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Fingrid Oyj.
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Fingrid Oyj's review for January - December 2012: profit improved significantly

October - December 2012

- Revenue of the Group between October and December 154 million euros (108 million euros in 2011)
- Operating profit of the Group in the last quarter 38 (17) million euros

January - December 2012

- Revenue between January and December 522 (438) million euros
- Operating profit of the Group 95 (57) million euros
- Profit of the Group for the financial year 67 (33) million euros
- Cash flow from the operations of the Group after capital expenditure -1 (-148) million euros
- Interest-bearing net borrowings 1,030 (1,020) million euros
- Capital expenditure 139 (244) million euros
- Equity ratio 27.3 (25.7) per cent
- Earnings per share 20,159 (9,924) euros

Key figures							
		1–12/12	**1–12/11**	**change %**	**10–12/12**	**10–12/11**	**change %**
Turnover	M€	522.1	438.5	19.1	153.7	107.9	42.5
Capital expenditure, gross	M€	139.0	244.4	-43.1	56.4	76.4	-26.2
– of revenue	%	26.6	55.7		36.7	70.9	
Research and development expenses	M€	1.5	1.8	-16.4	0.6	0.6	-6.4
– of revenue	%	0.3	0.4		0.4	0.6	
Personnel, average		269	263	2.3			
Personnel, end of year		275	266	3.4			
Salaries and bonuses, total	M€	18.2	17.2	5.8	5.3	4.6	14.3
Operating profit	M€	94.6	56.6	67.3	38.5	17.1	125.1
– of revenue	%	18.1	12.9		25.0	15.8	
Profit before taxes	M€	88.3	34.2	158.2	35.0	8.3	321.0
– of revenue	%	16.9	7.8		22.8	7.7	
Profit for the financial period	M€	67.0	33.0	103.0	26.7	13.8	92.9
Comprehensive income for the financial period	M€	73.2	-0.2		27.5	3.8	
Return on investment (ROI)	%	5.6	3.6				
Return on equity (ROE)	%	12.4	6.5				
Equity ratio	%	27.3	25.7				
Interest-bearing net borrowings	M€	1,030.3	1,020.2	1.0			

Net gearing ratio	%	180.8	201.1				
Earnings per share	€	20,159	9,924	103.1	8,032	4,163	92.9
Dividend, series A shares	€	2,018.26*	3,962.52				
Dividend, series B shares	€	2,018.26*	2,018.26				
Equity per share	€	171,365	152,573	12.3			
Dividend payout ratio, A shares	%	10.0*	39.9				
Dividend payout ratio, B shares	%	10.0*	20.3				
Number of shares at 31 Dec							
– Series A shares	Pcs.	2,078	2,078		2,078	2,078	
– Series B shares	Pcs.	1,247	1,247		1,247	1,247	
Total	Pcs.	3,325	3,325		3,325	3,325	

*The Board of Directors' proposal to the Annual General Meeting

Jukka Ruusunen, Fingrid's President and CEO, on the financial statements:

“Fingrid's profit was improved by the increase of 30 per cent in the grid tariffs and by the congestion income on the border between Finland and Sweden resulting from the major area price differences. On the other hand, the Russian cross-border transmission income and inter-TSO compensations in the European marketplace decreased considerably because the electricity imports from Russia came down. Especially the costs of reserves which safeguard the system security of the transmission system increased on 2011. The maintenance management costs were increased by the repair of a fault in the Fenno-Skan 2 cable.

Net borrowing by the company grew somewhat due to Fingrid's sizeable capital investment programme. During 2012, Fingrid issued a public bond valued at 300 million euros and with a maturity of 12 years under the company's International Medium Term Note Programme.

Fingrid's capital expenditure in the transmission system totalled 139 million euros. Fingrid had several ongoing capital investment projects for ensuring system security and the adequacy of transmission capacity in the future.

The system security of the transmission grid was excellent after two inferior years. The number of disturbances in the grid was at the average level, but the disadvantage inflicted on the customers and society as a result of the disturbances was very small.

The year was exceptional in the electricity market. There was abundant supply of Nordic hydropower throughout the year, which clearly brought down the price level in the wholesale market. However, the Finnish market did not benefit fully from the inexpensive hydropower. One of the two submarine cables between Finland and Sweden was out of order for much of the year, which is why the full transmission capacity between Finland and Sweden could not be utilised. As a result, a record-high amount of congestion income, 88 million euros, was accumulated at the border between Finland and Sweden.”

Accounting principles

Information published in this release is based on Fingrid's audited financial statement of 2012 that is published with this release. In the preparation of this release, Fingrid has complied with the same accounting principles as with the financial statements of 2012.

Financial result

Revenue of the Fingrid Group in 2012 was 522 million euros (438 million euros in 2011). Other operating income was 4 (3) million euros. The Group's revenue between October and December was 154 (108) million euros.

Grid revenue rose to 276 (210) million euros as a result of the tariff increase of 30 per cent carried out at the beginning of the year. Electricity consumption in Finland increased by 1.1 per cent from 2011. Fingrid transmitted the same amount of electricity in its grid as in the previous year, i.e. 64.2 terawatt hours. The sales of imbalance power grew to 152 (146) million euros. The increase in the sales of imbalance power was influenced by the higher volume of imbalance power and by the raise in the balance service fees at the beginning of July. Fingrid's cross-border transmission income on the connection between Finland and Russia decreased by 12 million euros from the previous year due to a significantly smaller volume of electricity imports from Russia. Fingrid's congestion income on the interconnection between Finland and Estonia decreased as a result of fewer hours with a different price of electricity between the two countries. The congestion income on the interconnection between Finland and Estonia was 6 (10) million euros, which was paid to the owners of the transmission connection. Fingrid's congestion income on the interconnection between Finland and Sweden rose considerably due to the market situation and great differences in the area prices of electricity. The congestion income between Finland and Sweden was 44 (16) million euros. European inter-TSO compensation income decreased by 12 million euros mainly due to reduced electricity exports from Finland to Sweden.

