



FINGRID



ANNUAL REPORT 2003

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REVIEW BY THE PRESIDENT

Fingrid's basic duty is, besides securing the system security of the Finnish power system and maintaining a continuous balance between electricity production and consumption, to contribute to the functioning of the electricity market. In addition to Finland, this also means to an ever increasing degree that we need to consider the Nordic views and those prevailing in Continental Europe. Good management of different situations in the market area which covers the entire European Union is important for Fingrid.

The year 2003 witnessed the functioning of the open electricity market in a water reservoir situation affected by long-term drought. Market mechanisms brought almost all available power production capacity into operation during the period of very cold weather in the early part of 2003. A high electricity price also restricted consumption. Producers and consumers in the Nordic market area are now even better prepared for situations such as this.

Nordic hydropower produced approximately 35 terawatt hours less electricity than on average. This production deficiency, which corresponded to about half of all consumption in Finland, was covered through thermal power production in Finland and Denmark and by increased imports into the market area. This led to transmission needs where the transmission capacity of the Nordic grid was not sufficient in all situations. There was shortage of transmission capacity especially in the grid in Southern Scandinavia, but the limited scope of the transmission connection between Finland and Sweden also led to a situation where Finland constituted a price area of its own very often. Increased electricity imports from Russia at the beginning of 2003 and electricity exports to Sweden led to a high volume of transit transmissions of electricity in the Finnish grid.

The Nordic transmission system operators have invested in increasing the transmission capacity of the grid. Fingrid in particular has used tens of millions of euros over the past few years in increasing the transmission capacity on cross-border connections. Extreme situations highlight the bottlenecks in the grid which impede the market mechanisms. The Nordic Grid Master Plan completed by Nordel in 2002 lists a dozen or so congestion locations. Opening these up requires that the benefits gained by the market cover the input made. The related projects are extensive, amounting to hundreds of millions of euros, which is why economic profitability may not be attained in many cases.

ETSO, the Association of European Transmission System Operators, continued to promote the conditions of the European electricity market. Cross-border tariffs which had complicated electricity trade within the single market area were removed at the beginning of 2004. This increased Fingrid's costs caused by electricity imports from Russia. At the beginning of 2004, these costs were transferred to the transmission tariff levied on electricity imports from Russia. Fingrid continues to contribute to the further development of electricity transmission principles through ETSO so that these principles would support the Nordic approach. However, the Commission of the European Union and national regulators have gained more weight. The future solutions will be based to an increasing degree on the views prevailing in Continental Europe. This has been reflected in the internal market directive and cross-border transmission regulation, which have already become effective, but it is especially visible in the draft directive on the security of supply. It is important that the national solutions to be made on the basis of these enactments support our current market model.

The solutions concerning the fifth nuclear power plant to be built in Finland were specified towards the end of 2003. Environmental impact assessments for grid projects required by the 1,600 megawatt plant to be built at Olkiluoto on the west coast of Finland will be complete during early 2004. The necessary grid investments do not really change Fingrid's annual level of capital expenditure of approx. 45 million euros.

In 2003, Fingrid developed the pricing of the new grid agreement period commencing in 2005 together with its customers. The company's Advisory Committee served as an important discussion forum. The new pricing model retains the matching principle but removes distorting control effects included in the current pricing system.

Fingrid continued to develop its operating procedures, aiming at increasingly better control of costs and risks. The main areas here included influencing European developments, management of environmental issues, and management of losses created in electricity transmission.

Fingrid's good financial performance in 2003, measured customer satisfaction, and an excellent result in a benchmarking study in personnel management indicate that the company has succeeded in its operations over a wide spectrum. For this, thanks are due to our entire personnel.



Timo Toivonen

FINGRID PLC

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TIMO TOIVONEN, President & CEO
JUHA KEKKONEN, Executive Vice President

GRID SERVICE

- Customer Service
- Grid Development
- Cross-Border Services
- Analyses

GRID ASSET MANAGEMENT

- Environment
- Grid Investments
- Grid Maintenance
- Regional Operation
- Technology Development

POWER SYSTEM OPERATION

- System Management
- Grid Operation
- Reserve Power
- Security and Functions
- Balance Management

CORPORATE SERVICES

- Treasury
- Finance
- Market Development
- Communications
- Information Systems
- Human Resources
- Administration

FINGRID IN BRIEF

- **Established on 29 November 1996**
- **Started operations on 1 September 1997**
- **Owns the Finnish main grid and all significant cross-border connections**
- **Approximately 14,000 kilometres of transmission lines and 105 substations**
- **Turnover 298 million euros**
- **Number of personnel at the end of the year: 218**
- **Number of transmission customers: 97**

FINGRID'S MISSION

As the transmission system operator in Finland, Fingrid's mission is to:

- take care of electricity transmission in the main grid and to develop the grid
- maintain a continuous balance between electricity consumption and production
- settle the electricity deliveries between the market parties at a national level
- promote the fluent functioning of the electricity market

The company must attend to these duties so that the grid is technically reliable and has sufficient commercial transmission capacity. The operations must be efficient and impartial.

FINGRID'S VISION

Fingrid's vision is to be a forerunner in the electricity transmission business in the increasingly international electricity market, whilst safeguarding national interests.

FINGRID'S VALUES

RESPONSIBILITY IN ALL OPERATIONS

Fingrid's employees work with a long time perspective and reliability and take into account the requirements imposed by the environ-

ment and safety, especially bearing in mind Fingrid's responsible duty in society.

PERFORMANCE

Fingrid's vision to be a forerunner in the electricity transmission business requires from Fingrid's employees an ability to focus on the essential and to seek progressive modes of operation. Good professional skills and cost consciousness are everybody's goals.

PROPER EXTERNAL AND INTERNAL INTERACTION

Fingrid's employees contribute to a credible corporate image through concrete action and genuine interaction. Consideration of the entirety and common good as well as efficient flow of information are included in everybody's responsibility. The responsibilities for external communications have been defined explicitly.

RESPECT FOR THE INDIVIDUAL

Through their action, Fingrid's employees promote personal relations based on mutual confidence and appreciation. Each Fingrid employee has the right to expect from the company fair procedures, reward for excellent performance, and support for individual development which is applicable to the needs of the company.

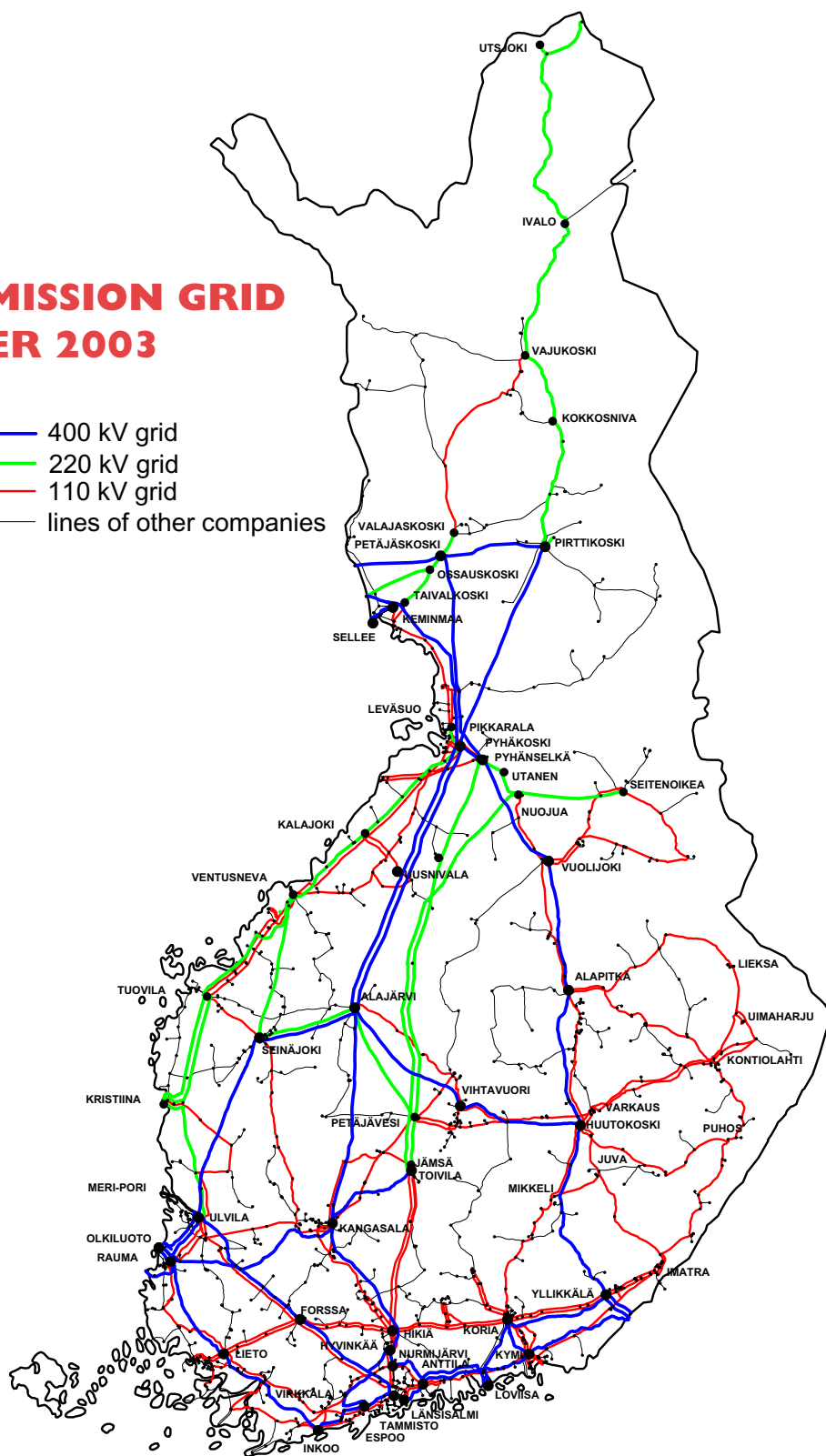
FINGRID'S FOREMOST STRENGTHS

Fingrid's foremost strengths include:

- high professional expertise and work motivation of personnel
- procedures proven to be efficient on an international scale
- reliable power system and good quality in all operations
- close co-operation with customers, and trust shown by the market and authorities
- efficient performance with the company's numerous partners and service suppliers
- active input in the good management of environmental matters.

