FINGRID

FINGRID OYJ
Annual Review and Financial Statements
1 January 2007–31 December 2007

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REPORT OF THE BOARD OF DIRECTORS

OPERATING ENVIRONMENT

Total electricity consumption in Finland in 2007 was 90.3 terawatt hours (90 terawatt hours in 2006), which was 0.3 per cent more than in the previous year. With temperature and calendar adjustment, electricity consumption rose by 1 per cent. A total of 68.4 terawatt hours (67.3 terawatt hours) of electricity was transmitted in Fingrid's grid.

An all-time record was reached in electricity consumption in Finland in February, with the peak consumption reaching 14,914 megawatts. In accordance with the Finnish act on the security of supply of electricity, Fingrid signed agreements on a power reserve of a total of 600 megawatts. During peak consumption, power reserves were started once to secure continued power balance. As of the beginning of 2007, Fingrid has been publishing the consumption forecast for the next day on its website.

During the early part of the year, electricity transmissions between Finland and Sweden mainly consisted of imports into Finland. Exports from Finland became dominant in the autumn. A good water reservoir situation in Southern Norway but insufficient transmission capacity from Norway to the other Nordic countries led to the continuous separation of system price and area prices in the Nordic countries from the late summer onwards. However, there has been a price area difference between Finland and Sweden for only about 5 per cent of the time.

The Estlink connection between Finland and Estonia was commissioned for commercial operation in early January. Transmissions on this link have mainly comprised imports into Finland.

Transmission capacity between Finland and Russia was reserved in full. Transmission capacity was limited by annual maintenance at the Vyborg DC substation, and by maintenance work at the North West Power Plant near St Petersburg, which continued throughout the latter part of the year. The capacity utilisation rate was 82 per cent. Revised agreements between Fingrid and the Russian transmission and system operator concerning the use of cross-border connections from Russia came into effect at the beginning of 2008.

In September 2007, the European Commission submitted a proposal concerning changes to the shared rules for the electricity market in Europe. For transmission system operators (TSOs), the foremost changes concern ownership of companies, strengthened status of the regulatory authority, and promotion of TSO co-operation. The proposal aims to promote electricity market integration in Europe.

According to the view of the Commission, the market players should have no influence on the TSOs for example in the form of ownership or Board membership. If the Commission proposal concerning regulations for TSO ownership became reality, it would also have an impact on the ownership structure of Fingrid.

CAPITAL EXPENDITURE AND GRID MAINTENANCE

Fingrid's gross capital expenditure in 2007 was 79 million euros (70 million euros in 2006). Of this amount, a total of 67 million euros were used for the transmission grid and 7 million euros for reserve power. IT-related capital expenditure was approximately 5 million euros.

Fingrid's capital expenditure projects progressed as planned in 2007, and several projects were brought to conclusion. A 400 kilovolt transmission connection from Olkiluoto to Huittinen was introduced in Western Finland at the end of October. The new line will reinforce the transmission grid and enables the connection of the upcoming Olkiluoto nuclear power unit to the grid and the transmission of electricity from the power plant to consumption. The project with a total value of approx. 36 million euros included almost 100 kilometres of new transmission line with various line arrangements. In the same conjunction, two landscape towers were erected on the line in Eurajoki.

In the late autumn, the Ministry of Trade and Industry granted a cross-border line permit to Fenno-Skan 2, which is the second subsea cable between Finland and Sweden. The connection will be brought to commercial operation at the end of November 2011, one year behind the original plan. The delay is caused by the extended time of delivery of the subsea cable. Once completed, Fenno-Skan 2 will bring 800 megawatts of additional transmission capacity on the DC link between Finland and Sweden, thus improving the functioning of the Nordic electricity market.

The Olkiluoto gas turbine power plant was commissioned in 2007. The plant, constructed jointly by Fingrid and Teollisuuden Voima, serves as a fast reserve for the grid. The project elevated the total capacity of Fingrid's own reserve power plants by 100 megawatts to 615 megawatts. Fingrid also projects to construct another 200 megawatts of new reserve power capacity.

In addition several separate substation and transmission line projects were finalised in 2007, and series compensation in the transmission grid was enhanced. These projects improve the transmission capacity and supply security of the grid.

Approximately 16 million euros were used for the maintenance and local operation of the Finnish grid in 2007. The repair of the Fenno-Skan 1 subsea cable link between Finland and Sweden accounted for a considerable portion of this, 3.2 million euros. Approx. 6 million euros were used for the renovations and maintenance of Fingrid's gas turbine plants.

Research and development were allocated 1 million euros. The foremost R&D projects were related to the real-time monitoring and analysis of low-frequency power oscillations in the grid, development of an electricity market model, analysing corrosion damage in guy rods of transmission line towers, studying the condition of transmission line joints, and measuring and limiting electric and magnetic fields.

FINANCIAL RESULT

Revenue of the Fingrid Group in 2007 was 335 million euros (351 million euros in 2006). Grid revenue decreased as a result of the 5 per cent tariff reduction carried out at the beginning of the financial year. Electricity transmissions in Fingrid's grid increased slightly. Revenue from the sales of balance power decreased on the previous year to 64 (95) million euros. Depreci-

ation costs, reserve power costs and costs of loss energy purchases increased. Moreover, the repair of the subsea cable between Finland and Sweden added to the costs.

The operating profit of the group was 91 (80) million euros, which contains 12 (-18) million euros of positive change in the fair value of electricity derivatives. Fingrid introduced hedge accounting in Group reporting for electricity derivatives as of 1 July 2007. The Group's positive change in the fair value of electricity derivatives totalled 25 million euros, of which 11.7 million euros materialised during the first six months of the year, when the change in the fair value was recorded completely in the income statement. The change in the fair value recognised in the income statement for the third and fourth quarters was 0.4 million euros, and the portion recorded in equity and deferred tax liabilities was 12.6 million euros. Operating profit excluding the change in the fair value of electricity derivatives was 79 (98) million euros.

The Group's profit for the year was 42 (38) million euros.

The return on investment was 7.3 (6.4) per cent and the return on equity 10.3 (10.4) per cent. The equity ratio was 27.5 (25.5) per cent at the end of the review period. Revenue of the parent company was 333 (351) million euros and profit for the financial year 4 (7) million euros.

FINANCING

The financial position of the Group continued to be good throughout the review period. The net financial costs excluding the change in the fair value of derivatives decreased slightly to 31 (32) million euros. The average interest rate of interest-bearing liabilities, including capital loans, hedging items and changes in fair value, was 4.5 (3.9) per cent. The change in fair value included in the gross financial costs was 3.7 (+3) million euros negative, which raised the average interest rate percentage.

The cash flow from the operations of the Group deducted by capital expenditure and dividends was 13 (31) million euros.

The financial assets at 31 December 2007 totalled 212 (204) million euros. The interest-bearing liabilities, including derivative liabilities, totalled 967 (970) million euros, of which 766 (758) million euros were long-term and 200 (213) million euros were short-term. The counterparty risk involved in the financial derivative contracts was 5 (8) 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. Fingrid Oyj used its early redemption right on 15 May 2007 and redeemed the capital loan of 138 million euros in full. The capital loan had been issued on 1 September 1997.

International rating agency Standard & Poor's Rating Services lowered Fingrid's long-term and short-term credit ratings by one notch in October 2007. Standard & Poor's new long-term rating on Fingrid is A+ and short-term rating is A-1. Fitch Ratings assigned Fingrid Oyj a long-term issuer default rating (IDR) of AA-, a short-term IDR of F1+ and a senior unsecured debt rating of AA. Moody's Investors Service updated Fingrid's credit opinion on 29 January 2008, and kept Fingrid's credit ratings unchanged. Moody's long-term rating on Fingrid is Aa3 and the short-term rating is P-1. All three rating agencies assessed Fingrid's outlook to be stable.

PERSONNEL AND REWARDING SYSTEMS

The Fingrid Group and Fingrid Oyj employed 248 persons, including temporary employees, at the end of 2007. The corresponding figure a year before was 242.

Of the personnel employed by the company, 22 per cent (21 per cent in 2006) are women and 78 (79) per cent are men. Among permanent personnel, those in age group 24 - 29 years of age numbered 25 in 2007 (24 in 2006), 30 - 34 years 35 (32), 35 - 39 years 28 (30), 40 - 44 years 40 (32), 45 - 49 years 37 (38), 50 - 54 years 27 (20), 55 - 59 years 30 (39), and age group 60 - 65 years 16 (13).

During 2007, a total of 9,337 (10,449) hours were used for personnel training, with an average of 38 (45) hours per person. Employee absences on account of illness in 2007 accounted for 2 per cent of the total working hours, which was at the same level as in 2006. In addition to a compensation system which is based on the requirements of each position, Fingrid applies quality and incentive bonus schemes.

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

Fingrid Oyj's Annual General Meeting was held in Helsinki on 22 March 2007. 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 Timo Karttinen, Senior Vice President, Ritva Nirkkonen, Managing Director, Anja Silvennoinen, Vice President, Energy, and Jorma Tammenaho, Portfolio Manager.

Jukka Ruusunen has served as the President & CEO of the company from 1 January 2007.

RISK MANAGEMENT

The Board of Directors approves the main measures in risk management as part of the corporate strategy, performance indicators, action plan and budget. The control committee of the Board of Directors obtains an annual report of the foremost risks pertaining to the company's operations and of their management. Moreover, the internal auditor monitors issues such as the internal rules of the company and reports his findings to the control committee.

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. In its selected strategic focal areas, Fingrid has taken the management of these risks into account.

Fingrid is prepared for a wide-spread disturbance concerning Finland or the Nordic power system by means of various reserves, procedural guidelines, contingency plans, and exercises. In its strategy, the company also focuses on the versatile utilisation of the upgraded power control system, expedit-

ed disturbance management, and management of power shortage situations. A wide-spread disturbance in the power system may be caused by several simultaneous faults in the grid, inoperability of Fingrid's power control system, insufficiency of production capacity, or an external event which prevents grid operation entirely or partially.

Fingrid's operations are subject to a licence and supervised by the Energy Market Authority. Changes in Finnish or European regulation may cause negative impacts on the company's financial position or its opportunities to carry out the objectives relating to the development of the electricity market.

The company's strategic focal areas include consolidated Nordic co-operation and its adaptation to the increasingly European electricity market, improved financial control, and constant assessment of financial latitude.

In order to control damage and health risks relating to high-voltage transmission lines and substations, Fingrid is drawing up a risk and vulnerability analysis of the transmission grid and a management plan for the ageing of the grid. There is also specific emphasis on the technical guidelines being up-to-date, and on monitoring the performance of service suppliers.

The price of electricity, changes in the interest rate level, and obligations of parties which have a contractual relationship with Fingrid involve financial risks. The regular monitoring of these risks and hedging against them are improved constantly.

In 2007, internal control audited Fingrid's procedures in risk management. According to the related report, Fingrid has identified risks pertaining to the corporate operations systematically and throughout the organisation, and no significant risks have remained unidentified.

SHARE CAPITAL AND CAPITAL LOANS

The minimum share capital of the company is 55,900,000 euros and the maximum share capital is 223,600,000, within which limits the share capital may be increased or lowered without amending the Articles of Association. At present, the share capital is 55,900,000 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. Shares in the various series have different rights relating to their votes and dividends; these 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.

The company has a capital loan of 30 million euros, which 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. The capital loan is publicly quoted and registered in the book-entry system of Finnish Central Securities Depository Ltd. The portion of interest, which has not been recorded as an expense, was 0.8 million euros at the end of the financial year.

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 principles of environmental management. The primary environmental impacts of Fingrid's operations are caused by transmission lines together with areas required by these plus substations serving as nodes in the transmission grid.

