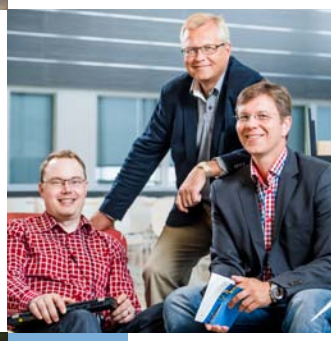
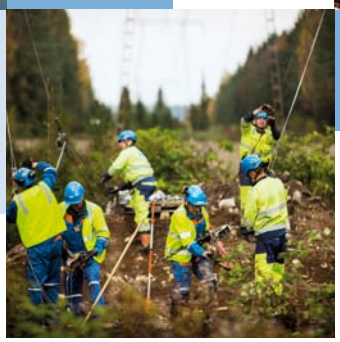








FINGRID

2013

ANNUAL REPORT

CONTENTS OF THE ANNUAL REPORT AND REPORTING PRINCIPLES

Fingrid draws up consolidated financial statements and interim reports in accordance with the IFRS reporting standards accepted by the European Union and in accordance with the Finnish Securities Market Act. The annual review and the financial statements of the parent company of the Group are prepared in accordance with the Finnish Accounting Act and the guidelines and statements of the Finnish Accounting Standards Board. The information on personnel is based on the calculation systems used by human resources management, and the calculation of the relevant information is in compliance with the general guidelines of the Finnish Accounting Standards Board concerning the preparation of annual reviews. The environmental data is collected from the information reported to the authorities and from the company's own data compilation systems. An external emissions trading verifier has verified our carbon dioxide emission reports. Other aspects of corporate responsibility information have not been verified.

Corporate responsibility reporting covers the economic, social and environmental impacts of Fingrid Group's own operations in 2013. We apply the international GRI G3 (Global Reporting Initiative) reporting guidelines to our responsibility reporting. In addition, we report selected indicators from the GRI appendix specific to the energy industry. Page 50 contains a table describing the correspondence between the GRI guidelines and this report. We have ourselves estimated our reporting to be equivalent to Application Level B of the GRI. The application level has been verified by a third party, PricewaterhouseCoopers Oy. We focus on reporting the most essential topics, and we comply with the reporting guidelines of state-owned companies with regard to key topics. Our objective is to develop our data compilation systems related to sustainability issues and our corporate responsibility reporting together with the related indicators comprehensively and in a balanced manner between the various sectors.

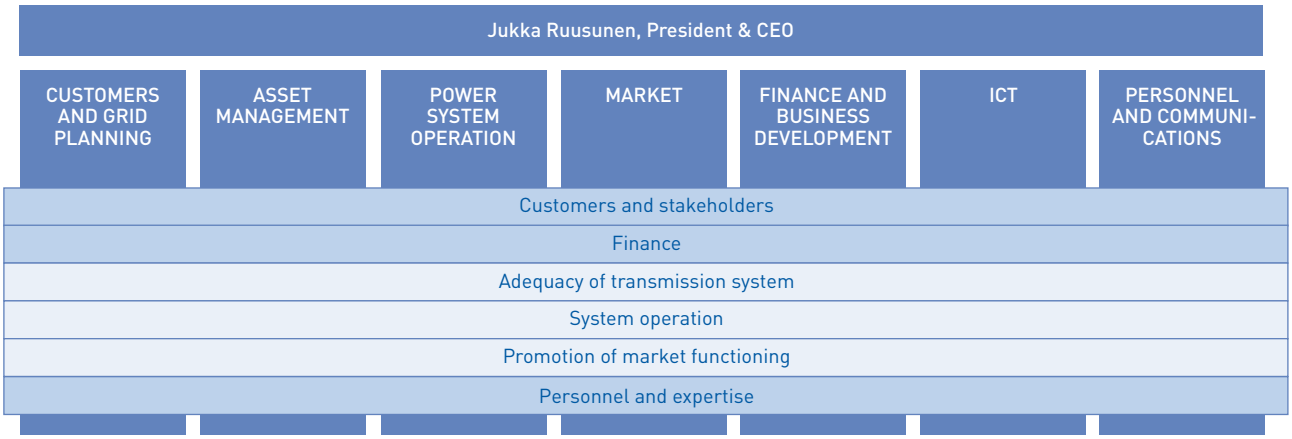
Fingrid reports its responsibility issues annually in the annual report. The annual report for 2013 will be published both in print and in an electronic format. The text in both publications is of equivalent content but the printed version is slightly more concise. The online publication containing the texts in full can be found at http://annualreport.fingrid.fi/en/2013. The reporting period for corporate responsibility reporting is the financial year of 1 January to 31 December 2013. Fingrid's previous annual report was published on 27 March 2013. Feedback and questions concerning corporate responsibility can be sent to viestinta@fingrid.fi.

CONTENTS

FINGRID IN BRIEF

- Fingrid Oyj is a Finnish public limited liability company responsible for electricity transmission in the high-voltage transmission system in Finland.
- Fingrid's nation-wide 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 regional electricity distribution networks are connected to the grid.
- The Finnish power system is part of the inter-Nordic power system. The inter-Nordic system is connected to the system in Continental Europe via high-voltage direct current transmission links. There are also high-voltage direct current links from Finland to Russia and Estonia.
- Fingrid is responsible for planning and monitoring the operation of the Finnish electricity transmission system and for maintaining and developing the system. The company is also tasked with participating in work carried out by ENTSO-E, the European Network of Transmission System Operators for Electricity, in the preparation of European network codes, and in European network planning.
- The transmission system owned by Fingrid encompasses approx. 14,000 kilometres of 400, 220 and 110 kilovolt transmission lines plus more than 100 substations.
- Fingrid's customers include grid companies, electricity producers, electricity users and electricity market parties. The company provides these groups with various services, such as connecting consumption and production to the main grid, imbalance power trade and imbalance settlement, reliable power transmission, functioning electricity markets and supervision of market parties' interests, providing a marketplace for reserve power and producing electricity market information.
- Fingrid is developing new market services that are improving market efficiency. As of 1 April 2014, the granting of guarantees of origin for electricity will be the company's responsibility. Fingrid revamps the electronic exchange of information on the market. This way, the business processes of especially retailers and grid companies are harmonised and improved.
- Fingrid makes sure that Finland obtains electricity without disturbance. In the next few years, almost 2,500 kilometres of new transmission lines and about 20 substations will be constructed in Finland.
- Fingrid is owned by the State of Finland (holding 53.1%), Ilmarinen Mutual Pension Insurance Company (19.9%) and other institutional investors 27%.
- The company was established on 29 November 1996.
- Operations started on 1 September 1997.
- Turnover was 543 (522) million euros.
- Balance sheet total 2.18 (2.09) billion euros.
- Owns 18.8 per cent of electricity exchange Nord Pool Spot AS.
- Fingrid owns the balance services company eSett together with Statnett and Svenska Kraftnät. The company will offer balance services for actors on the Finnish, Norwegian and Swedish electricity markets from the second half of 2015.
- Number of personnel at the end of the year: 287 (275) with 268 (261) in permanent employment.
- Fingrid is headquartered in Helsinki, and the company also has offices in Hämeenlinna, Oulu, Petäjävesi, Rovaniemi and Varkaus.

Fingrid Oyj, organisation 1 January 2014

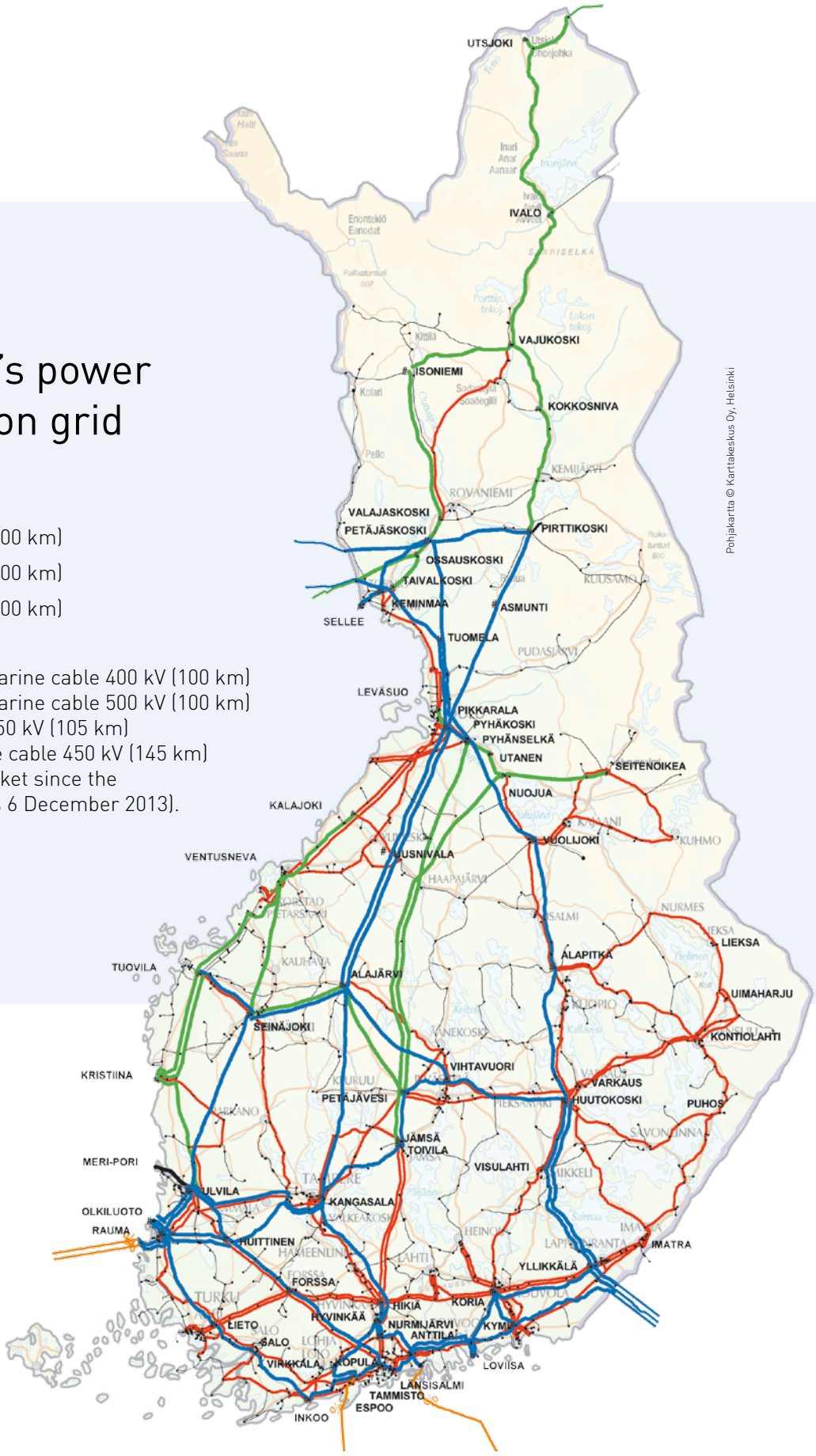


Fingrid Oyj's power transmission grid

1 January 2014

400 kV grid (4,500 km)
220 kV grid (2,300 km)
110 kV grid (7,500 km)

Plus
- Fenno-Skan 1 submarine cable 400 kV (100 km)
- Fenno-Skan 2 submarine cable 500 kV (100 km)
- Estlink 1 cable +/- 150 kV (105 km)
- EstLink 2 submarine cable 450 kV (145 km) (available to the market since the commissioning tests 6 December 2013).



Pohjakartta © Karttakeskus Oy, Helsinki

FINGRID'S STRATEGY

Fingrid makes sure that Finland obtains and will continue to obtain electricity without disturbance. We are involved in developing Finnish society and the wellbeing of each and every Finn. We have a positive effect on the daily lives of Finns via our three main duties, which are: to transmit electricity reliably, actively promote the electricity market, and develop the transmission system over the long term.

FINGRID'S STRATEGIC GOALS ARE BASED ON FOUR PERSPECTIVES

FINGRID'S VISION

To be a role model in transmission system operations

FINGRID'S MISSION

We work for the benefit of customers and society:

- We transmit electricity reliably.
- We actively promote electricity markets.
- We develop the grid in the long-term.

FINGRID VALUES

- Transparency
- Impartiality
- Efficiency
- Responsibility

Our primary objective as the transmission system operator is to work for the benefit of our customers and society. We wish to be a forerunner in transmission system operation in everything we do. Our corporate values are transparency, impartiality, efficiency and responsibility, and these guide our practical operations and choices. In the preparation of the strategy, we have examined the requirements set by our vision as fairly as possible from four different perspectives.

Our customers and stakeholders expect our performance to include strategic choices and operating models that contribute to a reliable electricity transmission system and well-functioning electricity markets. Services are developed in line with customer needs and affordable grid transmission pricing is ensured. Fingrid is an independent actor on the markets and it serves all its customers equally. Customers include electricity producers, electricity market actors, large-scale industrial companies and electricity companies. Fingrid offers its customers electricity transmission and electricity market services.

Financial management is based on the premise that we can respond to the expectations of society in the long term by working cost-efficiently and providing the shareholders with value. Here at Fingrid, we wish to be a role model for grid operations on increasingly international electricity markets. This means continuous development and cost-efficiency.

We have tuned our internal processes to conform to the company's main duties. Our organisation model is based on a matrix structure which supports effective implementation and comprehensively engages the personnel.

System security management requires proactive and reliable attendance to system responsibility. The aim is to keep Finland powered and ensure that the consumption and production of electricity in Finland's power system are always balanced. We work around the clock seven days a week to ensure this.

We promote the functioning of the electricity market by taking active part in the maintenance and development of electricity market operating models. We aim to keep electricity transmission connections between countries sufficient, provide sufficient information concerning markets and take care of balance services efficiently. Joint European electricity markets which function efficiently are of benefit to consumers.

An essential objective in securing transmission capacity is that we carry out capital investments and maintenance work efficiently at the right time. The grid is constructed and maintained safely and in a flexible manner to correspond to society's electricity production and consumption needs.

We develop our personnel and expertise so that our working community is productive, innovative and healthy. The company's strategy is updated on an annual basis with dozens of Fingrid employees throughout the organisation participating either in the setting of goals or analysis of our operating environment. A personnel perspective is involved in all areas of decision-making.

REVIEW BY THE CEO

Our development themes for 2013 were customer operations and responsibility. With regard to customer operations we are now ready to begin working with our new operating model, developed in close cooperation with our customers. Fingrid's Advisory Committee has invested a significant amount of time and effort into the new model. The development work may have been the reason for improvements in the results of our customer satisfaction survey across the board. Fingrid's success in carrying out its main duties was evaluated as having improved. Transparency in our operations has increased. Fingrid personnel have improved in keeping sufficient contact with customers and other parties. Great work, let's keep it up!

With regard to responsibility, we've developed responsible management and concretised Fingrid's responsibility targets. Responsibility is an essential part of a grid company's operations, and it is a central part of our strategy. When it comes down to it, the most important thing is how our customers and society see us. In 2013, concrete development procedures included worksite responsibility auditing and the development of international device manufacturer responsibility in connection with a major transformer procurement project. We have also worked on new responsibility requirements for our service and goods suppliers.

Grid investments were once again high: we invested around 209 million euros in the main grid. The investment portfolio management requires plenty of flexibility throughout the various sectors of our organisation. I am proud to say that all our projects have progressed according to set schedules and are on budget. For this I would like to thank not only our own employees at Fingrid but also our service provider organisations' employees. Constructing a power network and electricity substations is hard work, and last year we saw excellent cooperation and performance at our worksites.

Not everything always goes as planned, however. 2013 was a year of occupational safety development in our company. Nevertheless an industrial accident which proved fatal took place during inspection and repair work on the new transmission line between Yllikkälä and Huutokoski. Our efforts to improve occupational safety have not been wasted, but we still have work to do to improve occupational safety.

WORK IS ONGOING AND WE AIM TO FURTHER IMPROVE OUR OPERATIONS IN ORDER TO KEEP THE RELIABILITY OF ELECTRICITY SUPPLY IN FINLAND AT GLOBAL PEAK LEVELS.

The EstLink 2 connection has meant a great step forward for electricity markets in the Baltic Sea region. EstLink 2 has already made market activity more efficient and improved reliability in the supply of electricity in the area. The benefits to society are significant. The project serves as a model for all of Europe as to how cross-border cooperation can achieve great things

when people on both sides of the border strive to achieve the same goal. In projects of such scope, the most important thing is trust between all parties involved. The colossal and technologically complex project was seen through well on schedule and within budget.

Grid operational reliability in 2013 was excellent despite significant challenges set by our large-scale investment programme. The new main grid control centre demonstrated how well it functions in its first year of operations. We've learnt from setbacks in previous years and we have developed operations, such as the planning of transmission breaks. Work is ongoing and we aim to further improve our operations in close cooperation with customers in order to keep the reliability of electricity supply in Finland at global peak levels. As part of our ongoing development, in 2014 we will team up with our customers to inspect how capable power plants are of managing disruption, the tree-proofing of branch lines and the undisrupted functionality of transmission line connections.

The grid company is in a monopoly position, and for this reason it must be able to demonstrate to its customers and to society that operations are cost-efficient. We constantly measure the efficiency of our operations and then carry out development work based on the results. We want to be the world's best grid company, which means our point of comparison has to be the world's best grid companies. In 2013 we participated in an overall efficiency study of European grid companies, a global asset management efficiency study and a global operations efficiency study. Our results were excellent, and Finland ranked high in each study. The results gave us ideas on how to further develop our operations. One significant area of progress in development is our new enterprise asset management system which we took party into use at the end of 2013.

The new national Electricity Market Act came into effect in September 2013. The act outlines the separation of grid ownership in line with EU requirements. The act also contains a new definition of transmission grid whereby 220–400 kV radial cables will also be considered part of the grid if it feeds a large centre of consumption. In practice, this means that Fingrid's grid will reach Helsinki. The act also sets out clearer requirements with regard to grid operational reliability and overall reliability. Concerning the development of markets, the act allows for joint-Nordic balance settlement in a company established together with other grid network owners. This work is already fully under way at Fingrid. The Act also sets out a new task for Fingrid; the development of the exchange of information required for electricity trade and balance settlement. Fingrid was also given responsibility for the management of guarantees of origin via a separate law on the guarantee of origin. Fingrid's customer base will multiply as a result of these new tasks.

The world is becoming a more complex and international place. Extreme weather phenomena are increasingly common. Society's dependency on the supply of electricity will also increase. As such, it's no surprise that Fingrid's main theme for 2014 is continuity management.

Jukka Ruusunen
CEO

CUSTOMERS AND STAKEHOLDERS

Last year, Fingrid developed its customer service together with its customers and the results of a survey put customer satisfaction at a higher level than the previous year. The new Electricity Markets Act brought new areas of responsibility and therefore new customers for Fingrid. In addition to customers, it is important for Fingrid to maintain successful dialogue with all stakeholders, such as landowners and residents in areas near transmission lines.

IMPROVED CUSTOMER SATISFACTION

The theme for last year was **customer operations development.** At the start of the year, work commenced on investigating customers' needs and expectations of Fingrid and to find ways of improving the quality of services offered by the company. Respondents to customer need surveys and interviews felt that reliable electricity transmission, affordable pricing and functioning electricity markets were the most important factors. Depending on their field, customers expect Fingrid to carry out smooth network planning cooperation, to maintain market-based adjustment and reserve markets and to supervise interests and act as a source of information in European electricity market development.

As a result of the investigative work, customers were divided up into four groups according to the needs of their operations: network companies, electricity producers, electricity consumers and electricity market operators. A customer company can belong to more than one customer group. The aim is to provide a more targeted and higher quality service. Fingrid's services are divided into grid network connections and electricity transmission services, services which promote and support electricity markets, and services relating to balance settlement and imbalance power trade.

Internal operating methods were clarified to make operations more efficient and a designated channel was created for the reception and processing of customer feedback. Contact persons at Fingrid are assigned to each customer. The reforms will allow us to better serve our customers in the future.

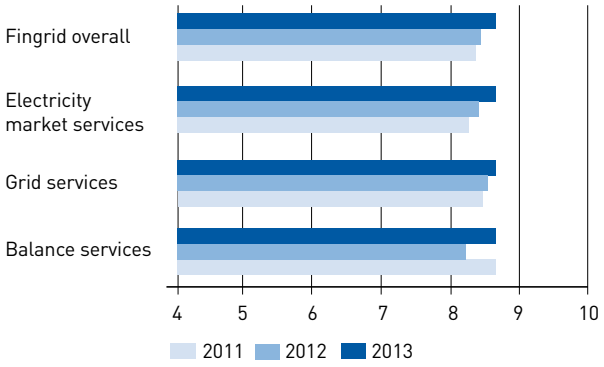
The results of a **customer satisfaction survey** carried out at the end of the year **showed an improvement** in performance compared to the previous year. The transparency of our operations and sufficiency of communications and contact especially received good grades. Criticism was given concerning increases in the price of grid services. The price of grid services was raised by an average of fifteen percent at the start of 2013. This was a result of major grid construction and renovation projects which are currently under way, as well as a significant increase in the cost level of market-based services.

The new Electricity Market Act came into effect in September. Changes focused heavily on distribution networks, and resulted in stricter requirements with regard to delivery reliability and preparatory measures. The largest change to apply to the grid network was the extended **definition of grid network** set out in the act. According to the definition, a radial line may be considered part of the grid if it feeds a large centre of consumption and its voltage is sufficiently high. This can lead to changes in grid borders in larger cities and will start in the capital region. In addition, the act sets out a target of keeping **Finland as a single price region**, which requires sufficient transmission capacity between Northern and Southern Finland in all circumstances. The Act also tasks Fingrid with **responsibility for the development of the exchange of information** required for electricity trade and balance settlement. In connection with this, Fingrid aims to make service agreements with around eight hundred operators. The responsibility does not cover the transmission and care of physical communications traffic, but a separate investigation as to the possible centralisation of the exchange of information is under way. **Joint-Nordic balance settlement** has also been developed, which will help to facilitate the realisation of possible Nordic retail markets and allow for operations of balance providers who operate in several balance areas. The eSett company founded in 2013 is located on Fingrid's premises and its operations will begin in autumn 2015. Fingrid will assume sole responsibility for the management **of guarantees of origin** which demonstrate the production of renewable energy from 1 March 2014.

Finland's National Climate and Energy Strategy poses **challenges for stakeholder work**. New wind and nuclear power are under planning, meaning that new lines and electricity substations will need to be connected to the grid. Open and honest dialogue between stakeholders is important when carrying out new transmission line

CUSTOMER AND STAKEHOLDER SATISFACTION

On a scale of 4–10, how would you grade Fingrid?

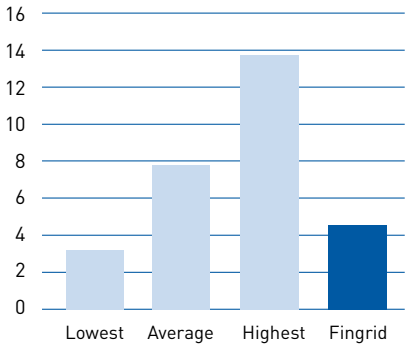


projects. It is important to take landowners, local associations and residents who live near transmission lines into account. In addition to public events, landowners have also been contacted in trade fair events. Feedback on transmission line projects and their routes was collected using Fingrid's map-based feedback system. Results from a corporate image survey aimed at landowners showed that Fingrid's overall grade as an operator had improved on last year's result. Fingrid is seen as a reliable, competent and caring company.

In addition to new lines and stations, the network also requires many **new customer connections** and changes to the existing networks. The process of connection to the network has been made more efficient, as has the transmission break planning process. The change in production structure also requires joint efforts in the operational reliability of the power system. As a result, general terms of connection and specifications for the operational performance of power plants set by Fingrid have been updated. Practical changes include an outline of the largest permitted power plant size and the presentation of basic requirements for small power plants which are to be connected to the network. At the same time, we have also increased the efficiency of monitoring compliance with connection terms set earlier on.

