

FINGRID
ANNUAL REPORT 2020

Financial statements

FINGRID

ANNUAL REPORT 2020

FINANCIAL STATEMENTS

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- > Consolidated financial statements (IFRS)
- > Benchmark for TSO operations (IFRS)
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Fingrid Oyj's Financial Statements for 2020: weather had a major impact on earnings.”

CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME, P. 8



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1. CONSOLIDATED KEY FIGURES

Consolidated Key figures

		2020 IFRS	2019 IFRS	2018 IFRS	2017 IFRS	2016 IFRS
Extent of operations						
Turnover	MEUR	682.5	789.4	852.8	672.0	586.1
Capital expenditure, gross	MEUR	169.7	126.9	92.7	111.1	146.7
- % of turnover	%	24.9	16.1	10.9	16.5	25.0
Research and development expenses	MEUR	4.5	3.4	3.6	2.6	2.4
- % of turnover	%	0.7	0.4	0.4	0.4	0.4
Personnel, average		400	384	376	352	336
Personnel at the end of period		408	380	380	355	334
Salaries and remunerations total	MEUR	26.7	22.3	26.5	24.2	22.7
Profitability						
Operating profit	MEUR	118.4	115.5	241.6	184.8	192.0
- % of turnover	%	17.3	14.6	28.3	27.5	32.8
Profit before taxes	MEUR	113.3	105.8	229.0	163.7	173.9
- % of turnover	%	16.6	13.4	26.9	24.4	29.7
Return on investments (ROI)	%	7.0	6.4	13.2	10.0	10.4
Return on equity (ROE)	%	14.3	11.6	23.3	16.7	18.8
Financing and financial position						
Equity ratio	%	27.4	32.0	36.6	37.8	36.4
Interest-bearing net borrowings	MEUR	1,049.0	1,037.2	974.3	998.9	1,028.0
Net gearing		1.7	1.5	1.3	1.3	1.3

		2020 IFRS	2019 IFRS	2018 IFRS	2017 IFRS	2016 IFRS
Share-specific key figures						
Profit/share	€	28,269.6	25,452.5	55,106.3	39,350.8	41,706.1
Dividend/A shares	€	53,500.00*	58,500.00	67,650.00	68,470.00	37,536.09
Dividend/B shares	€	19,600.00*	21,400.00	24,750.00	25,050.00	16,038.49
Dividend payout ratio A shares	%	189.2	234.9	122.8	174.0	90.0
Dividend payout ratio B shares	%	69.3	86.0	44.9	63.7	38.5
Equity/share	€	190,210	206,213	232,310	240,017	230,301
Number of shares at 31 Dec						
- Series A shares	shares	2,078	2,078	2,078	2,078	2,078
- Series B shares	shares	1,247	1,247	1,247	1,247	1,247
Total	shares	3,325	3,325	3,325	3,325	3,325

* The Board of Directors' proposal to the Annual General Meeting on the maximum dividend to be distributed

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CALCULATION OF KEY FIGURES

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

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

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

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

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

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

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

$$\text{Interest-bearing net borrowings, €} = \text{Interest-bearing borrowings - cash and cash equivalents and financial assets}$$

$$\text{Net gearing} = \frac{\text{Interest-bearing borrowings - cash and cash equivalents and financial assets}}{\text{Equity}}$$

2. CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

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INTRODUCTION

How to read Fingrid's financial statements and get the most out of it?

- Notes are compiled under specific themes to provide the best representation of Fingrid.
 - Chapters 3-6 consist of notes to the consolidated financial statements.
 - Accounting principles are linked with the note most relevant for each specific principle.
 - Accounting principles are shown at the end of each note, in a separate box and recognizable by the use of symbol
 - Interesting facts about Fingrid's operating environment are highlighted in infoboxes throughout the notes to the financial statements. The infoboxes can be recognized by the use of symbol



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Fingrid's business model and the regulation of transmission system operations

Fingrid constitutes a natural monopoly as referred to in the Finnish Electricity Market Act (588/2013), with duties defined in legislation. The company's operations, reasonableness in pricing and financial result are regulated and overseen by the Energy Market Authority. The Energy Authority determines Fingrid's allowed financial result over four-year regulatory periods (2020–2023).

Transmission system operations, in other words the transmission of electricity in the nationwide grid owned by the company, constitutes the bulk of Fingrid's turnover, profit and balance sheet.

The allowed financial result from transmission network operations is calculated by multiplying the total adjusted capital invested in the transmission network operations (transmission network assets valued at the regulatory present value) with the reasonable rate of return defined by the Energy Market Authority.

The reasonable financial result allowed by the regulation forms the basis of Fingrid's

financial planning and pricing. One can calculate the required amount of turnover by adding operating expenses in the result. Fingrid's turnover mainly constitutes from the pricing of the transmitted electricity, in other words the consumption of Fingrid's customers. Fingrid additionally charges fees for output from and input into the grid, and power generation capacity fees. The company determines in advance for the next year the unit prices for the transmission of electricity to recover required turnover. The company's total costs consist of the operating expenses and financial costs and taxes, which are excluded from regulatory calculations.

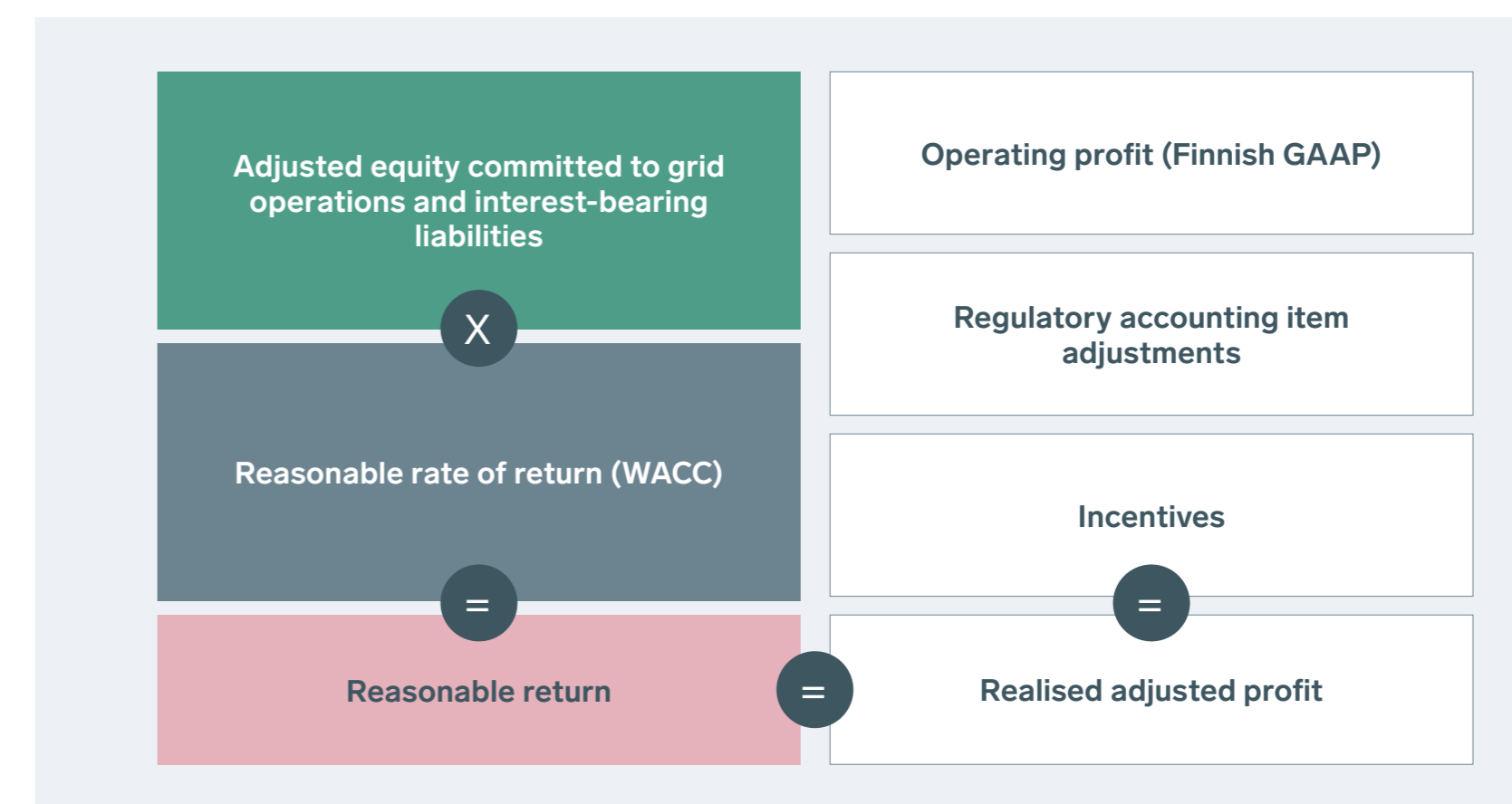
The so-called adjusted profit, realised in compliance with the regulation, is calculated by adjusting the parent company's operating profit according to the Energy Market Authority's regulation methods and by adding the impact of the incentives.

The regulation incentives are as follows: Investment incentive – intended to promote reasonable and cost-effective investments as well as a justified overhaul of components. The incentive impact is created by the fact that the methods allow the TSO straight-line

depreciations based on the replacement value of the transmission network assets. Quality incentive – intended to encourage the TSO to improve the quality of electricity transmission. In practical terms this means minimising the calculated negative impact caused by non-transmitted energy. Efficiency improvement incentive – intended to encourage the TSO to operate cost-effectively. The efficiency improvement incentive is based on Fingrid's controllable operating costs. Innovation incentive – intended to encourage the TSO to develop and use innovative technical and operational solutions in its network

operations. In practice, this means adequate R&D resources.

Any realised regulatory profit over a regulatory period that exceeds the allowed return is a surplus that must be returned to the customers in the form of lower future prices. If the realised regulatory profit over a regulatory period is below the allowed return, the result is a deficit which the company may recover from the customers in the form of higher future prices. No regulatory surplus or deficit income is recorded in the financial statements. Fingrid's aim is to achieve the allowed financial result in the regulatory period.



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The Energy Authority determines Fingrid's highest allowed financial result over four-year regulatory periods. The Energy Authority has confirmed a cumulative deficit of EUR 28.4 million for the previous regulatory period, 2016–2019. The table below shows Fingrid's own rough approximation for the deficit in 2020. Fingrid's aim is to achieve the allowed return during the regulatory period 2020–2023.

WACC (pre-tax) 2020 (2019)	Adjusted capital 2020 (2019)	Allowed financial result 2020 (2019)	Deficit(-)/ Surplus(+) 2020 (2019)	Cumulative Deficit (-)/Surplus(+) 2020-2023
4.89% (5.36%)	Approx. EUR 3,000 (2,900) million	Approx. EUR 145 (155) million	Approx. EUR -30 (-15) million	EUR -30 million

The company also engages in other regulated business operations, but the impact of these on the company's financial result and balance sheet is negligible.



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2.1 INCOME STATEMENT

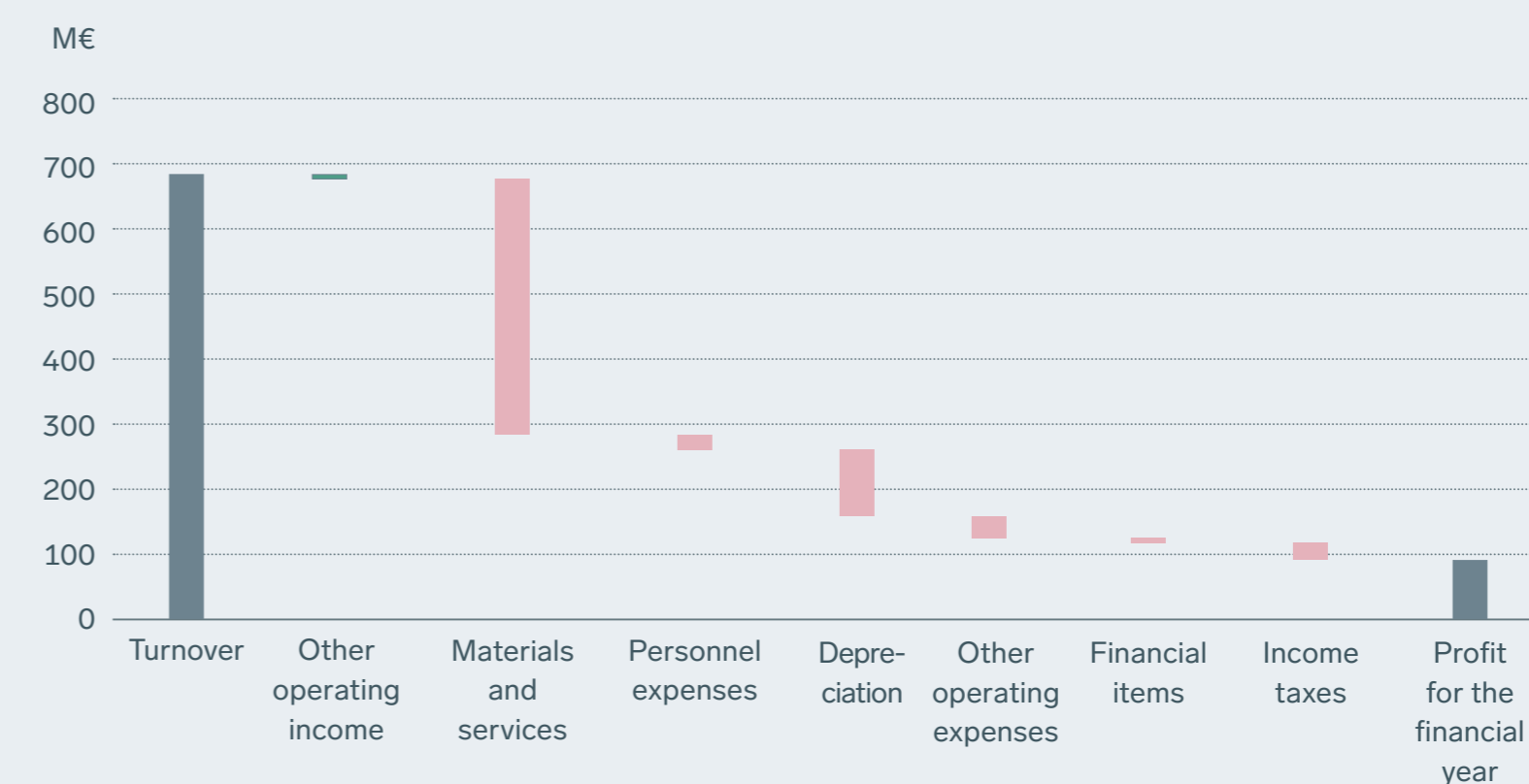
Consolidated statement of comprehensive income

€ 1,000	Notes	1 JAN - 31 DEC, 2020	1 JAN - 31 DEC, 2019
TURNOVER	1	682,456	789,356
Other operating income	2	2,390	4,221
Materials and services	5	-404,330	-490,861
Personnel expenses	9	-31,207	-26,409
Depreciation	11,12	-98,459	-97,826
Other operating expenses	6,13	-32,474	-63,007
OPERATING PROFIT		118,376	115,475
Finance income	17	9,812	468
Finance costs	17	-13,848	-10,562
Finance income and costs		-4,036	-10,093
Share of profit of associated companies		-1,058	384
PROFIT BEFORE TAXES		113,283	105,766
Income taxes		-19,287	-21,136
PROFIT FOR THE FINANCIAL YEAR		93,996	84,630
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be transferred to profit or loss			
Translation reserve		1,040	40
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		95,036	84,670
Profit attributable to:			
Equity holders of parent company		93,996	84,630
Total comprehensive income attributable to:			
Equity holders of parent company		95,036	84,670

€ 1,000	Notes	1 JAN - 31 DEC, 2020	1 JAN - 31 DEC, 2019
Earnings per share for profit attributable to the equity holders of the parent company:			
Undiluted and diluted earnings per share, €		28,270	25,453
Weighted average number of shares, quantity		3,325	3,325

Notes are an integral part of the financial statements.

Profit for the financial year 2020, MEUR



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2.2 CONSOLIDATED BALANCE SHEET

Assets

€ 1,000	Note	31 DEC 2020	31 DEC 2019
NON-CURRENT ASSETS			
Intangible assets:	12		
Goodwill		87,920	87,920
Land use rights		100,771	100,301
Other intangible assets		35,954	23,469
		224,645	211,690
Property, plant and equipment:	11		
Land and water areas		19,873	19,640
Buildings and structures		250,279	243,068
Machinery and equipment		544,887	560,973
Transmission lines		727,577	757,210
Other property, plant and equipment		118	118
Prepayments and purchases in progress		159,986	62,592
		1,702,721	1,643,599
Right-of-use-assets	13	30,673	32,574
Investments in associated companies	24	2,369	12,137
Other long-term investments		9,652	
Derivative instruments	23	44,383	28,625
Deferred tax assets	10	27,504	22,915
TOTAL NON-CURRENT ASSETS		2,041,946	1,951,541

€ 1,000	Note	31 DEC 2020	31 DEC 2019
CURRENT ASSETS			
Inventories	8	13,684	12,067
Derivative instruments	23	15,523	3,835
Trade receivables and other receivables	3,24	109,803	94,858
Other financial assets	20	80,243	67,188
Cash in hand and cash equivalents	19	45,645	15,626
TOTAL CURRENT ASSETS		264,899	193,575
TOTAL ASSETS		2,306,845	2,145,116

Notes are an integral part of the financial statements.

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Equity and liabilities

€ 1,000	Notes	31 DEC 2020	31 DEC 2019
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	21	55,922	55,922
Share premium account	21	55,922	55,922
Translation reserve	21		-1,040
Retained earnings	21	520,602	574,854
TOTAL EQUITY		632,447	685,659
NON-CURRENT LIABILITIES			
Deferred tax liabilities	10	102,938	108,784
Borrowings	14	1,003,855	854,138
Provisions	25	1,368	1,393
Derivative instruments	23	17,689	6,514
Lease liabilities	13,14	28,913	30,515
		1,154,762	1,001,343
CURRENT LIABILITIES			
Borrowings	14	139,817	232,978
Derivative instruments	23	3,640	372
Lease liabilities	13,14	2,328	2,371
Trade payables and other liabilities	7	373,851	222,393
		519,636	458,114
TOTAL LIABILITIES		1,674,398	1,459,457
TOTAL EQUITY AND LIABILITIES		2,306,845	2,145,116

Notes are an integral part of the financial statements.

2.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent company

€ 1,000	Share capital	Share premium account	Translation reserve	Retained earnings	Total equity
Balance on 1 Jan 2019	55,922	55,922	-1,080	661,665	772,429
Comprehensive income					
Profit or loss				84,630	84,630
Other comprehensive income					
Translation reserve			40		40
Total other comprehensive income adjusted by tax effects			40		40
Total comprehensive income			40	84,630	84,670
Transactions with owners					
Dividend relating to 2018				-171,440	-171,440
Balance on 31 December 2019	55,922	55,922	-1,040	574,854	685,659
Balance on 1 Jan 2020	55,922	55,922	-1,040	574,854	685,659
Comprehensive income					
Profit or loss				93,996	93,996
Other comprehensive income					
Translation reserve			1,040		1,040
Total other comprehensive income adjusted by tax effects			1,040		1,040
Total comprehensive income			1,040	93,996	95,036
Transactions with owners					
Dividend relating to 2019				-148,249	-148,249
Balance on 31 Dec 2020	55,922	55,922	0	520,602	632,447

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2.4 CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement

€ 1,000	Note	1 JAN - 31 DEC, 2020	1 JAN - 31 DEC, 2019
Cash flow from operating activities:			
Profit before taxes		113,283	105,766
Adjustments:			
Business transactions not involving a payment transaction:			
Depreciation		98,459	97,826
Capital gains/losses (-/+) on tangible and intangible assets		498	-2,713
Other adjustments			-2,217
Share of profit of associated companies		1,058	-384
Gains/losses from the assets and liabilities recognised in the income statement at fair value		-10,248	21,831
Other business transactions not involving a payment transaction		9,161	9,826
Finance income and costs		4,036	10,093
Impact from changes in the fair value of the investment		47	299
Changes in working capital:			
Change in trade receivables and other receivables		-14,377	3,934
Change in inventories		-1,617	324
Change in trade payables and other liabilities		-4,589	1,246
Congestion income		146,748	73,001
Change in provisions	25	-26	-31
Interests paid		-21,981	-21,005
Interests received		9,349	6,397
Taxes paid		-40,716	-39,188
Net cash flow from operating activities		289,085	265,005

€ 1,000	Note	1 JAN - 31 DEC, 2020	1 JAN - 31 DEC, 2019
Cash flow from investing activities:			
Purchase of property, plant and equipment	11	-134,512	-104,762
Purchase of intangible assets	12	-23,455	-17,739
Proceeds from sale of other assets			684
Proceeds from sale of property, plant and equipment		840	3,057
Repayment of loan receivables		375	938
Dividends received		9,204	881
Contributions received			610
Capitalised interest paid	17	-1,629	-1,016
Net cash flow from investing activities		-149,177	-117,347
Cash flow from financing activities:			
Proceeds from non-current financing (liabilities)		164,667	150,000
Payments of non-current financing (liabilities)		-67,662	-46,325
Proceeds from current financing (liabilities)		50,000	
Payments from current financing (liabilities)		-93,161	-80,071
Dividends paid	21	-148,249	-171,440
Principal elements of lease payments		-2,429	-2,309
Net cash flow from financing activities		-96,834	-150,145
Change in cash as per the cash flow statement		43,074	-2,487
Opening cash as per the cash flow statement		82,815	85,301
Closing cash as per the cash flow statement	19,20	125,889	82,815

Notes are an integral part of the financial statements.

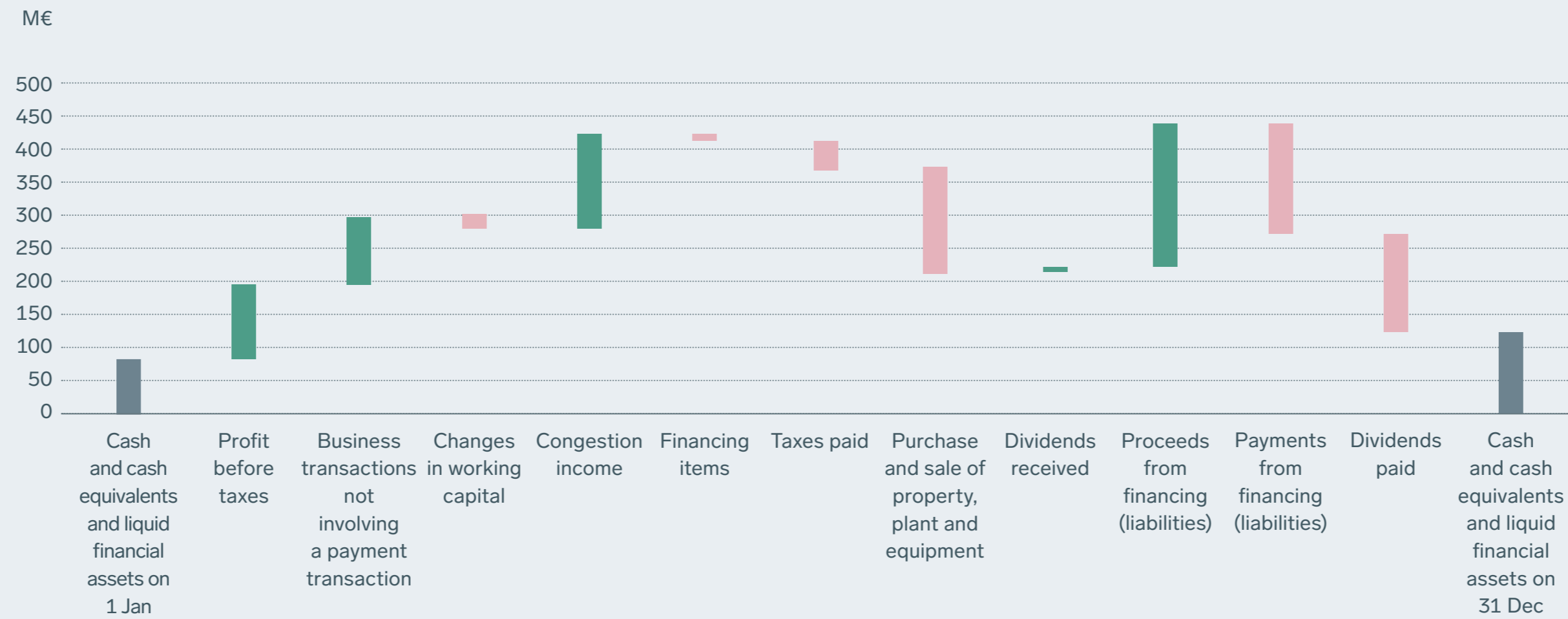
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Cash flow for the period 2020, MEUR



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3. BENCHMARK FOR TSO OPERATIONS (IFRS)

- This chapter contains first general information about the Group and the general accounting principles applied to the consolidated financial statements.
- The chapter focuses on describing how Fingrid's turnover and result are formed and how they relate to the regulatory revenue level. The impact of the regulation is reflected in Fingrid's day-to-day operations and revenue collection.
- The chapter also describes Fingrid's operating receivables and liabilities, as well as the risk management they entail.
- People are Fingrid's most important resource, which is why information related to personnel has been included here, in the first note.
- Fingrid is a substantial tax payer, and Fingrid does not use tax planning. The note on taxes is at the end of this chapter.

3.1 GENERAL INFORMATION ABOUT THE GROUP AND GENERAL ACCOUNTING PRINCIPLES

Fingrid Oyj is a Finnish public limited liability company responsible for electricity transmission in the high-voltage transmission system in Finland (the main grid). Fingrid's nationwide grid is an integral part of the power system in Finland. The transmission grid is the high-voltage trunk network which covers all of Finland. Major power plants, industrial plants and electricity distribution networks are connected to the grid.