The costs of imbalance power grew slightly from the previous year to 133 (131) million euros due to the higher volume of imbalance power. The loss energy costs rose by 2 million euros from the corresponding period in 2011. The average price of loss energy purchases, considering price hedging, was 52.86 (52.85) euros per megawatt hour. The increase in the loss energy costs was influenced by the small growth in the volume of loss energy. The depreciation costs increased by 8 million euros as significant new capital investment projects were completed. The costs of reserves, which safeguard the system security of the power system, rose by 11 million euros during the period under review because the temporary purchases of frequency controlled reserves in the hourly market in Finland and from the other Nordic TSOs were more expensive than earlier. The personnel costs increased to 22 (20) million euros partly owing to an increase in the number of personnel. The maintenance management costs rose by 3 million euros, mainly due to the repair costs of the Fenno-Skan 2 cable fault. The inter-TSO compensation costs went up by 2 million euros, because electricity imports from Sweden to Finland increased considerably from 2011.

Revenue and other operating income, (million €)

	1-12/12	1-12/11	change %	10-12/12	10-12/11	change %
Grid service revenue	276	210	31.4	85	59	45.4
Sales of imbalance power	152	146	4.5	48	25	91.2
Cross-border transmission	11	22	-52.6	3	5	-32.0
Finland-Estonia congestion income*	6	10	-32.8	1	1	-7.8
Finland - Sweden congestion income	44	16	180.6	8	4	95.1
Peak load capacity**	19	7	159.0	5	5	0.3
ITC income	10	22	-55.1	3	7	-66.6
Feed-in tariff for peat		0	-100.0			
Other revenue	3	5	-35.5	1	2	-60.8
Other operating income	4	3	28.9	2	1	44.7
Revenue and other income total	526	441	19.1	156	109	42.6

Costs (million €)

	1-12/12	1-12/11	change %	10-12/12	10-12/11	change %
Purchase of imbalance power	133	131	1.2	40	22	85.8
Purchase of loss energy	65	63	2.6	17	16	6.0
Depreciation	76	68	11.5	20	18	13.0
Reserves	39	28	38.2	10	7	35.7
Personnel	22	20	8.9	7	6	13.0
Maintenance management	21	18	16.6	6	6	-0.3
Peak load capacity**	18	7	159.9	5	5	-0.5
ITC charges	14	12	14.9	3	4	-13.5
Estlink grid rents*	6	9	-32.9	1	1	-20.0
Other costs	25	23	9.4	8	7	19.8
Costs total	419	380	10.2	116	90	28.4
Operating profit excluding the change in the fair value of commodity derivatives	107	62	74.2	39	19	111.1
Operating profit of Group	95	57	67.3	38	17	125.1

*Fingrid's income from the congestion income between Finland and Estonia was 6.5 million euros. The costs (grid rents between Finland and Estonia) were 6.4 million euros, which was paid to the owners of the Estlink transmission connection. The difference of 0.1 million euros received by Fingrid was created during disturbances on the Estlink connection.
**The peak load capacity income and costs are related to the securing of the sufficiency of electricity during peak consumption hours within the framework of the Finnish Peak Load Capacity Act.

The operating profit of the Group was 95 (57) million euros. Of the change in the fair value of commodity derivatives, -13 (-5) million euros were recognised in the income statement. The operating profit in the last quarter was 38 (17) million euros.

The consolidated profit for the year was 67 (33) million euros. The consolidated total comprehensive income was 73 (0) million euros. The cash flow from the operations of the Group deducted by capital expenditure was -1 (-148) million euros due to the considerably better profit and smaller level of capital expenditure.

The return on investment was 5.6 (3.6) per cent and the return on equity 12.4 (6.5) per cent. The equity ratio was 27.3 (25.7) per cent at the end of the review period.

Revenue of the parent company was 504 (434) million euros and profit for the financial year 41 (22) million euros.

Capital expenditure

Fingrid's annual capital expenditure in the transmission system has been extensive for several years. The company's gross capital expenditure in 2012 was 139 million euros (244 million euros in 2011). Of this amount, a total of 94 (173) million euros were used for the transmission grid and 26 (68) million euros for reserve power. IT-related capital expenditure was approximately 11 (3) million euros. The sharp increase in capital expenditure is the result of the connection of new generating capacity to the transmission system, the promotion of the functioning of the electricity market, renewal of the ageing grid, and regional changes in electricity consumption and production patterns in Finland.

Research and development was allocated a total of 1.5 (1.8) million euros. Some 50 research and development projects were in progress in 2012. The foremost R&D input was placed on the analysis of reserve types and needs, utilisation of status measurements at the power system level in the maintaining of system security and in the optimisation of transmission capacity, and development of a 110 kilovolt tower type suited for use on arable land. There were also numerous research projects for controlling wind power production in the power system.

Fingrid had several capital investment projects for ensuring system security and the adequacy of transmission capacity in the future. One of the biggest projects is the one between Yllikkälä and Huutokoski for reinforcing the grid in Eastern Finland. Three sub-projects were completed within it in 2012, and the last transmission line section will be completed in the spring of 2013. The biggest reserve power plant unit in Finland was commissioned in Forssa towards the end of the year. The plant brings 320 megawatts of additional fast disturbance reserve to the transmission system.

EstLink 2, the joint project by Fingrid and the Estonian transmission system operator Elering has made progress on schedule and within budget. The submarine cable was laid in the Baltic Sea in two campaigns during the autumn. The HVDC connection will be commissioned in early 2014.

Towards the end of 2012, Fingrid made a capital investment decision concerning the Hirvisuo - Pyhänselkä 400 kilovolt transmission line project. The project will upgrade the west coast of Finland to the 400 kilovolt voltage level. The total length of the transmission line is 215 kilometres. In addition to it, there will be a new Hirvisuo substation, and a number of other substations will be expanded.