Fingrid has approx. 30,300 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 it 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.

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 financial result for the current year is expected to decrease somewhat on the previous year as a result of increased expenses. The grid tariff was raised by 4.5 per cent at the beginning of 2008.

The company will continue the implementation of its extensive capital expenditure programme. The capital expenditure will grow from an annual level of approx. 40 million euros to more than 100 million euros per year in the coming years. The capital expenditure will grow because electricity consumption is increasing, the ageing transmission grid needs to be renewed, and cross-border transmission capacity between countries needs to be further enhanced in order to promote the market mechanisms. Moreover, Fingrid has to increase its own reserve power capacity.

Fingrid Oyj has lodged an appeal with the Market Court against a decision issued by the Energy Market Authority concerning the proceeds of grid operation and fees levied on the transmission service. Fingrid argues that when assessing a reasonable return, the supervision model applied by the Energy Market Authority needs to take into account the special characteristics of Fingrid's operations, the new obligations of domestic and EU-level regulation affecting its position, and risks. These should be considered by applying a specific additional risk premium. The other items in the appeal are related to the handling of financial assets and receivables as well as specification of efficiency and cost incentives.

CONSOLIDATED KEY INDICATORS

		2003 FAS	2004 IFRS	2005 IFRS	2006 IFRS	2007 IFRS
Extent of operations						
Turnover	million €	297.6	301.8	316.7	351.3	334.6
Capital expenditure, gross	million €	43.7	42.9	63.3	69.6	79.2
- of turnover	%	14.7	14.2	20.0	19.8	23.7
Research and development expenses	million €	1.3	1.1	1.6	1.2	1.2
- of turnover	%	0.4	0.4	0.5	0.4	0.4
Personnel, average		227	233	228	238	241
Personnel, end of year		220	220	231	233	244
Salaries and bonuses, total	million €	14.7	12.0	12.7	13.8	14.6
Profitability						
Operating profit	million €	90.5	101.5	110.0	79.5	90.7
- of revenue	%	30.4	33.6	34.7	22.6	27.1
Profit before taxes	million €	37.5	59.1	75.1	51.5	56.5
- of revenue	%	12.6	19.6	23.7	14.7	16.9
Return on investment (ROI)	%	7.3	8.2	8.7	6.4	7.3
Return on equity (ROE)	%	10.8	17.5	16.9	10.4	10.3
Financing and financial position						
Equity ratio	%	18.7	21.6	23.9	25.5	27.5
Interest-bearing net liabilities	million €	903.0	847.6	797.9	766.3	754.6
Share-specific indicators						
Earnings per share	€	7,972	14,884	16,761	11,531	12,616
Dividends per share	€	1,995	1,995	1,995	2,082	2,156*
Equity per share	€	76,886	91,640	106,439	115,952	129,338
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 General Annual Meeting

CALCULATION OF KEY INDICATORS

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

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

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

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

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

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

$$\text{Interest-bearing net liabilities, €} = \text{Interest-bearing liabilities - cash and cash equivalents}$$

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

Fingrid Oyj's distributable funds in the financial statements are 10,166,264.95 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

- 2,156.17 euros of dividend per share be paid in accordance with article 5 of the Articles of Association, totalling 7,169,262.65 euros

- 2,997,002.30 euros be carried over as unrestricted equity.

2. FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)
CONSOLIDATED INCOME STATEMENT

	Notes	1 Jan - 31 Dec 2007 1,000 €	1 Jan - 31 Dec 2006 1,000 €
REVENUE	2	334,578	351,326
Other operating income	3	1,878	2,210
Raw materials and consumables used	4	-148,650	-154,950
Employee benefits expense	5	-18,537	-17,917
Depreciation	6	-55,533	-52,254
Other operating expenses	7	-23,078	-48,867
OPERATING PROFIT		90,658	79,548
Portion of profit of associated companies	8	725	1,190
Finance income	8	9,294	5,885
Finance costs	8	-44,194	-35,139
Finance income and costs		-34,175	-28,064
PROFIT BEFORE TAXES		56,483	51,485
Income taxes	9	-14,535	-13,143
PROFIT FOR THE FINANCIAL YEAR		41,948	38,342
Attributable to			
Equity holders of parent company		41,948	38,342
Earnings per share, €	10	12,616	11,531
Earnings per share for profit attributable to the equity holders of the parent company			
Undiluted earnings per share, €	10	12,616	11,531
Diluted earnings per share, €	10	12,616	11,531

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	31 Dec 2007 1,000 €	31 Dec 2006 1,000 €
NON-CURRENT ASSETS			
Intangible assets:			
Goodwill	12	87,920	87,920
Other intangible assets	13	84,396	80,450
		172,316	168,370
Property, plant and equipment:	14		
Land and water areas		10,758	10,496
Buildings and structures		52,304	45,970
Machinery and equipment		411,295	402,144
Transmission lines		550,188	543,135
Other property, plant and equipment		2,757	2,694
Advance payments and purchases in progress		58,289	61,343
		1,085,591	1,065,782
Investments:	15		
Equity investments in associated companies		7,074	6,856
Available-for-sale investments		350	315
		7,424	7,171
Receivables:			
Finance receivables	16	10,478	11,738
Deferred tax assets	22	522	538
Other receivables	26	22,792	1,131
		33,792	13,407
TOTAL NON-CURRENT ASSETS		1,299,123	1,254,730
CURRENT ASSETS			
Inventories	17	4,801	3,819
Finance receivables	16	1,480	369
Trade receivables and other receivables	18	47,461	50,480
Tax assets			320
Financial assets recognised in income statement at fair value	19	208,961	186,728
Cash and cash equivalents	19	3,023	17,358
TOTAL CURRENT ASSETS		265,725	259,075
TOTAL ASSETS		1,564,848	1,513,805

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	Notes	31 Dec 2007 1,000 €	31 Dec 2006 1,000 €
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	21	55,922	55,922
Share premium account	21	55,922	55,922
Revaluation reserve	21	9,375	45
Translation reserve	15	213	63
Retained earnings		308,614	273,589
TOTAL EQUITY		430,048	385,542
NON-CURRENT LIABILITIES			
Deferred tax liabilities	22	108,497	91,964
Interest-bearing liabilities	24	766,468	757,547
Provisions	25	2,007	2,067
Other liabilities	27		3,009
		876,972	854,586
CURRENT LIABILITIES			
Interest-bearing liabilities	24	200,149	212,813
Trade payables and other liabilities	28	57,680	60,864
		257,828	273,676
TOTAL LIABILITIES		1,134,800	1,128,263
TOTAL EQUITY AND LIABILITIES		1,564,848	1,513,805

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, 1,000 €

	Notes	Share capital	Share premium account	Revaluation reserve	Translation reserve	Retained earnings	Total
Attributable to equity holders of the parent company							
Equity 1 Jan 2006		55,922	55,922	33	152	241,879	353,910
Translation reserve	15				-88		-88
Dividend distribution	11					-6,632	-6,632
Other changes	21			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
Cashflow hedges	21, 26			9,304			9,304
Translation reserve	15				150		150
Dividend distribution	11					-6,923	-6,923
Other changes	21			26			26
Profit for the financial year						41,948	41,948
Equity 31 Dec 2007		55,922	55,922	9,375	213	308,614	430,048

CONSOLIDATED CASH FLOW STATEMENT

	1 Jan - 31 Dec 2007 1,000 €	1 Jan - 31 Dec 2006 1,000 €
Cash flow from operating activities:		
Profit for the financial year	41,948	38,342
Adjustments:		
Business transactions not involving a payment transaction*	42,590	69,186
Interest and other finance costs	44,194	35,139
Interest income	-9,280	-5,881
Dividend income	-14	-5
Taxes	14,535	13,143
Changes in working capital:		
Change in trade receivables and other receivables	3,287	-6,344
Change in inventories	-981	-955
Change in trade payables and other liabilities	4,950	523
Change in provisions	-60	
Interests paid	-45,190	-41,555
Interests received	8,506	5,381
Taxes paid	-836	-2,299
Net cash flow from operating activities	103,650	104,675
Cash flow from investing activities:		
Purchase of property, plant and equipment	-78,103	-65,548
Purchase of intangible assets	-6,226	-2,438
Purchase of other assets		
Proceeds from other investments		3
Proceeds from sale of property, plant and equipment	8	
Repayment of loans receivable	85	85
Dividends received	671	634
Net cash flow from investing activities	-83,565	-67,265
Cash flow from financing activities:		
Withdrawal of short-term loans	206,155	76,788
Repayment of short-term loans	-180,256	-82,837
Withdrawal of long-term loans	196,550	151,601
Repayment of long-term loans	-228,488	-160,434
Dividends paid	-6,923	-6,632
Net cash flow from financing activities	-12,961	-21,515
Net change in cash and cash equivalents	7,124	15,896
Cash and cash equivalents 1 Jan	204,087	187,922
Impact of changes in fair value of investments	774	268
Cash and cash equivalents 31 Dec	211,984	204,087
Notes to consolidated cash flow statement		
Adjustments:		
*Business transactions not involving a payment transaction	42,590	69,186
- Depreciation	55,533	52,254
- Capital gains/losses (-/+) on property, plant and equipment and intangible assets	78	-2
- Portion of profit of associated companies	-725	-1,190
- Gains/losses from the valuation of assets and liabilities recognised in income statement at fair value	-12,295	18,124
- Others		

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 P.O. Box 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 13 February 2008. 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 companies responsibilities are 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. 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 fom 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 are 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 non-current receivables and deferred tax liabilities as non-current 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	7–15	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 dur-

ing 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 expenses 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 wirest	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 bad 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. Electricity derivatives are classified as held-for-trading derivative assets and liabilities. On 1 July 2007, the company adopted hedge accounting for electricity derivatives in accordance with the IAS 39 standard, based on cash flow hedging of loss energy purchases. The company documents at the inception of the contract the relationship between the hedged item and the hedging instrument, in accordance with the loss energy purchasing principles approved by the Board of Directors. The effectiveness calculation of hedging is documented both at the hedge inception and on an ongoing basis. Hedge accounting is applied to publicly quoted annual and quarterly instruments bought by the company. Changes in the fair values of instruments which are designated and qualify for hedge accounting are recorded in equity, in the hedge reserve. Changes in the fair values of other electricity derivatives continue to be recorded in the income statement. Instruments quoted at Nord Pool ASA 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: IAS 1 Presentation of Financial Statements: A Revised Presentation, IFRS 8 Operating Segments, IFRIC 8 Scope of IFRS 2, IFRIC 11-IFRS 2 Group and Treasury Share Transactions, IFRIC 12 Service Concession Arrangements, IFRIC 13 Customer Loyalty Programmes, IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. 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 Fingrid. Fingrid charges a consumption fee, use of grid fee, connection point fee and market border fee for the grid service. The contract terms are equal and public.

