



FINGRID OYJ

ANNUAL REVIEW AND FINANCIAL STATEMENTS

1 JANUARY 2006–31 DECEMBER 2006

CONTENTS	Page
1. Annual review	
Report of the Board of Directors	4-6
Key indicators	7
The Board of Directors' proposal for the distribution of profit	8
2. Financial statements	
Consolidated financial statements (IFRS)	
Income statement	9
Balance sheet	10-11
Statement of changes in equity	12
Cash flow statement	13
Notes to the financial statements	14-32
Parent company financial statements (FAS)	
Income statement	33
Balance sheet	34-35
Cash flow statement	36
Notes to the financial statements	37-50
3. Signatures for the annual review and for the financial statements	51
Auditor's report	52
Stock exchange releases 2006	53

I. ANNUAL REVIEW

REPORT OF THE BOARD OF DIRECTORS

It has turned out to be very challenging to balance the various objectives of energy policy in a constantly and rapidly changing operating environment. In fact, energy became one of the foremost topics of the year in the whole Europe.

The Nordic countries are integrating into the European electricity market. Integration is based on a well-functioning wholesale market, which requires a sufficient transmission capacity between countries, efficient congestion management mechanism, and a liquid spot market for electricity in the various regions in Europe. The discussion concerning the future of the electricity market has clearly emphasised the vital role of transmission system operators in guaranteeing a high system security and in developing the market infrastructure.

Fingrid's positive profit trend enabled the company to decrease the price level of grid service by 5 per cent as of the beginning of 2007. Fingrid also made a similar decrease in the prices a year before.

I FINGRID IN THE ELECTRICITY MARKET

Total electricity consumption in Finland in 2006 amounted to 90 terawatt hours, of which Fingrid transmitted 67.3 terawatt hours in its grid. Electricity consumption increased by 6.5 per cent on the previous year. The exceptionally high growth rate was due to the long labour market dispute in the Finnish forest industry in 2005, as a result of which electricity consumption decreased in that year.

The weather in January was very cold, and a new record in electricity consumption, approx. 14,800 megawatts, was reached in Finland. For the first time during its history, Fingrid gave the market notices of a threat of power shortage. Even though Russia imposed simultaneous restrictions in electricity deliveries to Finland at a short notice, the operating situation did not result in a power shortage or interruptions of electricity supply. At Midsummer, electricity consumption in Finland reached the lowest figure of the year, approx. 6,000 megawatts, which is almost 2,000 megawatts higher than in the previous years. This increased consumption came from the changed practice for Midsummer shutdowns in the Finnish forest industry.

The dry summer period decreased the Nordic water reservoirs to a minimum level. This, together with shutdowns of nuclear power units in Sweden, changed the transmissions so that imports of electricity from Sweden to Finland turned to exports from Finland to Sweden. However, abundant rainfall during the latter part of the year normalised the water reservoirs, and electricity exports from Finland decreased.

For 93 per cent of the time in 2006 Finland and Sweden constituted a uniform price area. The damage of the sea cable in December did not have any impact on the uniform price area between the countries.

The entire transmission capacity between Finland and Russia was reserved during 2006. The capacity utilisation rate was 93 per cent. The entire transmission capacity from Russia has also been reserved for 2007. The transmission capacity is reserved between several international market participants.

United Power Oy's application for the construction of a cross-border line from Russia to Finland was processed by the Ministry of Trade and Industry. The Ministry rejected the application.

2 CAPITAL EXPENDITURE AND GRID MAINTENANCE

Fingrid's gross capital expenditure in 2006 was 70 million euros (63 million euros in 2005). Of this amount, a total of 53 million euros were used for the grid. The focus of capital expenditure was in Southern Finland, but the grid construction decisions made in 2006, totalling approx. 200 million euros, will shift the focus to the north in the coming years.

The first phase in the reinforcement of the grid connection of the Olkiluoto nuclear power plant, the renewal of the 110 kilovolt line from Olkiluoto to Rauma, was completed in 2006. Three existing 400 kilovolt lines were connected to the new substation in Huittinen. The construction of the new substation at Olkiluoto and the building of the new 400 kilovolt transmission line from Olkiluoto to Huittinen continued, with both of these due to be complete in the autumn of 2007. Modernisation projects at several substations were also in progress during the year. The replacement of aluminium towers continued.

The expansion of the Tammisto substation in Vantaa, which secures electricity supply in the Helsinki region, was completed. Another completed project was the expansion of the Espoo substation, enabling the connection of the Estlink direct current connection between Estonia and Finland to the Finnish grid. A 110 kilovolt transmission line from Tikinmaa to Multisilta was renewed south of Tampere.

The construction of a 400 kilovolt transmission line from Ulvila to Kangasala also continued in 2006. A landscape tower named "Pirkanpylväs" was erected along the line in December. Preparations for the upgrading of the Ulvila and Kangasala substations were launched. The Kangasala substation will have a static reactive power compensator, which will dampen low-frequency power oscillations and increase the transmission capacity between Finland and Sweden. The construction of a gas turbine power plant at the Olkiluoto power plant area continued; this project had commenced in 2005. The installation of the main machinery at the plant started in the autumn, and the entire plant will be ready in the summer of 2007.

The route of Fenno-Skan 2, the new direct current connection to be built between Finland and Sweden, was chosen based on the results of a seabed survey carried out in the summer. This sea cable due to be ready in 2010 will increase the transmission capacity between Finland and Sweden by 800 megawatts.

Approximately 12 million euros were used for the maintenance and local operation of the Finnish grid in 2006, and a total of approx. 2 million euros were used for the maintenance of gas turbine power plants.

Research and development were allocated 1 million euros. The focal areas in R&D were real-time management of the power system and its equipment and environmental impacts of transmission lines.

3 FINANCIAL RESULT

Revenue of the Fingrid Group in 2006 was 351 million euros (317 million euros). Despite the 5 per cent tariff reduction carried out at the beginning of the financial year, grid revenue grew slightly as a result of increased electricity consumption. Revenue from the sales of balance power grew on the previous

year to 95 (61) million euros. The costs of maintaining the European electricity market and the costs of maintenance management decreased, but the depreciation costs and the costs of loss energy purchases increased. Operating profit excluding the change in the fair value of electricity derivatives was 98 (97) million euros.

The operating profit in accordance with international financial reporting standards (IFRS) was 80 (110) million euros, which contains 18 (+13) million euros of negative change in the fair value of electricity derivatives. The Group's profit for the year was 38 (56) million euros.

The return on investment was 6.4 (8.7) per cent and the return on equity 10.4 (16.9) per cent. The equity ratio was 25.5 (23.9) per cent at the end of the review period. Revenue of the parent company was 351 (317) million euros and profit for the financial year 7 (8) million euros.

4 FINANCING

The financial position of the Group continued to be good throughout the review period. The net financial costs excluding the portion of the profit of associated companies decreased to 29 (36) million euros, which includes 3 (-1.4) million euros of positive change in the fair value of financial derivatives. The average interest rate of interest-bearing liabilities, including capital loans and hedging costs, was 3.61 (3.95) per cent. The cash flow from the operations of the Group deducted by capital expenditure and dividends was 31 (51) million euros.

The financial assets at 31 December 2006 totalled 204 (188) million euros. The interest-bearing liabilities, including derivative liabilities, totalled 970 (986) million euros, of which 758 (694) million euros were long-term and 213 (292) million euros were short-term. The counterparty risk involved in the financial derivative contracts was 8 (9) million euros. Available committed long-term loan facilities amounted to 250 (250) 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 international rating agencies Moody's Investors Service and Standard & Poor's Rating Services affirmed Fingrid Oyj's credit ratings in October 2006. The credit ratings 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 242 persons, including temporary employees, at the end of 2006. The corresponding figure a year before was 235.

Of the personnel employed by the company, 21 per cent (23 per cent in 2005) are women and 79 (77) per cent are men. Among permanent personnel, those in age group 24 - 29 years of age numbered 24 in 2006 (24 in 2005), 30 - 34 years 32 (26), 35 - 39 years 30 (30), 40 - 44 years 32 (31), 45 - 49 years 38 (39), 50 - 54 years 20 (18), 55 - 59 years 39 (39), and age group 60 - 65 years 13 (17).

During 2006, a total of 10,449 (8,080) hours were used for personnel training, with an average of 45 (36) hours per person.

Employee absences on account of illness in 2006 accounted for 2 per cent of the total working hours, which was at the same level as in 2005. 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 AND CORPORATE MANAGEMENT

Fingrid Oyj's Annual General Meeting was held on 17 March 2006. Tapio Kuula, President, was elected as the Chairman of the Board, Arto Lepistö, Industrial Counsellor, as the First Deputy Chairman of the Board, and Timo Rajala, President and CEO, as the Second Deputy Chairman of the Board. The Board members elected were Marjukka Aarnio, Industrial Counsellor, Risto Autio, Director, Alternatives, Timo Karttinen, Senior Vice President, and Anja Silvennoinen, Vice President, Energy.

Timo Toivonen, Fingrid's President & CEO, retired on 31 December 2006. As of 1 January 2007 Jukka Ruusunen started as the new President & CEO of the company.

7 RISK MANAGEMENT

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, the 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 struc-

tures 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 related to high voltage transmission may be harmful to the company's operation. 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 the 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 rate level over a long period of time may weaken the company's financial position.

7.6 Counterparty risk

Fingrid's counterparty risk arises from 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 primarily so that when the interest rates are low, the company can hedge 70 per cent of the interest costs over the next five years, and when the interest rates are high, the hedging level is only 30 per cent. A similar principle is applied in managing the costs 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.

The procedures for operative risk management were changed in 2006 so that the analysis and management responsibility for risks was decentralised to the line organisation. Development projects will be launched in order to control growing risks or new significant risks, with the progress of these projects within the various functions reported to the President. Moreover, an evaluation group was established within the company for the quality assurance of further follow-up of operating disturbances. The principles of corporate security were updated to conform to the amended procedures.

8 ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

Fingrid applies an internal environmental management system. The environmental principles of the company have been described in Fingrid's corporate social responsibility and environmental policy. The primary environmental impacts of Fingrid's operations are caused by transmission line areas with their transmission lines and related substations.

Fingrid has approx. 30,400 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 property, plant and equipment.

