ANNUAL REPORT 2004

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Cover picture by Mia Bergqvist.

REVIEW BY THE PRESIDENT

The Nordic water reservoirs were relatively low at the beginning of 2004. Thanks to precipitation in the summer and autumn, the water reservoirs returned to normal levels towards the end of the year. Electricity was transmitted from Finland to Sweden almost throughout the year. The prevailing transmission situation was partly influenced by electricity imports from Russia; this cross-border transmission capacity was operated at an almost full utilisation rate. The cross-border transmission capacity from Russia has also been reserved completely for 2005.

As the water reservoirs returned to normal level, the drawbacks caused by transmission congestions on the market decreased also. However, preparations are being made for the future needs by reducing congestion further through grid reinforcements. Nordel, the co-operation organisation of the Nordic transmission system operators, suggested reinforcement of the Nordic transmission grid through five grid additions by 2010, aiming to improve the functioning of the electricity market. One of these is the doubling of the sea cable between Finland and Sweden, being prepared by Fingrid and Svenska Kraftnät. It is important that other projects also evolve into concrete action.

At the request of the Nordic Council of Ministers, Nordel is also investigating the harmonisation of system responsibility and the implementation of action improving the functioning of the Nordic electricity market and system security. These analyses will be based on earlier surveys drawn up jointly by the Nordic transmission system operators. So far, the implementation of such surveys has been decelerated by factors such as differences in national legislation.

Fingrid renewed almost all of its main business contracts in 2004. The new balance service agreements entered into force at the beginning of 2004. The new three-year contract period for the main grid service commenced at the beginning of 2005. The pricing structure has been developed further together with the customers. The price level of the main grid service will remain unchanged for the sixth consecutive year.

In the summer, Fingrid signed contracts with seven industrial enterprises for securing the functioning of the power system during disturbance situations. These contracts will be valid until 2015. The contracts cover in practice all disconnectable industrial loads – a total of more than 1,000 megawatts – which are suitable for use as reserves which belong to Fingrid's responsibility. The contracts contribute to the adaptation of the fifth nuclear power unit in Finland to the Finnish power system in an advantageous manner. The contracts for technical regulation reserves required at power plants were also renewed towards the end of 2004. The new contract period is six years.

On the basis of a framework agreement signed with Teollisuuden Voima Oy, Fingrid is preparing the construction of a new gas turbine power plant of approx. 120 megawatts together with Teollisuuden Voima at the Olkiluoto power plant area. The construction decision is due to be made during the early part of 2005.

Capital expenditure in the grid by Fingrid focused on 400 kilovolt substation refurbishments and modernisation of outdated bays. In 2005, Fingrid will launch projects such as the grid additions relating to the new nuclear power unit to be constructed at Olkiluoto. In the coming years, Fingrid will use approx. 60 million euros annually on grid capital expenditure in Finland. The company conducts long-term and confidential co-operation with its customers in grid development, focusing on the customers' future transmission needs and power system security.

By using long-term contracts and a systematic capital expenditure programme, Fingrid has created preconditions for a stable future in the Finnish operating environment. Past and planned capital expenditure in increasing cross-border capacity has also removed and will continue to remove transmission congestion in the Nordic market caused by the grid in Finland.

There will also be further challenges. Electricity market progress, which is taking place on the terms of Continental Europe, should be influenced so that national latitude is retained in the adaptation of regulations and that this latitude is also utilised. Incentives supporting the construction of new power plant capacity are needed in the Nordic trading system. Managing the ageing of the grid and retaining opportunities to build additional lines is important, as is securing Fingrid's special expertise as the large post-war generations reach retirement age.

Good results in international benchmarking studies and customer satisfaction surveys have indicated repeatedly that Fingrid's operating model is efficient and that its transmission price is inexpensive. Remaining in the top league calls for the constant and critical assessment of our operating procedures. In this way, we can ensure that our current operating model is competitive. I hope that the good results have also given Fingrid's employees a personal feeling of success. I would like to thank our entire personnel for a successful year.

Timo Toivonen

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**
- **Customers comprise electricity producers, major industrial enterprises, and regional and distribution network companies**
- **Number of transmission customers at the end of the year: 98**
- **Turnover 302 million euros**
- **Balance sheet total 1,400 million euros**
- **Owns 20 per cent of electricity exchange Nord Pool Spot AS**
- **Number of personnel at the end of the year: 220**

FINGRID'S MISSION

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

- take care of electricity transmission in the main grid
- develop the main 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 over a long time span so that the grid is technically reliable and has sufficient transmission capacity and that the environmental impacts are adapted to the public interests. 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 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 providers.

FINGRID'S VALUES

RESPONSIBILITY IN ALL OPERATIONS

Fingrid's employees work with a long time perspective and reliably and take into account the requirements imposed by the environment 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 OYJ