Transmission services on the cross-border connections to the other Nordic countries enable participation in the Nordic Elspot and Elbas exchange trade. Fingrid makes transmission services on the cross-border connections from Russia available to all electricity market parties. The transmission service is intended for fixed electricity imports. When making an agreement on transmission services from Russia, the customer reserves a transmission right (in MW) for 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 €	2007	2006
Rental income	1,558	1,592
Contributions received	134	136
Other income	186	483
Total	1,878	2,210

4. RAW MATERIALS AND CONSUMABLES USED, 1,000 €	2007	2006
Purchases during financial year	131,547	141,152
Foreign exchange gains and losses		
Change in inventories, increase (-) or decrease (+)	-981	-955
Materials and consumables	130,566	140,197
External services	18,084	14,753
Total	148,650	154,950

5. EMPLOYEE BENEFITS EXPENSE, 1,000 €	2007	2006
Salaries and bonuses	14,592	13,808
Pension expenses - contribution-based schemes	2,293	2,218
Pension expenses - benefit-based schemes (note 23)	335	552
Other additional personnel expenses	1,316	1,339
Total	18,537	17,917

Salaries and bonuses of top management (note 33)	1,111	1,178
Number of salaried employees in the company during the financial year:		
Personnel, average	241	238
Personnel, 31 Dec	244	233

6. DEPRECIATION, 1,000 €	2007	2006
Intangible assets	1,489	1,467
Buildings and structures	2,016	1,817
Machinery and equipment	26,605	22,214
Transmission lines	24,633	25,902
Other property, plant and equipment	790	856
Total	55,533	52,254

7. OTHER OPERATING EXPENSES, 1,000 €	2007	2006
Contracts, assignments etc. undertaken externally	27,204	21,879
Gains from measuring electricity derivatives at fair value	-12,096	18,117
Rental expenses	2,043	2,207
Foreign exchange gains and losses	188	298
Other expenses	5,739	6,366
Total	23,078	48,867

8. FINANCE INCOME AND COSTS, 1,000 €	2007	2006
Portion of profit of associated companies	-725	-1,190
Interest income	-9,280	-5,881
Dividend income	-14	-5
	-9,294	-5,885
Interest expenses	40,128	37,663
Gains from measuring derivative contracts at fair value		-8,924
Losses from measuring derivative contracts at fair value	3,651	5,943
Foreign exchange gains	-27,903	-33,720
Foreign exchange losses	27,936	33,846
Other finance costs	381	331
	44,194	35,139
Total	34,175	28,064

9. INCOME TAXES, 1,000 €	2007	2006
Direct taxes	1,264	2,221
Deferred taxes (note 22)	13,270	10,922
Total	14,535	13,143

Reconciliation of income tax

Profit before taxes	56,483	51,485
Tax calculated in accordance with statutory tax rate in Finland 26 %	14,686	13,386
Non-deductible expenses and tax-free income	-151	-243
Tax expense in income statement	14,535	13,143

10. EARNINGS PER SHARE	2007	2006
Profit for the financial year, 1,000 €	41,948	38,342
Weighted average number of shares, qty	3,325	3,325
Undiluted earnings per share, €	12,616	11,531
Diluted earnings per share, €	12,616	11,531

11. DIVIDEND PER SHARE

After the closing date, the Board of Directors have proposed that a dividend of 2,156.17 (2006: 2,082.71) euros per share be distributed, totalling 7.2 (2006: 6.9) million euros.

12. GOODWILL, 1,000 €	2007	2006
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 6.9%.

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 €	2007	2006
Land use rights		
Cost at 1 Jan	76,562	76,078
Increases 1 Jan - 31 Dec	1,164	484
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	77,726	76,562
Carrying amount 31 Dec	77,726	76,562
Other intangible assets		
Cost at 1 Jan	12,598	11,525
Increases 1 Jan - 31 Dec	4,271	1,073
Cost at 31 Dec	16,869	12,598
Accumulated depreciation according to plan 1 Jan	-8,710	-7,244
Depreciation according to plan 1 Jan - 31 Dec	-1,489	-1,467
Carrying amount 31 Dec	6,670	3,888
Carrying amount 31 Dec	84,396	80,450

14. PROPERTY, PLANT AND EQUIPMENT, 1,000 €	2007	2006
Land and water areas		
Cost at 1 Jan	10,496	10,334
Increases 1 Jan - 31 Dec	262	162
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	10,758	10,496
Carrying amount 31 Dec	10,758	10,496
Buildings and structures		
Cost at 1 Jan	59,317	56,179
Increases 1 Jan - 31 Dec	8,430	3,139

Decreases 1 Jan - 31 Dec	-105	
Cost at 31 Dec	67,642	59,317
Accumulated depreciation according to plan 1 Jan	-13,347	-11,530
Decreases, depreciation according to plan 1 Jan - 31 Dec	25	
Depreciation according to plan 1 Jan - 31 Dec	-2,016	-1,817
Carrying amount 31 Dec	52,304	45,970
Machinery and equipment		
Cost at 1 Jan	565,131	543,989
Increases 1 Jan - 31 Dec	35,760	21,142
Decreases 1 Jan - 31 Dec	-6	
Cost at 31 Dec	600,885	565,131
Accumulated depreciation according to plan 1 Jan	-162,987	-140,773
Decreases, depreciation according to plan 1 Jan - 31 Dec	2	
Depreciation according to plan 1 Jan - 31 Dec	-26,605	-22,214
Carrying amount 31 Dec	411,295	402,144
Transmission lines		
Cost at 1 Jan	730,959	714,428
Increases 1 Jan - 31 Dec	31,686	16,531
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	762,644	730,959
Accumulated depreciation according to plan 1 Jan	-187,824	-161,922
Decreases, depreciation according to plan 1 Jan - 31 Dec		
Depreciation according to plan 1 Jan - 31 Dec	-24,633	-25,902
Carrying amount 31 Dec	550,188	543,135
Other property, plant and equipment		
Cost at 1 Jan	11,715	11,631
Increases 1 Jan - 31 Dec	853	84
Cost at 31 Dec	12,569	11,715
Accumulated depreciation according to plan 1 Jan	-9,022	-8,166
Depreciation according to plan 1 Jan - 31 Dec	-790	-856
Carrying amount 31 Dec	2,757	2,694
Advance payments and purchases in progress		
Cost at 1 Jan	61,343	34,271
Increases 1 Jan - 31 Dec	69,650	61,233
Decreases 1 Jan - 31 Dec	-72,704	-34,160
Cost at 31 Dec	58,289	61,343
Carrying amount 31 Dec	58,289	61,343
Carrying amount 31 Dec	1,085,591	1,065,782

15. INVESTMENTS, 1,000 €	2007	2006
Available-for-sale investments		
Cost at 1 Jan	315	300
Decreases 1 Jan - 31 Dec		-1
Changes in fair value 1 Jan - 31 Dec	36	15
Carrying amount 31 Dec	350	315

The changes in fair value are recorded in equity (note 21).

Equity investments in associated companies		
Cost at 1 Jan	6,856	6,384
Portion of profit 1 Jan - 31 Dec	725	1,190
Translation differences 1 Jan - 31 Dec	150	-88
Dividends 1 Jan - 31 Dec	-657	-629
Carrying amount 31 Dec	7,074	6,856
Carrying amount 31 Dec	7,424	7,171

Goodwill contained in the carrying amount of associated companies at 31 Dec	3,245	3,245

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 €

2006	Assets	Liabilities	Revenue	Profit/loss	Ownership (%)
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

2007	Assets	Liabilities	Revenue	Profit/loss	Ownership (%)
Nord Pool Spot AS, Lysaker, Norway	440,226	421,754	11,409	3,928	20.0
Porvoon Alueverkko Oy, Porvoo, Finland	2,629	2,573	3,784	2	33.3

Subsidiary shares 31 Dec 2007	Ownership (%)
Fingrid Verkko Oy, Helsinki, Finland	100

16. FINANCE RECEIVABLES, 1,000 €	2007	2006
Non-current:		
Loans receivable from associated companies		194
Receivables based on derivative contracts	10,478	11,544
	10,478	11,738
Current:		
Receivables based on derivative contracts	1,363	329
Loans receivable from associated companies (note 33)	110	
Other receivables	7	40
	1,480	369
Total	11,958	12,107

17. INVENTORIES, 1,000 €	2007	2006
Materials and consumables	4,801	3,793
Work in progress		27
Total	4,801	3,819

18. TRADE RECEIVABLES AND OTHER RECEIVABLES, 1,000 €	2007	2006
Trade receivables	36,798	43,008
Trade receivables and other receivables from associated companies (note 33)	1,463	419
Prepayments and accrued income	9,163	7,016
Other receivables	36	37
Total	47,461	50,480

Essential items included in prepayments and accrued income		
Accruals of sales	7,853	6,197
Accruals of purchases/prepayments	958	569
Rents/prepayments	244	249
Total	9,055	7,016

Age distribution of trade receivables		
Unmatured trade receivables	38,046	42,859
Trade receivables matured by 1–30 days	208	566
Trade receivables matured by 31–60 days		1
Trade receivables matured by more than 60 days	7	
Total	38,260	43,426

On 31 December 2007 or on 31 December 2006, 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.
Receivables where the due dates have been renegotiated are not included in matured trade receivables.

Trade receivables and other receivables broken down by currencies		
EUR	47,442	48,701
USD		25
NOK		151
SEK	18	1,603
Total	47,461	50,480

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 €	2007	2006
Certificates of deposit	79,287	49,400
Commercial papers	84,555	77,156
Investments in money market funds	45,119	60,172
	208,961	186,728
Cash in hand and bank receivables*	2,863	17,218
Money market deposits	160	140
	3,023	17,358
Total	211,984	204,087

*includes pledged bank accounts (note 29)

20. CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORIES, 1,000 €

Balance sheet item 31 Dec 2007	Loans and other receivables	Assets/ liabilities recognised in income statement at fair value	Available-for-sale financial assets	Financial assets/ liabilities measured at amortised cost	Total	Note
Non-current financial assets						
Available-for-sale investments			350		350	15
Derivative contracts		10,478			10,478	16, 26
Current financial assets						
Derivative contracts	1,363				1,363	16
Other financial receivables	7			110	117	16
Trade receivables and other receivables	47,461				47,461	18
Cash and cash equivalents recognised in income statement at fair value		208,961			208,961	19
Cash in hand and bank receivables	3,023				3,023	19
Financial assets total	51,854	219,439	350	110	271,753	
Non-current financial liabilities						
Interest-bearing liabilities				729,009	729,009	24
Derivative contracts		37,459			37,459	24, 26
Current financial liabilities						
Interest-bearing liabilities				187,100	187,100	24
Derivative contracts		13,049			13,049	24, 26
Trade payables and other liabilities	37,047			13,618	50,665	28
Financial liabilities total	37,047	50,508		929,726	1,017,281	

Balance sheet item 31 Dec 2006						
Non-current financial assets						
Available-for-sale investments			315		315	15
Derivative contracts		11,544			11,544	16, 26
Other financial receivables				194	194	16
Current financial assets						
Derivative contracts	329				329	16
Other financial receivables	40				40	16
Trade receivables and other receivables	50,840				50,840	18
Cash and cash equivalents recognised in income statement at fair value		186,728			186,728	19
Cash in hand and bank receivables	17,358				17,358	19
Financial assets total	68,567	198,272	315	194	267,348	
Non-current financial liabilities						
Interest-bearing liabilities				724,022	724,022	24
Derivative contracts		33,525			33,525	24, 26
Current financial liabilities						
Interest-bearing liabilities				200,021	200,021	24
Derivative contracts		12,792			12,792	24, 26
Trade payables and other liabilities	31,767			16,904	48,671	28
Financial liabilities total	31,767	46,317		940,947	1,019,031	

21. EQUITY

Equity is composed of the share capital, share premium account, fair value reserve (incl. hedge and revaluation reserves), translation reserve, and retained earnings. The hedge reserve includes the changes in the fair value of hedging instruments for loss energy. The fair value reserve includes the changes in the fair value of available-for-sale investments. The translation reserve includes translation differences in the net capital investments of associated companies in accordance with the purchase method of accounting. The profit for the financial year is recorded in retained earnings.