During 2013 **nine European network codes** were prepared, of which three relate to electricity markets, three to the use of power systems and three to power system development. These codes do not just apply to Fingrid, and all national requirements, guidelines and terms will have to be updated to correspond to European network codes. In several cases, the actual recording of numeric values and practices will be left to the responsibility of local actors. EU member states will approve the network codes through a process known as comitology. After approval and a transition period, the codes will become binding legislation in member states. It is especially important that Fingrid's customers also actively participate in discussing the codes before the codes are given final approval. Fingrid has arranged informative events and workshops examining the content of the codes, and based on which customers have been able to work on and submit their own comments.

AVERAGE GRID TARIFFS €



Costs related to transmission system operation, such as investments, loss energy, system services, but not directly related to transmission system operation, such as public service obligations, feed-in tariffs for renewable energy, and peak load capacity.

24 countries participated: Austria, Belgium, Bosnia and Herzegovina, Croatia, the Czech Republic, Denmark, Estonia, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, the Netherlands, Norway, Portugal, Poland, Romania, Spain, Sweden, Switzerland.

Customer Managers Petri Parviainen and Jarno Sederlund.

2013 AT FINGRID

Fingrid is to launch information exchange advisory and customer services for information exchange on electricity markets.
The Electricity Market Act which came into effect in autumn meant that responsibility for the development of the exchange of information on the electricity retail markets was transferred to Fingrid. The company's new tasks apply to electronic communications between market parties. Existing services relating to the exchange of information will become the responsibility of Fingrid and include a usage location register, a certification service, contact information table and guidelines for the exchange of information. In order to take care of its new task, Fingrid will establish advisory and customer services for the exchange of information on the electricity markets. Market operators will be able to utilise the services to clear up any problems relating to information exchange and ensure that they are using the right method. The service will be launched during 2014.

FINGRID'S STAKEHOLDERS AND MEASURES 2013

Stakeholders	Measures 2013
Customers	• Electricity Market Day 8 April, Grid Day 2 September, System Security Day 2 December, Each event was attended by over 100 persons, and a webcasting of the event made it possible for anyone to watch the events. • Seminar for balance responsible parties 21 November • Numerous regional customer events • Discussion events dealing with the preparation of network codes on the European level • Events on connection terms and their development • Advisory Committee, 4 meetings/year • Grid Committee 4 meetings/year • Operations Committee 4 meetings/year • Market Committee 3 meetings/year • Customer service: in particular, connection of wind power to the grid • Customer magazine 3 issues per year • Customer newsletter 12 issues per year • Customer survey in November
Personnel	• "My Strategy" discussions I (results and targets) and II (development) • Occupational health survey aimed at personnel • Personnel questionnaires: atmosphere at work in the spring and Great Place to Work research in autumn • Intranet • Personnel events: 28 May, 9 September, 29 November, CEO's briefings in the spring and autumn, morning coffee info sessions on Friday mornings • Implementation of the Orchidea tool to support the idea-making process • Leisure time exercise and cultural events arranged by the personnel association
Shareholders	• Annual General Meeting 27 May • Board work: 16 meetings/year • Personal contacts
Financiers and credit rating agencies	• Strengthening of credit rating at A+/A1/AA- (Stable/Stable/Stable) • Active communications with financiers
Contractors and service providers	• Meetings and feedback sessions • Audits • Shared information systems • Competitive bidding and contract negotiations • Terms of contract and technical specifications • Occupational safety campaign
Landowners and neighbours of transmission lines	• A public event related to planned transmission line projects • Bulletins for landowners concerning the planning and construction of transmission line projects and on handling flora • Map-based feedback service and other communications • Farmari exhibition in July in Seinäjoki • Publication "Yhteisillä linjoilla" in June • Reputation survey concerning Fingrid among landowners in August
Media	• Press releases: Inauguration of Forssa reserve power plant, Electricity Market Day, Grid Day, System Security Day, logging for Kuopio transmission line • About 130 press releases, stock exchange releases and topical news on the internet • Personal contacts • Continuous media monitoring and publicity analysis
Authorities and organisations: Energy Authority, Finnish Energy Industries, National Land Survey of Finland, Ministry of Agriculture and Forestry, Central Union of Agricultural Producers and Forest Owners, Radiation and Nuclear Safety Authority, Ministry of Employment and the Economy, Ministry of the Environment, regional and local authorities, National Emergency Supply Agency	• Co-operation and liaison with relevant authorities • Work groups and committees • Statements • Work of Power and District Heat Pool • Authority survey in November
Other partners: Other TSOs, industrial organisations, universities and research institutes, land use planners, NGOs, political decision-makers	• Participation in and contribution to ENTSO-E, other international and national industry co-operation • Participation in research and development projects, co-operation with educational establishments • Dialogue in land use planning • Contact with political decision-makers

Fingrid has defined its stakeholders through internal team work. We aim to achieve open, impartial dialogue with all our stakeholders. Fingrid aims to discuss with and gather feedback from its stakeholders and to publish material of its efforts transparently so that the material is available to all.

CUSTOMER COMMITTEES AND ADVISORY COMMITTEE

Fingrid has an Advisory Committee and three customer committees. The Advisory Committee is an interaction channel between the company and its customers. Fingrid uses the Committee to distribute information on its current affairs and plans. The representatives of the customer groups, in turn, can take a stand on the matters discussed within the Committee and also introduce their own proposals to the agenda. The Advisory Committee deals with the company's entire field of operations and services offered to customers.

Customer committees deal with matters in their respective sectors. The Operations Committee discusses and expresses opinions on matters related to the development of procedures used for the operation of the power system and maintenance of system security. The Market Committee is an advisory discussion forum which assists Fingrid in the development of the Nordic and European electricity markets. The Grid Committee serves as a co-operation body in system development.

Advisory Committee
Tapani Liuhala, Elenia Verkko Oy (Chairman)
Tapio Jalonen, Rovakaira Oy, from 1/2013
Antti Koskelainen, Outokumpu Oyj
Jussi Laitinen, Tampereen Sähkölaitos Oy, from 1/2013
Markus Lehtonen, Helsingin Energia
Juha Lindholm, Vatajankosken Sähkö Oy,
from 1/2013 (missing from photo)
Marko Nylund, Pohjolan Voima Oy
Arto Pajunen, Järvi-Suomen Energia Oy
Risto Penttinen, Fortum Oyj
Jukka Ruusunen, Fingrid Oyj (President & CEO)
Seppo Tuomisto, Kemira Oyj
Pekka Tynkkynen, UPM-Kymmene Oyj
Rami Vuola, EPV Energia Oy, from 1/2013
Jussi Jyrinsalo, Fingrid Oyj (Secretary), from 1/2013

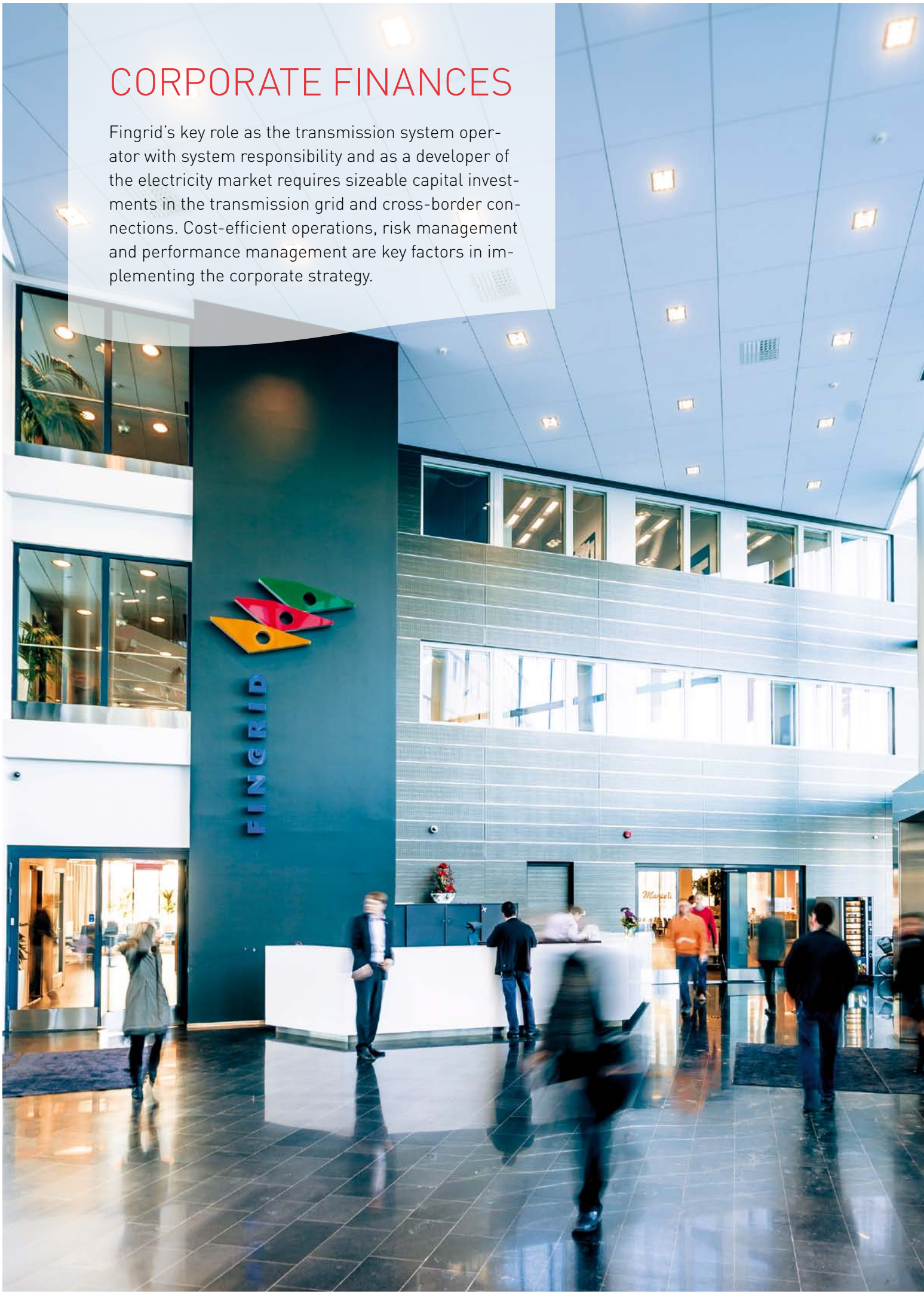
Operations Committee
Reima Päivinen, Fingrid Oyj (Chairman)
Hannu Halminen, Boliden Harjavalta Oy
Mikael Heikkilä, Fortum Power and Heat Oy, from 6/2013
Teppo Härkönen, Helen Sähköverkko Oy, from 3/2013
Teuvo Jouhten, PVO-Vesivoima Oy, from 3/2013
Jaakko Puotinen, Stora Enso Oyj (missing from photo)
Jukka Rajala, Etelä-Pohjanmaan Alueverkko Oy
Ismo Reinikka, E.ON Kainuun Sähköverkko Oy
Erkki Tiippana, VR-Rata Oy Ab
Jonne Jäppinen, Fingrid Oyj (Secretary)

Market Committee
Juha Kekkonen, Fingrid Oyj (Chairman)
Mika Laakkonen, Kymppivoima Hankinta Oy
Janne Laine, Energiakolmio Oy, from 10/2013
Mikko Lepistö, Rautaruukki Oyj, from 10/2013
Harri Mattila, Helsingin Energia, until 2/2014
(missing from photo)
Karl-Henrik Nordbad, Fortum Power and Heat Oy,
until 10/2013
Sami Oksanen, Nord Pool Finland Oy
Raimo Peltola, Fortum Power and Heat Oy,
from 10/2013 (missing from photo)
Ari Sormunen, Kuopion Energia
Anne Särkilahti, UPM-Kymmene Oyj
Harri Tiittanen, Power-Deriva Oy
Jouni Väisänen, RAO Nordic Oy
Katja Lipponen, Fingrid Oyj (Secretary)

Grid Committee
Kari Kuusela, Fingrid Oyj (Chairman)
Jorma Heikkilä, Metsä Fibre Oy, from 1/2013
Markku Hyvärinen, Helen Sähköverkko Oy
Raimo Härmä, Kymenlaakson Sähköverkko Oy
Esa Kalla, Outokumpu Stainless Oy (missing from photo)
Jarkko Kohtala, Elenia Oy
Antti Timonen, Oulun Energia Siirto ja Jakelu Oy
Jaakko Tuomisto, Teollisuuden Voima Oy
Seppo Tupeli, Herrfors Nät-Verkko Oy Ab, from 1/2013
Petri Parviainen, Fingrid Oyj (Secretary)

CORPORATE FINANCES

Fingrid's key role as the transmission system operator with system responsibility and as a developer of the electricity market requires sizeable capital investments in the transmission grid and cross-border connections. Cost-efficient operations, risk management and performance management are key factors in implementing the corporate strategy.



IMPROVED RESULT, INVESTMENTS STILL EXTREMELY HIGH

The implementation of the company's **strategy is measured** regularly within the company with regard to the functioning of the electricity market, system security, and cost efficiency. The objectives for the system security indicator were almost completely attained in 2013 as there were few outages and their economic disadvantage to society was minor. On the other hand, the objectives of the indicators set for the electricity market and cost efficiency were not achieved in all areas. Fingrid did, however, receive full points in the e3Grid comparison of 21 European main grid companies, commissioned by European supervisory authorities.

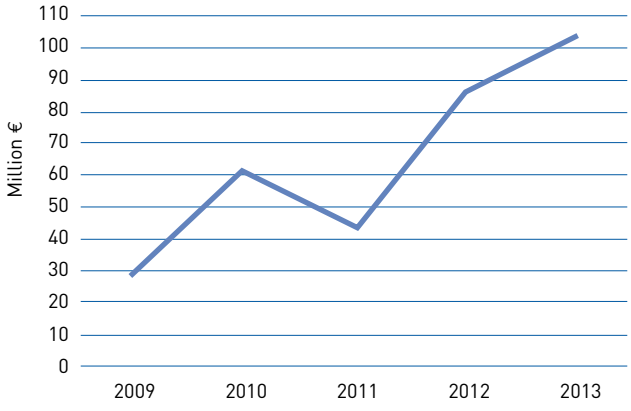
The company's **key financial goals** are to keep grid pricing at an affordable European level, to reach stakeholders' profit targets within the framework of the regulatory model, stabilising the capital structure and retaining a high credit rating. The target for the equity ratio is a level of 30 per cent. Fingrid raised grid transmission tariffs in 2013 due to a rise in market-based costs and because of the company's investment programme. Fingrid was in the top 25% main grid companies in a European tariff survey carried out by ENTSO-E. Twenty-four companies participated along with Fingrid. The company's annual profit level is now near the reasonable profit permitted by the energy market authority.

The consolidated profit for 2013 was 91 (67) million euros. The return on investments was 6.3 (5.6) per cent and the return on equity was 15.0 (12.4) per cent. The Energy Authority supervises the **reasonableness of the proceeds** of network operators. The current monitoring period began on 1 January 2012 and will end on 30 December 2015. According to the preliminary information supplied by the Energy Market Authority, Fingrid's proceeds between 2012 and 2013 were approx. 28 million euros below the permitted level. The profit for 2013 was improved primarily by the increase in the grid tariffs. Fingrid Group's turnover was 543 (522) million euros. Other operating income was 4 (4) million euros. The Group's operating profit in 2013 was 115 (95) million euros. Of the changes in the value of electricity derivatives, -6 (-13) million euros were recognised in the income statement.

The grid service income of the Group rose to 321 (276) million euros as a result of the tariff increase of 15 per cent carried out at the beginning of the year. Electricity consumption in Finland fell 1.5 percent compared to 2012. Fingrid transmitted 0.6 per cent more electricity in its grid as in the previous year, 64.6 (64.2) terawatt hours. The sales of imbalance power grew to 159 (151) million euros. The increase in the sales of imbalance power was influenced by the rise in the balance service fees in 2013 to cover increased reserve procurement costs. Fingrid's cross-border transmission income on the connection between Finland and Russia and congestion income between Finland and Estonia remained on the same level as last year. On the other hand, Fingrid's congestion income on the interconnection between Finland and Sweden fell considerably to 19 (44) million euros due to the market situation and reduced differences in the area prices of electricity. ITC income fell slightly.

The costs of imbalance power fell slightly from the previous year to 121 (126) million euros due to a lower volume of imbalance power. Loss energy costs also fell by 6 million euros. The average price of loss energy procurement was 51.10 (52.86) euros per megawatt hour. The depreciation costs increased by 6 million euros as significant new capital investment projects were completed. The costs of reserves, which

PROFIT BEFORE TAXES, EXCLUDING CHANGES IN THE FAIR VALUE OF DERIVATIVES

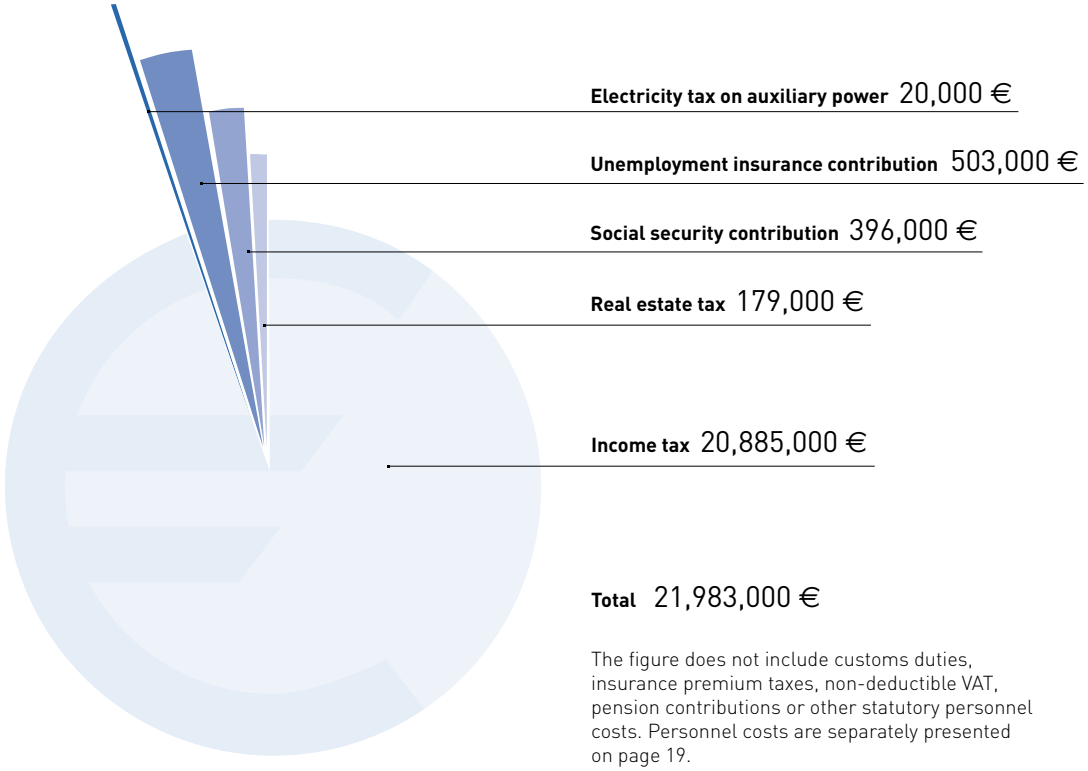


safeguard the system security of the power system, rose by 23 million euros during the period under review because the temporary purchases of frequency controlled reserves in the hourly market in Finland and from the other Nordic TSOs were more expensive than earlier. Additional reserves were also procured to improve frequency quality. Personnel, maintenance management and inter-TSO compensation costs remain at approximately the same level as the previous year.

In 2013 **the company's gross investments** were 225 (139) million euros, an astonishing amount. Of this amount, a total of 209 (120) million euros were used for the transmission grid and 4 (26) million euros for reserve power. IT-related investments were approximately 9 (11) million euros. **The cash flow from the operations of the Group** deducted by investments weakened and was -68 (-1) million euros due to better profit but a clearly higher level of investments.

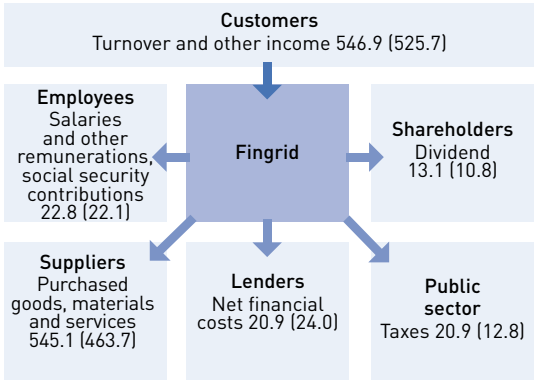
The company's financing is based on long-term co-operation with banks and institutional investors. International rating agencies updated Fingrid Oyj's credit ratings in 2013 and they remain at a high level. The retained high credit ratings guaranteed access to competitive financing both in the commercial paper and bond markets for the long-term refinancing of both investments and interest-bearing liabilities. The **financial position** of the Group continued to be satisfactory. The net financial costs excluding the change in the fair value of derivatives were 19 (21) million euros. The net financial costs in accordance with IFRS were 29 (7) million euros, including a change of -10 (14) million euros in the fair value of derivatives. The financial assets as of 31 December 2013 totalled 217 (214) million euros. The interest-bearing borrowings totalled 1,294 (1,244) million euros. The equity ratio of the Group was 29.5 per cent (27.3 per cent) at the end of the review period.

FINGRID'S TAX FOOTPRINT 2013



The figure does not include customs duties, insurance premium taxes, non-deductible VAT, pension contributions or other statutory personnel costs. Personnel costs are separately presented on page 19.

FINANCIAL GAIN CREATED BY FINGRID'S BUSINESS TO VARIOUS STAKEHOLDERS, MILLION EUROS



FINGRID RECEIVED FULL POINTS IN THE E3GRID COMPARISON OF 21 EUROPEAN MAIN GRID COMPANIES.