Equipment used in Fingrid's substations contains approx. 22 tonnes of sulphur hexafluoride (SF₆ gas), which is categorised as a greenhouse gas. However, no provision has been made for the disposal cost of this gas because the SF₆ gas can be re-used after cleaning.

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

9 EVENTS AFTER THE CLOSING OF THE FINANCIAL YEAR AND ESTIMATE OF FUTURE OUTLOOK

There have been no material events or changes in Fingrid's business or financial situation after the closing of the financial year.

The company will continue the implementation of its extensive capital expenditure programme. The programme will raise the company's annual capital expenditure level to approx. 100 million euros in the coming years. The foremost individual capital expenditure projects comprise the grid reinforcements required by the nuclear power unit being constructed at Olkiluoto, the new 100 megawatt reserve power plant, and the second sea cable connection between Finland and Sweden.

In 2007, grid revenue is expected to stay at the level of 2006. Anticipating the total revenue and expenses of the Group is, however, complicated by variations in electricity transmissions caused by the Nordic water reservoir situation and in the sales volume of balance power.

Fingrid serves as the chairman of Nordel, the co-operation organisation of the Nordic transmission system operators, for a two-year period which commenced in the summer of 2006. The principal development issues in view of the Nordic electricity market are related to the implementation of the agreed priority cross-section projects within the settled schedule and on the other hand to the planning of capital expenditure required after these projects. Shared solutions should be found to congestion management and to the distribution model for bottleneck revenues, supporting the further development of regional markets.

Co-operation corresponding to that between the Nordic countries is being developed with the transmission system operators in the Baltic countries. The Estlink connection completed in 2006 is the first link between the Baltic countries and the Nordic electricity market. The Nordic model for co-operation between transmission system operators can be applied to the development of regional electricity markets in the Baltic countries and to their integration into the surrounding electricity market.

Fingrid will continue to develop the principles of electricity imports from Russia, taking into account the present and future needs of both the Nordic and Russian power systems.

CONSOLIDATED KEY INDICATORS

		2002	2003	2004	2005	2006
		FAS	FAS	IFRS	IFRS	IFRS
Extent of operations						
Turnover	million €	272.6	297.6	301.8	316.7	351.3
Capital expenditure, gross	million €	50.2	43.7	42.9	63.3	69.6
- of turnover	%	18.4	14.7	14.2	20.0	19.8
Research and development expenses	million €	1.1	1.3	1.1	1.6	1.2
- of turnover	%	0.4	0.4	0.4	0.5	0.4
Personnel, average		211	227	233	228	238
Personnel, end of year		210	220	220	231	233
Salaries and bonuses, total	million €	13.8	14.7	12.0	12.7	13.8
Profitability						
Operating profit	million €	91.0	90.5	101.5	110.0	79.5
- of revenue	%	33.4	30.4	33.6	34.7	22.6
Profit before taxes	million €	38.6	37.5	59.1	75.1	51.5
- of revenue	%	14.1	12.6	19.6	23.7	14.7
Return on investment (ROI)	%	7.2	7.3	8.2	8.7	6.4
Return on equity (ROE)	%	12.2	10.8	17.5	16.9	10.4
Financing and financial position						
Equity ratio	%	17.1	18.7	21.6	23.9	25.5
Interest-bearing net liabilities	million €	940.5	903.0	847.6	797.9	766.3
Share-specific indicators						
Earnings per share	€	8,275	7,972	14,884	16,761	11,531
Dividends per share	€	1,995	1,995	1,995	1,995	2,082
Equity per share	€	70,990	76,886	91,640	106,439	115,952
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, %	=	$\frac{\text{Profit before taxes + interest and other finance costs}}{\text{Balance sheet total - non-interest-bearing liabilities (average for the year)}} \times 100$
Return on equity, %	=	$\frac{\text{Profit for the financial year}}{\text{Shareholders' equity (average for the year)}} \times 100$
Equity ratio, %	=	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}} \times 100$
Earnings per share, €	=	$\frac{\text{Profit for the financial year}}{\text{Average number of shares}}$
Dividends per share, €	=	$\frac{\text{Dividends for the financial year}}{\text{Average number of shares}}$
Equity per share, €	=	$\frac{\text{Shareholders' equity}}{\text{Number of shares at closing date}}$
Interest-bearing net liabilities, €	=	Interest-bearing liabilities - cash and cash equivalents

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

Fingrid Oyj's distributable funds in the financial statements are 13,090,936.51 euros.
After the closing of the financial year, there have not been essential changes in the financial position of the company, nor does the proposed dividend distribution threaten the solvency of the company according to the Board of Directors.

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

- 2,082.17 euros of dividend per share be paid in accordance with article 5 of the Articles of Association, totalling 6,923,203.71 euros
- 6,167,732.80 euros be carried over as unrestricted equity.

2. FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

CONSOLIDATED INCOME STATEMENT

	Notes	1 Jan - 31 Dec 2006 1,000 €	1 Jan - 31 Dec 2005 1,000 €
REVENUE	2	351,326	316,700
Other operating income	3	2,210	2,410
Raw materials and consumables used	4	-154,950	-120,726
Employee benefits expense	5	-17,917	-17,069
Depreciation	6	-52,254	-48,589
Other operating expenses	7	-48,867	-22,700
OPERATING PROFIT		79,548	110,026
Portion of profit of associated companies	8	1,190	709
Finance income	8	5,885	4,430
Finance costs	8	-35,139	-40,101
Finance income and costs		-28,064	-34,962
PROFIT BEFORE TAXES		51,485	75,063
Income taxes	9	-13,143	-19,334
PROFIT FOR THE FINANCIAL YEAR		38,342	55,729
Attributable to Equity holders of parent company		38,342	55,729
Earnings per share, €	10	11,531	16,761
Earnings per share for profit attributable to the equity holders of the parent company			
Undiluted earnings per share, €	10	11,531	16,761
Diluted earnings per share, €	10	11,531	16,761

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	31 Dec 2006 1,000 €	31 Dec 2005 1,000 €
NONCURRENT ASSETS			
Intangible assets:			
Goodwill	12	87,920	87,920
Other intangible assets	13	80,450	80,359
		168,370	168,279
Property, plant and equipment:			
Land and water areas	14	10,496	10,334
Buildings and structures		45,970	44,648
Machinery and equipment		402,144	403,215
Transmission lines		543,135	552,506
Other property, plant and equipment		2,694	3,465
Advance payments and purchases in progress		61,343	34,271
		1,065,782	1,048,440
Investments:			
Equity investments in associated companies	15	6,856	6,384
Available-for-sale investments		315	300
		7,171	6,684
Receivables:			
Finance receivables	16	11,738	3,765
Deferred tax assets	21	538	538
Other receivables	25	1,131	16,240
		13,407	20,543
TOTAL NONCURRENT ASSETS		1,254,730	1,243,945
CURRENT ASSETS			
Inventories	17	3,819	2,864
Finance receivables	16	369	3,141
Trade receivables and other receivables	18	50,480	44,041
Tax assets		320	241
Financial assets recognised in income statement at fair value	19	186,728	184,934
Cash and cash equivalents	19	17,358	2,988
TOTAL CURRENT ASSETS		259,075	238,210
TOTAL ASSETS		1,513,805	1,482,155

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES		31 Dec 2006	31 Dec 2005
	Notes	1,000 €	1,000 €
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	20	55,922	55,922
Share premium account	20	55,922	55,922
Revaluation reserve	20	45	33
Translation reserve	15	63	152
Retained earnings		273,589	241,879
TOTAL EQUITY		385,542	353,910
NONCURRENT LIABILITIES			
Deferred tax liabilities	21	91,964	81,038
Interest-bearing liabilities	23	757,547	693,846
Provisions	24	2,067	2,067
Other liabilities	26	3,009	150
		854,586	777,101
CURRENT LIABILITIES			
Interest-bearing liabilities	23	212,813	291,991
Trade payables and other liabilities	27	60,864	59,153
		273,676	351,144
TOTAL LIABILITIES		1,128,263	1,128,245
TOTAL EQUITY AND LIABILITIES		1,513,805	1,482,155

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1,000 €	Notes	Share capital	Share premium account	reserve	Translation reserve	Retained earnings	Total
Attributable to equity holders of the parent company							
Equity 1 Jan 2005		55,922	55,922	3	72	192,783	304,702
Translation reserve	15				80		80
Dividend distribution	11					-6,632	-6,632
Other changes	20			31			31
Profit for the financial year						55,729	55,729
Equity 31 Dec 2005		55,922	55,922	33	152	241,879	353,910
Translation reserve	15				-88		-88
Dividend distribution	11					-6,632	-6,632
Other changes	20			11			11
Profit for the financial year						38,342	38,342
Equity 31 Dec 2006		55,922	55,922	45	63	273,589	385,542

CONSOLIDATED CASH FLOW STATEMENT

Note	1 Jan - 31 Dec 2006 1,000 €	1 Jan - 31 Dec 2005 1,000 €
Cash flow from operating activities:		
Profit for the financial year	38,342	55,729
Adjustments:		
Business transactions not involving a payment transaction*	69,186	36,465
Interest and other finance costs	35,139	40,101
Interest income	-5,881	-4,426
Dividend income	-5	-4
Taxes	13,143	19,334
Changes in working capital:		
Change in trade receivables and other receivables	-6,344	-1,231
Change in inventories	-955	1,374
Change in trade payables and other liabilities	523	1,051
Change in provisions		-4
Interests paid	-41,555	-48,579
Interests received	5,381	8,944
Taxes paid	-2,299	-2,514
Net cash flow from operating activities	104,675	106,240
Cash flow from investing activities:		
Purchase of property, plant and equipment	-65,548	-51,847
Purchase of intangible assets	-2,438	-1,966
Purchase of other assets		
Proceeds from other investments	3	2
Proceeds from sale of property, plant and equipment		4,237
Repayment of loans receivable	85	84
Dividends received	634	722
Net cash flow from investing activities	-67,265	-48,767
Cash flow from financing activities:		
Withdrawal of short-term loans	76,788	124,117
Repayment of short-term loans	-82,837	-89,295
Withdrawal of long-term loans	151,601	140,610
Repayment of long-term loans	-160,434	-181,749
Dividends paid	-6,632	-6,632
Net cash flow from financing activities	-21,515	-12,949
Net change in cash and cash equivalents	15,896	44,523
Cash and cash equivalents 1 Jan	187,922	143,356
Impact of changes in fair value of investments	268	43
Cash and cash equivalents 31 Dec	204,087	187,922
Notes to consolidated cash flow statement		
Adjustments:		
* Business transactions not involving a payment transaction	69,186	36,465
- Depreciation	52,254	48,589
- Capital gains/losses (-/+) on property, plant and equipment and intangible assets	-2	-463
- Portion of profit of associated companies	-1,190	-713
- Gains/losses from the valuation of assets and liabilities recognised in income statement at fair value	18,124	-13,609
- Others		2,661

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES OF CONSOLIDATED FINANCIAL STATEMENTS

Fingrid Oyj is a Finnish public limited company established in accordance with Finnish law. Fingrid's consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. Fingrid's registered office is in Helsinki at address PL 530 (Arkadiankatu 23 B), 00101 Helsinki.