Finland's main grid is part of the Nordic power system, which is connected to the system in Central Europe via high-voltage direct current transmission links. Finland also has DC links with Russia and Estonia.

The main grid encompasses more than 14,000 kilometres of 400, 220 and 110 kilovolt transmission lines, plus more than 100 substations.

Fingrid is in charge of planning and monitoring the operation of the main grid and for maintaining and developing the system. An additional task is to participate in work carried out by ENTSO-E, the European Network of Transmission System

Operators for Electricity, and in preparing European market and operational codes as well as network planning.

Fingrid offers grid, cross-border transmission and balance services to its contract customers: electricity producers, network operators and the industry. Fingrid serves the electricity market by maintaining adequate electricity transmission capacity, by removing bottlenecks from cross-border transmission links and by providing market data.

The consolidated financial statements include the parent company Fingrid Oyj and its wholly owned subsidiaries Finextra Oy and Datahub Oy. The consolidated associated company is eSett Oy (ownership 25.0%). The Group has no joint ventures.

Fingrid issues bonds under the Euro Medium Term Note (EMTN) programme. Fingrid Oyj's issuances under the EMTN programme are generally listed on the London and Irish stock exchanges. Fingrid shares are not listed.

Critical accounting estimates and judgements

When the consolidated financial statements are drawn up in accordance

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with the IFRS, the company management needs to make estimates and assumptions which have an impact on the amounts of assets, liabilities, income and expenses recorded and conditional items presented. These estimates and assumptions are based on historical experience and other justified assumptions which are believed to be reasonable under the conditions which constitute the foundation for the estimates of the items rec-

ognised in the financial statements. The actual amounts may differ from these estimates. In the financial statements, estimates have been used for example, when specifying the economic lives of tangible and intangible asset items, and in conjunction with deferred taxes and provisions. Critical estimates and judgements by management are described by topic in the notes, and the judgement or estimates related to which are in accordance with the following table.

Estimate of the purchase and sale of imbalance power	Chapter 3.3
Inter-Transmission System Operator Compensation (ITC)	Chapter 3.3
Deferred tax assets and liabilities	Chapter 3.9
Determination of the fair value measurement of grid assets	Chapter 4.1
Determination of the depreciation periods of property, plant and equipment, and intangible assets	Chapter 4.2



Accounting principles

The preparation of the consolidated financial statements followed the same standards as in 2019.

Segment reporting

The entire business of the Fingrid Group is deemed to comprise grid operations in Finland with system responsibility, only constituting a single segment. There are no essential differences in the risks and profitability of individual products and services. For that reason, segment reporting in accordance with the IFRS 8 standard is not presented. The operating segment is reported in a manner consistent with the internal reporting to the chief operating decision-maker. The chief operating decision-maker is the company's Board of Directors. Fingrid operates only in Finland, which is also why geographical data is not presented.

Foreign currency transactions

The consolidated financial statements are presented in euros, which is the functional currency of the parent company. Transactions and

financial items denominated in foreign currencies are recognised at the foreign exchange mid-rate quoted by the European Central Bank (ECB) at the transaction date. Receivables and liabilities denominated in foreign currencies are valued in the financial statements at the mid-rate quoted by the ECB at the closing date. Foreign exchange gains and losses from business are included in the corresponding items above operating profit. Foreign exchange gains and losses from financial instruments are recognised at net amounts in finance income and costs.

Earnings per share

The Group has calculated undiluted earnings per share in accordance with standard IAS 33. Undiluted earnings per share are calculated using the weighted average number of shares outstanding during the financial year. Since Fingrid has no share option schemes or benefits bound to shareholders' equity or other equity financial instruments, there is no dilutive effect.

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3.2 THE COMPANY'S GENERAL RISK MANAGEMENT PROCESSES AND POLICIES

In the risk management process, the risk factors linked with operative activities, assets and financing are estimated systematically according to unified criteria. The risks are divided into strategic risks and major business risks to be reported to the Board of Directors, and into operational risks. Hedging a risk will be implemented when the cost of the hedge is in reasonable relation to the size of the risk. A general objective is to transfer significant risks by contracts, insurances or derivatives. The risks deemed to be moderate in terms of their impacts are managed by Fingrid independently, through clear controls and other practical measures.

Risk management is planned holistically with the objective of comprehensively identifying, assessing, monitoring and safeguarding the company's operations, the environment, personnel and assets from various threats and risks. Due to the nature of the company's basic mission, risks are also assessed from a societal perspective.

The Board approves the key principles of internal control and risk management and any amendments to them. The Board of Directors approves the primary actions for risk management as part of the corporate strategy, indicators, action plan, and budget. The Board of Directors (Audit Committee) receives a situation report on the major risks

relating to the operations of the company and on the management of such risks.

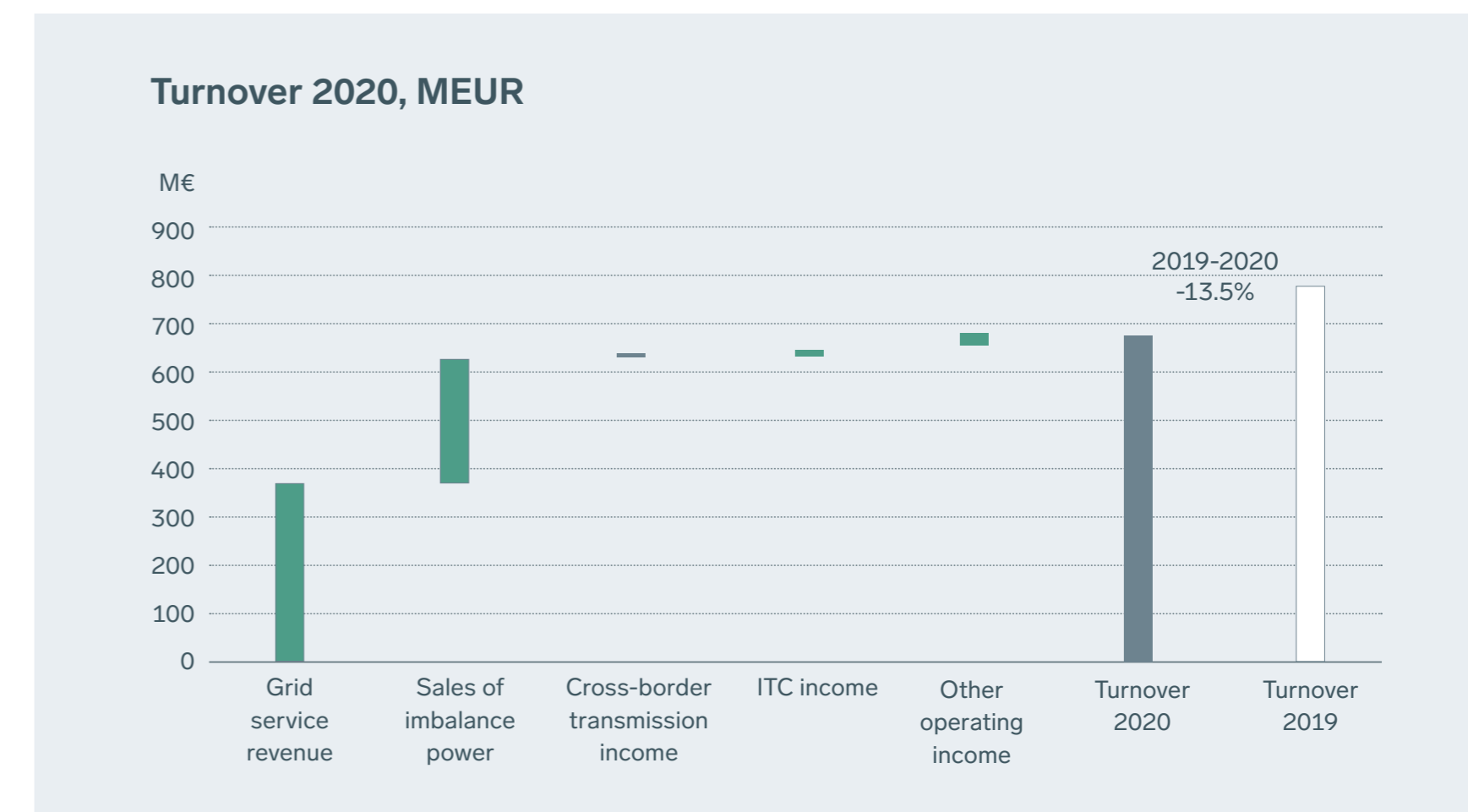
3.3 FORMATION OF TURNOVER AND FINANCIAL RESULT

Turnover consists of the following:

1. Turnover

€ 1,000	2020	2019
Grid service revenue	373,569	385,031
Sales of imbalance power	260,823	346,749
Cross-border transmission income	6,918	11,608
ITC income	17,147	14,429
Peak load capacity	12,923	14,111
Other operating income	11,075	17,427
Total	682,456	789,356

Grid service income mainly consists of the unit price for electricity transmission multiplied by the volume. The Energy Market Authority approves the pricing structure for grid services, on the basis of which Fingrid sets the unit prices for electricity transmission during the winter period and for consumption during other times. The winter period begins on 1 December and ends on the last day of February. Fingrid additionally charges fees for output from and input into the grid, and power generation capacity fees. Fingrid seeks to set the unit prices for electricity transmission each autumn for the next year, for one year at a time. Within the framework of grid services,



a customer obtains the right to transmit electricity to and from the main grid through its connection point. Grid service is agreed by means of a grid service contract signed between a customer connected to the main grid and Fingrid.

Each electricity market party must ensure its electricity balance by making an agreement with either Fingrid or some other party. Fingrid buys and sells imbalance power in order to stabilise the hourly power balance of an electricity market party (balance responsible party). Imbalance power trade and pricing are based on a balance service agreement with equal and public terms and conditions.

Fingrid is responsible for the continuous power balance in Finland at all times by buying and selling balancing power in Finland. The balance responsible parties can participate in the Nordic balancing power market by submitting bids on their available capacity. The terms and conditions of participation in the balancing power market and the pricing of balancing power are based on the balance service agreement.

Transmission services on the cross-border connections to the other Nordic countries enable participation in the European day-ahead and intraday markets. Fingrid offers electricity transmission service from Russia through its 400 kV cross-border connections. The trans-

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mission service is intended for fixed electricity imports and it is based on Fingrid's agreements with the Russian TSO and system operator. The technical terms of the cross-border power lines are defined in the Intersystem Agreement, the operational terms in the Operation Agreement, measurement terms in the Agreement of Electricity Metering and Accounting and the commercial terms are specified in the Agreement of Capacity Allocation. The Customer and Fingrid agree on the terms of the electricity transmission in a transmission service agreement, which is based on the agreements mentioned above. The contractual terms are equal and public. ITC compensation is, for Fingrid, income and/or costs which the transmission system operator receives for the use of its grid by other European transmission system operators and/or pays to other transmission system operators when using their grid to serve its own customers.

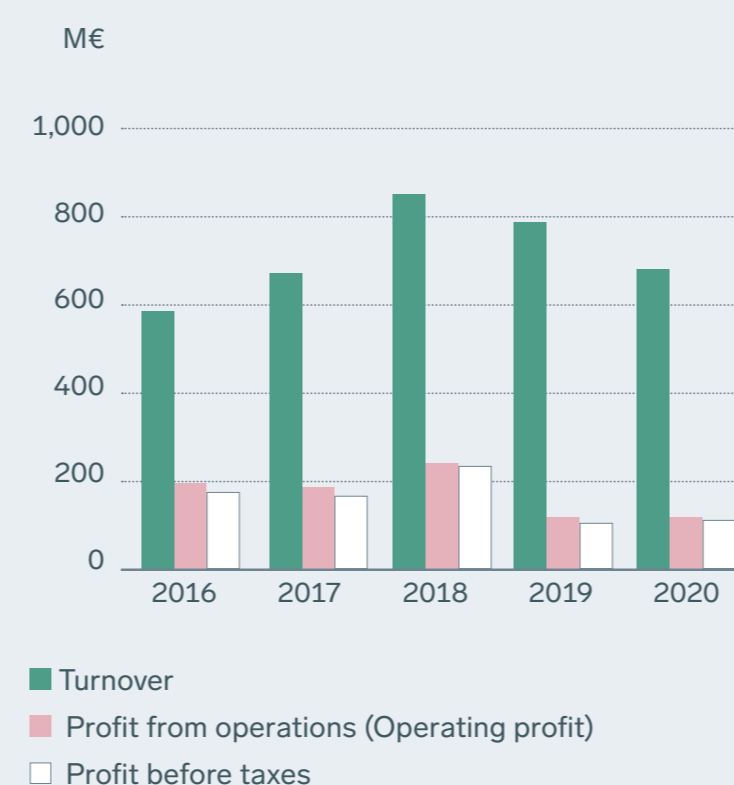
The peak load capacity secures the supply security of electricity in situations of the Finnish power system where the planned electricity procurement is not sufficient to cover the anticipated electricity consumption. The peak load capacity system is a special task assigned to Fingrid by the Finnish Energy Authority, based on the Peak Load Capacity Act (117/2011, Act on peak load capacity which secures a balance between elec-

tricity production and consumption). The Energy Authority submits the peak load capacity plants for competitive tendering, and Fingrid manages the peak load capacity service as required by the Act. The peak load capacity can consist of both power plants and facilities capable of adjusting their electricity consumption.

2. Other operating income

1,000€	2020	2019
Rental income	528	650
Capital gains on fixed	577	2,713
Contributions received	547	290
Other income	738	568
Total	2,390	4,221

Turnover and profit from operations 2016–2020, MEUR



Accounting principles

Revenue recognition

Sales recognition takes place on the basis of the delivery of the service. Electricity transmission is recognised once the transmission has taken place, and balance power services are recognised on the basis of the delivery of the service. Indirect taxes and discounts, etc., are deducted from the sales income when calculating turnover.

IFRS 15 Revenue from Contracts with Customers

The fundamental principle of the IFRS 15 standard is that sales revenue should be recognised when control over the goods or the service is transferred to the customer.

A five-step process should be applied when recognising sales revenue:

Identify the customer contract(s)

- Identify the individual performance obligations
- Determine the transaction price according to the contract
- Allocate the transaction price to individual performance obligations, and

- Recognise revenue when each performance obligation is met.

Sales recognition takes place on the basis of the supply of the service. Electricity transmission is recognised once the transmission has taken place. Balance power services are recognised on the basis of the delivery of the service. Fingrid has defined the performance obligations related to each agreement, and revenue recognition has been examined separately for each performance obligation. When determining the extent to which a performance obligation is met, a single method should be applied for all performance obligations to be met over time. Connection agreements are long term and can be terminated, at the earliest, 15 years from the date when they entered into force. If a customer does not receive an individual item of goods or a service against the connection fee, this must be recognised as revenue in the same way as the other revenue according to the contract, generally over the contract term.

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Judgements and estimates

Estimate of the purchase and sale of imbalance power

The income and expenses of imbalance power are ascertained through a nationwide imbalance settlement procedure, which is based on the Ministry of Employment and Economy's 9 December 2008 decree on the disclosure obligation related to the settlement of electricity delivery. The final imbalance settlement is completed no later than 13 days from the delivery month, which is why the income and expenses of imbalance power in the financial statements are partly based on preliminary imbalance settlement. The estimate is based on the preliminary imbalance settlement information provided by the imbalance settlement. For foreign balances, the calculations have been verified with the foreign counterparties.

Inter-Transmission System Operator Compensation (ITC)

Compensation for the transit transmissions of electricity has been agreed upon through an ITC (Inter-Transmission System Operator Compensation) agreement. The cen-

tralised calculations are carried out by ENTSO-E (the European Network of Transmission System Operators of Electricity). ITC compensation is determined on the basis of the compensation paid for use of the grid and transmission losses. The ITC calculations take into account the electricity transmissions between the various ITC agreement countries. ITC compensation can represent both an income and a cost for a transmission system operator. Fingrid's share of the ITC compensation is determined on the basis of the cross-border electricity transmissions and imputed grid losses. ITC compensation is invoiced retroactively after all parties to the ITC agreement have approved the invoiced sums. Control is carried out monthly. This is why the uninvoiced ITC compensations for 2020 have been estimated in the financial statements. The estimate has been made using actual energy border transmissions in Finland and unit compensations, which have been estimated by analysing the actual figures from previous months and data on grid transmissions during these months.

3.4 REVENUE-RELATED RECEIVABLES AND CREDIT RISK MANAGEMENT

3. Trade receivables and other receivables

€ 1,000	2020	2019
Trade receivables	80,940	74,355
Receivables from associated companies	5,720	3,881
Prepayments and accrued income	19,060	6,887
Other receivables	4,083	9,736
Total	109,803	94,858

Essential items included in prepayments and accrued income	2020	2019
Accruals of sales	14,086	3,145
Accruals of purchases/prepayments	1,370	1,115
Interest receivables	3,573	2,609
Tax assets	29	17
Amortized personnel costs	1	
Total	19,060	6,887

Credit risk management – customers

According to The Electricity Market Act, the company is obliged to accept distribution network operators joining the grid as well as electricity producers and consumers as its customers. Accordingly, the company cannot choose its customers based on a credit risk analysis or collect different fees from them. In general, collateral are not required from the company's customers to secure sales payments, but in the event of an over-

due payment, this is possible. The unit in charge of the customer relationships is responsible for verifying their creditworthiness. The procedure following a customer payment default is defined in the terms and conditions of the Main Grid Contract. At the turn of the year, the company had minor outstanding receivables, of which the credit risk was considered to be low, and the company estimates it will receive these payments. The company has no impairments related to receivables.

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Netting of sales receivables and trade accounts payables

The sales receivables and trade accounts payables are netted in the balance sheet as presented in the table below. The netted items are associated with purchases and sales of imbalance power. The company has a legally enforceable right of set-off to these items in any circumstance and will use this right.

4. Netting of trade receivables and trade payables

€ 1,000	2020			2019		
	Gross amount of trade receivables/ trade payables	Amount of netted items	Net amount of trade receivables and trade payables presented in the balance sheet	Gross amount of trade receivables/ trade payables	Amount of netted items	Net amount of trade receivables and trade payables presented in the balance sheet
Trade receivables	101,169	-20,229	80,940	90,365	-16,010	74,355
Trade payables	56,293	-20,229	36,064	40,518	-16,010	24,508



Accounting principles

Trade and other receivables

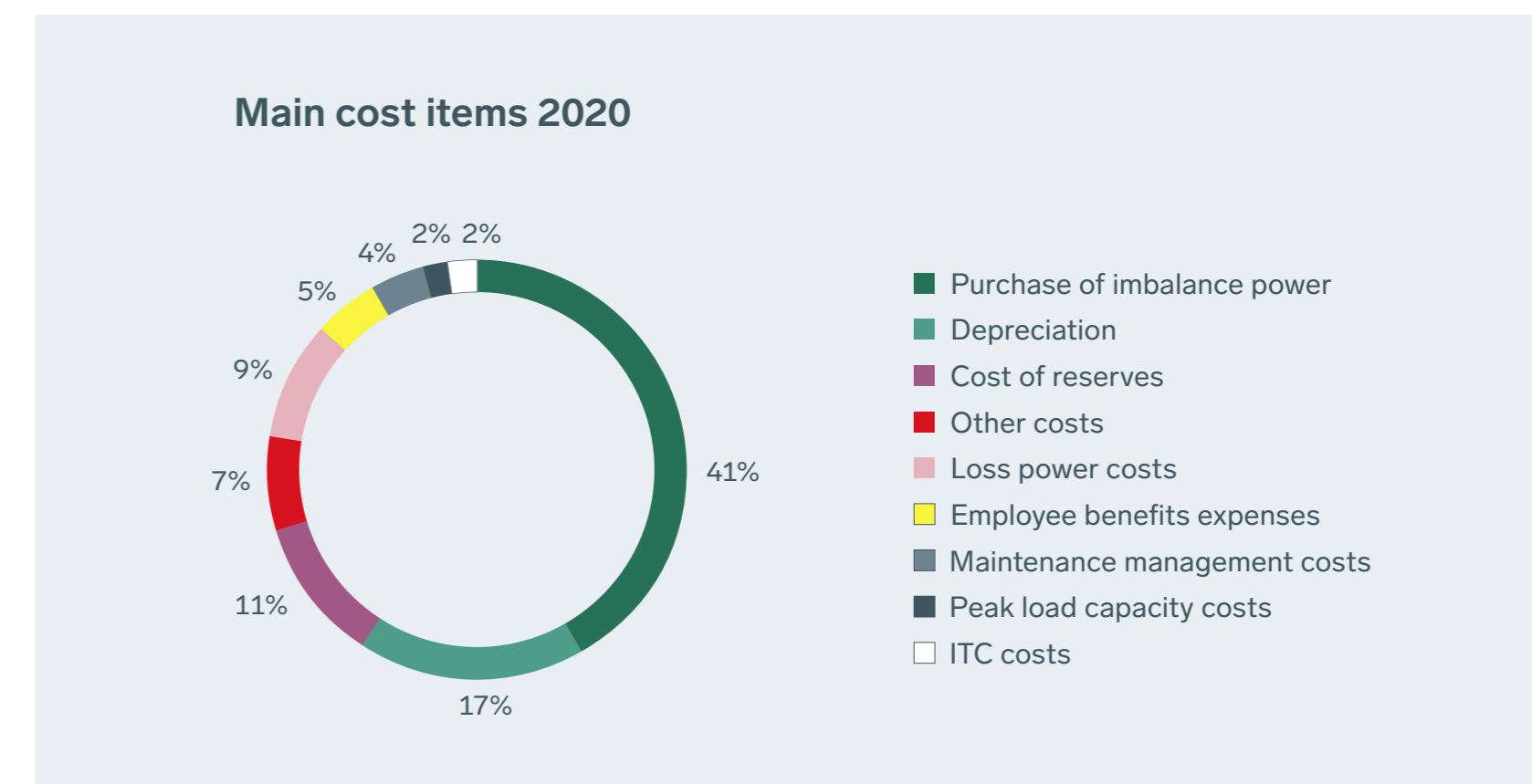
Loans and other receivables are recognised initially at fair value; subsequently they are measured at amortised cost using the effective interest rate method. The expected credit losses are assessed based on historical amounts of credit losses, taking into account forward-looking information on economical developments and receivable-specific assessments. Impairment losses are recognised directly, under other operating expenses, to reduce the carrying amount of

the receivables. Fingrid did not have any impairment losses during the periods presented here.

In addition to trade receivables and other receivables, the company has a small amount of loan receivables from associated companies. These are long- and short-term and described in Chapter 6. The receivables from associated companies are recognised according to these same accounting principles.

3.5 OPERATING EXPENSES, LIABILITIES AND CREDIT RISK MANAGEMENT FOR PURCHASES

Fingrid's operating expenses consist of and have developed as follows:



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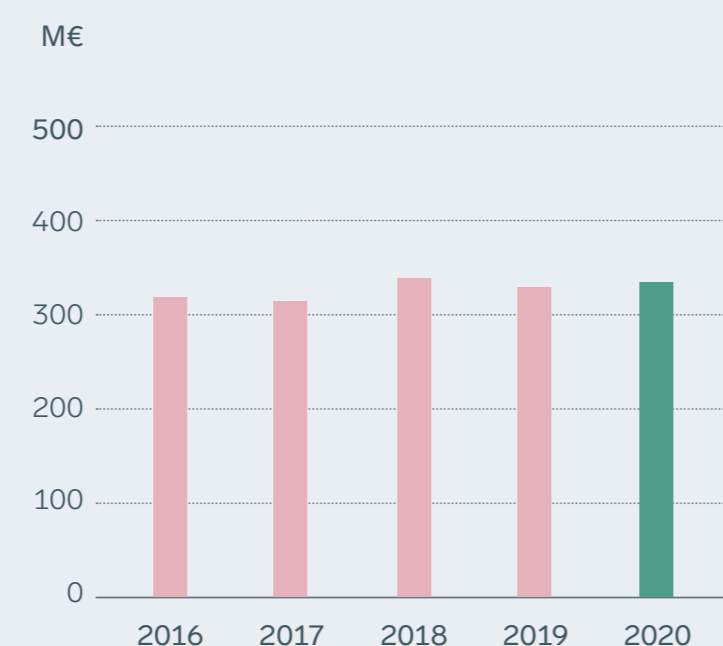
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Cost increases due in particular to new tasks and unexpected external changes affecting operations has been a special characteristic of grid operations in recent years. The new tasks include, among other things, the changes required by the European network codes and the costs for developing these tasks, and developing the Nordic imbalance settlement and the related markets. Some of the new tasks and responsibilities are assigned to

Fingrid by law, which means the company must increasingly develop and back up its operations. The cost factors also include society's increasing dependency on the power system, as well as needs related to data security. Fingrid nevertheless continues to be one of the most cost-effective TSOs in the world in international benchmark studies. The Group's R&D costs in 2020 amounted to EUR 4.5 (3.4) million.

Total costs (without imbalance power) 2016-2020, MEUR



5. Materials and services

€ 1,000	2020	2019
Loss power costs	52,590	53,856
Purchase of imbalance power	234,412	322,226
Cost of reserves	63,536	55,716
Peak load capacity costs	12,618	13,719
ITC costs	10,846	14,982
Maintenance management costs	21,958	19,871
Other materials and services	8,371	10,491
Total	404,330	490,861

6. Other operating expenses

€ 1,000	2020	2019
Contracts, assignments etc. undertaken externally	27,121	26,385
Gains/losses from measuring derivatives at fair value	-3,004	26,585
Other rental expenses	739	1,023
Other expenses	7,619	9,013
Total	32,474	63,007
Auditors' fees		
PricewaterhouseCoopers Oy		
Auditing fee	120	114
Other fees	33	39
Total	153	153

Auditors' fees are included in other operating expenses.

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The company's operating model is largely based on outsourcing, including areas such as grid investments, maintenance management and ICT purchases. The company will apply competitive tendering as described in the procurement policy. All purchasing activities are based on impartiality, equality and transparency.

Procurement decisions will be made according to previously published financial and qualitative criteria that are verifiable also after the fact. Fingrid aims to ensure that all suppliers and their subcontractors operate in a sustainable manner. A commitment to Fingrid's Supplier Code of Conduct is required from all suppliers.