ENTSO-E, the European Network of Transmission System Operators for Electricity, published its ten-year network development plan and the plan for the Baltic Sea region in the summer of 2012. The Nordic network plan was drawn up on the basis of these.

Power system

Electricity consumption in Finland in 2012 totalled 85.2 terawatt hours (84.2 terawatt hours in 2011). A total of 64.2 (64.2) terawatt hours of electricity was transmitted in Fingrid's grid, representing 75.4 per cent of the electricity consumption in Finland.

Electricity transmissions between Finland and Sweden in 2012 consisted mainly of imports to Finland. The capacity offered to the market was limited by a cable fault and by the work required by the automation reform in the submarine cable connections. A total of 14.8 (5.9) terawatt hours of electricity were imported from Sweden to Finland during 2012, and 0.4 (4.0) terawatt hours were exported from Finland to Sweden.

The direction of transmissions in electricity transmission between Finland and Estonia varied, with the dominating direction being from Finland to Estonia. The transmission capacity was available to the market in the normal manner. The volume of electricity imports from Estonia to Finland on the Estlink connection was 0.4 (1.6) terawatt hours, and 1.5 (0.5) terawatt hours of electricity were exported from Finland to Estonia.

Electricity imports from Russia were at a much lower level than in the previous years. Almost the full transmission capacity was made available. Electricity imports from Russia to Finland totalled 4.4 (10.8) terawatt hours in 2012.

The number of disturbances in the Finnish grid was at the average level. However, the calculatory disadvantage inflicted on the customers and society as a result of the disturbances was very small. The most significant disorder affecting customers occured in the Vaasa region in August, when 63,000 people were left without electricity for a few minutes.

Power system operation	**1-12/12**	**1-12/11**	**10-12/12**	**10-12/11**
Electricity consumption in Finland TWh	85.2	84.2	23.3	21.5
Fingrid's transmission volume TWh	64.2	64.2	17.2	16.2
Fingrid's loss energy volume TWh	1.2	1.2	0.3	0.3
Electricity transmissions Finland-Sweden				
exports to Sweden TWh	0.4	4.0	0.2	0.7
imports from Sweden TWh	14.8	5.9	3.2	2.2
Electricity transmissions Finland-Estonia				
exports to Estonia TWh	1.5	0.5	0.3	0.2
imports from Estonia TWh	0.4	1.6	0.1	0.3
Electricity transmissions Finland-Russia				
imports from Russia TWh	4.4	10.8	1.4	2.3

Electricity market

The Nordic electricity market was characterised by very abundant supply of hydropower throughout the year. This clearly lowered the price level in the wholesale market. The average price of spot electricity at the electricity exchange (system price) in 2012 was 31 euros per megawatt hour (47 euros per megawatt hour in 2011), and the average area price for Finland was 37 (49) euros per megawatt hour.

The Finnish market did not benefit fully from the inexpensive hydropower, because one of the two submarine cables between Finland and Sweden was out of order for a large part of the year. The market could have accommodated more electricity than on average from the west, but the transmission capacity was not sufficient due to the failures on the connections. As a result, a record-high amount of 88 million euros of congestion income was created on the border between Finland and Sweden. Fingrid's share of this was 44 million euros.

Supply in the Finnish market area was also influenced by the fact that electricity imports from Russia decreased considerably. The imports had remained at a steady level for decades but started to fluctuate and decrease rapidly in the autumn of 2011. In 2012 the imports were only about one third of the earlier level of imports.

In 2012, Fingrid used 4.7 (1.6) million euros for counter trade. This mainly resulted from disturbances on the cross-border connections and partly from transmission restrictions within Finland.

The active development of the single European market continued. In line with the EU's third legislative package on the electricity market, the preparation of several market rules was launched within ENTSO-E, and the first proposals were completed. At the same time, the full integration of the various market areas was prepared,initially concerning North-Western Europe.

Electricity market

	1-12/12	**1-12/11**	**10-12/12**	**10-12/11**
Nord Pool system price, average €/MWh	31	47	37	34
Area price Finland, average €/MWh	37	49	41	37
Congestion income between Finland and Sweden million €	88.5	31.2	16.0	8.2
Congestion hours between Finland and Sweden %	35.1	22.9	32.0	12.0
Congestion income between Finland and Estonia million €	12.9	19.6	1.5	1.2
Congestion hours between Finland and Estonia %	34.7	45.5	22.4	31.0

*The congestion income between Finland and Sweden as well as between Finland and Estonia is divided between the relevant TSOs in equal proportions. The income and costs of the transmission connections are presented in the tables under Financial result.

Financing

The financial position of the Group continued to be satisfactory. During 2012, Fingrid issued a public bond amounting to 300 million euros and with a maturity of 12 years under the company's International Medium Term Note Programme. The public listing of the bond started on London Stock Exchange on 3 April 2012.

The net financial costs excluding the change in the fair value of derivatives were 21 million euros (19 million euros in 2011). Interest income was 3 (4) million euros. The net financial costs in accordance with IFRS were 7 (23) million euros, including the positive change of 14 million euros (negative 3 million euros) in the fair value of derivatives.

The financial assets at 31 December 2012 totalled 214 (204) million euros. The interest-bearing borrowings totalled 1,244 (1,224) million euros, of which 1,032 (845) million euros were long-term and 212 (379) million euros were short-term. The counterparty risk arising from the currency derivative contracts and interest rate derivative contracts was 77 (63) million euros.

International rating agencies updated Fingrid Oyj's credit ratings in 2012. On 16 October 2012, Fitch Ratings affirmed Fingrid Oyj's senior unsecured debt rating of A+, long-term Issuer Default Rating (IDR) of A and short-term IDR of F1. Fitch Ratings rated the outlook on the long-term IDR as stable. Standard & Poor's Rating Services (S&P) updated Fingrid's long-term credit rating at AA- and the short-term rating at A-1+ on 2 November 2012. S&P assessed Fingrid's outlook to be negative. On 14 December 2012, Moody's Investors Service updated Fingrid's long-term credit rating at A1 and the short-term rating at P-1. Moody's rated the outlook to be stable.