TIMO TOIVONEN, President & CEO

GRID SERVICE

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

POWER SYSTEM OPERATION

- System Management
- Balance Management
- Grid Operation
- Security

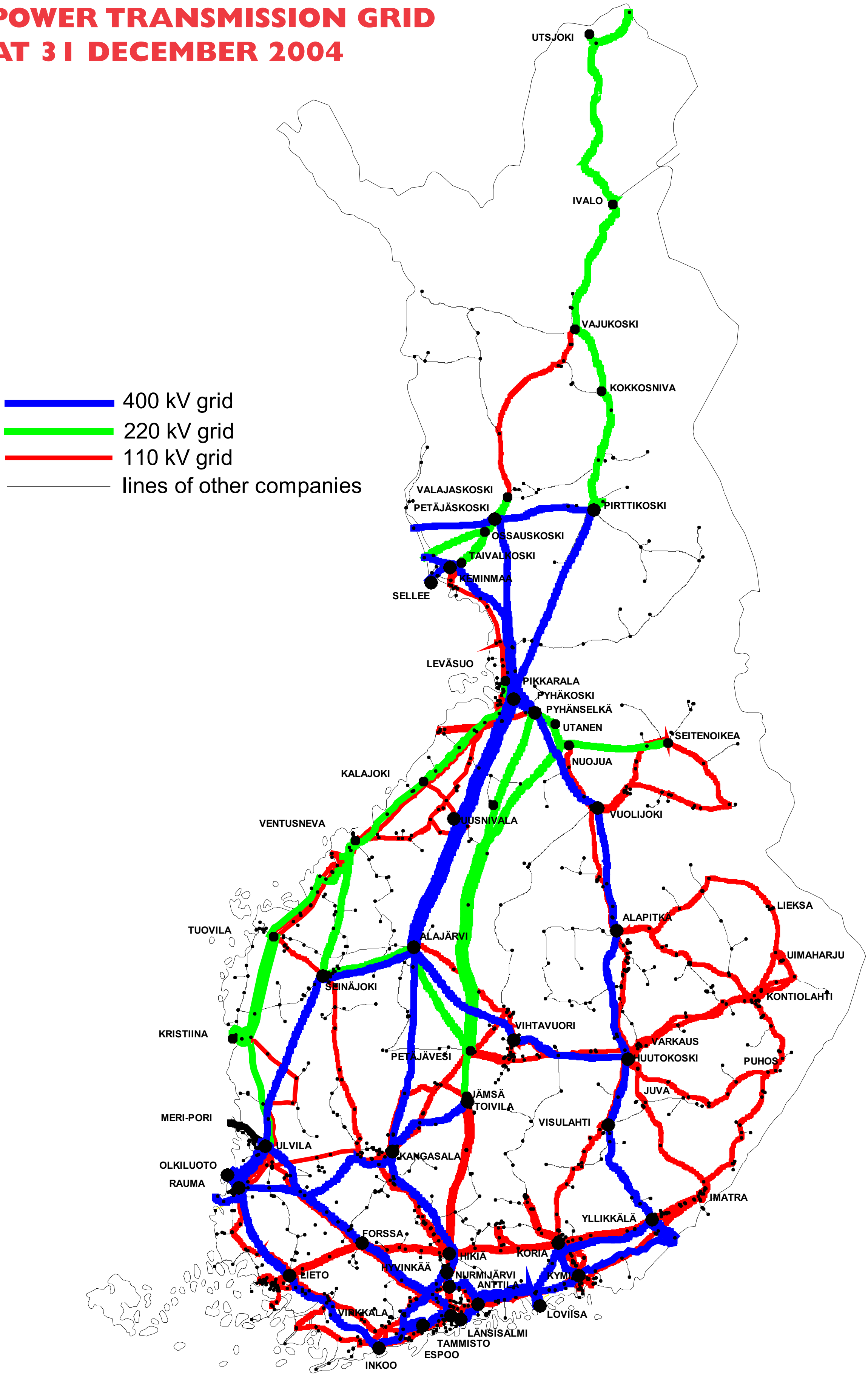
ASSET MANAGEMENT

- Grid Investments
- Grid Maintenance
- Regional Operation
- Reserve Power Plants
- Environment
- Technology Development

CORPORATE SERVICES

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

FINGRID OYJ'S POWER TRANSMISSION GRID AT 31 DECEMBER 2004



GRID SERVICES

Fingrid transmitted 67.3 terawatt hours of electricity to its customers through its transmission grid in 2004. This was 1.2 per cent more than in the previous year.

The three-year contract period for the main grid service finished at the end of 2004. Development work for the subsequent contract period of 2005 – 2007 was conducted in co-operation with the customers. The tariff structure continues to emphasise the price factor which is determined on the basis of final consumption. The price level of the tariff in 2005 is still at the year 2000 level.

Regional grid analyses were carried out together with customers in Ostrobothnia, Kainuu and the Helsinki region. Grid analyses in other parts of Finland will be completed during 2005. These analyses will be updated at intervals of a few years.

Nordel, the co-operation organisation of the Nordic transmission system operators, suggested reinforcement of the Nordic transmission grid through five grid additions by 2010, aiming to improve the functioning of the electricity market. The new cross-border interconnections will improve electricity delivery reliability and enable an increasingly functional Nordic electricity market. One of the proposed projects is the doubling of the Fenno-Skan sea cable between Finland and Sweden, which is being prepared by Fingrid and Svenska Kraftnät. The planned capacity of this connection will be 600 to 800 megawatts. Capital expenditure in this project will total more than 200 million euros. A decision concerning the building of the sea cable will be made in the spring of 2005, and the cable connection is expected to be ready in 2010.

The Nordic transmission system operators have harmonised their grid guidelines. The Nordic Grid Code published in the summer of 2004 is a compilation of shared engineering and operation principles and connection terms.

There has been great interest in importing electricity from Russia. More than a dozen reservation requests were made for the transmission capacity lot of 900 megawatts which became available at the beginning of 2005. Four new contracts were signed. The full cross-border transmission capacity from Russia continues to be reserved. The transmission service is being used by six international market players. The Finnish Ministry of Trade and Industry is processing a license application concerning the building of a new sea cable from the Sosnovyi Bor nuclear power plant in Russia to Finland.

Fingrid's Advisory Committee, which consists of the representatives of the company's customers, has continued its active work. The Advisory Committee had a vital role in the preparation of the new grid tariff structure and contractual terms.

Throughout 2004, Fingrid informed its customers of topical matters having bearing on customer co-operation. The topics of the information briefing held in Helsinki in March included the current situation in the development of the grid service contract and European electricity market outlook.

ELECTRICITY MARKET DEVELOPMENT

The Nordic water reservoirs were clearly below average levels during the first half of 2004, and electricity was transmitted from Russia to Sweden through Finland. The autumn gave much precipitation, which normalised the water reservoirs, and electricity transmissions to Sweden decreased. The area price levels in Finland and Sweden were congruent during the latter half of 2004. At an annual level, the area price in Finland was 1.4 per cent lower than the area price in Sweden during 2004.

Nordel, the co-operation organisation of the Nordic transmission system operators, published its forecast concerning the sufficiency of electricity production capacity in 2007 and 2008. According to the forecast published in the summer, ordinary years can be managed without problems, and it is expected that market supply together with consumption elasticity which responds to the price can also manage the situation in an exceptionally cold year and/or in a year with little rain.

Nordel's report of the management of peak load situations was completed. According to the report, power balance can be maintained on market terms without the use of centralised solutions. Nordel suggests measures which strengthen the market mechanisms, such as utilisation of price elasticity of consumption.

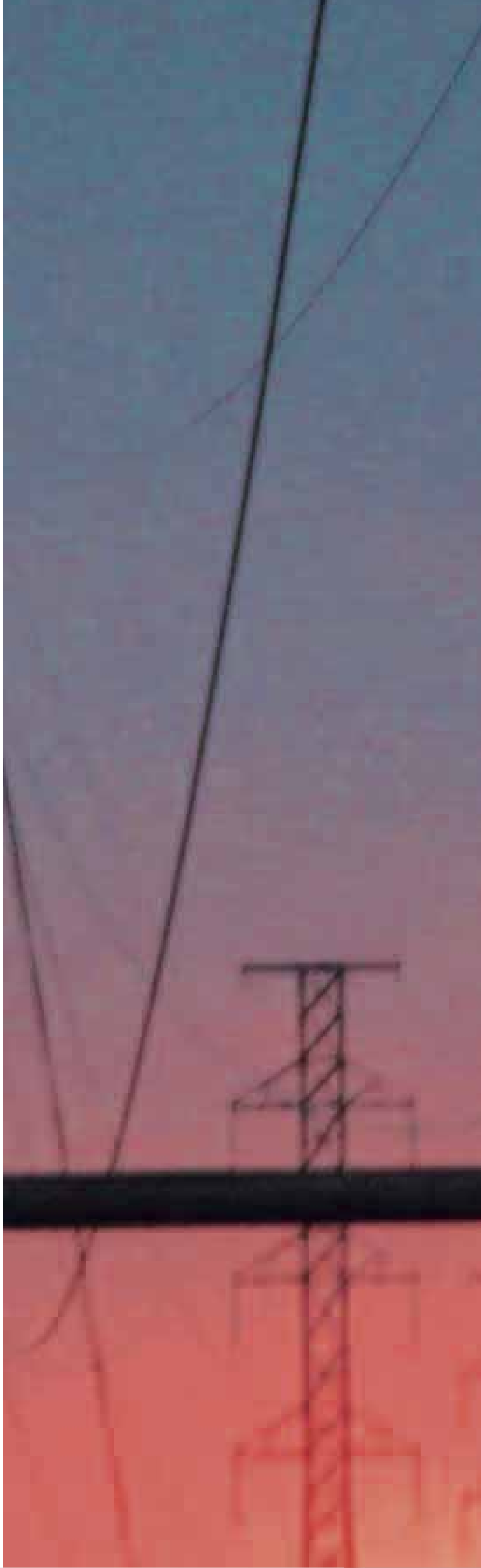
Nordel's report of congestion management was also completed. The report proposed the use of Elspot bids for increasing and managing counter trade. The market players have primarily viewed the proposal positively, but no decisions have been made yet.