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

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

Fingrid Oyj's Board of Directors has accepted the publication of these financial statements in its meeting of 12 February 2007. In accordance with the Finnish Companies Act, the shareholders have an opportunity to adopt or reject the financial statements in the shareholders' meeting held after their publication. The shareholders' meeting can also amend the financial statements.

Primary business areas

Fingrid Oyj is the national transmission system operator responsible for the main electricity transmission grid in Finland. The company's responsibilities are to develop the main grid, 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 Porvoon Alueverkko Oy (ownership 33.3%) and Nord Pool Spot AS (ownership 20%). The Group has no joint ventures.

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

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 amounts may differ from these estimates but the estimates do not involve significant risks.

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.

Revenue and sales recognition

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

Contributions

Contributions received from the EU or other parties are recognised in the income statement 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 income statement in the year to which they relate. Costs resulting from benefit-based schemes are recorded in the income statement 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 income statement 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 property, plant and equipment, and the resulting liabilities are recorded 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 property, plant and equipment of the lessor. Lease payments resulting from finance leases are broken down into a finance cost 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 property, plant and equipment or the lease period.

Lease obligations where the risks and rewards incident to ownership remain with the lessor are recorded as other leases. Lease obligations paid on the basis of other leases are recorded in other operating expenses, and they are recognised in the income statement as equally large items during the lease period.

Foreign currency transactions

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

Foreign exchange gains and losses from translating the income statement items of the foreign associated company to the mid-rate and from translating its balance sheet items to the rate at the closing date are presented as a separate item in shareholders' equity. 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 income statement include the Group companies' accrual taxes for the profit of the financial year, tax adjustments from previous financial years and changes in deferred taxes. In accordance with IAS 12, the Group records deferred tax assets as noncurrent receivables and deferred tax liabilities as noncurrent liabilities.

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

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

Earnings per share

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

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

Goodwill and other intangible assets

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

The Group 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 impairment.

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 income statement when they materialise.

Emission rights

Emission rights acquired free of charge are valued in intangible assets at their market price at the time of acquisition, and purchased emission rights are recorded at the acquisition cost. 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. No depreciation is recorded of emission rights. They are derecognised in the balance sheet at the time of transfer when the actual emissions have been ascertained.

A provision is recorded of emission rights to be returned. If the Group has a sufficient volume of emission rights to cover the return obligations, the provision is recognised at the carrying amount corresponding to the emission rights in question. If there are not sufficient emission rights to cover the return obligations, the provision is recognised at the market price of the emission rights in question.

Property, plant and equipment

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

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

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

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

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

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

Impairment

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

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

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

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

Available-for-sale investments

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

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.

Trade receivables and other receivables

Trade receivables and other receivables are recorded at the original value. The amount of doubtful receivables is estimated based on the risks of individual items. An impairment loss of receivables is recorded when there is valid evidence that the Group will not receive all of its receivables at the original terms (e.g. due to the debtor's serious financial problems, likelihood that the debtor will go bankrupt or subject to other financial rearrangements, and negligence of due dates of payments by more than 30 days). Impairment losses are recorded directly to reduce the carrying amount of receivables.

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 income statement 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 income statement in finance income and costs.

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

Financial securities and cash and cash equivalents

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

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

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 securities and other cash equivalents are derecognised when they mature, are sold or otherwise disposed of.

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 the 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

The Group has not adopted the following published IFRS/IAS-standards and interpretations, compliance to which is not yet mandatory: Amendment to IAS 1 - Capital Disclosures, IFRS 7 Financial Instruments: Disclosures, IFRS 8 Operating Segments, IFRIC 7 Applying the Restatement Approach, IFRIC 8 Scope of IFRS 2, IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 10 Interim Financial Reporting and Impairment, IFRIC 11-IFRS 2 Group and Treasury Share Transactions, and IFRIC 12 Service Concession Arrangements. The assessment is that these changes will not have any material impact on the Group's profit or balance sheet position.

2. INFORMATION ON REVENUE AND 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 Fin-grid. Fingrid charges a consumption fee, use of grid fee, connection point fee and market border fee for the grid service. The contract terms are equal and public.

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

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

3. OTHER OPERATING INCOME, 1,000 €	2006	2005
Rental income	1,592	1,602
Contributions received	136	94
Other income	483	715
Total	2,210	2,410

4. RAW MATERIALS AND CONSUMABLES USED, 1,000 €	2006	2005
Purchases during financial year	141,152	96,923
Foreign exchange gains and losses		190
Change in inventories, increase (-) or decrease (+)	-955	1,374
Materials and consumables	140,197	98,488
External services	14,753	22,238
Total	154,950	120,726

5. EMPLOYEE BENEFITS EXPENSE, 1,000 €	2006	2005
Salaries and bonuses	13,808	12,750
Pension expenses - contribution-based schemes	2,218	2,089
Pension expenses - benefit-based schemes (note 22)	552	1,060
Other additional personnel expenses	1,339	1,170
Total	17,917	17,069

Salaries and bonuses of top management (note 32)	1,178	1,189
Number of salaried employees in the company during the financial year:		
Personnel, average	238	228
Personnel, 31 Dec	233	231

6. DEPRECIATION, 1,000 €	2006	2005
Intangible assets	1,467	1,603
Buildings and structures	1,817	1,735
Machinery and equipment	22,214	19,904
Transmission lines	25,902	24,549
Other property, plant and equipment	856	798
Total	52,254	48,589

7. OTHER OPERATING EXPENSES, 1,000 €	2006	2005
Contracts, assignments etc. undertaken externally	21,879	25,245
Gains from measuring electricity derivatives at fair value	18,117	-13,218
Rental expenses	2,207	2,498
Foreign exchange gains and losses	298	-621
Other expenses	6,366	8,796
Total	48,867	22,700

8. FINANCE INCOME AND COSTS, 1,000 €	2006	2005
Portion of profit of associated companies	-1,190	-709
Interest income	-5,881	-4,426
Dividend income	-5	-4
	-5,885	-4,430
Interest expenses	37,663	37,835
Gains from measuring derivative contracts at fair value	-8,924	-8,911
Losses from measuring derivative contracts at fair value	5,943	10,285
Foreign exchange gains	-33,720	-21,252
Foreign exchange losses	33,846	21,176
Other finance costs	331	967
	35,139	40,101
Total	28,064	34,962

9. INCOME TAXES, 1,000 €	2006	2005
Direct taxes	2,221	2,428
Deferred taxes (note 21)	10,922	16,906
Total	13,143	19,334

Reconciliation of income tax:		
Profit before taxes	51,485	75,063
Tax calculated in accordance with statutory tax rate in Finland	13,386	19,516
Non-deductible expenses and tax-free income	-243	-182
Tax expense in income statement	13,143	19,334

10. EARNINGS PER SHARE	2006	2005
Profit for the financial year, 1,000 €	38,342	55,729
Weighted average number of shares, qty	3,325	3,325
Undiluted earnings per share, €	11,531	16,761
Diluted earnings per share, €	11,531	16,761

11. DIVIDEND PER SHARE

After the closing date, the Board of Directors has proposed that a dividend of 2,082.71 (2005: 1,994.71) euros per share be distributed, totalling 6.9 (2005: 6.6) million euros.

12. GOODWILL, 1,000 €	2006	2005
Cost at 1 Jan	87,920	87,920
Cost at 31 Dec	87,920	87,920
Carrying amount 31 Dec	87,920	87,920

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

In impairment testing, the recoverable amount from business is defined by means of value in use. The cash flow forecasts used in impairment calculations are based on financial plans approved by executive management, covering a period of 6 years. The expected cash flows during the subsequent years are estimated by extrapolating the expected cash flows using a growth estimate of zero per cent. The discount rate before taxes used in the calculations is 6.1%.

According to the view of the management, reasonable changes in the primary assumptions used in the calculations will not lead to a need for recording impairment losses.

13. INTANGIBLE ASSETS, 1,000 €	2006	2005
Land use rights		
Cost at 1 Jan	76,078	76,097
Increases 1 Jan - 31 Dec	484	642
Decreases 1 Jan - 31 Dec		-662
Cost at 31 Dec	76,562	76,078
Carrying amount 31 Dec	76,562	76,078
Other intangible assets		
Cost at 1 Jan	11,525	10,411
Increases 1 Jan - 31 Dec	1,073	1,114
Cost at 31 Dec	12,598	11,525
Accumulated depreciation according to plan 1 Jan	-7,244	-5,640
Depreciation according to plan 1 Jan - 31 Dec	-1,467	-1,603
Carrying amount 31 Dec	3,888	4,281
Carrying amount 31 Dec	80,450	80,359

14. PROPERTY, PLANT AND EQUIPMENT, 1,000 €	2006	2005
Land and water areas		
Cost at 1 Jan	10,334	10,176
Increases 1 Jan - 31 Dec	162	158
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	10,496	10,334
Carrying amount 31 Dec	10,496	10,334
Buildings and structures		
Cost at 1 Jan	56,179	53,797
Increases 1 Jan - 31 Dec	3,139	2,381

Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	59,317	56,179
Accumulated depreciation according to plan 1 Jan	-11,530	-9,795
Decreases, depreciation according to plan 1 Jan - 31 Dec		
Depreciation according to plan 1 Jan - 31 Dec	-1,817	-1,735
Carrying amount 31 Dec	45,970	44,648
Machinery and equipment		
Cost at 1 Jan	543,989	522,378
Increases 1 Jan - 31 Dec	21,142	23,167
Decreases 1 Jan - 31 Dec		-1,557
Cost at 31 Dec	565,131	543,989
Accumulated depreciation according to plan 1 Jan	-140,773	-121,261
Decreases, depreciation according to plan 1 Jan - 31 Dec		391
Depreciation according to plan 1 Jan - 31 Dec	-22,214	-19,904
Carrying amount 31 Dec	402,144	403,215
Transmission lines		
Cost at 1 Jan	714,428	699,267
Increases 1 Jan - 31 Dec	16,531	21,478
Decreases 1 Jan - 31 Dec		-6,318
Cost at 31 Dec	730,959	714,428
Accumulated depreciation according to plan 1 Jan	-161,922	-139,048
Decreases, depreciation according to plan 1 Jan - 31 Dec		1,675
Depreciation according to plan 1 Jan - 31 Dec	-25,902	-24,549
Carrying amount 31 Dec	543,135	552,506
Other property, plant and equipment		
Cost at 1 Jan	11,631	11,021
Increases 1 Jan - 31 Dec	84	611
Cost at 31 Dec	11,715	11,631
Accumulated depreciation according to plan 1 Jan	-8,166	-7,368
Depreciation according to plan 1 Jan - 31 Dec	-856	-798
Carrying amount 31 Dec	2,694	3,465
Advance payments and purchases in progress		
Cost at 1 Jan	34,271	20,494
Increases 1 Jan - 31 Dec	61,233	57,813
Decreases 1 Jan - 31 Dec	-34,160	-44,036
Cost at 31 Dec	61,343	34,271
Carrying amount 31 Dec	61,343	34,271
Carrying amount 31 Dec	1,065,782	1,048,440
15. INVESTMENTS, 1,000 €	2006	2005
Available-for-sale investments		
Cost at 1 Jan	300	261
Decreases 1 Jan - 31 Dec	-1	-2
Changes in fair value 1 Jan - 31 Dec	15	41
Carrying amount 31 Dec	315	300
The changes in fair value are recorded in equity (note 20).		
Equity investments in associated companies		
Cost at 1 Jan	6,384	6,312
Portion of profit 1 Jan - 31 Dec	1,190	709
Translation differences 1 Jan - 31 Dec	-88	80
Dividends 1 Jan - 31 Dec	-629	-718
Carrying amount 31 Dec	6,856	6,384
Carrying amount 31 Dec	7,171	6,684

Goodwill contained in the carrying amount 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 €

	Assets	Liabilities	Revenue	Profit/ loss	Ownership (%)
2005					
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
	Assets	Liabilities	Revenue	Profit/ loss	Ownership (%)
2006					
Nord Pool Spot AS, Lysaker, Norway	333,784	316,668	11,219	5,714	20.0
Porvoon Alueverkko Oy, Porvoo, Finland	2,215	2,158	3,427	9	33.3
					Ownership (%)
Subsidiary shares 31 Dec 2006					
Fingrid Verkko Oy, Helsinki, Finland					100

16. FINANCE RECEIVABLES, 1,000 €	2006	2005
Noncurrent:		
Loans receivable from associated companies (note 32)	194	279
Receivables based on derivative contracts	11,544	3,486
	11,738	3,765
Current:		
Receivables based on derivative contracts	329	3,109
Other receivables	40	33
	369	3,141
Total	12,107	6,907
17. INVENTORIES, 1,000 €	2006	2005
Materials and consumables	3,793	2,864
Work in progress	27	
Total	3,819	2,864
18. TRADE RECEIVABLES AND OTHER RECEIVABLES, 1,000 €	2006	2005
Trade receivables	43,008	41,602
Trade receivables and other receivables from associated companies (note 32)	419	841
Prepayments and accrued income	7,016	1,587
Other receivables	37	11
Total	50,480	44,041
Essential items included in prepayments and accrued income		
Accruals of sales	6,197	469
Accruals of purchases/prepayments	569	865
Rents/prepayments	249	253
Total	7,016	1,587
Matured trade receivables 31 Dec	567	606

On 31 December 2006 or on 31 December 2005, the company did not have matured trade receivables of which impairment losses would have been recorded. Based on earlier payments, the company expects to receive the matured receivables in less than 3 months.

Trade receivables and other receivables broken down by currencies

EUR	48,701	43,523
USD	25	61
NOK	151	405
SEK	1,603	51
GBP		1
Total	50,480	44,041

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

19. CASH AND CASH EQUIVALENTS, 1,000 €	2006	2005
Certificates of deposit	49,400	54,012
Commercial papers	77,156	70,776
Investments in money market funds	60,172	60,145
	186,728	184,934
Cash in hand and bank receivables*	17,218	2,838
Money market deposits	140	150
	17,358	2,988
Total	204,087	187,922

* includes pledged bank accounts (note 28)

20. SHAREHOLDERS' EQUITY

Share capital and share premium account, 1,000 €	Share capital	Share premium account	Total
1 Jan 2005	55,922	55,922	111,845
Change			
31 Dec 2005	55,922	55,922	111,845
Change			
31 Dec 2006	55,922	55,922	111,845

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

Number of shares, qty	Series A shares	Series B shares	Total
1 Jan 2006	2,078	1,247	3,325
Change			
31 Dec 2006	2,078	1,247	3,325

The maximum number of shares is 13,000 as in 2005. The shares have no par value.

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

Series B shares have preferential right over series A shares to obtain the annual dividends specified below from the funds available for profit distribution. After this, a corresponding dividend is distributed to series A shares. If the annual dividend cannot

be distributed in some year, the shares confer a right to receive the undistributed amount from the funds available for profit distribution in the subsequent years; however so that series B shares have preferential right over series A shares to receive the annual dividend and the undistributed amount.

A shareholders' meeting decides on the annual dividend for series B shares on the following grounds:

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

Series B shares have preference with respect to dividends as stipulated in the Articles of Association. In 2002 - 2005, this dividend was 5.93% p.a. of the subscription price of the share. The dividend for 2006 is 6.19% p.a. of the subscription price of the share.

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	844	25.38	33.57
Public organisations	410	12.33	16.44
Financial and insurance institutions	1,237	37.20	16.55
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

Share premium account

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

Revaluation reserve, 1,000 €	2006	2005
1 Jan	33	3
Changes in fair value during financial year	15	41
Taxes on changes in fair value during financial year	-4	-11
Revaluation reserve 31 Dec	45	33

The revaluation reserve includes the changes in the fair value of available-for-sale investments (publicly quoted and unquoted securities).

Translation reserve

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

Dividends

The proposal for dividend distribution is presented in note 11.

21. DEFERRED TAXES, 1,000 €	2006	2005
Deferred tax assets		
Valuation of derivative contracts and other financial assets and liabilities at fair value	2,278	6,075
Other temporary differences	538	538
	2,816	6,613
Deferred tax liabilities		
Accumulated depreciation difference	83,864	71,786
Intangible assets	7,226	4,807
Valuation of derivative contracts and other financial assets and liabilities at fair value	2,623	9,978
Other temporary differences	528	542
	94,242	87,113
Total*	91,426	80,500
* Deferred net tax liability is broken down in the balance sheet as follows:		
Deferred tax assets	538	538
Deferred tax liabilities	91,964	81,038
Deferred tax assets		
Noncurrent	927	712
Current	1,889	5,901
	2,816	6,613
Deferred tax liabilities		
Noncurrent	92,968	81,680
Current	1,273	5,433
	94,242	87,113
Total	91,426	80,500
Change in deferred taxes recorded in balance sheet		
Deferred taxes (net) 1 Jan	80,500	63,583
Items recorded in income statement	10,922	16,906
Items recorded in shareholders' equity (note 20)	4	11
Deferred taxes (net) 31 Dec	91,426	80,500

22. PENSION COMMITMENTS

The most important pension scheme of the Group is a contribution-based scheme in accordance with TEL (Finnish Employee Pensions Act), where the benefits are determined directly on the basis of the beneficiary's earnings.

The Group 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 income statement, 1,000 €	2006	2005
Expenses based on service during financial year	533	1,029

Expected return on scheme assets	-99	-64
Interest expenses	118	94
Total	552	1,060
Benefit-based pension liability in balance sheet, 1,000 €	2006	2005
Present value of funded obligations	2,144	2,081
Fair value of scheme assets	-2,028	-1,923
Deficit/surplus	117	158
Unrecognised net actuarial gains (+) and losses (-)	-117	-158
Net liability		
Changes in present value of benefit obligations, 1,000 €	2006	2005
Present value of benefit obligations 1 Jan	2,081	938
Service cost	533	1,060
Interest cost on benefit obligations	118	94
Actuarial gains (+) and losses (-)	-587	-11
Present value of benefit obligations 31 Dec	2,144	2,081
Fair value of plan assets, 1,000 €	2006	2005
Fair value of plan assets 1 Jan	1,923	835
Expected return on plan assets	99	64
Contributions by employer	457	1,082
Actuarial gains (+) and losses (-)	-451	-58
Fair value of plan assets 31 Dec	2,028	1,923
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 (%)	0.00	0.00
Inflation %	2.00	2.00

The Group anticipates that it will pay 0.35 million euros in benefit-based pension schemes in 2007.