2013 AT FINGRID

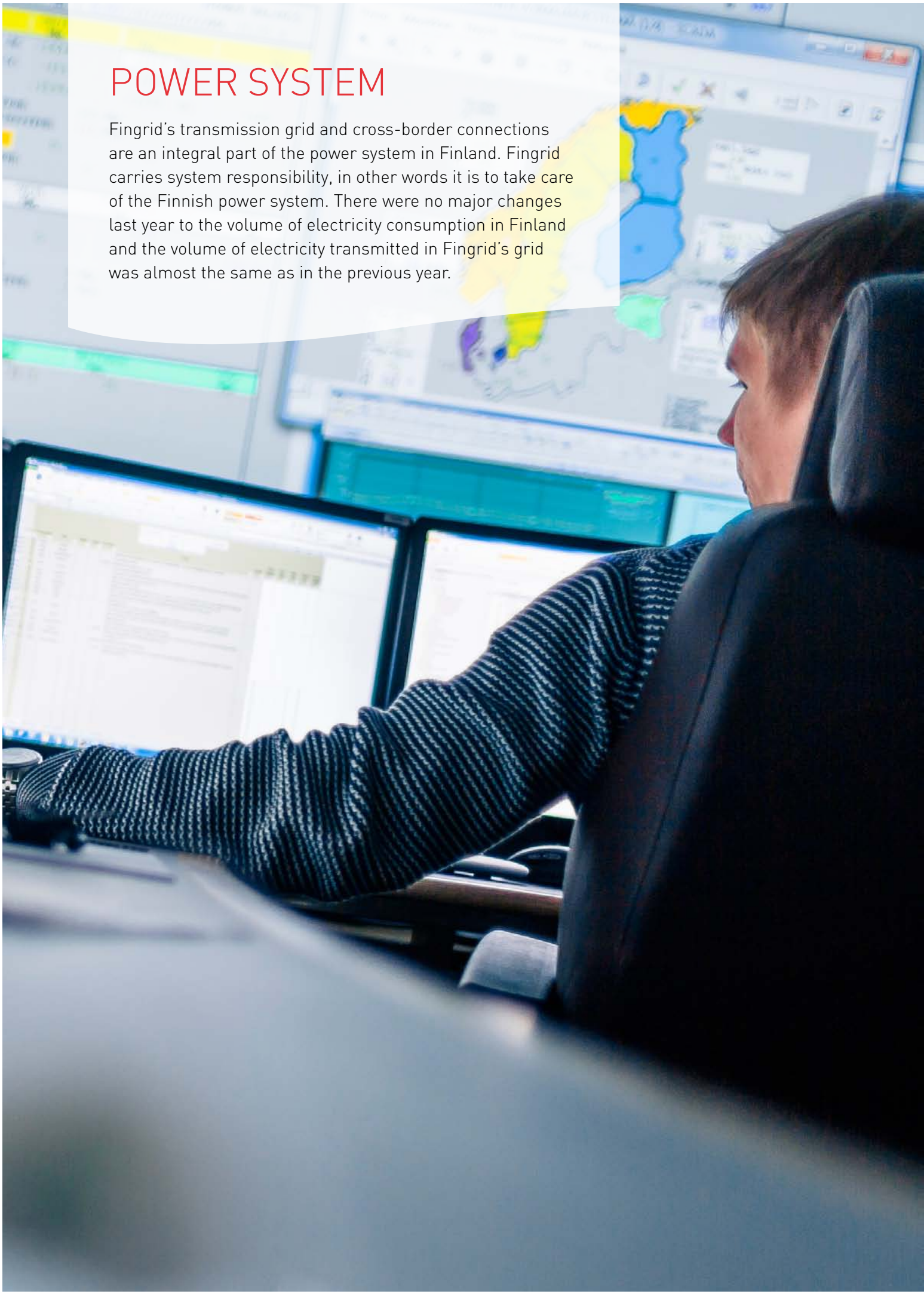
Fingrid's new reserve power plant was inaugurated in Forssa in March 2013.
The Minister of Economic Affairs **Jan Vapaavuori** carried out the official inauguration. The construction project of the reserve power plant at Forssa lasted three years and the plant was completed on schedule at the end of 2012. The new 318 megawatt plant is Finland's largest reserve power plant. It will not be used in the commercial production of electricity but will instead be used to secure the functionality of Finland's power system during disturbances. Fingrid now has a total of 1,300 megawatts of fast disturbance reserve electricity. The construction of the Forssa reserve power plant was one of the largest projects in Fingrid's history.

Fingrid saw success in a survey by CEER
In autumn 2012 and spring 2013, the company participated in an efficiency indicator project concerning European grid network companies and coordinated by the Council of European Energy Regulators. The project compared the cost-efficiency of grid network companies. Twenty-one European grid companies participated in the survey. Fingrid achieved an exceptional result with a full 100 per cent efficiency rating.

Accountant Eija Kauppinen, Controller Henrik Gummerus, Accountant Satu Alvarez and Business Development Manager Anssi Nevalainen.

POWER SYSTEM

Fingrid's transmission grid and cross-border connections are an integral part of the power system in Finland. Fingrid carries system responsibility, in other words it is to take care of the Finnish power system. There were no major changes last year to the volume of electricity consumption in Finland and the volume of electricity transmitted in Fingrid's grid was almost the same as in the previous year.



SYSTEM SECURITY AT AN EXCELLENT LEVEL

Electricity consumption in Finland in 2013 decreased by 1.5 per cent on the previous year. Electricity consumption in Finland in 2013 totalled 83.9 (85.2) terawatt hours. A total of 64.6 (64.2) terawatt hours of electricity was transmitted in Fingrid's grid, representing 77.0 (75.4) per cent of the electricity consumption in Finland.

The electricity **import and production capacity** was well sufficient to cover the peak consumption of the winter. According to Fingrid's operation control measurements, the peak electricity consumption in the winter of 2013 was approx. 14,043 megawatts. The highest electricity generation volume in Finland in the early part of 2013 was approx. 12,000 megawatts, and power plants worked without significant disturbance during the period of cold weather. Despite disturbances on the cross-border transmission lines during the peak consumption week, the sufficiency of electricity in Finland was not jeopardised. It was not necessary to take into use any of the nation-wide peak load capacity of 600 megawatts

Electricity transmissions between Finland and Sweden consisted mostly of imports to Finland. The failure in the Fenno-Skan 1 interconnection limited the import capacity during the start of the year. The interconnection was out of operation for the duration of January due to repair work and the commissioning test of the new automation system. On 12 February the interconnection was hit by a cable fault and repair work on the connection was completed in April. The cable's capacity remained limited even after repair work while investigations were carried out to determine the reason for the fault.

The electricity transmissions between Finland and Estonia were dominated by exports from Finland to Estonia. The transmission capacity was available to the market in the normal manner. Towards the end of 2013, commissioning tests on the new EstLink 2 direct current connection between Finland and Estonia were carried out. During the tests, a maximum capacity of 650 megawatts was given to the markets for use and export to Estonia rose significantly in December.

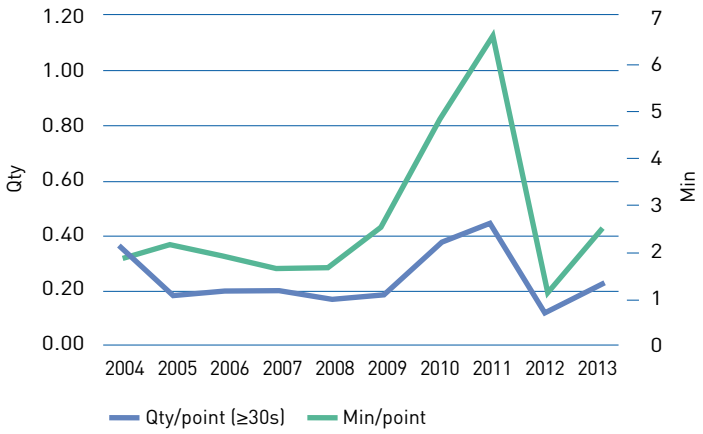
Electricity imports from Russia were at a low level like in the previous year, although almost the full transmission capacity was made available, with the exception of the regular annual maintenance of the Vyborg DC station and maintenance work on the Russian grid. The opening of bi-directional electricity trade between Finland and Russia was prepared for with technical tests.

The number of disturbances in the Finnish grid was at the average level. However, the calculatory disadvantage inflicted on the customers and society as a result of the disturbances was considerably small. Our system security-related objectives for 2014 are presented together with the other responsibility objectives on page 49 of this annual report.

The functioning of the transmission grid was put to the test during some major faults in DC connections and by storms. An unusual disturbance occurred in the grid network on the morning of 3 June, as all three HVDC links – Fenno-Skan 1, Fenno-Skan 2 and Estlink 1 – fell out of use within half an hour of each other. As a result of the disruption, reserve power plants were started up and special adjustments were made to the power system. The disruption did not cause any breaks in the supply of electricity. The powerful autumn storms Eino, Oskari and Seija caused several short-term and localised disturbances in the grid.

As a result of numerous investment projects, demanding transmission outages were carried out in the grid, especially in Ostrobothnia. The successful implementation of the outages has required careful advance planning and good cooperation with our customers.

OUTAGES AT CONNECTION POINTS CAUSED BY DISTURBANCES IN THE TRANSMISSION GRID



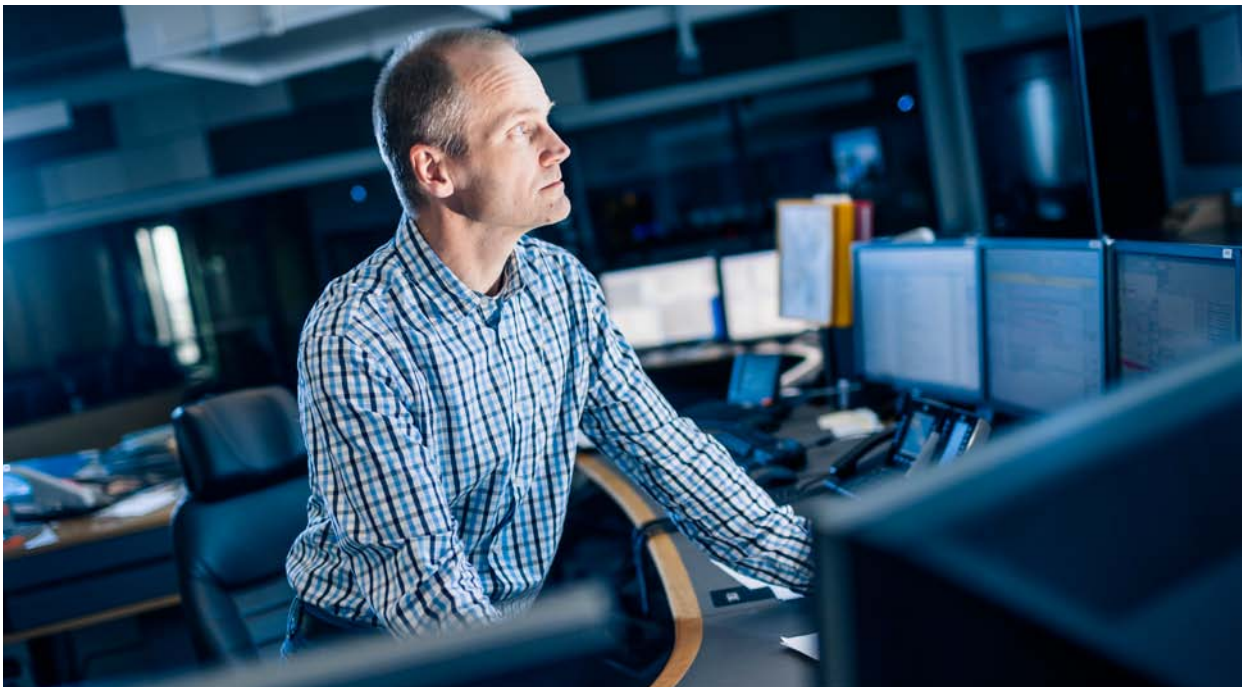
The good hydropower production situation and a small volume of electricity imports from Russia decreased the availability of frequency controlled reserves and occasionally complicated the attainment of the required volume of reserves to be maintained in Finland. The scarcity was replaced by increased purchases of reserves from the other Nordic countries and Estonia. At the same time, the costs of reserves acquired on market terms grew significantly in relation to the budgeted level. In order to restore the deteriorated frequency quality in the Nordic countries, in 2013 the Nordic grid companies have begun the test use of a new reserve type, the automatic frequency control reserve. During the test period in 2013, the reserve was maintained by a total of 100 megawatts, of which Fingrid's share was 23 megawatts.

The Forssa reserve power plant, which was completed in late 2012 and inaugurated in spring 2013, increased the volume of fast disturbance reserve significantly.

The volume of transmission losses in the Finnish grid was higher than average due to the transmission situation, but still at a lower level than in 2012. The annual variation of disturbances is affected by the Nordic electricity production. In a rainy year, Sweden and Norway in particular have much affordable hydropower, which means that electricity is transmitted over long distances in Finland from north to south, and this raises the losses. In years with little precipitation, on the other hand, Finland has more local production, meaning transmission losses in the grid are smaller. The objective is to optimise grid operation so that the losses are minimised. The optimisation of transmission towards Sweden, voltage control based on the situation at hand, and the minimisation of the transmission of reactive power all aim at achieving this objective.

New premises were taken into use in Käpylä, Helsinki, in December 2012, and the new premises have allowed for a monitoring facility with a high level of security and better functionality, known as the **Main Grid Control Centre**. The shift-over to the new control centre went smoothly, and in January 2013 the control centre functions in Hämeenlinna were also transferred to the Main Grid Control Centre. The first year has demonstrated the solution to be a success. Internal cooperation and customer service, especially during disturbances, has improved.

Continuity management is particularly important in Fingrid's operations. In 2013, key scenarios which may threaten grid operations were recognised (disturbances, storms, fires, etc.). A project was initiated to increase operational capacity in case of such scenarios. The project will continue into 2014.



THE CALCULATORY DISADVANTAGE INFLICTED ON THE CUSTOMERS AND SOCIETY AS A RESULT OF DISTURBANCES WAS CONSIDERABLY SMALL.

2013 AT FINGRID

The EstLink 2 connection is due to move on to a testing phase.
Power tests on the 650 megawatt EstLink 2 direct current connection between Finland and Estonia were carried out in autumn 2013. After successful power tests, more tests on the EstLink 2 connection were carried out in the form of a trial period, after which the EstLink 2 connection was handed over to the client in February 2014. The planned joint capacity of the EstLink 1 and 2 connections from Estonia to Finland is 1,000 megawatts and 860 megawatts from Finland to Estonia. The limitation on transmission capacity towards Estonia will be in place until September 2014 and is due to the schedule of the completion of the Kiisa reserve power plant.

Manager Timo Kaukonen.

POWER SYSTEM OPERATION

	2013	2012	2011	2010	2009
Electricity consumption in Finland TWh	83.9	85.2	84.4	87.7	81.3
Fingrid's transmission volume TWh	64.6	64.2	64.2	68.1	62.8
Fingrid's loss energy volume TWh	1.1	1.2	1.2	1.1	1.0
Electricity transmission Finland–Sweden					
exports to Sweden TWh	0.7	0.4	4.0	5.7	4.1
imports from Sweden TWh	12.8	14.8	5.9	2.8	2.7
Electricity transmission Finland–Estonia					
exports to Estonia TWh	1.6	1.5	0.5	0.2	0.1
imports from Estonia TWh	0.5	0.4	1.6	2.0	1.8
Electricity transmission Finland–Russia					
imports from Russia TWh	4.7	4.4	10.8	11.6	11.7
NordPool system price	38.1	31.2	47.1	53.0	35.0
Finnish regional price	41.2	36.6	49.4	57.0	37.0

ELECTRICITY MARKETS

Fingrid's operations as a developer of the electricity market aim to benefit the Finnish national economy. The strengthening of the transmission system within Finland and on its borders will enhance the efficiency of the electricity market. The harmonisation of the market rules between countries will also contribute to this. Large well-functioning markets have a positive impact on the price of electricity paid by consumers, while at the same time such markets help to improve the security of electricity supply and facilitate the introduction of renewable energy.

THE WORLD'S BIGGEST ELECTRICITY MARKETS

The supply of hydropower on the **Nordic electricity market** was somewhat lower than last year, which caused a raise in prices on the wholesale markets. The average price of spot electricity at the electricity exchange (system price) was 38 (31) euros per megawatt hour.

As in the previous year, the Finnish markets were characterised by strong imports from Sweden and Norway as there was an abundance of hydropower available. Imports totalled 12.8 (14.9) terawatt hours. Imports would have been higher, but were restricted by cross-border connection congestion for just under one fifth of the period. There was lots of network maintenance carried out on the Swedish side of the border, and a permanent fault in the Fenno-Skan 1 cable partly restricted the transmission capacity between Sweden and Finland. The average price in Finland was around two euros higher than in Sweden. The price difference resulted in 37.2 (88.5) million euros of congestion income. This income is divided equally between the transmission system operators in Finland and Sweden and is used to maintain transmission capacity or in investment projects to increase capacity.

The integration of the **Baltic market** into the Nordic market was completed as Latvia and Lithuania joined Nord Pool Spot's trading system in June. The prevailing direction of trade was from Finland to Estonia with 1.5 terawatt hours exported in total. The EstLink 2 connection, taken into trial use in December, tripled the transmission capacity between the two countries and significantly strengthened the integration of electricity markets in the Baltic region.

Imports from Russia to Finland fluctuated greatly at various times of the year and day, but totalled a modest 4.7 (4.4) terawatt hours.

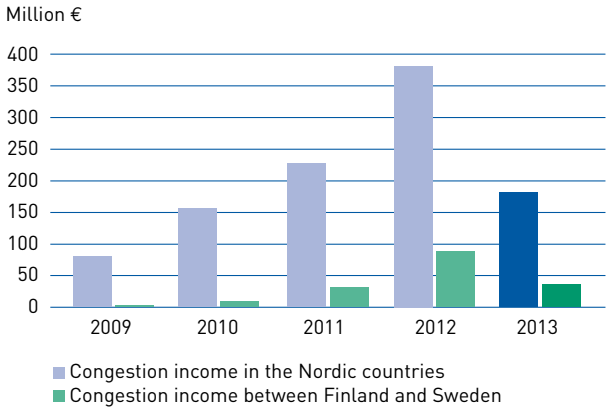
The Finnish electricity market has entered a new phase. Variations in the markets in the neighbouring countries in all directions are having a greater impact on Finland than earlier. This is due to reasons such as more numerous transmission connections, division of the Swedish market into four price areas, the Baltic countries joining the same electricity exchange area, and changes in the Russian market.

The **development of the single European market** progressed significantly as the sport markets in North-Western Europe were merged (February 2014). The new market area encompasses the Nordic and Baltic countries, western Central Europe and Great Britain. In practice this means the creation of the world's largest electricity market, wherein price calculation and transmission capacity output are combined in the same process. In line with the EU's third legislative package on the electricity market, ENTSO-E completed proposals on three key market rules. Fingrid actively participated in this work, which will outline the market model well into the future.

Fingrid is developing **new market services** to improve market functionality. As a result of a change in legislation, Fingrid has now been given responsibility for issuing guarantees of origin for electricity. The guarantees verify the origin of electricity produced from renewable energy and operators are now obligated to this previously voluntary mechanism. Fingrid is also initiating the development of the electronic exchange of information on the markets, with the aim of standardising retailers' and network operators' business operations and making them more efficient. In relation to this, the company launched an investigation into the centralisation of information exchange to a single data hub.

The Finnish, Norwegian and Swedish grid companies continued shared Nordic balance settlement under Fingrid's leadership. The joint company eSett Oy was established for the service, which will be launched in 2015, and one of the company's first actions was to sign a contract concerning the order of a new balance settlement system.

NORDIC CONGESTION AND CONGESTION INCOME BETWEEN FINLAND AND SWEDEN



ELECTRICITY MARKET

	2013	2012	2011	2010	2009
Nord Pool Spot system price €/MWh	38.1	31	47	53	35
Area price Finland, average €/MWh	41.2	37	49	57	37
Congestion income, Nordic countries, million €	179.3	381.3	228.5	156.1	79.5
Congestion income between Finland and Sweden, million €	37.2	88.5	31.2	8.9	1.1
Congestion hours between Finland and Sweden %	19.4	35.1	22.9	6.5	4.9
Congestion income between Finland and Estonia, million €	7.4	12.9	19.6	18.9	
Congestion hours between Finland and Estonia %	27.3	34.7	45.5	50.0	

Congestion income between Finland and Sweden is divided equally between Fingrid and Svenska Kraftnät. Congestion income between Finland and Estonia was paid by Fingrid and Elering as rent to the owners of the Estlink 1 transmission connection before the connection was transferred to the joint ownership of Fingrid and Elering. After the EstLink 2 connection became available on the market on 7 December 2013, congestion income from EstLink 2 has been divided equally between Fingrid and Elering. From now on, after the ownership of the EstLink 1 submarine cable was transferred to the Finnish and Estonian main grid companies, congestion income from both Estlink 1 and EstLink 2 will be divided equally between Fingrid and Elering.

VARIATIONS IN THE MARKETS IN THE NEIGHBOURING COUNTRIES IN ALL DIRECTIONS ARE HAVING A GREATER IMPACT ON FINLAND THAN EARLIER.

Specialist
Mika Petsalo.

2013 AT FINGRID

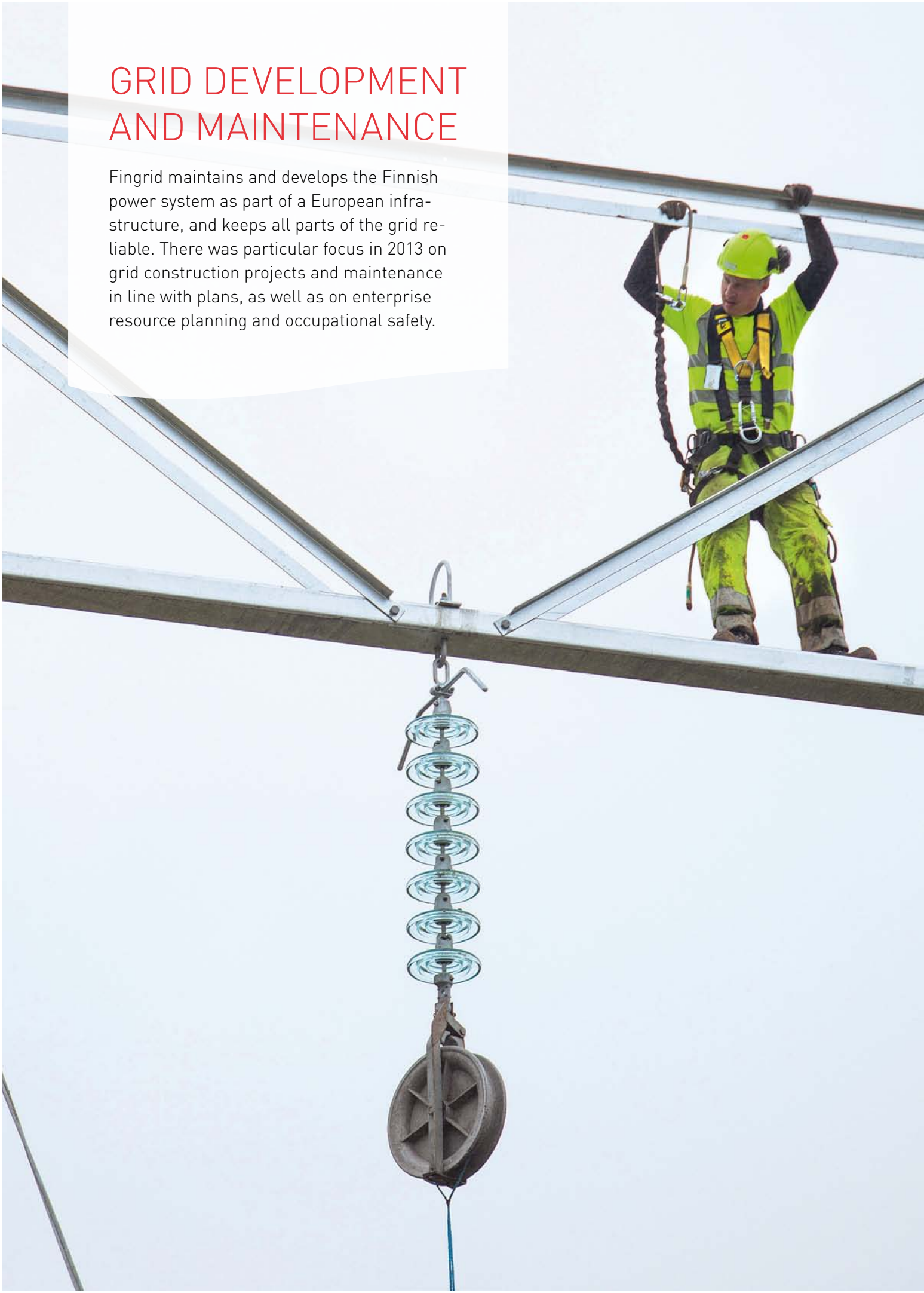
The integration of the Baltic region's power market with the Nordic system made progress.
In Estonia, the Elspot and Elbas bidding areas have been available since 2010. The Elspot bidding area in Latvia was launched on 3 June 2013, meaning that also the Lithuanian bidding area is now linked to the Nordic markets. These changes enabled the launching of the intraday Elbas bidding area in Latvia and Lithuania in autumn 2013. After the EstLink 2 transmission connection was introduced into the market in December 2013, it can be said that the Nordic electricity markets are being replaced by electricity markets which cover the entire Baltic Sea region.