At the request of the Nordic Council of Ministers, Nordel is investigating the harmonisation of system responsibility, functioning of the Nordic electricity market, and the implementation of transmission interconnections improving system security. This report will be ready during early 2005.

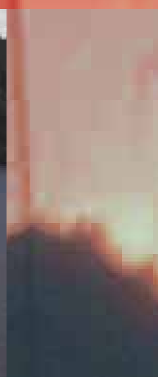
Nord Pool Spot AS's role as a marketplace for physical electricity has become clearer. The market share of spot exchange trade in Finland, Sweden and Norway is almost similar, approx. 40 per cent. The Elbas market, which is used for trade during the current day, was expanded to also cover Eastern Denmark in 2004.

The EU's directive on the single electricity market and the regulation superseding national legislation on the requirements for access into an electricity network in cross-border electricity trade became effective in early July 2004. The regulation also gives stipulations for the compensation mechanism concerning transit transmissions. However, the related guidelines issued by the EU Commission probably will not be applied until the beginning of 2006. For this reason, ETSO (Association of European Transmission System Operators) has agreed on the compensation principles of transit electricity transmission for 2005. These principles mostly follow the ones applied in 2004.

The EU Commission continues to prepare the Security of Supply directive. It appears that the extensive involvement of authorities in the control of grid capital expenditure is no longer included in the draft directive, thanks to the efforts of TSOs.



An analysis drawn up by Fingrid and Svenska Kraftnät indicated that a new cable connection running parallel with the existing Fenno-Skan cable between Finland and Sweden would be viable. In the autumn, the two companies launched detailed execution engineering for the project which will double the transmission capacity of the present direct current connection.



CAPITAL EXPENDITURE AND GRID MAINTENANCE

Fingrid used 37 million euros for capital expenditure in the grid in 2004. The capital expenditure level will rise to approx. 60 million euros per year in the coming years. Moreover, there will be potential capital expenditure in new cross-border connections and gas turbine power plant.

The refurbishment of the Pikkarala 400 kilovolt substation near Oulu was the biggest project completed in 2004. The new 400 kilovolt busbar system at the substation increases the transmission capacity between Northern and Southern Finland.

Other major substation projects included the refurbishment of the Pirttikoski 400/110 kilovolt transformer substation in Lapland as well as the construction of the Visulahti 400/110 kilovolt transformer substation in Mikkeli.

Transmission line and substation expansion work on the 400 kilovolt line between Vihtavuori and Toivila continued in Central Finland. Once completed, this will secure electricity transmission in the Jämsänjokilaakso region. Second 400/110 kilovolt transformers will be added to the substations situated in Vuolijoki in Kainuu and Tammisto in Vantaa. In South-Eastern Finland, a 400 kilovolt transmission line is being constructed from Yllikkälä to Lempiälä.

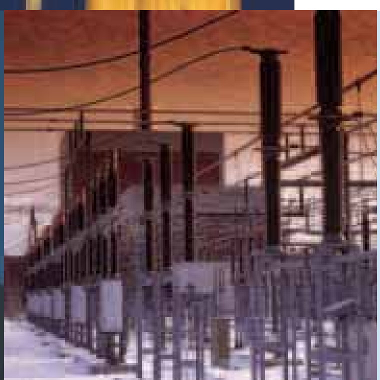
The construction of transmission lines and substations required by the third nuclear power unit to be built at Olkiluoto is beginning. The line from Olkiluoto to Huittinen (70 km) will be ready in 2007, and the line from Ulvila to Kangasala (125 km) in 2008.

At the end of 2004, Fingrid launched a study concerning the construction of a new gas turbine power plant at the Olkiluoto power plant area in co-operation with Teollisuuden Voima Oy. The related environmental impact assessment report has been submitted to the relevant authority. The tendering process is in progress. Final decision on the plant will be made during the spring of 2005, and the plant is due to be ready in 2007.

Fingrid used approx. 15 million euros for grid condition management and local grid operation in 2004. For the fifth time now, the quality and cost efficiency of maintenance management of the Finnish grid were found to be in the top league in an international benchmarking study.

As a result of development work for grid asset management, Fingrid will introduce a new procedure for the ordering of refurbishments. Harmonised refurbishment criteria will result in the standardisation of issues such as preliminary engineering and execution of work.

Approx. three million euros were used for the maintenance and automation modernisation of gas turbine power plants.



The approx. 120 megawatt gas turbine power plant to be built within the Olkiluoto power plant area will secure the functioning of the Finnish power system.

R&D

Fingrid's research and development efforts in 2004 focused on enhancing system security and transmission capacity, and on the specification of exposure of personnel to electric and magnetic fields.

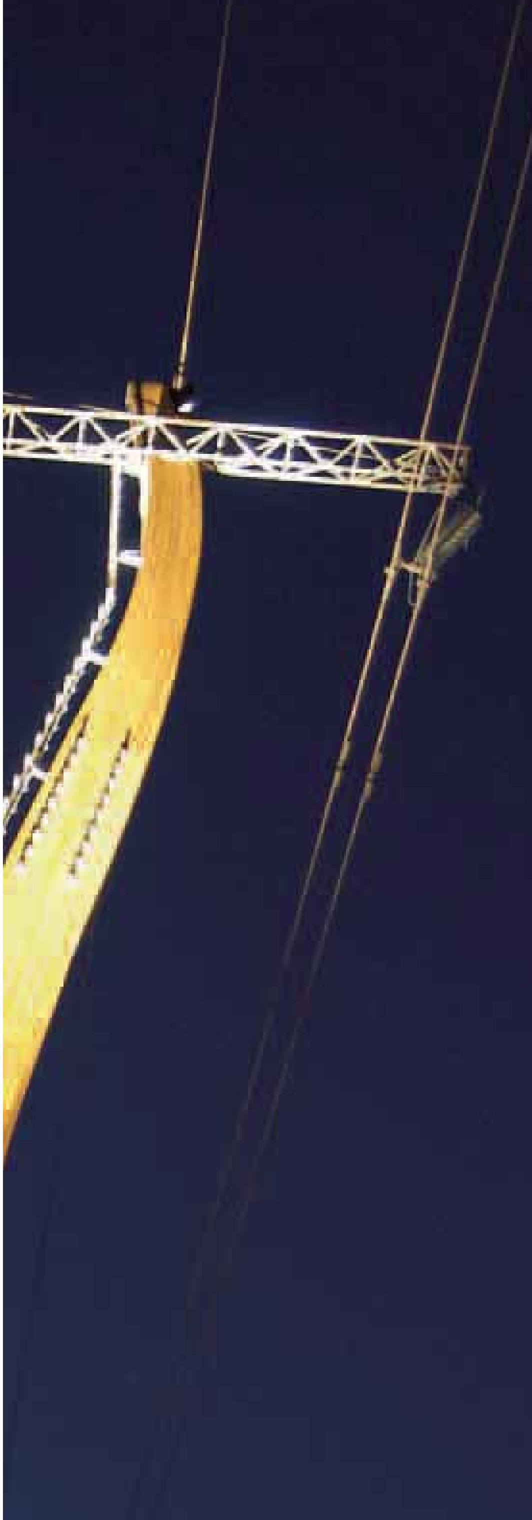
The Helsinki University of Technology completed a study on assessment methods for system security. The study resulted in a method where the system security of the main transmission grid can be assessed computationally in different transmission situations, also taking into account the reliability of relay protection. The applicability of this method to the engineering of the main grid and its protection systems will be ascertained.

The Helsinki University of Technology also continued research into locating faults in the resonant earthed 110 kilovolt network and into damping of low-frequency power oscillation in the main grid.