FINGRID OYJ'S POWER TRANSMISSION GRID AT 31 DECEMBER 2003

- 400 kV grid
- 220 kV grid
- 110 kV grid
- lines of other companies





GRID SERVICES

In 2003, Fingrid transmitted a total of 66.6 terawatt hours of electricity to its customers through its transmission grid.

At the beginning of November, Fingrid adopted a new operating procedure in customer operations. The goal is to secure the quality of transmission service and overall development of the grid especially through technical customer co-operation.

In 2003, Fingrid carried out several regional network analyses together with its customers in South-Western Finland and Satakunta as well as in Central Finland and Northern Ostrobothnia.

Preparatory work for grid pricing to be applied in 2005 to 2007 was launched together with the customers. The planned pricing model will remove distorting control effects existing in the current pricing system. On the basis of feedback gained from the customers, the new pricing model will retain the so-called matching principle and take into account the effect of local production on reduced transmission needs in the national grid.

The operating degree of the transmission capacity on Fingrid's cross-border connections from Russia was high throughout the year. The commercial transmission capacity now totals 1,300 megawatts. This translates into an annual import potential of more than 10 terawatt hours. Approximately 11.3 terawatt hours of electricity was transmitted from Russia to the Nordic electricity market when including the 110 kilovolt connections.

ELECTRICITY MARKET DEVELOPMENT



The early part of 2003 showed that the open electricity market works in situations where there is shortage of supply as a result of the exceptionally poor hydropower situation. As the price level rose, power plants which had been kept in reserve were recommissioned, responding to the elevated demand. The winter of 2003 – 2004 is similar to the previous winter in terms of the water reservoir situation. However, producers and consumers are now better prepared for the prevailing situation.

Over a longer time perspective, however, it is important that a balance between electricity consumption and production is ensured within the entire market area. The current trend is not satisfactory in this respect. Only Finland has plans for considerable new production capacity.

Nordel, the co-operation organisation of Nordic transmission system operators, continued to develop the electricity market. Issues handled by Nordel included congestion management principles, harmonisation of balance service, and securing the sufficiency of power. On the basis of feedback gained, it appears that the harmonisation of balance service suggested by Nordel will not be realised at this point.

The specification of the Nordic Grid Master Plan continued. At the end of the year, the drawing up of a detailed viability analysis of the doubling of the present Fenno-Skan direct current connection was launched. This analysis will be carried out in co-operation with Svenska Kraftnät.

ETSO, the Association of European Transmission System Operators, promoted the conditions of the European market place. Cross-border tariffs which had impeded the internal electricity market were removed at the beginning of 2004. At the same time, the Nordic countries joined ETSO's transit system where grid operators mutually compensate costs caused by transit transmissions of electricity. In this respect, the regulatory environment in the market in Continental Europe is beginning to resemble that in the Nordic countries.

Despite positive developments, some threats have also emerged. The Security of Supply directive proposal prepared hastily by the Commission of the European Union does not indicate in all respects that the EU machinery trusts market-driven mechanisms.

Nord Pool Spot AS, which was incorporated in 2002 and is now jointly owned by the Nordic transmission system operators, clarified its role as a market place for physical electricity. The market share of spot exchange trade was approx. 31 per cent in 2003. Elbas, the after-market place of the spot exchange in Finland and Sweden, will potentially expand to Eastern Denmark in 2004.



GRID DEVELOPMENT AND CAPITAL EXPENDITURE

Approximately 41 million euros was used by Fingrid on capital expenditure in the grid in 2003. This sum will remain almost the same in the near future. The grid was upgraded primarily because of three types of needs.

Among the most significant projects completed in 2003 was the 400/110 kilovolt transformation built at the Kymi substation, required because of increased electricity consumption in the Kymenlaakso region in Southern Finland. This project also decreases transmission losses in the grid. In Alajärvi in Ostrobothnia, a 400 kilovolt busbar system was modernised. This increased electricity transmission capacity between Finland and Sweden in both directions. The extensive replacement of 400 kilovolt aluminium towers was completed in Ostrobothnia. Similar replacement work will continue in Eastern and Northern Finland for a few years. The towers are replaced because of corrosion problems encountered in aluminium towers.

The most extensive ongoing project is the 400 kilovolt transmission line being built between Vihtavuori and Toivila in Central Finland, and related extension of switchyards. The line will secure electricity supply in the Jämsänjokilaakso region and prepare for the gradual removal of the 220 kilovolt voltage level. Other major substation projects are in progress in places such as Pirttikoski, Keminmaa, Visulahti in Mikkeli and Pikkarala in the Oulu region. In all, there are about 50 smaller construction and modernisation projects in progress.

About 10 million euros were used for the maintenance of the main grid in 2003. The special development project in maintenance was the application of a reliability-centered system in equipment maintenance. An Extranet interface intended for service suppliers was launched during 2003. This will speed up and facilitate the flow of information considerably. The repair readiness of unexpected faults was tested and improved through large-scale exercises.



As in previous years, Fingrid's R&D efforts focused on enhancing system security, efficient utilisation of the grid, and environmentally benign line structures.

Research into improved damping of low-frequency power oscillation in the main grid continued at the Power Systems Laboratory of the Helsinki University of Technology. On the basis of the research findings, the additional stabilisation circuits for voltage control at the biggest power plants have been readjusted. New semiconductor-controlled compensation equipment is also applicable to improved damping in the Nordel grid.

The development of methods used for assessing the system security of the grid continued in co-operation with VTT Processes. In 2003, focus was on improving the reliability assessments of secondary systems at substations, especially those of relay protection circuits.

Fingrid carried out network tests in the 220 kilovolt network, used for ensuring the functionality of simulation calculations for the restoration of the network.

An extensively decentralised remote operation system was introduced in Vantaa at the Tammisto substation. Switchyard-specific, so-called intelligent units compile the data and transmit it to the central station and carry out quality measurements and disturbance recordings, among other things. A circular data transmission network built within the substation by means of optical fibres enabled the relays and other secondary equipment to be installed for individual switchyards. This gives higher system reliability than a centralised system while also reducing the need for cabling.

The camera surveillance system developed by Fingrid together with Suomen Turvakamera Oy was introduced at two substations. The system based on a browser-based user interface enables flexible remote operation of cameras. Camera surveillance applied to switching, area monitoring and condition monitoring will be expanded during 2004.

The use of earthed shielding conductors running in the same direction as a road, designed for troublesome locations where a line has to cross the road, were tested on a 400 kilovolt line. The efficient method was developed in co-operation with the Tampere University of Technology.



ENVIRONMENT

The environmental impact assessment (EIA) for line Vihtavuori – Toivila was completed in 2003. Environmental impact assessment reports relating to the new nuclear power plant to be built in Finland were drawn up of 400 kilovolt line routes Loviisa – Hikiä in Hausjärvi and Olkiluoto – Huittinen.

A report prepared by the Finnish Environment Institute on the significance of transmission line areas on meadow plants and butterflies was completed. According to the research findings, transmission line areas have great importance for butterfly species which have suffered on account of the disappearance of natural meadows.

A study concerning the impact of mechanical clearing of transmission line areas on nesting birds and success of nesting in Southern Finland was completed in the autumn of 2003. The study shows that the same bird species tend to nest in transmission line areas as in the surrounding forests. The results suggest that a few rare bird species to be protected prefer transmission line areas in particular.

Together with the Universities of Jyväskylä and Oulu, Fingrid launched a marsh study. The goal of the study is to find out whether rights-of-ways have significance in preserving natural marsh vegetation, insects and other animal species preferring marshes as their habitat. The study will be ready during the course of 2004.

According to the RES-E directive of the European Union, the member states must create a system where a guarantee of origin is issued to renewable energy sources upon request. According to the related Finnish act, Fingrid Oyj serves as the issuing body for the guarantees of origin of electricity in Finland as of 1 January 2004.

POWER SYSTEM OPERATION



The Nordic water reservoirs were low throughout 2003, and there were abundant electricity exports from Finland to Sweden. The transmission capacity offered to the market was used extensively, and Finland constituted a price area of its own considerably often due to insufficient transmission capacity. The replacement of aluminium towers scheduled for the winter period in 2003 was postponed to the winter of 2005 on account of the transmission needs.

During the period of very cold weather in the early part of 2003, electricity consumption in Finland rose to an exceptionally high level. The peak power in the winter was 14,000 megawatts. However, there were no problems in maintaining a balance between electricity production and consumption, since country-specific consumption peaks did not coincide in the various Nordic countries. Despite the cold weather, the equipment in the main grid worked well.

The third 400 kilovolt cross-border transmission connection completed between Russia and Finland raised the electricity import capacity into Finland by 400 megawatts. The import capacity has been in use almost fully. A Finnish-Russian task force focusing on the operational development of the transmission connection started its work.

Fingrid purchased the loss energy created in grid transmission from the Nordic electricity market through bilateral contracts and spot trade. Increased imports from Russia and a rapid rise in exports to Sweden led to a high volume of transit transmissions in the Finnish grid. This, together with exceptionally high corona losses, caused an increase in loss energy in the Finnish grid from the previous years. In 2003, Fingrid focused especially on developing short-term and long-term forecasting methods for losses created in the grid.

Several large-scale power failures occurred in various parts of the world in 2003. Fingrid's grid did not experience significant disturbance situations leading to interrupted electricity supply. The electricity distribution failures which took place in Helsinki on 23 August and in Southern Sweden on 23 September did not disturb the operation of Fingrid's grid. A fault in the sea cable between Finland and Sweden in mid-July led to a restriction in its transmission capacity for approximately two months. Electricity transmission from Russia to the Finnish grid was interrupted twice in the summer. On both occasions, two faults which occurred consecutively within a short period of time, caused by thunderstorms, led to the loss of the entire transmission connection.

The agreement period for balance service finished at the end of 2003. The balance service terms and pricing for the new agreement period were updated in co-operation with the customers. New two-year balance service agreements with the customers were signed in the autumn. The terms of the new agreement contain no significant changes.

The duties of Fingrid's Network Control Centre in Hämeenlinna were extended to also cover replacement switching required by maintenance work; this switching was earlier managed regionally. The Network Control Centre is now responsible for all switching in the main grid.

Regional network seminars were arranged in a total of 15 places for parties connected to the grid. The purpose of these events was to enhance safety and clarify the responsibilities of grid operation especially at the interface of main grid and customer networks.