The new Electricity Market Act has changed the rules of the game.
The new Electricity Market Act that came into effect in autumn gives a modified definition of grid. The act also contains more detailed requirements than before concerning improvements to electricity networks' security of supply and boosting the preparedness of electricity network licence holders. For Fingrid, this requires new kinds of preparedness and operating models. The change in legislation brought new tasks for Fingrid, such as the development of the exchange of information on the retail market and the maintenance of an electronic register for electricity guarantees of origin. A guarantee of origin is proof that the electricity has been produced using renewable energy sources.

Towards Nordic balance settlement.
The Finnish, Swedish and Norwegian grid companies Fingrid, Svenska Kraftnät and Statnett have established a joint balance settlement service company called eSett Oy. The new company aims to offer balance services to operators on the Finnish, Swedish and Norwegian electricity markets from 2015. The company will strive to facilitate access to the countries' electricity markets through impartial and joint balance settlement regulations. As such, competition on the countries' electricity markets will increase and market operators' costs in the long-term will decrease. This will simultaneously pave the way to a Nordic end user market.

GRID DEVELOPMENT AND MAINTENANCE

Fingrid maintains and develops the Finnish power system as part of a European infrastructure, and keeps all parts of the grid reliable. There was particular focus in 2013 on grid construction projects and maintenance in line with plans, as well as on enterprise resource planning and occupational safety.



AN HISTORIC TIME FOR GRID DEVELOPMENT

Fingrid carried out its grid **investment programme** as planned, which will not only ensure that solutions set out in the national climate and energy strategy can be carried out but will also improve system security, increase transmission capacity and promote the electricity markets.

This year was busy with regard to investments, maintenance and the development of operations. Fingrid's service providers carried out a total of 639 (593) person-workyears in planning, construction and maintenance. Grid investments were once again at a high level. Approximately 209 (120) million euros were invested into the grid. Fingrid has outsourced construction and maintenance services and orders them from carefully selected and proficient service providers.

In 2013, Fingrid worked with both new and existing submarine cables. The joint EstLink 2 project between Fingrid and the Estonian grid company Elering progressed over 2013 and is now almost complete. The link was put into trial use and its capacity was successfully made available to markets on 6 December 2013. This resulted in an extra 650 megawatts of additional transmission capacity between Finland and Estonia. The entire project will be handed over at the start of 2014. In December 2013, Fingrid and Elering procured the Estlink 1 direct current connection from Nordic Energy Link (NEL). The direct current substations in Espoo and Harku, and the land and submarine cable lines connecting them were included in the 80 million euro purchase. Estlink 1's capacity is 350 megawatts, meaning that the total transmission capacity between Finland and Estonia is now 1000 megawatts.

The 23 year-old Fenno-Skan 1 cable between Finland and Sweden was hit by a fault in early spring 2013. Some deviations were observed in the insulation of the cable during repair work. Research carried out during the course of the year showed that the cable's electrical strength could be weakened and the probability of a subsequent fault has increased. As a precaution, the maximum capacity of Fenno-Skan 1 was reduced from 500 megawatts to 400 megawatts. Research into the cable's condition and possible further measures is under way in cooperation with Svenska Kraftnät.

In 2013, Fingrid had several capital investment projects for ensuring system security and the adequacy of transmission capacity in the future. One of the largest completed projects last year was the 400 kilovolt transmission connection between Yllikkälä and Huutokoski. The substations at Huutokoski and Yllikkälä were completed at the end of 2012 and the northern section of line between Visulahti and Huutokoski was completed at the end of 2012. The southern section of line between Yllikkälä and Visulahti was completed in early summer 2013. The project, which otherwise progressed well, was overshadowed by worksite accidents in early spring. In April, one contractor employee died from an electric shock received while carrying out inspection and repair work. In May, three employees were injured when a cherry picker fell on its side. Fingrid immediately undertook procedures to prevent such accidents from occurring in the future.

The Nurmijärvi–Hyvinkää–Hikiä project, which will consolidate the high-voltage grid in Southern Finland, was completed as planned at the end of 2013. The project integrates Fingrid's history into new design. The 110 kilovolt double circuit line originally built in the 1920s – known as the Iron Lady – was renewed between Hikiä and Nurmijärvi. A field tower representing Fingrid's new tower design was erected near the housing fair area in Hyvinkää in early 2013. The project replaced the old Hyvinkää switchgear with a new 400 kilovolt switchgear at Hikiä, which will act as the area's central grid node.

One of the largest projects currently under way is the Ulvila–Kristinestad transmission line project, which will reinforce the transmission capacity in western Finland. The entire project will be completed by the end of 2014. In 2013, work progressed on two substations and sections of transmission lines as planned. The line arrangements and implementation of the new 400 kilovolt switchgear at Ulvila were successfully completed at the end of the year. At the same time, demolition on the old 400 kilovolt switchgear at Ulvila began, and a new **waste management agreement** made with Lassila & Tikanoja was utilised for the processing of waste created on site was put into use. Some of the devices will be recovered for further use, and our waste management partner will take care of the complete recycling of the remainder of the waste. The contract, which was made in November 2013, will cover waste and scrap metal services on Fingrid's worksites for the next three years.

At the end of 2012, Fingrid made a significant investment decision resulting in Ostrobothnia moving from a 220 kilovolt voltage to a 400 kilovolt voltage in 2016. The project encompasses the 400 kilovolt **Hirvisuo–Pyhänselkä** line which runs for 212 kilometres from Kokkola to Oulujoki, as well as several switchgears. These will allow for the extensive connection of wind power to the grid in Os-

trobothnia. In order to achieve EU renewable energy targets, **numerous wind power projects** are currently under way in Finland, with many are located on the western coast.

Fingrid carries out several **stakeholder-bound projects** each year and these allow for customer connections and modification work in urban and industrial areas. One of the biggest changes of 2013 was made in Hiukkavaara in Oulu, where a 110 kilovolt transmission line was moved to a new route, which allowed for residential construction in the area.

In November 2013, Fingrid made procurement decisions on the contracts for a 400 kilovolt transmission line between **Hikiä and Forssa**. For the first time, the transmission line contract required contractors to have a full-time **occupational safety supervisor** in order to ensure the achievement of Fingrid's occupational safety and responsibility objectives. The company also made **a procurement decision concerning the order of three new transformers** from Hyundai Heavy Industries Co., Ltd. In connection with the order, audits were carried out at the Hyundai factory in South Korea, wherein the attainment of Fingrid's responsibility objectives in the order-supply chain was inspected.

Fingrid's nation-wide network **maintenance** was carried out in line with plans. The preparation of personnel working on maintenance management was increased a few times throughout 2013 due to storms. The grid weathered the storms well, and we avoided long-term outages in the transmission of electricity. **Numerous development projects** were under way in 2013. The project dealing with power lines' stay cable corrosion was completed after work beginning in 2008. The project saw the inspection and replacement of underground stay structures at approximately 2,200 pylon sites. The project has found new solutions for the management of the corrosion problem and these will be used on new lines and at risk sites on existing lines. A method for the removal of troublesome ice from transmission lines in winter was developed together with Helikopterikeskus Oy Helsinki involving the manual removal of ice from a helicopter using a tool made from a composite insulator.

In spring 2013, Fingrid's asset management once again received a **PAS55** (Publicly Available Specification 55) **certificate** for the next three-year period from Lloyd's Register. The recertification recognised Fingrid as a forerunner in several areas of asset management. Fingrid was also successful in the **ITAMS** (International Transmission Asset Management Study), ranking high in the global success group. In the study, special thanks was given to Fingrid's high level of competence and project implementation process.

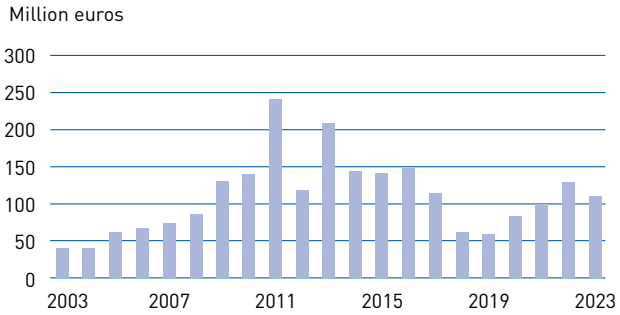
A project to renew Fingrid's ERP system has involved hundreds of IBM, Fingrid and service provider employees throughout 2013. The **Elvis information system**, currently under construction, will be a comprehensive tool used in Fingrid from the long-term planning of assets to routine planning and maintenance. Elvis is a key information management tool in an operating model which relies on outsourcing. The first components of the new system were taken into use in 2013. The system will be fully complete in 2015.

Fingrid continued the implementation of its **occupational safety project** and invested in the development of occupational safety in a range of ways over the course of the year. The MVR (land and water construction) indicator practice was taken into use on Fingrid's investment sites. The practice involves the weekly measurement and reporting of success in site safety and cleanliness. Fingrid also invested heavily in site safety and responsibility audits, and published the new "Turvallisilla linjoilla" magazine which relays occupational safety matters to service providers. Several safety training events were organised for both Fingrid employees and for suppliers. A project in excess of two million euros to improve the fall protection of transformers was begun in 2013. Fall protection on over fifty transformers will be improved within the next four years. A safety observation campaign was introduced to Fingrid's investment sites at the end of the year, encouraging people to intervene in threats to safety early on. Fingrid also became involved in Oulu's new safety park project and will provide an information point on the dangers of electricity networks for people who are not involved in the field.

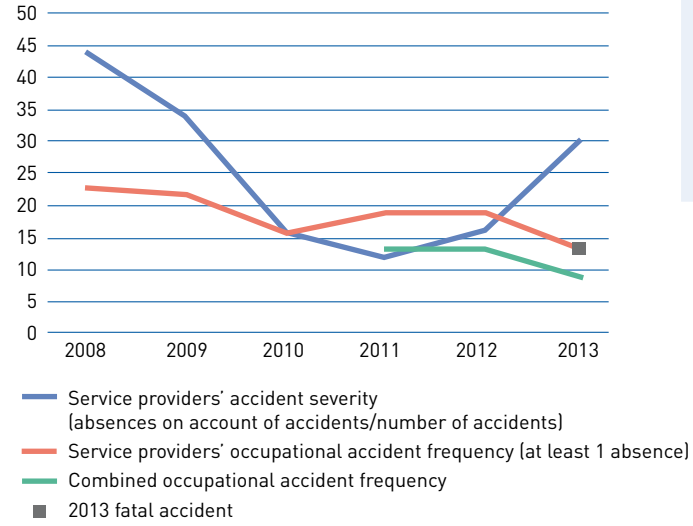
The objective of the project is zero accidents at Fingrid's construction sites. Fingrid is continuing long-term work to improve service providers' safety at investment and maintenance sites. Once again, we saw too many accidents occur this year and the frequency of service provider accidents for 2013 was 9 accidents (13) per million work-hours. In addition to injuries, one accident on a Fingrid site proved fatal.

Our objectives related to the development of the grid in 2013 are presented together with our other responsibility objectives on page 49 of this annual report.

FINGRID'S CAPITAL INVESTMENTS IN THE TRANSMISSION SYSTEM



OCCUPATIONAL ACCIDENT FREQUENCY AND SEVERITY OF ACCIDENTS



OCCUPATIONAL ACCIDENT FREQUENCY: FINGRID'S PERSONNEL AND SERVICE PROVIDERS

	2013	2012	2011
Fingrid personnel work hours	437,736	456,633	447,311
Fingrid personnel accidents (qty)	0	0	0
Fingrid personnel accident frequency	0	0	0
Service providers' work hours	1,086,026	1,007,571	1,061,516
Service providers' accidents (qty)	14	19	20
Service providers' accident frequency	13	19	19
Combined hours	1,523,762	1,431,053	1,473,516
Combined accidents (qty)	14	19	20
Combined accident frequency	9	13	14

2013 AT FINGRID

The construction of a major transmission line along the west coast of Finland is under way. The transmission capacity of the outdated 220 kilovolt grid extending from the Satakunta region to northern Ostrobothnia has become insufficient and the network will be replaced with a 400 kilovolt grid over the next few years. The major west-coast project is part of Fingrid's grid network investment programme which will ensure the connection of new energy production to the grid, replace the outdated grid with a new one and strengthen transmission capacity to correspond to electricity consumption needs in the area. The new 400 kilovolt connection will bring a significant amount of additional capacity for domestic electricity transmission in Finland and improve transmission capacity between northern and southern Finland.

Development Manager Tuomas Maasalo and Specialist Sanna Hakala.

PERSONNEL

Fingrid's personnel strategy aims at a productive, innovative and healthy working community. This can be achieved through high-quality management, strategic personnel planning and an organisation culture that fosters continuous development.

THE CORNERSTONE OF OUR OPERATIONS

Fingrid's human resource management is based on the company's corporate values and personnel and management principles. In 2013, we concentrated on an operating atmosphere which encourages innovation and on the development of operating models which allow for various forms of work, as well as on strengthening strategic human resources planning. In relation to these, we launched idea competitions and regularised practices for remote work. Our personnel objectives for 2013 and 2014 are presented together with the other responsibility objectives on page 49 of this annual report.

At the turn of the year, Fingrid's headquarters moved from Kamppi in Helsinki to new premises in Käpylä, bringing a premises project spanning years to completion. Special attention was paid to the location and layout of operations in the new premises in order to make cooperation beyond operational and process boundaries as smooth as possible. At the same time, the company's operations were re-organised and management group responsibilities were changed.

To ensure transparency, three personnel days were organised with the aim of initiating shared discussion and awareness of current affairs relating to the company's operations, strategy and underway projects. The event in spring focused on innovation in the working community whereas the autumn event emphasised the significance of social responsibility and how it relates to each individual's actions. December's discussion focused on job satisfaction and pleasure.

Fingrid's number of personnel increased somewhat over the course of the year due to the company's new responsibilities. New professionals were employed for the development of the exchange of information on the electricity markets, the guarantee of origin of electricity service, customer services and for securing telecommunications and communication technology.

Fingrid's employees have access to a wide range of comprehensive occupational healthcare and well-being services which aim at supporting working ability and wellbeing at work. A health survey was carried out on all individuals between 35 and 49 years of age.

As a key health and safety procedure, workplace assessments were carried out at all offices in order to ensure and develop safe work and a safe working environment. The occupational health and safety committee updated the assessment of occupational risks and the action plan for occupational health and safety. The early caring model was also updated. As in previous years, the number of occupational accidents at Fingrid remained low, but due to business trip accidents, the number of sick leave days due to occupational accidents was higher than last year. A total of 8 (10) accidents took place. Absences of personnel due to accidents or illnesses accounted for 2 (2) per cent of working time.

Fingrid takes a positive approach to the continuous training of its personnel. Employees' tasks vary in different parts of the organisation. A wide range of tasks and task rotation helps to ensure the development of competence in the company, whose operations are based on long-term specialist work. Employees are offered joint training, but personnel were also given the chance to independently suggest supplementary training. In 2013, each Fingrid employee received an average of 45 (46) hours of training. Discussions concerning development apply to all individuals in a permanent employment relationship. The development and quality of peer efforts among supervisors was ensured through coaching for supervisors.

To enhance Fingrid's personnel management and to utilise the best practices, Fingrid participated in the **Great Place to Work** 2014 survey for the best workplaces in Finland, and came 25th in the general series. In 2012, the company ranked as the 28th best place to work in Finland.

Fingrid participated in the annual **Parempi työyhteisö®** (Towards a Better Working Community) study by the Finnish Institute of Occupational Health, once again with excellent results, receiving a grade of 8.6 on a scale from 4 to 10. Through the constant evaluation of performance and the engagement of the entire workplace community, we strive to minimise our personnel risk related to the work ability, expertise, occupational safety and job satisfaction of the personnel.

An annual **equal opportunities plan** was drawn up in conformance with Fingrid's equality principles together with representatives of personnel groups. The plan assesses the current equality situation at the workplace, realisation of past activities, and any planned efforts to be launched. The aim is to prevent discrimination and promote equality between the sexes.

The finding of new, competent individuals was secured through long-term work to retain and develop the company's corporate and employer image. Fingrid has been involved in various employer publications and has participated in recruitment fairs and student events.

Research, development and innovation work

Fingrid requires an innovative working community which anticipates and reacts to change in order to obtain its objectives. During the year, Fingrid invested in the development of the company's culture of innovation; various idea challenges were organised to activate and focus the generation of ideas and an information system was procured to facilitate joint brainstorming. The personnel's enthusiasm to become involved in coming up with ideas and working on development increased significantly.

Some ideas are then refined into innovation, research and development projects. In 2013, some **50 research and development projects** by Fingrid were in progress. These constituted the company's R&D input of about 1.8 million euros. The volume of R&D has remained roughly at the same level in recent years. R&D has focused on topics such as the challenges that renewable production pose to power systems. As a result of the research, a new type of reserve was implemented.

Stakeholder co-operation plays a focal role in Fingrid's research and development projects: we listen to our stakeholders' ideas for developing our operations and we are interested in joint development projects. A current topic for 2013 was the promotion of demand-side management. Demand-side management is possible from a technological perspective, and projects investigated how to activate small consumers and other consumer groups to become involved in demand-side management.

A significant share of Fingrid's research and development is carried out in **cooperation with universities and research institutes**. We investigated the development of electricity trade between Finland and Russia in cooperation with Lappeenranta University of Technology. The University of Jyväskylä, on the other hand, researched Fingrid's innovation capabilities from a corporate culture perspective as part of a wider research project. Fingrid participated in the construction of substation route solution training environment on Technobotnia's premises with the University of Vaasa. Research into power system dynamics was carried out in cooperation with Aalto University and the Tampere University of Technology as well as with VTT. Thesis work is an important part of cooperation with universities, and this year four were completed.

Fingrid is also involved in **international research and development**. In ENTSO-E, Fingrid participates in a group coordinating the research of European transmission system operators. The goal is to instigate large-scale research projects advancing the fulfilment of the requirements laid down in the third energy package of the European Commission. One such project is REALSMART, which aims to research the system security of the power system and develop the modelling and control of wind turbines. The project advances expertise in the industry through the exchange of researchers and specialists between universities and the energy sector.

NUMBER OF PERSONNEL AS OF 31 DECEMBER 2013

	2013		2012	
permanent	268	93.38%	261	94.90%
full-time	269	93.73%	250	95.80%
part-time	18	6.27%	11	4.20%
temporary	19	6.62%	14	5.10%
total	**287**		**275**	
average	277.3		269.4	

AGE DISTRIBUTION OF PERMANENT PERSONNEL

	2013	2012
under 29 yrs.	18	22
30–39 yrs.	82	75
40–49 yrs.	77	75
50–59 yrs.	71	66
60–69 yrs.	20	23
average age	44	44

TYPES OF EMPLOYMENT

	2013	2012
in new permanent employment	16	14
number of finished employment contracts	3	7
retired	6	4
average retirement age	64	65
average length of employment*	9.4	13.0
number of persons made redundant	0	0
incoming turnover	5.97%	5.40%
outgoing turnover	3.36%	4.21%

*Fingrid was established in 1996 and its operations started in 1997. The personnel were transferred to the company as serving employees.

EDUCATION OF PERMANENT PERSONNEL

	2013	2012
basic and secondary education	23	22
lowest level of tertiary education	39	38
bachelor's degree	91	97
master's degree	108	97
second stage of tertiary education	7	7
training days per person	6,0	4,9

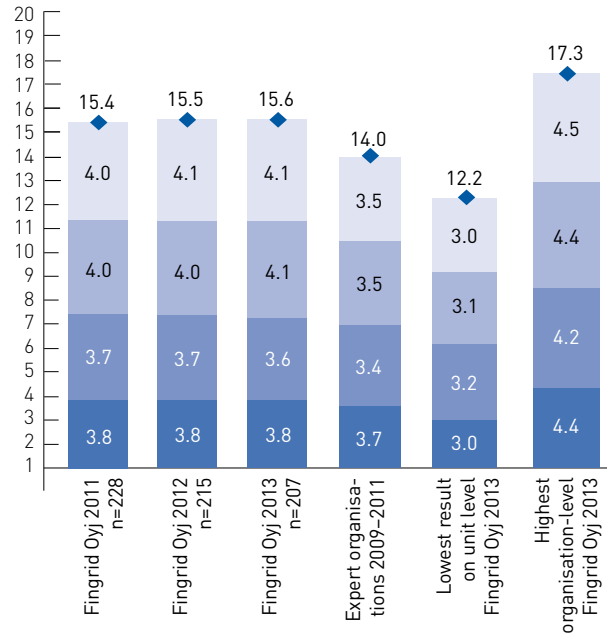
GENDER DISTRIBUTION BY EMPLOYEE GROUP

	2013		2012	
board of directors	men 3	women 2	men 3	women 2
management	men 7	women 1	men 8	women 0
senior professional employees	men 195	women 50	men 190	women 47
salaried employees	men 1	women 14	men 1	women 15

PERSONNEL BY OFFICE

	2013	2012
Helsinki	239	218
Hämeenlinna	17	26
Oulunsalo	9	9
Petäjävesi	12	11
Rovaniemi	1	1
Varkaus	9	10

TOWARDS A BETTER WORKING COMMUNITY KEY INDICES



- Development conditions of the working community
- Functionality of the working community
- Preconditions of work
- Well-being of the staff
- Towards a Better Working Community® Key Index

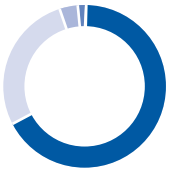
Note: A potential difference of 0,1–0,2 between a Towards a Better Working Community key index and the sum total of individual key indices is due to rounding (the lowest and highest score of individual key indices are calculated separately, whereby the sum total can be different from the highest/lowest integer).

BREAKDOWN OF R&D COSTS IN 2013

- Adequacy of transmission system (45%)
- System operation (27%)
- Promotion of market functioning (18%)
- R&D administration (8%)
- Other projects (2%)

Total 1.7 million euros

ACTUAL R&D COSTS BY ACCOUNT IN 2013



- Purchased services (68%)
- Salaries (27%)
- Travel expenses (4%)
- Other expenses (1%)

PERFORMANCE REVIEWS

Apply to all permanent employees.
Performance reviews conducted twice a year include a discussion on the personal goals and results as well as an individual long- term and short-term development plan.

NUMBER OF OCCUPATIONAL ACCIDENTS AND ABSENCES DUE TO ILLNESS

	2013 2% (4.3 days/person)		**2012** 2% (5.0 days/person)	
percentage of absences due to illness				
	workplace	business trip	workplace	business trip
accidents resulting in absence from work	0	5	0	1
accidents not resulting in absence from work	1	2	4	5
accident frequency (accidents / million work hours)	0*	12	0	2.3
work-related fatalities	0	0	0	0

* Occupational accident frequency in line with Zero Accidents criteria

MERIT PAY

Merit pay paid by personnel group

	2013	2012
management	313,000 €	215,000 €
employees	422,000 €	261,000 €

Persons covered by the merit pay system: all permanent employees, i.e. 268 people. In addition to a compensation system which is based on the requirements of each position, Fingrid applies quality and incentive bonus schemes.

HRD Specialist Nina Kujala and HR Specialist Nina Rautimo.