The Tampere University of Technology continued research into calculation and control methods for subsynchronous resonance between the grid and power plants. The research project has included real-time simulator tests with protective relays suited for a series-compensated line. This project co-financed by the National Technology Agency of Finland is being carried out in co-operation with Teollisuuden Voima Oy and Nokian Capacitors Oy.

Research concerning low-frequency electromagnetic fields concentrated on exposure exerted on personnel working on transmission lines and at substations. Relating to this topic, a Master's thesis on protective clothing which conducts electricity was launched, and preparatory work for the measurement of current induced in an electric field from a human body was also started.

The Metsä-PAS project concerning coated 110 kilovolt conductors was interrupted, since there is no insulating material available that could endure long-term contact with wood.



Fingrid had new composite insulators installed on more than 100 transmission line towers on the 110 kilovolt lines Huutokoski – Varkaus and Pyhäkoski – Rautaruukki. The functioning of the new insulators will be tested and monitored carefully during the coming years.

ENVIRONMENT

Environmental impact assessments for the following 400 kilovolt transmission line routes were completed in the spring of 2004: Loviisa – Hikiä (in Hausjärvi), Ulvila – Kangasala, and Olkiluoto – Huittinen.

The marsh studies launched together with the Universities of Jyväskylä and Oulu in 2003 continued by field investigations carried out in the summer of 2004. The research findings indicate that transmission line areas are potential substitute habitats for plants and daytime butterflies inhabiting marshes. The part of the research concerning marsh insects will be complete during 2005.

An enterprise specialising in the planning and consulting of the infrastructure and traffic sector carried out a follow-up study of the social impacts of the 400 kilovolt transmission line Länsisalmi – Kymi, which was completed in the year 2000. Randomly sampled landowners were interviewed three years after the completion of the line. The results show that those interviewed currently have a mostly neutral attitude towards the transmission line. There was some critique which mainly concerned a decreased value of real estate. Some respondents were also uncertain about potential health impacts.

Fingrid launched co-operation with the University of Oulu to investigate how social impacts could be better taken into account in the environmental impact assessment procedure for transmission line projects.

The issuing of guarantees of origin for producers of renewable energy commenced at the beginning of 2004. This is based on the Finnish act on the verification and reporting of origin of electricity. According to the act, the system operator can issue a guarantee of origin upon request.

Fingrid also issues renewable energy certificates within the voluntary RECS system and maintains the certificate register in Finland.

The kestrel has become increasingly rare in Finland. In the late winter, Fingrid had about 100 bird houses installed for kestrels on transmission line towers in Southern and Southwestern Finland.

POWER SYSTEM OPERATION

The Nordic water reservoirs were low throughout the first half of 2004, and there were considerable electricity exports from Finland into Sweden. The transmission capacity made available to the market was in almost full use, and Finland constituted a price area of its own often in the Nordic electricity exchange. The transmission capacity offered to the market was occasionally also restricted by grid projects in Finland and Sweden, aiming to improve the transmission capacity and system security of the grid. The rainy autumn raised the water reservoirs close to the average levels, but cross-border transmissions towards the end of the year also mostly consisted of exports into Sweden. After the turn of the year, exports into Sweden have given way to imports into Finland.

Electricity consumption reached its height in early February, when the peak load was approx. 13,600 megawatts. This was clearly below the peak consumption in the winter of 2003, when it was 14,000 megawatts, the all time high figure. There were no problems in maintaining balance between production and consumption.

The commercial cross-border transmission capacity of 1,300 megawatts between Finland and Russia has been in almost full use. The volume of electricity transmitted from Russia to the Nordic market was approx. 11 terawatt hours, including the 110 kilovolt connections. The transmissions were lower occasionally during night time and weekends, which reflects the market situation. Improvements carried out on the cross-border connection in Russia in order to improve system security raised transmission reliability to a level higher than in the previous years. However, some disturbance situations leading to limited transmissions occurred.

Fingrid's grid did not experience extensive disturbance situations in 2004. The number of disturbances was close to average, but a significant number of the disturbances occurred in Northern Finland. Most of the disturbances were caused by thunder.

New contracts were signed on the maintenance of reserves needed during disturbance situations in the power system. The contracts concern both power plant reserves and industrial loads which can be disconnected. The long-term contracts also contain provisions for securing the operation of the power system after the commissioning of the new nuclear power unit to be built in Finland.

Fingrid purchased its loss energy from the Nordic electricity market both through bilateral contracts and from the electricity exchange. Extensive transit transmissions from Russia and exports of thermal power produced in Southern Finland to Sweden caused higher than average transmission losses. Forecasting methods for transmissions and losses have been developed systematically, the goal being to reduce the volume risk of transmission losses.

National balance settlement introduced a new procedure in early 2004, and this has shortened the time taken by balance settlement from three months to two months. The expedited settlement process has worked well, and the volume of unsettled balance power has stayed at a very low level.

Fingrid's Network Operation Committee consisting of the representatives of customers connected to the main grid commenced its work in the spring of 2004. The Committee discusses issues which have a significant impact on the joint operation of the main grid and customer networks, with focus on the 110 kilovolt voltage level. The work of the Power System Committee continued as before.

CORPORATE SOCIAL RESPONSIBILITY

Fingrid's nation-wide grid is an integral part of the power system in Finland. Fingrid's performance has a direct impact on the functioning of Finnish society and on the everyday life and welfare of all Finns.

Corporate social responsibility is included in Fingrid's foremost business principles. The dimensions of Fingrid's corporate social responsibility are responsibility for the functioning of the power system, economic responsibility, responsibility for the environment, and social responsibility. The fulfilment of corporate social responsibility is monitored systematically by means of indicators specified for each dimension.

Fingrid's corporate social responsibility is described in an electronic publication at www.fingrid.fi under section Company/Corporate social responsibility.

In 2004, Fingrid published multimedia work "Sähkön valtavirta" (Electricity highway) providing an extensive presentation of the history of the main grid in Finland, and memoir book "Yhteisillä linjoilla" (Shared lines).

PERSONNEL

Fingrid's long-term personnel plan was updated in 2004. The plan contains provisions for issues such as retirement of the large post-war generations. One challenge relating to this is the transfer of expertise to the younger generations.

The guidelines for expert careers were specified further. The purpose of expert careers is to encourage personnel to develop expertise which is vital for Fingrid.

Fingrid donated a five-year professorship in high-voltage electricity transmission systems to the Electrical and Communications Technology department of the Helsinki University of Technology. The position will be filled as of the autumn of 2005. The professorship will ensure continued expertise in high-voltage electricity transmission technology in Finland and deepen co-operation between the University and Fingrid.

Fingrid participated in a study surveying workplaces in Finland. The results indicate that the personnel consider Fingrid as a good workplace. Fingrid's overall result was better than average. Fingrid will be drawn up a long-term management development programme on the basis of analyses and feedback from the results.

The focus in personnel training was on information technology and language training and on the development of interaction skills. Supervisors were provided with training in employment matters. Fingrid and its supplier of occupational health services arranged an event on readiness for a sudden traumatic event.

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 2004, the Fingrid Group had 220 employees, which was the same as a year before.

In June, the personnel of Fingrid's Varkaus office participated actively in a physical exercise event sponsored by Fingrid.

CORPORATE GOVERNANCE

In its business, Fingrid Oyj adheres to the recommendation concerning Corporate Governance given in December 2003.