Personnel and compensation systems

The Fingrid Group and Fingrid Oyj employed 275 persons, including temporary employees, at the end of 2012. The corresponding figure a year before was 266. The number of permanent personnel was 261 (252).

Of the personnel employed by the company, 23.8 (23.7) per cent were women and 76.2 (76.3) per cent were men at the end of the year.

Number of permanent personnel

age	**2012**	**2011**
24 to 29 years	22	24
30 to 34 years	34	33
35 to 39 years	41	41
40 to 44 years	37	32
45 to 49 years	38	40
50 to 54 years	36	37
55 to 59 years	30	23
60 to 65 years	23	21
over 65 years	0	1

During 2012, a total of 9,528 (14,333) hours were used for personnel training, with an average of 37 (57) hours per person. Employee absences on account of illness in 2012 accounted for 2 per cent of the total working hours. In addition to a compensation system which is based on the requirements of each position, Fingrid applies quality and incentive bonus schemes. The Board of Directors approved the principles for the remuneration systems of the company's personnel and executive management group for 2013.

Board of Directors and corporate management

Fingrid Oyj's Annual General Meeting was held in Helsinki on 22 March 2012. Helena Walldén, M.Sc. (Tech.), was elected as the Chairman of the Board. Juha Majanen, Budget Counsellor and the Head of Fiscal Policy Unit of the Ministry of Finance was elected as the Vice Chairman. The other Board members elected were Sirpa Ojala, CEO of Digita Oy, Esko Torsti, Head of Non-listed Investments of Ilmarinen Mutual Pension Insurance Company, and Esko Raunio, Director, Private Market Investments, of Tapiola Mutual Pension Insurance Company.

The Board members until 22 March 2012 were Helena Walldén, Arto Lepistö, Elina Engman (until 29 February 2012), Timo Kärkkäinen and Esko Raunio.

PricewaterhouseCoopers Oy was elected as the auditor of the company.

The Board of Directors has two committees: an audit committee and a remuneration committee. The members of the audit committee from 22 March 2012 were Juha Majanen (Chairman), Esko Torsti and Helena Walldén. The members of the audit committee until 22 March 2012 were Arto Lepistö (Chairman), Helena Walldén and Timo Kärkkäinen.

The remuneration committee consisted of Helena Walldén (Chairperson) and Sirpa Ojala from 22 March 2012. Until 22 March 2012, the members of the remuneration committee were Helena Walldén (Chairperson) and Arto Lepistö.

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

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

Risk management

The biggest risk in terms of the company and society is a major disturbance related to the functioning of the power system. A comprehensive disturbance in the power system may be caused by several simultaneous faults in the grid, inoperability of Fingrid's operation control system, insufficiency of production capacity, external events, or problems related to operation support systems or data security, preventing grid operation entirely or partially. Fingrid is prepared for a widespread disturbance concerning Finland or the Nordic power system by making capital investments in the transmission grid and in reserve power. In its strategy, the company focuses on the versatile utilisation of the operation control system, expedited disturbance clearing, and management of power shortage situations. Fingrid also makes preparations for disturbance situations by means of various reserves, procedural guidelines, contingency plans, and exercises.

Other significant risks are an unfavourable trend in official regulation, capital investments which have become unnecessary, unanticipated capital investments, an unexpected increase in costs or reduction in income, financing risks, personnel risks, reputation risks, risks related to information technology and telecommunications, and asset risks.

Fingrid's operations are subject to official regulation and supervised by the Energy Market Authority. Risks related to an unfavourable trend in official regulation, such as changes in the Finnish or European regulation or legislation, can weaken the financial position of the company or its opportunities to pursue the objectives related to the development of the electricity market. The company aims to establish well-working co-operation and interaction with the various stakeholders and to contribute actively to the reports and task forces of authorities. Fingrid works within ENTSO-E, the European Network of Transmission System Operators for Electricity, hence making preparations for and contributing to the impacts of regulation.

Capital investments which have become unnecessary, or unanticipated capital investments may be the result of issues such as regional changes in electricity consumption, changes in electricity production, changes in the international situation, changes in regulation, or technological changes. The objective is to avoid potentially incorrect or unanticipated capital expenditure by means of continuous dialogue and close co-operation with customers, other transmission system operators, and other stakeholders. Fingrid draws up transparent, comprehensive and sustainable grounds for capital investments, and updates the grid plans regularly. The company creates flexibility in the capital investment programme and executes the projects in a timely fashion.

Fingrid's major financial risks include an unforeseen increase in costs or decrease in income. This could be caused by unexpected changes in market-based costs. Increased costs could be a result of for example the realisation of counterparty risk, increase in electricity exchange prices or interest rate level or unexpected faults. Correspondingly, a decrease in income may be the result of a sharp decline in electricity consumption, realisation of counterparty risk related to the service businesses, or a reduction in transmission and congestion income. An unanticipated increase in costs or decrease in income is restricted by enhancing financial control in the Group and assessment concerning financial latitude. Fingrid can change the grid tariff annually. Derivatives are used for hedging against changes in the price of electricity or in the interest rate level. The counterparty risk related to obligations of parties having a contractual relationship with Fingrid is limited contractually, by defining limits and by regularly monitoring the financial position of the counterparties.

The financial risks include currency risks, transaction risks, interest rate risks, commodity risks, liquidity and refinancing risks, and credit risks. Financial risks can be caused by disturbances in the capital and money markets, realisation of counterparty risks in terms of derivatives or investments, realisation credit risks in operations, or disturbances in payments traffic. The risks are limited by means of derivatives, monitoring of counterparties, and by determining upper limits for investments in financial securities and counterparties. Moreover, the refinancing risk caused by disorders in the money and capital markets is reduced by the even maturity profile of debt and versatile sources of funding. The financial risks are described in more detail in note 34 to the consolidated financial statements (IFRS).