2013 AT FINGRID

Fingrid was well placed in the Great Place to Work 2014 survey.
In the Great Place to Work survey, carried out at the end of 2013 and published in December 2014, Fingrid came 25th in the general series, which means an improvement of three places on the previous result. Fingrid was the only state-owned industrial company among the awarded participants. The survey was carried out by the Great Place to Work® Institute, which prepares an annual analysis of the best workplaces in Finland. The list is an impartial indicator of a good place to work. The company took part in the survey for the second time. A total of 138 organisations participated in the survey, with the 50 best published. Fingrid again improved its status as a great place to work, and all the results were now better than in the survey in 2012. Especially the pride concerning the workplace and one's own work, as well as the community spirit among the employees are strong and have further strengthened in the company.

The Tuntihinta (Hourly Price) mobile application was launched at the end of the year.
The free-of-charge application is designed for following electricity exchange prices and gives an alarm if the hourly price exceeds a limit set by the user. With the help of the application, users can follow the Finnish area price published by the Nordic electricity exchange Nord Pool Spot. Price information can be used to decrease electricity use when electricity is expensive and to utilise the cheapest hours.

ENVIRONMENT

Fingrid considers the reduction of our operations' impact on the environment, environmental safety, and dialogue with stakeholders on environmental matters to be very important. A land use and environmental policy guides the continuous development of environmental matters at Fingrid, while at the same time we ensure the functioning of the power system, and electrical safety.

RESPONSIBLY ON THE SHARED LINES

A responsible approach in land use and environmental issues represents **everyday efforts** for Fingrid. Our service providers and contractors are committed to our environmentally responsible ways of working. These are secured through terms of contract, training, and monitoring. Environmental responsibility is one of the company's **key responsibility objectives.**

During 2013, Fingrid updated its land use and environmental policy. In addition, contractual terms concerning environmental issues were updated with emphasis on the continuous monitoring of site environmental issues, waste management arrangement practices and preparation for environmental risks. Environmental audits were carried out in construction contracts, at one reserve power plant and at a transmission line maintenance border area logging. All in all, 20 audits were carried out.

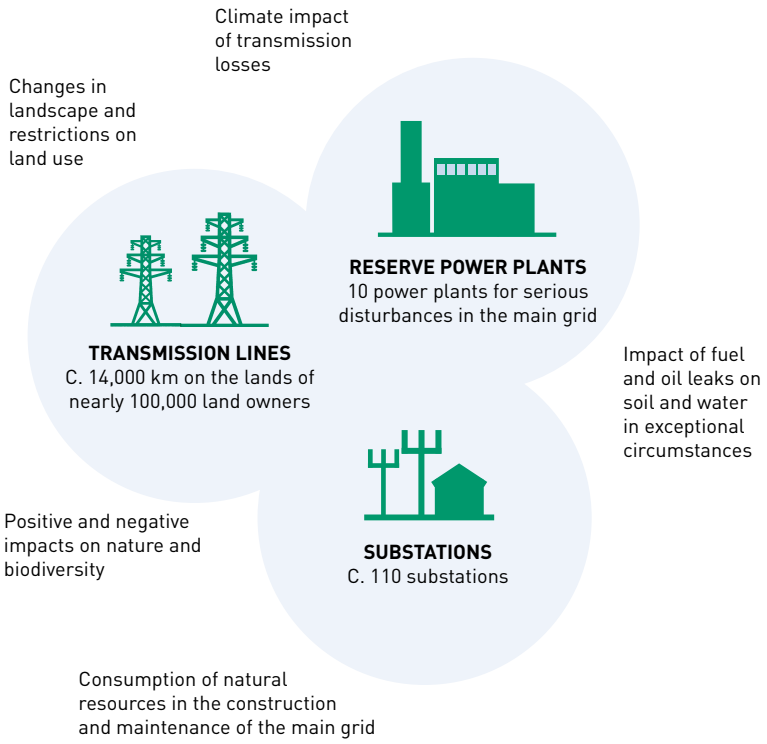
Environment-related training concentrated on site waste management, the implementation of a legislation monitoring tool, transmission line construction projects and the maintenance management of reserve power plants. The induction of new employees covered environmental matters. With regard to the supervision of interests, we were actively involved in the reform of legislation concerning fuel plant emissions and fluorinated greenhouse gases and the reform of a directive assessing environmental impact.

Fingrid is involved in fighting climate change and in the implementation of the national climate and energy strategy, as we contribute to the **connection of new energy production to the electricity transmission system.** Fingrid participated, among other things, in the drawing up of wind power analyses and land use plans for mainland areas together with regional councils. Fingrid was also involved in a project launched by the National Emergency Supply Agency which assessed the impact of extreme weather and space weather phenomena on critical infrastructures.

The adverse **effects of new transmission line projects on nature values and biodiversity** are analysed either as part of the environmental impact assessment procedure or by means of an environmental study. In 2013, the environmental impact assessment procedure for network reinforcements required by the Olkiluoto 4 nuclear power plant unit came to an end. In addition, three environmental assessments on the construction of a new 110 kilovolt transmission line in the Oulu region and in Keminmaa were completed. Evaluations conforming to the Antiquities Act were carried out for three transmission line projects and for one substation project.

We take active part in **land use planning** so as to ensure the assessment of the impacts of land use reservations and related adjacent areas, required by the development of the electricity transmission system. In 2013, Fingrid issued about 290 statements concerning land use plans and environmental impact assessments. In addition, the company directed the communi-

FINGRID'S KEY ENVIRONMENTAL IMPACTS



ty planning and construction taking place near the grid by issuing statements containing safety guidelines and restrictions. Fingrid issued almost 450 such statements.

Fingrid expropriates a right of use to the transmission line area, which allows for the construction, operation and maintenance of the transmission line. In accordance with the nationwide land use objectives stipulated in the Land Use and Building Act, the objective is to primarily utilise existing rights-of-ways in the planning of transmission line routes. When planning new transmission line routes, solutions are sought to prevent the routes from passing through the immediate vicinity of residential areas. During 2013, Fingrid did not have to purchase or expropriate properties in order to ensure appropriate line planning.

Expropriation decisions were obtained for the 400 + 110 kilovolt transmission line between Hikiä and Forssa and for the 400 kilovolt transmission line between Hirvisuo and Kalajoki. An application for an expropriation permit was prepared for a 400 kilovolt (partially 400+110 kV) transmission line running Kalajoki–Siikajoki–Pyhänselkä, and for 2 x 110 kilovolt lines between Tikinmaa–Lavianvuori. The compensation issues for the completed 110 kilovolt Kuninkoja–Räntämäki transmission line project were finalised in 2013. The total length of the line was approximately five kilometres and the compensation concerned a total of some 88 pieces of real estate.

Fingrid's transmission and substation projects are contracted out as total contracts which include many covering **material and device procurements**. We can influence the consumption of materials in pylon structures within the boundaries of technical and land use issues. 4,128 (3,509) tonnes of steel were used in transmission line pylons commissioned in 2013. The total weight of conductors was 1,675 (2,287) tonnes. Creosote-impregnated wood was used to reinforce the foundations in soft soil, and in maintenance work to replace individual tower legs.

We developed both our operating method concerning line maintenance work and dealing with nature in the area as well as guidelines directed at service providers. In this way we wish to take protected areas and values into account even more successfully than we have done in the past. In Kuopio and Kalajoki, we had to apply for special permits due to flying squirrel populations in the areas. In Kuopio, a special permit was also applied for concerning the logging of trees to create a border area and in Kalajoki a permit was applied for concerning the construction of a new transmission line. In one research and development project, Fingrid developed a solution to secure safe passage for flying squirrels over line clearings. The impacts of transmission lines on birds were reduced by installing more power line bird markers, which reduce the birds' risk of collision with the line.

The health impacts of the **electric and magnetic fields** of transmission lines were of interest to stakeholders. Fingrid published its policy on the subject in relation to the grid. Fingrid continued to contribute to the reports published by the Tampere University of Technology concerning medically-oriented research related to the electric and magnetic fields. In 2013, research was continued into the potential disturbances in medical implants under transmission lines.

Only necessary **chemicals** are handled and kept at substations and reserve power plants. These include fuels, transformer oils, capacitor fluids, and battery acids. Work into chemical safety continued in 2013 by analysing chemical safety risks at substations and by carrying out significant investments into oil spill response at reserve power plants. Exercises to prepare for major accidents were carried out at the Tolkkinen and Huutokoski reserve power plants in cooperation with rescue services.

Sulphur hexafluoride (SF_6), which we use in substation equipment, is a potent greenhouse gas. Our SF_6 gas emission in 2013 was 13 (25) kg. At the end of 2013, there was a total of approximately 32 (29) tonnes of SF_6 gas at substations, and the annual leakage rate in the long-term has been on average less than 0.2 per cent. Fingrid's methods of monitoring SF_6 gas are of an internationally high level; gas facilities are monitored increasingly using online maintenance monitoring devices which help to catch even small leaks rapidly. Leaks are analysed and repairs are initiated as soon as possible. We require our maintenance management providers to produce certificates relating to handling gases and their operations and working methods are assessed and inspected through auditing.

Substation equipment, such as transformers, transformer fans and capacitor towers are a source of noise. Related measurements were carried out in Porvoo. We take the noise impacts of new substations and reserve power plants into account early on, during the engineering phase, and we set guarantee values for noise emissions.

The most significant **waste volumes** resulting from our operations are created in the construction and modernisation of transmission lines, substations and reserve power plants. Dur-

ing 2013, the waste management operating model was renewed to achieve the best possible degree of recycling and utilisation.

Fingrid's reserve power plants are part of the European Union's emissions trading system. The correctness of the measuring and reporting systems for fuel consumption is verified by an accredited emissions trading verifier. Emissions trading has minor financial significance for Fingrid. In order to **reduce plants' carbon dioxide emissions,** trial periods to ensure the operation of the plant are kept as short as possible – bearing system security in mind – and often run at a lowered power level. The sulphur content of the stored fuel has been brought down by mixing new sulphur-free fuel with the old fuel, because the turnover of the fuel reservoirs at the plants is very slow due to the low annual use.

One incident resulting in significant **environmental damage** took place in 2013. A total of approximately 500 litres of fuel came into contact with soil and groundwater at the Forssa reserve power plant. The power plant is not located in a groundwater area suitable for the procurement of water. Approximately 50 tonnes of polluted earth was removed during the renovation of the soil. The environmental authorities approved the renovation work and the residual content of oil hydrocarbon in the soil. To prevent the reoccurrence of the incident, structural protection was improved and practices were changed at the Forssa plant.

OUR SERVICE PROVIDERS AND CONTRACTORS ARE COMMITTED TO OUR ENVIRONMENTALLY RESPONSIBLE WAYS OF WORKING.

2013 AT FINGRID

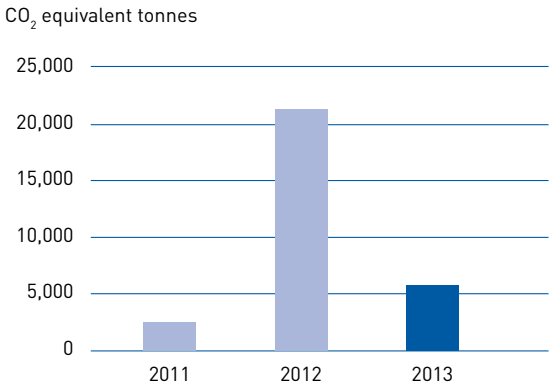
The first of a new model of field towers was erected at Hyvinkää.
The tower is part of a transmission line project between Nurmijärvi, Hyvinkää and Hikiä. The field towers are designed to minimise disruption to agriculture and to increase occupational safety. The field tower is around the same height as the traditional 400 kilovolt tower, which has an upper rail at a height of 31–35 metres. In the future, the new towers will be used at all suitable new Fingrid 400 kilovolt transmission line sites. The field tower model was designed in cooperation with Design Studio Muotohiomo and was awarded the Fennia Prize 2012 Grand Prix award for industrial design. The tower was on display at the Hyvinkää housing fair in summer 2013.

Landowners have given Fingrid a good grade.
The results of a company image survey showed that Fingrid is known as a reliable, competent and responsible company. Fingrid's overall grade as an operator has improved since last year. Landowners on whose land Fingrid's transmission lines are located gave the most positive response to Fingrid. In the survey, Fingrid's professionalism, reliability, transparency and responsibility were all highlighted as part of the company's image.

INDIRECT GREENHOUSE GAS EMISSIONS CAUSED BY TRANSMISSION LOSSES 2011–2013

Indirect greenhouse gas emissions are primarily caused by losses in the transmission of electricity.

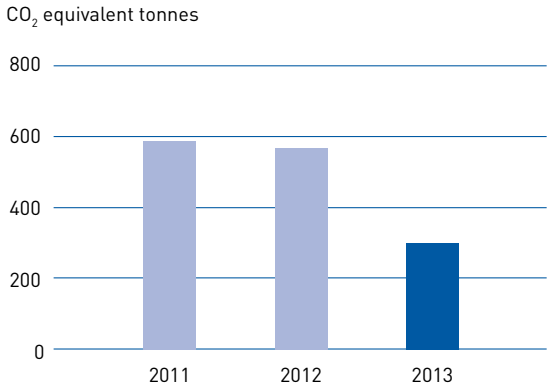
DIRECT GREENHOUSE GAS EMISSIONS OF RESERVE POWER PLANTS 2011–2013



The great change in the greenhouse gas emissions in 2012 is due to the commissioning process of the reserve power plant built in Forssa. The capacity of this plant is much higher than that of the other reserve power plants.

Expert Max Isaksson.

DIRECT GREENHOUSE GAS EMISSIONS OF SUBSTATIONS (SF_6) 2011–2013



ENVIRONMENTAL DATA FIGURES

Energy consumption					
Direct			**2013**	**2012**	**2011**
	Light fuel oil	t (GJ)	1,725 (74,000)	6,806 (291,000)	769 (33,000)
	Aviation fuel	t (GJ)	35.0 (1,500)	32.5 (1,400)	71.3 (3,100)
Indirect					
	Electricity transmission energy losses	GWh (GJ)	1,089 (3,920,000)	1,170 (4,210,000)	1,154 (4,150,000)
	Fast disturbance reserve electricity procured	GWh (GJ)	0.379 (1,400)	0.345 (1, 200)	0.238 (900)
	Reserve power plants' auxiliary energy	GWh (GJ)	7.7 (27,700)	7.8 (28,200)	2.2 (25,000)
	Reserve power plants' district heating	GWh (GJ)	0.745 (2,700)	0.947 (3,400)	0 (0)
Fingrid operations' greenhouse gas emissions					
Direct emissions (Scope1)			**2013**	**2012**	**2011**
	Reserve power plant fuels	tCO_2	5,566	21,317	2,434
	Substations' sulphur hexafluoride	tCO_2 equivalent tonnes	296	570	593
	Total[1)]	tCO_2 equivalent tonnes	5,862	21,887	3,027
[1)]According to Statistics Finland, the CO_2 equivalent emissions for all of Finland in 2012 were 60.9 million carbon dioxide tonnes. Fingrid's emissions' share of Finland's total CO_2 emissions was approximately 0.1‰ in 2013.					
Indirect emissions (Scope 2)					
	Electricity transmission energy losses	tCO_2	221,800	232,700	232,600
	Fast disturbance reserve electricity procured	tCO_2	76	70	48
	Reserve power plants' auxiliary energy	tCO_2	1,565	1,558	1,403
	Reserve power plants' district heating	tCO_2	162	205	0
	Total		223,603	234,533	234,051
Other indirect emissions (Scope 3)					
	Business travel (flights and kilometre-reimbursed business trips)	tCO_2	497	603	*
	Total		497	603	*
Other environmental figures					
			2013	**2012**	**2011**
Grid transmission lines in nature reserves and Natura sites[2)]		km	266	230	250
[2)] Approx. 2% of Fingrid's transmission lines are located in nature reserves or Natura sites. Around 9% of Finland's area was protected in 2013.					
Reserve power plants' sulphur dioxide and nitrogen oxide emissions			**2013**	**2012**	**2011**
	Sulphur dioxide (SO_2)	t	1.5	6.2	0.8
	Nitrogen oxide (NOx)	t	32	160	9

Calculation principles
Fingrid's environmental data reporting encompasses the entire company, excluding information on substation electricity and premises' electricity consumption and heating, and carbon dioxide emissions relating to these. The data compilation of the aforementioned information will be developed in coming years. Our reporting does not include emissions figures from transportation carried out by our service providers. Fingrid does not own any motor vehicles. We have developed our environmental data calculations and principles during 2013. Reference data from 2011–2012 has been updated in accordance with new calculation principles.

Environmental figures are collected for authorities from reported information and from Fingrid's data compilation system. Fingrid's carbon dioxide emissions calculations are based on EU-ETS emissions trading calculations and on the international GHG Protocol standard's principles. The emission factors used in Fingrid's carbon dioxide calculations are based on the latest factors from Statistics Finland and on IEA's average emission factor for Finland and on IPCC 2001 GWP factors. A three-year sliding average is used when calculating electricity CO_2 emissions. Emissions in 2013 have been calculated using the average for 2009–2011. District heating carbon dioxide emissions have been calculated using the Finnish Energy Industries' 2011 emissions factor 217 gCO_2/kWh.

*data not available

CORPORATE RESPONSIBILITY

"Powering Finland." Fingrid takes care of the national electricity transmission grid, assuming great responsibility for keeping society powered. We are committed to corporate-responsible operating methods and to their continuous development. Responsibility is part of our strategy, our values and our operations.

POWERING FINLAND.

Fingrid's corporate responsibility management is founded on the company's strategy and its four perspectives. The customers and stakeholders, personnel, finances, and operations are in sustainable balance. The strategy is also comprehensive with regard to responsibility, which is one of Fingrid's four values.

Responsibility is managed as part of other management. The company's Board of Directors approves principles concerning responsibility and its management. The Board of Directors monitors the responsibility of the company's operations even though none of the members of the Board is specifically responsible for corporate responsibility. The President and the heads of functions take care of responsibility issues in their own areas. The development and preparation of responsible operations are coordinated by a specifically appointed working group which is led by an individual manager responsible for personnel and communications and is part of the company's executive management. The working group reports to the executive management group.

Central **responsibility objectives** are set via an assessment of essential issues. Responsibility perspectives and objectives are involved in strategy work and in the planning of operations. Responsibility objectives are also a basis for the remuneration of the executive management and personnel.

Corporate responsibility is guided by the **company's Code of Conduct**. When compiling the principles, which were published for the first time in 2012, we took the UN's Global Compact initiative's ten principles into account, relating to human rights, working life, the environment and opposition to corruption. All employees are expected to comply with the Code in their daily work. In Fingrid's instruction system, the principles are specified by policies adopted by the executive management group.

Fingrid's aim is to promote responsible operations throughout the entire procurement chain. In accordance with the company's procurement policy, Fingrid takes impartiality and non-discrimination, working conditions, environmental responsibility, the legality of business operations, human rights and the use of child labour into account in procurements. Prevention of grey economy is an integral part of the company's operating policy, as is ensuring healthy competition in accordance with the Act on the Contractor's Obligations and Liability when Work is Contracted Out. The implementation of responsibility perspectives is monitored and any actions which are in conflict with the perspectives is corrected together with contractual partners.

We **report** on responsibility as part of the annual report, which is published in print and is now also available in an online format. We wish to give as clear and comparative an image as possible of the main impact our operations have. We are committed to developing our reporting in a determined manner. We are now applying the international GRI G3 (Global Reporting Initiative) reporting guidelines for the third time. The reporting takes into account the requirements of state ownership steering and other recommendations ensuring the company's good governance. According to our own estimate, our reporting is equivalent to Application Level B of GRI. The application level has been verified by an independent verifier, PricewaterhouseCoopers Oy.

In an operating environment analysis, we also examine global **megatrends in sustainable development.** Examples of such megatrends include climate change, economic globalisation and changes to population structures and aging populations, and these all have a central impact on Fingrid's operations. Fingrid recognises its role and opportunities to exert influence as a company in a changing energy system. The company is also preparing for weather conditions resulting from

FINGRID'S OPERATING PRINCIPLES

- Principles of responsible efforts
- Personnel and management principles
- Corporate financial and procurement principles
- Principles for financing
- Internal control and risk management principles
- Main grid development and maintenance management principles
- System operation principles
- Principles for promotion of market functioning

climate change. Globalisation presents financial opportunities, but the internationalisation and lengthening of procurement chains can also pose new challenges in ensuring responsible operating methods. We must continue to ensure the maintenance and development of competence both within Fingrid and amongst service providers.

When defining the contents of responsibility reporting, we have identified the important issues in terms of Fingrid's business and combined them with the expectations that our stakeholders and society have towards us. This has been based especially on our strategy and the experiences given to us by our dialogue with the stakeholders. We have also examined the weighting of the essential issues in terms of accountability with a view to the future. Occupational safety became more weighted than before after executive management reviewed and updated essential issues. GRI reporting guidelines' new G4 guidelines will be taken into account when the essential issues are next updated in the company.

Project Manager Satu Vuorikoski.

An essential aspect of responsibility is the impact of the company's operations on Finnish society in general and to ensure a reliable supply of electricity and functional electricity markets. Around 77 (75.4) per cent of Finland's electricity is transmitted in the grid. As Fingrid is responsible for the power system, it takes care of the technical functionality and system security of the Finnish power system. Fingrid participates in the preparation and preparedness planning of the energy supply, which safeguards necessary basic functions of society. In promoting electricity markets, the company can produce benefits for the national economy.

Affordable pricing, cost-efficiency and the generation of value to stakeholders are all central to financial responsibility. Operations also generate financial benefit for employees, service providers and goods suppliers, creditors and the public sector. Fingrid's operations are subject to official regulation and supervision by the Energy Authority. Transmission system operation is a natural monopoly.

With regard to social responsibility it is of paramount importance that the grid is safe and that occupational safety is at a high level. In our operating model, which is based on solid procurement expertise and outsourcing, responsibility is related to the entire procurement chain. A healthy working community forms the basis of operations. We have committed to the reduction of environmental impacts caused by the maintenance and development of the grid in accordance with policies concerning land use and the environment.

In the context of the definition of essential issues, we have identified our most important **stakeholders**. The interaction with these is reported in this annual report under "Customers and stakeholders". While we attend to the foremost infrastructure in Finland, we also wish to satisfy the expectations of our stakeholders and society towards us. Focusing on essential issues and listening to the expectations of the stakeholders and society also supports our risk management.

During 2013, responsibility was made part of the planning of operations. We wished to connect responsibility perspectives even more closely to company processes and perspectives. The significance of responsibility at Fingrid and in the work of each employee was the focus of a themed personnel day. Responsibility was also included as part of an orientation programme and guidelines for responsibility reporting were further developed.

The monitoring of issues relating to responsibility was systematised and made more efficient on transmission line, substation and reserve power plant sites. More audits were carried out than previously, and responsibility monitoring was extended to cover device suppliers.

In the future, emphasis will be placed on ensuring responsibility throughout the entire supply chain. The objective is to develop responsibility requirements and to monitor compliance with the requirements and to intervene in possible deviations from them. Success will affect all personnel at the company.

EFFECTS OF FINGRID'S OPERATIONS ON SOCIETY

Fingrid makes sure that electricity is supplied without interruptions in all of Finland.