7. Trade payables and other liabilities

€ 1,000	2020	2019
Trade payables	36,064	24,508
Trade payables to associated companies	1,961	3,920
Interest payable	12,576	11,056
Value added tax	9,780	17,896
Collaterals received	923	923
Electricity tax	4,251	4,107
Accruals	307,486	159,240
Other debt	810	741
Total	373,851	222,393
Essential items included in accruals		
Personnel expenses	7,536	6,978
Accruals of sales and purchases	80,116	68,203
Tax liabilities	708	11,681
Congestion income	219,126	72,378
Total	307,486	159,240

Credit risk in purchasing

The heads of functions are in charge of counterparty risks related to suppliers. The procurement policy and guidelines, and separate instructions set out the financial criteria required for Fingrid's suppliers and their monitoring.

General procurement principles

The Group follows three alternative procurement methods when purchasing goods or services. When the value of the purchase is less than 60,000 euros and the benefits of a competitive tender are smaller than the costs of the purchase, the purchase can be executed without a competitive tender or it can be executed through an oral request. A written order or purchasing agreement is always drawn up. When the estimated value of the procurement exceeds 60,000 euros but is below the threshold values applied to public procurements, the procurement is subject to competitive bidding by requesting written bids from the supplier candidates. When the public procurement threshold values that apply to Fingrid (in 2020: EUR 428,000 for goods and services, EUR 5,350,000 for construction

projects, EUR 428,000 for design competitions and EUR 5,350,000 for right-of-use agreements) are exceeded, the company follows the public procurement legislation applied to special sectors.

3.6 INVENTORIES

Fingrid prepares for outages by owning and maintaining reserve power plants. The inventories contain fuel for reserve power plants, spare parts for submarine cables, back-up equipment and parts for substations, and repair equipment for transmission lines. The aim of stockpiling is to achieve sufficient preparedness at the substations and on the transmission lines owned by Fingrid in case of faults and events possibly occurring during times of crisis.

8. Inventories

€ 1,000	2020	2019
Materials and consumables		
Material stocks	8,636	7,063
Fuel stocks	5,047	5,004
Total	13,684	12,067

The use of inventories was entered as an expense of EUR 3.0 (1.6) million.

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Accounting principles

Inventories

Inventories are measured at the lower of acquisition cost or net realisable value. The acquisition cost is determined using the FIFO principle. The net realisable value is the estimated

market price in normal business reduced by the estimated future costs of completing and estimated costs required by sale. Inventories consist of material and fuel inventories.

3.7 MANAGEMENT OF COMMODITY RISKS

The company is exposed to electricity price and volume risk through transmission losses so that the company must acquire so-called loss power in an amount corresponding to the electricity transmission losses. However, the electricity price and volume risks are not significant to the company's turnover and financial result over time. If the volume of transmitted electricity deviates from the forecasted volume, the result may be a deviation in the company's turnover and financial result. This can lead to a surplus or deficit compared with the allowed reasonable return for the year in question, which the company will aim to offset during the regulatory period.

Loss power purchases and the price hedging thereof are based on the Corporate Finance Principles approved by the

Board of Directors. Moreover, the company has a loss power policy, approved by the Executive Management Group, for loss power hedging and purchases, as well as operative instructions, instructions for price hedging and control room instructions. The allowed hedging instruments are defined in the loss power policy. The purpose of price hedging is to reduce the impact of market price volatility and enable sufficient predictability in order to keep the annual pressures on grid pricing of loss energy at a moderate level. The hedging service is procured from an external portfolio manager who decides on the implementation and timing of the hedges according to the specifications of the loss power policy and the given instructions. The purchase price of loss power is hedged using derivatives such that the price hedging of electricity is started three years before the year of delivery, i.e. the hedge horizon is four years

at maximum. The goal is that the portfolio manager times the execution of her/his hedging plan, which is based on the loss power forecast, so that the delivery year is fully hedged by the end of September of the preceding year. OTC futures are used for price hedging, the pricing of which is based on NASDAQ OMX Commodities' quotes. The nominal values, fair values and exposures of electricity derivatives are disclosed in table 23.

Commodity risks other than those related to loss energy purchases arise if the company enters into purchasing agreements in which the price of the underlying commodity influences the final price of the investment commodity (commodity price risk). As a rule, commodity price risks and exchange rate risks are fully hedged. A risk that amounts to less than EUR 5 million when realised can be left unhedged for reasons of cost-effectiveness.

3.8 PERSONNEL - THE CORNERSTONE OF OUR OPERATIONS

Fingrid Oyj employed 408 (380) persons, including temporary employees, at the end of the year. The number of permanent personnel was 363 (338). Of the personnel employed by the company, 23 (24) per cent were women and 77 (76) per cent were men. The average age of the personnel was 44 (44).

9. Personnel expenses

€ 1,000	2020	2019
Salaries and bonuses	26,669	22,308
Pension expenses - contribution-based schemes	3,635	3,454
Other additional personnel expenses	902	648
Total	31,207	26,409
Salaries and bonuses of top management	2,023	2,224

Personnel costs amounted to EUR 34.1 (31.1) million, of which EUR 2.9 (4.7) million was capitalised to investment projects.

In 2020, the Group applied a remuneration system for senior management; the general principles of the system were accepted by the Board of Directors of Fingrid Oyj on 18 December 2019. The total remuneration of the President & CEO and the members of the Executive Management Group consists of a fixed total salary, a one-year bonus scheme, and a three-year long-term incentive scheme. The maximum amount of the one-year bonus scheme payable to the CEO was 40 per cent of the annual salary and to the other members of the executive management group 25 per cent of the annual salary. The maximum amount of the annual long-term incentive scheme payable

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to the CEO was 40 per cent and to the other members of the executive management group 25 per cent.

The Group currently has contribution-based pension schemes only. The pension security of the Group's personnel is arranged by an external pension insurance company. Pension premiums paid for contribution-based schemes are recognised as an expense in the income statement in the year to which they re-

late. In contribution-based schemes, the Group has no legal or factual obligation to pay additional premiums if the party receiving the premiums is unable to pay the pension benefits

Number of salaried employees in the company during the financial year:	2020	2019
Personnel, average	400	384
Personnel, 31 Dec	408	380



Accounting principles

EMPLOYEE BENEFITS

Pension obligations

The company has only defined contribution-based pension schemes. A defined contribution-based pension arrangement refers to a pension scheme according to which fixed contributions are paid into a separate entity, and the Group bears no legal or actual obligation to make additional contributions if the fund does not contain sufficient funds to pay out benefits based on work performed during current and previous

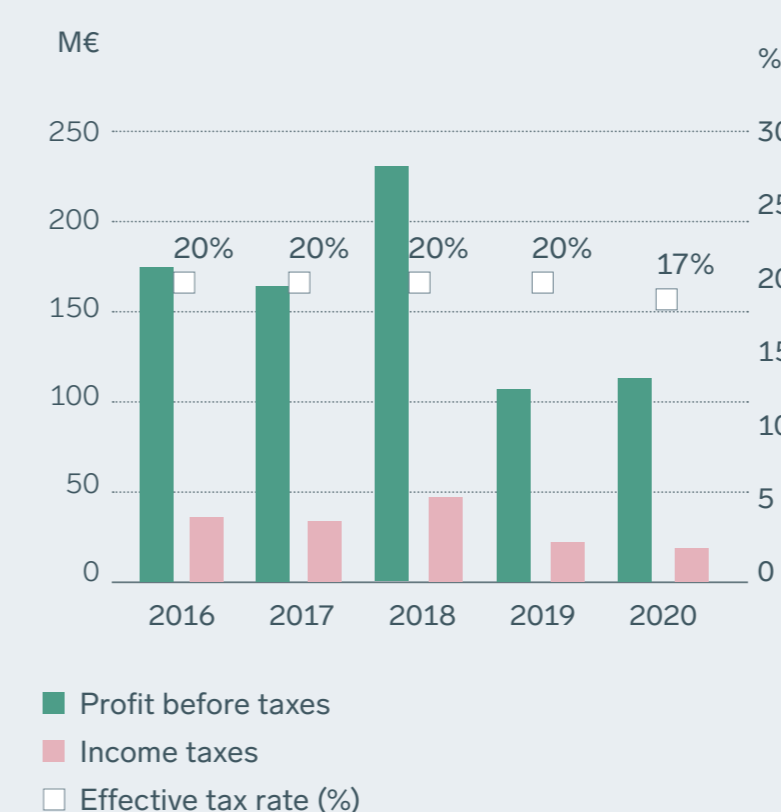
financial periods to all employees. Under defined contribution-based pension schemes, the Group pays mandatory, contractual or voluntary contributions into publicly or privately managed pension insurance policies. The Group has no other contribution obligations in addition to those payments. The payments are entered as personnel costs when they fall due. Advance payments are entered in the balance sheet as assets insofar as they are recoverable as refunds or deductions from future payments.

3.9 TAXES

The company will pay its income taxes in accordance with the underlying tax rate, without special tax arrangements. Income taxes consist of direct taxes and the change in deferred tax: EUR -29.8 (-34.5) million and EUR 10.4 (13.8) million respectively. Fingrid's effective tax rate is essentially comparable to Finland's corporate tax rate of 20%. In 2020, the differences between the Finnish corporate tax rate and Fingrid's effective tax rate, EUR -8.3 (-0.1) million in total, were caused by a small quantity of non-de-

ductible items, a tax-free dividend income from the sale of Nord Pool shares, and the deferred tax assets recognised from Fingrid Datahub's cumulative losses. In 2020, the differences between the Finnish corporate tax rate and Fingrid's effective tax rate, EUR -8,3 (-0,1) million in total, were caused by a small quantity of non-deductible items, a tax-free dividend income from the sale of Nord Pool shares, and the deferred tax assets recognised from Fingrid Datahub's cumulative losses. The table below describes the development of Fingrid's effective tax rate.

Taxes 2016–2020, MEUR



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10. Deferred tax assets and liabilities

Changes in deferred taxes in 2020:

€ 1,000	31 Dec 2019	Recorded in income statement at profit or loss	31 Dec 2020
Deferred tax assets			
Provisions	279		279
Trade payables and other liabilities	2,059	-43	2,016
Losses confirmed in taxation		1,784	
Derivative instruments	1,519	2,908	4,427
Congestion income	9,003	-1,943	7,059
Connection fees (IFRS 15)	9,993	1,832	11,825
Lease liabilities (IFRS 16)	62	51	114
Total	22,915	4,589	25,721
Deferred tax liabilities			
Accumulated depreciations difference	-69,779	10,000	-59,779
Property, plant and equipment, tangible and intangible assets	-30,206	-859	-31,065
Other receivables	-1,086	2,162	1,076
Other financial assets	-210	-9	-220
Borrowings	-1,744	43	-1,702
Derivative instruments	-5,758	-5,489	-11,248
Total	-108,784	5,846	-102,938

Changes in deferred taxes in 2019:

€ 1,000	31 Dec 2018	Recorded in income statement at profit or loss	31 Dec 2019
Deferred tax assets			
Provisions	285	-6	279
Trade payables and other liabilities	1,913	146	2,059
Derivative instruments	2,281	-762	1,519
Congestion income	10,788	-1,786	9,003
Connection fees (IFRS 15)	8,028	1,965	9,993
Lease liabilities (IFRS 16)		62	62
Total	23,296	-381	22,915
Deferred tax liabilities			
Accumulated depreciations difference	-79,779	10,000	-69,779
Property, plant and equipment, tangible and intangible assets	-29,407	-799	-30,206
Other receivables	-556	-530	-1,086
Other financial assets	-71	-140	-210
Borrowings	-1,501	-243	-1,744
Derivative instruments	-11,673	5,914	-5,758
Total	-122,986	14,202	-108,784

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Accounting principles

Income taxes

Taxes presented in the consolidated income statement include the Group companies' accrual taxes for the profit of the financial year, tax adjustments from previous financial years and changes in deferred taxes. Deferred taxes are recorded in accordance with Finland's statutory corporate tax rate of 20%. Taxes are recognised in the income statement unless they are linked with other comprehensive income, in which case the tax is also recognised in other comprehensive income. Such items in the Group consist solely of available-for-sale investments.

Deferred tax assets and liabilities are recognised on all temporary differences between the tax values of asset and liability items and their carrying amounts using the liability method. Deferred tax is recognised using tax rates valid up until the closing date. The deferred tax liabilities arising from the original recognition of goodwill will not be recognised,

however. Deferred tax liabilities will also not be recognised if they are caused by the original recognition of the asset or liability and the item is not related to a merger and the transaction will not affect the accounting totals or the taxable revenue during its implementation. The deferred tax assets are shown as non-current receivables and deferred tax liabilities correspondingly as non-current liabilities.

The largest temporary differences result from the depreciation of property, plant and equipment, from financial instruments, and from the use of congestion income for capital expenditures. No deferred tax is recognised on the undistributed profits of the foreign associated company, because receiving the dividend does not cause a tax impact by virtue of a Nordic tax agreement. The deferred tax asset from temporary differences is recognised up to an amount which can likely be utilised against future taxable income.



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- This chapter focusses on Fingrid’s assets, and above the most important ones: Grid assets and the indicators related to them.
- The chapter also takes a look at the company’s goodwill and provides a description of other property, plant and equipment, and intangible assets.

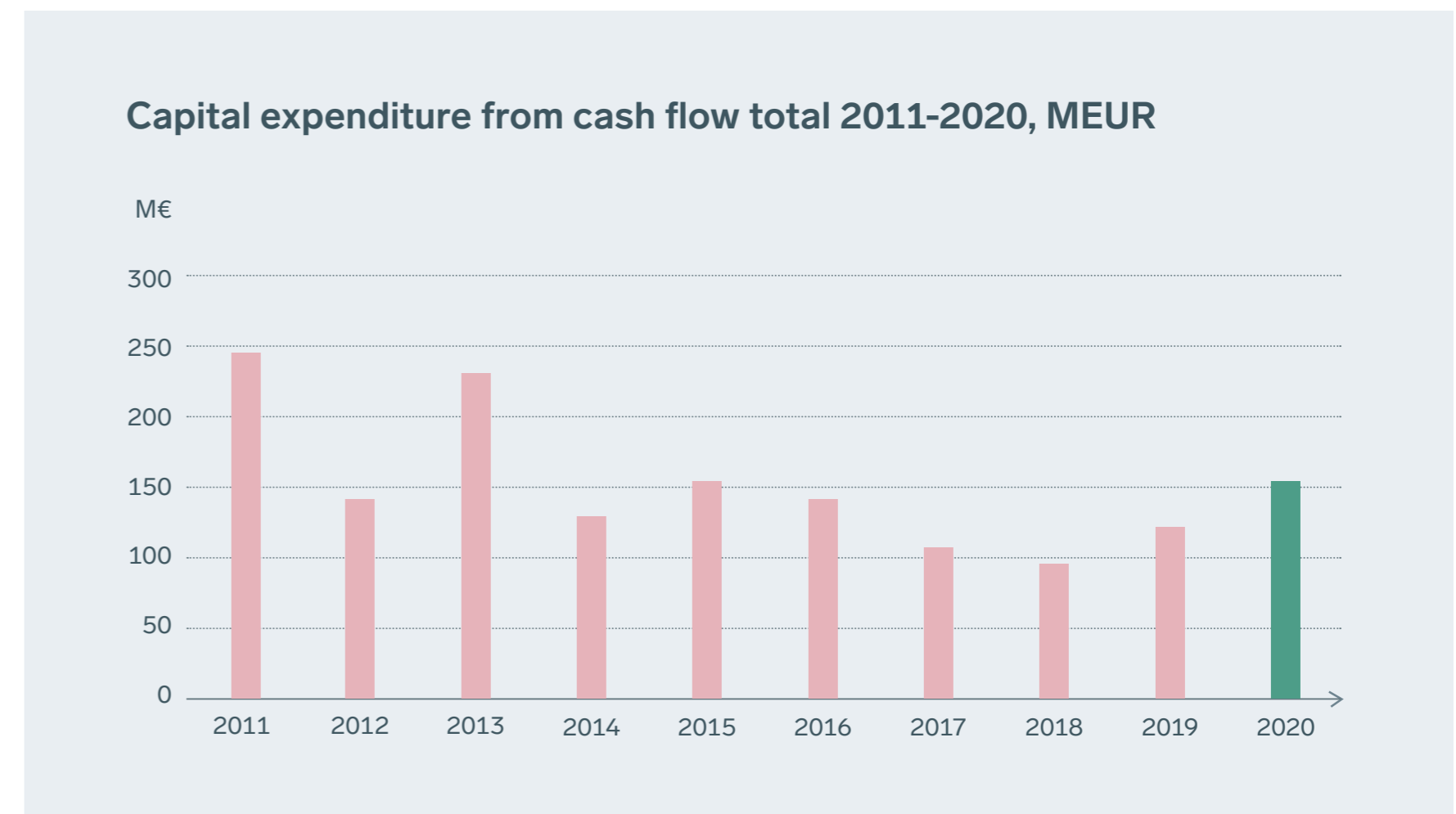
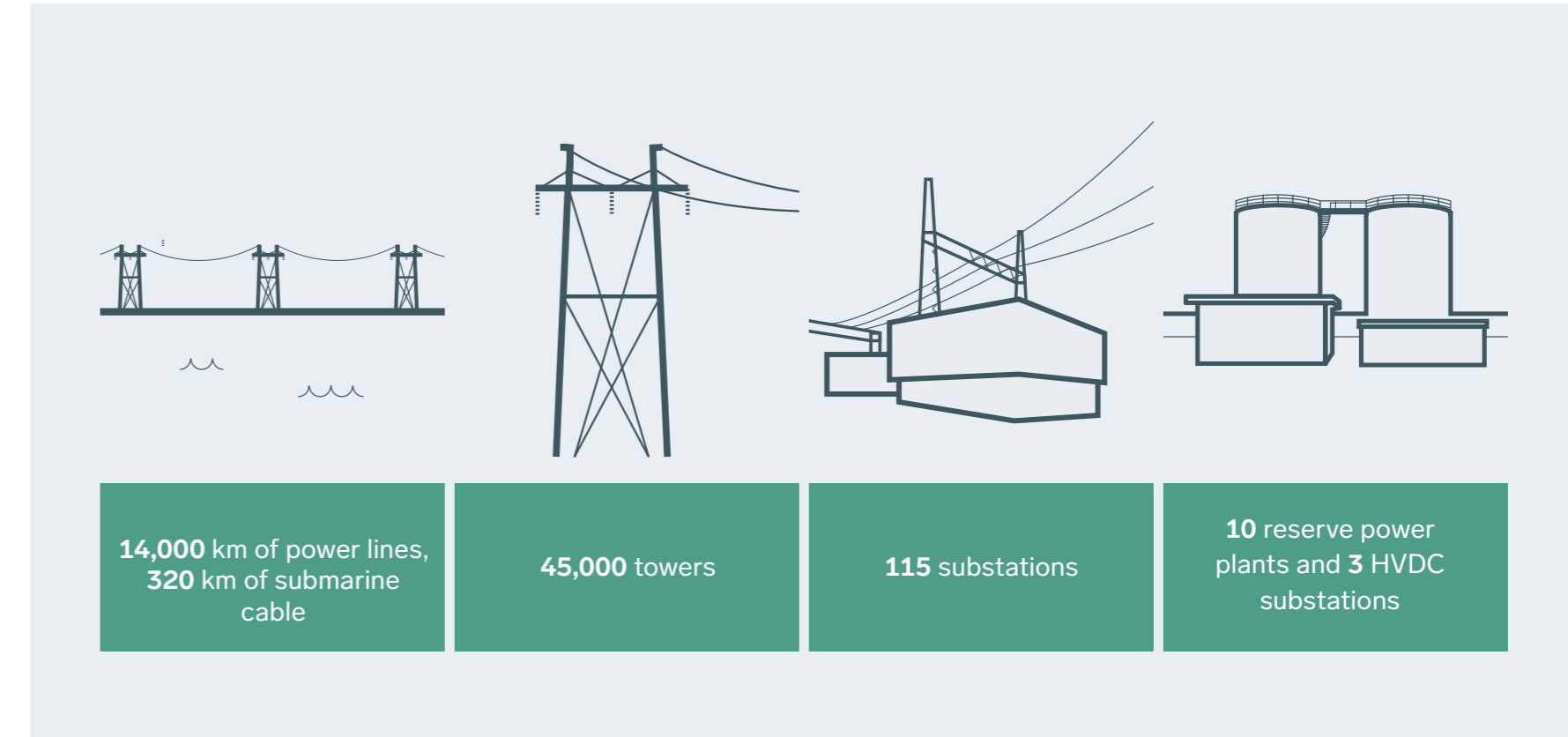
4.1 GRID ASSETS

Fingrid’s grid investment programme promotes the national climate and energy strategy, improves system security, increases transmission capacity and promotes the electricity markets. The annual capital expenditure in the grid has remained extensive.

The company’s total capital expenditure in 2020 amounted to EUR 169.7 (126.9) million. This included a total of EUR 137.3 (103.4) million invested in the transmission grid and EUR 9.6 (5.5) million for reserve power. ICT investments amounted to EUR 21.1 (17.0) million. A total of EUR 4.5 (3.4) million was used for R&D projects during the year under review. Roughly ten kilometres of new transmission lines were completed and 570 kilometres were under construction. Fingrid’s ongoing major electricity transmission

projects included the construction of a transmission line from Oulu to Petäjävesi, the so-called ‘Forest Line’. The construction of a third AC connection to Sweden is under preparation to boost the functioning of international electricity markets.

Grid assets are recognised at fair value for the purposes of the company’s regulatory balance sheet, as described earlier. The regulatory fair value of the transmission network assets (adjusted replacement cost) is calculated by adding up the adjusted replacement costs for each grid component; these are calculated by multiplying the unit price specified by the Energy Authority with the number of grid components. The adjusted present value in use for a grid component is calculated based on the adjusted replacement cost, using the useful life and mean lifetime data of the grid component.



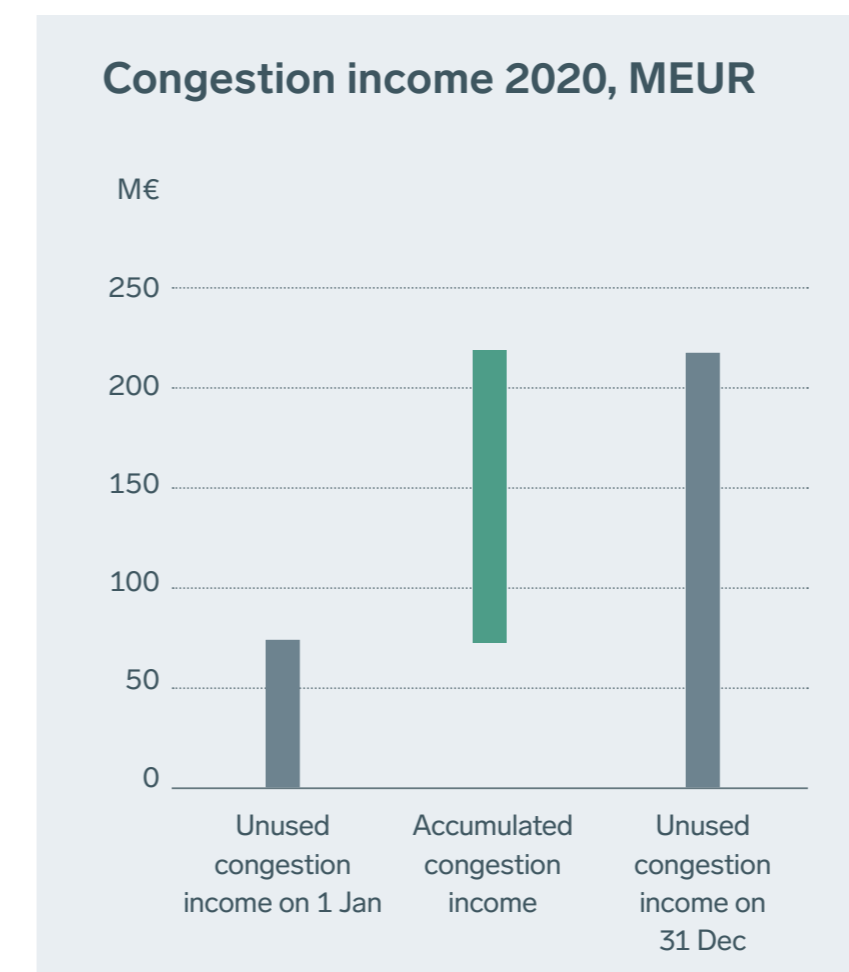
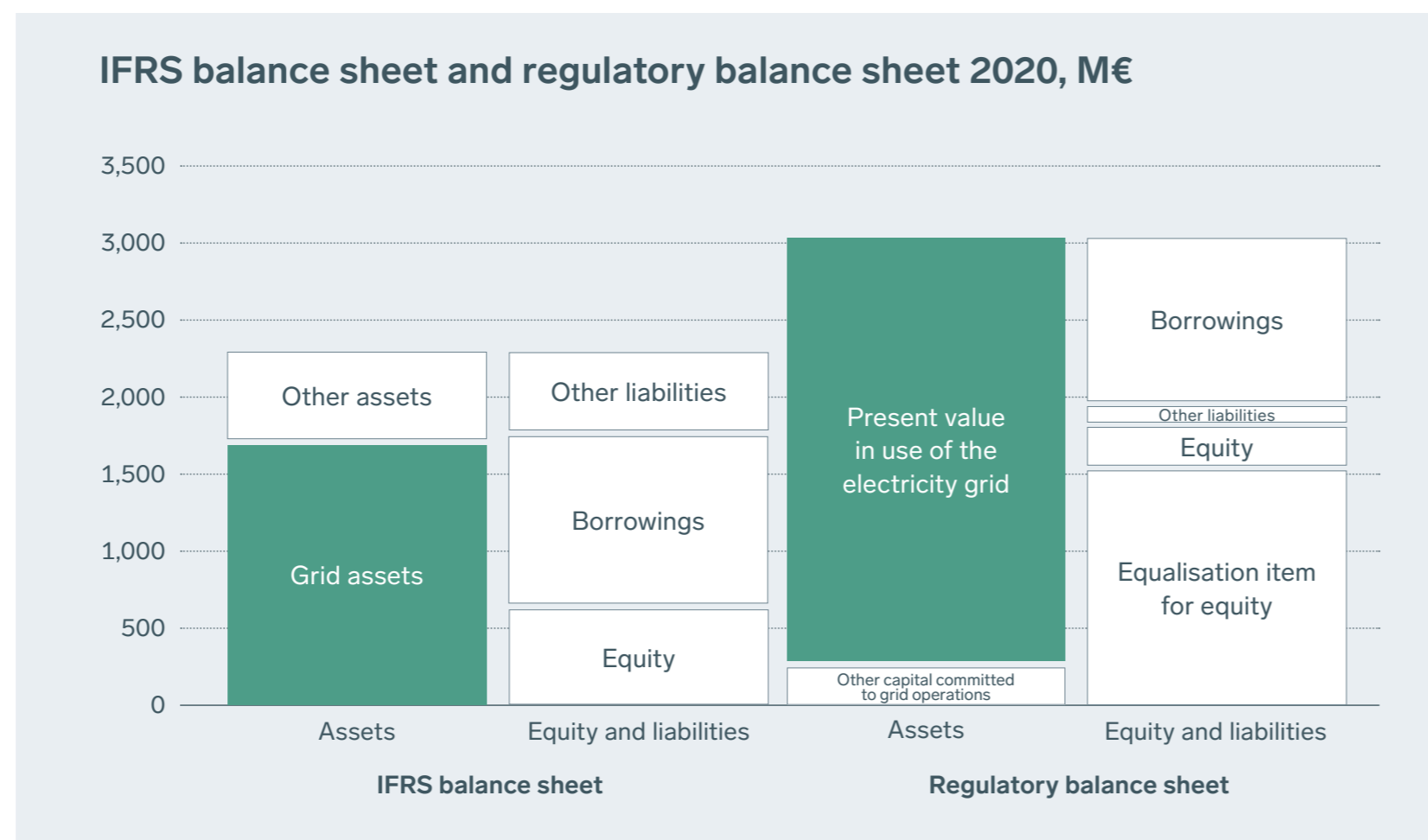
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Fingrid's congestion income from cross-border transmission lines totalled EUR 146.7 (73.0) million. EUR 219.1 million in congestion income was left unused and will be used for future investments to improve the functioning of the electricity market.