FINGRID VARAVOIMA OY

The gas turbine capacity available to Fingrid Varavoima Oy is 672 megawatts. Of this, 515 megawatts is composed of plants owned by the company and 157 megawatts of capacity which is available to the company through contracts giving a right of use.

The local operation and general maintenance of gas turbines and special service of the power engines are based on long-term contracts.

The modernisation project of control systems aiming at ensured availability continued in 2003. The modernisation and modification work at the Naantali gas turbine plant was completed during the review period. The modernisation project will continue at four other plants, and will be ready in 2004.

INTERNATIONAL BUSINESS OPERATIONS



In Estonia, Fingrid assisted Eesti Energia's grid business to draw up documentation for the building of the Balti 330/110 kilovolt substation, and was involved in the preparation of purchasing documents for Tallin Elektriijaama's 110 kilovolt gas-insulated substation. Fingrid also participated in the assessment of bids submitted. The training of Estonian experts continued.

A project was completed in Latvia, with Fingrid participating in the rearrangement of the Latvian energy business as a consultant of the Latvian Ministries of Economy and Finance. This project involved a series of seminars discussing the development of the electricity market in the Baltic countries.

A joint project with Lietuvos Energija and Elkraft System was launched in Lithuania for the broad development of the Lithuanian electricity market and Lietuvos Energija as a national grid operator.

An analysis ordered from Fingrid by Eesti Energia, Lietuvos Energija and DC Baltija of the arrangement of reserve and regulating power market to be applied to the power system in the Baltic countries was completed.

In Russia, a project funded by the World Bank was launched, with Fingrid participating in the consulting of RAO EES Rossii. The goal of the project is to develop information exchange between parties operating in the Russian electricity market.



PERSONNEL

Fingrid's personnel policy was updated, and equality principles were drawn up for the company.

Fingrid participated in a personnel management benchmarking study. On the basis of the key figures, Fingrid's ranking was better than average among the reference group.

The focus in personnel training was on information technology and language training. Training sessions in time management and interaction skills were arranged for supervisors.

Fingrid applies a pay system which is based on the requirements of each position to the various personnel groups. Moreover, there are quality, incentive and suggestion bonus schemes.

At 31 December 2003, the Fingrid Group had 218 employees while the corresponding figure a year before was 210.

CORPORATE SOCIAL RESPONSIBILITY



Fingrid has a focal role in the Finnish power system. Fingrid is responsible for the functioning of the national electricity supply system, which makes the company subject to a significant social responsibility by law alone.

Fingrid's corporate social responsibility stems from the management of the company's basic duties in a reliable and responsible manner. Specific attention is paid to those parts of grid operation where the company has pronounced corporate social responsibility and influence.

In order to secure the functioning of the Finnish and Nordic power system, Fingrid puts particular emphasis on the safety and reliability of electricity transmission and on a high quality of operations. Fingrid also attends to the maintenance and development of technical and other special expertise pertaining to the operation of the nation-wide grid.

So as to promote the electricity market, Fingrid ensures that its services and procedures are accepted by the market parties and that they are as fluent as possible from a market point of view.

Fingrid's other main dimensions of corporate social responsibility are economic responsibility, responsibility for the environment, and social responsibility.

The main principle in economic responsibility is a stable financial trend so that the business risks are controlled and the operations are efficient and competitive on an international scale.

Fingrid's principles for responsibility for the environment highlight land use and scenic impacts of the main grid, factors which are reflected in the everyday life of landowners, businesses and also of the so-called general public. Responsibility for the environment also crucially involves taking care of the safety and health aspects of grid operation.

The main principles in social responsibility include maintaining the professional expertise and high work motivation of personnel as well as active interaction with the numerous stakeholders of the company. Stakeholder relations emphasise reliability, equality and openness.

BOARD OF DIRECTORS



Timo Toivonen

Pertti Simola

Timo Karttinen

Pertti Voutilainen

Tarmo Rantalankila

Timo Rajala

Marjukka Aarnio

Taisto Turunen

Tapio Kuula

Taisto Turunen

Chairman of the Board
Director General, Ministry of Trade and Industry

Member of the Supervisory Board of Gasum Oy. Involved in the work of several energy committees and task forces. Finland's representative in the energy organisations of the Nordic Council, IEA and the EU.

Timo Rajala

1st Deputy Chairman
President & CEO, Pohjolan Voima Oy

Chairman of the Boards of Teollisuuden Voima Oy, Oy Alholmens Kraft Ab, Nordic Energy Oy and the subsidiaries of Pohjolan Voima Oy. Member of the Board of Atro Oyj, Chairman of the Board of Energiaforum ry, member of the National Board of Economic Defence.

Tapio Kuula

2nd Deputy Chairman
President, Fortum Power and Heat Oy

Chairman of the Board of Kemijoki Oy, Deputy Chairman of the Board of Teollisuuden Voima Oy, member of the Board of OAO Lenenergo, member of the Supervisory Board of Gasum Oy, Deputy Chairman of the Board of North Transgas Oy, Deputy Chairman of the Board of Finnish Energy Industries Federation Finergy, member of the Supervisory Board of Varma, member of the National Board of Economic Defence, Chairman of the Board of AB Fortum Värme Holding (co-owned with the City of Stockholm), member of the Boards of several subsidiaries of Fortum.

Tarmo Rantalankila

Secretary of the Board
General Counsel, Fingrid Oyj

Marjukka Aarnio

Industrial Counsellor, Head of the Division for Employment and Economic Development Centres
Ministry of Trade and Industry, Industries Department

Since 1989, worked at the Ministry of Trade and Industry at the Business Development and Industries Department in regional business policy and SME development, involved in several regional business development task forces and committees, served on the Board of Tekes. Chairperson of the Contingency Advisory Committee of Employment and Economic Development Centres.

Timo Karttinen

Vice President, Fortum Power and Heat Oy

Responsible for the optimisation and hedging of power generation. Member of the Boards of several subsidiaries and associated companies of Fortum.

Pertti Simola

Vice President, Energy, UPM-Kymmene Oyj

Member of the Supervisory Board of Kemijoki Oy. Chairman of the Boards of Länsi-Suomen Voima Oy, Tyrvään Voimaosakeyhtiö. Deputy Chairman of the Boards of Mussalon Kaukolämpö Oy, Mussalon Höyryvoima Oy, Kainuun Voima Oy, Wisapower Oy. Member of the Boards of Teollisuuden Voima Oy, Nordic Energy Oy, PVO-Pool Oy, Nokian Lämpövoima Oy, Oy Alholmens Kraft Ab, Kymin Voima Oy, Järvi-Suomen Voima Oy, Jämsänkosken Voima Oy. Involved in the work of several energy organisations.

Pertti Voutilainen

M.Sc. in Economics and Business Administration, M.Sc. in Engineering, retired as the President of Merita Bank Plc and Executive Vice President of MeritaNordbanken in 2000.

Chairman of the Board: Viola Systems Oy
Deputy Chairman of the Board: Technopolis Oyj and Riddarhyttan Resources Abp
Member of the Board: Mizar Oy

ADVISORY COMMITTEE IN 2003



1 Markku Rautiainen,
Managing Director, Ääneseudun Energia Oy

2 Hannu Haase,
Chairman of the Board, Energiapolar Oy

3 Esa Hagman,
Planning Engineer, Fortum Power and Heat Oy

4 Timo Toivonen,
President, Fingrid Oyj

5 Risto Vesala,
Senior Vice President, Pohjolan Voima Oy

6 Jukka Liimatainen,
Vice President, Energy, Kemira Oyj

7 Erik Mälkki,
Vice President, Power Generation, Vattenfall Oy

8 Arto Pajunen,
Managing Director, Järvi-Suomen Energia Oy

9 Matti Tähtinen,
Director, Fingrid Oyj (Secretary)

10 Esko Partio,
Director, Energy, M-real Oyj (Chairman)

11 Sakari Suontaka,
Managing Director, Kymppivoima Hankinta Oy

12 Lauri Suksi,
Managing Director, Köyliön-Säkylän Sähkö Oy

13 Mikko Rintamäki,
Vice President, Energy, Outokumpu Oyj

14 Risto Vaittinen,
Managing Director, Oy Turku Energia – Åbo Energi Ab

DEPUTY MEMBERS OF THE BOARD OF DIRECTORS

Timo Ritonummi, Senior Adviser,
Ministry of Trade and Industry

Tapio Lehtisalo, Managing Director,
Fortum Sähkönsiirto Oy

Timo Koivuniemi, Senior Vice President,
Stora Enso Oyj

Matti Kaisjoki, Executive Vice President,
Deputy to the President,
Pohjolan Voima Oy

Pekka Kettunen, Senior Adviser,
Ministry of Trade and Industry

Paavo Monni, M.Sc (Eng.),
appointed by investor shareholders

Juha Laaksonen, Chief Financial Officer,
Fortum Oyj

FINANCIAL STATEMENTS

REPORT OF THE BOARD OF DIRECTORS FOR 2003

In 2003, the Nordic electricity market continued to be characterised by a small proportion of electricity produced through hydropower, which was the consequence of low precipitation levels. This led to extensive transmission needs in the grid and to the segregation of the electricity market into different price areas. Fingrid's capital expenditure in increasing transmission capacity on cross-border connections has considerably reduced the related inconveniences.

The European electricity market progressed as cross-border tariffs within the Internal Market area were abolished at the beginning of 2004. The costs caused by transit transmissions are now levied through national tariffs. The solutions applied to electricity imported from outside the market area incurred additional costs for Fingrid. Therefore, the transmission tariff levied on electricity imported from Russia was raised at the beginning of 2004.

Relating to the new nuclear power plant, Fingrid drew up environmental impact assessments of the grid projects required by both potential locations of the new plant, Loviisa and Olkiluoto. The grid reinforcements which are required by the 1,600 megawatt plant to be built in Olkiluoto as a result of a decision made by Teollisuuden Voima Oy in December 2003 do not lead to real changes Fingrid's annual level of capital expenditure.

FINGRID IN THE ELECTRICITY MARKET

Total electricity consumption in Finland in 2003 amounted to 84.7 terawatt hours, of which Fingrid transmitted approximately 66 terawatt hours in its grid. Electricity consumption increased by 1.4 per cent on the previous year.