The personnel risks are related to competence and occupational safety. In terms of occupational safety, risks related to electrical safety as well as construction and repair projects are the foremost risks. The competence and occupational safety risks are limited by the company's strategic long-term personnel planning and allocated training programmes for both the company's own personnel and service providers. Fingrid audits the work sites systematically in order to enhance safety at work.

Reputation risk can be attributable to a number of reasons, such as serious disturbances or accidents, changes in prices, expropriation of land areas, or delayed upgrades of the grid. These risks are reduced by means of effective risk and change management as well as responsible, transparent and equitable operations and active stakeholder efforts.

Drawbacks related to information technology and telecommunications may be caused by an accident in ICT hardware facilities, long-term inoperability of telecommunications, or a serious failure in a critical ICT system where such a failure poses a direct and significant impediment to the company's operations. Such a situation may also be caused by a work error or serious breach of data security. The company aims to make contingencies for these risks so that the company has sufficient and solid ICT expertise and that ICT is secured in terms of the facilities, telecommunications and systems. Contingency plans are drawn up for the critical systems, and the company monitors and forecasts potential cyber security threats.

Asset risks cover significant failures in Fingrid's assets beyond repair, or a reduction in the usability of the assets. These may include failures which are significant in terms of volume or asset value. Other reasons of asset risks can include significant and unanticipated factors. Fingrid manages the asset risk through means such as preventive maintenance management, comprehensive insurance policies for the key grid components, detailed definition of projects and maintenance management, stringent quality control, and use of proven technology and competent suppliers.

In addition to the foremost risks affecting the company, Fingrid has identified, as part of its corporate social responsibility, the risks that have a major impact on society. Fingrid has also taken into account the management of these risks, and it influences the risks through a variety of measures. The foremost risks shared by Fingrid and society comprise a risk of a major disturbance as described above, lack of confidence in the electricity market, environmental risk, postponement of significant upgrades of the transmission system, and long-term transmission capacity restrictions.

The loss of confidence in the electricity market is a significant risk for Fingrid and society. This risk may be realised for example as a result of congestions in the transmission system or high prices of electricity. The company aims to contribute to the integration of the European electricity market and to secure the intensification of market mechanisms by constructing new cross-border transmission connections whenever necessary and by publishing market information which has bearing on the transparency of the market.

From the point of view of society, the most significant environmental risks are related to environmental damage and to the requirements of environmental legislation. The foremost risks related to environmental matters include delays in capital investment projects due to the assessment of environmental impacts, and changes in environmental legislation. The preparatory measures for the environmental risks comprise proactive assessment of environmental impacts, monitoring of legislation, prevention of accidents by means of technical solutions, further development of terms of contract, and audits.

Risks to society also include the postponement of significant upgrades in the transmission system and long-term transmission capacity restrictions. Significant upgrades in the transmission system may be delayed because of the postponement of the permit process, economic situation, lack of resources, strike, or general strike, among others. The postponement may cause restrictions in the electricity market. Long-term transmission capacity restrictions may be caused by for example technical failures or problems with power system security. The risks are controlled by securing the critical items in the transmission grid and on the cross-border connections and by means of efficient outage planning.

Share capital

The minimum share capital of the company is 55,900,000 euros and the maximum share capital is 223,600,000 euros, within which limits the share capital may be increased or lowered without amending the articles of association. At present, the share capital is 55,922,485.55 euros. The shares of the company are divided into series A shares and series B shares.

The number of series A shares is 2,078 and the number of series B shares is 1,247. The votes and dividends related to the shares are described in more detail in the notes to the financial statements and in the articles of association available on the website of the company.

Corporate responsibility

Fingrid’s corporate responsibility management is founded on the company’s strategy. Corporate responsibility is guided by the Code of Conduct of the company. In 2012, the executive management group verified that the essential corporate responsibility issues are up to date. The primary responsibility objectives were also set.

The reporting takes into account the requirements of state ownership steering and other recommendations ensuring the company’s good governance. In our operating model based on solid procurement expertise and outsourcing, one of the key objectives is to enhance the requirements concerning the responsibility of the operations, and to monitor the supervision of their attainment in the procurement chain.

Environmental matters

Fingrid's environmental responsibility is controlled by the company's land use and environmental policy. The key is to reduce the environmental impacts of the operations and to ensure environmental safety. The proper ways of working are secured through terms of contract, training, and monitoring. Environmental issues are reported in the annual report and on the internet site.

Fingrid's primary environmental impacts are caused by transmission lines, substations and reserve power plants, which represent visible and necessary infrastructure in our environment. Transmission lines have in particular land use and landscape effects, and both positive and negative impacts on wildlife and biodiversity. Like all other electrical equipment, transmission lines create electrical and magnetic fields around them. The foremost environmental considerations of substations and reserve power plants are related to the storage and handling of fuels and chemicals. The company improves the transmission system and aims at achieving minimum electricity transmission losses in a cost effective manner, thus enhancing energy efficiency. A reduction in greenhouse gas emissions is also considered as important. The efficient re-use and recycling of building and demolition waste is important in all construction work.

Fingrid has a total of 26,214 tonnes of creosote-impregnated or CCA-impregnated wooden towers, categorised as hazardous waste. Impregnated wood categorised as hazardous waste is also used in cable trench covers. The related disposal costs of approx. 1.9 million euros have been entered in the financial statements under provisions for liabilities and charges, which in turn have been added correspondingly to property, plant and equipment. Equipment used in Fingrid's substations contains 29 tonnes of sulphur hexafluoride (SF_6 gas), which is categorised as a greenhouse gas. However, no provision has been made for the disposal cost of this gas because it can be re-used after cleaning.

Fingrid's reserve power plants are subject to an environmental permit and covered by the EU's emissions trading scheme. The correctness of the measuring and reporting systems for fuel consumption is verified by an independent accredited emissions trading verifier. A total of 21,317 units of emission allowances were returned. Emissions trading has minor financial significance for Fingrid.