Congestion income

Congestion income is generated because of an insufficient transmission capacity between the bidding zones of an electricity exchange. In such cases, the bidding zones become separate price areas, and the transmission link joining them generates congestion income in the electricity exchange as follows: congestion income [€/h] = transmission volume in the day-ahead markets [MW] * area price difference [€/MWh].

The basis for this is that a seller operating in a lower priced area receives less for their power than what a buyer pays for it in a higher priced area. The additional income caused by this price difference, i.e. congestion income, remains in the electricity exchange, which then pays the income to the TSOs as per the contractual terms. The congestion income received by a grid owner must be used

for the purposes stated in EU Regulation 2019/943, Article 19: guaranteeing the actual availability of the allocated capacity, and maintaining or increasing interconnection capacities through network investments. As a consequence of the change in the regulation governing Fingrid's grid pricing, the company will include the congestion income received after 1 January 2016 in the balance sheet.



Accounting principles

Congestion income

As a consequence of the change in the regulation governing Fingrid's grid pricing, the company will include the congestion income received after 1 January 2016 as accruals in the item other liabilities in the balance sheet. Of the accruals, congestion income will be recognised in the income statement as other operating income when their corresponding costs, as defined in the regulation, accrue as annual expenses in the income statement. Alternatively, they are entered in the balance sheet against investments, as defined by regulation, to lower the acquisition cost of property, plant and equipment, which lowers the depreciation of the property, plant and equipment in question. The congestion income received before 1 January 2016 was recognised in turnover.

Public contributions

Public contributions received from the EU or other parties related to property, plant and equipment are deducted from the acquisition cost of the item, and the contributions consequently reduce the depreciation made on the item. Other contributions are distributed as income over those periods when costs linked with the contributions arise. Other contributions received are presented in other operating income.

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4.2 TANGIBLE AND INTANGIBLE ASSETS

11. Property, plant and equipment

€ 1,000	2020	2019
Land and water areas		
Cost at 1 Jan	19,640	19,116
Increases 1 Jan - 31 Dec	234	524
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	19,873	19,640
Carrying amount 31 Dec	19,873	19,640
Buildings and structures		
Cost at 1 Jan	332,015	305,190
Increases 1 Jan - 31 Dec	18,111	26,825
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	350,125	332,015
Accumulated depreciation 1 Jan	-88,947	-78,861
Decreases, depreciation 1 Jan - 31 Dec		
Depreciation 1 Jan - 31 Dec	-10,900	-10,086
Carrying amount 31 Dec	250,279	243,068
Machinery and equipment		
Cost at 1 Jan	1,234,697	1,183,907
Increases 1 Jan - 31 Dec	28,154	50,791
Decreases 1 Jan - 31 Dec	-2,439	
Cost at 31 Dec	1,260,413	1,234,697
Accumulated depreciation 1 Jan	-673,724	-630,596
Decreases, depreciation 1 Jan - 31 Dec	1,364	
Depreciation 1 Jan - 31 Dec	-43,165	-43,128
Carrying amount 31 Dec	544,887	560,973

€ 1,000	2020	2019
Transmission lines		
Cost at 1 Jan	1,345,479	1,313,640
Increases 1 Jan - 31 Dec	8,682	36,650
Decreases 1 Jan - 31 Dec	-831	-4,810
Cost at 31 Dec	1,353,330	1,345,479
Accumulated depreciation 1 Jan	-588,270	-555,155
Decreases, depreciation 1 Jan - 31 Dec	586	4,404
Depreciation 1 Jan - 31 Dec	-38,070	-37,518
Carrying amount 31 Dec	727,577	757,210
Other property, plant and equipment		
Cost at 1 Jan	118	118
Cost at 31 Dec	118	118
Carrying amount 31 Dec	118	118
Prepayments and purchases in progress		
Cost at 1 Jan	50,294	59,596
Increases 1 Jan - 31 Dec	152,961	106,599
Transfers to other tangible and intangible assets 1 Jan - 31 Dec	-56,650	-115,901
Cost at 31 Dec	146,606	50,294
Carrying amount 31 Dec	146,606	50,294
Capitalised interest		
Cost at 1 Jan	14,721	13,705
Increases 1 Jan - 31 Dec	1,629	1,016
Cost at 31 Dec	16,350	14,721
Accumulated depreciation 1 Jan	-2,423	-1,910
Depreciation on capitalised interest 1 Jan - 31 Dec	-546	-513
Carrying amount 31 Dec	13,381	12,297
Carrying amount 31 Dec	159,986	62,592
Property, plant and equipment	1,702,721	1,643,599

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12. Intangible assets

€ 1,000	2020	2019
Land use rights		
Cost at 1 Jan	100,301	97,509
Increases 1 Jan - 31 Dec	489	2,811
Decreases 1 Jan - 31 Dec	-82	-19
Cost at 31 Dec	100,707	100,301
Carrying amount 31 Dec	100,707	100,301
Other intangible assets		
Cost at 1 Jan	70,016	52,930
Increases 1 Jan - 31 Dec	15,829	17,086
Decreases 1 Jan - 31 Dec	-251	
Cost at 31 Dec	85,594	70,016
Accumulated depreciation 1 Jan	-46,547	-42,588
Depreciation 1 Jan - 31 Dec	-3,093	-3,960
Carrying amount 31 Dec	35,954	23,469
Carrying amount 31 Dec	136,661	123,770

Land use rights are not depreciated but tested annually for impairment in connection with the testing of goodwill.

The entire business of the Fingrid Group is grid operations in Finland with system responsibility, which the full goodwill of the Group in the balance sheet is fully allocated to. The goodwill included in the balance sheet amounts to EUR 87.9 million and has not changed during the periods under review. Since, per the regulation, the fair value of the net assets included in the company's grid assets is

approximately EUR 2,800.0 million compared to the carrying amount of EUR 1,927.4 million in net assets, which includes land use rights and goodwill, the book value of the asset items has not decreased.



Accounting principles

Property, plant and equipment

Grid assets form most of the property, plant and equipment. Grid assets include, among other things, 400 kV, 220 kV, 110 kV transmission lines, direct current lines, transmission line right-of-ways, substations and the areas they encompass (buildings, structures, machinery and equipment, substation access roads), gas turbine power plants, fuel tanks, generators and turbines.

Property, plant and equipment are valued in the balance sheet at the original acquisition cost less accumulated depreciation and potential impairment. If an asset is made up of several parts with useful lives of different lengths, the parts are treated as separate items and are depreciated over their separate useful lives.

When a part of property, plant and equipment that is treated as a separate item is replaced, the costs relating to the new part are capitalised. Other subsequent costs are capitalised only if it is likely that the future economic benefit relating to the asset benefits the Group and the acquisition cost of the asset can be determined reliably. Repair and maintenance costs are rec-

ognised in the income statement when they are incurred.

Borrowing costs, such as interest costs and arrangement fees, directly linked with the acquisition, construction or manufacture of a qualifying asset form part of the acquisition cost of the asset item in question. A qualifying asset is one that necessarily requires a considerably long time to be made ready for its intended purpose. Other borrowing costs are recognised as an expense. Borrowing costs included in the acquisition cost are calculated on the basis of the average borrowing cost of the Group.

Property, plant and equipment is depreciated over the useful life of the item using the straight-line method. Depreciation on property, plant and equipment taken into use during the financial year is calculated on an item-by-item basis from the month of introduction. Land and water areas are not depreciated. The expected economic lives are verified at each closing date, and if they differ significantly from the earlier estimates, the depreciation periods are amended accordingly.

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

Buildings and structure

- Substation buildings and separate buildings **40 years**
- Substation structures **30 years**
- Buildings and structures at gas turbine power plants **20-40 years**
- Separate structures **15 years**

Transmission lines

- Transmission lines 400 kV **40 years**
- Direct current lines **40 years**
- Transmission lines 110-220 kV **30 years**
- Creosote-impregnated towers and related disposal costs **30 years**
- Aluminium towers of transmission lines (400 kV) **10 years**
- Optical ground wires **10-20 years**

Machinery and equipment

- Substation machinery **10-30 years**
- Gas turbine power plants **20 years**
- Other machinery and equipment **3-5 years**

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

Goodwill and other intangible assets

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

Other intangible assets consist of computer software and land use and emission rights. Computer software is valued at its original acquisition cost and depreciated on a straight line basis during its estimated useful

life. Land use rights, which have an indefinite useful life, are not depreciated but are tested annually for impairment.

More on emission rights in chapter 6.

Subsequent expenses relating to intangible assets are only capitalised if their economic benefits to the company increase beyond the former performance level. In other cases, expenses are recognised in the income statement when they are incurred.

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4.3 LEASE AGREEMENTS

The Group's leases mainly relate to office premises. The durations of the leases vary, and they may include options for extension and termination.

A right-of-use asset and a corresponding liability are recognised for leases at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost.

13. Leases

1,000€	2020	2019
Right-of-use-assets:		
Right-of-use-assets, buildings and structures		
Cost at 1 Jan	32,574	34,974
Increases 1 Jan - 31 Dec	783,62	220
Deprecation 1 Jan - 31 Dec	-2,685	-2,620
Cost at 31 Dec	30,673	32,574
Carrying amount 31 Dec	30,673	32,574
Lease liabilities:		
Non-current	28,913	30,515
Current	2,328	2,371
Total	31,241	32,886
Amounts recognised in the income statement		
Depreciation of right-of-use assets – buildings	2,685	2,620
Interest costs	653	683
Costs related to low value asset leases	806	964

The outgoing cash flow from leases in 2020 totalled EUR 3.1 million.



Accounting principles

Lease agreements

Fingrid Oyj mainly acts as a lessee, and most of the leases are for office premises. The right-of-use assets and lease liabilities in the balance sheet, except for items of short duration (lease terms of less than 12 months) and of insignificant value. A right-of-use asset and a corresponding liability are recognised in the balance sheet at the date at which the leased asset is available for use by the Group. The right-of-use asset is depreciated as straight-line depreciations, over the shorter of lease term and useful life of the underlying asset. The interest cost of lease liabilities is recorded in finance costs. Lease liability payments are stated in the cash flow of financing activities and the related interest in interest expenses.

The lease term corresponds to the non-cancellable period of the lease

and leases where, according to management's assessment, the options to extend the lease will be exercised with a high probability. The real-estate leases do not clearly define the interest rate implicit in the lease, which is why Fingrid uses as the interest rate an estimate of the company's incremental borrowing rate for real estate leases. The incremental borrowing rate is determined for the entire real-estate lease portfolio, whereby all real-estate leases are discounted using the same interest rate. The discount rates applied in discounting leases under IFRS 16 are based on the market yield on the company's publicly quoted bonds.

Short-term leases or leases of low-value assets, which are expensed in equal instalments, consist of vehicle lease payments, lease payments for land and water areas and lease payments for small machinery and equipment.

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5. STRONG FINANCIAL POSITION (IFRS)

- This chapter focuses on describing how Fingrid's financing is formed and how the related risks are managed, and at the same time, how short-term financial assets that secure liquidity are formed.
- The chapter describes the company's principles of capital management, ownership structure and dividend distribution policy.
- The end of the chapter contains a summary of all the financial assets and financing liabilities, as well as derivatives, that the company uses solely for risk management purposes. The risks relate to various market risks: the electricity price risk and the interest rate and exchange rate risk. Management of the price and volume risk of electricity is described in chapter 3.

5.1 CAPITAL MANAGEMENT

Equity and liabilities as shown in the balance sheet are managed by Fingrid as capital. The balance sheet according to the company's accounting is smaller than the balance sheet under the Finnish Energy Authority's regulations, in which grid assets have been measured at the regulatory present value in use. The company's borrowings are presented at their carrying amount also on the regulatory balance sheet. Equity on the accounting balance sheet is naturally smaller than equity on the regulatory balance sheet, which balances out the difference in the grid asset carrying amount and the actual present value in use.

The company must have a solid capital structure to support consistently strong

credit ratings, reasonable cost of capital and adequate dividend pay-out capability. The principal aim of Fingrid's capital management and grid asset management is to ensure uninterrupted operations and value retention as well as rapid recovery from any exceptional circumstances.

The company aims to maintain a credit rating of at least 'A-'. The company has not set specific key figure targets for accounting balance sheet or regulatory balance sheet capital management, but instead monitors and controls the overall situation, for which credit ratings and their underlying risk analyses and other parameters create a foundation.

The company's credit rating remained high in 2020. This reflects the company's

strong overall financial situation and debt service capacity. Fingrid has credit rating service agreements with S&P Global Ratings (S&P) and Fitch Ratings (Fitch). The credit ratings valid on 31 December 2020 remained high and were as follows

- S&P's rating for Fingrid's unsecured senior debt and long-term company rating at 'AA-' and the short-term company rating at 'A-1+', with a stable outlook.
- Fitch's rating for Fingrid's unsecured senior debt at 'A+', the long-term company rating at 'A', and 'F1' for the short-term company rating, with a stable outlook. The rating is the highest assigned by Fitch to any regulated TSO in Europe.

5.2 THE AIMS AND ORGANISATION OF FINANCING ACTIVITIES AND THE PRINCIPLES FOR FINANCIAL RISK MANAGEMENT

The company has a holistic approach to the management of financing activities, encompassing external financing, as well as managing liquidity, counterparty and financial risks, and supporting business operations in matters related to financing in general.

Core aims for financing activities:

- Protecting shareholder value by securing the financing required for the company's business operations, by hedging against the main financial risks and by minimising financial costs within the risk limits;

- Maintaining adequate liquidity even in unexpected situations;
- Long-term financing from diverse sources, taking into account the company's investment plan and cash flow from operating activities as well as credit rating and its criteria;
- Overall optimisation of the interest rate risk, including the interest rate risk of business operations via the Energy Authority's regulatory model (risk-free interest in the so called WACC model) and the company's interest rate risk of net debt;
- Forward-looking financial planning to ensure that the overall impact from the cash flow from operating activities, future investments, maturing loans and future dividends is taken into account when raising funds and optimising the loan portfolio structure.

The Treasury maintains active and consistent dialogue with the credit rating agencies and monitors the key ratios used by the agencies, as well as other generally accepted financial ratios.

Fingrid's financial capital consists of equity and debt financing. The share of equity from the balance sheet total was 27.4% and that of liabilities 72.6% in 2020. The IFRS 16 standard reduced the share of equity by 0.4% points. Regulatory equity was 60.2% and liabilities were 39.8% of the regulatory balance sheet in 2020.

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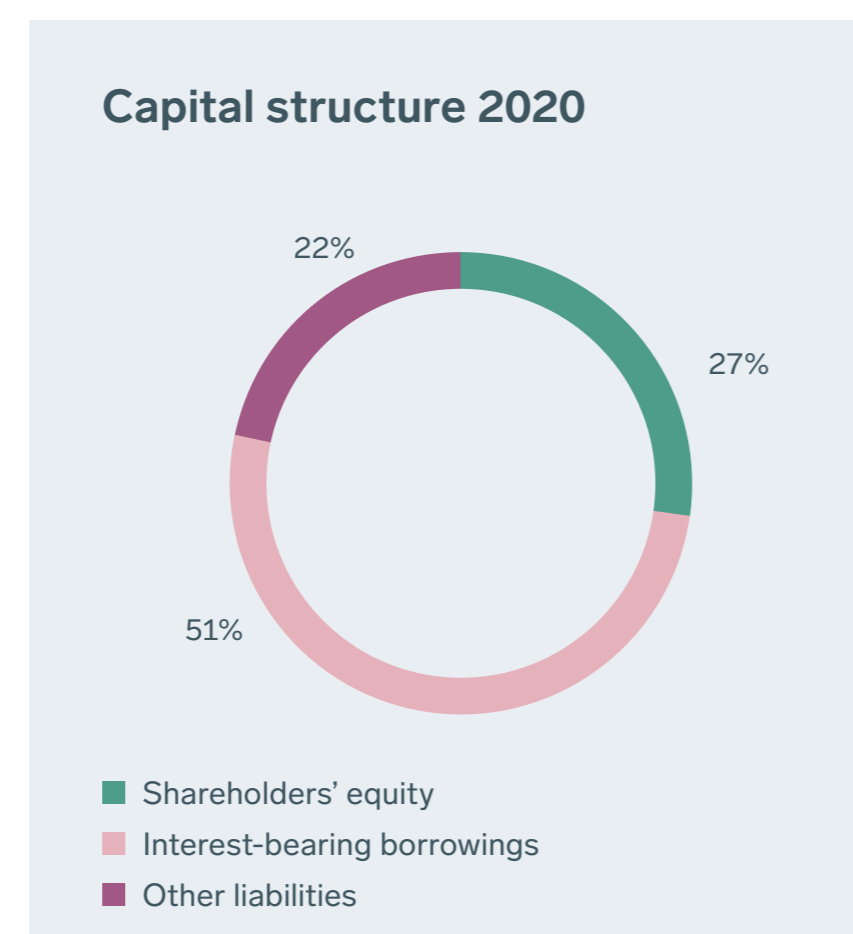
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Fingrid Oyj is exposed to market, liquidity, counterparty and credit risks, among others, when the company's financial position is managed. The objective of financial risk management is to foster shareholder value by securing the financing required for the company's business operations, by hedging against the main financial risks and by minimising financing costs within the risk limits.

Corporate finance principles

The Board of Directors of Fingrid Oyj approves the Corporate Finance Principles which define how Fingrid Oyj manages financing as a whole. The external financing of Fingrid Group is carried out by Fingrid Oyj.



Risk management execution and reporting

Fingrid's Chief Financial Officer is responsible for the practical measures related to securing financing and managing financial risks, in line with the company's Corporate Finance Principles and Treasury Policy. The CFO oversees the day-to-day organising, reporting and adequate controls of financing activities, and reports regularly to the CEO and the Board (Audit Committee).

Risk management processes

The Treasury unit is in charge of risk monitoring, systems and the models and methods used to calculate and assess risks. The Treasury unit is furthermore responsible for identifying, measuring and reporting the financial risks that the company may be exposed to. An internal audit of Fingrid's financing activities was carried out in 2020. The audit did not reveal any critical or significant control deficiencies. According to the audit report, the company's financing activities are described extensively in the corporate policies and guidelines, and the related reporting practices are systematic.

Fair value hierarchy

In the presentation of fair value, assets and liabilities measured at fair value are categorised into a three-level hierarchy.

The appropriate hierarchy is based on the input data of the instrument. The level is determined on the basis of the lowest level of input for the instrument that is significant to the overall fair value measurement.

Level 1: inputs are publicly quoted in active markets.

Level 2: inputs are not publicly quoted and are based on observable market parameters either directly or indirectly.

Level 3: inputs are not publicly quoted and are unobservable market parameters.

5.3 FINANCIAL LIABILITIES, FINANCIAL COSTS AND MANAGING THE FINANCIAL RISKS

The company takes advantage of the opportunities offered by credit ratings at any given time on the international and domestic money markets. Market-based and diversified financing is sought from several sources. The goal is a balanced maturity profile. Fingrid's existing loan agreements, debt or commercial paper programmes are unsecured and do not include any financial covenants based on financial ratios.

The company operates in the debt capital, commercial paper and loan markets:

- For long-term financing, the company has an international Medium Term Note Programme ("EMTN Programme"), totalling EUR 1.5 billion.
- Fingrid has an international Euro Commercial Paper Programme ("ECP Programme") totalling EUR 600 million.
- Fingrid has a domestic commercial paper programme totalling EUR 150 million.
- Furthermore, Fingrid has bilateral loan agreements with commercial banks, mainly with the European Investment Bank (EIB) and the Nordic Investment Bank (NIB).

Green financing

Green financing is an important part of Fingrid's financing strategy and responsible operating model. Fingrid was the first Finnish company to issue a Green Bond in 2017. Green Bonds are used to finance projects that are expected to have long-term net positive environmental impacts. Green Bond projects connect renewable energy production to Fingrid's transmission network, reduce electricity transmission losses and create smart solutions that save energy and the environment. Fingrid annually reports on the impacts of its Green Bond projects by publishing a separate impact report on its website under Investors. The company's objective is to increase the share of green financing in its total financing.

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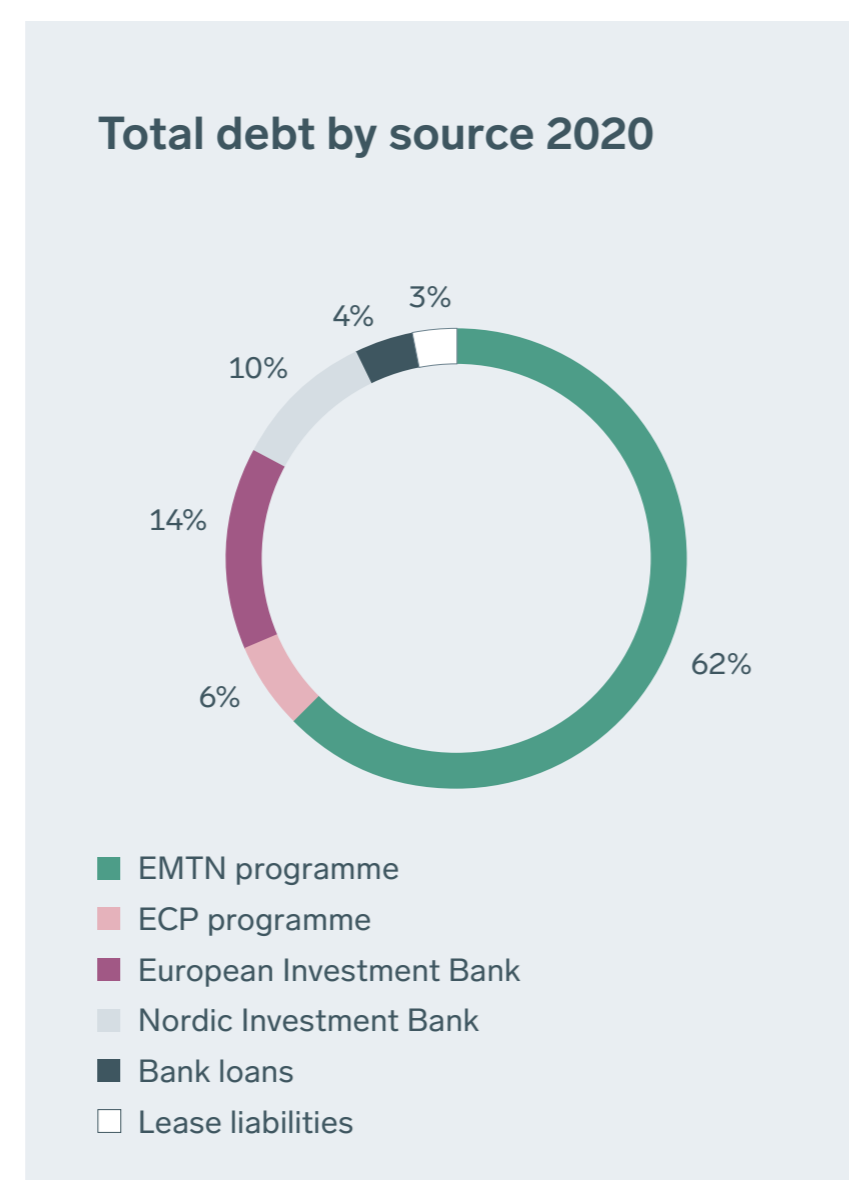
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Fingrid's EMTN programme and bonds are listed both on the London Stock Exchange and on the Irish Stock Exchange (Euronext Dublin). Dual listing enables the trading of debt issues and new debt issue listings on these two stock exchanges. The graph below illustrates Fingrid's various sources of debt financing. Fingrid sources debt financing mainly from the international debt capital markets.