The year 2003 gave but little rain, as did the previous year. Nordic hydropower provided approximately 35 terawatt hours less electricity than on average. The production deficiency led to transmission needs where the transmission capacity of the Nordic grid was not sufficient in all situations. There was shortage of transmission capacity especially in the grid in Southern Scandinavia, which led to the formation of price areas. Finland also constituted a price area of its own often. Increased electricity imports from Russia and exports to Sweden led to a high volume of transit transmissions of electricity in the Finnish main grid.

The exceptionally poor hydropower situation during the early part of 2003 led to a dramatic rise in the exchange price of electricity, and thermal power plants which had been kept in reserve were brought into use to cater for the increased demand.

Fingrid and Svenska Kraftnät started a survey related to a new sea cable between Finland and Sweden.

Nord Pool Spot AS owned by the Nordic TSOs and Nord Pool ASA had a market share of approximately 31 per cent in physical electricity trade in 2003.

At the beginning of 2004, ETSO (Association of European Transmission System Operators) removed cross-border tariffs which had impeded the functioning of the internal electricity market. In ETSO's new transit arrangement, grid operators mutually compensate the costs caused by transit transmissions of electricity.

CAPITAL EXPENDITURE IN THE GRID

In 2003, Fingrid's capital expenditure in the grid amounted to 41 million euros (40 million euros in 2002).

The Kymi 400/110 kilovolt substation was completed in 2003.

This was required by increased electricity consumption in the Kymenlaakso region in Southern Finland, and the substation also decreases transmission losses in the grid. The modernised 400 kilovolt busbar system at the Alajärvi substation in South Ostrobothnia increased electricity transmission capacity between Finland and Sweden in both directions.

Electricity supply in the Jämsänjokilaakso region in Central Finland is secured by building a 400 kilovolt transmission line of 86 kilometres between Vihtavuori and Toivila. In all, there are about 50 smaller capital expenditure and refurbishment projects in progress.

About 10 million euros were used for the maintenance of the Finnish grid in 2003.

FINANCIAL RESULT

Turnover of the Fingrid Group in 2003 was 298 (273) million euros. Turnover grew on account of higher electricity consumption, increased electricity imports from Russia, and increased volume of balance power. Profit before extraordinary items and taxes stood at 37 (39) million euros. Profit for the financial year was 27 (28) million euros. Even though the financial result decreased slightly on the previous year, it was satisfactory.

The balance sheet total was 1,368 (1,379) million euros. The return on investment was 7.0 (7.2) per cent and the return on equity 14.0 (16.0) per cent. The equity ratio was 18.7 (17.1) per cent.

The Group's gross capital expenditure in 2003 totalled 44 (50) million euros. Research and development were allocated 1.3 million euros, i.e. 0.4 (0.4) per cent of turnover.

Turnover of the Group's parent company, Fingrid Oyj, was 298 (233) million euros and profit before extraordinary items and taxes 38 (37) million euros.

FINANCING

The financial position of the company was good throughout the period examined. Net financial expenses were 53 (52) million euros. The average interest rate of net liabilities, including capital loans, was 5.77 (5.53) per cent. The operative cash flow of the Group deducted by capital expenditure and dividends was 38 (22) million euros, which enabled an increase in financial assets and a reduction of 34 million euros in net interest-bearing liabilities. At the end of the year, the interest-bearing liabilities totalled 840 (874) million euros, of which 653 million euros were long-term and 187 million euros were short-term. The Group also had 168 (168) million euros of capital loans.

The company operates in the international and domestic money and capital markets. The company covers the need for short-term financing with the Euro Commercial Paper Programme, and long-term funding has been arranged through the international Debt Issuance Programme. Available committed long-term credit facilities amounted to 400 million euros at the end of the review period. Financial securities, cash in hand and bank receivables at 31 December 2003 amounted to 105 (101) million euros. Interest rate and currency swaps, interest rate options and forward contracts totalled 1,173 (1,154) million euros. These involved a counterparty risk of 0.1 (3) million euros.

Fingrid has been assigned the following long-term and short-term ratings by Moody's Investors Service and Standard & Poor's

Ratings Services: Aa3/P-1 (Moody's) and AA-/A-1+ (Standard & Poor's). Both Moody's and Standard & Poor's have considered Fingrid's future outlook to be stable.

PERSONNEL AND REWARDING SYSTEMS

The Fingrid Group employed 218 persons at the end of 2003 while the corresponding figure for the previous year was 210.

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

BOARD OF DIRECTORS

Fingrid Oyj's Annual General Meeting was held on 21 March 2003. Taisto Turunen, Director General, was elected Chairman of the Board, Timo Rajala, President and CEO, as the First Deputy Chairman of the Board, and Tapio Kuula, President, as the Second Deputy Chairman of the Board. The Board members elected were Marjukka Aarnio, Industrial Counsellor, Timo Karttinen, Vice President, Pertti Simola, Vice President, and Pertti Voutilainen, M.Sc. in Economics and Business Administration, M.Sc. in Engineering.

The Board of Directors has complied with the principles of Corporate Governance, which are based on the application instruction provided by the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers concerning the governance of public limited companies. The Board of Directors decides on the primary operating principles, strategies and major capital expenditure projects of the Group and approves the annual action plan and budget. The Board of Directors appoints the President of the company, approves its basic organisation and composition of the executive management group and decides on the compensation principles for executive management.

RISK MANAGEMENT

An extensive annual risk analysis is carried out in order to identify risks pertaining to Fingrid's operations. The risk management programme in 2003 covered 12 separate risk management projects, three of which were completed during the year: protection of data systems, securing the forwarding service for balance settlement and energy measurement information, and analysing the risks involved in double circuit towers. The topics of projects in progress at the end of 2003 cover the entire scope of Fingrid's operations.

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

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

ENVIRONMENT

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

The primary environmental impacts of Fingrid's operations are caused by transmission line areas (of which 32,500 hectares are to be cleared) with their transmission lines and related substations.

A report completed together with the Finnish Environment Institute on the significance of transmission line areas on meadow plants and butterflies was completed, as was a study concerning the impact of mechanical clearing of transmission line areas on nesting birds and success of nesting. A study of the importance of transmission line areas in preserving the biodiversity of marshes was launched.

Fingrid has approximately 72,000 cubic metres of wooden transmission line towers impregnated with creosote or salt, categorised as hazardous waste. Equipment used in Fingrid's substations contains approximately 20,130 kilos of sulphur hexafluoride (SF6 gas), which is categorised as a greenhouse gas. However, the annual disposal costs of these are small, because the service life of transmission lines with wooden towers is approximately 50 years, and because the SF6 gas can be re-used after cleaning. The disposal costs are entered as expenses as they materialise.

The environmental impact assessment (EIA) for the 400 kilovolt line Vihtavuori – Toivila was completed in 2003. Environmental impact assessment reports relating to the new nuclear power plant to be built in Finland were drawn up of 400 kilovolt line routes Loviisa – Hikiä and Olkiluoto – Huittinen.

As of 1 January 2004, Fingrid Oyj 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.

Fingrid's corporate social responsibility, one component of which is responsibility for the environment, stems from the management of the company's basic duty on the basis of the Electricity Market Act in a reliable and responsible manner with respect to the environment and stakeholders.

FUTURE OUTLOOK

Turnover during 2004 is expected to develop in a stable manner. Anticipating the turnover is complicated by variations in the Nordic power situation and in the sales volume of balance power.

The outlook for the trend in the Nordic water reservoirs will mean abundant electricity transmissions from Finland to Sweden especially during the early part of 2004.

The contractual terms of the new grid tariff agreements will be specified in discussions conducted during 2004. The new agreements for the three-year period of 2005 to 2007 will be finalised by the end of 2004.

On 20 January 2004, the Energy Market Authority published draft guidelines for assessing the reasonableness of grid tariffs in 2005 to 2007. Through its active efforts, Fingrid aims to contribute to a situation where new and drafted directives and regulations as well as any national decisions made on the basis of these support the Nordic electricity market development.

Fingrid will have significant capital expenditure projects in 2004. The construction of grid expansions required by the new nuclear power plant will be started. The possible implementation of a direct current connection between Finland and Sweden and between Finland and Estonia will be analysed. Modernisation of automation at Fingrid's current gas turbine plants will continue, and together with industrial clients, Fingrid will examine the possibility to utilise other gas turbines as emergency power reserve.



CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	1 Jan - 31 Dec 2003 1,000 €	1 Jan - 31 Dec 2002 1,000 €
TURNOVER	2	297,561	272,644
Other operating income		1,558	1,308
Materials and services	3	-105,333	-84,220
Staff expenditure	4	-14,701	-13,796
Depreciation and value adjustment	5	-53,041	-53,200
Other operating expenses	6	-35,592	-31,714
OPERATING PROFIT		90,453	91,022
Financial income and expenses	7	-52,978	-52,453
PROFIT BEFORE EXTRAORDINARY ITEMS		37,474	38,569
Extraordinary items		0	0
PROFIT BEFORE TAXES		37,474	38,569
Income taxes	10	-2,962	-2,530
Change in deferred tax liability	10	-8,006	-8,524
PROFIT FOR THE FINANCIAL YEAR		26,507	27,516

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	31 Dec 2003 1,000 €	31 Dec 2002 1,000 €
NONCURRENT ASSETS			
Intangible assets	11		
Goodwill		87,920	94,353
Other long-term expenses		86,697	95,068
		174,617	189,422
Tangible assets	12		
Land and water areas		9,950	9,874
Buildings and structures		41,168	41,759
Machinery and equipment		385,868	380,557
Transmission lines		572,910	577,354
Other tangible assets		84	77
Advance payments and purchases in progress		26,011	21,985
		1,035,992	1,031,606
Investments	13		
Equity investments in associated companies		5,623	6,236
Other investments		591	579
		6,214	6,815
		1,216,823	1,227,842
CURRENT ASSETS			
Inventories			
Materials inventories		2,938	2,934
Advance payments and work in progress		0	1
		2,938	2,935
Receivables, long-term			
Receivables from associated companies	15	447	531
Receivables, short-term			
Accounts receivable		35,252	38,254
Receivables from associated companies	15	513	292
Other receivables		39	45
Prepayments and accrued income	16, 17	7,171	8,503
		42,975	47,093
Financial securities		102,051	88,066
Cash in hand and bank receivables		2,947	12,957
		151,357	151,582
		1,368,180	1,379,425