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

Events after the closing of the financial year and estimate of future outlook

On 16 January 2013, the international rating agency Standard & Poor's Rating Services (S&P) revised Fingrid Oyj's outlook from negative to stable. The credit ratings remained unchanged in other respects. S&P affirmed Fingrid's long-term credit rating at AA-, short-term rating at A-1+, and senior unsecured debt rating at AA-.

In other respects, there have been no material events or changes in Fingrid's business or financial situation after the closing of the financial year.

The company raised the transmission tariffs by 15 per cent from 1 January 2013. Fingrid will continue the implementation of its long-term capital expenditure programme of 1,700 million euros. The capital investments will be financed by increasing external financing.

Due to exceptionally high congestion income in financial year 2012, Fingrid Group's profit for the financial year in 2013 without the change in the fair value of derivatives is expected to to decline slightly compared to the previous year. The uncertainty involved in congestion income and in cross-border income on the interconnections from Russia makes it difficult to forecast the profit for the entire financial year.

The Board of Directors' proposal for the distribution of profit

Fingrid Oyj's distributable funds in the financial statements are 52,500,000.00 euros.

The company's Board of Directors will propose to the Annual General Meeting of Shareholders that:
- 2,018.26 euros of dividend per share be paid, totalling 6,710,714.50 euros
- 45,789,285.50 euros be carried over as unrestricted equity.

Annual General Meeting 2013

Fingrid Oyj's Annual General Meeting is preliminarily scheduled 19 March 2013.

Helsinki, Finland, 18 February 2013
Fingrid Oyj
Board of Directors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	1 Jan - 31 Dec 2012 1,000 €	1 Jan - 31 Dec 2011 1,000 €
REVENUE	2	522,064	438,456
Other operating income	3	3,835	2,976
Raw materials and consumables used	4	-267,103	-241,503
Employee benefits expenses	5	-22,135	-20,334
Depreciation	6	-75,665	-67,879
Other operating expenses	7, 8, 9	-66,376	-55,153
OPERATING PROFIT		**94,621**	**56,563**
Finance income	10	3,126	3,551
Finance costs	10	-10,293	-26,106
Finance income and costs		-7,167	-22,554
Portion of profit of associated companies		845	193
PROFIT BEFORE TAXES		**88,299**	**34,201**
Income taxes	11	-21,269	-1,204
PROFIT FOR THE FINANCIAL YEAR		**67,029**	**32,998**
OTHER COMPREHENSIVE INCOME			
Cash flow hedges	12	6,112	-33,399
Translation reserve	12	92	240
Available-for-sale financial assets	12	1	-48
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**73,235**	**-209**
Profit attributable to:			
Equity holders of parent company		67,029	32,998
Total comprehensive income attributable to:			
Equity holders of the company		73,235	-209
Earnings per share, €	13	20,159	9,924
Earnings per share for profit attributable to the equity holders of the parent company:			
Undiluted earnings per share, €	13	20,159	9,924
Diluted earnings per share, €	13	20,159	9,924

Notes are an integral part of the financial statements

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	**31 Dec. 2012 1,000 €**	**31 Dec. 2011 1,000 €**
NON-CURRENT ASSETS			
Intangible assets:			
Goodwill	15	87,920	87,920
Other intangible assets	16	91,085	89,737
		179,005	177,657
Property, plant and equipment:	17		
Land and water areas		13,933	13,671
Buildings and structures		126,385	98,345
Machinery and equipment		527,112	450,700
Transmission lines		684,187	689,929
Other property, plant and equipment		8,188	3,009
Advance payments and purchases in progress		124,870	163,908
		1,484,674	1,419,561
Investments:	18		
Equity investments in associated companies		8,292	7,947
Available-for-sale investments		302	301
		8,594	8,247
Receivables:			
Derivative instruments	29	81,678	57,495
Deferred tax assets	26	21,683	19,873
		103,361	77,368
TOTAL NON-CURRENT ASSETS		**1,775,634**	**1,682,834**
CURRENT ASSETS			
Inventories	19	10,443	6,706
Derivative instruments	29	3,884	14,288
Trade receivables and other receivables	20	88,251	64,633
Financial assets recognized in income statement at fair value	21	207,426	202,387
Cash and cash equivalents	22	6,411	1,454
TOTAL CURRENT ASSETS		**316,415**	**289,468**
TOTAL ASSETS		**2,092,049**	**1,972,301**

Notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	Notes	31 Dec. 2012 1,000 €	31 Dec. 2011 1,000 €
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	25	55,922	55,922
Share premium account	25	55,922	55,922
Revaluation reserve	25	-7,565	-13,679
Translation reserve	25	643	551
Retained earnings	25	464,865	408,586
TOTAL EQUITY		**569,788**	**507,304**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	152,579	140,340
Borrowings	27	1,032,199	845,154
Provisions	28	1,869	1,897
Derivative instruments	29	30,127	34,472
		1,216,773	**1,021,864**
CURRENT LIABILITIES			
Borrowings	27	211,932	378,841
Derivative instruments	29	10,770	670
Trade payables and other liabilities	30	82,786	63,623
		305,488	**443,133**
TOTAL LIABILITIES		**1,522,261**	**1,464,997**
TOTAL EQUITY AND LIABILITIES		**2,092,049**	**1,972,301**

Notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, 1,000 €

Attributable to equity holders of the parent company

	Notes	Share capital	Share premium account	Revaluation reserve	Translation reserve	Retained earnings	Total equity
Balance at 1 Jan 2011		**55,922**	**55,922**	**19,768**	**312**	**382,299**	**514,224**
Comprehensive income							
Profit or loss	25					32,998	32,998
Other comprehensive income							
Cash flow hedges	12			-33,399			-33,399
Translation reserve	12				240		240
Items related to long-term asset items available-for-sale	12			-48			-48
Total other comprehensive income adjusted by tax effects				-33,447	240		-33,207
Total comprehensive income				**-33,447**	**240**	**32,998**	**-209**
Transactions with owners							
Dividends relating to 2010	25					-6,711	-6,711
Balance at 31 Dec 2011		**55,922**	**55,922**	**-13,679**	**551**	**408,586**	**507,304**
Balance at 1 Jan 2012		**55,922**	**55,922**	**-13,679**	**551**	**408,586**	**507,304**
Comprehensive income							
Profit or loss	25					67,029	67,029
Other comprehensive income							
Cash flow hedges	12			6,112			6,112
Translation reserve	12				92		92
Items related to long-term asset items available-for-sale	12			1			1
Total other comprehensive income adjusted by tax effects				6,113	92		6,205
Total comprehensive income				**6,113**	**92**	**67,029**	**73,235**
Transactions with owners							
Dividends relating to 2011	25					-10,751	-10,751
Balance at 31 Dec 2012		**55,922**	**55,922**	**-7,565**	**643**	**464,865**	**569,788**

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2012 1 Jan - 31 Dec 1,000 €	2011 1 Jan - 31 Dec 1,000 €
Cash flow from operating activities:			
Profit for the financial year	25	67,029	32,998
Adjustments:			
Business transactions not involving a payment transaction	35	86,206	72,761
Interest and other finance costs		10,293	26,106
Interest income		-3,120	-3,544
Dividend income		-6	-7
Taxes		21,269	1,204
Changes in working capital:			
Change in trade receivables and other receivables		-22,712	-3,159
Change in inventories		-3,736	-606
Change in trade payables and other liabilities		22,742	-8,584
Change in provisions	28	-29	-2
Financial assets at fair value		-488	645
Interests paid		-21,787	-22,815
Interests received		3,556	2,899
Taxes paid	11	-14,586	-2,344
Net cash flow from operating activities		144,633	95,552
Cash flow from investing activities:			
Purchase of property, plant and equipment	17	-142,747	-241,046
Purchase of intangible assets	16	-5,106	-3,331
Purchase of other assets	18	0	
Proceeds from sale of property, plant and equipment	17	612	50
Dividends received	10	1,335	211
Contributions received			143
Net cash flow from investing activities		-145,905	-243,973
Cash flow from financing activities:			
Withdrawal of loans		643,535	749,938
Repayment of loans		-621,516	-612,649
Dividends paid	25	-10,751	-6,711
Net cash flow from financing activities		11,269	130,579
Net change in cash and cash equivalents		**9,996**	**-17,842**
Cash and cash equivalents 1 Jan		**203,841**	**221,683**
Cash and cash equivalents 31 Dec	21,22	**213,837**	**203,841**

Notes are an integral part of the financial statements.

CONSOLIDATED KEY INDICATORS		2012 IFRS	2011 IFRS	2010 IFRS	2009 IFRS	2008 IFRS
Extent of operations						
Turnover	million €	522.1	438.5	456.3	358.9	382.3
Capital expenditure, gross	million €	139.0	244.4	144.1	135.6	87.9
- of turnover	%	26.6	55.7	31.6	37.8	23.0
Research and development expense	million €	1.5	1.8	1.6	1.3	0.9
- of turnover	%	0.3	0.4	0.3	0.4	0.2
Personnel, average		269	263	260	251	241
Personnel, end of year		275	266	263	260	249
Salaries and bonuses, total	million €	18.2	17.2	17.2	16.0	15.8
Profitability						
Operating profit	million €	94.6	56.6	74.4	50.8	68.4
- of revenue	%	18.1	12.9	16.3	14.1	17.9
Profit before taxes	million €	88.3	34.2	56.3	33.2	37.5
- of revenue	%	16.9	7.8	12.3	9.3	9.8
Return on investment (ROI)	%	5.6	3.6	5.1	3.9	5.8
Return on equity (ROE)	%	12.4	6.5	8.7	5.7	6.6
Financing and financial position						
Equity ratio	%	27.3	25.7	28.6	27.2	26.7
Interest-bearing net borrowings	million €	1,030.3	1,020.2	855.2	797.5	726.7
Share-specific indicators						
Earnings per share	€	20,159.2	9,924.1	12,561.9	7,417.4	8,378.5
Dividend, series A shares	€	2,018.26*	3,962.52	2,018.26	2,022.29	2,018.26
Dividend, series B shares	€	2,018.26*	2,018.26	2,018.26	2,022.29	2,018.26
Dividend payout ratio, A-shares	%	10.0*	39.9	16.1	27.3	24.1
Dividend payout ratio, B-shares	%	10.0*	20.3	16.1	27.3	24.1
Equity per share	€	171,365	152,573	154,654	134,676	125,600
Number of shares at 31 Dec						
- Series A shares	qty	2,078	2,078	2,078	2,078	2,078
- Series B shares	qty	1,247	1,247	1,247	1,247	1,247
Total	qty	3,325	3,325	3,325	3,325	3,325

*The Board of Directors' proposal to the Annual General Meeting

CALCULATION OF KEY INDICATORS

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

Return on equity, % = $\frac{\text{Profit for the financial year}}{\text{Shareholders' equity (average for the year)}}$ x 100

Equity ratio, % = $\frac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}}$ x 100

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

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

Dividend payout ratio, % = $\frac{\text{Dividend per share}}{\text{Earnings per share}}$ x 100

Equity per share, € = $\frac{\text{Shareholders' equity}}{\text{Number of shares at closing date}}$

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

Net gearing ratio, % = $\frac{\text{Interest-bearing borrowings - cash and cash equivalents}}{\text{Shareholders' equity}}$ x 100