Borrowings are as follows:

14. Borrowings

	2020			2019			Hierarchy level
	Fair value	Balance sheet value	%	Fair value	Balance sheet value	%	
€ 1,000							
Non-current							
Bonds	822,574	731,301		701,100	613,921		Level 2
Loans from financial institutions	277,668	272,554		249,487	240,216		Level 2
	1,100,242	1,003,855		950,588	854,138		
Lease liabilities		28,913			30,515		
		1,032,767	88%		884,652	79%	
Current							
Bonds				50,136	50,000		Level 2
Loans from financial institutions	67,925	67,662		18,900	17,662		Level 2
Other loans/Commercial papers (international and domestic)	72,090	72,155		165,106	165,315		Level 2
	140,014	139,817		234,142	232,978		
Lease liabilities		2,328			2,371		
		142,145	12%		235,349	21%	
Total	1,240,256	1,174,913	100%	1,184,730	1,120,001	100%	

The fair values of borrowings are based on the present values of cash flows. Loans raised in various currencies are measured at the present value on the basis of the yield curve of each currency. The discount rate includes the company-specific and loan-specific risk premium. Borrowings denominated in foreign currencies are translated into euros at the fixing rate quoted by the ECB at the closing date.



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16. Reconciliation of debt

€ 1,000	Borrowings due within 1 year	Borrowings due after 1 year	Total
Debt on 1 Jan 2019	288,091	771,508	1,059,598
Cash flow from financing activities	-126,396	150,000	23,604
Exchange rate adjustments	3,621	292	3,913
Other changes not involving a payment transaction	2,371	30,515	32,886
Transfer to short-term loans	67,662	-67,662	
Debt on 31 Dec 2019	235,349	884,652	1,120,001
Cash flow from financing activities	-110,823	164,667	53,844
Exchange rate adjustments		2,500	2,500
Other changes not involving a payment transaction	-43	-1,389	-1,432
Transfer to short-term loans	17,662	-17,662	
Debt on 31 Dec 2020	142,145	1,032,767	1,174,913

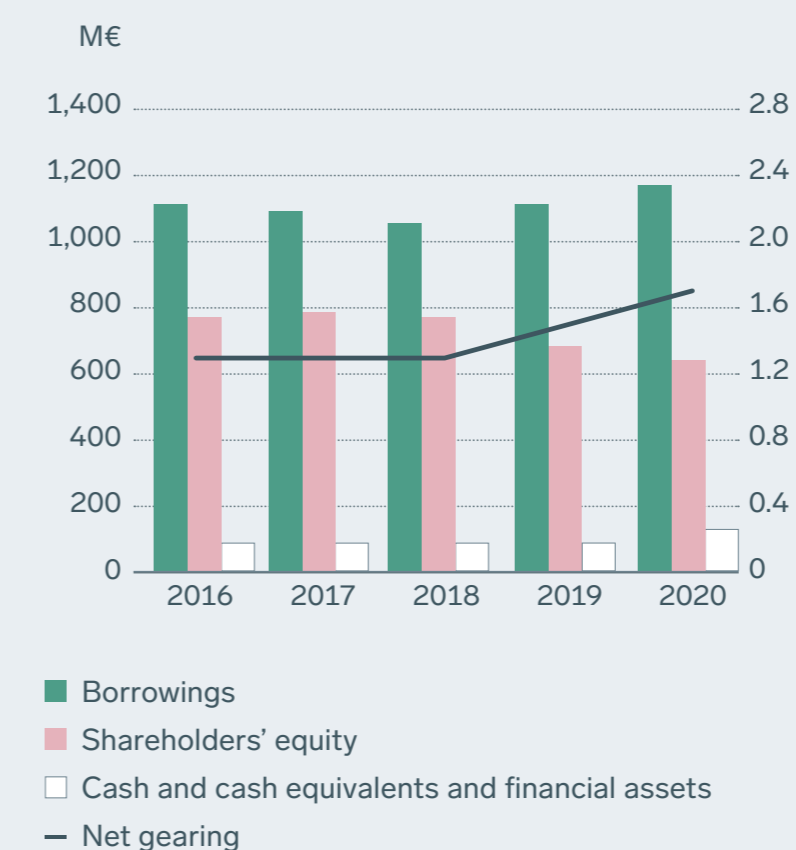
Other changes are mainly made up of IFRS 16 impacts.

Reconciliation of net debt, € 1,000	2020	2019
Cash in hand and cash equivalents	45,645	15,626
Financial assets recognised in the income statement at fair value	80,243	67,188
Borrowings - repayable within one year	142,145	235,349
Borrowings - repayable after one year	1,032,767	884,652
Net debt	1,049,024	1,037,186

Net debt is the difference between the company's debt and its cash in hand and cash equivalents.

Financial assets recognised at fair value through profit and loss are liquid investments traded on active markets. At the end of the year, the company's borrowings included a total of EUR 31.2 million in lease liabilities in accordance with IFRS 16, consisting of EUR 2.3 million in short-term liabilities, to be paid within a year, and EUR 28.9 million in long-term liabilities, with a maturity date after more than a year.

Capital MEUR and net gearing 2016-2020



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Interest income and costs on loans and other receivables are as follows:

17. Interest income and expenses from loans and other receivables

€ 1,000	2020	2019
Interest income on financial assets in income statement at fair value	185	446
Interest income on cash, cash equivalents and bank deposits	88	22
Profits from assets recognised at fair value through profit and loss	415	
Net foreign exchange gains and losses from borrowings, derivatives and FX-accounts	767	0
Dividend income	8,357	
	9,812	468
Interest expenses on borrowings	-20,532	-19,985
Net interest expenses on interest rate and foreign exchange derivatives	7,897	5,926
Gains from measuring derivative contracts at fair value	7,115	5,405
Losses from measuring derivative contracts at fair value	-8,402	-1,007
Net foreign exchange gains and losses from borrowings, derivatives and FX-accounts	352	-351
Interest expenses on lease liabilities (IFRS 16)	-653	-683
Other finance costs	-1,254	-882
	-15,477	-11,577
Capitalised finance costs, borrowing costs; at a capitalisation rate of 1.1 % (note 11)	1,629	1,016
Total	-4,036	-10,093

Managing the market risks of debt

Fingrid's borrowings are issued in both fixed and floating interest rates and in several currencies. They thus expose Fingrid's cash flow to interest rate and exchange rate risks. Fingrid uses derivative contracts to hedge against these risks. Fingrid generally holds issued bonds to maturity and thus does not value its bonds in the balance sheet at fair value or hedge against the fair value interest rate risk. The permitted hedging instruments are defined in the Treasury policy and are chosen in order to achieve the most effective hedging possible for the risks in question.

The functional currency of the company is euro. Generally, currency risks and the foreign exchange interest rate risk are fully hedged. A risk that amounts to less than EUR 5 million when realised can be left unhedged for reasons of cost-effectiveness.

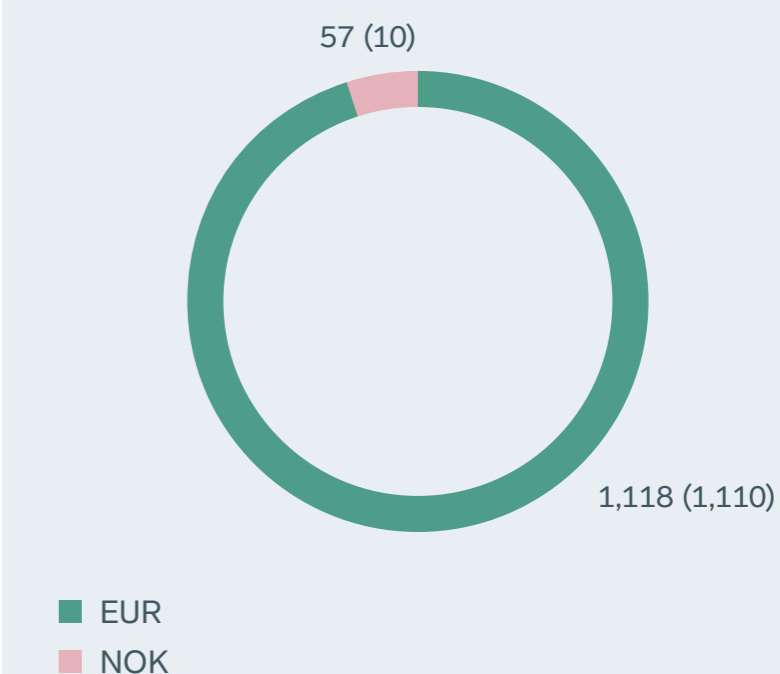
Transaction risk

The company issues bonds in the international and domestic money and debt capital markets. The company's debt portfolio is spread across euro-denominated and non-euro-denominated currencies. The total foreign-currency-denominated debt

portfolio and the related interest rate flows are hedged against the currency risk. The currency risk for each bond is always fully hedged in conjunction with its issuance. The company uses interest rate and cross currency swaps to hedge the exchange rate and interest risk of bonds.

Business-related currency risks are small and they are mainly hedged. During the financial year, the company used foreign exchange forwards to hedge business transaction risks. A summary of the derivatives is presented in Note 23.

Total debt in original currency 2020, MEUR



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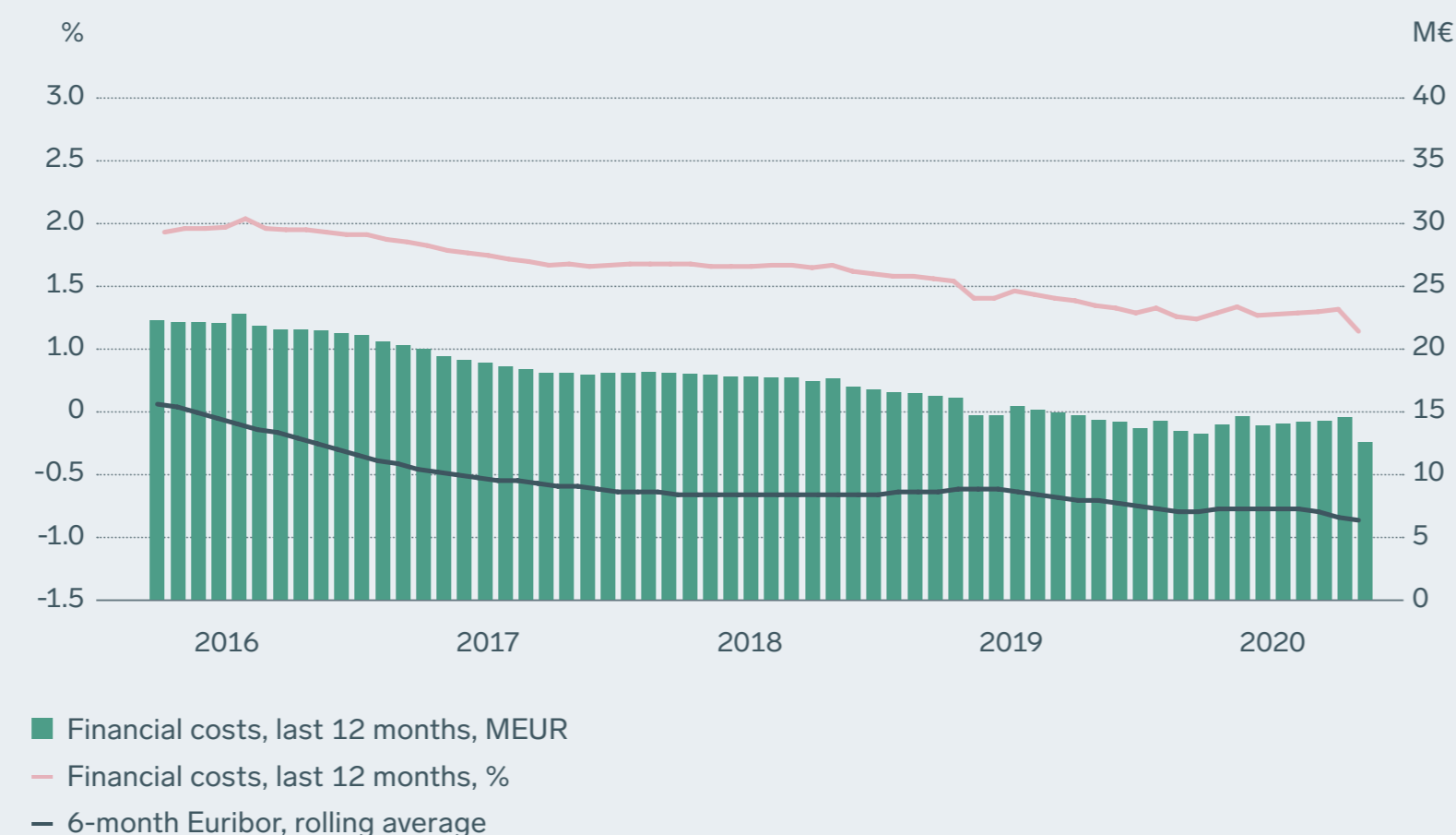
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Financial costs 2016-2020



The graph 'Financial costs 2016–2020' does not include IFRS 16 interest expenses.

Interest rate risk

The company is only exposed to euro denominated interest rate risk from its business operations, assets and borrowings. The company's borrowings are, both in terms of principal and interest payments, fully hedged against exchange rate risks. Cash and cash equivalents and financial assets recognised in the income statement at fair value are denominated in euros.

Interest rate risk management includes optimisation of future interest rate risk of business operations (risk-free interest in the WACC model described on the next page) emerging from the regulatory model specified by the Energy Authority, together with company's net debt interest rate risk.

The interest rate risk from business operations can in part or in its entirety be hedged in terms of the adjusted capital committed to grid operations. The Board of Directors makes a separate decision on the hedging of operational interest rate risks. The interest rate risk included in business operations was not hedged in 2020. The interest rate risk inherent in Fingrid's business operations is caused by changes in the risk-free interest in the WACC model. If the risk-free interest rate rises/falls by one percentage unit, the post-tax WACC rises/falls by 0.9%.

The objective of managing the interest rate risk on the loan portfolio is to minimise in-

terest costs in the long term. The aim is to keep the average interest rate period of the gross interest exposure for the loan portfolio (derivatives and liabilities) at around twelve (12) months. The loan portfolio's interest rate risk arises from market interest rate volatility, which decreases or increases the annual interest expenses on the company's floating-rate loans. When market interest rates increase/decrease, the interest expenses of the floating-rate loans also increase/decrease. The company hedges this so-called cash flow risk with derivatives. The sensitivity of the loan portfolio to interest rate risk is measured by using a Cash Flow at Risk (CFaR) type of model, more specifically the Autoregressive Integrated Moving Average (ARIMA) model. The key parameters of the model are the 3-month and 6-month Euribor rates, of which the historical time series serve as a basis for a forward-looking simulation of the probable future interest expenses for Fingrid's loan portfolio. The exposure on which the sensitivity analysis is calculated includes all of the Group's interest-bearing borrowings, the loan portfolio's derivatives and interest-rate options purchased to hedge against unexpected changes in interest rates. According to the model, there is a 95% (99%) probability that Fingrid's interest expenses will amount to no more than EUR 16.1 (17.6) million during the next 12 months.

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Determination of the reasonable rate of return in regulation and operational interest rate risk

The reasonable rate of return on adjusted capital committed to grid operations is determined by using the weighted average cost of capital model (WACC). The WACC model determined by the Finnish Energy Authority illustrates the average cost of the capital used by the company, where the weights are the relative val-

ues of equity and debt. The weighted average of the costs of equity and interest-bearing debt are used to calculate the total cost of capital, i.e. the reasonable rate of return per the regulation. The reasonable return is calculated by multiplying the adjusted capital invested in network operations by the WACC.

The above-mentioned reasonable rate of return after taxes is then adjusted with the current rate of corporate tax.

This calculation gives the reasonable pre-tax rate of return.

$$WACC_{pre-tax} = \frac{WACC_{post-tax}}{(1-ctr)}$$

$WACC_{pre-tax}$ = reasonable rate of return before corporate tax

$$WACC_{post-tax} = C_E \times \frac{E}{E+D} + C_D \times (1 - ctr) \times \frac{D}{E+D}$$

$WACC_{post-tax}$ = reasonable rate of return after corporate tax

C_E = reasonable cost of equity

C_D = reasonable cost of interest-bearing debt

E = adjusted equity invested in network operations

D = adjusted interest-bearing debt invested in network operations

ctr = current rate of corporate tax

$$C_D = R_r + DP$$

R_r = risk-free interest rate

DP = risk premium of debt

$$C_E = R_r + \beta_{levered} \times (R_m - R_r) + LP$$

R_r = risk-free interest rate

$\beta_{levered}$ = levered beta

R_m = average market return

$R_m - R_r$ = market risk premium

LP = liquidity premium

A fixed capital structure is applied to the TSO, whereby the weight of debt capital is 50% and the weight of equity capital

is 50%. The pre-tax reasonable rate of return is calculated as follows:

$$WACC_{pre-tax} = \frac{C_E \times 0.5}{(1-ctr)} + C_D \times 0.5$$

$$R_{k,pre-tax} = WACC_{pre-tax} \times (E + D)$$

$R_{k,pre-tax}$ = pre-tax reasonable return, EUR

$WACC_{pre-tax}$ = reasonable rate of return, %

E = adjusted equity invested in network operations, EUR

D = adjusted interest-bearing debt invested in network operations, EUR

$E + D$ = adjusted capital invested in network operations, EUR

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Cost of equity

$$C_E = R_f + \beta_{\text{unlevered}} \times (1 + (1 - t) \times D/E) \times (R_m - R_f) + LP$$

$$C_E = \text{Finnish 10y bond} + 0.4 \times (1 + (1 - 20\%) \times 50/50) \times 5\% + 0.6\%$$

$$C_E = \text{Finnish 10y bond} + 4.2\%$$

Cost of debt

$$C_D = R_f + DP$$

$$C_D = \text{Finnish 10y bond} + 1.26\%$$

WACC (pre tax)

$$WACC_{\text{post-tax}} = C_E \times 50/100 + C_D \times (1 - t) \times 50/100$$

$$WACC_{\text{post-tax}} = \text{Finnish 10y bond} \times 0.9 + 2.60\%$$

$$WACC_{\text{pre-tax}} = \text{Finnish 10y bond} \times 1.125 + 3.26\%$$

Parameter	Value to be applied
Riske-free rate (R_f)	Greater of: a) 10-year average of 10-year Finnish government bond rate b) Average of previous year April-September government bond rate
Asset beta ($\beta_{\text{unlevered}}$)	0.4
Market risk premium ($R_m - R_f$)	5.0%
Liquidity premium (LP)	0.6%
Capital structure (D/E)	50/50
Risk premium of debt (DP)	1.26%
Tax rate (t)	20%

Liquidity risk

Fingrid is exposed to liquidity and refinancing risks arising from the redemption of loans, payments and fluctuations in cash flow from operating activities. The liquidity of the company must be arranged so that liquid assets (cash and cash equivalents, and financial assets recognised in the income statement at fair value) and available long-term committed credit lines can cover 110% of the refinancing needs for the next 12 months.

The company has a revolving credit facility agreement of EUR 300 million signed on 11 December 2015. The maturity of the facility is five years. In addition to this, the company has two one-year extension options, of which both have been used. These extended the maturity of the revolving credit facility until 11 December 2022. The facility is committed and has not been drawn. The company additionally has a total of EUR 225 million in committed and uncommitted bilateral facility arrangements with banks.

The refinancing risk is managed by building an even maturity profile such that the share of long-term loans in a single year constitutes less than 30 per cent of the

total debt and the average maturity of the company's loan portfolio is at least three years. To secure refinancing, the company makes wide use of diverse sources of financing. The high credit rating and good bank and investor relations enable ready access to the debt capital market and thus minimises the company's debt refinancing risks and financing costs.

The counterparty risks of financing activities are caused by counterparties related to investing (e.g. money market funds), derivatives counterparties and bank counterparties. The company minimises any counterparty risks. As a rule, credit rating categories are the decisive factor in specifying the counterparty limit.

Contractual repayments and interest costs on borrowings are presented in the next table. The interest rates on floating-rate loans are defined using the zero coupon curve. The repayments and interest amounts are undiscounted values. Finance costs arising from interest rate swaps are often paid in net amounts depending on the nature of the swap. In the following table, they are presented in gross amounts.

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18. Payments under financing agreements in cash, €1000

31 Dec 2020		2021	2022	2023	2024	2025	2026-	Total
Bonds	- repayments		30,000	30,000	299,502	79,551	292,248	731,301
	- interests	18,748	18,736	18,748	17,935	7,435	24,664	106,267
Loans from financial institutions	- repayments	67,662	17,662	33,047	36,273	39,499	146,073	340,216
	- interests	109	-240	-450	-343	-200	2,128	1,005
Commercial papers	- repayments	72,000						72,000
Lease liabilities	- repayments	2,328	2,250	2,258	2,288	2,331	19,785	31,241
	- interests	610	566	521	476	429	1,735	4,337
Currency swaps	- payments	447	442	455	487	13,039	46,235	61,105
Interest rate swaps	- payments	246	244	272	318	192	133	1,406
Forward contracts	- payments	599	1,000	1,500	900			3,999
Total		162,749	70,661	86,352	357,836	142,276	533,002	1,352,876
Currency swaps	- receivables	1,711	1,711	1,711	1,711	11,261	54,249	72,352
Interest rate swaps	- receivables	5,188	5,115	4,458	4,124	1,830	2,963	23,679
Forward contracts	- receivables	590	1,033	1,567	946			4,137
Total		7,489	7,859	7,735	6,781	13,091	57,212	100,168
Total		155,260	62,802	78,617	351,055	129,185	475,790	1,252,709

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31 Dec 2019		2020	2021	2022	2023	2024	2025-	Total
Bonds	- repayments	50,000		30,000	30,000	299,359	254,562	663,921
	- interests	17,124	17,106	17,125	17,106	16,293	23,962	108,716
Loans from financial institutions	- repayments	17,662	17,662	17,662	33,047	34,660	137,185	257,879
	- interests	2,095	1,690	1,393	1,237	1,041	4,900	12,356
Commercial papers	- repayments	165,000						165,000
Lease liabilities	- repayments	2,371	2,311	2,192	2,199	2,228	21,584	32,886
	- interests	642	600	557	513	469	2,159	4,938
Currency swaps	- payments	25	32	48	67	79	12,603	12,855
Interest rate swaps	- payments	72	95	144	203	71	427	1,012
Forward contracts	- payments	12,597	300	1,000	1,500	900		16,297
Total		267,589	39,797	70,121	85,872	355,100	457,382	1,275,860
Currency swaps	- receivables	437	437	437	437	437	10,575	12,760
Interest rate swaps	- receivables	5,281	5,205	4,915	4,094	3,025	2,580	25,101
Forward contracts	- receivables	12,173	296	992	1,505	909		15,874
Total		17,891	5,937	6,344	6,036	4,371	13,155	53,735
Total		249,698	33,860	63,777	79,836	350,728	444,227	1,222,126



Accounting principles

Borrowings

Borrowings are initially recognised at fair value net of the transaction costs incurred. Transaction costs consist of bond prices above or below par value, arrangement fees, commissions and

administrative fees that are directly related to the loan. Borrowings are subsequently measured at amortised cost; any difference between the loan amount and the amount to be repaid is recognised in the income statement over the loan period using the effective interest rate method. Borrowings

are derecognised when they mature and are repaid.

Commitment fees to be paid on credit facilities are entered as transaction costs related to the loan insofar as partial or full utilisation of the facility is likely. In such cases, the fee is

capitalized in the balance sheet until the facility is utilised. If there is no proof that loans included in a facility are likely to be drawn in part or in full, the fee will be recognised as an upfront payment for liquidity services and amortized over the maturity of the facility in question.