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 Dec 2003 1,000 €	31 Dec 2002 1,000 €
SHAREHOLDERS' EQUITY			
	18		
Share capital		55,922	55,922
Premium fund		55,922	55,922
Retained earnings		117,292	96,681
Profit for the financial year		26,507	27,516
Capital loans		167,914	167,914
		423,559	403,956
LIABILITIES			
Deferred tax liability	20	54,243	46,237
Long-term liabilities			
Bonds	21, 22	546,125	601,559
Loans from financial institutions		106,408	121,964
Accruals	26	800	1,150
		653,332	724,673
Short-term liabilities			
Bonds		144,519	94,000
Loans from financial institutions		15,556	15,556
Accounts payable		16,055	10,198
Liabilities to associated companies	24	1	2
Other liabilities	25	34,428	47,393
Accruals	26	26,487	37,409
		237,047	204,559
		944,622	975,469
		1,368,180	1,379,425

CONSOLIDATED CASH FLOW STATEMENT

	2003 1,000 €	2002 1,000 €
CASH FLOW FROM OPERATIONS:		
Cash from sales	303,458	267,339
Cash from other operating income	850	301
Charges paid for operating expenses	-155,983	-131,243
Cash flow from operations before financial items and taxes	148,325	136,397
Interests and charges paid for other financial costs for operations	-63,161	-57,258
Interests received from operations	2,476	2,742
Direct taxes paid	-2,177	-2,979
Cash flow before extraordinary items	85,462	78,902
Cash flow from extraordinary items (net)	0	0
Cash flow from operations (A)	85,462	78,902
CASH FLOW FROM INVESTMENTS:		
Investments in tangible and intangible assets	-42,322	-47,567
Capital gain from tangible and intangible assets	987	2,956
Investments in other assets	-12	-5,339
Repayment of loans receivable	84	84
Dividends received from investments	2	1
Cash flow from investments (B)	-41,261	-49,865
CASH FLOW FROM FINANCIAL OPERATIONS:		
Withdrawal of short-term loans	0	0
Repayment of short-term loans	-13,122	-168,408
Withdrawal of long-term loans	119,949	229,320
Repayment of long-term loans	-140,421	-46,007
Dividends paid and other profit distribution	-6,632	-7,259
Cash flow from financial operations (C)	-40,227	7,646
Net change in cash and cash equivalents (A+B+C), increase (+)/decrease (-)	3,975	36,684
Cash and cash equivalents 1 Jan	101,023	64,339
Cash and cash equivalents 31 Dec	104,998	101,023
ADDITIONAL INFORMATION:		
Cash and cash equivalents stated in the cash flow statement are composed of the following balance sheet items:	31 Dec 2003	31 Dec 2002
Cash in hand and bank receivables	2,947	12,957
Certificates of deposit	24,752	29,594
Commercial papers	52,346	43,471
Treasury bills	4,949	0
Investments in money market funds	20,003	15,000
	104,998	101,023

CONSOLIDATED KEY INDICATORS

		1999	2000	2001	2002	2003
Extent of operations						
Turnover	million €	234.6	235.5	241.6	272.6	297.6
Capital expenditure, gross	million €	105.1	39.3	43.5	50.2	43.7
- % of turnover	%	44.8	16.7	18.0	18.4	14.7
Research and development expenses	million €	0.5	0.9	1.0	1.1	1.3
- % of turnover	%	0.2	0.4	0.4	0.4	0.4
Personnel, average		275	272	221	211	221
Personnel, end of year		273	261	204	210	218
Profitability						
Operating profit	million €	96.6	88.0	84.8	91.0	90.5
- % of turnover	%	41.2	37.4	35.1	33.4	30.4
Profit before extraordinary items and taxes	million €	41.4	35.5	32.8	38.6	37.5
- % of turnover	%	17.6	15.1	13.6	14.1	12.6
Return on investment (ROI)	%	7.7	7.1	6.9	7.2	7.0
Return on equity (ROE)	%	22.4	16.9	14.4	16.0	14.0
Financing and financial position						
Equity ratio (excluding capital loans)	%	13.4	14.9	16.1	17.1	18.7
Equity ratio (including capital loans)	%	25.8	27.5	28.7	29.3	31.0
Share-specific indicators						
Earnings per share	€	11,516	9,676	8,975	10,839	10,380
Equity per share	€	54,703	60,118	64,898	70,990	76,886
Number of shares at 31 Dec						
- Series A shares	qty	2,078	2,078	2,078	2,078	2,078
- Series B shares	qty	1,247	1,247	1,247	1,247	1,247
Total	qty	3,325	3,325	3,325	3,325	3,325

CALCULATION OF KEY INDICATORS

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

PROFIT AND LOSS ACCOUNT PARENT COMPANY

	Notes	1 Jan - 31 Dec 2003 1,000 €	1 Jan - 31 Dec 2002 1,000 €
TURNOVER	2	297,970	233,145
Other operating income		1,499	1,294
Materials and services	3	-114,939	-36,026
Staff expenditure	4	-14,551	-10,085
Depreciation and value adjustment	5	-49,240	-47,379
Other operating expenses	6	-33,463	-55,338
OPERATING PROFIT		87,278	85,611
Financial income and expenses	7	-49,556	-48,510
PROFIT BEFORE EXTRAORDINARY ITEMS		37,722	37,101
Extraordinary items	8	110	1,502
PROFIT BEFORE PROVISIONS AND TAXES		37,833	38,603
Provisions	9	-27,597	-29,379
Income taxes	10	-2,969	-2,679
PROFIT FOR THE FINANCIAL YEAR		7,266	6,546

BALANCE SHEET PARENT COMPANY

ASSETS	Notes	31 Dec 2003 1,000 €	31 Dec 2002 1,000 €
NONCURRENT ASSETS			
Intangible assets	11		
Goodwill		87,920	94,353
Other long-term expenses		86,494	94,855
		174,414	189,209
Tangible assets	12		
Land and water areas		9,879	9,802
Buildings and structures		36,211	36,474
Machinery and equipment		333,133	325,215
Transmission lines		572,910	577,354
Other tangible assets		84	77
Advance payments and purchases in progress		25,717	21,959
		977,934	970,881
Investments	13		
Equity investments in group companies		5,550	5,550
Equity investments in associated companies		6,641	6,641
Other shares and equity investments		591	579
		12,783	12,770
		1,165,130	1,172,860
CURRENT ASSETS			
Inventories			
Materials inventories		1,460	1,440
Advance payments and work in progress		0	1
		1,460	1,441
Receivables, long-term			
Receivables from group companies	14	53,250	56,800
Receivables from associated companies	15	447	531
		53,697	57,331
Receivables, short-term			
Accounts receivable		35,250	38,254
Receivables from group companies	14	237	380
Receivables from associated companies	15	511	292
Other receivables		39	45
Prepayments and accrued income	16, 17	7,168	8,474
		43,204	47,445
Financial securities		102,051	88,066
Cash in hand and bank receivables		2,947	12,957
		203,359	207,240
		1,368,490	1,380,100

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 Dec 2003 1,000 €	31 Dec 2002 1,000 €
SHAREHOLDERS' EQUITY	18		
Share capital		55,922	55,922
Premium fund		55,922	55,922
Retained earnings		4,742	4,828
Profit for the financial year		7,266	6,546
Capital loans		167,914	167,914
		291,767	291,133
ACCUMULATED PROVISIONS	19	186,192	158,595
LIABILITIES			
Long-term liabilities	21, 22		
Bonds		546,125	601,559
Loans from financial institutions		106,408	121,964
Accruals	26	800	1,150
		653,332	724,673
Short-term liabilities			
Bonds	21	144,519	94,000
Loans from financial institutions		15,556	15,556
Accounts payable		15,534	9,709
Liabilities to group companies	23	893	1,845
Other liabilities	25	34,246	47,229
Accruals	26	26,450	37,360
		237,198	205,699
		890,531	930,372
		1,368,490	1,380,100

CASH FLOW STATEMENT PARENT COMPANY

	2003	2002
	1,000 €	1,000 €
CASH FLOW FROM OPERATIONS:		
Cash from sales	303,766	225,824
Cash from other operating income	797	826
Charges paid for operating expenses	-164,503	-102,528
Cash flow from operations before financial items and taxes	140,060	124,121
Interests and charges paid for other financial costs for operations	-63,232	-57,403
Interests received from operations	5,593	6,274
Direct taxes paid	-2,177	-3,133
Cash flow before extraordinary items	80,244	69,859
Cash flow from operations (A)	80,244	69,859
CASH FLOW FROM INVESTMENTS:		
Investments in tangible and intangible assets	-41,341	-46,768
Capital gain from tangible and intangible assets	987	2,956
Investments in other assets	-12	-5,339
Repayment of loans receivable	3,634	4,948
Dividends received from investments	29	391
Cash flow from investments (B)	-36,703	-43,811
CASH FLOW FROM FINANCIAL OPERATIONS:		
Withdrawal of short-term loans	279	0
Repayment of short-term loans	-13,122	-168,952
Withdrawal of long-term loans	119,949	229,320
Repayment of long-term loans	-140,421	-46,007
Group contributions received	380	3,532
Dividends paid	-6,632	-7,259
Cash and cash equivalents transferred due to merger	0	9
Cash flow from financial operations (C)	-39,567	10,643
Net change in cash and cash equivalents (A+B+C), increase (+)/decrease (-)	3,975	36,691
Cash and cash equivalents 1 Jan	101,023	64,332
Cash and cash equivalents 31 Dec	104,998	101,023
ADDITIONAL INFORMATION:		
Cash and cash equivalents stated in the cash flow statement are composed of the following balance sheet items:	31 Dec 2003	31 Dec 2002
Cash in hand and bank receivables	2,947	12,957
Certificates of deposit	24,752	29,594
Commercial papers	52,346	43,471
Treasury bills	4,949	0
Investments in money market funds	20,003	15,000
	104,998	101,023

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2003

1. ACCOUNTING PRINCIPLES

Scope of consolidated financial statements

The consolidated financial statements contain the parent company Fingrid Oyj and its fully-owned subsidiaries Fingrid Varavoima Oy and Fingrid Verkko Oy. Fingrid Verkko Oy was not operative during the financial year. The consolidated associated companies were Porvoon Alueverkko Oy (ownership 33.3%) and Nord Pool Spot AS (ownership 20%).