Fingrid's Board of Directors decides on operational guidelines and significant strategic policy decisions and approves the primary principles which guide the company's business. The Board approves the annual action plan, budget and primary capital expenditure projects and annually goes through the risks relating to the company's operations and the management of such risks. Moreover, the Board appoints the President of the company, approves its basic organisation and composition of the executive management group.

The Board of Directors has two groups: control group, and reward and appointment group. The members of the control group are Marjukka Aarnio, Esa Auvinen, Timo Koivuniemi and Taisto Turunen. The control group is appointed by the Board of Directors and it assists the Board. The control group is to supervise Fingrid's financial reporting and the quality of work of auditors and internal auditor. The control group also supervises the company's risk management. The control group had one meeting in 2004.

The reward and appointment group consists of Timo Rajala, Tapio Kuula and Taisto Turunen. The reward and appointment group is appointed by the Board of Directors and it assists the Board. This group approves the remuneration to be paid to the President and other members of the executive management group on the basis of principles specified by the Board of Directors. The group also prepares the appointments of the President, deputy President and persons belonging to the executive management group as well as surveys their successors. The reward and appointment group had one meeting in 2004.

The recommendation concerning the Corporate Governance of listed companies requires that more than half of the Board members should be members independent of the company. Fingrid's Board of Directors considers that out of the seven Board members, Marjukka Aarnio, Esa Auvinen and Taisto Turunen are independent of the company, which is why the objective and professional handling of matters by the Board has been ensured.

In addition to the stipulations laid down in the Finnish Companies Act, Securities Markets Act and corresponding general regulations, Fingrid's decision making is especially subject to obligations prescribed by the Electricity Market Act concerning the unbiased treatment of customers and an obligation to develop the market with a view on the overall interests. Vital matters having bearing on Fingrid's customer interface are prepared by the company's Advisory Committee. Moreover, Fingrid's Articles of Association, ownership contracts and principles concerning the work of the Board of Directors ensure objective handling of various matters.

In accordance with the recommendation on Corporate Governance, the members of the control group should be independent of the company. The Board of Directors considers it important that practical expertise in the energy industry is also represented in the control group. For this reason, it is deemed necessary that Timo Koivuniemi is a member of the control group.

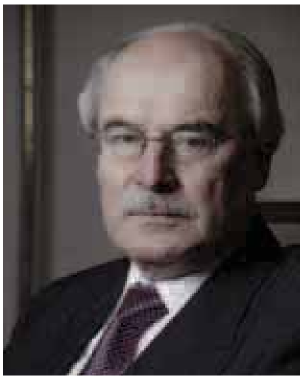
BOARD OF DIRECTORS

Timo Rajala
Chairman of the Board
President & CEO, Pohjolan Voima Oy

Chairman of the Boards of Fingrid Oyj, Oy Alholmens Kraft Ab, Nordic Energy Oy and the subsidiaries of Pohjolan Voima Oy. Deputy Chairman of the Board of Teollisuuden Voima Oy. Member of the Boards of Atro Oyj and Association of Finnish Energy Industries, member of the National Board of Economic Defence and its Central Section.

Tapio Kuula
1st Deputy Chairman
President, Fortum Power and Heat Oy

Chairman of the Boards of Kemijoki Oy and Teollisuuden Voima Oy, member of the Board of OAO Lenenergo, member of the Supervisory Board of Gasum Oy, member of the Supervisory Board of Varma (Varma Mutual Pension Insurance Company), member of the National Board of Economic Defence, member of the Energy Committee of the Confederation of Finnish Industries, Deputy Chairman of the Board of AB Fortum Värme Holding (co-owned with the City of Stockholm).



Taisto Turunen
2nd Deputy Chairman
Director General,
Ministry of Trade and Industry

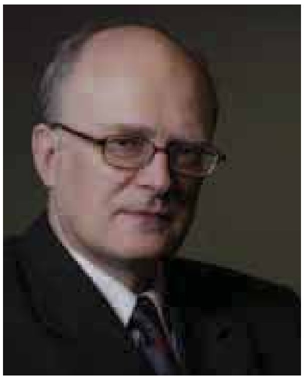
Member of the Board of Ekokem Oy. Member of the Supervisory Board of Gasum Oy. Involved in the work of several energy committees and task forces. Finland's representative in the energy organisations of the Nordic Council, IEA and the EU.

Timo Karttinen
Senior Vice President,
Corporate Development,
Fortum Oyj

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

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. Chairperson of the Contingency Advisory Committee of Employment and Economic Development Centres.



Timo Koivuniemi
Senior Vice President (responsible for the company's energy operations in Finland),
Stora Enso Oyj

Since 1974, served in various duties in power production, capital expenditure and energy procurement within Veitsiluoto/Enso/Stora Enso Oyj and as the Managing Director of Enso Alueverkko Oy.
Member of the Board and various committees of e.g. subsidiaries of Pohjolan Voima Oy, and Teollisuuden Voima Oy and Kymenso Oy. Involved in co-operation organisations in the energy industry, e.g. Chairman of the Energy Committee of the Finnish Forest Industries Federation.

Esa Auvinen
Investment Advisor,

Finnventure Fund I,
Chairman of the Investment Council.

Tarmo Rantalankila
Secretary of the Board
General Counsel, Fingrid Oyj

ADVISORY COMMITTEE

At the back from the left:

Hannu Haase, Chairman of the Board,
Energiapolar Oy

Esa Hagman, Planning Engineer,
Fortum Power and Heat Oy

Hannu Virta, Managing Director,
Satapirkan Sähkö Oy

Matti Tähtinen, Director,
Fingrid Oyj (Secretary)

Mikko Rintamäki, Vice President, Energy,
Outokumpu Oyj

Timo Toivonen, President,
Fingrid Oyj

Erik Mälkki, Vice President, Power Generation,
Vattenfall Oy

Jukka Liimatainen, Vice President, Energy,
Kemira Oyj

Front row from the left:

Sakari Suontaka, Managing Director,
Kymppivoima Oy

Risto Vesala, Senior Vice President,
Pohjolan Voima Oy

Esko Partio, Director, Energy,
M-real Oy (Chairman)

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

Risto Harjanne, Director,
Helsinki Energy

Eero Sinkko, Deputy Managing Director,
Atro Oyj

DEPUTY MEMBERS OF THE BOARD OF DIRECTORS

Matti Kaisjoki, Executive Vice President,
Pohjolan Voima Oy

Juha Laaksonen, Chief Financial Officer,
Fortum Oyj

Timo Ritonummi, Senior Engineer,
Ministry of Trade and Industry

Tapio Lehtisalo, Managing Director,
Fortum Sähkönsiirto Oy

Markku Tynkkynen, Executive Vice President,
Resources and Business Functions,
UPM-Kymmene Oyj

Pekka Kettunen, Senior Specialist,
Ministry of Trade and Industry

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

FINANCIAL STATEMENTS

REPORT OF THE BOARD OF DIRECTORS FOR 2004

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

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

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

FINGRID IN THE ELECTRICITY MARKET

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

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

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

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

CAPITAL EXPENDITURE AND GRID MAINTENANCE

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

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

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

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

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

Research and development were allocated 1.1 million euros.

FINANCIAL RESULT

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

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

FINANCING

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

The company acquires financing from the international and domestic money and capital markets. The company covers the need for short-term funding with the Euro Commercial Paper

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

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

PERSONNEL AND REWARDING SYSTEMS

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

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

BOARD OF DIRECTORS

Fingrid Oyj's Annual General Meeting was held on 18 March 2004. Timo Rajala, President and CEO, was elected as the Chairman of the Board, Tapio Kuula, President, as the First Deputy Chairman of the Board, and Taisto Turunen, Director General, as the Second Deputy Chairman of the Board. The Board members elected were Timo Karttinen, Senior Vice President, Timo Koivuniemi, Senior Vice President, Marjukka Aarnio, Industrial Counsellor, and Esa Auvinen, M.Sc. (Econ.).