23. INTEREST-BEARING LIABILITIES, 1,000 €	2006		2005	
	Fair value	Balance sheet value	Fair value	Balance sheet value
Noncurrent				
Capital loans*	177,893	167,914	184,891	167,914
Bonds	514,321	513,170	438,057	432,165
Loans from financial institutions	43,317	42,938	76,207	75,295
Derivative liabilities	35,608	33,525	20,415	18,473
	771,139	757,547	719,570	693,846
Current				
Current portion of long-term liabilities maturing within a year	81,582	80,581	156,855	153,245
Derivative liabilities	12,792	12,792	7,979	7,547
Other loans / Commercial papers (international and domestic)	120,539	119,440	132,361	131,199
	214,913	212,813	297,196	291,991
Total	986,052	970,359	1,016,766	985,837

* 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 various currencies are measured at the present value on the basis of the yield curve of each currency. The discount rate includes the company-specific and loan-specific risk premium. 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 €				2006	2005
		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 €				2006	2005
Domestic:			Maturity date	Interest	
JVK II/1997			18.04.2006	6.00%	58,707
					58,707
International:			Maturity date	Interest	
EUR	15,000		13.09.2006	variable interest	15,000
EUR	22,000		14.06.2007	variable interest	22,000
EUR	25,000		06.04.2009	variable interest	25,000
EUR	10,000		31.03.2010	interest rate structure	10,000
EUR	10,000		16.03.2011	3.625%	10,000
EUR	25,000		23.03.2011	variable interest	25,000
EUR	15,000		24.03.2011	variable interest	15,000
EUR	20,000		07.04.2011	variable interest	20,000
EUR	25,000		16.03.2012	variable interest	25,000
EUR	20,000		28.04.2013	variable interest	20,000
EUR	20,000		15.10.2013	4.30%	20,000
EUR	24,000		02.07.2014	variable interest	24,000
				216,000	161,000
FIM	100,000		04.09.2008	4.75%	16,803
FIM	210,000		19.08.2013	5.20%	26,904
				43,707	43,698
USD	25,000		10.03.2006	variable interest	21,192
USD	25,000		13.03.2006	variable interest	21,192
USD	35,000		09.07.2007	variable interest	26,576
USD	30,000		23.03.2009	variable interest	22,779
				49,355	97,482
JPY	3,000,000		23.05.2008	0.925%	19,117
JPY	3,000,000		15.07.2009	1.84%	19,117
JPY	1,000,000		12.07.2010	2.00%	6,372
JPY	2,000,000		16.10.2010	1.022%	12,745
JPY	3,000,000		05.07.2011	1.31% *	19,117
JPY	3,000,000		25.07.2012	1.3575% **	19,117
JPY	3,000,000		20.04.2015	1.45%	19,117
				114,701	129,590

CHF	16,000	06.06.2007	2.00%	9,957	10,289
CHF	39,000	15.03.2010	2.24%	24,270	
CHF	39,000	22.05.2012	2.475%	24,270	
				58,498	10,289
GBP	10,000	07.08.2007	5.5225%	14,892	14,592
				14,892	14,592
CZK	750,000	05.05.2010	variable interest	27,288	25,862
				27,288	25,862
SEK	100,000	21.03.2013	variable interest	11,061	
SEK	200,000	03.04.2013	variable interest	22,123	
SEK	220,000	01.12.2015	interest rate structure	28,970	28,633
				62,154	28,633
Bonds, long-term total				513,170	432,165
Bonds, short-term total				73,425	137,689
Total				586,594	569,854

* call option not exercised 5 July 2004

** call option not exercised 25 July 2006

Maturity of noncurrent interest-bearing liabilities, 1,000 €

	2007	2008	2009	2010	2011	2011+	Total
Bonds	73,425	35,920	66,896	80,675	89,117	240,562	586,594
Loans from financial institutions	7,156	7,156	7,156	7,156	7,156	14,313	50,095
Total	80,581	43,076	74,052	87,831	96,273	254,875	636,689

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

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

	2006	2005
Provisions 1 Jan	2,067	2,072
Provisions used		-4
Provisions 31 Dec	2,067	2,067

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.

25. DERIVATIVE CONTRACTS, 1,000 €

	2006		2005	
	Net fair value 31 Dec 2006	Nominal value 31 Dec 2006	Net fair value 31 Dec 2005	Nominal value 31 Dec 2005
Interest rate and currency derivatives				
Cross-currency swaps	-43,608	322,252	-25,443	301,248
Forward contracts	-2,929	94,036	3,099	126,380
Interest rate swaps	-670	213,000	-2,941	218,000
Interest rate options, bought	10,599	530,000	3,486	420,000
Total	-36,609	1,159,288	-21,799	1,065,628
	Net fair value 31 Dec 2006	Volume TWh 31 Dec 2006	Net fair value 31 Dec 2005	Volume TWh 31 Dec 2005
Electricity derivatives				
Forward contracts of electricity, Nord Pool Clearing ASA	-3,009	2.81	15,407	1.94
Forward contracts of electricity, others	1,131	0.14	833	0.20
Total	-1,878	2.96	16,240	2.14

The fair values of financial derivatives are included in the balance sheet in noncurrent and current interest-bearing liabilities, interest and other financial liabilities, and noncurrent and current 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 a 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 2006.

Maturity of derivative contracts:

Nominal value, 1,000 €	2007	2008	2009	2010	2011	2011+	Total
Interest rate swaps	32,000	47,000	69,000	10,000	10,000	45,000	213,000
Interest rate options	60,000	140,000	20,000	290,000	20,000		530,000
Cross-currency swaps	51,425	19,117	41,896	70,675	19,117	120,023	322,252
Forward contracts	94,036						94,036
Total	237,461	206,117	130,896	370,675	49,117	165,023	1,159,288
TWh	2007	2008	2009	2010	2011	2011+	Total
Electricity derivatives	1.17	0.90	0.72	0.16			2.96
Total	1.17	0.90	0.72	0.16			2.96

26. OTHER LIABILITIES, 1,000 €	2006	2005
Electricity derivatives	3,009	
Accruals of sales		150
Total	3,009	150

27. TRADE PAYABLES AND OTHER DEBT, 1,000 €	2006	2005
Trade payables	24,835	23,427
Trade payables to associated companies	173	549
Interest liabilities	16,904	17,539
Value added tax	10,153	5,111
Electricity tax	2,081	2,201
Accruals	6,125	9,878
Other debt	594	448
Total	60,864	59,153

Essential items included in accruals	2006	2005
Personnel expenses	3,199	2,916
Accruals of sales and purchases	2,913	6,919
Other	13	43
Total	6,125	9,878

28. COMMITMENTS AND CONTINGENT LIABILITIES, 1,000 €	2006	2005
Pledges		
Pledge covering property lease agreement	38	38
Pledged account in favour of the Customs Office	27	27
Pledged account covering electricity exchange purchases	13,942	308
Total	14,007	372

Unrecorded investment commitments	63,519	85,739
Other financial commitments		
Commitment fee of revolving credit facility:		
Commitment fee for the next year	101	101
Commitment fee for subsequent years	496	596
	598	697
Purchase commitments concerning electricity, TWh		0.04
Supplementary pension scheme for 2007 - 2009 (note 22)	610	1,245
Donation of five-year professorship to Helsinki University of Technology for 2006 - 2010	480	600
29. OTHER LEASE AGREEMENTS, 1,000 €	2006	2005
Minimum rental obligations of other irrevocable lease agreements:		
In one year	1,767	1,505
In more than one year and less than five years	6,922	5,414
In more than five years	1,557	1,000
Total	10,247	7,919

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

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

30. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

In relation to transmission line projects there are several complaints made to different instances of justice. According to the management of the company there are no ongoing legal proceedings or other such legal proceedings relating to other areas, the final outcome of which would have a material impact on the financial position of the Group. The Market Court gave an order concerning Fingrid's appeal relating to the regulation methodology by the Energy Market Authority. The court order was in favour of the company.

31. FINANCIAL RISK MANAGEMENT

Primary principles for financing

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 operating 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. Besides these, the company is exposed to loss energy purchases risk and credit risk relating to business operations.

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 investments are made in a diversified manner in 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 five years 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 finance costs. These methods together decrease the immediate impact of interest rate fluctuations on the finance costs during the tariff period.

Interest rate risk is managed primarily so that when the interest rates are low, the company can hedge 70 per cent of the interest costs over the next five years, and when the interest rates are high, the hedging level is only 30 per cent.

During the tariff period, the interest rate risk is measured 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 finance costs, 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 arises from 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 invests its funds with counterparties having a good credit 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 over a time period from four to five 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 ongoing business, where the main areas are transmission system operation, balance service, loss energy purchases and 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.

32. 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 with its related parties. Transactions with the related parties are made at market prices.

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

Employee benefits of top management, 1,000 €	2006	2005
Salaries and other short-term employee benefits	1,178	1,189
Transactions with associated companies, 1,000 €	2006	2005
Sales	2,984	2,848
Purchases	51,062	31,993
Receivables	613	1,120
Liabilities	255	549
Loans receivable from associated companies, 1,000 €	2006	2005
1 Jan	279	363
Repayment of loans	-85	-84
31 Dec	194	279

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 related parties, 1,000 €	2006	2005
Sales	84,277	69,872
Purchases	56,880	41,472
Receivables	2,111	71
Liabilities	5,329	4,451

General procurement principles

The Group follows three alternative procurement methods when purchasing goods or services. When the costs and value of the purchase are less than 5,000 euros, there is no call for bids or competitive bidding (oral call for bid and written order or purchasing contract). When the procurement exceeds 5,000 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 (0.4 million euros for goods and services and 5.3 million euros for construction projects in 2006) 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.

33. EMISSION RIGHTS

In the initial allocation of emission rights, Fingrid was granted a total of 9.2 million tonnes of emission rights for 2005 - 2007. Of this volume, 2.3 million tonnes were used in 2006 (2005: 3.3 million tonnes). The use of emission rights did not have an impact on profit, because the company only used emission rights obtained free of charge.

34. EVENTS AFTER CLOSING DATE

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

PARENT COMPANY FINANCIAL STATEMENTS (FAS)

PARENT COMPANY INCOME STATEMENT

	Notes	1 Jan - 31 Dec 2006 €	1 Jan - 31 Dec 2005 €
REVENUE	2	351,325,775.22	316,699,955.20
Other operating income	3	2,210,380.24	2,410,460.10
Materials and services	4	-154,949,736.68	-120,535,619.21
Staff expenditure	5	-18,012,441.95	-17,169,814.40
Depreciation and amortisation expense	6	-61,495,880.44	-57,836,599.57
Other operating expenses	7	-30,647,411.30	-36,443,429.27
OPERATING PROFIT		88,430,685.09	87,124,952.85
Finance income and costs	8	-33,132,513.48	-35,476,530.81
PROFIT BEFORE EXTRAORDINARY ITEMS		55,298,171.61	51,648,422.04
PROFIT BEFORE PROVISIONS AND TAXES		55,298,171.61	51,648,422.04
Provisions	9	-46,456,162.53	-41,703,522.01
Income taxes	10	-2,217,263.42	-2,425,208.92
PROFIT FOR THE FINANCIAL YEAR		6,624,745.66	7,519,691.11