Principles of consolidation

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

Interest-bearing liabilities

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

Interest rate and foreign exchange derivatives

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

Electricity derivatives

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

Foreign currency transactions

Commercial flows and financial items denominated in foreign currencies are booked at the foreign exchange mid-rate quoted by the European Central Bank (ECB) at the transaction value date. Interest-bearing liabilities and assets and the derivatives hedging these items are valued at the mid-rate quoted by ECB at the closing day. Realised foreign exchange gains and losses of interest-bearing liabilities and assets and of the related derivatives are booked under financial income and expenses at maturity. The realised foreign exchange rate differences of derivatives hedging commercial flows adjust the corresponding item in the profit and loss account. The profit and loss account of a foreign associated company is converted to euros at the average rate of the financial year and the balance sheet at the rate current on the closing day of the year. The translation difference is booked under unrestricted equity.

Valuation of fixed assets

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

The accounting principles for scrapped tangible assets has been changed. They are booked under other extraordinary expenses, not under depreciations as during previous financial years.

The depreciation periods are as follows:

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

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

Valuation of inventories

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

Cash in hand, bank receivables and financial securities

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

Deferred tax liabilities

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

Research and development

Research and development expenses are entered as annual expenses.

Comparability

When comparing the figures to the previous financial year, the profit and loss account of the parent company includes the business of Fingrid System Oy, merged into the parent company on 31 December 2002.

2. TURNOVER BY BUSINESS AREAS

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

3. MATERIALS AND SERVICES, 1,000 €	Group		Parent company	
	2003	2002	2003	2002
Purchases during financial year	105,238	82,038	114,860	33,631
Change in inventories, increase (-) or decrease (+)	37	1,323	21	1,542
Materials and supplies	105,276	83,361	114,882	35,174
External services	57	859	57	853
Total	105,333	84,220	114,939	36,026

4. PERSONNEL COSTS, 1,000 €	Group		Parent company	
	2003	2002	2003	2002
Wages, salaries and bonuses	11,589	10,746	11,467	7,771
Pension costs	2,101	2,122	2,080	1,614
Other additional staff costs	1,011	927	1,003	700
Staff expenditure in profit and loss account	14,701	13,796	14,551	10,085
Executive salaries and bonuses:				
Board members	91	91	91	91
Average number of personnel in the company during financial year				
Salaried employees	221	211	219	154
Personnel at year end	218	210	216	157

5. DEPRECIATION ACCORDING TO PLAN, 1,000 €	Group		Parent company	
	2003	2002	2003	2002
Goodwill	6,433	6,433	6,433	6,433
Other long-term expenses	5,633	6,558	5,622	5,409
Buildings and structures	1,581	1,587	1,252	1,258
Machinery and equipment	18,798	18,428	15,336	14,085
Transmission lines	20,596	20,193	20,596	20,193
Total	53,041	53,200	49,240	47,379

6. OTHER OPERATING EXPENSES, 1,000 €	Group		Parent company	
	2003	2002	2003	2002
Rents	2,283	2,264	2,273	2,221
Contracts, assignments etc. undertaken by outsiders	24,955	24,892	22,978	48,955
Others	8,354	4,558	8,212	4,162
Total	35,592	31,714	33,463	55,338

7. FINANCIAL INCOME AND EXPENSES, 1,000 €	Group		Parent company	
	2003	2002	2003	2002
Portion of net income (loss) of associated companies	-340	-226		
Dividend income from Group companies			27	391
Dividend income from associated companies				
Dividend income from others	2	1	2	1
Interest and other financial income from Group companies			3,119	3,545
Interest and other financial income from others	2,639	3,023	2,638	2,943
Interest and other financial expenses to Group companies			-63	-177
Interest and other financial expenses to others	-55,279	-55,250	-55,279	-55,213
Total	-52,978	-52,453	-49,556	-48,510
8. EXTRAORDINARY ITEMS, 1,000 €				
	Group		Parent company	
	2003	2002	2003	2002
Extraordinary income/Group contribution to subsidiaries			110	1,502
9. PROVISIONS, 1,000 €				
	Group		Parent company	
	2003	2002	2003	2002
Difference between depreciation according to plan and depreciation carried out in taxation			-27,597	-29,379
10. TAXES, 1,000 €				
	Group		Parent company	
	2003	2002	2003	2002
Income taxes for financial year	-2,962	-2,530	-2,969	-2,679
Change in deferred tax liability	-8,006	-8,524		
Total	-10,967	-11,053	-2,969	-2,679
Tax effect of extraordinary items	-	-	-32	-436
11. INTANGIBLE ASSETS, 1,000 €				
	Group		Parent company	
	2003	2002	2003	2002
Goodwill				
Cost at 1 Jan	128,664	128,664	128,664	128,664
Increases 1 Jan - 31 Dec	0	0	0	0
Cost at 31 Dec	128,664	128,664	128,664	128,664
Accumulated depreciation according to plan 1 Jan	-34,310	-27,877	-34,310	-27,877
Depreciation according to plan 1 Jan - 31 Dec	-6,433	-6,433	-6,433	-6,433
Book value 31 Dec	87,920	94,353	87,920	94,353
Accumulated depreciation difference 1 Jan			-42,888	-36,455
Increase in depreciation difference reserve 1 Jan - 31 Dec			-6,433	-6,433
Accumulated depreciation in excess of plan 31 Dec			-49,321	-42,888
Other long-term expenditure				
Cost at 1 Jan	121,262	117,733	116,950	108,913
Transfers between items	0	-394	0	-394
Increases 1 Jan - 31 Dec	2,410	3,979	2,410	8,487
Decreases 1 Jan - 31 Dec	-5,149	-56	-5,149	-56
Cost at 31 Dec	118,523	121,262	114,211	116,950
Accumulated depreciation according to plan 1 Jan	-26,194	-19,644	-22,095	-16,694
Decreases, depreciation according to plan 1 Jan - 31 Dec	0	8	0	8
Depreciation according to plan 1 Jan - 31 Dec	-5,633	-6,558	-5,622	-5,409
Book value 31 Dec	86,697	95,068	86,494	94,855
Accumulated depreciation difference 1 Jan			-42,770	-33,373
Decrease in depreciation difference reserve 1 Jan - 31 Dec			0	15
Increase in depreciation difference reserve 1 Jan - 31 Dec			-7,242	-9,413
Accumulated depreciation in excess of plan 31 Dec			-50,013	-42,770

12. TANGIBLE ASSETS, 1,000 €	Group		Parent company	
	2003	2002	2003	2002
Land and water areas				
Cost at 1 Jan	9,874	9,452	9,802	9,380
Increases 1 Jan - 31 Dec	155	422	155	422
Decreases 1 Jan - 31 Dec	-79	0	-79	0
Cost at 31 Dec	9,950	9,874	9,879	9,802
Buildings and structures				
Cost at 1 Jan	48,660	47,575	42,086	41,001
Increases 1 Jan - 31 Dec	2,763	1,158	2,763	1,158
Decreases 1 Jan - 31 Dec	-2,076	-73	-2,076	-73
Cost at 31 Dec	49,347	48,660	42,773	42,086
Accumulated depreciation according to plan 1 Jan	-6,901	-5,387	-5,613	-4,427
Decreases, depreciation according to plan 1 Jan - 31 Dec	303	16	303	16
Depreciation according to plan 1 Jan - 31 Dec	-1,581	-1,530	-1,252	-1,201
Book value 31 Dec	41,168	41,759	36,211	36,474
Accumulated depreciation difference 1 Jan			-4,785	-4,313
Increase in depreciation difference reserve 1 Jan - 31 Dec			-495	-485
Decrease in depreciation difference reserve 1 Jan - 31 Dec			219	12
Accumulated depreciation in excess of plan 31 Dec			-5,062	-4,785
Machinery and equipment				
Cost at 1 Jan	463,610	452,309	391,129	379,263
Increases 1 Jan - 31 Dec	24,158	12,079	23,302	12,645
Decreases 1 Jan - 31 Dec	-60	-778	-60	-778
Cost at 31 Dec	487,708	463,610	414,371	391,129
Accumulated depreciation according to plan 1 Jan	-83,053	-65,397	-65,914	-52,602
Decreases, depreciation according to plan 1 Jan - 31 Dec	12	773	12	773
Depreciation according to plan 1 Jan - 31 Dec	-18,798	-18,428	-15,336	-14,085
Book value 31 Dec	385,868	380,557	333,133	325,215
Accumulated depreciation difference 1 Jan			-21,706	-9,537
Increase in depreciation difference reserve 1 Jan - 31 Dec			-15,383	-12,168
Decrease in depreciation difference reserve 1 Jan - 31 Dec			48	-1
Accumulated depreciation in excess of plan 31 Dec			-37,040	-21,706
Transmission lines				
Cost at 1 Jan	675,450	653,053	675,450	653,053
Increases 1 Jan - 31 Dec	17,119	24,092	17,119	24,092
Decreases 1 Jan - 31 Dec	-1,177	-1,695	-1,177	-1,695
Cost at 31 Dec	691,391	675,450	691,391	675,450
Accumulated depreciation according to plan 1 Jan	-98,096	-78,991	-98,096	-78,991
Decreases, depreciation according to plan 1 Jan - 31 Dec	211	322	211	322
Depreciation according to plan 1 Jan - 31 Dec	-20,596	-19,427	-20,596	-19,427
Book value 31 Dec	572,910	577,354	572,910	577,354
Accumulated depreciation difference 1 Jan			-46,446	-44,447
Increase in depreciation difference reserve 1 Jan - 31 Dec			378	-2,718
Decrease in depreciation difference reserve 1 Jan - 31 Dec			1,311	720
Accumulated depreciation in excess of plan 31 Dec			-44,757	-46,446
Other tangible assets				
Cost at 1 Jan	77	52	77	52
Increases 1 Jan - 31 Dec	7	25	7	25
Cost at 31 Dec	84	77	84	77