RISK MANAGEMENT

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

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

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

ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

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

The primary environmental impacts of Fingrid's operations are caused by transmission line areas with their transmission lines and related substations.

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

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

Equipment used in Fingrid's substations contains approx. 20 tonnes of sulphur hexafluoride (SF_6 gas), which is categorised as a greenhouse gas. However, the disposal cost of this gas is small, and no provision has been made for it because the SF_6 gas can be re-used after cleaning. Some substations also contain small amounts of asbestos. The total amount of asbestos will be ascertained during 2005.

As of 1 January 2004, Fingrid has served as the issuing body for guarantees of origin of electricity in Finland. The guarantee is included in the system required by the RES-E directive of the European Union. Fingrid also issues renewable energy certificates within the voluntary RECS system and maintains the certificate register in Finland.

FUTURE OUTLOOK

Turnover during 2005 is expected to develop in a stable manner. Anticipating the turnover and expenses is, however, complicated by variations in electricity transmissions and in the sales volume of balance power caused by the Nordic water reservoir situation.

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

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

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

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

CONSOLIDATED BALANCE SHEET

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

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

CONSOLIDATED CASH FLOW STATEMENT

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

ADDITIONAL INFORMATION:

Cash and cash equivalents stated in the cash flow statement are composed of the following balance sheet items:	31 Dec 2004	31 Dec 2003
Cash in hand and bank receivables	2,024	2,947
Money market deposits	1,850	
Certificates of deposit	34,734	24,752
Commercial papers	79,336	52,346
Treasury bills	9,925	4,949
Investments in money market funds	15,000	20,003
	142,868	**104,998**

CONSOLIDATED KEY INDICATORS

		2000	2001	2002	2003	2004
Extent of operations						
Turnover	million €	235.5	241.6	272.6	297.6	301.8
Capital expenditure, gross	million €	39.3	43.5	50.2	43.7	42.9
- % of turnover	%	16.7	18.0	18.4	14.7	14.2
Research and development expenses	million €	0.9	1.0	1.1	1.3	1.1
- % of turnover	%	0.4	0.4	0.4	0.4	0.4
Personnel, average		272	221	211	227	233
Personnel, end of year		261	204	210	220	220
Profitability						
Operating profit	million €	88.0	84.8	91.0	90.5	98.9
- % of turnover	%	37.4	35.1	33.4	30.4	32.8
Profit before extraordinary items and taxes	million €	35.5	32.8	38.6	37.5	56.7
- % of turnover	%	15.1	13.6	14.1	12.6	18.8
Return on investment (ROI)*	%	7.2	6.8	7.2	7.3	8.0
Return on equity (ROE)*	%	13.2	11.1	12.2	10.8	17.1
Financing and financial position						
Equity ratio (excluding capital loans)	%	14.9	16.1	17.1	18.7	21.2
Share-specific indicators						
Earnings per share*	€	7,598	6,963	8,275	7,972	14,188
Equity per share	€	60,118	64,898	70,990	76,886	89,101
Number of shares at 31 Dec						
- Series A shares	qty	2,078	2,078	2,078	2,078	2,078
- Series B shares	qty	1,247	1,247	1,247	1,247	1,247
Total	qty	3,325	3,325	3,325	3,325	3,325

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

CALCULATION OF KEY INDICATORS

Return on investment, % =

$$\frac{\text{Profit before extraordinary items and taxes + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average for the year)}} \times 100$$

Return on equity, % =

$$\frac{\text{Profit before extraordinary items and taxes - taxes for the financial year}}{\text{Shareholders' equity (excl. capital loans, average for the financial year)}} \times 100$$

Equity ratio, % =

$$\frac{\text{Shareholders' equity (excluding capital loans)}}{\text{Balance sheet total - advances received}} \times 100$$

Earnings per share, € =

$$\frac{\text{Profit before extraordinary items and taxes - taxes for the financial year}}{\text{Average number of shares}}$$

Equity per share, € =

$$\frac{\text{Shareholders' equity (excluding capital loans)}}{\text{Number of shares at closing date}}$$

PROFIT AND LOSS ACCOUNT
PARENT COMPANY

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

BALANCE SHEET
PARENT COMPANY

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

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

CASH FLOW STATEMENT
PARENT COMPANY

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

ADDITIONAL INFORMATION:

Cash and cash equivalents stated in the cash flow statement are composed of the following balance sheet items:	31 Dec 2004	31 Dec 2003
Cash in hand and bank receivables	2,023,557.87	2,947,003.22
Money market deposits	1,850,000.00	
Certificates of deposit	34,734,033.92	24,752,440.33
Commercial papers	79,335,873.45	52,346,213.72
Treasury bills	9,924,879.69	4,949,207.38
Investments in money market funds	15,000,000.00	20,002,738.10
	142,868,344.93	**104,997,602.75**

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2004

1. ACCOUNTING PRINCIPLES

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

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

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

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

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

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

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

The depreciation periods are as follows:

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

* The disposal expenses are discounted at present value and added to the value of fixed assets and booked under provisions for liabilities and charges.

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

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

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

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

Research and development
Research and development expenses are entered as annual expenses.

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

2. TURNOVER BY BUSINESS AREAS

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

3. MATERIALS AND SERVICES, 1,000 €

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

4. PERSONNEL COSTS, 1,000 €

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

5. DEPRECIATION ACCORDING TO PLAN, 1,000 €

	Group		Parent company	
	2004	**2003**	**2004**	**2003**
Goodwill	6,433	6,433	6,433	6,433
Other long-term expenses	5,388	5,633	5,377	5,622
Buildings and structures	1,615	1,581	1,286	1,252
Machinery and equipment	19,334	18,798	15,793	15,336
Transmission lines	20,871	20,596	20,871	20,596
Total	**53,642**	**53,041**	**49,761**	**49,240**

6. OTHER OPERATING EXPENSES, 1,000 €

	Group		Parent company	
	2004	**2003**	**2004**	**2003**
Rents	2,475	2,283	2,461	2,273
Contracts, assignments etc. undertaken by outsiders	23,205	24,955	21,713	22,978
Others	7,642	8,354	7,514	8,212
Total	**33,322**	**35,592**	**31,689**	**33,463**

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

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

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

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

11. INTANGIBLE ASSETS, 1,000 €	Group		Parent company	
	2004	2003	2004	2003
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	-40,744	-34,310	-40,744	-34,310
Depreciation according to plan 1 Jan - 31 Dec	-6,433	-6,433	-6,433	-6,433
Book value 31 Dec	**81,487**	**87,920**	**81,487**	**87,920**
Accumulated depreciation difference 1 Jan			-49,321	-42,888
Increase in depreciation difference reserve 1 Jan - 31 Dec			-6,433	-6,433
Accumulated depreciation in excess of plan 31 Dec			**-55,754**	**-49,321**
Other long-term expenditure				
Cost at 1 Jan	118,523	121,262	114,211	116,950
Transfers between items	-196	0	0	0
Increases 1 Jan - 31 Dec	2 151	2,410	2,158	2,410
Decreases 1 Jan - 31 Dec	-210	-5,149	-210	-5,149
Cost at 31 Dec	**120,269**	**118,523**	**116,160**	**114,211**
Accumulated depreciation according to plan 1 Jan	-31,827	-26,194	-27,718	-22,095
Decreases, depreciation according to plan 1 Jan - 31 Dec	49	0	49	0
Depreciation according to plan 1 Jan - 31 Dec	-5,380	-5,633	-5,380	-5,622
Book value 31 Dec	**83,111**	**86,697**	**83,111**	**86,494**
Accumulated depreciation difference 1 Jan			-50,013	-42,770
Decrease in depreciation difference reserve 1 Jan - 31 Dec			97	0
Increase in depreciation difference reserve 1 Jan - 31 Dec			-6,302	-7,242
Accumulated depreciation in excess of plan 31 Dec			**-56,217**	**-50,013**