People and society

- Effects of the adequacy of electricity transmission capacity and reliable electricity transmission on society and business life
- Safety and occupational safety of the main grid
- Management of the procurement chain in the construction and maintenance of the main grid – several hundreds of person-workyears by service providers
- Well-being of our own work community – number of personnel almost 300
- Effects of the functionality of the electricity market on the national economy and price of electricity

Environment

- Environmental impacts of the construction and use of transmission lines, substations and reserve power plants

ELECTRICITY PRODUCTION

- nuclear power
- hydroelectric power
- coal
- natural gas
- wood fuel
- peat and other energy sources used in production

ELECTRICITY TRANSMISSION IN FINGRID'S MAIN GRID

Fingrid carries out long-term development of the main grid as well as reliable electricity transmission

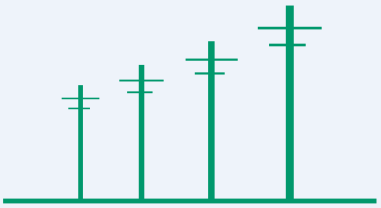
- transmission lines
- substations
- reserve power plants

Cross-border transmission connections to Sweden, Norway, Russia and Estonia

ELECTRICITY MARKET
Fingrid actively promotes the electricity market

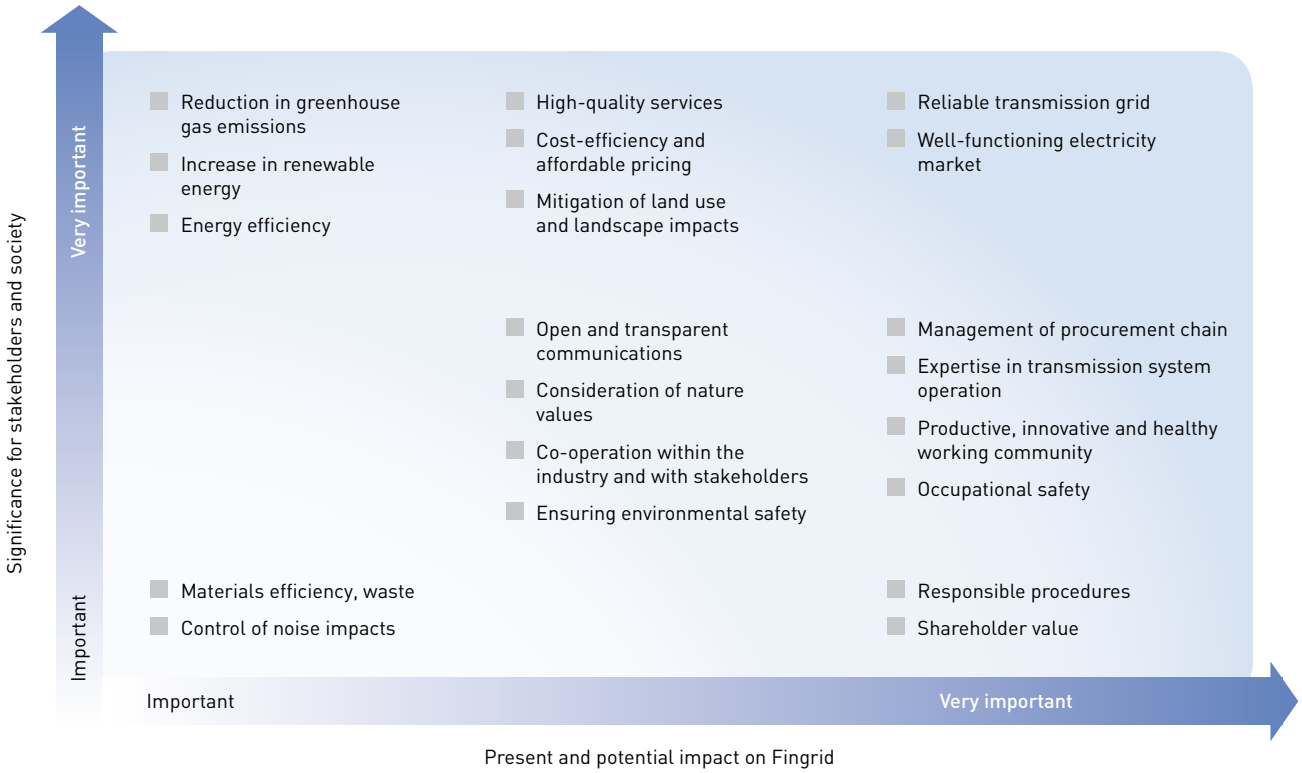
ELECTRICITY CONSUMPTION

- small consumers
- industry



ELECTRICITY TRANSMISSION IN REGIONAL AND DISTRIBUTION NETWORKS

ESSENTIAL RESPONSIBILITY ISSUES AT FINGRID



SUSTAINABLE DEVELOPMENT TRENDS

MEGATRENDS

- Climate change and scarcity of natural resources
- Globalisation of economy
- Demographic change and ageing of population

2013 AT FINGRID

Power and District Heat Pool. Fingrid is actively involved in the Power and District Heat Pool that provides a basis upon which energy companies can carry out cooperation with authorities concerning disturbances occurring under both normal conditions and during exceptional circumstances. The change in the Electricity Market Act which came into effect in autumn requires grid companies to carry out preparations and to participate in preparedness planning. The Power and District Heat Pool has participated in the development of a continuity management analysis for the HUOVI portal; the analysis, targeted at energy companies, supports parties critical to security of supply in their preparation for serious disturbances. It generates situational awareness of the level of national security of supply and can be utilised in the focusing of training and compilation of guidelines. Other examples of the Pool's development projects include the security of water supply and fuel distribution during electricity outages.

FINGRID'S PRIMARY RESPONSIBILITY OBJECTIVES

	Our objectives 2013	How did we do?	What are we aiming for in 2014?
SOCIAL RESPONSIBILITY			
Reliable transmission grid	Economic disadvantage inflicted on customers by disturbances in the transmission grid less than 4.5 million euros.	At the end of the year, economic disadvantage inflicted on customers by disturbances in the transmission grid 2.3 million euros.	Target unchanged.
Long-term development of the grid for the needs of the customers and electricity market	Implementation of the 10-year capital investment programme concerning the transmission grid in a manner which enables the execution of the Finnish climate and energy strategy: projects on schedule.	Projects were appropriately completed, and ongoing and planned projects and acquisitions progressed as intended.	Target unchanged.
Procurement chain responsibility	Responsible procedures in the procurement chain and monitoring of their achievement: continuous development.	Fingrid's requirements for responsible practices were in use on all Fingrid worksites and significant investment was put into audits. No significant deviations were observed.	Responsibility requirements will be in use on all worksites by the end of 2015. No deviations or problems in contractor obligation or employment relationship matters.
Good workplace atmosphere	Key figures of the Towards a Better Working Community® study by the Finnish Institute of Occupational Health: maintaining current high level.	The key figure has developed in a positive direction, and the overall result (15.6) was better than in other specialist organisations on average.	Target unchanged.
Good leadership	Great Place to Work survey, general series: Among the top 10.	Fingrid was placed 25th.	Target unchanged.
Responsible practices	Responsibility management, practices and reporting as part of the company's management and instruction system: continuous development.	Responsibility included in planning of operations and in orientation. New responsibility requirements for suppliers were drawn up.	Personnel trained in responsibility by the end of 2014 and will participate in the development of practices.
Good occupational safety	Accident frequency less than 10 by the end of 2015. (Both Fingrid personnel and service provider personnel are calulcated in the index.)	Accident frequency in 2013 was 9 (Fingrid and service provider personnel combined). Serious accidents took place on Fingrid's worksites, with one proving fatal.	Target unchanged.
Successful stakeholder co-operation	Average grade from customer survey min. 8.5. Average grade from stakeholder survey min. 8.5.	Fingrid's average grade was 8.6.	Target unchanged.
Functioning electricity markets			Key electricity market development projects and services implemented according to plan.
ENVIRONMENTAL RESPONSIBILITY			
Responsible land use and environmental policy	Mitigation of the transmission grids' land use and landscape impacts, and related stakeholder dialogue: continuous development.	The first field pylon was erected and the use of the tower in projects progressed. A statement concerning electric and magnetic fields was published. A solution to ensure safe passage for flying squirrels was developed.	The consistent use of field pylons in applicable sites .
	Making service providers and contractors committed to environmentally responsible procedures, and monitoring of related achievements: continuous development.	Contract terms relating to environmental issues were updated. The operating model for waste management was renewed. Environmental audits on worksites continued.	No significant environment-related deviations.
ECONOMIC RESPONSIBILITY			
Affordable pricing	ENTSO-E's European tariff level comparison: top three.	Fingrid was among the most affordable 25%.	Target unchanged.
Return on equity (ROE)	Proceeds in accordance with the regulatory model (WACC) from the start of 2014.	The objective is expected to be reached in 2014.	Target unchanged.
Targeted capital structure	Equity ratio approx. 30%.	The equity ratio was 29.5% at the end of the review period.	Target unchanged.

GRI CONTENT INDEX

We apply the international GRI G3 (Global Reporting Initiative) reporting guidelines to our responsibility reporting. The table below describes the correspondence between those guidelines and this annual report. According to our own estimate, our reporting is equivalent to Application Level B of GRI. The application level has been verified by a third party, PricewaterhouseCoopers Oy.

		Included	Page
	1. Strategy and Analysis		
1.1	CEO's statement	Yes	8–9
1.2	Key impacts, risks and opportunities	Yes	45–49; 55–57
	2. Organizational Profile		
2.1	Name of the organization	Yes	4
2.2	Primary brands, products and services	Yes	4
2.3	Operational structure	Yes	4; 58
2.4	Location of organization's headquarters	Yes	4
2.5	Number of countries and location of operations	Yes	4
2.6	Nature of ownership and legal form	Yes	4
2.7	Markets served	Yes	4
2.8	Scale of the reporting organization	Yes	4–5, 70, 76
2.9	Significant changes regarding size, structure or ownership	Yes	
2.10	Awards received in the reporting period	Yes	
	3. Reporting Principles		
	Report profile		
3.1	Reporting period	Yes	2
3.2	Date of most recent report	Yes	2
3.3	Reporting cycle	Yes	2
3.4	Contact point for questions regarding the report	Yes	2
	Report scope and boundary		
3.5	Process for defining report content (materiality, prioritizing topics and stakeholders using the report)	Yes	2, 45–48
3.6	Boundary of the report	Yes	2
3.7	Limitations on the report's scope or boundary	Yes	2
3.8	Basis for reporting subsidiaries, joint ventures, leased facilities, outsourced operations and other entities affecting comparability	Yes	2
3.9	Data measurement techniques and bases of calculations	Yes	2
3.10	Explanation of re-statements	Yes	43
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods	Yes	43
	GRI content index		
3.12	GRI content index	Yes	50–53
	Assurance		
3.13	Assurance policy and practice	Yes	2

	4. Governance, Commitments and Engagement		
	Governance		
4.1	Governance structure of the organisation	Yes	58–61
4.2	Position of the Chairman of the Board	Yes	60
4.3	Independence of the Board members	Yes	60
4.4	Mechanism for shareholder and employee consultation	Yes	58–61
4.5	Impact of organisation's performance on executive compensation	Yes	61–63
4.6	Processes for avoiding conflicts of interest	Yes	58–60
4.7	Processes for determining Board members' expertise in strategic management and sustainability	Yes	58–61, 64–65
4.8	Implementation of mission and values statements, code of conduct and other principles	Yes	6–7, 45
4.9	Procedures of the Board for overseeing management of sustainability performance, including risk management	Yes	45, 55, 59
4.10	Processes for evaluating the Board's performance	Yes	59
	Commitments to External Initiatives		
4.11	Addressing precautionary approach	Yes	55–57
4.12	Voluntary charters and other initiatives	Yes	
4.13	Memberships in associations	Yes	13
	Stakeholder Engagement		
4.14	List of stakeholder groups	Yes	13
4.15	Identification and selection of stakeholders	Yes	13, 46
4.16	Approaches to stakeholder engagement	Yes	11–13
4.17	Key topics raised through stakeholder engagement	Yes	11–13
	Economic Performance Indicators		
	Management approach to economic responsibility	Yes	16–19, 49, 55–57
	Economic Performance		
EC1*	Direct economic value generated and distributed	Partially	18–19
EC2*	Financial implications, risks and opportunities due to climate change	Partially	39–40; 56
EC3*	Coverage of defined benefit plan obligations	Partially	82, 89
EC4*	Significant subsidies received from government	Yes	
	Market presence		
EC6*	Policy, practices and spending on local suppliers	Partially	
	Indirect Economic Impacts		
EC9	Significant indirect economic impacts	Partially	24, 47
	Environmental Performance Indicators		
	Management approach to environmental responsibility	Yes	38–41, 45–49
	Materials		
EN1*	Materials used by weight or volume	Partially	40
	Energy		
EN3*	Direct energy consumption	Yes	43
EN4*	Indirect energy consumption	Partially	43
	Water		
EN8*	Total water withdrawal by source	No	
	Biodiversity		

EN11*	Location and size of land holdings in areas of high biodiversity	Partially	39
EN12*	Description of significant impact of activities, products, and services on biodiversity	Yes	39–40
EN14	Managing impacts on biodiversity	Partially	39–40
	Emissions, Effluents and Waste		
EN16*	Total direct and indirect greenhouse gas emissions	Yes	42–43
EN17*	Other relevant indirect greenhouse gas emissions	Yes	42–43
EN18	Initiatives to reduce greenhouse gas emissions	Partially	40–41
EN20*	NO_x, SO_x, and other significant air emissions	Yes	43
EN22*	Total amount of waste by type and disposal method	No	
EN23*	Total number and volume of significant spills	Yes	41
	Products and Services		
EN26*	Mitigating environmental impacts of products and services	Partially	39–41
	Compliance		
EN28*	Significant fines and sanctions for non-compliance with environmental regulations	Yes	
	Transport		
EN29	Environmental impacts of transportation	Partially	43
	Social Performance Indicators		
	Labor Practices and Decent Work		
	Management approach to labor practices and decent work	Yes	32–34, 45–49, 57
	Employment		
LA1*	Total workforce by employment type, employment contract and region	Yes	35
LA2*	Total number and rate of employee turnover by age group, gender and region	Yes	35
LA3	Benefits to full-time employees that are not provided to temporary or part-time employees	Yes	
	Labor/Management Relations		
LA4*	Coverage of collective bargaining agreements	Yes	
LA5*	Minimum notice period regarding operational changes	Yes	
	Occupational Health and Safety		
LA6	Percentage of employees represented in joint health and safety committees	Yes	
LA7*	Rates of injury, occupational diseases, lost days, fatalities and absenteeism	Yes	31, 33, 36
LA8*	Education and prevention programmes regarding serious diseases	Partially	30, 33
	Training and Education		
LA10*	Average training hours per year per employee	Yes	33
LA11	Programmes for skills management and lifelong learning	Yes	33–34
LA12	Employees receiving regular performance and career development reviews	Yes	36
	Diversity and Equal Opportunity		
LA13*	Composition of governance bodies and breakdown of employees	Yes	35
	Human Rights		
	Management approach to human rights	Yes	45–49
	Non-discrimination		
HR4*	Incidents of discrimination and actions taken	Yes	

	Society		
	Management approach to society	Yes	39–40, 45–49, 57
	Community		
SO1*	Programs and practices that assess and manage impacts of operations on communities	Partially	11–13, 39–40
	Corruption		
SO4*	Actions taken in response to incidents of corruption	Yes	
	Public Policy		
SO6	Contributions to political parties, politicians and related institutions	Yes	
SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly	Yes	
	Compliance		
SO8*	Significant fines and sanctions for non-compliance with laws and regulations	Yes	
	Product Responsibility		
	Management approach to product responsibility	Yes	11–13, 45–49
	Customer Health and Safety		
PR1*	Assessment of health and safety impacts of products	Partially	40
	Product and Service Labeling		
PR5	Practices related to customer satisfaction and results of customer satisfaction surveys	Yes	11–13
	Customer Privacy		
PR8	Complaints regarding breaches of customer privacy and losses of customer data	Yes	
	GRI's Electric Utility Sector-Specific Organisational Profile Disclosures		
EU4	Length of above and underground transmission and distribution lines by regulatory regime	Yes	5
EU5	Allocation of CO_2 emissions allowances broken down by carbon trading framework	Partially	40, 75, 110
EU6	Management approach to ensure short and long-term electricity availability and reliability	Yes	8–9, 29–30
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	Yes	34, 36
EU12	Transmission and distribution losses as a percentage of total energy	Yes	22–23
EU14	Programs and processes to ensure the availability of a skilled workforce	Partially	33–34
EU16	Policies and requirements regarding health and safety of employees and employees of contractors and subcontractors	Partially	29–30
EU17	Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities	Partially	31
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	Partially	30
EU19	Stakeholder participation in the decision making process related to energy planning and infrastructure development	Partially	11–14, 34
EU20	Approach to managing the impacts of displacement	Partially	40
EU21	Contingency planning measures, disaster/ emergency management plan and training programs, and recovery/restoration plans.	Partially	55–57
EU22	Number of people physically or economically displaced and compensation, broken down by type of project	Partially	40
EU28	Power outage frequency	Yes	21
EU29	Average power outage duration	Yes	21
	* Key indicator in GRI guideline		

RISK MANAGEMENT

The objective of Fingrid's risk management is to support the implementation of the strategy and to secure the continuity of the company's operations in the changing circumstances, and to manage the safety and environmental impacts of the operations. The goal is to engage the entire personnel to identify the risks associated with the company's operations and to implement risk management measures.

SYSTEMATIC RISK MANAGEMENT

Risk management at Fingrid is based on the company's objectives, strategy and assessment of risks relating to changes in the operating environment. Since the company plays a vital role in Finnish society, the impact of risks is assessed from both a company and societal viewpoint. Precautionary measures are drawn up and risk management is reported on regularly in order to manage risks identified as significant.

Risk management responsibilities

The Board of Directors of the company is responsible for the risk management system. The Board of Directors accepts the risk management policy and any changes in it annually. The audit committee of the Board of Directors obtains an annual report of the foremost risks pertaining to the company's operations and of their management. The Board approves the risk management measures as part of the corporate strategy, action plan, performance indicators and budget, and the Board supervises their fulfilment.

The CEO is responsible for risk management related to the corporate-level strategic goals. The foremost strategic risks are identified as part of the company's strategy work, and they are presented in the corporate strategy. These risks are monitored and co-ordinated by the executive management group, but each function and/or business process is responsible for implementing its own risk management.

The heads of the units are responsible for the identification, reporting and risk management measures of the operative risks in their respective areas of responsibility. Responsible persons in each function attend to the implementation and follow-up of risk management in their areas of responsibility. Each Fingrid employee is responsible for identifying and reporting the risks in their own area of responsibility and for implementing risk management measures.

Financial administration is to support and assist the business functions so that risk management in the business processes is ensured.

Risk surveys and organisation of reporting

At Fingrid, risks are identified based on the company's objectives, strategy and assessment of risks relating to changes in the operating environment. Of the impacts of risk, the financial impact on Fingrid, the financial impact on society and impact on the company's corporate image, environment and safety are all assessed. The likelihood of risks is also analysed as part of the risk survey. Fingrid's risk management is divided into the identification and management of operative risks and strategic risks.

The strategic risks and associated risk management measures are dealt with as part of Fingrid's annual strategy work. A risk assessment of the operative risks is drawn up for the company's operational planning in the autumn, and the risk management measures are planned. The risk assessments and the situation concerning risk management measures are updated in the spring.

Risks relating to projects, development projects and changes are identified as part of operative risk management. The risks of various implementation alternatives are dealt with as part of project planning and decision-making concerning procedures.

Guidelines for protection against risks are maintained in Fingrid's instruction system. The instruction system is composed of three levels:

- **Management principles**; documents which describe Fingrid's management.
- **Policies**; documents which specify the principles and describe the operation of the main processes and Fingrid's management perspectives.
- **Guidelines**; detailed guidelines which specify the policies.

Risk protection takes place by reducing the likelihood and/or seriousness of a disadvantageous event. Damage and loss related to a risk are restricted by means of advance protection measures and/or continuity management measures carried out in retrospect. The main means of practical protection are (usually in this particular order): changing of procedures, contingency plans, guidelines and safety arrangements, the development of technical solutions, contractual limitation, and derivatives and insurance policies. Development projects are launched whenever necessary to control the risks identified as being major, and the corporate strategic indicators are supplemented for their monitoring if necessary.

The limitation of risks is based on the identification, classification, evaluation, and reporting of the risks. The risks are limited using various mechanisms and measures, such as by setting limits in euros, by requiring collateral, by monitoring the financial standing and credit rating of a counterparty, and by using contractual limitations.

Should a significant risk or other significant disadvantageous event occur, the impact and likelihood of the event are assessed separately as necessary.

The strategic risks, risks relating to financing, and counterparty risks involved in the business are reported regularly to the Board of Directors and audit committee. Strategic risks are planned as part of Fingrid's annual strategy work and are presented to the Board of Directors annually in August.

The operative risks, risks relating to financing, and counterparty risks are reported regularly to the executive management group. The counterparty risks and operative risks of a particular business unit are reported regularly to the relevant business units.

Foremost uncertainty factors and risks to Fingrid and society

As part of its corporate social responsibility, Fingrid has identified risks that have a major impact on society. In its selected strategic focal areas, Fingrid has taken into account the management of the risks that affect both society and the company.

The **foremost risks shared by Fingrid and society** comprise a major disturbance, lack of confidence in the electricity market, environmental risk and electricity and occupational safety risks.

One of the company's biggest business risks and the biggest risk in terms of society is a major disturbance related to the functioning of the power system. A wide-spread disturbance in the power system may be caused by several simultaneous faults in the grid or electricity production. A disturbance can also result from the combination of a technical fault and human operating error, vandalism or deliberate intrusion in critical data systems. The extent or duration of the disturbance can be increased by a severe fault, appearing in the company's operation control system or other system, that hinders the operation of the grid. Fingrid is prepared for a widespread disturbance concerning Finland or the Nordic power system by making capital investments in the transmission grid and in reserve power. In its strategy, the company also focuses on the versatile utilisation of the operation control system, expedited disturbance clearing, and management of power shortage situations. Fingrid also makes preparations for disturbance situations by means of various reserves, procedural guidelines, contingency plans, and exercises.

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

From the point of view of society and Fingrid, the **most significant environmental risks** are related to environmental damage and to failure to meet environmental obligations set for operations. One of the more concrete risks faced by Fingrid is the impact of fuel and oil leaks into soil and water. From a company perspective, another risk related to environmental matters includes delays in capital investment projects due to the assessment of environmental impacts, and changes in environmental legislation. The key preparatory measures for environmental risks comprise the proactive assessment of environmental impacts, monitoring of legislation, prevention of accidents by means of technical solutions, further development of contractual terms relating to environmental issues, and audits.

Variations in weather and extreme weather phenomena related to climate change may cause a need for new technical solutions, and they may influence the grid operation and maintenance practices. Moreover, the construction of transmission lines may become more complicated as a result of mild winters. All of these factors can result in additional costs to the company.

Electricity and occupational safety risks relate to grid electricity safety, especially concerning construction and maintenance work and apply to both Fingrid and society overall. A risk can occur due to a work error near live components, a fault or accident during construction, damage to live structures or vandalism and careless action near live components. Consequences of the materialisation of such a risk can include a highly dangerous situation or danger to several people, serious injury, periods of sick leave, inability to work, disability or death. The event may also cause outages in the distribution of electricity. Fingrid is continuously improving grid safety by developing technical solutions, working methods, skills and communication.

Foremost risks to Fingrid

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

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

Investments which have become unnecessary or unanticipated capital in-

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

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

Financial risks include currency risks, transaction risks, interest rate risks, commodity risks, liquidity and refinancing risks, and credit risks. Financial risks can be caused by disturbances in the capital and money markets, realisation of counterparty risks in terms of derivatives or investments, realisation credit risks in operations, or disturbances in payments traffic. We aim to limit the risks by means of a high and stable credit rating, an even maturity profile and a versatile structure. The financial risks are described in more detail in note 35 to the consolidated financial statements (IFRS).

Personnel risks concern the maintenance of competence. The competence and occupational safety risks are limited by the company's strategic long-term personnel planning, targeted personnel training programmes and high-quality communications with stakeholders.

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

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

Asset risks cover significant damage to Fingrid's assets, such as wide-spread failures or failures rendering significant assets beyond repair. Other causes may include significant and unanticipated factors such as hurricanes, demonstrations, earthquake, meteorites, volcanic eruptions or war. Fingrid manages asset risks through means such as preventive maintenance management, comprehensive insurance policies for key grid components, detailed definition of projects and maintenance management, stringent quality control, and use of proven technology and suppliers.