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5.4 CASH AND CASH EQUIVALENTS AND OTHER FINANCIAL ASSETS

19. Cash and cash equivalents

€1,000	2020	2019
Cash assets and bank account balances	45,645	15,626
Total	45,645	15,626

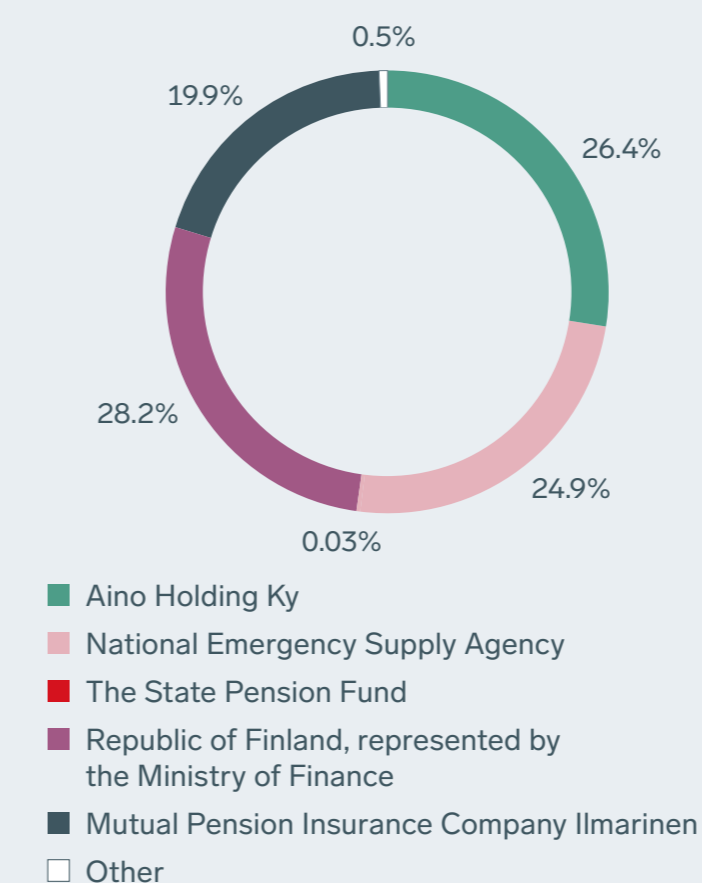
20. Other financial assets

€1,000	2020	2019	Hierarchy level
Short-term fixed income funds	80,243	67,188	Level 1
Total	80,243	67,188	

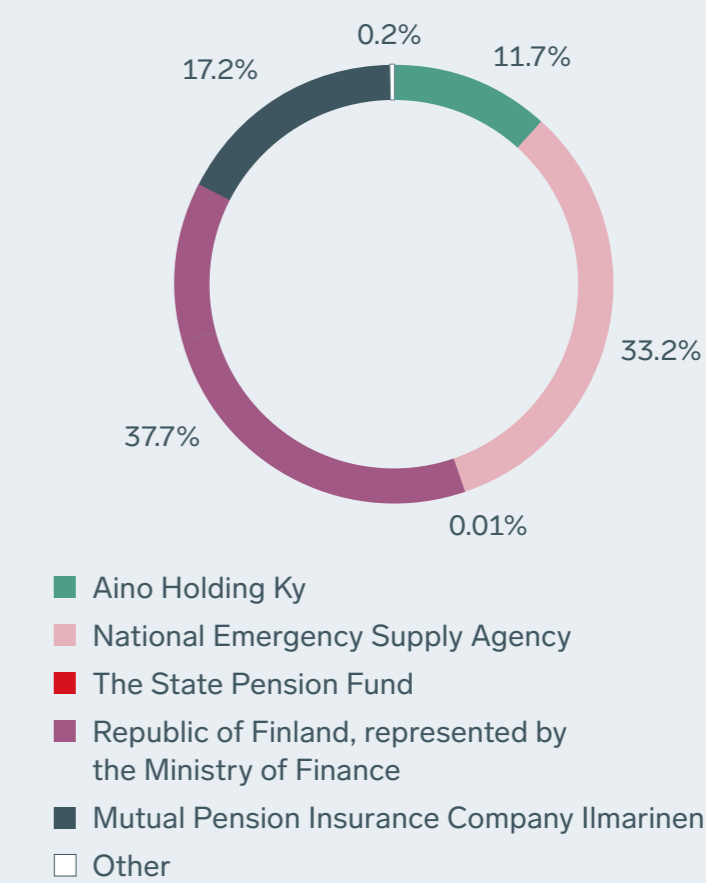
5.5 EQUITY AND DIVIDEND DISTRIBUTION

The shareholders' equity is composed of two share classes. The shareholder breakdown and voting rights are illustrated in the following graphs.

Shareholders 31 Dec 2020 (%)



Voting rights (%)



Accounting principles

Cash and cash equivalents

Cash and cash equivalents in the balance sheet include cash in hand and bank deposits with an initial maturity of no more than three months. Cash and cash equivalents in the cash flow statement also include financial assets recognised in the income statement at fair value. Cash and cash equivalents

are derecognised when they mature, are sold or otherwise disposed of.

Other financial assets

The financial assets classified in this category may include short-term money market securities (certificates of deposit, commercial papers and municipality bills), current investments in short-term fixed income funds, and bank deposits kept for more than three

months. Financial assets recognised at fair value in the income statement are entered in the balance sheet at fair value at the settlement date. Subsequently, the financial assets are measured on each reporting day at fair value, and the change in their fair value is recognised in the income statement under finance income and costs. Derivatives are also included in this group, but are presented in the balance sheet on their own

lines. Accounting principles for derivatives are disclosed in Chapter 5.

Available-for-sale investments

Fingrid does not have financing assets classified as available-for-sale investments.

Financial assets are derecognised when they mature, are sold or otherwise disposed of such that their risks and revenues have been transferred.

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Shareholders by category 31 dec 2020	Number of shares	Of all shares %	Of votes %
Public organisations	1,768	53.17	70.87
Financial and insurance institutions	1,557	46.83	29.12
Total	3,325	100.00	100.00

Shareholders, 31 Dec 2020	Number of shares	Of all shares %	Of votes %
Republic of Finland, represented by the Ministry of Finance	939	28.24	37.66
Aino Holding Ky	878	26.41	11.74
National Emergency Supply Agency	828	24.90	33.20
Mutual Pension Insurance Company Ilmarinen	661	19.88	17.15
Imatran Seudun Sähkö Oy	10	0.30	0.13
Fennia Life	6	0.18	0.08
Elo Mutual Pension Insurance	1	0.03	0.01
OP Insurance Ltd	1	0.03	0.01
The State Pension Fund	1	0.03	0.01
Total	3,325	100.00	100.00

The company's share capital is EUR 55,922,485.55. Fingrid shares are divided into Series A shares and Series B shares. The number of Series A shares is 2,078 and the number of Series B shares is 1,247.

The maximum number of shares is 13,300, as in 2019. The shares have no par value.

Series A shares confer three votes each at the Annual General Meeting and Series B shares one vote each. When electing members of the Board of Directors, Series A shares confer 10 votes each at

the Annual General Meeting and Series B shares one vote each.

Series B shares have the right before Series A shares to obtain the annual minimum dividend specified below from the funds available for profit distribution. If the annual minimum dividend cannot be distributed in some year, the shares confer a right to receive the undistributed amount from the funds available for profit distribution in the subsequent years; however, such that Series B shares have the right over Series A shares to receive the annual minimum dividend and the undistributed amount.

Fingrid Oyj's Annual General Meeting decides on the annual dividend

Eighty-two per cent of the dividends to be distributed for each financial year is distributed for all Series A shares and eighteen per cent for all Series B shares, however such that EUR twenty million of the dividends to be distributed for each financial year is first distributed for all Series B shares. If the above-mentioned EUR twenty million minimum amount for the financial period is not distributed (all or in part) for Series B shares in a financial period, Series B shares confer the right to receive the undistributed minimum amount in question (or the accumulated undistributed minimum amount accrued during such financial periods) in the next profit distribution, in any disbursements paid out, or in any other distribution of assets prior to any other dividends, disbursements or asset distribution until the undistributed minimum amount has been distributed in full for Series B shares. There are no non-controlling interests.

Equity is composed of the share capital, share premium account, revaluation re-

serve (incl. fair value reserve), translation reserve, and retained earnings. The translation reserve includes translation differences in the net capital investments of associated companies in accordance with the equity method of accounting. The profit for the financial year is booked in retained earnings.

Share premium account

The share premium account includes the difference between the counter value of the shares and the value obtained. The share premium account consists of restricted equity as referred to in the Finnish Limited Liability Companies Act. The share capital can be increased by transferring funds from the share premium account. The share premium account can be decreased in order to cover losses or, under certain conditions, it can be returned to the owners.

Changes to equity funds during the financial year are presented in the statement of changes in equity.

21. Shareholders by category

The share capital is broken down as follows	Number of shares	Of all shares %	Of votes %
Series A shares	2,078	62.50	83.33
Series B shares	1,247	37.50	16.67
Total	3,325	100.00	100.00

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Fingrid's dividends are distributed such that the shareholders receive a reasonable return on their invested capital, but also such that the company's financial position remains stable.

Fingrid Oyj's distributable funds in the financial statements total EUR 186,751,302.32. Based on the 2019 financial statements, EUR 148.2 million was paid in dividends (EUR 171.4). Since the closing date, the Board of Directors has proposed to the Annual General Meeting of shareholders that, on the basis of the balance sheet adopted for the financial period that ended on 31 December 2020, a dividend of EUR 53,500.00 at maximum per share be paid for Series A shares and EUR 19,600.00 at maximum for Series B shares, for a total of EUR 135,614,200.00 at maximum. The dividends shall be paid in two instalments. The first instalment of EUR 35,500.00 for each Series A share and EUR 13,000.00 for each Series B share, totalling EUR 89,980,000.00, shall be paid on 12 April 2021. The second instalment of EUR 18,000.00 at maximum per share for each Series A share and EUR 6,600.00 at maximum per share for each Series B share, totalling EUR 45,634,200.00 at maximum in dividends, shall be paid subject to the Board's decision after the half-year report has been confirmed, based on the authorisation given to the Board in the Annual General Meeting. The Board has

the right to decide, based on the authorisation granted to it, on the payment of the second dividend instalment after the half-year report has been confirmed and it has assessed the company's solvency, financial position and financial development. The dividends that have been decided on with the authorisation given to the Board shall be paid on the third banking day after the decision. It will be proposed that the authorisation remains valid until the next Annual General Meeting.

The distributable funds are calculated on the basis of the parent company's equity.

Dividends are paid based on the distributable funds of the parent company.

The guiding principle for Fingrid's dividend policy is to distribute substantially all of the parent company profit as dividends. When making the decision, however, the economic conditions, the company's near-term capital expenditure and development needs as well as any prevailing financial targets of the company are always taken into account.

The graph below indicates the differences between the consolidated IFRS income

statement and the parent company's FAS income statement.

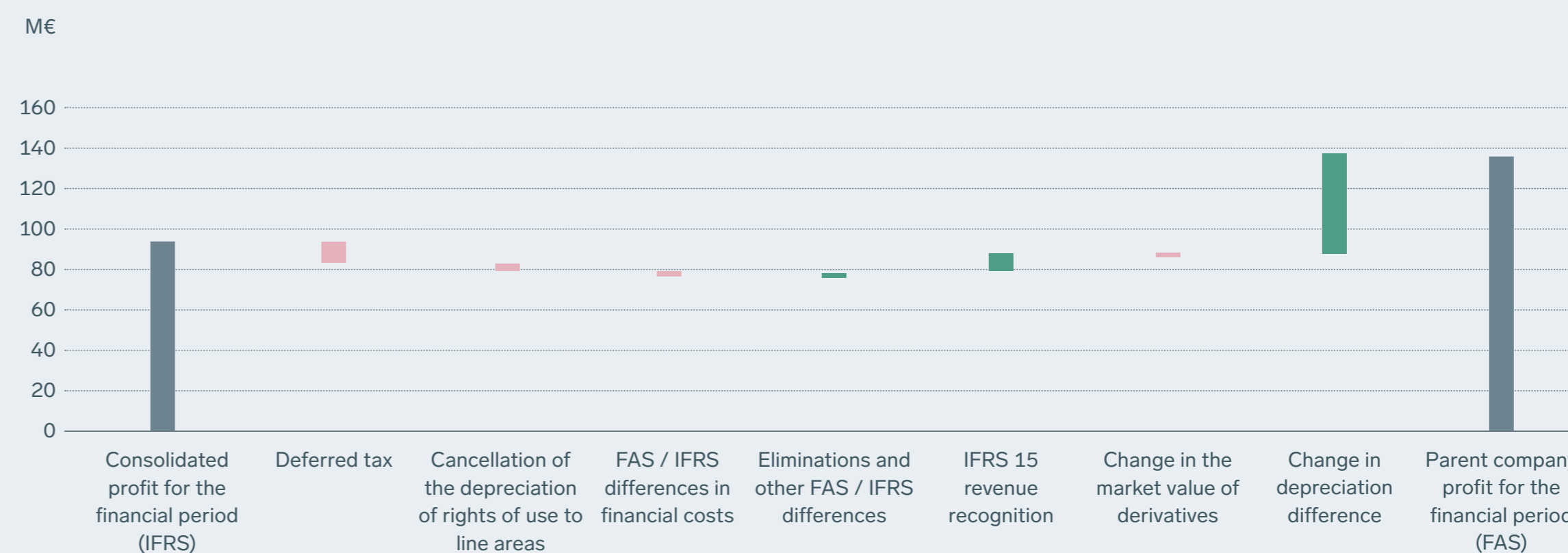


Accounting principles

Dividend distribution

The Board of Directors' proposal concerning dividend distribution is not recorded in the financial statements. The liability and equity is recognised only after a decision is made by the Annual General Meeting of Shareholders.

Bridge calculation from consolidated IFRS result to parent company FAS result 2020, MEUR



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5.6 SUMMARY OF FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVES

The carrying amounts of Fingrid's financial assets and liabilities by measurement category are as follows:

22. Carrying amounts of financial assets and liabilities by measurement category

€1,000	Assets/ liabilities recognised in income statement at fair value	Available-for-sale financial assets	Financial assets/ liabilities measured at amortised cost	Total	Note
Balance sheet item 31 Dec 2020					
Non-current financial assets					
Interest rate and currency derivatives	38,221			38,221	23
Electricity derivatives	6,162			6,162	23
Loan receivables			563	563	
Current financial assets					
Interest rate and currency derivatives	8			8	23
Electricity derivatives	15,516			15,516	23
Loan receivables from associated companies			375	375	24
Trade receivables and other receivables			103,945	103,945	3
Other financial assets	80,243			80,243	20
Cash in hand and cash equivalents			45,645	45,645	19
Financial assets total:	140,150		150,527	290,677	
Non-current financial liabilities:					
Borrowings			1,032,767	1,032,767	14
Interest rate and currency derivatives	15,448			15,448	23
Electricity derivatives	2,241			2,241	23
Current financial liabilities:					
Borrowings			142,145	142,145	14
Interest rate and currency derivatives	16			16	23
Electricity derivatives	3,624			3,624	23
Trade payables and other liabilities			130,717	130,717	7
Financial liabilities total	21,329		1,305,629	1,326,958	

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€1,000	Assets/ liabilities recognised in income statement at fair value	Available-for-sale financial assets	Financial assets/ liabilities measured at amortised cost	Total	Note
Balance sheet item 31 Dec 2019					
Non-current financial assets					
	Interest rate and currency derivatives	26,720		26,720	23
	Electricity derivatives	1,905		1,905	23
	Loan receivables		1,125	1,125	
Current financial assets					
	Interest rate and currency derivatives	0		0	23
	Electricity derivatives	3,835		3,835	23
	Loan receivables from associated companies		188	188	
	Trade receivables and other receivables		83,802	83,802	3
	Other financial assets	67,188		67,188	20
	Cash in hand and cash equivalents		15,626	15,626	19
	Financial assets total:	99,648	100,741	200,389	
Non-current financial liabilities:					
	Borrowings		884,652	884,652	14
	Interest rate and currency derivatives	6,514		6,514	23
Current financial liabilities:					
	Borrowings		235,349	235,349	14
	Interest rate and currency derivatives	372		372	23
	Trade payables and other liabilities		107,687	107,687	7
	Financial liabilities total	6,886	1,227,689	1,234,574	

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At the end of the year, the company's borrowings included a total of EUR 31.2 million in lease liabilities in accordance with IFRS 16, consisting of EUR 2.3 million in short-term liabilities, to be paid within a year, and EUR 28.9 million in long-term liabilities, with a maturity date after more than a year.

Fingrid uses derivatives for hedging purposes only, even though the company

does not apply hedge accounting. Bilateral derivative transactions require a valid International Swap Dealers Association's (ISDA) Master Agreement with the counterparty. The derivatives falling under the scope of an ISDA agreement can be netted in conditional circumstances such as default or bankruptcy. The company had derivatives that can be netted as per ISDA at a total fair value of EUR 26.2 million in 2020 (22.4). The management of elec-

tricity price risk is described in chapter 3. The hedging of interest rate and foreign exchange risks is described in chapter 5.

The company's derivative transactions consist of interest rate and cross currency swaps for hedging the loan portfolio, as well as purchased cap options used to mainly hedge the loan portfolio from a sudden change in short-term interest rates. Forward contracts are used to fix

the exchange rate for non-euro-denominated contracts related to business operations. The company uses electricity futures and forwards to hedge the price risk of future loss power purchases.

The table below includes all of the Group's derivatives.

23. Derivative instruments

€1,000	2020				2019				Hierarchy level
	Fair value pos. 31.12.20	Fair value neg. 31.12.20	Net fair value 31.12.20	Nominal value 31.12.20	Fair value pos. 31.12.19	Fair value neg. 31.12.19	Net fair value 31.12.19	Nominal value 31.12.19	
Interest rate and currency derivatives									
Cross-currency swaps	13,284	-9,911	3,373	55,990	1,509	-2,901	-1,393	12,512	Level 2
Forward contracts	117	-16	101	3,983		-440	-440	15,878	Level 2
Interest rate swaps	28,258	-5,684	22,574	305,000	27,771	-3,564	24,207	265,000	Level 2
Bought interest rate options	142		142	860,000	49		49	610,000	Level 2
Total	41,801	-15,612	26,190	1,224,973	29,329	-6,905	22,423	903,389	
Electricity derivatives									
	Fair value pos. 31.12.20	Fair value neg. 31.12.20	Net fair value 31.12.20	Volume TWh 31.12.20	Fair value pos. 31.12.19	Fair value neg. 31.12.19	Net fair value 31.12.19	Volume TWh 31.12.19	
Electricity future contracts. NASDAQ OMX Commodities					8,015	-771	7,244	0.71	Level 1
Electricity forward contracts. NASDAQ OMX Commodities	21,678	-5,865	15,813	5.51	5,740		5,740	3.56	Level 1
Total	21,678	-5,865	15,813	5.51	13,755	-771	12,984	4.27	

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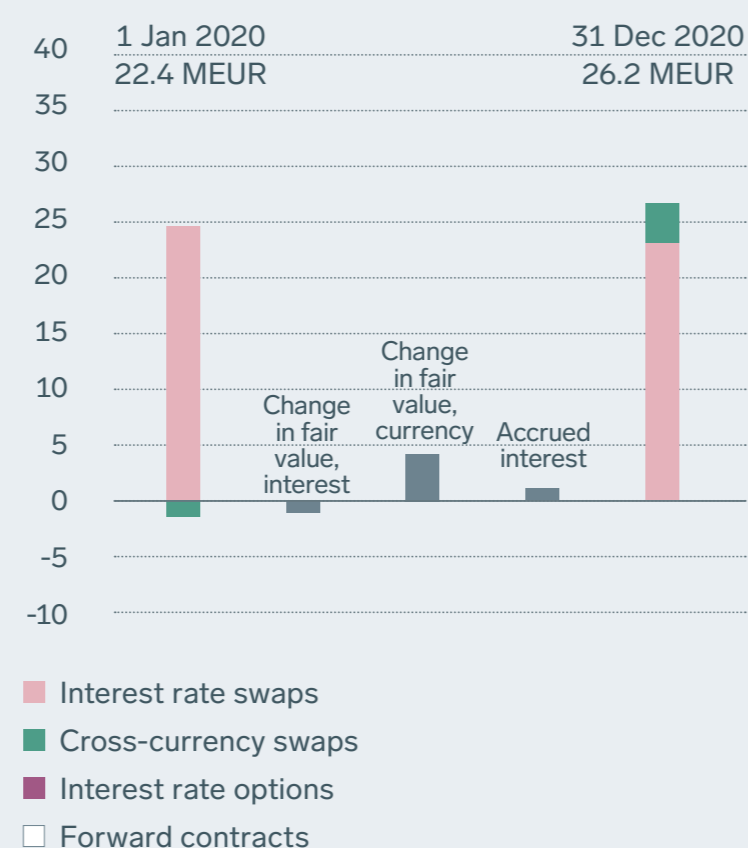
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The net fair value of derivatives indicates the realised profit/loss if they had been closed on the last trading day of 2020. The net fair value cannot be used for deriving the net derivative liabilities or receivables in the balance sheet, as accrued interest is taken into account here.

The graph below indicates the change of value of all of the company's currency and interest rate derivatives in 2020.

Change in the net fair value of financial derivatives 2020



Accounting principles

FINANCIAL INSTRUMENTS

Classification of financial assets and liabilities

The Group classifies the financial assets and liabilities in accordance with its business model and in compliance with IFRS 9. The classification is accomplished on the basis of the objective of the business model and the contract-based cash flows from the investments or by applying the fair value option at initial recognition.

Other financial assets can include investments in short-term money-market securities (certificates of deposit, commercial papers and municipality bills), bank deposits of more than three months and investments in short-term fixed income funds.

Investments in short-term fixed income funds have been classified and entered at fair value in the income statement.

Investments in short-term money-market securities are classified and entered at amortised cost according to the accounting model applied by the company. The goal is to keep the investments to maturity and collect the contractual cash flows, consisting of the payments of principal and interest. Money-market securities have previously been entered at fair value in the income statement, but the change did not have a material impact on the company's financial result.

Bank deposits of more than three months are entered at amortised cost.

The Group actively tests each instrument for impairment and if the impairment criteria are met, the impairment is entered in the income statement. The accounting procedure for financial assets has not changed, and they continue to be entered at amortised cost. The rules concerning balance sheet derecog-

inition have not changed from the IAS 39 standard 'Financial Instruments: Recognition and Measurement'.

The Group does not apply hedge accounting, and the rules applied to hedge accounting according to IFRS 9 do not affect the company's accounting procedures.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank deposits with an initial maturity of no more than three months.

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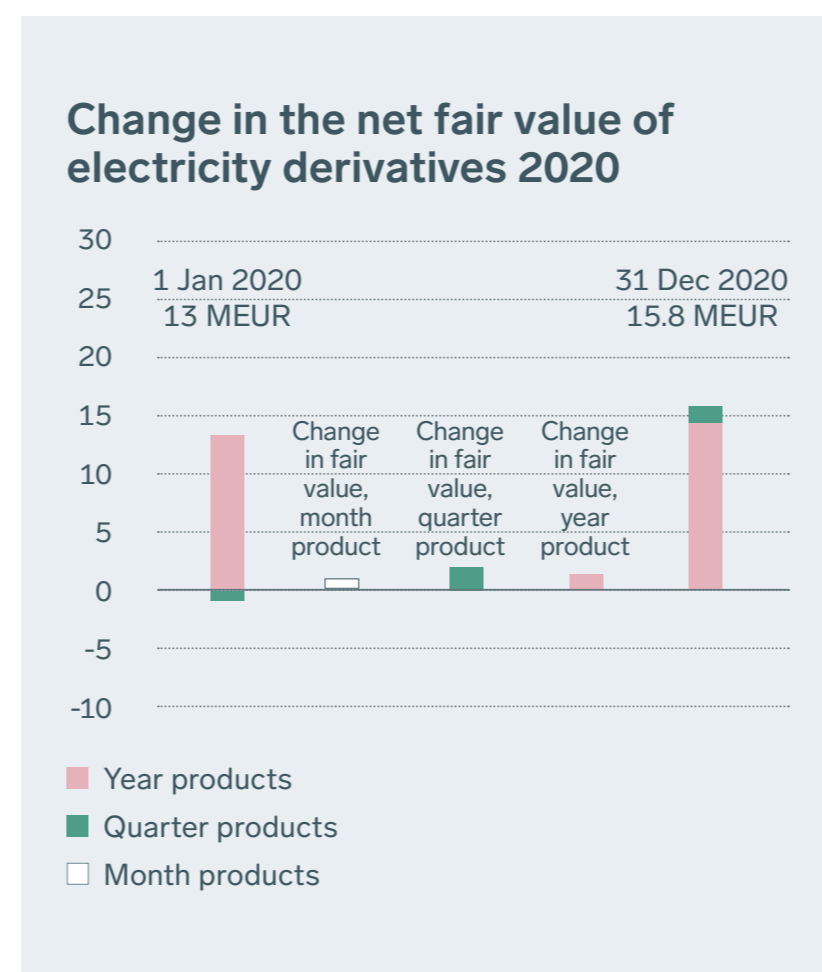
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The purpose of Fingrid’s loss power price hedging is to reduce the effect of volatility in market prices on the loss power procurement costs and to give adequate predictability in order to keep the pressures to change transmission fees moderate. The change in the fair value of the electricity derivatives used for hedging the price of Fingrid’s loss power purchases recognised in the operating profit was EUR 2.8 positive (EUR 26.5 million negative). The volatility in the fair value of electricity derivatives can be significant. The positive impact on profit resulted from the effect of higher market quotations for electricity derivatives on the fair value of the electricity derivatives. Fingrid holds its bought derivatives to maturity.

The sensitivity of the fair value of electricity derivatives in relation to changes in the price of electricity is measured as the difference a 10 per cent fluctuation in market price would have on outstanding electricity derivatives on the reporting date. An increase/decrease of 10 per cent in the market price of electricity would have an impact of EUR 11.3 million/EUR –11.3 million on the Group’s profit before taxes.

The graph below illustrates the net fair value of the company’s electricity derivatives and the change in it in 2020.



Accounting principles

Derivative instruments

Derivatives are initially recognised at fair value according to the date the derivative contract is entered into, and are subsequently re-measured at fair value. Changes in the fair value of derivatives are recognised in profit and loss. The company uses derivative contracts only for hedging purposes according to the Corporate Finance principles, the Treasury policy and the loss energy policy.

Electricity derivatives

The company enters into electricity derivative contracts in order to hedge the price risk of electricity purchases in accordance with the loss power forecast. Fingrid discontinued hedge accounting for electricity derivatives at the beginning of 2014. As a result, the entire change in the fair value of electricity derivatives is recorded in the income statement.

Interest and currency derivatives

The company enters into derivative contracts in order to hedge financial risks (interest rate and foreign exchange exposure) in compliance with the Corporate Finance Principles approved by the Board of Directors. Fingrid does not apply hedge accounting to these derivatives. A derivative asset or liability is recognised at its original fair value. Derivatives are measured at fair value at the closing date, and the change in fair value is recognised in the income statement under finance income and costs.

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

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- This chapter contains the rest of the notes.
- First comes a joint presentation of the Group companies and related parties' data.
- After that, other notes follow in the same sequence they appear in the income statement and balance sheet.

6.1 GROUP COMPANIES AND RELATED PARTIES

The Group has two Fingrid's wholly-owned subsidiaries, Finextra Oy and Fingrid Datahub Oy.

Finextra Oy is a subsidiary wholly-owned by Fingrid Oyj established to handle the statutory public service obligations not included in actual grid operations or transmission system responsibility. These tasks include peak load capacity services and guarantee-of-origin services for electricity. Through Finextra, the cost of public service tasks is separated from the cost of grid operations, which makes it possible to ensure the unequivocal transparency of the different operations. The Energy Authority oversees Finextra's operations and reasonable returns from its services. The aim of Finextra is to carry out the assigned duties cost effectively, making use of joint resources. The allowed annual return on peak load capac-

ity services is EUR 75,000. The allowed return on guarantee-of-origin services for the regulatory period started on 1 January 2020 was approximately EUR 43,000. The realised return during the regulatory period consisted of a surplus of roughly EUR 30,000.