Share capital and share premium account, 1,000 €	Share capital	Share premium account	Total
1 Jan 2006	55,922	55,922	111,845
Change			
31 Dec 2006	55,922	55,922	111,845
Change			
31 Dec 2007	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 2007	2,078	1,247	3,325
Change			
31 Dec 2007	2,078	1,247	3,325

The maximum number of shares is 13,000 as in 2006. 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. The dividend for 2007 is 6.41 % 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 premium fund account. The premium fund account can be decreased in order to cover losses or it can under certain conditions be returned to the owners.

Fair value reserve

The fair value reserves include the changes in the fair value of derivative instruments used for hedging cash flow (hedge reserve) and the changes in the fair value of available-for-sale investments (publicly quoted and unquoted securities) (revaluation reserve).

Hedge reserve, 1,000 €	2007	2006
1 Jan		
Hedge reserve	12,573	
Taxes	-3,269	
Hedge reserve 31 Dec	9,304	

Revaluation reserve, 1,000 €	2007	2006
1 Jan	45	33
Changes in fair value during financial year	36	15
Taxes on changes in fair value during financial year	-9	-4
Revaluation reserve 31 Dec	71	45

Translation reserve, 1,000 €	2007	2006
Translation reserve 31 Dec	213	63

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

Dividends, 1,000 €	2007	2006
Dividends paid	6,923	6,632

The proposal for dividend distribution is presented in note 11.

Retained earnings, 1,000 €	2007	2006
Profit from previous financial years	266,666	235,247
Profit for the financial year	41,948	38,342
Retained earnings 31 Dec	308,614	273,589

22. DEFERRED TAXES, 1,000 €	2007	2006
Deferred tax assets		
Valuation of derivative contracts and other financial assets and liabilities at fair value	2,099	2,278
Other temporary differences	522	538
	2,621	2,816
Deferred tax liabilities		
Accumulated depreciation difference	91,846	83,864
Intangible assets	9,657	7,226
Valuation of derivative contracts and other financial assets and liabilities at fair value	8,617	2,623
Other temporary differences	476	528
	110,596	94,242
Total*	107,975	91,426

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

Deferred tax assets	522	538
Deferred tax liabilities	108,497	91,964

Deferred tax assets		
Non-current	782	927
Current	1,840	1,889
	2,621	2,816
Deferred tax liabilities		
Non-current	109,236	92,968
Current	1,360	1,273
	110,596	94,242
Total	107,975	91,426

Change in deferred taxes recorded in balance sheet		
Deferred taxes (net) 1 Jan	91,426	80,500
Items recorded in income statement	13,270	10,922
Items recorded in shareholders' equity (note 21)	3,278	4
Deferred taxes 31 Dec	107,975	91,426

23. PENSION COMMITMENTS

The most important pension scheme of the Group is a contribution-based scheme in accordance with TyEL (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 €	2007	2006
Expenses based on service during financial year	323	533
Expected return on scheme assets	-105	-99
Interest expenses	117	118
Total	335	552

Benefit-based pension liability in balance sheet, 1,000 €	2007	2006
Present value of funded obligations	1,543	2,144
Fair value of scheme assets	-1,507	-2,028
Deficit/surplus	36	117
Unrecognised net actuarial gains (+) and losses (-)	-36	-117
Net liability	0	0

Changes in present value of benefit obligations, 1,000 €	2007	2006
Present value of benefit obligations 1 Jan	2,144	2,081
Service cost	323	533
Interest cost on benefit obligations	117	118
Actuarial gains (+) and losses (-)	-1,042	-587
Present value of benefit obligations 31 Dec	1,543	2,144

Fair value of plan assets, 1,000 €	2007	2006
Fair value of plan assets 1 Jan	2,028	1,923
Expected return on plan assets	105	99
Contributions by employer	316	457
Actuarial gains (+) and losses (-)	-941	-451
Fair value of plan assets 31 Dec	1,507	2,028

Principal actuarial assumptions used

Discount rate (%)	5.25	4.75
Expected return on scheme assets (%)	5.25	4.75
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 0.173 million euros in benefit-based pension schemes in 2008.

24. INTEREST-BEARING LIABILITIES, 1,000 €	2007		2006	
Non-current	Fair value	Balance sheet value	Fair value	Balance sheet value
Capital loan*	31,962	30,000	177,893	167,914
Bonds	663,228	663,227	514,321	513,170
Loans from financial institutions	36,221	35,782	43,317	42,938
Derivative liabilities	39,046	37,459	35,608	33,525
	770,456	766,468	771,139	757,547
Current	Fair value	Balance sheet value	Fair value	Balance sheet value
Current portion of long-term liabilities maturing within a year	42,616	42,158	81,582	80,581
Derivative liabilities	13,091	13,049	12,792	12,792
Other loans / Commercial papers (international and domestic)	146,698	144,941	120,539	119,440
	202,405	200,149	214,913	212,813
Total	972,862	966,616	986,052	970,359

*The fair value of capital loan 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 loan included in interest-bearing liabilities, 1,000 €				2007	2006
		Maturity date	Interest		
EUR	137,914	15.05.2027	6.80%*		137,914
EUR	30,000	30.11.2029	6.388%**	30,000	30,000
Total				30,000	167,914

* According to the loan agreement, the company decided to redeem early on 15 May 2007 the principal and accrued interest at par.

**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 €				2007	2006
International:		Maturity date	Interest		
EUR	22,000	14.06.2007	variable interest		22,000
EUR	25,000	06.04.2009	variable interest	25,000	25,000
EUR	10,000	31.03.2010	interest rate structure	10,000	10,000
EUR	10,000	16.03.2011	3.625%	10,000	10,000
EUR	25,000	23.03.2011	variable interest	25,000	25,000
EUR	15,000	24.03.2011	variable interest	15,000	15,000
EUR	20,000	07.04.2011	variable interest	20,000	20,000
EUR	25,000	16.03.2012	variable interest	25,000	25,000
EUR	25,000	12.04.2012	variable interest	25,000	
EUR	10,000	16.04.2013	variable interest	10,000	
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
EUR	20,000	11.04.2017	variable interest	20,000	
EUR	25,000	11.04.2017	variable interest	25,000	
				274,000	216,000
FIM	100,000	04.09.2008	4.75%	16,812	16,803
FIM	210,000	19.08.2013	5.20%	26,905	26,904
				43,717	43,707
USD	35,000	09.07.2007	variable interest		26,576
USD	30,000	23.03.2009	variable interest	20,379	22,779
				20,379	49,355
JPY	3,000,000	23.05.2008	0.925%	18,190	19,117
JPY	3,000,000	15.07.2009	1.84%	18,190	19,117
JPY	1,000,000	12.07.2010	2.00%	6,063	6,372
JPY	2,000,000	16.10.2010	1.022%	12,126	12,745
JPY	3,000,000	05.07.2011	1.31% *	18,190	19,117
JPY	3,000,000	25.07.2012	1.3575% **	18,190	19,117
JPY	3,000,000	20.04.2015	1.45%	18,190	19,117
				109,137	114,701
CHF	16,000	06.06.2007	2.00%		9,957
CHF	39,000	15.03.2010	2.24%	23,569	24,270
CHF	39,000	22.05.2012	2.475%	23,569	24,270
				47,138	58,498

GBP	10,000	07.08.2007	5.5225%		14,892
					14,892
CZK	750,000	05.05.2010	variable interest	28,166	27,288
				28,166	27,288
NOK	200,000	17.10.2016	5.15%	25,132	
NOK	200,000	11.04.2017	5.16%	25,132	
				50,264	
SEK	225,000	03.04.2012	variable interest	23,831	
SEK	225,000	11.04.2012	variable interest	23,831	
SEK	100,000	21.03.2013	variable interest	10,592	11,061
SEK	200,000	03.04.2013	variable interest	21,183	22,123
SEK	175,000	04.04.2014	variable interest	18,535	
SEK	220,000	01.12.2015	interest rate structure	27,455	28,970
				125,427	62,154
Bonds, long-term total				663,227	513,170
Bonds, short-term total				35,002	73,425
Total				698,229	586,594

*call option not exercised 5 July 2004
**call option not exercised 25 July 2006

Maturity of non-current interest-bearing liabilities, 1,000 €

	2008	2009	2010	2011	2012	2012+	Total
Bonds	35,002	63,569	79,925	88,190	139,421	292,122	698,229
Loans from financial institutions	7,156	7,156	7,156	7,156	7,156	7,156	42,939
Total	42,158	70,725	87,081	95,346	146,577	299,279	741,167

Capital loan (30 million euros) is excluded from the table above, because the repayment schedule is conditional.

Capital structure

The corporate finances are planned over a long time span, and the company is ensured sufficient latitude and independent power of decision in the management of finances. The company aims to secure sufficient cash flow for the long-term development of transmission capacity, secured operational reliability and development of the electricity market so that the tariff level remains moderate. The company pursues as low average capital costs as possible by utilising a lower cost through debt financing as compared to equity cost. However, the goal is to keep the cash flow and debt service ratios of the company at such a level that the company retains its high credit rating. The high credit rating enables the company to tap the international and domestic money and capital markets.

25. PROVISIONS FOR LIABILITIES AND CHARGES, 1,000 €	2007	2006
Provisions 1 Jan	2,067	2,067
Provisions used	-60	
Provisions 31 Dec	2,007	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.

26. DERIVATIVE CONTRACTS, 1,000 €	2007		2006	
Interest rate and currency derivatives	Net fair value 31 Dec 2007	Nominal value 31 Dec 2007	Net fair value 31 Dec 2006	Nominal value 31 Dec 2006
Cross-currency swaps	-47,497	376,358	-43,608	322,252
Forward contracts	-3,517	72,401	-2,929	94,036
Interest rate swaps	-572	181,000	-670	213,000
Interest rate options, bought	11,289	370,000	10,599	530,000
Total	-40,297	999,759	-36,609	1,159,288

Electricity derivatives	Net fair value 31 Dec 2007	Volume TWh 31 Dec 2007	Net fair value 31 Dec 2006	Volume TWh 31 Dec 2006
Electricity forward contracts, designated as hedge accounting, Nord Pool Clearing	19,496	3.03		
Electricity forward contracts, Nord Pool Clearing	1,303	0.28	-3,009	2.81
Electricity forward contracts, others	1,993	0.14	1,131	0.14
Total	22,792	3.46	-1,878	2.96

The fair values of financial derivatives are included in the balance sheet in non-current 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.

Electricity forward contracts, 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 2007.

Maturity of derivative contracts:

Nominal value, 1,000 €	2008	2009	2010	2011	2012	2012+	Total
Interest rate swaps	47,000	69,000	10,000	10,000	25,000	20,000	181,000
Interest rate options	40,000	20,000	290,000	20,000			370,000
Cross-currency swaps	18,190	38,569	69,925	18,190	89,421	142,065	376,358
Forward contracts	72,401						72,401
Total	177,591	127,569	369,925	48,190	114,421	162,065	999,759

TWh	2008	2009	2010	2011	2012	2012+	Total
Electricity derivatives	1.21	0.99	0.72	0.32	0.21		3.46
Total	1.21	0.99	0.72	0.32	0.21		3.46

27. OTHER LIABILITIES, 1,000 €	2007	2006
Electricity derivatives		3,009
Total		3,009

28. TRADE PAYABLES AND OTHER DEBT, 1,000 €	2007	2006
Trade payables	26,423	24,835
Trade payables to associated companies	145	173
Interest liabilities	13,618	16,904
Value added tax	6,599	10,153
Electricity tax	416	2,081
Accruals	9,826	6,125
Other debt	653	594
Total	57,680	60,864
Essential items included in accruals		
Personnel expenses	3,697	3,199
Accruals of sales and purchases	6,036	2,913
Other	92	13
Total	9,826	6,125

29. COMMITMENTS AND CONTINGENT LIABILITIES, 1,000 €	2007	2006
Pledges		
Pledge covering property lease agreement	38	38
Pledged account in favour of the Customs Office	27	27
Pledged account covering electricity exchange purchases	45	13,942
	110	14,007
Unrecorded investment commitments	70,586	63,519
Other financial commitments		
Counterguarantee in favour of an associated company	1,700	
Commitment fee of revolving credit facility:		
Commitment fee for the next year	102	101
Commitment fee for subsequent years	393	496
	2,194	598
Supplementary pension scheme for 2008–2009 (note 23)	248	610
Donation of five-year professorship to Helsinki University of Technology for 2006–2010	360	480

30. OTHER LEASE AGREEMENTS, 1,000 €	2007	2006
Minimum rental obligations of other irrevocable lease agreements:		
In one year	1,761	1,767
In more than one year and less than five years	5,557	6,922
In more than five years	1,530	1,557
Total	8,847	10,247

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.

31. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

There are no ongoing legal proceedings or proceedings by authorities that would have a material impact on the business of the company. 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 areas, which final outcome would have a material impact on the financial position of the Group. In January 2008 Fingrid Oyj appealed to the market court relating to the decision 13 December 2007 by the Energy Market Authority "Determination of the methodology for the assessment of the return of the grid owners grid operations transmission services pricing for the review period starting 1 January 2008 ending 31 December 2011".

32. RISK MANAGEMENT

The objective of Fingrid's risk management is to make preparations for cost-effective measures providing protection against damage and loss relating to risks and to make the entire personnel committed to considering the risks pertaining to the company, its various organisational units and each employee. In order to fulfil these objectives, risk management must be continuous and systematic. The significance of individual risks or risk entities is assessed against the present level of protection, taking into account the probability of a disadvantageous event, its financial impact and impact on corporate image or on the attainment of the business goals. The Board of Directors approves the primary principles for risk management and any amendments to them. The Board of Directors approves the primary action for risk management as part of the corporate strategy, indicators, operating plan, and budget. The control committee of the Board of Directors receives an situation report of the major risks relating to the operations of the company and of the management of such risks.

FINANCIAL RISK MANAGEMENT
Fingrid Oyj is exposed to market, liquidity and credit risks when managing the financial position of the company. The company's objective is to reduce risks such that the fluctuations of Fingrid's cash flow remains low.

Primary principles for financing
The Board of Directors of Fingrid Oyj approves the primary principles for financing, stating the guidelines for external funding, financial asset management, market, liquidity, refinancing and credit risks.

Risk management execution and reporting
The treasury is responsible for executing the external funding, the financial asset management and manages the market risks which the company is exposed to. The financial activities of the company are reported four times a year to the Board of Directors. The treasury is responsible for identifying, measuring and reporting the financial risks, which the company may be exposed to.

Risk management processes
The treasury is in charge of risk management monitoring, systems and models as well as methods, for risk calculation and assessment.

Market risks
Fingrid Oyj uses derivative agreements in order to hedge market risks such as foreign exchange, interest rate risk and commodity risks. Derivatives are only used for hedging purposes, and therefore the company does not enter into any deals for market speculation. The hedging instruments are defined in the primary principles for financing or in the loss power procurement policy, and chosen in order to achieve efficient hedging of a risk exposure.

Foreign exchange risk
The functional currency of the company is the euro. The basic rule of the company is to protect foreign exchange risks, but can according to the primary principals for financing, leave an exposure unhedged, which may not exceed 10 % of the financial assets.

Transaction exposure
The company issues securities in the domestic and international money and capital markets. The interest bearing debt portfolio of the company is distributed between different convertible currencies and the total debt portfolio and the related interest rate flows are hedged against currency risk.

The foreign exchange risk of each bond is done in conjunction with the underlying debt issuance. Business related currency risks are small, and they are hedged. Therefore is there no sensitivity analysis presentation. During the financial year the company used foreign exchange forwards and cross currency swaps for hedging the transaction exposure.
The tables on the next page first illustrate currency distribution and the hedging rate of the interest bearing debt of the company and then the sensitivity analysis of the euro against the foreign currencies, which also proves that the company does not have any open foreign exchange risk.

Currency distribution and hedging degree of interest-bearing liabilities, 1,000 €

Currency distribution 31 Dec 2007	Carrying amount	Portion %	Hedging degree	Currency distribution 31 Dec 2006	Carrying amount	Portion %	Hedging degree
EUR	465,358	51		EUR	507,579	55	
CHF	47,138	5	100	CHF	58,498	6	100
CZK	28,166	3	100	CZK	27,288	3	100
GBP				GBP	14,892	2	100
JPY	109,137	12	100	JPY	114,701	12	100
NOK	50,264	5	100	NOK			
SEK	125,427	14	100	SEK	62,154	7	100
USD	90,618	10	100	USD	138,932	15	100
Total	916,108	100	100	Total	924,043	100	100

The sensitivity analysis of foreign exchange rate is measured as a 10 % between the euro and the one currency in question. The company's result will not be subject to exchange rate differentials, since the debt denominated in foreign currencies are hedged against foreign exchange changes.

Exchange rate changes, 1,000 €

31 Dec 2007		Bonds	Commercial papers	Total	Cross-currency swaps	Forward contracts	Total	Net exposure Total
CHF	+10%	-5,202		-5,202	5,202		5,202	0
	-10%	4,275		4,275	-4,275		-4,275	0
CZK	+10%	-3,142		-3,142	3,142		3,142	0
	-10%	2,571		2,571	-2,571		-2,571	0
JPY	+10%	-12,231		-12,231	12,231		12,231	0
	-10%	10,007		10,007	-10,007		-10,007	0
NOK	+10%	-5,485		-5,485	5,485		5,485	0
	-10%	4,487		4,487	-4,487		-4,487	0
SEK	+10%	-13,451		-13,451	13,451		13,451	0
	-10%	11,005		11,005	-11,005		-11,005	0
USD	+10%	-2,268	-7,915	-10,183	2,268	7,915	10,183	0
	-10%	1,856	6,476	8,332	-1,856	-6,476	-8,332	0

Exchange rate changes, 1,000 €

31 Dec 2006		Bonds	Commercial papers	Total	Cross-currency swaps	Forward contracts	Total	Net exposure Total
CHF	+10%	-6,517		-6,517	6,517		6,517	0
	-10%	5,332		5,332	-5,332		-5,332	0
CZK	+10%	-3,047		-3,047	3,047		3,047	0
	-10%	2,493		2,493	-2,493		-2,493	0
GBP	+10%	-1,702		-1,702	1,702		1,702	0
	-10%	1,393		1,393	-1,393		-1,393	0
JPY	+10%	-12,761		-12,761	12,761		12,761	0
	-10%	10,441		10,441	-10,441		-10,441	0
SEK	+10%	-6,390		-6,390	6,390		6,390	0
	-10%	5,228		5,228	-5,228		-5,228	0
USD	+10%	-5,523	-10,074	-15,597	5,523	10,074	15,597	0
	-10%	4,519	8,242	12,761	-4,519	-8,242	-12,761	0

Translation exposure

The company holds an equity investment in an associated company denominated in a foreign currency. This translation risk is unhedged. The sensitivity analysis is (10% changes) is presented in the following table. The table shows a 10% change of the Norwegian krone and the impact of the change on the company's equity.

Translation exposure, 1,000 €		2007	2006
		Equity 31 Dec 2007	Equity 31 Dec 2006
NOK	+10%	410	313
	-10%	-336	-256

Interest rate risk

The company is only exposed to interest rate risk in euros, because the interest bearing debt are both in terms of principal and interest payments hedged against exchange rate risk, and the financial assets are denominated in euros. The interest-bearing liabilities are mainly linked to floating rates.

Interest rate risk is managed in accordance with the main principles of financing so that 30–70% of the interest costs are hedged over the next five years. When the interest rates are high, the hedging level is kept close to the lower limit of the range, and when the interest rates are low, the hedging level is kept close to the upper limit of the range. The specified low level of interest rates is 3% or less, and high level of interest rates is 5% or more. At the end of 2007, 42% of the interest costs for the next five years were hedged, and correspondingly 57% were hedged at the end of 2006.

The sensitivity of the interest rate risk is measured as a 1 percentage unit interest rate fluctuation and by using the CfaR method (Cashflow at Risk). The assumed fluctuation in interest rates is the effect of a 1 percentage unit fluctuation during the next 12 months from the closing date. The analysis of interest rate sensitivity is carried out on interest-bearing liabilities including exchange rate hedging, the derivatives portfolio hedging the interest rate exposure, and on cash and cash equivalents, which result in a net liability position exposed to interest rate fluctuations.

Interest rate sensitivity, 1,000 €	2007		2006	
	-1%-unit	+1%-unit	-1%-unit	+1%-unit
Interest-bearing liabilities	7,027	-7,027	6,638	-6,638
Interest rate derivatives	1,123	2,098	400	2,554
Interest-bearing liabilities total	8,150	-4,929	7,038	-4,084
Cash and cash equivalents	-1,763	1,763	-1,519	1,519
Interest-bearing net liabilities total	6,387	-3,166	5,519	-2,565

The following table presents how the CfaR method is used for measuring the impact of the interest-bearing liabilities, derivatives, and cash and cash equivalents have, with a given confidence level and over time horizon of 12 months, on the cash flow of the company. The other finance costs of the company are not included in the calculation.

Cashflow at Risk, 1 000 €		2007			2006
		31 Dec 2007			31 Dec 2006
Confidence level		Net finance costs	Confidence level		Net finance costs
96%	min.	31,463	96%	min.	32,432
	max.	33,590		max.	34,095
98%	min.	31,282	98%	min.	32,177
	max.	33,718		max.	34,190

Commodity risk

The company is exposed to price and volume risk through transmission losses. Loss energy purchases are hedged in accordance with the loss energy purchasing principles accepted by the Board of Directors. The time span of price hedging is five years, divided into three parts: basic, budgetary and operative hedging. Moreover, the company has operative instructions for physical electricity purchases, instructions for price hedging and control room instructions. For hedging of loss energy purchases, the company uses Nord Pool ASA's electricity derivative contracts and bilateral contracts.

If the market prices of electricity derivatives had been 20% higher or lower on the closing date, the change in the fair value of electricity derivatives would have been 34.7 million euros higher or lower (24.1 million euros in 2006). The impact on the company's equity would have been 25.7 (17.8) million euros. The impact on the equity is presented as the total impact on equity, without separating the impact of hedge accounting, which was implemented during the financial year.

Liquidity risk and refinancing risk

Fingrid is exposed to liquidity and refinancing risk deriving from redemption of loans, payments and fluctuations in cash flow from operating activities.

The liquidity of the company must be arranged so that 100% of the refinancing need for the next 12 months is covered by means of liquid assets and available long-term committed credit lines; however, so that the refinancing need may not account for more than 45% of the total amount of the company's debt financing. As back-up for the liquidity the company has a revolving credit facility of 250 million euros. The revolving credit facility will mature on 16 November 2012. The revolving credit facility has not been drawn.

The company's funding is carried out through debt issuance programmes. The company operates in the international capital market by issuing bonds under the Medium Term Note Programme: The Programme size is one billion euros. Short-term funding is arranged through commercial paper programmes; a Euro Commercial Paper Programme of 600 million euros and a domestic commercial paper programme of 150 million euros. The refinancing risk reduced by an even maturity profile so that the refinancing need over periods of 12 months in excess of one year must not exceed 30% of the company's amount of debt financing.
Contactual repayments and interest costs of interest-bearing financial liabilities are presented in the next table. The interest rate percentages of variable-interest loans are defined using the zero coupon curve. The repayments and interest amounts are un-discounted values. Finance costs relating to cross-currency swaps, interest rate swaps and forward contracts are often paid in net amounts depending on their nature. In the following table, they are presented in gross amounts.