Foremost risks to society

Risks to society arising from Fingrid's operations include the postponement of significant investments in the transmission system and long-term transmission capacity restrictions.

Reasons for **failure to meet schedules on upgrades** can include changes in the financial situation or consumption and production, delays in the permit application process, a lack of resources or strike. Other reasons include restrictions on the electricity markets preventing the markets from developing or operating efficiently. Fingrid plans and constructs key cross-border connection projects and projects for the reinforcement of the main grid with care, and takes long-term market impacts into account.

Long-term transmission capacity restrictions may be caused by for example technical failures or problems with power system security. Outages and restrictions on the distribution of electricity inflict economic disadvantage on the customers and society. The restrictions are controlled by securing the critical items in the transmission grid and on the cross-border connections and by means of efficient outage planning, for example by timing the outages so that they impose a minimum of economic disadvantage to society.

Corporate Governance Statement

Fingrid Oyj is the national transmission system operator responsible for the main electricity transmission grid in Finland. The company is tasked with developing the transmission grid, maintaining a continuous balance between electricity generation and consumption, settling the electricity supplies between the parties on a nation-wide level, and improving the functioning of the electricity market. Moreover, Fingrid is responsible for the cross-border transmission connections to other countries.

Fingrid is a transmission system operator (TSO) which participates in the operations of the European Network of Transmission System Operators of Electricity (ENTSO-E) by virtue of the regulation on the cross-border exchanges in electricity (EC 714/2009). ENTSO-E's mission is, among other things, to draw up the rules for the European electricity market.

The duties belonging to the company are organised and the responsibilities for them are determined in accordance with the management principles. The objective is to secure sufficient expertise and create facilities for efficient working.

The Fingrid Group encompasses the parent company Fingrid Oyj and its fully-owned subsidiary Finextra Oy (formerly Fingrid Verkko Oy). The associated companies are Porvoon Alueverkko Oy (holding 33.3%), eSett Oy (holding 33.3%) and Nord Pool Spot AS (holding 18.8%). The Group has no joint ventures.

1 GOVERNANCE

Fingrid is a listed company whose shares are not subject to public trading. Since Fingrid has issued other publicly-quoted securities such as bonds, the company follows the Finnish Corporate Governance Code published by the Finnish Securities Association, which came into effect in 2010. Unlike stipulated under section 1 of the Code, Fingrid does not place the minutes of the general meetings on its website. This is due to the small number of shareholders in the company and the fact that the minutes of the general meetings are sent to every shareholder. The company's operations or the duties of its administrative bodies are governed by regulations such as the Finnish Companies Act, Securities Market Act and Electricity Market Act.

By virtue of the Finnish Companies Act, articles of association and shareholder agreement, the corporate governance is divided between the general meeting, Board of Directors and the CEO. Fingrid's supreme power of decision is exercised by the shareholders in the general meeting. The Board of Directors is responsible for the administration and the proper organisation of the operations of the company. The Board of Directors ensures that Fingrid applies the principles of good governance. The CEO is responsible for the operations of the company, assisted by the executive management group. Vital matters having bearing on Fingrid's customer interface are prepared by the company's Advisory Committee. Moreover, Fingrid's articles of association, shareholder agreements and principles concerning the work of the Board of Directors ensure proper handling of matters.

Section 32 of the Electricity Market Act stipulates that Fingrid's grid operations are independent of the production and sales of electricity and natural gas. Fingrid's shareholders must see to it that decision making concerning Fingrid on one hand and companies that produce or sell electricity or natural gas on the other hand, are separated.

Insider administration

Since Fingrid's shares or securities entitling shares are not subject to public trading, the insider recommendations are not applicable to the company, which is why there is nothing to report of insider administration.

2 GENERAL MEETING

The general meeting is the supreme decision-making body of the company. The annual general meeting is held annually no later than June. The annual general meeting accepts issues such as the financial statements, and elects the auditor and the company's Board of Directors. The general meeting elects the Chairman and Vice Chairman among the Board members. Moreover, the general meeting decides on the remuneration paid to the Board of Directors and its committees.

In accordance with the articles of association, summons to general meetings and other notifications shall be sent to the shareholders at the earliest four (4) weeks and at the latest two (2) weeks before the meeting by mailing the summons as registered letter to each shareholder to the address entered in the share register of the company.

In accordance with recommendation 1 of the Corporate Governance Code, the notice of the general meeting and the following information shall be made available on the company website at least 21 days before the general meeting:

- the total number of shares and voting rights according to classes of shares at the date of the notice
- the documents to be submitted to the general meeting
- a proposal for resolution by the Board or another competent body
- an item on the agenda of the general meeting with no proposal for a resolution.

In addition, the company posts a summary of the decisions of general meetings on the company website within 2 weeks of the general meeting.

As a rule, Fingrid's CEO, Chairman of the Board and other Board members together with the auditor are present in a general meeting. Also, a person proposed for the first time as a Board member shall participate in the general meeting that decides on his or her election unless there are well-founded reasons for the absence.

3 BOARD OF DIRECTORS

Fingrid's shareholders have the supreme power of decision in the general meeting which elects the Board of Directors annually. A Board member's period of office expires at the closing of the next annual general meeting following his or her election. A person who is 68 years of age or older, or a person who is a Board member in both Fingrid and a company that produces or sells electricity or natural gas or in a body representing such a company, cannot be elected on the Board. The general meeting elects one Board member to serve as the Chairman of the Board and one member to serve as the Vice Chairman of the Board. The Board of Directors is summoned by the Chairman or the Vice Chairman.

In accordance with the articles of association, the Board of Directors consists of five (5) members. Moreover, a personal deputy member is appointed for each member of the Board of Directors. The Board constitutes a quorum when more than half of its members are present, and one of these is the Chairman or the Vice Chairman. The decisions of the Board of Directors are made through a simple majority on the basis of the Board members present in the meeting. New Board members are inducted into the operations of the company.

Duties of the Board of Directors

The primary duties and principles of Fingrid's Board of Directors are specified in its working order.

The Board of Directors is responsible for the administration and the proper organisation of the operations of the company. Moreover, the Board of Directors makes sure that the company adheres to the relevant rules and regulations, articles of association of the company, and guidelines provided by the shareholders' meeting. Other duties of the Boeard include:

- decides on the strategic policies of the company
- accepts the annual action plan and budget on the basis of the strategy and supervises its fulfilment
- handles and accepts the interim reports, annual review and financial statements
- accepts Fingrid's management system and other business principles to be determined on the Board level, and confirms the values to be followed in Fingrid's operations
- annually reviews the risks relating to the company's operations and the management of such risks
- accepts the total amount of purchases and capital investments and its distribution on the various sectors, and decides separately on budgeted purchases and capital investments in excess of 10 million euros and on purchases and capital investments outside the budget
- appoints and dismisses the CEO of the company
- accepts the basic organisation and composition of the executive management group of the company
- decides on the principles of the remuneration system and on the remuneration of the CEO and the executive management group.
- assesses its work once a year
- appoints a consulting Advisory Committee which serves as a link between the Board and the management of the company on one hand and the consumers of electricity and other stakeholders on the other hand
- appoints the members of the audit committee and remuneration committee
- deals with other business which the Chairman of the Board, a Board member or the CEO has proposed to be included on the agenda
- also assembles without the presence of executive management.

Meeting practice and supply of information

The material concerning the topics handled in a meeting of the Board of Directors is delivered to the Board members no later than three working days before the Board meeting. All material delivered to the Board members is confidential.

Composition of Board of Directors

On 27 May 2013, the Annual General Meeting elected Helena Walldén

(Chairman), Juha Majanen (Vice Chairman), Sirpa Ojala, Esko Torsti and Matti Rusanen to the Board of Directors. The company's General Counsel, Marina Louhija, serves as the secretary of the Board. The members of the Board are presented on pages 64-65.

Operation of the Board of Directors

The Board of Directors assembled 16 times in 2013. Five of these meetings were conducted as written proceedings.

In 2013, the Board decided on such issues as Fingrid's strategy for 2014-2023, grid pricing and the budget for 2014 as well as significant capital investments, such as the purchase of EstLink 1 and several substation and transmission line projects. In its meetings, the Board discusses matters that have been on the agenda of the Board committees.

The Board of Directors has two committees: an audit committee and a remuneration committee. The Board of Directors confirms the working orders of the committees.

Audit committee

The audit committee is appointed by the Board of Directors and it assists the Board. The Board of Directors has specified the duties of the audit committee in accordance with recommendation 27 of the Corporate Governance Code, in addition to which the audit committee assesses the audit plans of the auditor and internal auditor and supervises adherence to legislation and to the governance principles set by the Board.

Juha Majanen (Chairman), Esko Torsti and Helena Walldén serve as the members of the audit committee. All members of the audit committee are independent of the company, and Helena Walldén is also independent of significant shareholders.

In 2013, the audit committee assembled 6 times. The attendance of the members of the committee in the meetings is described in the Corporate Governance Statement, which can be found on the company's website. The CEO attended audit committee meetings.

The audit committee has handled in its meetings issues such as the audit plans and audit reports of the auditor and internal audit, risks and risk management principles, financing principles, and corporate governance statement.

Remuneration committee

The remuneration committee is appointed by the Board of Directors and it assists the Board. The remuneration committee is to prepare for the Board of Directors the principles of the remuneration system applied to the executive management and other personnel. The committee also prepares for the Board, on the basis of accepted principles, a proposal concerning the remuneration to be paid to the CEO and other members of the executive management group. Moreover, the committee prepares the appointments of the CEO and members of the executive management group and evaluates their successors.

The remuneration committee consists of Helena Walldén (Chairman), Sirpa Ojala and Matti Rusanen. Of the members of the remuneration committee, Helena Walldén and Sirpa Ojala are independent of the company and of significant shareholders. Matti Rusanen is independent of the company but not independent of significant shareholders. The CEO attends the meetings of the committee.

In 2013, the audit committee assembled 5 times. The meetings handled matters such as the appointment of executive management members, remuneration systems applied to the personnel and the executive management group, and their successor planning.

The attendance of the members of the committee in the meetings is described in the Corporate Governance Statement, which can be found on the company's website.

4 CEO AND EXECUTIVE MANAGEMENT GROUP

Fingrid's primary duty is to take care that the basic duties of the company are managed efficiently. The operations are based on satisfying the needs of customers and the electricity market, considering the obligations laid down in the articles of association, shareholder agreements, electricity system license and Electricity Market Act.

The company's operations are managed in a matrix of four perspectives: personnel and expertise, internal processes (adequacy of transmission system, system operation and promotion of market functioning), finance, and customers and stakeholders.

The operational organisation has been organised into functions. The heads of the functions make up the executive management group of the company. The Board of Directors approves the basic organisation of the company on the level of functions.

If necessary, duties with a considerable financial significance are separated and organised into a separate company. Such duties can comprise special services for the electricity market, for example.

President and CEO

The CEO attends to the administrative routines of the company in accordance with guidelines provided by the Board of Directors. The CEO is respon-

sible for the operations of the company assisted by the executive management group and serves as the Chairman of the Board of the subsidiary. The service terms of the CEO have been specified in a separate CEO's service contract which is approved by the Board of Directors. The financial benefits given by the CEO's service contract are described in the remuneration statement. The CEO is not a member of the Board of Directors.

Executive management group

Role of Fingrid's executive management group:

- supports the CEO in the company's management and decision-making
- supports the members of the company's executive management group in decision-making
- handles significant corporate-level decisions

Duties of executive management group:

- definition, implementation and monitoring of strategy
- communicating and implementing the strategy
- drawing up of action plan and budget
- financial control and risk management
- resource planning, acquisition and control
- external communications and stakeholder efforts
- preparing of matters to the Board of Directors
- development of the work of the executive management group.

In addition to the CEO, the executive management group also comprised deputy CEOs Kari Kuusela and Juha Kekkonen as well as Jussi Jyrinsalo, Tiina Miettinen (from 2 April 2013), Jan Montell (from 1 December 2013), Tom Pippingsköld (until 30 September 2013), Reima Päivinen, Kari Suominen (from 12 August 2013), Matti Tähtinen (until 1 April 2013).

5 ADVISORY COMMITTEE

Fingrid's executive management is assisted by an Advisory Committee with 10 to 12 members appointed by the Board of Directors. The committee serves as a preparatory body and discussion forum in matters concerning the customer interface of the company. The term of office of the members of the Advisory Committee is primarily three years. The Advisory Committee comprehensively represents Fingrid's customers and electricity market parties. The Advisory Committee is not a decision-making body.

6 REMUNERATION STATEMENT

Remuneration and other benefits of the members of the Board of Directors

The general meeting decides on the remuneration of the members of the Board of Directors. The annual general meeting decided on 27 May 2012 that the Board members are paid monthly remuneration as follows:

- Chairman of the Board 2,400 euros,
- Vice Chairman of the Board 1,300 euros,
- Members of the Board 1,000 euros, and;
- Deputy members of the Board 225 euros.

It was also decided that the Board members and deputy members be paid 600 euros in attendance for each Board and committee meeting the member participates in.

The members of the Board have no share and share-related remuneration schemes or supplementary pension schemes.

In 2013, the Board had 16 meetings, the audit committee 6 meetings, and the remuneration committee 5 meetings.

Remuneration of executives

In 2013, the Group applied a remuneration system whose general principles were accepted by Fingrid's Board of Directors on 14 February 2013.

The total remuneration of 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 is 25 per cent and to the other members of the executive management group 20 per cent of the annual salary. The maximum amount of the long-term incentive scheme payable to the CEO is 35 per cent and to the other members of the executive management group 25 per cent.

The criteria of the one-year bonus scheme are cost efficiency, customer satisfaction, functioning of the workplace community, and management. The other indicators comprise the attainment of the key objectives of each member of the executive management group.

Corporate social responsibility is included in the long-term incentive programme; the programme's indicators are system security, the functioning of the electricity market and shareholder value.

The members of Fingrid's executive management group have no share and share-related remuneration schemes or supplementary pension schemes

In 2013, the following remuneration was paid to the members of the Board:

Name	Position	Work on the Board*	Audit committee	Remuneration committee	Total 2013
Helena Walldén	Chairman of the Board from 3 May 2011	35,800	3,300	2,800	41,900
Juha Majanen	Vice Chairman of the Board from 22 March 2012	22,500	3,300		25,800
Sirpa Ojala	Member from 22 March 2012	19,000		2,800	21,800
Esko Torsti	Member from 22 March 2012	19,500	3,300		22,800
Esko Raunio	Member from 3 May 2011 – 27 May 2013	6,500			6,500
Matti Rusanen	Member from 27 May 2014 Deputy member from 22 March 2012 – 27 May 2013	13,100		1,800	14,900
Timo Ritonummi	Deputy member from 3 May 2001	2,700			2,700
Niko Ijäs	Deputy member from 22 March 2012	2,700			2,700
Marja Hanski	Deputy member from 3 May 2011	3,200			3,200
Jari Eklund	Deputy member from 3 May 2011 – 27 May 2013	1,100			1,100
Ari Hakala	Deputy member from 27 May 2013	1,600			1,600
Katja Salovaara	Deputy member from 27 May 2013	1,600			1,600
TOTAL		**129,300**	**9,900**	**7,400**	**146,600**

* Includes annual remuneration and meeting remuneration.

Service contract of CEO

The service terms of the CEO have been specified in a written CEO's service contract which is approved by the Board of Directors.

The retirement age and accumulated pension of the CEO are determined in accordance with general pension legislation. The CEO does not have a supplementary pension provided by the company.

The mutual period of notice of the CEO is six months. If the company dismisses the CEO, an amount of money corresponding to nine months' fixed salary is paid to the CEO in addition to the salary for the period of notice.

7 INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

The purpose of Fingrid's internal control, comprehensive risk management and internal audit is to secure operations conforming to the company's corporate governance statement, principles and guidelines as well as the fulfilment of strategy.

Internal control

The company's internal control is based on the principles approved by the Board of Directors, policies and function-level and unit-level instructions approved by the executive management group, risk management, financial reporting and the transparency of processes and procedures. Fingrid's internal control intends to make sure that Fingrid operates efficiently and productively, that reporting is reliable, and that the applicable laws, regulations and the company's own procedural guidelines are followed.

The table below indicates the salaries and benefits of Fingrid's CEO and other members of the executive management group in 2013:

	Fixed basic salary	Varying merit pay*	2013	2012
CEO	249,100	78,300	327,400	303,118
Executive management group	872,900	234,700	1,107,600	1,117,893
TOTAL	**1,122,000**	**313,000**	**1,435,000**	**1,421,011**

* The merit pay is based on the performance in 2012.

The company's internal audit has been outsourced to an independent external party.

The internal control systems related to the financial reporting process are part of a more extensive overall system of Fingrid's internal control, also encompassing comprehensive risk management and internal audit. A description of the main features of internal control and risk management related to the financial reporting process is available in Fingrid's corporate governance statement.

Risk management

The objective of Fingrid's risk management is to support the implementation of the strategy and to secure the continuity of the company's operations under changing circumstances, and to manage the acceptability, safety and environmental impacts of the operations. The goal is to engage the entire personnel to identify the risks associated with the company's operations and to implement risk management measures. Risk management must be continuous and systematic by nature.

Risk management at Fingrid is based on the assessment of risks relating to changes in the company's objectives, strategy and operating environment. Since the company plays a vital role in Finnish society, the impact of risks is assessed from both a company and societal viewpoint. Precautionary measures are drawn up and risk management is reported on regularly in order to manage risks identified as significant.

Fingrid's risk management is divided into the identification and management of operative risks and strategic risks. The company's risks are managed in the company's strategy work, which analyses changes in the operating environment, assesses Fingrid's strategic readiness, identifies the strategic risks, sets the strategic goals, and specifies the relevant measures. Fingrid's strategy is implemented in the management system, where the internal processes determine the measures required to manage Fingrid's core duties, and supervise their implementation.

The Board of Directors of the company is responsible for organisation of the risk management system. The Board of Directors approves risk management procedures as part of the company's strategy. The functions carry responsibility for identifying risks as part of the company's operations planning. Risks relating to projects, development projects and changes are identified as part of operative risk management. In addition, the company applies operational assessment (audits), which supports risk management, and draws up continuity plans.

Internal audit

The company's internal audit is independent of the company's processes, functions and units. The internal auditor monitors issues such as adherence to the guidelines of the company, acts and official regulations, and reports his findings to the audit committee. The audit committee of the Board of Directors examines the functioning of internal control and reports to the Board of Directors.

As part of internal control, in 2013 the internal audit audited processes related to the verification of Fingrid's telecommunications connections, the procurement process, reserve procurement and frequency-controlled maintenance, data security and continuity management. A comprehensive audit plan has been approved for internal audit in 2014.

8 AUDITING

The general meeting elected authorised public accountants PricewaterhouseCoopers Oy as the auditor of the company. Authorised Public Accountant Jouko Malinen serves as the responsible auditor of the company The general meeting decided that the auditor's fee and expenses are paid on the basis of an invoice accepted by the company

Auditor's fees, 1,000 €

	2013	2012
Auditing fee	51	35
Other fees	97	63
TOTAL	**148**	**98**

MEMBERS OF THE BOARD

Helena Walldén

Chairman of the
Board of Directors

Born in 1953, M.Sc. (Tech.)

Chairman of Fingrid Oyj's
Board of Directors since 2011

Juha Majanen

Vice Chairman of the
Board of Directors

Born in 1969, LL.M.

Member of Fingrid Oyj's
Board of Directors since 2012

Sirpa Ojala

Born in 1963, M.Sc. (Tech)

Member of Fingrid Oyj's
Board of Directors since 2012

Matti Rusanen

Born in 1961, M. Sc.
(Agriculture and Forestry),

eMBA

Member of Fingrid Oyj's
Board of Directors since 2013

Esko Torsti

Born in 1964, Lic. Pol.

Member of Fingrid Oyj's
Board of Directors since 2012

Marina Louhija

Born in 1968, LL.M

Fingrid Oyj's General Counsel

Secretary of Fingrid Oyj's
Board of Directors since 2013

Personal deputy members of the Board:

Timo Ritonummi, Industrial Counsellor, Ministry of Employment and the Economy
Niko Ijäs, Counsellor, Ministry of Finance
Marja Hanski, Counsellor, Ministry of Employment and the Economy
Ari Hakala, Ilmarinen Mutual Pension Insurance Company, lawyer
Katja Salovaara, Ilmarinen Mutual Pension Insurance Company, Senior Portfolio Manager

Full introduction of the Board:
http://annualreport.fingrid.fi/en/2013/board

MEMBERS OF THE EXECUTIVE MANAGEMENT GROUP

① Jukka Ruusunen
CEO
Born in 1958, Doctor of Technology
CEO since 2007
Member of the executive management group since 2007
Employed by Fingrid since 2007

② Kari Kuusela
Executive Vice President
Born in 1955, M.Sc. (Tech)
Member of the executive management group since 1999
Employed by Fingrid since 1997

③ Juha Kekkonen
Executive Vice President
Born in 1950, M.Sc. (Tech.)
Member of the executive management group since 1997
Employed by Fingrid since 1997

④ Jussi Jyrinsalo
Born in 1964,
Licentiate in Technology
Member of the executive management group since 2005
Employed by Fingrid since 1997

⑤ Tiina Miettinen
Born in 1963,
Master of Political Sciences
Member of the executive management group since 2013
Employed by Fingrid since 2007

⑥ Jan Montell
Born in 1968, M.Sc. (Econ.)
Member of the executive management group since 2013
Employed by Fingrid since 2013

⑦ Reima Päivinen
Born in 1958, M.Sc. (Tech.)
Member of the executive management group since 2005
Employed by Fingrid since 1997

⑧ Kari Suominen
Born in 1964, M.Sc. (Tech), MBA
Member of the executive management group since 2013
Employed by Fingrid since 2013

Full introduction of the executive management group:
http://annualreport.fingrid.fi/en/2013/ceo-and-executive-management-group

ANNUAL REVIEW AND FINANCIAL STATEMENTS

1 JANUARY 2013 – 31 DECEMBER 2013

Contents

1. ANNUAL REVIEW

REPORT OF THE BOARD OF DIRECTORS

Figures in brackets refer to the previous year, unless otherwise stated.

Financial result

The Group's turnover was 543 million euros (522 million). Other operating income was 4 million euros (4 million euros).

Grid revenue rose to 321 million euros (276 million euros) as a result of the tariff increase of 15 per cent carried out at the beginning of the year. Electricity consumption in Finland increased by 1.5 per cent from 2012.

Fingrid transmitted almost the same amount of electricity in its grid as in the previous year, i.e. 64.6 (64.2) TWh. The sales of imbalance power grew to 159 (151) million euros. The increase in the sales of imbalance power was influenced by the rises made in the balance service fees in 2013 to cover increased reserve purchasing costs. Cross-border transmission income on the connection between Finland and Russia and congestion income on the interconnection between Finland and Estonia remained at the previous year's level. On the other hand, Fingrid's congestion income on the interconnection between Finland and Sweden fell considerably due to the market situation and reduced differences in the area prices of electricity, and was 19 (44) million euros. European inter-TSO compensation income declined slightly.