Fingrid Datahub Oy is a subsidiary wholly-owned by Fingrid Oyj established in 2016 to handle the operations linked to the datahub. Key duties of the subsidiary is to offer and develop centralised electricity market information exchange services and other related services to the market parties and to govern the register information required by the electricity markets. The datahub is a centralised information exchange system for retail markets that stores data from all of Finland's 3.5 million electricity metering points. The information stored in the datahub will be utilised by around 100 electricity sales companies and more than 80

distribution network operators to provide services to the consumers of electricity. Fingrid started the datahub project during the spring of 2015.

The consolidated associated company is eSett Oy (ownership 25.0%).

Fingrid Oyj carried out, together with the other shareholders, a share trade transaction in which 66% of the shares in Nord Pool Holding AS were sold to Euronext Nordics Holding AS, a Norwegian compa-

ny fully owned by Euronext N.V. Fingrid's indirect ownership in Nord Pool is now 6.4%, which is managed through TSO Holding AS, a holding company jointly owned by the transmission system operators and of which Fingrid owns 18.8%. Fingrid Oyj's holding in TSO Holding AS is accounted for in the 'Other long-term investments' section in the balance sheet.

The investments in associated companies included in the balance sheet are composed of the following:

24. Investments in associated companies

€1,000	2020	2019
Non-current		
Interests in associated companies	1,806	11,012
Loan receivables from associated companies	563	1,125
Current		
Loan receivables from associated companies	375	188
Total	2,744	12,325

Receivable from an associated company consists of a loan receivable from eSett Oy. The main terms and conditions are as follows:

Associated company loan:

The loan capital is EUR 0.9 (1.3) million and the annual interest rate is 1.5 per cent, on top of the 12-month Euribor.

The loan repayment is ten equal instalments every six months. The amount of the loan capital is one quarter of the total loan that eSett's owners have granted the company proportionate to their holdings. The terms of the loan are the same as the loan terms for eSett's other owners.

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Financial summary of associated companies, €1,000	Non-current Assets	Non-current Liabilities	Current Assets	Current Liabilities	Turnover	Profit/loss	Dividends received during the financial period	Ownership (%)
2020								
eSett Oy	5,792	2,250	45,098	41,416	7,726	379		25.0
2019								
Nord Pool Holding AS	6,049	341	178,808	152,658	38,964	4,801	881	18.8
eSett Oy	5,750	3,750	43,836	38,982	6,321	-71		25.0

The Group's associated companies indicated in the tables are treated in the consolidated financial statements using the equity method of accounting.

The Nordic Balance Settlement (NBS) was introduced in Finland on 1 May 2017. When the NBS began its operations, imbalance settlement transferred from Fingrid's Balance Service Unit to eSett Oy.

Equity investments in associated companies, €1,000	2020	2019
Cost at 1 Jan	11,012	12,072
Decreases	-9,189	-603
Share of profit	-6	384
Translation reserve	-11	40
Dividends		-881
Carrying amount 31 Dec	1,806	11,012
Carrying amount of associated companies includes goodwill 31 Dec.	0	3,245

There are no material temporary differences related to associated companies on which deferred tax assets or liabilities have been recognised.

The subsidiaries, associated companies and parent company (Fingrid Oyj) described above are related parties of the Group. In addition, the shareholder entities mentioned in chapter 5 and the top management and its related parties are also considered related parties. The top management is composed of the Board of Directors, the President & CEO, and the executive management group. All transactions between Fingrid and related parties take place on market terms. The company has not lent money to the top management, and the company has no transactions with the top management. At the close of the reporting period, the Republic of Finland owned 53.1 per cent of the company's shares. The Finnish Parliament has authorised the Ministry of Finance to reduce the state's ownership in Fingrid Oyj to no more than 50.1 per cent of the company's shares and votes.

Transactions with associated companies, € 1,000	2020	2019
Sales	105	121
Expense adjustments	13	22
Purchases	2,178	3,230
Receivables	5,342	3,693
Liabilities	1,961	2,830
Loan receivables	938	1,313

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Accounting principles

Subsidiaries

The subsidiaries encompass all companies over which the Group has control (including structured entities). The Group is considered to have control over a company if the Group's holding results in exposure to variable returns or if the Group is entitled to variable returns and it can influence these returns by exercising its control over the company. The subsidiaries are consolidated into the consolidated financial statements starting from the day on which the Group gained control over the company. Consolidation is discontinued once the control ceases to exist.

Consolidation of operations is carried out using acquisition cost method.

Transactions, receivables and liabilities between Group companies and any unrealised profits from internal transactions are eliminated. Unrealised losses are also eliminated unless the transaction indicates an impairment of the disposed asset. If

necessary, the financial statements of the subsidiaries have been adjusted to correspond to the accounting principles applied by the Group.

Associated companies

The associated companies include all companies over which the Group has significant influence but no control or joint control. This is generally based on a shareholding amounting to 20–50% of the votes.

Investments in associated companies are initially recognised at the acquisition cost and subsequently handled using the equity method. According to the equity method, investments are initially recorded at the acquisition cost and this is subsequently adjusted by recognising the Group's share of the profit or loss after the time of acquisition in the income statement and the Group's share of any changes in the investment object's other comprehensive income in other comprehensive income. Any dividends received or to be received

from the associated companies and joint ventures are deducted from the investment's carrying amount.

If the Group's share of the losses of an investment recognised according to the equity method equals or exceeds the Group's holding in the company in question, including any other non-current receivables without collaterals, the Group will not recognise any additional losses unless it has obligations or it has made payments on behalf of the company.

A share corresponding to the Group's ownership interest is eliminated from the unrealised profits between the Group and its associated companies and joint ventures. Any unrealised losses are also eliminated unless the transaction indicates an impairment of the disposed asset. If necessary, the accounting principles applied by the investments to be recognised according to the equity method have been adjusted to correspond to the principles applied by the Group.

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6.2 OTHER NOTES

Emission rights

Fingrid's reserve power plants are subject to an environmental permit and covered by the EU's emissions trading scheme. Fingrid has not been granted free-of-charge emission rights for the emissions trade period 2013–2020. Emission rights purchased in 2020 amounted to 4,000 units (tCO₂). Emissions trading had minor financial significance for Fingrid. CO₂ emissions included in emissions trading totalled 5,020 tonnes in 2020 (5,142).

**Accounting principles****Emission rights**

Emission rights acquired free of charge are recognised in intangible assets at their nominal value, and purchased emission rights at their acquisition cost. A liability is recognised for emission rights to be returned. If the Group has sufficient emission rights to cover the return obligations, the liability is recognised at the carrying amount corresponding to the emission rights in question. If there are not sufficient

emission rights to cover the return obligations, the liability is recognised at the market value of the emission rights in question. No depreciation is recognised on emission rights. They are derecognised in the balance sheet at the time of transfer when the actual emissions have been ascertained. The expense resulting from the liability is recognised in the income statement under the expense item 'Materials and services'. Capital gains from emissions rights are recognised under other operating income.

25. Provisions

€1,000	2020	2019
Provisions for creosote-impregnated towers 1 Jan	1,393	1,424
Provisions used	-26	-31
Provisions 31 Dec	1,368	1,393

**Accounting principles****Provisions**

A provision is recorded when the Group has a legal or factual obligation based on an earlier event and it is likely that fulfilling the obligation will require a payment, and the amount of the obligation can be estimated reliably.

The provisions are valued at the present value of the costs required to cover the obligation. The dis-

counting factor used in calculating the present value is chosen so that it reflects the market view of the time value of money at the assessment date and the risks pertaining to the obligation.

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26. Commitments and contingent liabilities

€1,000	2020	2019
Pledges	490	490
Other financial commitments		
Rent security deposit, guarantee	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	681	414
Commitment fee for subsequent years	276	568
	994	1,020
Unrecognised investment commitments	200,141	181,973

The investment commitments consist of agreements signed by the company to carry out grid construction projects and to procure the datahub system.

€1,000	2020	2019
Payment obligations from right-of-use agreements for reserve power plants:		
In one year	8,810	8,663
In more than one year and less than five years	27,701	29,638
In more than five years	12,159	15,596
Total	48,670	53,896

Under its system responsibility, Fingrid is also obligated to maintain a rapid response disturbance reserve to prepare for disruptions to the power system. In order to ensure the availability of this disturbance reserve, Fingrid has, in addition to its reserve power plant capacity, acquired power plant capacity suited to this purpose by long-term Right-of-use agreements.

Legal proceedings and proceedings by authorities

An accident took place on a worksite in Laukaa, Finland, on 25 August 2017, where an employee of Revilla y Garcia S.L. died after having fallen from a transmission line tower. A civil court case, as well as proceedings concerning social-security-based damages, have been initiated in Spain for damages against Fingrid (the client linked with the accident), the main

contractor, Technolines S.R.L. filial i Finland, and its subcontractor, Revilla y Garcia S.L. Fingrid does not believe the claim against it is likely to succeed and, in Fingrid's view, the legal proceedings or their outcome are not likely to have a substantial impact on the company's earnings or financial position.

On 30 June 2020, the Market Court received an appeal on the company's decision to exclude a bidder from a competitive tender for 400-MVA transformers to be acquired in 2022–2025. The company decided to discontinue the tendering process on 14 July 2020. After the decision to discontinue the tendering process, the appeal to the Market Court was withdrawn on 28 July 2020.

Events after the closing date

Fingrid Group's profit for the 2021 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to improve somewhat compared to 2020. Results forecasts for the financial year are complicated especially by the uncertainty related to grid service revenue, ITC income and cross-border transmission income, and to reserve and loss power costs. These are dependent on the variations in outside temperature, precipitation, windiness, and hydrological conditions in the Nordic countries, which affect electricity consumption and electricity prices in Finland and neighbouring areas and thus also grid transmis-

sion volumes. The company's debt service capacity is expected to remain stable.

Group's contact information and approval of the financial statements

Fingrid Oyj is a Finnish public limited liability company incorporated under the Finnish Companies Act. Fingrid's consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. Fingrid's registered office is in Helsinki at the address P.O. Box 530 (Läkkisepäntie 21, 00620, Helsinki), 00101 Helsinki.

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

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

Fingrid Oyj's Board of Directors has accepted the publication of these financial statements in its meeting on 5 March 2021. In accordance with the Finnish Companies Act, the shareholders have the opportunity to adopt or reject the financial statements in the shareholders' meeting held after their publication. The shareholders' meeting can also amend the financial statements.

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7.1 PARENT COMPANY INCOME STATEMENT

€	Notes	Jan-Dec/2020	Jan-Dec/2019
TURNOVER	2	679,761,088.99	786,172,778.25
Other operating income	3	2,387,376.73	4,318,646.92
Materials and services	4	-392,887,919.08	-477,603,454.67
Personnel costs	5	-31,288,465.38	-26,552,187.13
Depreciation and amortisation expense	6	-98,490,649.66	-98,240,304.08
Other operating expenses	7,8	-38,046,809.01	-39,681,552.93
OPERATING PROFIT		121,434,622.59	148,413,926.36
Finance income and costs	9	-3,755,056.47	-13,610,843.06
PROFIT BEFORE APPROPRIATIONS AND TAXES		117,679,566.12	134,803,083.30
Appropriations			
Change in depreciation difference		50,000,000.00	50,000,000.00
Income taxes	10	-31,665,202.54	-36,742,360.46
PROFIT FOR THE FINANCIAL YEAR		136,014,363.58	148,060,722.84

Notes are an integral part of the financial statements.



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7.2 PARENT COMPANY BALANCE SHEET

Assets, €	Notes	31 Dec 2020	31 Dec 2019
Intangible assets:			
Other intangible assets	12	68,449,068.80	74,207,990.70
		68,449,068.80	74,207,990.70
Land and water areas		19,874,372.86	19,640,631.77
Buildings and structures		250,216,480.78	243,001,815.61
Machinery and equipment		543,419,211.39	559,391,487.70
Transmission lines		713,280,864.76	742,446,973.27
Other property, plant and equipment		117,516.35	117,516.35
Prepayments and purchases in progress		146,605,500.10	50,294,189.42
		1,673,513,946.24	1,614,892,614.12
Interests in Group companies		843,310.86	843,310.86
Interests in associated companies		1,500,675.00	8,087,353.95
Other shares and interests		6,586,678.95	
		8,930,664.81	8,930,664.81
TOTAL NON-CURRENT ASSETS		1,750,893,679.85	1,698,031,269.63
Inventories	15	13,683,632.00	12,066,857.86
Loan receivables from Group companies	16	34,569,737.78	21,394,055.61
Loan receivables from associated companies	16	562,500.00	1,125,000.00
Deferred tax assets	10	7,059,301.53	9,002,757.57
Other receivables	16	47,991.93	
		42,239,531.24	31,521,813.18

Assets, €	Notes	31 Dec 2020	31 Dec 2019
Trade receivables		76,490,165.63	68,438,571.79
Receivables from Group companies	17	1,030,989.34	2,542,055.18
Receivables from associated companies	18	5,720,334.69	3,880,910.79
Other receivables		3,821,201.20	11,055,048.42
Prepayments and accrued income	19,20	19,569,147.32	7,059,591.00
		106,631,838.18	92,976,177.18
Financial securities	21	79,372,646.16	66,489,293.26
Cash in hand and bank receivables	21	45,645,221.78	15,626,317.65
TOTAL CURRENT ASSETS		287,572,869.36	218,680,459.13
TOTAL ASSETS		2,038,466,549.21	1,916,711,728.76

Notes are an integral part of the financial statement.

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Shareholders' equity and liabilities, €	Note	31 Dec 2020	31 Dec 2019
EQUITY	22		
Share capital		55,922,485.55	55,922,485.55
Share premium account		55,922,485.55	55,922,485.55
Profit from previous financial years		50,736,938.74	50,925,015.90
Profit for the financial year		136,014,363.58	148,060,722.84
TOTAL SHAREHOLDERS' EQUITY		298,596,273.42	310,830,709.84
ACCUMULATED APPROPRIATIONS	23	298,896,757.27	348,896,757.27
PROVISIONS FOR LIABILITIES AND CHARGES	30	1,367,646.78	1,393,146.78

€	Note	31 Dec 2020	31 Dec 2019
LIABILITIES			
Non-current liabilities			
Bonds	24,25	730,989,990.90	617,511,729.99
Loans from financial institutions		272,554,112.51	240,216,450.17
		1,003,544,103.41	857,728,180.16
Current liabilities			
Bonds	24		50,000,000.00
Loans from financial institutions		67,662,337.71	17,662,337.71
Trade payables		26,471,817.91	17,541,604.90
Liabilities to Group companies	26	511,585.92	1,598,574.20
Liabilities to associated companies	27	1,961,280.55	3,919,746.15
Other liabilities	28	87,868,793.69	188,907,858.16
Accruals	29	251,585,952.55	118,232,813.59
		436,061,768.33	397,862,934.71
TOTAL LIABILITIES		1,439,605,871.74	1,255,591,114.87
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,038,466,549.21	1,916,711,728.76

Notes are an integral part of the financial statements.

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7.3 PARENT COMPANY CASH FLOW STATEMENT

€	Note	1 Jan - 31 Dec, 2020	1 Jan - 31 Dec, 2019
Cash flow from operating activities:			
Profit before taxes		117,679,566.12	134,803,083.30
Adjustments:			
Depreciation		98,490,649.66	98,240,304.08
Capital gains/losses (+/-) on tangible and intangible assets		498,043.56	-2,815,810.14
Interest and other finance costs		3,755,056.47	13,610,843.06
Other adjustments			-2,217,154.00
Changes in working capital:			
Change in trade receivables and other receivables		-14,679,567.98	3,951,573.69
Change in inventories		-1,616,774.14	323,677.66
Change in trade payables and other liabilities		-12,271,967.87	-1,892,072.25
Congestion income		146,748,285.71	73,001,449.41
Change in provisions		-25,500.00	-31,000.00
Interest paid		-22,956,513.27	-21,335,127.58
Interest received		9,347,852.85	6,396,426.04
Taxes paid	10	-40,694,783.57	-39,205,820.03
Net cash flow from operating activities		284,274,347.54	262,830,373.24

€	Note	1 Jan - 31 Dec, 2020	1 Jan - 31 Dec, 2019
Cash flow from investing activities:			
Purchase of property, plant and equipment	13	-134,512,015.15	-104,761,656.82
Purchase of intangible assets	12	-11,795,943.33	-3,483,636.41
Purchase of other assets	14		
Proceeds from sale of other assets	14		684,495.00
Proceeds from sale of property, plant and equipment	13	840,000.00	3,057,000.00
Loans granted		-12,500,000.00	-12,000,000.00
Repayment of loan receivables		375,000.00	937,500.00
Dividends received	9	9,375,264.20	880,590.07
Contributions received			609,998.00
Net cash flow from investing activities		-148,217,694.28	-114,075,710.16
Cash flow from financing activities:			
Proceeds from current financing (liabilities)		227,337,686.48	435,667,584.00
Payments of current financing (liabilities)		-270,498,378.92	-515,738,978.54
Proceeds from non-current financing (liabilities)		164,666,785.78	150,000,000.00
Payments of non-current financing (liabilities)		-67,662,337.66	-46,324,937.36
Change in group account receivables and liabilities		1,374,855.93	-3,704,539.36
Dividends paid	22	-148,248,800.00	-171,439,950.00
Net cash flow from financing activities		-93,030,188.39	-151,540,821.26
Change in cash and cash equivalents and financial assets		43,026,464.87	-2,786,158.18
Cash and cash equivalents and financial assets 1 Jan		82,115,610.91	84,901,769.09
Cash and cash equivalents and financial assets 31 Dec	21	125,142,075.78	82,115,610.91

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7.4 NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY

1. Accounting principles

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

Foreign currency transactions

Commercial transactions and financial items denominated in foreign currencies are recognised at the foreign exchange mid-rate quoted by the European Central Bank (ECB) at the transaction date. Interest-bearing liabilities and receivables and the derivatives hedging these items are valued at the mid-rate quoted by the ECB at the closing date. Foreign exchange gains and losses on interest-bearing liabilities and receivables, and on the instruments hedging these items, are recognised at maturity under finance income and costs. Foreign exchange rate differences arising from the derivatives used to hedge commercial currency flows are recognised to adjust the corresponding item in the income statement.

Interest and currency derivatives

Interest rate and currency swaps, foreign exchange forwards and interest rate options are used, in accordance with the

Treasury Policy, to hedge the interest rate and foreign exchange risk, as well as the commercial items, in Fingrid's balance sheet items. The accounting principles for derivative contracts are the same as for the underlying items. The interest rate items of interest rate and cross-currency swaps and interest rate options are accrued and recognised in the income statement under interest income and costs. The interest portion of forward foreign exchange contracts hedging the interest-bearing liabilities and receivables is accrued over the maturity of the contracts and recognised under finance income and costs. Premiums paid or received on interest rate options are accrued over the hedging period.

Electricity derivatives

Fingrid hedges its loss power purchases against price risk by employing futures and forwards traded on the NASDAQ OMX Oslo ASA. There can also be trading in the OTC market in instruments corresponding to Nasdaq OMX Oslo ASA's financial instruments. The profits and losses arising from these contracts are used to adjust the loss energy purchases in the income statement in the period in which the hedging impacts profit or loss.

Research and development expenses

Research and development expenses are treated as annual expenses.

Valuation of fixed assets

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

The depreciation periods are as follows:

Goodwill 20 years

Other non-current expenses:

- Rights of use to line areas **30–40 years**
- Other rights of use according to useful life, maximum **10 years**
- Computer software **3 years**

Buildings and structures

- Substation buildings and separate buildings **40 years**
- Substation structures **30 years**
- Buildings and structures at gas turbine power plants **20–40 years**
- Separate structures **15 years**

Transmission lines

- Transmission lines 400 kV **40 years**
- Direct current lines **40 years**
- Transmission lines 110–220 kV **30 years**
- Creosote-impregnated towers and related disposal costs* **30 years**

- Aluminium towers of transmission lines (400 kV) **10 years**
- Optical ground wires **10–20 years**

Machinery and equipment

- Substation machinery **10–30 years**
- Gas turbine power plants **20 years**
- Other machinery and equipment **3–5 years**

*Disposal costs are discounted at present value and added to the value of the fixed asset and recognised under provisions for liabilities and charges.

Goodwill is depreciated over a 20-year period, since grid operations are a long-term business in which income is accrued over several decades.

Emission rights

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

Valuation of inventories

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

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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 and investments in short-term fixed income funds. Quoted securities and comparable assets are valued at the lower of original acquisition cost or probable market price.

Interest-bearing liabilities

Fingrid's non-current interest-bearing liabilities consist of loans from financial institutions and bonds issued under the Euro Medium Term Note (EMTN) programme. The current interest-bearing liabilities consist of commercial papers issued under the domestic and international programmes and of the current portion of noncurrent borrowings and bonds maturing within a year. The outstanding notes under the programmes are denominated in euros and foreign currencies. Fingrid has both fixed and floating rate debt. 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 recognised as an expense, and the commitment fees are recognised as an expense over the maturity of the facility.

Financial risk management

The principles applied to the management of financial risks are presented in chapter 5 of the Notes to the Consolidated Financial Statements.

Income taxes

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

Deferred taxes

The company enters deferred tax assets for the congestion income it uses for investments, and they become taxable income and tax in the year in which they were used. The tax assets entered for congestion income are recognised in accordance with the depreciation used in taxation for investments covered by congestion income. Congestion income allocated to investments is entered as a reduction in acquisition cost. For the rest, deferred tax assets and liabilities are not recorded in the income statement or balance sheet, but are instead presented in the notes.

2. Turnover by business area

The business of Fingrid Oyj comprises entirely transmission grid business with system responsibility. For that reason, there is no distribution of turnover by business area.

Turnover, €1,000	2020	2019
Grid service income	382,730	394,857
Imbalance power sales	260,823	346,749
Cross-border transmission	6,918	11,608
ITC income	17,147	14,429
Income from peak load capacity services	0	74
Income from guarantee-of-origin services	0	58
Other operating income	12,142	18,397
Total	679,761	786,173

3. Other operating income

€1,000	2020	2019
Rental income	526	644
Capital gains of fixed assets	577	2,816
Contributions received	547	290
Other income	738	568
Total	2,387	4,319

4. Materials and services

€1,000	2020	2019
Purchases during the financial year	295,605	377,427
Loss energy purchases	52,590	53,856
Change in inventories, increase (-) or decrease (+)	-1,617	970
Materials and consumables	346,578	432,253
Services	46,310	45,350
Total	392,888	477,603

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5. Personnel expenses

€1,000	2020	2019
Salaries and bonuses	26,739	22,396
Pension expenses	3,660	3,518
Other personnel expenses	889	638
Total	31,288	26,552

Salaries and bonuses of the members of the Board of Directors and President and CEO, €1,000

	2020	2019
Juhani Järvi, Chairman (since 6 June 2014)	43	42
Päivi Nerg, Vice Chairman (since 28 March 2018)	26	20
Sanna Syri, Member of the Board (since 14 April 2015)	23	21
Esko Torsti, Member of the Board (since 22 March 2012)	22	20
Anu Hämäläinen, Member of the Board (until 20 March 2020)	7	20
Hannu Linna, Member of the Board (since 20 March 2020)	17	
Jukka Ruusunen, President and CEO	504	523

Number of salaried employees in the company during the financial year:

	2020	2019
Personnel, average	382	368
Personnel, 31 Dec	389	368

6. Depreciation according to plan

€1,000	2020	2019
Other non-current expenses	6,958	8,107
Buildings and structures	10,896	10,083
Machinery and equipment	43,033	42,998
Transmission lines	37,603	37,052
Total*	98,491	98,240
* depreciation on the electricity grid (notes 12 and 13)	94,423	91,998

7. Other operating expenses

€1,000	2020	2019
Contracts, assignments etc. undertaken externally	23,651	25,142
Grid rents	255	234
Other rental expenses	3,384	3,609
Other costs	10,757	10,696
Total	38,047	39,682

8. Auditors' fees

€1,000	2020	2019
Auditing fee	106	104
Other fees	33	39
Total	139	143

9. Finance income and costs

€1,000	2020	2019
Dividend income from Group companies		171
Dividend income from others	8,357	881
Interest income from Group companies	815	421
Interest income from associated companies	13	22
Interest and other finance income from others	10,097	6,743
	19,282	8,239
Interest and other finance costs to others	-23,037	-21,849
Total	-3,755	-13,611

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10. Income taxes

€1,000	2020	2019
Income taxes for the financial year	29,760	34,546
Income taxes for the previous financial years	-38	411
Changes in deferred taxes	1,943	1,786
Total	31,665	36,742

The company will pay its income taxes in accordance with the underlying tax rate, with no tax planning

Deferred tax assets in balance sheet, €1,000	2020	2019
On temporary differences from congestion income	7,059	9,003
Total	7,059	9,003

Deferred tax assets and liabilities of balance sheet, €1,000	2020	2019
Deferred tax assets		
On temporary differences	279	279
	279	279
Deferred tax liabilities		
On temporary differences	186	200
On appropriations	59,779	69,779
	59,966	69,980
Total	59,687	69,701

11. Goodwill

€1,000	2020	2019
Cost at 1 Jan	128,664	128,664
Cost at 31 Dec	128,664	128,664
Accumulated depreciation according to plan 1 Jan	-128,664	-128,664
Accumulated depreciation in excess of plan 31 Dec	0	0

12. Intangible assets

€1,000	2020	2019
Cost at 1 Jan	175,780	172,237
Increases 1 Jan–31 Dec	1,469	4,733
Decreases 1 Jan–31 Dec	-333	-1,190
Cost at 31 Dec	176,916	175,780
Accumulated depreciation according to plan 1 Jan	-101,572	-94,636
Decreases, depreciation according to plan 1 Jan–31 Dec	64	1,171
Depreciation according to plan 1 Jan–31 Dec	-6,958	-8,107
Carrying amount 31 Dec	68,449	74,208
Accumulated depreciation difference 1 Jan	-47,252	-50,083
Changes in depreciation difference reserve 1 Jan–31 Dec	1,852	2,831
Accumulated depreciation in excess of plan 31 Dec	-45,400	-47,252

*Net capital expenditure in electricity grid, €1,000	2020	2019
Carrying amount 31 Dec	64,880	68,679
Carrying amount 1 Jan	-68,679	-70,075
Depreciation according to plan 1 Jan–31 Dec	4,108	4,441
Decreases 1 Jan–31 Dec	270	19
Total	579	3,064

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13. Tangible assets

€1,000	2020	2019
Land and water areas		
Cost at 1 Jan	19,641	19,117
Increases 1 Jan–31 Dec	234	524
Cost at 31 Dec	19,874	19,641
Buildings and structures		
Cost at 1 Jan	331,914	305,089
Increases 1 Jan–31 Dec	18,111	26,825
Cost at 31 Dec	350,025	331,914
Accumulated depreciation according to plan 1 Jan	-88,912	-78,829
Depreciation according to plan 1 Jan–31 Dec	-10,896	-10,083
Carrying amount 31 Dec	250,216	243,002
Accumulated depreciation difference 1 Jan	-13,400	-13,343
Changes in depreciation difference reserve 1 Jan–31 Dec	-138	-57
Accumulated depreciation in excess of plan 31 Dec	-13,538	-13,400
Machinery and equipment		
Cost at 1 Jan	1,230,589	1,179,798
Increases 1 Jan–31 Dec	28,135	50,791
Decreases 1 Jan–31 Dec	-2,439	
Cost at 31 Dec	1,256,286	1,230,589
Accumulated depreciation according to plan 1 Jan	-671,198	-628,200
Decreases, depreciation according to plan 1 Jan–31 Dec	1,364	
Depreciation according to plan 1 Jan–31 Dec	-43,033	-42,998
Carrying amount 31 Dec	543,419	559,391
Accumulated depreciation difference 1 Jan	-29,213	-56,386
Changes in depreciation difference reserve 1 Jan–31 Dec	26,160	27,174
Accumulated depreciation in excess of plan 31 Dec	-3,053	-29,213

€1,000	2020	2019
Transmission lines		
Cost at 1 Jan	1,326,918	1,295,079
Increases 1 Jan–31 Dec	8,682	36,650
Decreases 1 Jan–31 Dec	-831	-4,810
Cost at 31 Dec	1,334,769	1,326,918
Accumulated depreciation according to plan 1 Jan	-584,471	-551,824
Decreases, depreciation according to plan 1 Jan–31 Dec	586	4,404
Depreciation according to plan 1 Jan–31 Dec	-37,603	-37,052
Carrying amount 31 Dec	713,281	742,447
Accumulated depreciation difference 1 Jan	-259,033	-279,085
Changes in depreciation difference reserve 1 Jan–31 Dec	22,126	20,052
Accumulated depreciation in excess of plan 31 Dec	-236,906	-259,033
Other property, plant and equipment		
Cost at 1 Jan	118	118
Cost at 31 Dec	118	118
Prepayments and purchases in progress		
Cost at 1 Jan	50,294	59,596
Increases 1 Jan–31 Dec	152,942	106,599
Transfers to other tangible and intangible assets 1 Jan - 31 Dec	-56,631	-115,901
Cost at 31 Dec	146,606	50,294
Tangible assets total*	1,673,514	1,614,893
*Net capital expenditure in electricity grid, €1,000		
Carrying amount 31 Dec	1,647,656	1,589,030
Carrying amount 1 Jan	-1,589,030	-1,569,901
Depreciation according to plan 1 Jan–31 Dec	90,315	87,557
Decreases 1 Jan–31 Dec	1,319	407
Total	150,260	107,093

Fingrid's reserve power plants are included in the property, plant and equipment of the transmission system.