Contractual repayments and interest costs of interest-bearing financial liabilities and payments and receivables of financial derivatives, 1,000 €

31 Dec 2007		2008	2009	2010	2011	2012	2012+	Total
Capital loan	- repayments		30,000					30,000
	- interest costs	1,916	2,882					4,798
Bonds	- repayments	35,002	63,569	79,925	88,190	139,421	292,122	698,229
	- interest costs	27,586	24,985	22,845	20,444	15,896	33,828	145,584
Loans from financial institutions	- repayments	7,156	7,156	7,156	7,156	7,156	7,157	42,939
	- interest costs	1,589	1,350	1,049	748	389	74	5,199
Commercial papers	- repayments	144,941						144,941
	- interest costs	2,384						2,384
Cross-currency swaps	- payments	47,256	66,124	90,149	41,103	108,579	164,527	517,738
Interest rate swaps	- payments	7,248	5,479	2,692	2,372	1,544	975	20,310
Forward contracts	- payments	75,952						75,952
Total		351,031	201,545	203,816	160,013	272,985	498,683	1,688,074
Cross-currency swaps	- receivables	30,780	50,429	80,651	27,580	97,494	160,513	447,444
Interest rate swaps	- receivables	7,398	5,314	2,464	2,409	1,150	860	19,595
Forward contracts	- receivables	72,383						72,383
Total		110,560	55,743	83,115	29,989	98,644	161,373	539,422
Grand total		240,471	145,802	120,702	130,024	174,342	337,311	1,148,651

31 Dec 2006		2007	2008	2009	2010	2011	2011+	Total
Capital loans	- repayments	137,914		30,000				167,914
	- interest costs	11,294	1,916	2,882				16,092
Bonds	- repayments	73,425	35,920	66,896	80,675	89,117	240,562	586,595
	- interest costs	3,647	17,559	15,173	13,214	10,513	17,579	77,685
Loans from financial institutions	- repayments	7,156	7,156	7,156	7,156	7,156	14,313	50,095
	- interest costs	1,706	1,321	1,052	1,016	692	474	6,261
Commercial papers	- repayments	119,440						119,440
	- interest costs	1,677						1,677
Cross-currency swaps	- payments	75,409	40,515	60,006	84,427	34,812	139,371	434,540
Interest rate swaps	- payments	7,823	6,988	5,299	2,547	2,110	2,261	27,028
Forward contracts	- payments	96,965						96,965
Total		536,455	111,375	188,464	189,035	144,400	414,560	1,584,291
Cross-currency swaps	- receivables	60,575	26,211	48,009	75,710	22,852	128,419	361,775
Interest rate swaps	- receivables	7,915	6,808	5,036	2,375	2,263	1,983	26,380
Forward contracts	- receivables	94,191						94,191
Total		162,681	33,019	53,045	78,085	25,115	130,402	482,346
Grand total		373,774	78,357	135,420	110,951	119,286	284,159	1,101,945

Credit risk

Credit risk arises from a counterparty not fulfilling its contractual commitments towards Fingrid. Such risks arise in the company's operations and financial activities.

Credit risk in operations

The company measures and monitors its counterparty risks as part of business monitoring and reporting. The credit rating and payment behaviour of all counterparties and suppliers are regularly monitored. The company has no significant credit risk concentrations. The company did not incur credit losses or rearrange the terms of trade receivables during the financial year.

Credit risk in financing

The company is exposed to credit risk through derivative agreements and financial investments. The company only has derivaives outstanding and invests its funds within the permitted risk limits. There is an upper limit in euros for each counterparty. 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.

33. RELATED PARTY TRANSACTIONS

Fingrid Group's related parties comprise associated companies Porvoon Alueverkko Oy and Nord Pool Spot AS, the biggest owners Fortum Power and Heat Oy and Pohjolan Voima Oy with their group companies, and top management with its related parties. 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. The company has granted Porvoon Alueverkko Oy two separate loans. One is a floating rate loan linked to the six months euribor. The loan is redeemed annually and matures 28 May 2008. The borrower has the right to early redemption at each interest payment date. The other loan is linked to the five-year TyEL (Finnish Employee Pensions Act) reference rate and the loan finally matures 28 May 2008. Fingrid Oyj has granted Porvoon Alueverkko Oy a counter guarantee of 1.7 million euros. Business with related parties are conducted at market prices.

Employee benefits of top management, 1,000 €	2007	2006
Salaries and other short-term employee benefits	1,111	1,178

Transactions with associated companies, 1,000 €	2007	2006
Sales	3,453	2,984
Purchases	33,755	51,062
Receivables	1,573	613
Liabilities	145	255

Loans receivable from associated companies, 1,000 €	2007	2006
1 Jan	194	279
Repayment of loans	-85	-85
31 Dec	110	194

Transactions with related parties, 1,000 €	2007	2006
Sales	86,256	84,277
Purchases	43,828	56,880
Receivables	6,186	2,111
Liabilities	4,639	5,329

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, an oral call for bid is made 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 2007) are exceeded, the company applies the public procurement procedure.

34. EMISSION RIGHTS

In the initial allocation of emission rights, Fingrid was granted a total of 13.4 thousand tonnes of emission rights for 2005–2007 (Olkiluoto power station was granted 4.2 thousand tonnes in 2007). Of this volume, 6.6 thousand tonnes were used in 2007 (2006: 2.4 thousand tonnes). The use of emission rights did not impact the profit in 2005 and 2006, because the company only used emission rights obtained free of charge. In 2007 the company bought 2.0 thousand tonnes, which had minor impact on costs.

35. 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 PROFIT AND LOSS ACCOUNT

	Notes	1 Jan – 31 Dec 2007 €	1 Jan – 31 Dec 2006 €
TURNOVER	2	332,937,877.30	351,325,775.22
Other operating income	3	1,878,021.54	2,210,380.24
Materials and services	4	-147,150,488.67	-154,949,736.68
Staff expenditure	5	-18,718,550.62	-18,012,441.95
Depreciation and amortisation expense	6	-64,789,636.48	-61,495,880.44
Other operating expenses	7	-35,184,959.82	-30,647,411.30
OPERATING PROFIT		68,972,263.25	88,430,685.09
Finance income and costs	8	-33,050,563.75	-33,132,513.48
PROFIT BEFORE EXTRAORDINARY ITEMS		35,921,699.50	55,298,171.61
PROFIT BEFORE PROVISIONS AND TAXES		35,921,699.50	55,298,171.61
Provisions	9	-30,698,892.27	-46,456,162.53
Income taxes	10	-1,224,275.08	-2,217,263.42
PROFIT FOR THE FINANCIAL YEAR		3,998,532.15	6,624,745.66

PARENT COMPANY BALANCE SHEET

ASSETS	Notes	31 Dec 2007 €	31 Dec 2006 €
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	11	62,187,485.62	68,620,673.79
Other non-current expenses	12	77,575,997.77	76,558,588.95
		139,763,483.39	145,179,262.74
Tangible assets	13		
Land and water areas		10,757,893.91	10,496,381.99
Buildings and structures		52,248,703.73	45,950,017.40
Machinery and equipment		409,005,786.93	399,761,307.50
Transmission lines		550,175,093.16	543,121,562.97
Other tangible assets		100,102.76	87,602.76
Advance payments and purchases in progress		58,289,459.02	61,343,483.61
		1,080,577,039.51	1,060,760,356.23
Investments	14		
Equity investments in Group companies		504,563.77	504,563.77
Equity investments in associated companies		6,641,360.21	6,641,360.21
Other shares and equity investments		607,090.83	604,193.49
		7,753,014.81	7,750,117.47
TOTAL NON-CURRENT ASSETS		1,228,093,537.71	1,213,689,736.44
CURRENT ASSETS			
Inventories	15	4,800,526.18	3,819,252.71
Receivables			
Non-current receivables			
Receivables from associated companies			194,467.71
			194,467.71
Current receivables			
Trade receivables		36,798,351.88	43,008,351.12
Receivables from Group companies		150,000.00	
Receivables from associated companies	16	1,572,840.32	418,894.43
Other receivables		35,824.43	36,642.74
Prepayments and accrued income	17, 18	18,927,295.78	20,242,762.09
		57,484,312.41	63,706,650.38
Financial assets	19	207,388,114.38	185,929,380.94
Cash in hand and bank receivables	19	3,023,236.09	17,358,280.04
TOTAL CURRENT ASSETS		272,696,189.06	271,008,031.78
TOTAL ASSETS		1,500,789,726.77	1,484,697,768.22

PARENT COMPANY BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 Dec 2007 €	31 Dec 2006 €
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		6,167,732.80	6,466,190.85
Profit for the financial year		3,998,532.15	6,624,745.66
TOTAL SHAREHOLDERS' EQUITY		122,011,236.05	124,935,907.61
ACCUMULATED PROVISIONS	21	353,253,491.35	322,554,599.08
PROVISIONS FOR LIABILITIES AND CHARGES	29	2,007,346.78	2,067,387.00
LIABILITIES			
Non-current liabilities			
Capital loan	22	30,000,000.00	167,914,099.68
Bonds	23, 24	697,756,228.75	545,888,705.69
Loans from financial institutions		35,781,786.06	42,938,216.54
		763,538,014.81	756,741,021.91
Current liabilities			
Bonds	23	44,518,792.68	83,252,957.51
Loans from financial institutions		7,156,430.35	7,156,430.34
Trade payables		26,423,031.88	24,834,597.65
Liabilities to Group companies	25	525,972.96	515,708.60
Liabilities to associated companies	26	145,182.43	173,435.24
Other liabilities	27	156,064,727.51	135,427,939.66
Accruals	28	25,145,499.97	27,037,783.62
		259,979,637.78	278,398,852.62
TOTAL LIABILITIES		1,023,517,652.59	1,035,139,874.53
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,500,789,726.77	1,484,697,768.22

PARENT COMPANY CASH FLOW STATEMENT

	1 Jan - 31 Dec 2007 €	1 Jan - 31 Dec 2006 €
Cash flow from operating activities:		
Profit for the financial year	3,998,532.15	6,624,745.66
Adjustments:		
Business transactions not involving a payment transaction*	95,566,125.50	107,950,106.49
Interest and other finance costs	42,965,510.87	39,660,381.92
Interest income	-9,233,315.02	-5,884,964.85
Dividend income	-681,632.10	-642,903.59
Taxes	1,224,275.08	2,217,263.42
Changes in working capital:		
Change in trade receivables and other receivables	4,928,833.19	-6,343,516.83
Change in inventories	-981,273.47	-955,268.76
Change in trade payables and other liabilities	3,430,297.27	523,254.94
Change in provisions	-60,040.22	
Interests paid	-45,209,306.93	-41,569,190.44
Interests received	8,506,084.55	5,381,002.58
Taxes paid	-824,609.96	-2,296,103.44
Net cash flow from operating activities	103,629,480.91	104,664,807.10
Cash flow from investing activities:		
Purchase of tangible assets	-78,110,954.38	-65,958,687.33
Purchase of intangible assets	-6,215,226.40	-2,012,750.66
Investments in other assets	-2,897.34	-14,693.00
Proceeds from other investments		2,620.00
Proceeds from sale of tangible assets	7,921.64	
Repayment of loans receivable	84,848.28	84,724.26
Dividends received	681,632.10	642,903.59
Net cash flow from investing activities	-83,554,676.10	-67,255,883.14
Cash flow from financing activities:		
Withdrawal of short-term loans	206,155,015.45	76,788,181.36
Repayment of short-term loans	-180,245,755.14	-82,835,709.95
Withdrawal of long-term loans	196,550,335.67	151,600,778.83
Repayment of long-term loans	-228,487,507.59	-160,433,807.41
Dividends paid	-6,923,203.71	-6,632,410.75
Net cash flow from financing activities	-12,951,115.32	-21,512,967.92
Net change in cash and cash equivalents	**7,123,689.49**	**15,895,956.04**
Cash and cash equivalents 1 Jan	**203,287,660.98**	**187,391,704.94**
Cash and cash equivalents 31 Dec	**210,411,350.47**	**203,287,660.98**

Notes to parent company cash flow statement		
Adjustments:		
*Business transactions not involving a payment transaction	95,566,125.50	107,950,106.49
- Depreciation	64,789,636.48	61,495,880.44
- Increase or decrease In accumulated depreciation difference	30,698,892.27	46,456,162.53
- Capital gains/losses (-/+) on tangible and intangible assets	77,596.75	-1,936.48
- Others		

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 non-current 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	7–15	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 non-current 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 32.

