interest rate risks have been adjusted to the tariff period of the company.

### Liquidity management

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

### 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

The principle of the company is to adjust the interest expenses to the prevailing tariff period. During the tariff period the interest rate risk is measured 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 company manages interest rate risks through interest rate options and interest rate swaps and further by keeping the interest rate refixing profile evenly distributed over the years. These methods together decrease the immediate impact of interest rate fluctuations on the interest rate expenses during the tariff period.

### Counterparty risk in financing

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

### Management of risk relating to loss energy purchases

The principle of the company is to adjust the loss energy purchases to the tariff period. The company hedges its loss energy purchases through electricity exchange products and bilateral contracts. Bilateral purchasing contracts are subject to competitive bidding and limits are set for each individual counterparty.

The loss energy contracts are valued at market value on the closing date by using then prevailing market prices. The market price of bilateral price hedging contracts is assumed to equal the closing rate of a similar product on the Nord Pool power exchange at the last trading date of the year 2004. The foreign exchange risks relating to the contracts have been fully hedged.



## 32. SEPARATION OF BUSINESS IN ACCORDANCE WITH THE ELECTRICITY MARKET ACT

### Management of balance operation

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

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

Income	direct
Separate costs	direct
Production costs	matching principle
Administrative costs	matching principle
Depreciations	matching principle
Financial income and expenses	based on invested capital
Income taxes	based on result

Average number of personnel during the year was 12 (12). Operating profit was 1.3 (4.6) per cent. Return on investment was 15.7 (90.3) per cent.

SEPARATED PROFIT AND LOSS ACCOUNT, 1,000 €	MANAGEMENT OF BALANCE OPERATION	
	1 Jan - 31 Dec 2004	1 Jan - 31 Dec 2003
<b>TURNOVER</b>	55,691	69,240
Other operating income	0	0
Materials and services	-52,559	-63,642
Staff expenditure	-1,076	-1,141
Depreciation and value adjustment	-441	-494
Other operating expenses	-885	-761
<b>OPERATING PROFIT</b>	<b>730</b>	<b>3,202</b>
Financial income and expenses	-24	-38
<b>PROFIT BEFORE PROVISIONS AND TAXES</b>	<b>706</b>	<b>3,164</b>
Provisions	146	-32
Income taxes	-248	-908
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>604</b>	<b>2,224</b>

### Main grid operation

The operations carried out by Fingrid Group, in whole, are related to main grid operation, including system responsibility, which in turn includes balance management; and including international business operation, because its overall contribution is minimal. Therefore, Fingrid Group's financial statements represent the financial statements of main grid operation.



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

In accordance with the consolidated balance sheet at 31 December 2004, the shareholders' equity of the Fingrid Group contains € 10,962,251.88 of distributable profits.

In accordance with the balance sheet at 31 December 2004, the shareholders' equity of Fingrid Oyj contains € 12,211,321.24 of distributable profits.

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

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

- € 5,578,910.49 be carried over as retained earnings.

Helsinki, 15 February 2005

Timo Rajala  
Chairman

Tapio Kuula  
1st Deputy Chairman

Taisto Turunen  
2nd Deputy Chairman

Marjukka Aarnio

Timo Karttinen

Timo Koivuniemi

Esa Auvinen

Timo Toivonen  
President and CEO

## AUDITOR'S NOTATION

The financial statements for the financial year 2004 have been prepared in accordance with Generally Accepted Accounting Principles.

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

Helsinki, 16 February 2005

PricewaterhouseCoopers Oy  
Authorised Public Accountants

Henrik Sormunen  
Authorised Public Accountant