13. INVESTMENTS, 1,000 €	Group		Parent company	
	2003	2002	2003	2002
Equity investments in Group companies				
Cost at 1 Jan			5,550	7,232
Decreases (merger) 1 Jan - 31 Dec			0	-1,682
Cost at 31 Dec			5,550	5,550
Equity investments in associated companies				
Cost at 1 Jan	6,236	821	6,641	1,692
Increases 1 Jan - 31 Dec	0	6,284	0	7,069
Decreases 1 Jan - 31 Dec			0	-2,120
portion of net income	-340	-869		
change in translation difference	-272	0		
Cost at 31 Dec	5,623	6,236	6,641	6,641
Undepreciated goodwill of associated companies 31 Dec	3,245	4,172		
Other shares and equity investments				
Cost at 1 Jan	579	189	579	189
Transfers between items	0	391	0	391
Increases 1 Jan - 31 Dec	15	0	15	0
Decreases 1 Jan - 31 Dec	-3	-1	-3	-1
Cost at 31 Dec	591	579	591	579
Total	6,214	6,815	12,783	12,770

Shares and equity investments 31 Dec 2003	Ownership %	
	Group	Parent
Subsidiary shares:		
Fingrid Varavoima Oy, Helsinki	100.0	100.0
Fingrid Verkko Oy, Helsinki	100.0	100.0
Associated companies:		
Nord Pool Spot AS, Lysaker, Norway	20.0	20.0
Porvoon Alueverkko Oy, Porvoo	33.3	33.3

14. RECEIVABLES FROM GROUP COMPANIES, 1,000 €	Group		Parent company	
	2003	2002	2003	2002
Long-term:				
Loans receivable			53,250	56,800
Short-term:				
Accounts receivable			127	0
Prepayments and accrued income			110	380
			237	380
Total			53,487	57,180

15. RECEIVABLES FROM ASSOCIATED COMPANIES, 1,000 €	Group		Parent company	
	2003	2002	2003	2002
Long-term:				
Loans receivable	477	531	477	531
Short-term:				
Accounts receivable	511	289	509	289
Prepayments and accrued income	2	3	2	3
	513	292	511	292
Total	990	823	988	823

16. PREPAYMENTS AND ACCRUED INCOME, 1,000 €	Group		Parent company	
	2003	2002	2003	2002
Interests and other financial items	2,982	1,581	2,982	1,581
Taxes	0	731	0	731
Accruals of sales and purchases	1,340	5,123	1,336	5,096
Insurance claim	2,348	0	2,348	0
Other	502	1,069	502	1,067
Total	7,171	8,504	7,168	8,474

17. UNRECORDED EXPENSES AND PAR VALUE				
DIFFERENTIALS ON THE ISSUE OF LOANS INCLUDED IN				
PREPAYMENTS AND ACCRUED INCOME, 1,000 €	Group		Parent company	
	2003	2002	2003	2002
Par value differentials	93	151	93	151

18. SHAREHOLDERS' EQUITY, 1,000 €				
	Group		Parent company	
	2003	2002	2003	2002
Share capital 1 Jan	55,922	55,922	55,922	55,922
Share capital 31 Dec	55,922	55,922	55,922	55,922
Premium fund 1 Jan	55,922	55,922	55,922	55,922
Premium fund 31 Dec	55,922	55,922	55,922	55,922
Profit from previous financial years 1 Jan	124,197	103,940	11,374	12,087
Change in translation difference	-272	0	-	-
Dividend distribution	-6,632	-7,259	-6,632	-7,259
Profit from previous financial years 31 Dec	117,292	96,681	4,742	4,828
Profit for the financial year	26,507	27,516	7,266	6,546
Capital loans 1 Jan	167,914	167,914	167,914	167,914
Capital loans 31 Dec	167,914	167,914	167,914	167,914
Shareholders' equity 31 Dec	423,559	403,956	291,767	291,133
Distributable shareholders' equity	10,998	10,995	12,008	11,374

The share capital is divided as follows:	Number of shares	% 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

Series A shares confer three votes each at a shareholders' meeting and series B shares one vote each. Series B shares have preference with respect to dividends as stipulated in the Articles of Association. In 2002-2006, this dividend is 5.93 % p.a. of the subscription price of the share.

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

Shareholders 31 Dec 2003:	Number of shares	% 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
Mutual Pension Insurance Company Varma-Sampo	415	12.48	5.55
Mutual Pension Insurance Company Ilmarinen	350	10.53	4.68
Tapiola Mutual Pension Insurance Company	150	4.51	2.01
Suomi Mutual Life Assurance Company	75	2.26	1.00
Pohjola Non-Life Insurance Company Ltd	75	2.26	1.00
Sampo Life Insurance Company	54	1.62	0.72
Tapiola General Mutual Insurance Company	50	1.50	0.67
Tapiola Mutual Life Assurance Company	35	1.05	0.47
If Industrial Insurance Company Ltd	25	0.75	0.33
Tapiola Corporate Life Insurance Company Ltd	12	0.36	0.16
Insurance Company Henki-Fennia	6	0.18	0.08
Total	3,325	100.00	100.00

CAPITAL LOANS, 1,000 €	Group		Parent company	
	2003	2002	2003	2002
Debenture of capital loan nature 1997	137,914	137,914	137,914	137,914
Debenture of capital loan nature 1999	30,000	30,000	30,000	30,000
	167,914	167,914	167,914	167,914

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

Debenture of capital loan nature 1997

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

Debenture of capital loan nature 1999

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

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

19. ACCUMULATED PROVISIONS, 1,000 €	Group		Parent company	
	2003	2002	2003	2002
Accumulated depreciation in excess of plan, the difference between depreciation according to plan and depreciation carried out in taxation			186,192	158,595

20. DEFERRED TAX LIABILITIES AND CLAIMS, 1,000 €	Group		Parent company	
	2003	2002	2003	2002
Deferred tax liabilities				
Resulting from provisions	54,243	46,237		
Total	54,243	46,237		

21. BONDS, 1,000 €				Group		Parent company	
				2003	2002	2003	2002
Domestic:		Maturity date	Interest				
Bond II/1997		18.04.2006	6.00%	58,643	66,098	58,643	66,098
International:							
EUR	100,000	24.02.2003	3.50%	0	94,000	0	94,000
CAD	15,000	15.03.2004	variable interest	10,400	10,400	10,400	10,400
USD	25,000	28.05.2004	variable interest	27,144	27,144	27,144	27,144
AUD	10,000	18.06.2004	variable interest	6,030	6,030	6,030	6,030
USD	35,000	13.08.2004	variable interest	39,800	39,800	39,800	39,800
CHF	50,000	23.08.2004	variable interest	32,945	32,945	32,945	32,945
USD	25,000	10.03.2005	variable interest	23,147	0	23,147	0
CHF	50,000	19.04.2005	variable interest	34,150	34,150	34,150	34,150
USD	15,000	03.05.2005	variable interest	16,725	16,725	16,725	16,725
USD	35,000	23.05.2005	variable interest	38,461	38,461	38,461	38,461
GBP	10,000	28.06.2005	5.44%	15,600	15,600	15,600	15,600
USD	35,000	25.08.2005	7.21%	38,300	38,300	38,300	38,300
USD	25,000	10.03.2006	variable interest	23,150	0	23,150	0
USD	25,000	13.03.2006	variable interest	23,148	0	23,148	0
EUR	15,000	13.09.2006	variable interest	15,000	0	15,000	0
CHF	16,000	06.06.2007	2.00%	10,180	10,180	10,180	10,180
EUR	22,000	14.06.2007	variable interest	22,000	22,000	22,000	22,000
USD	35,000	09.07.2007	variable interest	35,497	35,497	35,497	35,497
GBP	10,000	07.08.2007	5.5225%	15,576	15,576	15,576	15,576
JPY	3,000,000	23.05.2008	0.925%	27,700	27,700	27,700	27,700
FIM	100,000	04.09.2008	4.75%	16,819	16,819	16,819	16,819
EUR	15,000	03.03.2009	4.25%	0	15,000	0	15,000
JPY	3,000,000	15.07.2009	1.84%	24,000	24,000	24,000	24,000
EUR	10,000	31.03.2010	interest rate structure	10,000	10,000	10,000	10,000
JPY	1,000,000	12.07.2010	2.00%	10,215	10,215	10,215	10,215
JPY	2,000,000	16.10.2010	1.022%	15,504	0	15,504	0
JPY	3,000,000	05.07.2011	1.31% *	28,200	28,200	28,200	28,200
JPY	3,000,000	25.07.2012	1.3575% **	25,400	25,400	25,400	25,400
EUR	20,000	15.10.2013	4.30%	20,000	0	20,000	0
FIM	210,000	19.08.2013	5.20%	26,910	35,319	26,910	35,319
Bonds, long-term total				546,125	601,559	546,125	601,559
Bonds, short-term total				144,519	94,000	144,519	94,000
Total				690,644	695,559	690,644	695,559

* callable 5 July 2004

** callable 25 July 2006

22. LOANS FALLING DUE FOR PAYMENT IN FIVE YEARS OR MORE, 1,000 €				Group		Parent company	
				2003	2002	2003	2002
Bonds				106,628	192,653	106,628	192,653
Loans from financial institutions				44,182	59,748	44,182	59,748
Total				150,810	252,401	150,810	252,401

23. LIABILITIES TO GROUP COMPANIES, 1,000 €				Group		Parent company	
				2003	2002	2003	2002
Short-term:							
Accounts payable						0	1,220
Other debts						887	608
Accruals						6	18
Total						893	1,845

24. LIABILITIES TO ASSOCIATED COMPANIES, 1,000 €				Group		Parent company	
				2003	2002	2003	2002
Short-term:							
Accounts payable				1	2	0	0
Total				1	2	0	0

25. OTHER DEBTS, 1,000 €				Group		Parent company	
				2003	2002	2003	2002
Short-term:							
Other loans/Commercial papers (international and domestic)				27,427	40,549	27,427	40,549
Value added tax				4,848	5,023	4,669	4,862
Electricity tax				1,733	1,438	1,733	1,438
Other short-term debt				421	383	417	380
Total				34,428	47,393	34,246	47,229

26. ACCRUALS, 1,000 €	Group		Parent company	
	2003	2002	2003	2002
Long-term:				
Accruals of sales	800	1,150	800	1,150
Short-term:				
Interests and other financial items	21,017	27,637	21,017	27,637
Wages, salaries and additional staff costs	2,832	2,649	2,814	2,625
Accruals of sales and purchases	2,426	7,112	2,410	7,097
Other	212	11	208	0
Total	27,287	37,409	27,250	37,360

27. PLEDGES, MORTGAGES AND CONTINGENT LIABILITIES, 1,000 €	Group		Parent company	
	2003	2002	2003	2002
Leasing liabilities (motor vehicles)				
Leasing liabilities for the next year	102	92	99	92
Leasing liabilities for subsequent years	101	60	101	60
	203	152	199	152
Commitment fee of revolving credit facility				
Commitment fee for the next year	407	400	407	400
Commitment fee for subsequent years	1,192	1,576	1,192	1,576
	1,599	1,976	1,599	1,976
Pledges/bank balances				
Pledge for the Customs Office	26	26	26	26
Guarantee for work in progress	0	5	0	5
Pledge for electricity exchange purchases	1,983	6,501	1,983	6,501
	2,009	6,532	2,009	6,532
Total	3,811	8,660	3,807	8,660
Other financial liabilities				
Purchase commitments concerning electricity, TWh	0.1	0.4	0.1	0.4
The longest commitments extend until 2005.				

28. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

There are no ongoing legal proceedings or proceedings by the authorities with material adverse effect on the Group's operations. The Energy Market Authority is reviewing the reasonableness of Fingrid Oyj's pricing.

29. DERIVATIVE AGREEMENTS, 1,000 €	Group and Parent			
	Market value	Nominal value	Market value	Nominal value
	31 Dec 2003	31 Dec 2003	31 Dec 2002	31 Dec 2002
Interest and currency derivatives				
Cross-currency swaps	-85,315	430,998	-25,653	401,217
Forward contracts	-1,805	84,917	2,503	107,698
Interest rate swaps	-12,059	441,732	-23,816	550,463
Interest rate options, bought	1,803	215,000	330	95,000
Total	-97,376	1,172,647	-46,636	1,154,378
Electricity derivatives				
Futures contracts, Nord Pool			-511	933
Forward contracts of electricity, Nord Pool Clearing	7,800	76,820	20,543	79,285
Forward contracts of electricity, others	2,170	11,790	18,427	13,022
Call options, bought (175 GWh, 219 GWh in 2002)	630		644	
Total	10,600	88,610	39,103	93,240

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

Forward contracts of electricity, others, includes fixed price physical purchase commitments concerning electricity purchases. Options are hedging the years 2005 and 2006. The derivatives hedge future electricity losses. Mark-to-market value of derivatives indicates the realised profit/loss if they had been reversed on the last business day in 2003.

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

FINANCIAL RISK MANAGEMENT

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

Liquidity management

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

Foreign exchange risk

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

Interest rate risk

The principle of the company is to adjust the interest expenses to the prevailing tariff period. During the tariff period the interest rate risk is measured by duration and on the other hand by VaR methodology (Value-at-Risk). The VaR methodology measures for a certain confidence level over a chosen time horizon that the cash flow deducted by net financial expenses, hedging costs, capital expenditure, taxes and dividends is sufficient to improve the equity ratio. The company manages interest rate risks through interest rate options and interest rate swaps and further by keeping the interest rate refixing profile evenly distributed over the years. These methods together decrease the immediate impact of interest rate fluctuations on the interest rate expenses during the tariff period.

Counterparty risk in financing

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

MANAGEMENT OF RISK RELATING TO LOSS ENERGY PURCHASES

The principle of the company is to adjust the loss energy purchases to the tariff period. More than 95% of the remaining tariff period 2002-2004 was hedged at the end of year 2003. The company hedges its loss energy purchases through electricity exchange products and bilateral contracts. Bilateral purchasing contracts are subject to competitive bidding and limits are set for each individual counterparty. The loss energy contracts are valued at market value on the closing date by using then prevailing market prices. The market price of bilateral price hedging contracts is assumed to equal the closing rate of a similar product on the Nord Pool power exchange at the closing of 31 December 2003. The foreign exchange risks relating to the contracts have been fully hedged.

31. SEPARATION OF BUSINESS IN ACCORDANCE WITH THE ELECTRICITY MARKET ACT

Management of balance operation

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

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

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

Average number of personnel during the year was 10, which was the same as a year before. Operating profit of turnover was 4.6 per cent (0.1 per cent). Return on investment was 90.3 (4.1) per cent.

SEPARATED PROFIT AND LOSS ACCOUNT, 1,000 €	MANAGEMENT OF BALANCE OPERATION	
	1 Jan - 31 Dec 2003	1 Jan - 31 Dec 2002
TURNOVER	69,240	48,603
Other operating income	0	0
Materials and services	-63,642	-46,130
Staff expenditure	-1,141	-856
Depreciation and value adjustment	-494	-505
Other operating expenses	-761	-1,062
OPERATING PROFIT	3,202	50
Financial income and expenses	-38	-46
PROFIT BEFORE PROVISIONS AND TAXES	3,164	4
Provisions	-32	145
Income taxes	-908	-43
PROFIT FOR THE FINANCIAL YEAR	2,224	105

Main grid operation

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

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

In accordance with the consolidated balance sheet at 31 December 2003, the shareholders' equity of the Fingrid Group contains € 10,998,089 of distributable profits.

In accordance with the balance sheet at 31 December 2003, the shareholders' equity of Fingrid Oyj contains €12,007,788.96 of distributable profits.

The company's Board of Directors will propose to the Annual General Meeting of Shareholders that
- € 1,994.71 of dividend per share be paid in accordance with article 5 of the Articles of Association, totalling € 6,632,410.75.
- € 5,375,378.21 be carried over as retained earnings.

Helsinki, 12 February 2004

Taisto Turunen Chairman	Timo Rajala 1st Deputy Chairman	Tapio Kuula 2nd Deputy Chairman
Marjukka Aarnio	Timo Karttinen	Pertti Simola
Pertti Voutilainen	Timo Toivonen President and CEO	

AUDITOR'S NOTATION

The financial statements for the financial year 2003 have been prepared in accordance with Generally Accepted Accounting Principles.
A report on the audit carried out has been submitted today.

Helsinki, 13 February 2004

PricewaterhouseCoopers Oy
Authorised Public Accountants

Henrik Sormunen
Authorised Public Accountant

TRANSLATION

AUDITOR'S REPORT

To the shareholders of Fingrid Oyj

We have audited the accounting, the financial statements and the corporate governance of Fingrid Oyj for the period from January 1, 2003 to December 31, 2003. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures 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 the audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated 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 concerning the distributable assets is in compliance with the Companies Act.

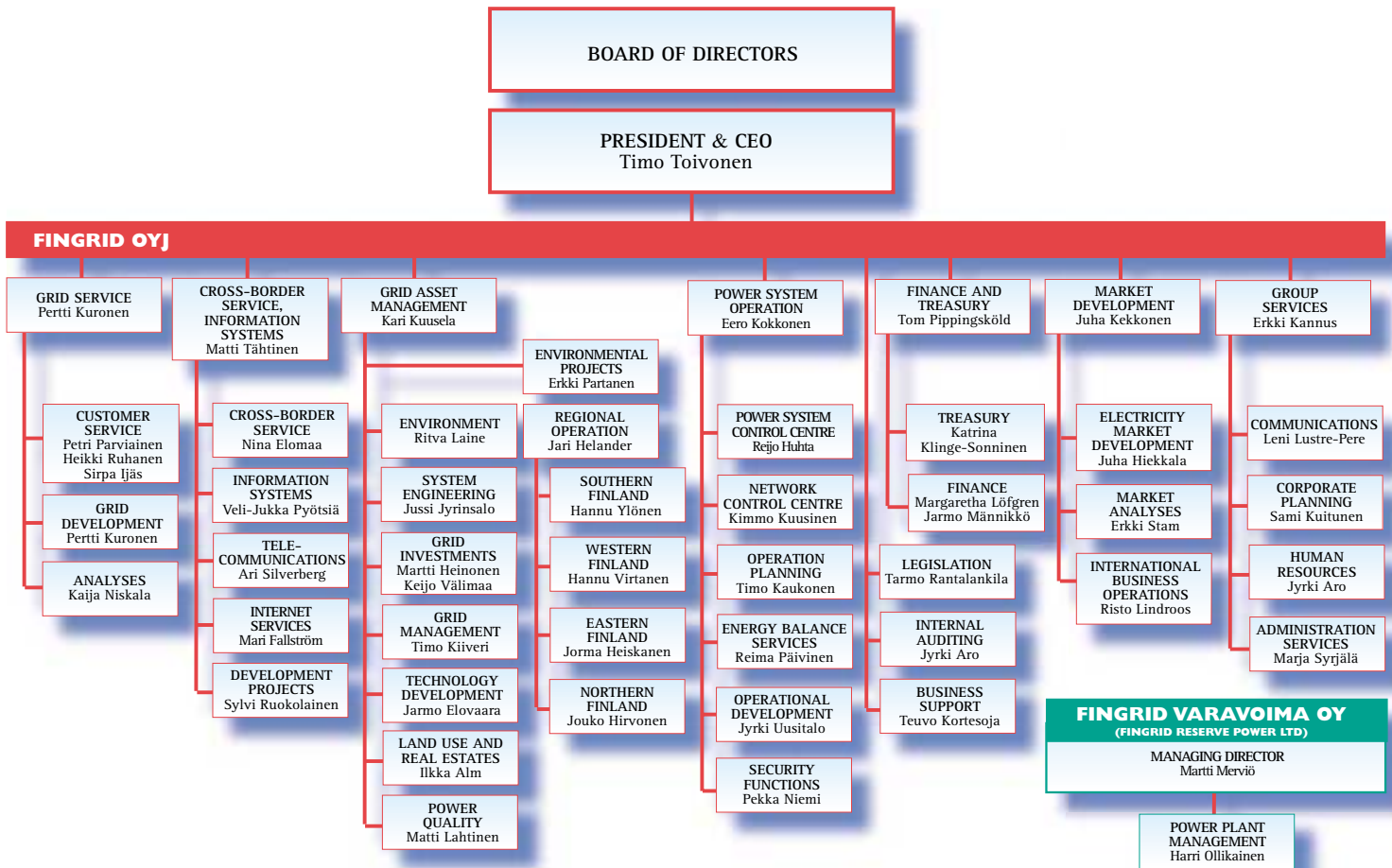
We have examined the profit and loss account as well as additional information on the separated business, presented in the notes to the financial statements. In our opinion, these have been prepared in accordance with the Electricity Market Act and other rules and regulations based on the Act.

Helsinki, February 13, 2004

PricewaterhouseCoopers Oy
Authorised Public Accountants

Henrik Sormunen
Authorised Public Accountant

FINGRID OYJ (FINGRID PLC) | FEBRUARY 2004



FINGRID OYJ

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