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 profit and loss statement or balance sheet. Information concerning these is presented in the notes.

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 €	2007	2006
Rental income	1,558	1,592
Contributions received	134	136
Other income	186	483
Total	1,878	2,210

4. MATERIALS AND SERVICES, 1,000 €	2007	2006
Purchases during the financial year	85,268	104,326
Loss energy purchases	46,280	36,826
Change in inventories, increase (-) or decrease (+)	-981	-955
Materials and supplies	130,566	140,197
Grid service charges	53	46
Other external services	16,532	14,707
Services	16,584	14,753
Total	147,150	154,950

5. STAFF EXPENDITURE, 1,000 €	2007	2006
Salaries and bonuses	14,592	13,808
Pension expenses	2,810	2,865
Other additional personnel expenses	1,316	1,339
Total	18,719	18,012
Salaries and bonuses of the members of the Board of Directors and President	267	325
Tapio Kuula, Chairman of the Board	17	14
Arto Lepistö, 1st Deputy Chairman of the Board	15	9
Timo Rajala, 2nd Deputy Chairman of the Board	14	13
Timo Karttinen, Member of the Board	8	9
Ritva Nirkkonen, Member of the Board	7	
Anja Silvennoinen, Member of the Board	11	7
Jorma Tammenaho, Member of the Board	9	5
Risto Autio, debuty Member of the Board	6	9
Jussi Hintikka, deputy Member of the Board	3	
Pekka Kettunen, deputy Member of the Board	5	4
Timo Koivuniemi, deputy Member of the Board	4	5
Ari Koponen, deputy Member of the Board	5	3
Juha Laaksonen, deputy Member of the Board	4	3
Timo Ritonummi, deputy Member of the Board	4	4
Taisto Turunen, former 2nd Deputy Chairman of the Board	0	3
Marjukka Aarnio, former Member of the Board	3	9
Timo Väisänen, former deputy Member of the Board		3
Matti Kaisjoki, former deputy Member of the Board		1
Tapio Lehtisalo, former deputy Member of the Board		1
Markku Tynkkynen, former deputy Member of the Board		1
Jukka Ruusunen, President & CEO	153	
Timo Toivonen, President & CEO until 31 December 2006		222

Pension commitments:
Pension commitments are described in the notes of the Group under item 23.

Number of salaried employees in the company during the financial year:		
Personnel, average	241	238
Personnel, 31 Dec	244	233

6. DEPRECIATION ACCORDING TO PLAN, 1,000 €	2007	2006
Goodwill	6,433	6,433
Other noncurrent expenses	5,198	5,216
Buildings and structures	2,015	1,816
Machinery and equipment	26,512	22,129
Transmission lines	24,632	25,901
Total*	64,790	61,496
*Depreciation on the electricity grid (notes 12 and 13)	50,796	48,088

7. OTHER OPERATING EXPENSES, 1,000 €	2007	2006
Contracts, assignments etc. undertaken externally	27,186	21,879
Grid rents	420	617
Other rental expenses	1,623	1,590
Other expenses	5,956	6,562
Total	35,185	30,647

8. FINANCE INCOME AND COSTS, 1,000 €	2007	2006
Dividend income from Group companies	-11	-9
Dividend income from others	-671	-634
Interest and other finance income from Group companies	-6	-8
Interest and other finance income from others	-9,227	-5,877
	-9,915	-6,528
Interest and other finance costs to Group companies	21	15
Interest and other finance costs to others	42,945	39,646
	42,966	39,660
Total	33,051	33,133

9. PROVISIONS, 1,000 €	2007	2006
Difference between depreciation according to plan and depreciation carried out in taxation	30,699	46,456

10. INCOME TAXES, 1,000 €	2007	2006
Income taxes for the financial year	1,224	2,217
Total	1,224	2,217

Deferred tax assets and liabilities, 1,000 €		
Deferred tax assets		
On temporary differences	522	538
	522	538
Deferred tax liabilities		
On temporary differences	476	494
On provisions	91,846	83,864
	92,322	84,358
Total	91,800	83,820

11. GOODWILL, 1,000 €	2007	2006
Cost at 1 Jan	128,664	128,664
Cost at 31 Dec	128,664	128,664
Accumulated depreciation according to plan 1 Jan	-60,043	-53,610
Depreciation according to plan 1 Jan - 31 Dec	-6,433	-6,433
Carrying amount 31 Dec	62,187	68,621
Accumulated depreciation difference 1 Jan	-68,621	-62,187
Increase in depreciation difference reserve 1 Jan - 31 Dec		-6,433
Decrease in depreciation difference reserve 1 Jan - 31 Dec	6,433	
Accumulated depreciation in excess of plan 31 Dec	-62,187	-68,621

12. OTHER NON-CURRENT EXPENSES, 1,000 €	2007	2006
Cost at 1 Jan	119,870	117,857
Increases 1 Jan - 31 Dec	6,215	2,013
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	126,085	119,870
Accumulated depreciation according to plan 1 Jan	-43,311	-38,095
Decreases, depreciation according to plan 1 Jan - 31 Dec		
Depreciation according to plan 1 Jan - 31 Dec	-5,198	-5,216
Carrying amount 31 Dec*	77,576	76,559

Accumulated depreciation difference 1 Jan	-68,705	-62,475
Increase in depreciation difference reserve 1 Jan - 31 Dec	-3,722	-6,230
Decrease in depreciation difference reserve 1 Jan - 31 Dec	5,198	
Accumulated depreciation in excess of plan 31 Dec	-67,230	-68,705

*Net capital expenditure in electricity grid, 1,000 €	2007	2006
Carrying amount 31 Dec	69,525	71,417
Carrying amount 1 Jan	-71,417	-73,497
Depreciation according to plan 1 Jan - 31 Dec	3,095	3,079
Decreases 1 Jan - 31 Dec		
Total	1,203	999

13. TANGIBLE ASSETS, 1,000 €	2007	2006
Land and water areas		
Cost at 1 Jan	10,496	10,334
Increases 1 Jan - 31 Dec	262	162
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	10,758	10,496
Buildings and structures		
Cost at 1 Jan	57,676	54,532
Increases 1 Jan - 31 Dec	8,394	3,144
Decreases 1 Jan - 31 Dec	-105	
Cost at 31 Dec	65,965	57,676
Accumulated depreciation according to plan 1 Jan	-11,726	-9,910
Decreases, depreciation according to plan 1 Jan - 31 Dec	25	
Depreciation according to plan 1 Jan - 31 Dec	-2,015	-1,816
Carrying amount 31 Dec	52,249	45,950
Accumulated depreciation difference 1 Jan	-7,618	-7,337
Increase in depreciation difference reserve 1 Jan - 31 Dec	-3,576	-281
Decrease in depreciation difference reserve 1 Jan - 31 Dec	2,093	
Accumulated depreciation in excess of plan 31 Dec	-9,101	-7,618
Machinery and equipment		
Cost at 1 Jan	541,679	520,992
Increases 1 Jan - 31 Dec	35,760	20,687
Decreases 1 Jan - 31 Dec	-6	
Cost at 31 Dec	577,433	541,679
Accumulated depreciation according to plan 1 Jan	-141,918	-119,789
Decreases, depreciation according to plan 1 Jan - 31 Dec	2	
Depreciation according to plan 1 Jan - 31 Dec	-26,512	-22,129
Carrying amount 31 Dec	409,006	399,761
Accumulated depreciation difference 1 Jan	-68,807	-52,835
Increase in depreciation difference reserve 1 Jan - 31 Dec	-34,751	-15,971
Decrease in depreciation difference reserve 1 Jan - 31 Dec	26,512	
Accumulated depreciation in excess of plan 31 Dec	-77,046	-68,807
Transmission lines		
Cost at 1 Jan	730,943	714,412
Increases 1 Jan - 31 Dec	31,686	16,531
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	762,628	730,943
Accumulated depreciation according to plan 1 Jan	-187,821	-161,920
Decreases, depreciation according to plan 1 Jan - 31 Dec		
Depreciation according to plan 1 Jan - 31 Dec	-24,632	-25,901
Carrying amount 31 Dec	550,175	543,122

Accumulated depreciation difference 1 Jan	-108,804	-91,264
Increase in depreciation difference reserve 1 Jan - 31 Dec	-53,518	-17,540
Decrease in depreciation difference reserve 1 Jan - 31 Dec	24,632	
Accumulated depreciation in excess of plan 31 Dec	-137,690	-108,804
Other tangible assets		
Cost at 1 Jan	88	84
Increases 1 Jan - 31 Dec	13	3
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	100	88
Advance payments and purchases in progress		
Cost at 1 Jan	61,343	34,271
Increases 1 Jan - 31 Dec	69,650	61,233
Decreases 1 Jan - 31 Dec	-72,704	-34,160
Cost at 31 Dec	58,289	61,343
Total*	1,080,577	1,060,760

*Net capital expenditure in electricity grid, 1,000 €	2007	2006
Carrying amount 31 Dec	1,000,588	982,512
Carrying amount 1 Jan	-982,512	-975,512
Depreciation according to plan 1 Jan - 31 Dec	47,701	45,009
Decreases 1 Jan - 31 Dec	84	
Total	65,862	52,009

14. INVESTMENTS, 1,000 €	2007	2006
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
Cost at 31 Dec	6,641	6,641
Other shares and equity investments		
Cost at 1 Jan	604	590
Increases 1 Jan - 31 Dec	3	15
Decreases 1 Jan - 31 Dec		-1
Cost at 31 Dec	607	604
Total	7,753	7,750

15. INVENTORIES, 1,000 €	2007	2006
Materials and supplies	4,801	3,793
Work in progress		27
Total	4,801	3,819

16. RECEIVABLES FROM ASSOCIATED COMPANIES, 1,000 €	2007	2006
Non-current:		
Loans receivable		194
Current:		
Loans receivable	110	
Trade receivables	1,462	417

Prepayments and accrued income	1	2
	1,573	419
Total	1,573	613

17. PREPAYMENTS AND ACCRUED INCOME, 1,000 €	2007	2006
Interests and other financial items	11,962	13,045
Accruals of sales and purchases	6,720	6,628
Taxes		320
Other	244	249
Total	18,927	20,243

18. UNRECORDED EXPENSES AND PAR VALUE DIFFERENTIALS ON THE ISSUE OF LOANS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME, 1,000 €	2007	2006
Par value differentials	4,277	4,754

19. CASH AND CASH EQUIVALENTS, 1,000 €	2007	2006
Certificates of deposit	78,486	49,140
Commercial papers	83,900	76,788
Investments in money market funds	45,002	60,001
	207,388	185,929
Bank Deposits	160	140
Cash in hand and bank receivables*	2,863	17,218
	3,023	17,358
Total	210,411	203,288

*includes pledged bank accounts (note 30)

20. SHAREHOLDERS' EQUITY, 1,000 €	2007	2006
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	13,091	13,099
Dividend distribution	-6,923	-6,632
Profit from previous financial years 31 Dec	6,168	6,466
Profit for the financial year	3,999	6,625
Shareholders' equity 31 Dec	122,011	124,936
Distributable shareholders' equity	10,166	13,091

Number of shares, qty	Series A shares	Series B shares	Total
1 Jan 2007	2,078	1,247	3,325
31 Dec 2007	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. The dividend for 2007 is 6.41% p.a. of the subscription price of the share.