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14. Investments

€1,000	2020	2019
Interests in Group companies		
Cost at 1 Jan	843	843
Cost at 31 Dec	843	843
Interests in associated companies		
Cost at 1 Jan	8,087	8,588
Decreases 1 Jan–31 Dec		-500
Transfers between items 1 Jan–31 Dec	-6,587	
Cost at 31 Dec	1,501	8,087
Other shares and interests		
Cost at 1 Jan		
Transfers between items 1 Jan–31 Dec	6,587	
Cost at 31 Dec	6,587	
Investments total	8,931	8,931

15. Inventories

€1,000	2020	2019
Materials and consumables at 31 Dec	13,684	12,067
Total	13,684	12,067

16. Other non-current receivables

€1,000	2020	2019
Loan receivables from Group companies	34,570	21,394
Loan receivables from associated companies	563	1,125
Deferred tax assets	7,059	9,003
Total	42,192	31,522

17. Receivables from group companies

€1,000	2020	2019
Current:		
Trade receivables	138	186
Interest receivables	424	284
Other receivables	469	2,072
Total	1,031	2,542

18. Receivables from associated companies

€1,000	2020	2019
Current:		
Interest receivables	3	4
Loan receivables	375	188
Prepayments and accrued income	13	3,689
Other receivables	5,329	
Total	5,720	3,881

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19. Prepayments and accrued income

€1,000	2020	2019
Interest and other financial items	4,577	3,826
Accruals of sales and purchases	14,992	3,234
Total	19,569	7,060

20. Unrecorded expenses and par value differentials on the issue of loans included in prepayments and accrued income

€1,000	2020	2019
Par value differentials	1,004	1,217

21. Cash and cash equivalents

€1,000	2020	2019
Short-term fixed income funds	79,373	66,489
Cash in hand and bank receivables	45,645	15,626
Total	125,018	82,116

22. Shareholders' equity

€1,000	2020	2019
Share capital 1 Jan	55,922	55,922
Share capital 31 Dec	55,922	55,922
Share premium account 1 Jan	55,922	55,922
Share premium account 31 Dec	55,922	55,922
Profit from previous financial years 1 Jan	198,986	222,365
Dividend distribution	-148,249	-171,440
Profit from previous financial years 31 Dec	50,737	50,925
Profit for the financial year	136,014	148,061
Shareholders' equity 31 Dec	298,596	310,831
Distributable shareholders' equity	186,751	198,986

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Number of shares	Series A shares	Series B shares	Total
1 Jan 2020	2,078	1,247	3,325
31 Dec 2020	2,078	1,247	3,325

Series A shares confer three votes each at the Annual General Meeting and Series B shares one vote each. When electing members of the Board of Directors, Series A shares confer 10 votes each at the Annual General Meeting and Series B shares one vote each.

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

Fingrid Oyj's Annual General Meeting decides on the annual dividend.

Eighty-two (82) per cent of the dividends to be distributed for each financial year is distributed for all Series A shares and eighteen (18) per cent for all Series B shares, however such that EUR twenty

(20) million of the dividends to be distributed for each financial year is first distributed for all Series B shares. If the above-mentioned EUR twenty (20) million minimum amount for the financial period is not distributed (all or in part) for Series B shares in a financial period, Series B shares confer the right to receive the undistributed minimum amount in question (or the accumulated undistributed minimum amount accrued during such financial periods) in the next profit distribution, in any disbursements paid out, or in any other distribution of assets prior to any other dividends, disbursements or asset distribution until the undistributed minimum amount has been distributed in full for Series B shares.

There are no non-controlling interests.

23. Accumulated appropriations

€1,000	2020	2019
Accumulated depreciation from the difference between depreciation according to plan and depreciation carried out in taxation	298,897	348,897
Total	298,897	348,897

24. Bonds

€1,000				2020	2019
Currency	Nominal value	Maturity	Interest	Balance sheet value	
EUR	50,000	20 Sep 2020	floating rate		50,000
EUR	30,000	19 Sep 2022	floating rate	30,000	30,000
EUR	30,000	11 Sep 2023	2.71%	30,000	30,000
EUR	300,000	3 Apr 2024	3.50%	300,000	300,000
EUR	70,000	7 May 2025	0.527%	70,000	
EUR	100,000	23 Nov 2027	1.125%	100,000	100,000
EUR	25,000	27 Mar 2028	2.71%	25,000	25,000
EUR	10,000	12 Sep 2028	3.27%	10,000	10,000
EUR	80,000	24 Apr 2029	2.95%	80,000	80,000
EUR	30,000	30 May 2029	2.89%	30,000	30,000
				675,000	655,000
NOK	100,000	16 Sep 2025	4.31%	12,512	12,512
NOK	500,000	8 Apr 2030	2.72%	43,478	
				55,990	12,512
Bonds, long-term total				730,990	617,512
Bonds, short-term total					50,000
Total				730,990	667,512

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25. Loans falling due in five years or more

€1,000	2020	2019
Bonds	288,478	257,512
Loans from financial institutions	146,073	137,185
Total	434,552	394,697

26. Liabilities to group companies

€1,000	2020	2019
Current:		
Other liabilities	512	1 599
Total	512	1 599

27. Liabilities to associated companies

€1,000	2020	2019
Current:		
Trade payables	1,961	3,920
Total	1,961	3,920

28. Other liabilities

€1,000	2020	2019
Current:		
Other loans/Commercial papers (international and domestic)	72,155	165,315
Value added tax	9,760	17,849
Electricity tax	4,251	4,107
Advances received	923	923
Other liabilities	779	713
Total	87,869	188,908

29. Accruals

€1,000	2020	2019
Current:		
Interest and other financial items	12,576	11,056
Salaries and additional personnel expenses	7,265	6,716
Accruals of sales and purchases	11,911	16,401
Tax debts	708	11,681
Congestion income	219,126	72,378
Total	251,586	118,233

30. Provisions for liabilities and charges

€1,000	2020	2019
Creosote-impregnated and CCA-impregnated wooden towers, disposal costs	1,368	1,393
Total	1,368	1,393

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31. Derivative agreements

€1,000	2020				2019				Hierarchy level
	Fair value pos. 31.12.20	Fair value neg. 31.12.20	Net fair value 31.12.20	Nominal value 31.12.20	Fair value pos. 31.12.19	Fair value neg. 31.12.19	Net fair value 31.12.19	Nominal value 31.12.19	
Interest rate and currency derivatives									
Cross-currency swaps	13,284	-9,911	3,373	55,990	1,509	-2,901	-1,393	12,512	Level 2
Forward contracts	117	-16	101	3,983		-440	-440	15,878	Level 2
Interest rate swaps	28,258	-5,684	22,574	305,000	27,771	-3,564	24,207	265,000	Level 2
Bought interest rate options	142		142	860,000	49		49	610,000	Level 2
Total	41,801	-15,612	26,190	1,224,973	29,329	-6,905	22,423	903,389	
Electricity derivatives									
	Fair value pos. 31.12.20	Fair value neg. 31.12.20	Net fair value 31.12.20	Volume TWh 31.12.20	Fair value pos. 31.12.19	Fair value neg. 31.12.19	Net fair value 31.12.19	Volume TWh 31.12.19	
Electricity future contracts. NASDAQ OMX Commodities					8,015	-771	7,244	0.71	Level 1
Electricity forward contracts. NASDAQ OMX Commodities	21,678	-5,865	15,813	5.51	5,740		5,740	3.56	Level 1
Total	21,678	-5,865	15,813	5.51	13,755	-771	12,984	4.27	

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32. Commitments and contingent liabilities

€1,000	2020	2019
Rental liabilities		
Liabilities for the next year	3,471	3,451
Liabilities for subsequent years	33,299	33,189
	36,770	36,640
Right-of-use agreements		
Liabilities for the next year	8,810	8,663
Liabilities for subsequent years	39,860	45,233
	48,670	53,896
Pledges given as collateral for regulatory charges	490	490
Other financial commitments		
Rent security deposit, guarantee	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	681	414
Liabilities for subsequent years	276	568
	994	1,020
Unrecognised investment commitments	182,678	169,419

The investment commitments consist of agreements signed by the company to carry out grid construction projects

33. Legal proceedings and proceedings by authorities

An accident took place on a worksite in Laukaa, Finland, on 25 August 2017, where an employee of Revilla y Garcia S.L. died after having fallen from a transmission line tower. A civil court case, as well as proceedings concerning social-security-based damages, have been initiated in Spain for damages against Fingrid (the client linked with the accident), the main contractor, Technolines S.R.L. filial i Finland, and its subcontractor, Revilla y Garcia S.L. Fingrid does not believe the claim against it is likely to succeed and, in Fingrid's view, the legal proceedings or their outcome are not likely to have a substantial impact on the company's earnings or financial position.

On 30 June 2020, the Market Court received an appeal on the company's decision to exclude a bidder from a competitive tender for 400-MVA transformers to be acquired in 2022–2025. The company decided to discontinue the tendering process on 14 July 2020. After the decision to discontinue the tendering process, the appeal to the Market Court was withdrawn on 28 July 2020.

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34. Separation of businesses in accordance with the electricity market act**Imbalance power and regulating power**

Each electricity market party must ensure its electricity balance by making an agreement with either Fingrid or some other party. Fingrid buys and sells imbalance power in order to stabilise the hourly power balance of an electricity market party (balance responsible party). Imbalance power trade and pricing are based on a balance service agreement with equal and public terms and conditions.

Fingrid is responsible for the continuous power balance in Finland by buying and selling balancing power in Finland. The balance responsible parties can participate in the Nordic balancing power market by submitting bids on their available capacity. The terms and conditions of participation in the regulating power market and the pricing of balancing power are based on the balance service agreement.

Fingrid is responsible for organising national imbalance settlement. As of the beginning of May 2017, Fingrid has transferred the imbalance settlement to eS-ett Oy, a company jointly owned by the Finnish, Swedish, Norwegian and Danish transmission system operators.

The balance settlement takes place after the utilisation hours by determining the

actual electricity generation, consumption and electricity trade. The outcome of the balance settlement is power balances for each party to the electricity trade.

Management of balance operation

In accordance with a decision by the Energy Market Authority, Fingrid Oyj shall separate the duties pertaining to national power balance operation by virtue of Chapter 12 of the Electricity Market Act. The management of balance operation is a part of grid operations.

The income statement of the balance service unit is separated by means of cost accounting as follows:

Income

- direct

Separate costs

- direct

Production costs

- matching principle

Administrative costs

- matching principle

Depreciation

- matching principle in accordance with Fingrid Oyj's depreciation principle

Finance income and costs

- on the basis of imputed debt

Income taxes

- based on result

The average number of personnel during 2020 was 8 (8). The operating profit was -1.4 (-1.8) per cent of turnover.

Management of balance operation, separated income statement

Management of balance operation, separated income statement, €1,000	1 Jan - 31 Dec, 2020	1 Jan - 31 Dec, 2019
TURNOVER	272,451	356,290
Other operating income		184
Materials and services	-274,114	-358,590
Personnel costs	-751	-887
Depreciation and amortisation expense	-540	-561
Other operating expenses	-907	-2,816
OPERATING PROFIT	-3,861	-6,379
Finance income and costs	13	22
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	-3,849	-6,357
Appropriations	-208	208
Income taxes		
PROFIT/LOSS FOR THE FINANCIAL YEAR	-4,057	-6,149

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Management of balance operation, separated balance sheet

ASSETS, €1,000	31 Dec 2020	31 Dec 2019
NON-CURRENT ASSETS		
Intangible assets		
Other non-current expenses	278	351
Tangible assets		
Machinery and equipment	105	250
Investments		
Interests in associated companies	1,501	1,501
TOTAL NON-CURRENT ASSETS	1,884	2,102
CURRENT ASSETS		
Non-current		
Loan receivables from associated companies	563	1,125
Current receivables		
Trade receivables	3,891	3,311
Receivables from Group companies		6,235
Receivables from associated companies	5,332	16,027
Other receivables	1,044	1,497
	10,267	27,070
Cash in hand and bank receivables	1	1
TOTAL CURRENT ASSETS	10,831	28,196
TOTAL ASSETS	12,714	30,298

SHAREHOLDERS' EQUITY AND LIABILITIES, €1,000	31 Dec 2020	31 Dec 2019
EQUITY		
Share capital	32	32
Share premium account	286	286
Profit from previous financial years	14,065	20,214
Profit for the financial year	-4,057	-6,149
TOTAL SHAREHOLDERS' EQUITY	10,326	14,382
ACCUMULATED APPROPRIATIONS	-610	-818
LIABILITIES		
Current liabilities		
Trade payables	822	3,311
Liabilities to Group companies	216	
Liabilities to associated companies	1,961	13,423
	2,999	16,734
TOTAL LIABILITIES	2,999	16,734
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	12,714	30,298

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Development of information exchange

It is Fingrid's task to develop the exchange of information required for electricity trade and imbalance settlement as set out in the Electricity Market Act. Fingrid's information exchange services are part of the electricity markets' information exchange environment. In order to develop the effective and accurate exchange of information, Fingrid works in close co-operation with e.g. electricity market parties, interest groups, service providers, supervisory authorities, legislators, organisations that develop national and international communications and other transmission system operators.

In accordance with a decision by the Energy Market Authority, Fingrid Oyj must separate the duties pertaining to the development of information exchange by virtue of Chapter 12 of the Electricity Market Act. The development of information exchange is a part of grid operations.

The separation of the income statement for the development of information exchange is realised by means of cost accounting as follows:

Income

- direct

Separate costs

- direct

Administrative costs

- matching principle

Income taxes

- based on result

Development of information exchange, separated income statement

€1,000	1 Jan - 31 Dec, 2020	1 Jan - 31 Dec, 2019
TURNOVER	519	549
Other operating expenses	-202	-584
OPERATING PROFIT	317	-35
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	317	-35
Income taxes	-63	7
PROFIT/LOSS FOR THE FINANCIAL YEAR	253	-28

Development of information exchange, separated balance sheet

ASSETS, 1 000 €	31 Dec 2020	31 Dec 2019
CURRENT ASSETS		
Trade receivables		
Receivables from Group companies		479
Other receivables	30	227
TOTAL CURRENT ASSETS	30	706
TOTAL ASSETS	30	706

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SHAREHOLDERS' EQUITY AND LIABILITIES, €1,000	31 Dec 2020	31 Dec 2019
EQUITY		
Share capital	3	3
Profits/losses from previous financial years	-358	-331
Profit for the financial year	253	-28
TOTAL SHAREHOLDERS' EQUITY	-103	-356
LIABILITIES		
Current liabilities		
Trade payables	21	1 062
Liabilities to Group companies	112	
Other liabilities		
	133	1 062
TOTAL LIABILITIES	133	1 062
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	30	706

Grid operations

Grid operations refers to licensed electricity system operation that takes place on the electricity grid. Electricity system operations are defined in Chapter 1 of the Electricity Market Act (588/2013) and grid operations are defined in Chapter 5. Of Fingrid Oyj's operations, activities related to the management of the power reserve system and guarantees of origin for electricity, as well as the datahub project that was started in 2015 are not included in grid operations. Operations that are not part of grid operations constitute 'other operations' as referred to in Chapter 12 of the Electricity Market Act and must be separated from grid operations in accordance with that Chapter.

The income statement and balance sheet of grid operations and other operations have, in compliance with Chapter 12 of the

Electricity Market Act, been separated by means of cost accounting as follows:

Income

- direct

Separate costs

- direct

Production costs

- matching principle

Administrative costs

- matching principle

Depreciation

- matching principle in accordance with Fingrid Oyj's depreciation principle

Finance income and costs

- on the basis of imputed debt

Income taxes

- based on result

Balance sheet items

- matching principle

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Separated income statement

€1,000	TRANSMISSION SYSTEM OPERATION 1 Jan - 31 Dec, 2020	OTHER OPERATION 1 Jan - 31 Dec, 2020
TURNOVER	678,201	1,560
Other operating income	2,387	
Materials and services	-392,888	
Personnel costs	-30,845	-443
Depreciation and amortisation expense	-98,491	
Other operating expenses	-36,930	-1,117
OPERATING PROFIT	121,435	0
Finance income and costs	-4,570	815
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	116,865	815
Appropriations	50,000	
Income taxes	-31,502	-163
PROFIT/LOSS FOR THE FINANCIAL YEAR	135,362	652



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Separated balance sheet

ASSETS, €1,000	TRANSMISSION SYSTEM OPERATION 31 Dec 2020	OTHER OPERATION 31 Dec 2020
Intangible assets:		
Goodwill		
Other intangible assets	68,449	
	68,449	
Tangible assets		
Land and water areas	19,874	
Buildings and structures	250,216	
Machinery and equipment	543,419	
Transmission lines	713,281	
Other property, plant and equipment	118	
Prepayments and purchases in progress	146,606	
	1,673,514	
Investments:		
Interests in Group companies		843
Interests in associated companies	1,501	
Other shares and interests	6,587	
	8,087	843
TOTAL NON-CURRENT ASSETS	1,750,050	843

ASSETS, €1,000	TRANSMISSION SYSTEM OPERATION 31 Dec 2020	OTHER OPERATION 31 Dec 2020
CURRENT ASSETS		
Inventories	13,684	
Receivables		
Non-current		
Loan receivables from Group companies		34,570
Loan receivables from associated companies	563	
Deferred tax assets	7,059	
	7,622	34,570
Current		
Trade receivables	76,490	
Receivables from Group companies	35,131	1,031
Receivables from associated companies	5,720	
Other receivables	2,736	
Prepayments and accrued income	20,702	
	140,780	1,031
Financial securities	79,373	
Cash in hand and bank receivables	45,645	
TOTAL CURRENT ASSETS	287,103	35,601
TOTAL ASSETS	2,037,153	36,444

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Separated balance sheet

	TRANSMISSION SYSTEM OPERATION	OTHER OPERATION
SHAREHOLDERS' EQUITY AND LIABILITIES, €1,000	31 Dec 2020	31 Dec 2020
EQUITY		
Share capital	55,920	3
Share premium account	55,922	
Profit from previous financial years	50,704	33
Profit for the financial year	135,362	652
TOTAL SHAREHOLDERS' EQUITY	297,908	688
ACCUMULATED APPROPRIATIONS	298,897	
PROVISIONS FOR LIABILITIES AND CHARGES	1,368	
LIABILITIES		
Non-current liabilities		
Bonds	730,990	
Loans from financial institutions	272,554	
	1,003,544	

	TRANSMISSION SYSTEM OPERATION	OTHER OPERATION
SHAREHOLDERS' EQUITY AND LIABILITIES, €1,000	31 Dec 2020	31 Dec 2020
Current liabilities		
Bonds		
Loans from financial institutions	67,662	
Trade payables	26,472	
Liabilities to Group companies		35,642
Liabilities to associated companies	1,961	
Other liabilities	87,858	11
Accruals	251,483	103
	435,436	35,756
TOTAL LIABILITIES	1,438,980	35,756
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,037,153	36,444

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Other non-current assets included in the separated balance sheet for grid operations

Separated balance sheet

ASSETS, €1,000	TRANSMISSION SYSTEM OPERATION 31 Dec 2020
Intangible assets:	
Other intangible assets	3,569
	3,569
Tangible assets	
Land and water areas	17,136
Buildings and structures	4,578
Machinery and equipment	3,094
Transmission lines	932
Other property, plant and equipment	118
Prepayments and purchases in progress	146,606
	172,463
TOTAL NON-CURRENT ASSETS	176,032

Congestion income in grid operations

The congestion income received by a grid owner must be used for the purposes stated in EC Regulation 714/2009, Article 16, Paragraph 6: guaranteeing the actual availability of the allocated capacity, and maintaining or increasing interconnection capacities through network investments. As a consequence of the change in the regulation governing Fingrid's grid pricing, the company will include the congestion income received after 1 January 2016 as accruals in the item other liabilities in the balance sheet. Of the accruals, congestion income will be recognised in the income statement

as other operating income when their corresponding costs, as defined in the regulation, accrue as annual expenses in the income statement. Alternatively, they are entered in the balance sheet against investments, as defined by regulation, to lower the acquisition cost of property, plant and equipment, which lowers the depreciation of the property, plant and equipment in question. The congestion income received before 1 January 2016 was recognised in turnover. EUR 219.1 million in congestion revenue remains unused and will be used for future investments to improve the functioning of the electricity market.

Congestion income, €1,000	2020	2019
Congestion income on 1 Jan	72,378	1,292
Accumulated congestion income	146,748	73,001
Investments matching congestion income		-1,915
Congestion income on 31 Dec	219,126	72,378

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Countertrade

In terms of the costs arising from countertrade used to safeguard system security in grid operations, congestion income may be used to offset countertrade costs arising from cross-border transmission connections.

Counter trade, €1,000	2020	2019
Countertrade between Finland and Sweden	91	137
Countertrade between Finland and Estonia	226	485
Countertrade between Finland's internal connections	370	279
Total counter-trade	687	902

35. Emission rights

Fingrid has not been granted free-of-charge emission rights for the emissions trade period 2013–2020.

The use of emission rights had no impact on the financial result in 2020.

	2020	2019
Total CO ₂ emissions tCO ₂	5,020	5,142

36. Permanent location in Denmark in income taxation**Joint Nordic operational planning organisation**

Fingrid has established, jointly with Svenska Kraftnät, Statnett and Energinet.dk, the Nordic Regional Security Coordinator (Nordic RSC) in Copenhagen for in-

ter-TSO operational planning between the countries. The unit includes Fingrid employees who provide the service for Fingrid's parent company, and this operation constitutes a permanent location in terms of income taxation and is income taxable to Denmark. The unit became operational in summer 2018.

Income statement, €1,000	1 Jan - 31 Dec, 2020	1 Jan - 31 Dec, 2019
TURNOVER	1,279	897
Personnel costs	-189	-201
Other operating expenses	-1,029	-653
OPERATING PROFIT	61	43
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	61	43
Income taxes	-13	-9
PROFIT/LOSS FOR THE FINANCIAL YEAR	48	33

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

Helsinki, 5th March 2021

Juhani Järvi
Chair

Päivi Nerg
Deputy Chairman

Sanna Syri

Esko Torsti

Hannu Linna

Jukka Ruusunen
President & CEO

Auditor's notation

A report on the audit carried out has been submitted today.

Helsinki, 5th March 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila, APA

Fingrid delivers. Responsibly.

For more detailed information on Fingrid and the contact persons for various functions, see the company's website at www.fingrid.fi

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