PARENT COMPANY BALANCE SHEET

ASSETS		31 Dec 2006	31 Dec 2005
	Notes	€	€
NONCURRENT ASSETS			
Intangible assets			
Goodwill	11	68,620,673.79	75,053,861.96
Other noncurrent expenses	12	76,558,588.95	79,762,222.65
		145,179,262.74	154,816,084.61
Tangible assets			
Land and water areas	13	10,496,381.99	10,334,209.83
Buildings and structures		45,950,017.40	44,622,483.06
Machinery and equipment		399,761,307.50	401,203,188.78
Transmission lines		543,121,562.97	552,492,126.07
Other tangible assets		87,602.76	84,176.83
Advance payments and purchases in progress		61,343,483.61	34,270,847.39
		1,060,760,356.23	1,043,007,031.96
Investments			
Equity investments in Group companies	14	504,563.77	504,563.77
Equity investments in associated companies		6,641,360.21	6,641,360.21
Other shares and equity investments		604,193.49	590,184.01
		7,750,117.47	7,736,107.99
TOTAL NONCURRENT ASSETS		1,213,689,736.44	1,205,559,224.56
CURRENT ASSETS			
Inventories	15	3,819,252.71	2,863,983.95
Receivables			
Noncurrent receivables			
Receivables from associated companies	16	194,467.71	279,191.97
		194,467.71	279,191.97
Current receivables			
Trade receivables		43,008,351.12	41,602,332.87
Receivables from associated companies	16	418,894.43	840,538.40
Other receivables		36,642.74	11,130.65
Prepayments and accrued income	17, 18	20,242,762.09	14,236,246.86
		63,706,650.38	56,690,248.78
Financial assets	19	185,929,380.94	184,553,270.10
Cash in hand and bank receivables	19	17,358,280.04	2,838,434.84
TOTAL CURRENT ASSETS		271,008,031.78	247,225,129.64
TOTAL ASSETS		1,484,697,768.22	1,452,784,354.20

PARENT COMPANY BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 Dec 2006 €	31 Dec 2005 €
SHAREHOLDERS' EQUITY	20		
Share capital		55,922,485.55	55,922,485.55
Share premium account		55,922,485.55	55,922,485.55
Profit from previous financial years		6,466,190.85	5,578,910.49
Profit for the financial year		6,624,745.66	7,519,691.11
TOTAL SHAREHOLDERS' EQUITY		124,935,907.61	124,943,572.70
ACCUMULATED PROVISIONS	21	322,554,599.08	276,098,436.55
PROVISIONS FOR LIABILITIES AND CHARGES	29	2,067,387.00	2,067,387.00
LIABILITIES			
Noncurrent liabilities			
Capital loans	22	167,914,099.68	167,914,099.68
Bonds	23, 24	545,888,705.69	451,877,291.97
Loans from financial institutions		42,938,216.54	75,294,646.88
Accruals	28		150,000.00
		756,741,021.91	695,236,038.53
Current liabilities			
Bonds	23	83,252,957.51	145,340,969.47
Loans from financial institutions		7,156,430.34	15,556,430.34
Trade payables		24,834,597.65	23,427,202.69
Liabilities to Group companies	25	515,708.60	513,498.16
Liabilities to associated companies	26	173,435.24	549,420.36
Other liabilities	27	135,427,939.66	136,460,537.11
Accruals	28	27,037,783.62	32,590,861.29
		278,398,852.62	354,438,919.42
TOTAL LIABILITIES		1,035,139,874.53	1,049,674,957.95
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,484,697,768.22	1,452,784,354.20

PARENT COMPANY CASH FLOW STATEMENT

Notes	1 Jan - 31 Dec 2006 €	1 Jan - 31 Dec 2005 €
Cash flow from operating activities:		
Profit for the financial year	6,624,745.66	7,519,691.11
Adjustments:		
Business transactions not involving a payment transaction*	107,950,106.49	101,775,251.58
Interest and other finance costs	39,660,381.92	40,544,358.55
Interest income	-5,884,964.85	-4,338,534.06
Dividend income	-642,903.59	-729,293.68
Taxes	2,217,263.42	2,425,208.92
Changes in working capital:		
Change in trade receivables and other receivables	-6,343,516.83	-1,230,577.72
Change in inventories	-955,268.76	1,373,855.10
Change in trade payables and other liabilities	523,254.94	1,050,690.55
Change in provisions		-4,460.00
Interests paid	-41,569,190.44	-48,588,037.87
Interests received	5,381,002.58	8,943,570.96
Taxes paid	-2,296,103.44	-2,507,842.71
Net cash flow from operating activities	104,664,807.10	106,233,880.73
Cash flow from investing activities:		
Purchase of tangible assets	-65,958,687.33	-51,872,074.29
Purchase of intangible assets	-2,012,750.66	-1,940,178.04
Investments in other assets	-14,693.00	
Proceeds from other investments	2,620.00	1,817.78
Proceeds from sale of tangible assets		4,237,102.46
Repayment of loans receivable	84,724.26	84,093.97
Dividends received	642,903.59	729,293.68
Net cash flow from investing activities	-67,255,883.14	-48,759,944.44
Cash flow from financing activities:		
Withdrawal of short-term loans	76,788,181.36	124,111,956.86
Repayment of short-term loans	-82,835,709.95	-89,291,436.60
Withdrawal of long-term loans	151,600,778.83	140,610,047.49
Repayment of long-term loans	-160,433,807.41	-181,748,733.28
Dividends paid	-6,632,410.75	-6,632,410.75
Net cash flow from financing activities	-21,512,967.92	-12,950,576.28
Net change in cash and cash equivalents	15,895,956.04	44,523,360.01
Cash and cash equivalents 1 Jan	187,391,704.94	142,868,344.93
Cash and cash equivalents 31 Dec	203,287,660.98	187,391,704.94
Notes to parent company cash flow statement		
Adjustments:		
* Business transactions not involving a payment transaction	107,950,106.49	101,775,251.58
- Depreciation	61,495,880.44	57,836,599.57
- Increase or decrease in accumulated depreciation difference	46,456,162.53	41,703,522.01
- Capital gains/losses (-/+) on tangible and intangible assets	-1,936.48	-462,902.86
- Others		2,698,032.86

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY

1. ACCOUNTING PRINCIPLES

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

Foreign currency transactions

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

Interest rate and 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 interest income and expenses. The interest portion of forward foreign exchange contracts hedging the interest-bearing liabilities and assets is accrued over their maturity and booked under finance income and costs. Up-front paid or received premiums for interest rate options are accrued over the hedging period.

Electricity derivatives

Fingrid 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 income statement. Up-front paid or received premiums for options are accrued over the hedging period.

Research and development expenses

Research and development expenses are entered as annual expenses.

Valuation of fixed assets

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

The depreciation periods are as follows:

Goodwill	20	years
Other noncurrent 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

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

Valuation of inventories

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

Cash in hand, bank receivables and financial securities

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

Interest-bearing liabilities

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

Financial risk management

The principles applied to the management of financial risks are presented in the notes of the Group under item 31.

Income taxes

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

Deferred taxes

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

Comparability

When comparing the shareholders' equity of the parent company to the previous financial year, it must be noted that the capital loans which were included in shareholders' equity in 2005 are presented in liabilities in 2006.

2. REVENUE BY BUSINESS AREAS

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

3. OTHER OPERATING INCOME, 1,000 €	2006	2005
Rental income	1,592	1,602
Contributions received	136	94
Other income	483	715
Total	2,210	2,410

4. MATERIALS AND SERVICES, 1,000 €	2006	2005
Purchases during the financial year	104,326	71,248
Loss energy purchases	36,826	25,675
Change in inventories, increase (-) or decrease (+)	-955	1,374
Materials and supplies	140,197	98,297
Grid service charges	46	47
Other external services	14,707	22,192
Services	14,753	22,238
Total	154,950	120,536

5. STAFF EXPENDITURE, 1,000 €	2006	2005
Salaries and bonuses	13,808	12,750
Pension expenses	2,865	3,248
Other additional personnel expenses	1,339	1,172
Total	18,012	17,170
Salaries and bonuses of the members of the Board of Directors and President, 1,000 €	325	303
Tapio Kuula, Chairman of the Board	14	12
Arto Lepistö, 1st Deputy Chairman of the Board	9	
Timo Rajala, 2nd Deputy Chairman of the Board	13	16
Taisto Turunen, former 2nd Deputy Chairman of the Board	3	14
Marjukka Aarnio, Member of the Board	9	9
Risto Autio, Member of the Board	9	6
Esa Auvinen, former Member of the Board		2
Timo Karttinen, Member of the Board	9	9
Anja Silvennoinen, Member of the Board	7	
Pekka Kettunen, deputy Member of the Board	4	5
Timo Koivuniemi, deputy Member of the Board	5	9
Ari Koponen, deputy Member of the Board	3	
Juha Laaksonen, deputy Member of the Board	3	5
Timo Ritonummi, deputy Member of the Board	4	5
Jorma Tammenaho, deputy Member of the Board	5	3
Timo Väisänen, deputy Member of the Board	3	
Matti Kaisjoki, former deputy Member of the Board	1	5
Tapio Lehtisalo, former deputy Member of the Board	1	5
Paavo Monni, former deputy Member of the Board		2
Markku Tynkkynen, former deputy Member of the Board	1	4
Timo Toivonen, President & CEO until 31 December 2006	222	193
Pension commitments:		
The President is covered by the supplementary pension arranged by the company, described in the notes of the Group under item 22.		
Number of salaried employees in the company during the financial year:		
Personnel, average	238	228
Personnel, 31 Dec	233	231
6. DEPRECIATION ACCORDING TO PLAN, 1,000 €	2006	2005
Goodwill	6,433	6,433
Other noncurrent expenses	5,216	5,289
Buildings and structures	1,816	1,734
Machinery and equipment	22,129	19,831
Transmission lines	25,901	24,549
Total*	61,496	57,837
* Depreciation on the electricity grid (notes 12 and 13)	48,088	44,212
7. OTHER OPERATING EXPENSES, 1,000 €	2006	2005
Contracts, assignments etc. undertaken externally	21,879	25,245
Grid rents	617	926
Other rental expenses	1,590	1,572
Other expenses	6,562	8,700
Total	30,647	36,443