12. TANGIBLE ASSETS, 1,000 €	Group		Parent company	
	2004	2003	2004	2003
Land and water areas				
Cost at 1 Jan	9,950	9,874	9,879	9,802
Increases 1 Jan - 31 Dec	248	155	319	155
Decreases 1 Jan - 31 Dec	-22	-79	-22	-79
Cost at 31 Dec	**10,176**	**9,950**	**10,176**	**9,879**
Buildings and structures				
Cost at 1 Jan	49,347	48,660	42,773	42,086
Increases 1 Jan - 31 Dec	4,435	2,763	9,391	2,763
Decreases 1 Jan - 31 Dec	-14	-2,076	-14	-2,076
Cost at 31 Dec	**53,768**	**49,347**	**52,151**	**42,773**
Accumulated depreciation according to plan 1 Jan	-8,179	-6,901	-6,562	-5,613
Decreases, depreciation according to plan 1 Jan - 31 Dec	3	303	3	303
Depreciation according to plan 1 Jan - 31 Dec	-1,616	-1,581	-1,616	-1,252
Book value 31 Dec	**43,975**	**41,168**	**43,975**	**36,211**
Accumulated depreciation difference 1 Jan			-5,062	-4,785
Increase in depreciation difference reserve 1 Jan - 31 Dec			-1,890	-495
Decrease in depreciation difference reserve 1 Jan - 31 Dec			4	219
Accumulated depreciation in excess of plan 31 Dec			**-6,948**	**-5,062**
Machinery and equipment				
Cost at 1 Jan	487,708	463,610	414,371	391,129
Increases 1 Jan - 31 Dec	33,576	24,158	86,312	23,302
Decreases 1 Jan - 31 Dec	-1,065	-60	-1,065	-60
Cost at 31 Dec	**520,218**	**487,708**	**499,618**	**414,371**
Accumulated depreciation according to plan 1 Jan	-101,839	-83,053	-81,238	-65,914
Decreases, depreciation according to plan 1 Jan - 31 Dec	231	12	231	12
Depreciation according to plan 1 Jan - 31 Dec	-19,341	-18,798	-19,341	-15,336
Book value 31 Dec	**399,269**	**385,868**	**399,269**	**333,133**
Accumulated depreciation difference 1 Jan			-37,040	-21,706
Increase in depreciation difference reserve 1 Jan - 31 Dec			-1,803	-15,383
Decrease in depreciation difference reserve 1 Jan - 31 Dec			539	48
Accumulated depreciation in excess of plan 31 Dec			**-38,304**	**-37,040**
Transmission lines				
Cost at 1 Jan	691,391	675,450	691,391	675,450
Increases 1 Jan - 31 Dec	10,263	17,119	10,263	17,119
Decreases 1 Jan - 31 Dec	-2,403	-1,177	-2,403	-1,177
Cost at 31 Dec	**699,251**	**691,391**	**699,251**	**691,391**
Accumulated depreciation according to plan 1 Jan	-118,481	-98,096	-118,481	-98,096
Decreases, depreciation according to plan 1 Jan - 31 Dec	306	211	306	211
Depreciation according to plan 1 Jan - 31 Dec	-20,871	-20,596	-20,871	-20,596
Book value 31 Dec	**560,205**	**572,910**	**560,205**	**572,910**
Accumulated depreciation difference 1 Jan			-44,757	-46,446
Increase in depreciation difference reserve 1 Jan - 31 Dec			-33,499	378
Decrease in depreciation difference reserve 1 Jan - 31 Dec			1,084	1,311
Accumulated depreciation in excess of plan 31 Dec			**-77,172**	**-44,757**
Other tangible assets				
Cost at 1 Jan	84	77	84	77
Increases 1 Jan - 31 Dec	0	7	0	7
Decreases 1 Jan - 31 Dec				
Cost at 31 Dec	**84**	**84**	**84**	**84**

13. INVESTMENTS, 1,000 €

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

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

14. RECEIVABLES FROM GROUP COMPANIES, 1,000 €

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Long-term:				
Loans receivable			**0**	**53,250**
Short-term:				
Accounts receivable			0	127
Prepayments and accrued income			0	110
			0	**237**
Total			**0**	**53,487**

15. RECEIVABLES FROM ASSOCIATED COMPANIES, 1,000 €

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Long-term:				
Loans receivable	**363**	**477**	**363**	**477**
Short-term:				
Accounts receivable	314	511	314	509
Prepayments and accrued income	2	2	2	2
	316	**513**	**316**	**511**
Total	**679**	**990**	**679**	**988**

16. PREPAYMENTS AND ACCRUED INCOME, 1,000 €

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Interests and other financial items	4,608	2,982	4,608	2,982
Taxes	159	0	159	0
Accruals of sales and purchases	4,369	1,340	4,369	1,336
Insurance claim	0	2,348	0	2,348
Other	300	502	300	502
Total	**9,435**	**7,171**	**9,435**	**7,168**

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

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

The share capital is divided 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**

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 qty	% 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 2004:	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	415	12.48	5.55
Mutual Pension Insurance Company Ilmarinen	350	10.53	4.68
Tapiola Mutual Pension Insurance Company	150	4.51	2.01
Suomi Mutual Life Assurance Company	75	2.26	1.00
Pohjola Non-Life Insurance Company Ltd	75	2.26	1.00
Sampo Life Insurance Company	54	1.62	0.72
Tapiola General Mutual Insurance Company	50	1.50	0.67
Tapiola Mutual Life Assurance Company	35	1.05	0.47
If P&C Insurance Company Ltd	25	0.75	0.33
Tapiola Corporate Life Insurance Company Ltd	12	0.36	0.16
Insurance Company Henki-Fennia	6	0.18	0.08
Total	**3,325**	**100.00**	**100.00**

Capital loans, 1,000 €	Group		Parent company	
	2004	**2003**	**2004**	**2003**
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	
	2004	**2003**	**2004**	**2003**
Accumulated depreciation in excess of plan, the difference between depreciation according to plan and depreciation carried out in taxation			234,395	186,192

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

21. BONDS, 1,000 €

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

* call option not exercised 5 July 2004

** callable 25 July 2006

22. LOANS FALLING DUE FOR PAYMENT IN FIVE YEARS OR MORE, 1,000 €

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Bonds	160,228	106,628	160,228	106,628
Loans from financial institutions	28,625	44,182	28,625	44,182
Total	**188,854**	**150,810**	**188,854**	**150,810**

23. LIABILITIES TO GROUP COMPANIES, 1,000 €

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Short-term:				
Accounts payable				
Other debts			514	887
Accruals			1	6
Total			**515**	**893**

24. LIABILITIES TO ASSOCIATED COMPANIES, 1,000 €

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Short-term:				
Accounts payable	0	1		
Total	0	1		

25. OTHER DEBTS, 1,000 €

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Short-term:				
Other loans / Commercial papers (international and domestic)	93,879	27,427	93,879	27,427
Value added tax	8,869	4,848	8,869	4,669
Electricity tax	1,919	1,733	1,919	1,733
Other short-term debt	434	421	434	417
Total	**105,103**	**34,428**	**105,103**	**34,246**