There are no minority interests.

21. ACCUMULATED PROVISIONS, 1,000 €	2007	2006
Accumulated depreciation in excess of plan, the difference between depreciation according to plan and depreciation carried out in taxation .	353,253	322,555

22. CAPITAL LOAN, 1,000 €	2007	2006
Debenture of capital loan nature 1997		137,914
Debenture of capital loan nature 1999	30,000	30,000
Total	30,000	167,914

The terms of the capital loan 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 loan is publicly quoted and registered in the book-entry system of Finnish Central Securities Depository Ltd.

Debenture of capital loan nature 1997
According to the loan agreement, the company decided to redeem early on 15 May 2007 the principal and accrued interest at par.

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 €				2007	2006
International:		Maturity date	Interest		
EUR	22,000	14.06.2007	variable interest		22,000
EUR	25,000	06.04.2009	variable interest	25,000	25,000
EUR	10,000	31.03.2010	interest rate structure	10,000	10,000
EUR	10,000	16.03.2011	3.625%	10,000	10,000
EUR	25,000	23.03.2011	variable interest	25,000	25,000
EUR	15,000	24.03.2011	variable interest	15,000	15,000
EUR	20,000	07.04.2011	variable interest	20,000	20,000
EUR	25,000	16.03.2012	variable interest	25,000	25,000
EUR	25,000	12.04.2012	variable interest	25,000	
EUR	10,000	16.04.2013	variable interest	10,000	
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

EUR	20,000	11.04.2017	variable interest	20,000	
EUR	25,000	11.04.2017	variable interest	25,000	
				274,000	216,000
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	35,000	09.07.2007	variable interest		35,497
USD	30,000	23.03.2009	variable interest	24,476	24,476
				24,476	59,973
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
CHF	39,000	15.03.2010	2.24%	25,000	25,000
CHF	39,000	22.05.2012	2.475%	25,000	25,000
				50,000	60,180
GBP	10,000	07.08.2007	5.5225%		15,576
					15,576
CZK	750,000	05.05.2010	variable interest	24,902	24,902
				24,902	24,902
NOK	200,000	17.10.2016	5.15%	24,620	
NOK	200,000	11.04.2017	5.16%	24,620	
				49,240	
SEK	225,000	03.04.2012	variable interest	24,194	
SEK	225,000	11.04.2012	variable interest	24,142	
SEK	100,000	21.03.2013	variable interest	10,560	10,560
SEK	200,000	03.04.2013	variable interest	21,305	21,305
SEK	175,000	04.04.2014	variable interest	18,811	
SEK	220,000	01.12.2015	interest rate structure	24,336	24,336
				123,347	56,201
Bonds, long-term total				697,756	545,889
Bonds, short-term total				44,519	83,253
Total				742,275	629,142

*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 €	2007	2006
Capital loan	30,000	167,914
Bonds	291,725	244,074

Loans from financial institutions	7,156	14,312
Total	328,881	426,300

25. LIABILITIES TO GROUP COMPANIES, 1,000 €	2007	2006
Current:		
Other debts	524	514
Accruals	2	2
Total	526	516

26. LIABILITIES TO ASSOCIATED COMPANIES, 1,000 €	2007	2006
Current:		
Trade payables	145	173
Total	145	173

27. OTHER DEBTS, 1,000 €	2007	2006
Current:		
Other loans / Commercial papers (international and domestic)	148,552	122,652
Value added tax	6,599	10,153
Electricity tax	416	2,081
Other debts	499	542
Total	156,065	135,428

28. ACCRUALS, 1,000 €	2007	2006
Current:		
Interests and other financial items	16,882	20,936
Salaries and additional personnel expenses	3,697	3,199
Accruals of sales and purchases	4,487	2,902
Other	79	
Total	25,146	27,038

29. PROVISIONS FOR LIABILITIES AND CHARGES, 1,000 €	2007	2006
Creosote-impregnated or CCA-impregnated wooden towers, disposal expenses	2,007	2,067
Total	2,007	2,067

30. COMMITMENTS AND CONTINGENT LIABILITIES, 1,000 €	2007	2006
Rental liabilities		
Liabilities for the next year	1,761	1,767
Liabilities for subsequent years	7,086	8,479
	8,847	10,247
Pledges		
Pledge covering property lease agreement	38	38
Pledged account in favour of the Customs Office	27	27
Pledged account covering electricity exchange purchases	45	13,942
	110	14,007
Other financial commitments		
Counterguarantee in favour of an associated company	1,700	
Commitment fee of revolving credit facility:		
Commitment fee for the next year	102	101

Commitment fee for subsequent years	393	496
	2,194	598
Supplementary pension scheme for 2008 - 2009 (see Group note 23)	248	610
Donation of five-year professorship to Helsinki University of Technology for 2006 - 2010	360	480

31. DERIVATIVE AGREEMENTS, 1,000 €

	2007		2006	
Interest and currency derivatives	Net fair value 31 Dec 2007	Nominal value 31 Dec 2007	Net fair value 31 Dec 2006	Nominal value 31 Dec 2006
Cross-currency swaps	-47,497	376,358	-43,608	322,252
Forward contracts	-3,517	72,401	-2,929	94,036
Interest rate swaps	-572	181,000	-670	213,000
Interest rate options, bought	11,289	370,000	10,599	530,000
Total	-40,297	999,759	-36,609	1,159,288

Electricity derivatives	Net fair value 31 Dec 2007	Volume TWh 31 Dec 2007	Net fair value 31 Dec 2006	Volume TWh 31 Dec 2006
Electricity forward contracts, Nord Pool Clearing	20,798	3.31	-3,009	2.81
Electricity forward contracts, others	1,993	0.14	1,131	0.14
Total	22,792	3.46	-1,878	2.96

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.

Electricity forward contracts, 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 2007.

32. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

There are no ongoing legal proceedings or proceedings by authorities that would have a material impact on the business of the company. 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 areas, which final outcome would have a material impact on the financial position of the Group. In January 2008 Fingrid Oyj appealed to the market court relating to the decision 13 December 2007 by the Energy Market Authority "Determination of the methodology for the assessment of the return of the grid owners grid operations and for transmission services pricing for the review period starting 1 January 2008 ending 31 December 2011".

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 2007 was 12 (12). The operating profit was 4.0 (4.1) per cent of turnover. The return on investment was 27.4 (55.1) per cent.

MANAGEMENT OF BALANCE OPERATION, SEPARATED PROFIT AND LOSS ACCOUNT	1 Jan - 31 Dec 2007 1,000 €	1 Jan - 31 Dec 2006 1,000 €
TURNOVER*	68,547	101,235
Materials and services*	-63,801	-95,074
Staff expenditure	-1,058	-1,127
Depreciation and amortisation expense	-240	-131
Other operating expenses	-714	-801
OPERATING PROFIT	2,733	4,102
Finance income and costs	0	
PROFIT BEFORE PROVISIONS AND TAXES	2,733	4,102
Provisions	-315	-45
Income taxes	-629	-1,055
PROFIT FOR THE FINANCIAL YEAR	1,789	3,002

*Turnover includes 4.9 (5.8) million euros of sales of balance power to balance provider Fingrid Oyj, and Materials and services includes 4.8 (6.9) million euros of its purchases.

MANAGEMENT OF BALANCE OPERATION,
SEPARATED BALANCE SHEET

ASSETS	31 Dec 2007 1,000 €	31 Dec 2006 1,000 €
NON-CURRENT ASSETS		
Intangible assets		
Other non-current expenses	590	305
	590	305
Tangible assets		
Machinery and equipment	1,232	25
Advance payments and purchases in progress	129	325
	1,361	350
TOTAL NON-CURRENT ASSETS	1,951	655
CURRENT ASSETS		
Current receivables		
Trade receivables	3,680	5,851

Receivables from Group companies	6,484	3,244
	10,164	9,126
Cash in hand and bank receivables	1	1
TOTAL CURRENT ASSETS	10,165	9,096
TOTAL ASSETS	12,116	9,751

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec 2007 1,000 €	31 Dec 2006 1,000 €
SHAREHOLDERS' EQUITY		
Share capital	32	32
Share premium account	286	286
Profit from previous financial years	8,845	5,843
Profit for the financial year	1,789	3,002
TOTAL SHAREHOLDERS' EQUITY	10,952	9,162
ACCUMULATED PROVISIONS	42	-273
LIABILITIES		
Current liabilities		
Trade payables	718	820
Other liabilities	405	42
	1,122	862
TOTAL LIABILITIES	1,122	862
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	12,116	9,751

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	2007	2006
Return on investment (ROI) in transmission system operation %	5.9	7.2

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

35. EMISSION RIGHTS

In the initial allocation of emission rights, Fingrid was granted a total of 13.4 thousand tonnes of emission rights for 2005–2007 (Olkiluoto power station was granted 4.2 thousand tonnes in 2007). Of this volume, 6,6 thousand tonnes were used in 2007 (2006: 2.4 thousand tonnes). The use of emission rights did not impact the profit in 2005 and 2006, because the company only used emission rights obtained free of charge. In 2007 the company bought 2.0 thousand tonnes, which had minor impact on expenses.

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

Helsinki, 13 February 2008

Tapio Kuula Chairman	Arto Lepistö 1st Deputy Chairman	Timo Rajala 2nd Deputy Chairman
Timo Karttinen	Ritva Nirkkonen	Anja Silvennoinen
Jorma Tammenaho	Jukka Ruusunen President & CEO	

AUDITOR'S NOTATION

The financial statements for the financial year 2007 have been prepared in accordance with Generally Accepted Accounting Principles. A report on the audit carried out has been submitted today.

Helsinki, 14 February 2008

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Tuomala,
Authorised Public Accountant

PRICEWATERHOUSECOOPERS

Translation

AUDITORS' 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 1.1. – 31.12.2007. 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 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 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 the 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, 14 February 2008

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Tuomala
APA

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STOCK EXCHANGE RELEASES 2007

February 14, 2007
Fingrid Group's annual review and financial statements 2006

March 22, 2007
Tapio Kuula is Chairman of the Board of Directors of Fingrid Oyj in 2007

April 26, 2007
Fingrid Oyj redeems debenture of capital loan nature, issued on 1 September 1997, on the first possible early redemption date on 15 May 2007

April 27, 2007
Fingrid Group's Interim Report 1 January - 31 March 2007

August 13, 2007
Fingrid Group's Interim Report 1 January - 30 June 2007

October 23, 2007
Fitch Ratings assigns Fingrid AA- rating and Fingrid's senior unsecured debt AA rating

October 24, 2007
Fingrid Groups's Interim Report 1 January - 30 September 2007

October 24, 2007
Standard & Poor's revised Fingrid's credit ratings

December 27, 2007
Fingrid's financial reports in 2008

Fingrid Group releases the following financial reports in 2008

- 15 February 2008 Financial Review 2007
- 30 April 2008 Interim Report January - March 2008
- 4 August 2008 Interim Report January - June 2008
- 24 October 2008 Interim Report January - September 2008.

Annual General Meeting will be held 18 March 2008.

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