8. FINANCE INCOME AND COSTS, 1,000 €	2006	2005
Dividend income from Group companies	-9	-7
Dividend income from others	-634	-722
Interest and other finance income from Group companies	-8	-10
Interest and other finance income from others	-5,877	-4,328
	-6,528	-5,068
Interest and other finance costs to Group companies	15	11
Interest and other finance costs to others	39,646	40,534
	39,660	40,544
Total	33,133	35,477
9. PROVISIONS, 1,000 €	2006	2005
Difference between depreciation according to plan and depreciation carried out in taxation	46,456	41,704
10. INCOME TAXES, 1,000 €	2006	2005
Income taxes for the financial year	2,217	2,425
Total	2,217	2,425
Deferred tax assets and liabilities, 1,000 €		
Deferred tax assets		
On temporary differences	538	538
	538	538
Deferred tax liabilities		
On temporary differences	494	512
On provisions	83,864	71,786
	84,358	72,297
Total	83,820	71,760
11. GOODWILL, 1,000 €	2006	2005
Cost at 1 Jan	128,664	128,664
Cost at 31 Dec	128,664	128,664
Accumulated depreciation according to plan 1 Jan	-53,610	-47,177
Depreciation according to plan 1 Jan - 31 Dec	-6,433	-6,433
Carrying amount 31 Dec	68,621	75,054
Accumulated depreciation difference 1 Jan	-62,187	-55,754
Increase in depreciation difference reserve 1 Jan - 31 Dec	-6,433	-6,433
Accumulated depreciation in excess of plan 31 Dec	-68,621	-62,187
12. OTHER NONCURRENT EXPENSES, 1,000 €	2006	2005
Cost at 1 Jan	117,857	116,160
Increases 1 Jan - 31 Dec	2,013	2,610
Decreases 1 Jan - 31 Dec		-913
Cost at 31 Dec	119,870	117,857
Accumulated depreciation according to plan 1 Jan	-38,095	-33,048
Decreases, depreciation according to plan 1 Jan - 31 Dec		243
Depreciation according to plan 1 Jan - 31 Dec	-5,216	-5,289
Carrying amount 31 Dec*	76,559	79,762

Accumulated depreciation difference 1 Jan	-62,475	-56,217
Increase in depreciation difference reserve 1 Jan - 31 Dec	-6,230	-6,257
Decrease in depreciation difference reserve 1 Jan - 31 Dec		
Accumulated depreciation in excess of plan 31 Dec	-68,705	-62,475
* Net capital expenditure in electricity grid, 1,000 €	2006	2005
Carrying amount 31 Dec	71,417	73,497
Carrying amount 1 Jan	-73,497	-76,352
Depreciation according to plan 1 Jan - 31 Dec	3,079	3,071
Decreases 1 Jan - 31 Dec		662
Total	999	878
13. TANGIBLE ASSETS, 1,000 €	2006	2005
Land and water areas		
Cost at 1 Jan	10,334	10,176
Increases 1 Jan - 31 Dec	162	158
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	10,496	10,334
Buildings and structures		
Cost at 1 Jan	54,532	52,151
Increases 1 Jan - 31 Dec	3,144	2,381
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	57,676	54,532
Accumulated depreciation according to plan 1 Jan	-9,910	-8,175
Depreciation according to plan 1 Jan - 31 Dec	-1,816	-1,734
Carrying amount 31 Dec	45,950	44,622
Accumulated depreciation difference 1 Jan	-7,337	-6,948
Increase in depreciation difference reserve 1 Jan - 31 Dec	-281	-389
Decrease in depreciation difference reserve 1 Jan - 31 Dec		
Accumulated depreciation in excess of plan 31 Dec	-7,618	-7,337
Machinery and equipment		
Cost at 1 Jan	520,992	499,618
Increases 1 Jan - 31 Dec	20,687	22,931
Decreases 1 Jan - 31 Dec		-1,557
Cost at 31 Dec	541,679	520,992
Accumulated depreciation according to plan 1 Jan	-119,789	-100,349
Decreases, depreciation according to plan 1 Jan - 31 Dec		391
Depreciation according to plan 1 Jan - 31 Dec	-22,129	-19,831
Carrying amount 31 Dec	399,761	401,203
Accumulated depreciation difference 1 Jan	-52,835	-38,304
Increase in depreciation difference reserve 1 Jan - 31 Dec	-15,971	-14,532
Decrease in depreciation difference reserve 1 Jan - 31 Dec		
Accumulated depreciation in excess of plan 31 Dec	-68,807	-52,835
Transmission lines		
Cost at 1 Jan	714,412	699,251
Increases 1 Jan - 31 Dec	16,531	21,478
Decreases 1 Jan - 31 Dec		-6,318
Cost at 31 Dec	730,943	714,412
Accumulated depreciation according to plan 1 Jan	-161,920	-139,046
Decreases, depreciation according to plan 1 Jan - 31 Dec		1,675
Depreciation according to plan 1 Jan - 31 Dec	-25,901	-24,549
Carrying amount 31 Dec	543,122	552,492

Accumulated depreciation difference 1 Jan	-91,264	-77,172
Increase in depreciation difference reserve 1 Jan - 31 Dec	-17,540	-14,092
Decrease in depreciation difference reserve 1 Jan - 31 Dec		
Accumulated depreciation in excess of plan 31 Dec	-108,804	-91,264
Other tangible assets		
Cost at 1 Jan	84	84
Increases 1 Jan - 31 Dec	3	
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	88	84
Advance payments and purchases in progress		
Cost at 1 Jan	34,271	20,494
Increases 1 Jan - 31 Dec	61,233	57,813
Decreases 1 Jan - 31 Dec	-34,160	-44,036
Cost at 31 Dec	61,343	34,271
Total*	1,060,760	1,043,007
* Net capital expenditure in electricity grid, 1,000 €		
	2006	2005
Carrying amount 31 Dec	982,512	975,512
Carrying amount 1 Jan	-975,512	-968,529
Depreciation according to plan 1 Jan - 31 Dec	45,009	41,140
Decreases 1 Jan - 31 Dec		5,808
Total	52,009	53,931
14. INVESTMENTS, 1,000 €		
	2006	2005
Equity investments in Group companies		
Cost at 1 Jan	505	505
Cost at 31 Dec	505	505
Equity investments in associated companies		
Cost at 1 Jan	6,641	6,641
Increases 1 Jan - 31 Dec		
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	6,641	6,641
Other shares and equity investments		
Cost at 1 Jan	590	592
Increases 1 Jan - 31 Dec	15	
Decreases 1 Jan - 31 Dec	-1	-2
Cost at 31 Dec	604	590
Total	7,750	7,736
15. INVENTORIES, 1,000 €		
	2006	2005
Materials and supplies	3,793	2,864
Work in progress	27	
Total	3,819	2,864
16. RECEIVABLES FROM ASSOCIATED COMPANIES, 1,000 €		
	2006	2005
Noncurrent:		
Loans receivable	194	279
Current:		
Trade receivables	417	839

Prepayments and accrued income	2	2
	419	841
Total	613	1,120

17. PREPAYMENTS AND ACCRUED INCOME, 1 000 €	2006	2005
Interests and other financial items	13,045	12,451
Accruals of sales and purchases	6,628	1,291
Taxes	320	241
Other	249	253
Total	20,243	14,236

18. UNRECORDED EXPENSES AND PAR VALUE DIFFERENTIALS ON THE ISSUE OF LOANS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME, 1,000 €	2006	2005
Par value differentials	4,754	5,315

19. CASH AND CASH EQUIVALENTS, 1,000 €	2006	2005
Certificates of deposit	49,140	53,806
Commercial papers	76,788	70,596
Investments in money market funds	60,001	60,001
	185,929	184,403
Bank deposits	140	150
Cash in hand and bank receivables*	17,218	2,838
	17,358	2,988
Total	203,288	187,392

* includes pledged bank accounts (note 30)

20. SHAREHOLDERS' EQUITY, 1,000 €	2006	2005
Share capital 1 Jan	55,922	55,922
Share capital 31 Dec	55,922	55,922
Share premium account 1 Jan	55,922	55,922
Share premium account 31 Dec	55,922	55,922
Profit from previous financial years 1 Jan	13,099	12,211
Dividend distribution	-6,632	-6,632
Profit from previous financial years 31 Dec	6,466	5,579
Profit for the financial year	6,625	7,520
Shareholders' equity 31 Dec	124,936	124,944
Distributable shareholders' equity	13,091	13,099

Number of shares, qty	Series A shares	Series B shares	Total
1 Jan 2006	2,078	1,247	3,325
31 Dec 2006	2,078	1,247	3,325

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

Series B shares have preferential right over series A shares to obtain the annual dividends specified below from the funds available for profit distribution. After this, a corresponding dividend is distributed to series A shares. If the annual dividend cannot be distributed in some year, the shares confer a right to receive the undistributed amount from the funds available for profit distribution in the subsequent years; however so that series B shares have preferential right over series A shares to receive the annual dividend and the undistributed amount.

A shareholders' meeting decides on the annual dividend for series B shares on the following grounds:

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

Series B shares have preference with respect to dividends as stipulated in the Articles of Association. In 2002 - 2005, this dividend was 5.93% p.a. of the subscription price of the share. The dividend for 2006 is 6.19% p.a. of the subscription price of the share. The shares have no par value.

There are no minority interests.

21. ACCUMULATED PROVISIONS, 1,000 €	2006	2005
Accumulated depreciation in excess of plan, the difference between depreciation according to plan and depreciation carried out in taxation	322,555	276,098
22. CAPITAL LOANS, 1,000 €	2006	2005
Debenture of capital loan nature 1997	137,914	137,914
Debenture of capital loan nature 1999	30,000	30,000
Total	167,914	167,914

The terms of the capital loans fulfil the requirements of Chapter 5, Section 1 of the Companies Act (29.9.1978). The principal and interest 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.