26. ACCRUALS, 1,000 €	Group		Parent company	
	2004	2003	2004	2003
Long-term:				
Accruals of sales	350	800	350	800
Short-term:				
Interests and other financial items	18,352	21,017	18,352	21,017
Wages, salaries and additional staff costs	2,762	2,832	2,762	2,814
Accruals of sales and purchases	3,380	2,426	3,380	2,410
Other	27	212	24	208
	24,521	26,487	24,518	26,450
Total	**24,871**	**27,287**	**24,868**	**27,250**

27. PROVISIONS FOR LIABILITIES AND CHARGES 1,000 €	Group		Parent company	
	2004	2003	2004	2003
Creosote and CCA-impregnated wooden towers, disposal expenses	2,072		2,072	
Total	**2,072**		**2,072**	

28. PLEDGES, MORTGAGES AND CONTINGENT LIABILITIES, 1,000 €	Group		Parent company	
	2004	2003	2004	2003
Leasing liabilities (motor vehicles)				
Leasing liabilities for the next year	104	102	104	99
Leasing liabilities for subsequent years	100	101	100	101
	204	203	204	199
Commitment fee of revolving credit facility				
Commitment fee for the next year	405	407	405	407
Commitment fee for subsequent years	787	1,192	787	1,192
	1,192	1,599	1,192	1,599
Pledges/bank balances				
Pledge for the Customs Office	26	26	26	26
Pledge for electricity exchange purchases	1,307	1,983	1,307	1,983
	1,333	2,009	1,333	2,009
Total	**2,729**	**3,811**	**2,729**	**3,807**
Other financial liabilities				
Purchase commitments concerning electricity, TWh	0.0	0.1	0.0	0.1
Donation to a five-year professorship to Helsinki University of Technology	600		600	

29. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

Fingrid Oyj has appealed to The Market Court against the decision of 29 December 2004, "Enforcement of the methodology for determining the return on grid operations of the grid owner" by the Energy Market Authority. There are no other ongoing legal proceedings or proceedings by the authorities with material adverse effect on the Group's operations.

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

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

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

31. RISK MANAGEMENT

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

Financial risk management

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

Liquidity management

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

Foreign exchange risk

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

Interest rate risk

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

Counterparty risk in financing

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

Management of risk relating to loss energy purchases

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

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

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

Management of balance operation

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

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

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

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

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

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

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

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

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

The company's Board of Directors will propose to the Annual General Meeting of Shareholders that
- € 1,994.71 of dividend per share be paid in accordance with article 5 of the Articles of Association, totalling € 6,632,410.75.
- € 5,578,910.49 be carried over as retained earnings.

Helsinki, 15 February 2005

Timo Rajala Chairman	Tapio Kuula 1st Deputy Chairman	Taisto Turunen 2nd Deputy Chairman
Marjukka Aarnio	Timo Karttinen	Timo Koivuniemi
Esa Auvinen	Timo Toivonen President and CEO	

AUDITOR'S NOTATION

The financial statements for the financial year 2004 have been prepared in accordance with Generally Accepted Accounting Principles.
A report on the audit carried out has been submitted today.

Helsinki, 16 February 2005

PricewaterhouseCoopers Oy
Authorised Public Accountants

Henrik Sormunen
Authorised Public Accountant

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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, 2004 to December 31, 2004. 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.

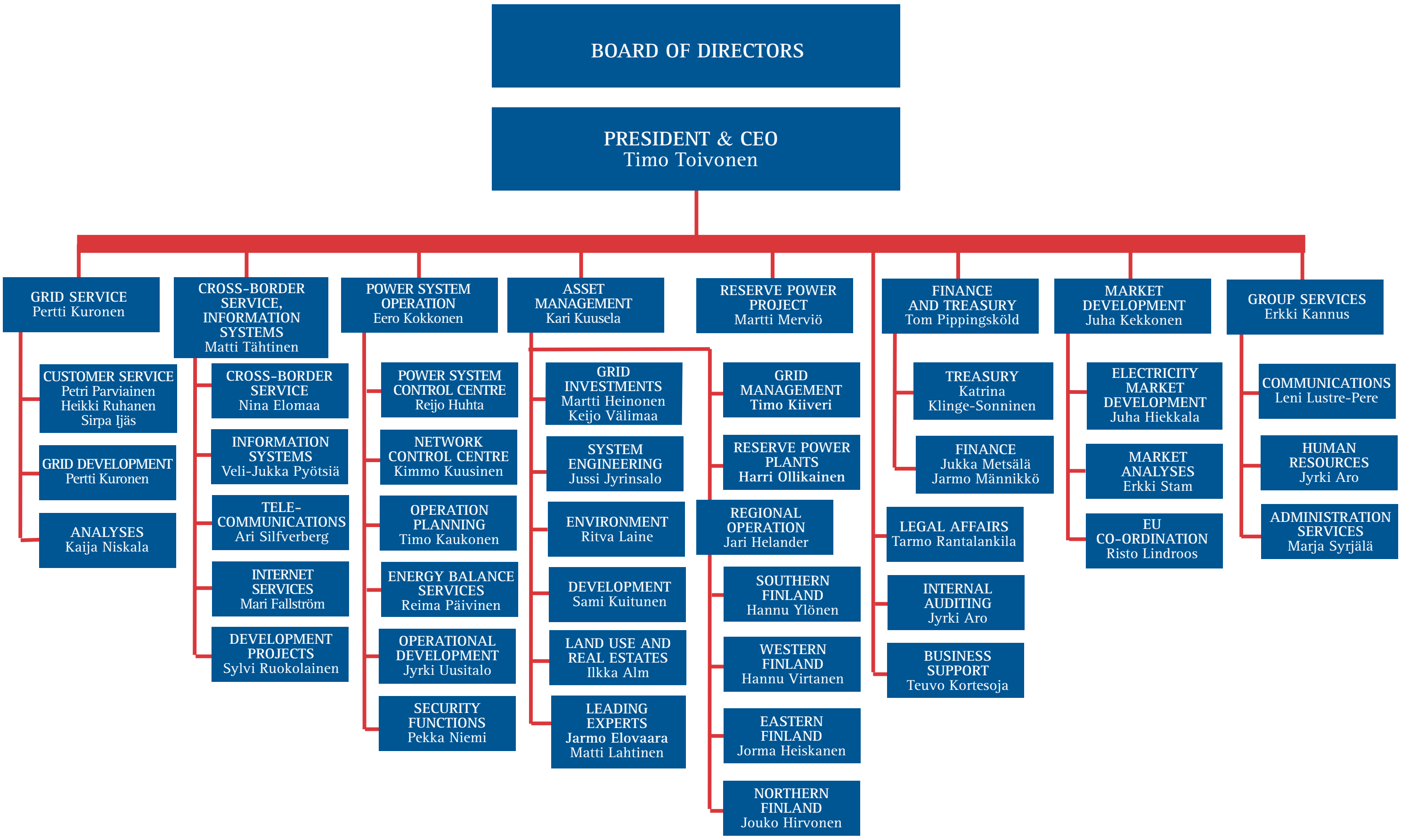
Helsinki, February 16, 2005

PricewaterhouseCoopers Oy
Authorised Public Accountants

Henrik Sormunen
Authorised Public Accountant

Reg. Domicile Helsinki
Business ID 0486406-8

FINGRID OYJ (FINGRID PLC) 1 JANUARY 2005



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