QUARTERLY FIGURES

		Q4/2012	Q3/2012	Q2/2012	Q1/2012	Q4/2011	Q3/2011	Q2/2011	Q1/2011
Turnover	Me	153.7	106.0	92.7	169.6	107.9	88.0	91.0	151.6
Operating profit	Me	38.5	7.1	-5.1	54.2	17.1	-4.3	2.0	41.7
Operating profit	%	25.0	6.7	-5.5	32.0	15.8	-4.8	2.2	27.5
		Q4/2010	**Q3/2010**	**Q2/2010**	**Q1/2010**	**Q4/2009**	**Q3/2009**	**Q2/2009**	**Q1/2009**
Turnover	Me	138.0	85.6	87.5	145.2	104.5	70.8	68.2	115.4
Operating profit	Me	23.1	4.5	5.9	40.9	16.3	0.1	-0.3	34.8
Operating profit	%	16.7	5.3	6.8	28.1	15.6	0.1	-0.5	30.1

CAPITAL EXPENDITURE, M€

	1-12/2012	1-12/2011
Capital expenditure in the grid	**94.4**	**173.5**
Substations	44.0	76.8
Transmission lines	50.4	96.7
Capital expenditure in gas turbines	**25.6**	**68.2**
Present gas turbine plants	2.3	8.7
New gas turbine plants	23.3	59.5
Other capital expenditure	**19.0**	**2.7**
ICT	10.7	2.7
Others	8.3	0.0
Total capital expenditure	**139.0**	**244.4**

R&D EXPENDITURE, M€

	1-12/2012	1-12/2011
R&D Expenditure	1.5	1.8

NUMBER OF EMPLOYEES

	1-12/2012	1-12/2011
Average	269	263
At the end of the period	275	266

COMMITMENTS AND CONTINGENT LIABILITIES, 1,000 €

	2012	2011
Pledges		
Pledge covering property lease agreements	47	47
Pledged account in favor of the Customs Office	280	150
Pledged account covering electricity exchange purchases		127
	327	**323**
Unrecorded investment commitments	**217,193**	**218,072**
Other financial commitments		
Counter guarantee in favor of an associated company	1,700	1,700
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	459	401
Commitment fee for subsequent years	1,218	1,584
	3,378	**3,685**

DERIVATIVE INSTRUMENTS, 1,000 €

	2012				2011			
Interes rate and currency derivatives	Fair value Pos. 31.12.12	Fair value Neg. 31.12.12	Net fair value 31.12.12	Nominal value 31.12.12	Fair value Pos. 31.12.11	Fair value Neg. 31.12.11	Net fair value 31.12.11	Nominal value 31.12.11
Cross-currency swaps	78,713	-6,621	72,092	418,578	73,198	-9,592	63,606	518,841
Forward contracts		-90	-90	2,837		-384	-384	24,700
Interest rate swaps	15,032	-9,733	5,299	406,000	6,019	-7,262	-1,243	301,000
Interest rate options, bought	2		2	810,000	814		814	880,000
Total	**93,747**	**-16,444**	**77,303**	**1,637,415**	**80,032**	**-17,238**	**62,793**	**1,724,541**
Electricity derivatives	Fair value Pos. 31.12.12	Fair value Neg. 31.12.12	Net fair value 31.12.12	Volume TWh 31.12.12	Fair value Pos. 31.12.11	Fair value Neg. 31.12.11	Net fair value 31.12.11	Volume TWh 31.12.11
Electricity forward contracts, designated as hedge accounting NASDAQ OMX Commodities		-16,844	-16,844	2.68		-22,814	-22,814	3.81
Electricity forward contracts, not designated as hedge accounting NASDAQ OMX Commodities		-10,450	-10,450	1.20		-75	-75	0.01
Total		**-27,294**	**-27,294**	**3.88**		**-22,889**	**-22,889**	**3.82**

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

The electricity derivatives hedge future costs of energy losses.

The net fair value of derivatives indicates the realized profit/loss if they had been reversed on the last business day of 2012.

Maturity of derivative contracts:

Nominal value, 1,000 €	**2013**	**2014**	**2015**	**2016**	**2017**	**2017+**	**Total**
Interest rate swaps	80,000	36,000	30,000	70,000	30,000	160,000	**406,000**
Interest rate options	145,000	445,000	220,000				**810,000**
Cross-currency swaps	34,957	43,526	98,650	155,392	58,835	27,217	**418,578**
Forward contracts	1,847	321	669				**2,837**
Total	**261,804**	**524,847**	**349,319**	**225,392**	**88,835**	**187,217**	**1,637,415**

TWh	**2013**	**2014**	**2015**	**2016**	**2017**	**2017+**	**Total**
Electricity derivatives	1.13	1.17	0.79	0.53	0.26		3.88
Total	**1.13**	**1.17**	**0.79**	**0.53**	**0.26**		**3.88**

Shareholders by category	Number of shares qty	Of all shares %	Of votes %
Public organisations	1,767	53.14	70.86
Financial and insurance institutions	1,558	46.86	29.14
Total	**3,325**	**100.00**	**100.00**

Shareholders	Number of shares qty	Of all shares %	Of votes %
Republic of Finland	1,382	41.56	55.42
Mutual Pension Insurance Company Ilmarinen	661	19.88	17.15
Varma Mutual Pension Insurance Company	405	12.18	5.41
National Emergency Supply Agency	385	11.58	15.44
Tapiola Mutual Pension Insurance Company	150	4.51	2.01
Suomi Mutual Life Assurance Company	75	2.26	1.00
Pohjola Insurance Ltd	75	2.26	1.00
Mandatum Life Insurance Company Limited	54	1.62	0.72
Tapiola General Mutual Insurance Company	50	1.50	0.67
Tapiola Mutual Life Assurance Company	47	1.41	0.63
If P&C Insurance Company Ltd	25	0.75	0.33
Imatran Seudun Sähkö Oy	10	0.30	0.13
Fennia Life Insurance Company	6	0.18	0.08
Total	**3,325**	**100.00**	**100.00**

Appendices
Fingrid Oyj's annual review and financial statements 2012
Fingrid Oyj's corporate governance statement

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