23. BONDS, 1,000 €				2006	2005
Domestic:			Maturity date	Interest	
JVK II/1997			18.04.2006	6.00%	58,643
					58,643
International:			Maturity date	Interest	
EUR	15,000		13.09.2006	variable interest	15,000
EUR	22,000		14.06.2007	variable interest	22,000
EUR	25,000		06.04.2009	variable interest	25,000
EUR	10,000		31.03.2010	interest rate structure	10,000
EUR	10,000		16.03.2011	3.625%	10,000
EUR	25,000		23.03.2011	variable interest	25,000

EUR	15,000	24.03.2011	variable interest	15,000	
EUR	20,000	07.04.2011	variable interest	20,000	
EUR	25,000	16.03.2012	variable interest	25,000	25,000
EUR	20,000	28.04.2013	variable interest	20,000	20,000
EUR	20,000	15.10.2013	4.30%	20,000	20,000
EUR	24,000	02.07.2014	variable interest	24,000	24,000
				216,000	161,000
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	10.03.2006	variable interest		23,150
USD	25,000	13.03.2006	variable interest		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
				59,973	106,271
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	21,563
				152,581	152,581
CHF	16,000	06.06.2007	2.00%	10,180	10,180
CHF	39,000	15.03.2010	2.24%	25,000	
CHF	39,000	22.05.2012	2.475%	25,000	
				60,180	10,180
GBP	10,000	07.08.2007	5.5225%	15,576	15,576
				15,576	15,576
CZK	750,000	05.05.2010	variable interest	24,902	24,902
				24,902	24,902
SEK	100,000	21.03.2013	variable interest	10,560	
SEK	200,000	03.04.2013	variable interest	21,305	
SEK	220,000	02.07.2016	interest rate structure	24,336	24,336
				56,201	24,336
Bonds, long-term total				545,889	451,877
Bonds, short-term total				83,253	145,341
Total				629,142	597,218

* call option not exercised 5 July 2004

** call option not exercised 25 July 2006

24. LOANS FALLING DUE FOR PAYMENT IN FIVE YEARS OR MORE, 1,000 €	2006	2005
Capital loans	167,914	167,914
Bonds	244,074	190,010
Loans from financial institutions	14,312	21,469
Total	258,386	379,393

25. LIABILITIES TO GROUP COMPANIES, 1,000 €	2006	2005
Current:		
Other debts	514	512
Accruals	2	1
Total	516	513
26. LIABILITIES TO ASSOCIATED COMPANIES, 1,000 €	2006	2005
Current:		
Trade payables	173	549
Total	173	549
27. OTHER DEBTS, 1,000 €	2006	2005
Current:		
Other loans / Commercial papers (international and domestic)	122,652	128,701
Value added tax	10,153	5,111
Electricity tax	2,081	2,201
Other debts	542	448
Total	135,428	136,461
28. ACCRUALS, 1,000 €	2006	2005
Noncurrent:		
Accruals of sales		150
		150
Current:		
Interests and other financial items	20,936	22,756
Salaries and additional personnel expenses	3,199	2,916
Accruals of sales and purchases	2,902	6,918
Other		1
	27,038	32,591
Total	27,038	32,741
29. PROVISIONS FOR LIABILITIES AND CHARGES, 1,000 €	2006	2005
Creosote-impregnated or CCA-impregnated wooden towers, disposal expenses	2,067	2,067
Total	2,067	2,067
30. COMMITMENTS AND CONTINGENT LIABILITIES, 1,000 €	2006	2005
Rental liabilities		
Liabilities for the next year	1,767	1,505
Liabilities for subsequent years	8,479	6,414
	10,247	7,919
Pledges		
Pledge covering property lease agreement	38	38
Pledged account in favour of the Customs Office	27	27
Pledged account covering electricity exchange purchases	13,942	308
	14,007	372
Other financial commitments		
Commitment fee of revolving credit facility:		
Commitment fee for the next year	101	101
Commitment fee for subsequent years	496	596
	597	697

Purchase commitments concerning electricity, TWh		0.04
Supplementary pension scheme for 2007 - 2009 (see Group note 22)	610	1,245
Donation of five-year professorship to Helsinki University of Technology for 2006 - 2010	480	600

31. DERIVATIVE AGREEMENTS, 1,000 €	2006		2005	
	Net fair value 31 Dec 2006	Nominal value 31 Dec 2006	Net fair value 31 Dec 2005	Nominal value 31 Dec 2005
Interest and currency derivatives				
Cross-currency swaps	-43,608	322,252	-25,443	301,248
Forward contracts	-2,929	94,036	3,099	126,380
Interest rate swaps	-670	213,000	-2,941	218,000
Interest rate options, bought	10,599	530,000	3,486	420,000
Total	-36,609	1,159,288	-21,799	1,065,628
	Net fair value 31 Dec 2006	Volume TWh 31 Dec 2006	Net fair value 31 Dec 2005	Volume TWh 31 Dec 2005
Electricity derivatives				
Forward contracts of electricity, Nord Pool Clearing ASA	-3,009	2.81	15,407	1.94
Forward contracts of electricity, others	1,131	0.14	833	0.20
Total	-1,878	2.96	16,240	2.14

Interest rate and cross-currency swaps and interest rate options are mark-to-market at the closing date so that the derived net cash flow is calculated on a net present value basis. Currency forwards are mark-to-market 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 2006.

32. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

In relation to transmission line projects there are several complaints made to different instances of justice. According to the management of the company there are no on going legal proceedings or other such legal proceedings relating to other business areas, the final outcome of which would have a material impact on the financial position of the Group. The Market Court gave an order concerning Fingrid's appeal relating to the regulation methodology by the Energy Market Authority. The court order was in favour of the company.

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

Balance power 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 by the Energy Market Authority, Fingrid Oyj shall separate the duties pertaining to national power balance operation from the other businesses by virtue of Chapter 7 of the Electricity Market Act.

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

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

The average number of personnel during 2006 was 12 (12). The operating profit was 4.1 (2.8) per cent of turnover. The return on investment was 55.1 (34.1) per cent.

MANAGEMENT OF BALANCE OPERATION, SEPARATED PROFIT AND LOSS ACCOUNT	1 Jan - 31 Dec 2006 1,000 €	1 Jan - 31 Dec 2005 1,000 €
TURNOVER*	101,235	64,703
Materials and services*	-95,074	-60,729
Staff expenditure	-1,127	-1,041
Depreciation and amortisation expense	-131	-251
Other operating expenses	-801	-848
OPERATING PROFIT	4,102	1,833
Finance income and costs		-11
PROFIT BEFORE PROVISIONS AND TAXES	4,102	1,822
Provisions	-45	61
Income taxes	-1,055	-490
PROFIT FOR THE FINANCIAL YEAR	3,002	1,393

* Turnover includes 5.8 (3.8) million euros of sales of balance power to balance provider Fingrid Oyj, and Materials and services includes 6.9 (5.5) million euros of its purchases.

MANAGEMENT OF BALANCE OPERATION,
SEPARATED BALANCE SHEET

ASSETS	31 Dec 2006 1,000 €	31 Dec 2005 1,000 €
NONCURRENT ASSETS		
Intangible assets		
Other noncurrent expenses	305	143
	305	143
Tangible assets		
Machinery and equipment	25	27
Advance payments and purchases in progress	325	366
	350	394
TOTAL NONCURRENT ASSETS	655	537
CURRENT ASSETS		
Current receivables		
Trade receivables	5,851	61
Receivables from Group companies	3,244	6,124
	9,126	6,185
Cash in hand and bank receivables	1	1
TOTAL CURRENT ASSETS	9,096	6,186
TOTAL ASSETS	9,751	6,723
SHAREHOLDERS' EQUITY AND LIABILITIES		
	31 Dec 2006 1,000 €	31 Dec 2005 1,000 €
SHAREHOLDERS' EQUITY		
Share capital	32	32
Share premium account	286	286
Profit from previous financial years	5,843	4,451
Profit for the financial year	3,002	1,393
TOTAL SHAREHOLDERS' EQUITY	9,162	6,161
ACCUMULATED PROVISIONS	-273	-319
LIABILITIES		
Current liabilities		
Trade payables	820	848
Liabilities to Group companies		
Other liabilities	42	32
	862	881
TOTAL LIABILITIES	862	881
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	9,751	6,723

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	2006	2005
Return on investment (ROI) in transmission system operation, %	7.2	7.1
Return on investment, %	$= \frac{\text{Profit before extraordinary items + interest and other finance costs + interest portions of leasing fees and rents of electricity grid}}{\text{Balance sheet total - non-interest-bearing liabilities + leasing and rent liabilities related to electricity grid (average for the year)}} \times 100$	

35. EMISSION RIGHTS

In the initial allocation of emission rights, Fingrid was granted a total of 9.2 million tonnes of emission rights for 2005 - 2007. Of this volume, 2.3 million tonnes were used in 2006 (2005: 3.3 million tonnes). The use of emission rights did not have an impact on profit, because the company only used emission rights obtained free of charge.

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

Helsinki, 12 February 2007

Tapio Kuula
Chairman

Arto Lepistö
1st Deputy Chairman

Timo Rajala
2nd Deputy Chairman

Marjukka Aarnio

Risto Autio

Timo Karttinen

Anja Silvennoinen

Jukka Ruusunen
President & CEO

AUDITOR'S NOTATION

The financial statements for the financial year 2006 have been prepared in accordance with Generally Accepted Accounting Principles. A report on the audit carried out has been submitted today.

Helsinki, 13 February 2007

PricewaterhouseCoopers Oy
Authorised Public Accountants

Henrik Sormunen, Authorised Public Accountant

TRANSLATION

AUDITOR'S REPORT

To the shareholders of Fingrid Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Fingrid Oyj for the period from January 1, 2006 to December 31, 2006. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We have conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies' Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies' Act.

Helsinki, February 13, 2007

PricewaterhouseCoopers Oy
Authorised Public Accountants

Henrik Sormunen
Authorised Public Accountant

Stock exchange releases 2006

February 16, 2006

Fingrid Group's annual review and financial statements 2005

March 8, 2006

Mr. Timo Toivonen will retire from his position as President and Chief Executive Officer of Fingrid Oyj as of January 1, 2007

March 20, 2006

Tapio Kuula is Chairman of the Board of Directors of Fingrid Oyj in 2006

March 21, 2006

Standard & Poor's raised its credit ratings on Fingrid's capital loans

May 2, 2006

Fingrid Group's Interim Report 1 January - 31 March 2006

June 13, 2006

Jukka Ruusunen, Fingrid Oyj's new President & CEO from January 1, 2007

August 7, 2006

Fingrid Group's Interim Report 1 January - 30 June 2006

October 9, 2006

Moody's affirmed Fingrid's credit ratings

October 20, 2006

Standard & Poor's affirmed Fingrid's credit ratings

October 25, 2006

Fingrid Group's Interim Report 1 January - 30 September 2006

December 22, 2006

Fingrid's financial reports in 2007

The complete stock exchange releases can be read on Fingrid's website at www.fingrid.fi.

Fingrid Group will release the following financial reports in 2007:

- 14 February 2007 Financial Review 2006
- 27 April 2007 Interim Report January - March 2007
- 13 August 2007 Interim Report January - June 2007
- 24 October 2007 Interim Report January - September 2007.

Annual General Meeting will be held on 22 March 2007.

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