The costs of imbalance power decreased from the previous year to 121 (126) million euros due to reduced volume. Loss energy costs fell by 2 million euros. The average price of loss energy purchases was 51.10 (52.85) euros per megawatt hour. Depreciation costs increased by 6 million euros as significant new capital investment projects were completed. The costs of reserves, which safeguard the system security of the power system, rose by 23 million euros, because the temporary purchases of frequency-controlled reserves in the hourly market

Turnover and other operating income, (million €)	**1–12/13**	**1–12/12**	**10–12/13**	**10–12/12**
Grid service revenue	321	276	93	85
Sales of imbalance power	159	151	45	48
Cross-border transmission income	13	11	4	3
Finland-Estonia congestion income*	4	6	1	1
Finland-Sweden congestion income	19	44	6	8
Peak load capacity income**	13	19	2	5
ITC income	8	10	2	2
Other revenue	6	5	2	1
Other operating income	4	4	1	2
Revenue and other income total	547	526	156	156
Costs, (million €)	**1–12/13**	**1–12/12**	**10–12/13**	**10–12/12**
Purchase of imbalance power	121	126	32	39
Cost of loss energy	58	65	15	17
Depreciation	82	76	22	20
Cost of reserves	62	39	13	10
Personnel costs	23	22	6	7
Maintenance costs	20	21	5	6
Cost of peak load capacity**	13	18	2	5
ITC charges	12	14	3	3
Estlink grid rents*	4	6	1	1
Other costs	31	32	9	9
Costs total	425	419	108	116
Operating profit excluding the change in the fair value of commodity derivatives	122	107	48	39
Operating profit of group	115	95	36	38

*Fingrid's income from the congestion income between Finland and Estonia was 3.7 million euros. The costs (grid rents between Finland and Estonia) were 3.5 million euros, which were paid to the owners of the Estlink transmission connection. The difference of 0.2 million euros received by Fingrid was created during the trial period of the EstLink 2 connection in December 2012.

** The peak load capacity income and costs are related to the securing of the sufficiency of electricity during peak consumption hours within the framework of the Finnish Peak Load Capacity Act.

in Finland and from the other Nordic TSOs were more expensive than earlier. Additional reserves were also purchased in order to improve frequency quality. Personnel-, maintenance- and inter-TSO compensation costs remained more or less at the level of the previous year.

The operating profit of the Group was 115 (95) million euros. Of the change in the fair value of commodity derivatives, -6 (-13) million euros was recognised in the income statement. Consolidated profit for the year was 91 (67) million euros. The consolidated total comprehensive income was 86 (73) million euros.

The financial position of the Group continued to be satisfactory. The net financial costs excluding the changes in the fair value of derivatives were 19 (21) million euros. The net financial costs in accordance with IFRS were 29 (7) million euros, including the change in the fair value of derivatives, which was -10 (14) million euros. The effect of a decrease in the Finnish corporate tax rate on the result for the period is 24.5 million euros. On 31 December 2013, financial assets totalled 217 (214) and interest-bearing loans 1,294 (1,244) million euros. The return on investment was 6.3 (5.6) per cent and return on equity 15.0 (12.4) per cent. The equity ratio of the Group was 29.5 (27.3) per cent at the end of the review period.

Turnover of the parent company was 530 (504) million euros and profit for the financial year 65 (41) million euros.

Capital expenditure

Fingrid implemented a transmission network investment programme as planned, which will safeguard the possibilities of implementing solutions based on Finland's energy and climate strategy, improve reliability, increase transmission capacity and support the electricity market. Fingrid's annual capital expenditure in the transmission system has been extensive for years. The company's gross capital expenditure in 2013 was 225 (139) million euros. Of this amount, a total of 209 (94) million euros was used for the transmission grid and 4 (26) million euros for reserve power. IT-related capital expenditure was approximately 9 (11) million euros. Research and development was allocated a total of 1.8 (1.5) million euros. Some 50 research and development projects were in progress. In terms of volume, research work remained on the same level as in previous years. The focus of research during the year was, among other things, the challenges presented to the power system by renewable energy, as a result of which a new reserve type was introduced. During the year, attention was also paid to how demand-side flexibility could be promoted so that small consumers and other consumer groups could get involved in it.

In 2013, Fingrid had several investment projects for ensuring system security and the adequacy of transmission capacity in the future. EstLink 2, the joint project by Fingrid and the Estonian transmission system operator Elering neared completion. This link was taken into trial operation and its capacity was successfully introduced into the market on 6 December 2013. The connection will add about 650 MW of additional transmission capacity between Finland and Estonia. The project was handed over on 7 January 2014. In December 2013, Fingrid and Elering jointly purchased the Estlink 1 HVDC link from Nordic Energy Link (NEL). Estlink 1's capacity is 350 MW, so the total transmission capacity between Finland and Estonia is now 1,000 MW.

One of the biggest completed projects was the 400 kV transmission connection between Yllikkälä and Huutokoski in Eastern Finland, which was finished in 2013. The Nurmijärvi–Hyvinkää–Hikiä project to strengthen the high-voltage network in Southern Finland was also completed as planned in late 2013.

The transmission capacity in Western Finland will be boosted by the 400 kV Ulvila–Kristinestad transmission connection, which will be completed by the end of 2014. At the end of 2012, Fingrid made a significant investment decision, as a result of which Ostrobothnia will be upgraded from the 220 kV voltage level to 400 kV by 2016. The project includes, among other things, the 212-km, 400 kV Hirvisuo–Pyhänselkä line stretching from Kokkola to Oulujoki, as well as several substations. These will enable, for example, the large-scale connection of wind power directly to the 400 kV transmission line and, at the same time, the discontinuation of the ageing 220 kV line. In order to achieve the targets for renewable energy, Finland has many wind power projects on the go, many of which are located on the west coast.

In November 2013, Fingrid made decisions on contracts for the 400 kV Hikiä–Forssa power transmission connection. The company also made the decision to order three new transformers from Hyundai Heavy Industries Co., Ltd. of South Korea, in connection with which audits were carried out of Hyundai's plant in South Korea, in which the implementation of Fingrid's responsibility objectives in the supply chain was examined.

Power system

Electricity consumption in Finland in 2013 totalled 83.9 (85.2) terawatt hours. A total of 64.6 (64.2) TWh of electricity was transmitted in Fingrid's grid, representing 77.0 (75.4) per cent of the electricity consumption in Finland.

The system security of the transmission grid was excellent with no major disturbances occurring. The number of disturbances on the grid was at an average level.

Electricity transmission between Finland and Sweden consisted mainly of imports to Finland. Production capacity was limited by grid maintenance work in Sweden and a cable fault in the Fenno-Skan 1 HVDC connection early in the year, as a result of which maximum capacity had to be reduced while the cable was being inspected. The results of the investigations may lead to these restrictions becoming permanent. During 2013, 12.8 (14.8) TWh of electricity was imported from Sweden to Finland, and 0.7 (0.4) TWh were exported from Finland to Sweden.

The electricity transmissions between Finland and Estonia were dominated

by exports from Finland to Estonia. The transmission capacity was available to the market in the normal manner. The volume of electricity imports from Estonia to Finland on the Estlink 1 connection was 0.5 (0.4) TWh, and 1.6 (1.5) TWh of electricity was exported from Finland to Estonia. Commissioning tests that started late in 2013 for the HVDC EstLink 2 connection between Finland and Estonia increased transmission capacity by 650 MW, with total transmission capacity between Finland and Estonia increasing to a total of 1,000 MW.

Electricity imports from Russia were at a low level. Almost the full transmission capacity was made available. Electricity imports from Russia totalled 4.7 (4.4) TWh. Technical testing was carried out to prepare for the opening of bilateral trade in electricity between Finland and Russia.

The system security of the transmission grid was excellent with no major disturbances occurring. The number of disturbances on the grid was at an average level.

Power system operation	1–12/13	1–12/12	10–12/13	10–12/12
Electricity consumption in Finland TWh	83.9	85.2	22.2	23.3
Fingrid's transmission volume TWh	64.6	64.2	16.9	17.2
Fingrid's loss energy volume TWh	1.1	1.2	0.3	0.3
Electricity transmissions Finland-Sweden				
exports to Sweden TWh	0.7	0.4	0.0	0.2
imports from Sweden TWh	12.8	14.8	3.7	3.2
Electricity transmissions Finland-Estonia				
exports to Estonia TWh	1.6	1.5	0.7	0.3
imports from Estonia TWh	0.5	0.4	0.1	0.1
Electricity transmissions Finland-Russia				
imports from Russia TWh	4.7	4.4	1.3	1,4

Electricity market	1–12/13	1–12/12	10–12/13	10–12/12
Nord Pool system price, average €/MWh	38	31	36	37
Area price Finland, average €/MWh	41	37	40	41
Congestion income between Finland and Sweden million €*	37.2	88.5	12.4	16.0
Congestion hours between Finland and Sweden %*	19.4	35.1	27.9	32.0
Congestion income between Finland and Estonia million €*	7.4	12.9	1.9	1.5
Congestion hours between Finland and Estonia %*	27.3	34.7	26.4	22.4

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

Electricity market

The Finnish electricity market has arrived at a new stage. The market fluctuations of neighbouring countries are affecting Finland more than they did before. Among other things, this is influenced by an increase in transmission connections, the Baltic countries joining the same electricity exchange area and changes in the Russian market.

In June, Latvia and Lithuania joined the Nord Pool Spot electricity exchange as offer areas. The prevailing direction of trade was from Finland to Estonia. EstLink 2, which was taken into trial operation, tripled the transmission capacity between the countries and is also significantly strengthening the integration of the Nordic and Baltic markets.

The development of the internal European market was boosted when the north-west European spot markets merged (in February 2014). This covers the Nordic and Baltic countries, western Central Europe and the United Kingdom. With regard to the EU's third legislative package on the electricity market, ENTSO-E completed proposals about three key market regulations.

Fingrid is developing new market services that are improving market efficiency. The law concerning guarantees of origin has changed so that all sellers of renewable energy must obtain a guarantee of origin. Until now, the system has been voluntary. Fingrid will be responsible for maintaining the electronic register of guarantees of origin from 1 March 2014. Fingrid is also starting the development of electronic exchange of information on the market.

The Finnish, Norwegian and Swedish grid operators continued to implement their joint imbalance settlement. A joint venture called eSett Oy was established for the service, which will be launched in 2015.

In the Nordic electricity markets, the supply of hydroelectric power was somewhat less than the previous year, which increased the price level of the wholesale market. On the electricity exchange, the average price for spot electricity (system price) was 38 (31) eu-

ros per MWh. Hydroelectric power was, however, in plentiful supply and the Finnish market was characterised by strong import from Sweden and Norway totalling 12.8 (14.9) TWh. Congestion in border transmission connections, grid maintenance work in Sweden and a cable fault in Fenno-Skan 1 increased Finland's area price to about 2 euros higher than the Swedish price. The average Finnish area price was 41 (37) euros per MWh. From this difference in price, 19 (44) million euros of so-called congestion income accumulated for the company.

Import from Russia to Finland fluctuated greatly with the total volume being 4.7 (4.4) TWh.

Financing

The financial position of the Group continued to be satisfactory.

The net financial costs excluding the changes in the fair value of derivatives were 19 (21) million euros. Interest income was 1 (3) million euros. The net financial costs in accordance with IFRS were 29 (7) million euros, including the change in the fair value of derivatives, which was -10 (+14) million euros.

On 31 December 2013, financial assets amounted to 217 (214) million euros. Interest-bearing debt totalled 1,294 (1,244) million euros, of which 975 (1,032) million euros were long-term and 319 (212) million euros were short-term. Counterparty risk arising from the currency derivative contracts and interest rate derivative contracts was 34 (77) million euros.

International rating agencies updated the company's credit ratings.

On 16 January 2013, Standard & Poor's Rating Services (S&P) revised Fingrid Oyj's outlook from negative to stable. S&P affirmed Fingrid's long-term rating AA-, short-term rating A-1+ and the senior unsecured debt rating AA-. On 8 November 2013, Fitch Ratings affirmed Fingrid Oyj's long-term Issuer default rating of A, its short-term Issuer default rating of F1 and its senior unsecured debt rating at A+, outlook stable. On 14 December 2012, Moody's Investors Service affirmed Fingrid Oyj's issuer rating at A1, senior unsecured debt rating at A1 and the short-term debt rating at P-1, outlook stable.

Share capital

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

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

Personnel and rewarding systems

The Fingrid Group and Fingrid Oyj employed 287 (275) persons, including temporary employees, at the end of the year. The number of permanent personnel was 268 (261).

Of the personnel employed by the company, 25.4 (23.8) per cent were women and 74.6 (76.2) per cent were men at the end of the year. The average age of the personnel was 44 (44).

During 2013, a total of 12,837 (9,528) hours were used for personnel training, with an average of 45 (46) hours per person. Employee absences on account of illness in 2013 accounted for 2 (2) per cent of the total working hours. In addition to a compensation system, which is based on the requirements of each position, Fingrid applies incentive bonus schemes.

Board of Directors and corporate management

Fingrid Oyj's Annual General Meeting was held in Helsinki on 27 May 2013. Helena Walldén, M.Sc. (Tech.) was elected Chairman of the Board. Juha Majanen, Budget Counsellor and the Head of Fiscal Policy Unit of the Ministry of Finance, was elected Vice Chairman. The other members of the Board of Directors are Sirpa Ojala, CEO of Digita Networks Oy, Matti Rusanen, Head of Listed Securities, Ilmarinen Mutual Pension Insurance Company, and Esko Torsti, Head of Non-listed Investments, Ilmarinen Mutual Pension Insurance Company.

The Board members until 37 May 2013 were Helena Walldén, Juha Majanen, Sirpa Ojala, Esko Torsti and Esko Raunio, LocalTapiola Mutual Pension Insurance Company (currently Elo Mutual Pension Insurance Company).

PricewaterhouseCoopers Oy was elected as the auditor of the company.

The Board of Directors has two committees: an audit committee and a remuneration committee. The members of the audit committee from 27 May 2013 were Juha Majanen (Chairman), Esko Torsti and Helena Walldén. The members of the audit committee until 7 May 2013 were Juha Majanen (Chairman), Esko Torsti and Helena Walldén.

The remuneration committee from 27 May 2013 consisted of Helena Walldén (Chairperson) and Sirpa Ojala. Until 27 May 2013, the members of the remuneration committee were Helena Walldén (Chairperson) and Sirpa Ojala.

Jukka Ruusunen serves as President & CEO of the company.

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

Internal control, risk management, internal audit

The purpose of Fingrid Oyj's internal control, risk management and internal audit is to ensure implementation of the company's strategy and that it is in accordance with its corporate governance and control system, principals and procedural guidelines. The company's internal control is based on the principles approved by the Board of Directors, poli-

cies as well as function-level and unit-level instructions approved by the executive management group, risk management, financial reporting, transparency of processes and procedures, as well as objective and independent internal audit.

Fingrid's risk management is based on the company's targets, strategy and on the identification and assessment of risks concerning changes on the operating environment. The impact of significant risks is assessed from a perspective of both the company and society, because the company holds a significant position in Finnish society. In order to manage risk, protective measures are if necessary prepared and risk management is regularly reported on.

The company's Board of Directors is responsible for the organisation of internal control, risk management and internal audit, and approves measures related to them. The Board also decides on the corporate strategy and action plan, and monitors their implementation. The executive management defines the principles that govern operations for the approval of the Board, and also enforces them. The Board obtains an annual report of the situation concerning the company's operating risks and their management.

The company's internal control system and organisation of risk management and responsibilities are defined so that internal control and risk management are implemented and verified in the company comprehensively, efficiently and in accordance with the targets set by the Board. Targets, methods and roles and responsibilities related to the company's internal control and risk management are described in documents of principles approved by the Board.

The CEO assisted by the executive management group is responsible for the practical implementation of the company's risk management. The strategic risks are identified as part of the company's annual strategy work. The company's strategy presents the key risks at corporate level and their related risk management. Risk monitoring, coordination and management are carried out in the executive management group. The heads of units own the risks concerning operations in their areas of responsibility, and are in charge of identifying, assessing and managing risks, the efficiency of control measures and reporting risks and non-conformities. Operative risk management is based on an annual risk analysis carried out in connection with the drawing up of action plans, and on the constant monitoring of risks. The heads of the units are responsible for the identification, reporting and risk management measures of the operative risks in their respective areas of responsibility. The company applies a comprehensive risk management system, which is being developed further.

Fingrid's Board of Directors discusses and approves the annual budget of the Group, giving those who sign documents the right to act within the limits of the budget and decisions in order to conclude agreements. All individual capital investments decisions, which are crucial in terms of the company's business or have a cost effect in excess of 10 million euros, and all annual capital investment programmes in excess of 10 million euros are approved by the Board of Directors of the company. The Board approves possible capital investments in excess of 2 million euros outside the budget. After being processed by the Board of Directors and after being approved, the procurements can be accepted in accordance with the company's acceptance authority if the project has been subjected to competitive tendering in accordance with Fingrid's procurement instructions.

The company's internal audit examines risk management and internal control as a party independent of the functions and processes. The internal auditor monitors issues such as adherence to the guidelines of the company, acts and official regulations, and reports his findings to the audit committee. The audit committee of the Board of Directors examines the efficiency of internal control and reports to the Board of Directors. The company's internal audit has been outsourced to an independent external party. As part of internal control, internal audit audited processes related to Fingrid's balance services, financing, occupational safety, and comprehensive risk management. A comprehensive audit plan for 2014 has been approved for internal audit.

The Board of Directors and the audit committee receive regular reports about strategic risks, risks concerning financing and business counterparty risks. The updated strategy is presented to the Board every August. The executive management group receives regular reports about operative risks, risks concerning financing and counterparty risks. Business units receive regular reports about their own counterparty risks and operative risks.

If a significant risk or other significant unfavourable event is realised, if necessary the effects and probability of the event is separately assessed.

Significant risks and factors of uncertainty for Fingrid and society

As part of its social responsibility, Fingrid has identified risks that have a great impact on society. In selecting its strategic goals, Fingrid has taken into account the management of risks affecting both society and the company.

The significant risks shared by Fingrid and society are major disturbance, lack of confidence in the electricity market, environmental risk and electrical and occupational safety risks.

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

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

From society's and Fingrid's point of view, the significantt risks related to environmental matters include environmental damage and failure to anticipate environmental obligation set for operations. The impact of fuel- and oil leaks on soil and water is seen as one of the most concrete risks. From the company's point of view, a capital expenditure project delayed as a result of environmental impact assessment can also be an environmental risk. The key contingency measures for these environmental risks comprise proactive assessment of environmental impact, monitoring of changes in legislation, prevention of accidents by technical means, contractual terms related to environmental issues and auditing.

Variations in weather and extreme weather phenomena related to climate change may cause a need for new technical solutions, and they may influence the grid operation and maintenance practices. Moreover, the construction of transmission lines may become more complicated as a result of mild winters. All of these factors can result in additional costs to the company.

From a point of view of society and Fingrid, electrical and occupational safety risks are linked to the electrical safety of the transmission grid, especially in connection with construction and repair work. The reason for a risk being realised may be, for example, human error close to live components, an error or accident occurring in construction work, damage or vandalism to live structures or carelessness close to live components. The consequences of the realisation of risk may be a serious hazardous situation or a hazardous situation endangering many people, serious injury, sick leave, working incapacity, invalidity or death. An event may also cause outages in the transmission of electricity. Fingrid is constantly improving the safety of the transmission grid by developing, for example, technical solutions, workshops, skills and communications.

Significant risks for Fingrid

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

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

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

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

The financial risks include currency risks, transaction risks, interest rate risks, commodity risks, liquidity and refinancing risks and credit risks. Financial risks can be caused by disturbances in the capital and money markets, realisation of counterparty risks in terms of derivatives or investments, the of realisation credit risks in operations or disturbances in payments traffic. The risks are limited by means of a high and stable credit rating, and an even maturity profile and diverse structure for sources of funding. The financial risks are described in more detail in note 35 to the consolidated financial statements (IFRS).

Personnel risks are related to maintaining competence. Personnel risks are limited by the company's strategic long-term personnel planning, allocated training programmes for personnel and high-quality communication with stakeholders.

Reputation risk can be attributable to a number of reasons, such as serious disturbances or accidents, chan-

ges in prices, expropriation of land areas or delayed upgrades of the grid. These risks are reduced by means of effective risk and change management as well as responsible, transparent and equitable operations and active stakeholder efforts.

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

Asset risks cover significant damage to Fingrid's assets, such as widespread failures or failure in significant assets beyond repair. Other reasons for asset risks can include significant and unanticipated factors, such as demonstrations, earthquakes, natural disasters or war. Fingrid manages the asset risk through means such as preventive maintenance management, comprehensive insurance policies for the key grid components, detailed definition of projects and maintenance management, stringent quality control and the use of proven technology and suppliers.

Significant risks for society

Risks posed to society by Fingrid's operations are delayed capital investments and long-term restrictions in transmission capacity.

The reason for delayed capital investments may be, for example, changes in the economic situation or consumption and production, a postponement of the permit process, lack of resources or strike. Such postponement may cause restrictions in the electricity market whereby the market fails to develop or operate efficiently. The company carefully plans and builds key projects to strengthen the cross-border transmission connections and the grid, and takes into account the long-term effects on the market.

Long-term transmission capacity restrictions may be caused by, for example, technical failures or problems with power system security. Restrictions or outages on power transmission may inflict economic disadvantage on customers and society. The restrictions are controlled by securing the critical items in the transmission grid and on the cross-border connections and by means of efficient outage planning. For example by timing the outages so, that they impose a minimum of economic disadvantage on society.

Corporate responsibility

Fingrid's corporate responsibility management is founded on the company's strategy. Corporate responsibility is guided by the Code of Conduct of the company. The key objectives of corporate responsibility have been set by means of assessing what is essential. Corporate responsibility perspectives and targets are involved in strategic work and operational planning. Responsibility objectives are also the basis for the remuneration of the executive management group and personnel.

In 2013, responsibility perspectives were linked more strongly to the company's processes, responsibility has been introduced as part of operational planning and reporting guidelines have been further developed. Success is regularly measured. In 2013, Fingrid succeeded, for example, in ensuring the system security of the transmission grid, implementing and monitoring the responsible operating model of the procurement chain. Furthermore the company succeeded mitigating the negative impacts on land use and landscape, and making service providers and contractors committed to environmentally responsible procedures.

Responsibility management and reporting takes into account the requirements of state ownership, and other recommendations ensuring the company's good governance. In reporting, the international GRI G3.0 reporting guidelines are applied.

A future objective is to develop responsibility requirements throughout the delivery chain, to monitor their attainment and intervene in possible problems.

Environmental matters

The transmission grid is part of the necessary basic structure of modern society visible in our living environment. Power lines particularly impact land use and the landscape, and have both positive and negative effects on nature and biodiversity. The key environmental perspectives at substations and reserve power plants concern the storage and handling of fuels and chemicals. When we improve the transmission system, the goal is to achieve minimum electricity transmission losses in a cost effective manner, thus enhancing energy efficiency. We also regard a reduction in greenhouse gas emissions as a major consideration. The efficient reuse and recycling of building and demolition waste is important in all construction work.

Fingrid's environmental responsibility is controlled by the company's land use and environmental policy. Environmental targets concern mitigating the impact on land use and landscape and on ensuring that service providers are committed to operating practices that are responsible from an environmental perspective. Correct operating practices are ensured by means of contracts, training and monitoring. Environmental matters are reported in the annual report and on the website.

Fingrid's reserve power plants are subject to an environmental permit and covered by the EU's emissions trading scheme. A total of 5,566 (21,317) units (tCO2) of emission allowances were returned. Emissions trading had minor financial significance for Fingrid.

During the year, the operating model for waste management was renewed, which will ensure that the waste re-use and recycling rate is kept as efficient as possible. Fingrid has a total of 24,872 (26,214) tonnes of creosote-impregna-

ted or CCA-impregnated wooden towers, categorised as hazardous waste. Impregnated wood categorised as hazardous waste is also used in cable trench covers. The related disposal costs of approx. 1.7 (1.9) million euros have been entered in the financial statements under provisions for liabilities and char-ges, which in turn have been added correspondingly to property, plant and equipment. Equipment used in Fingrid's substations contains 32 (29) tonnes of sulphur hexafluoride (SF6 gas), which is categorised as a greenhouse gas. However, no provision has been made for the disposal cost of this gas because it can be re-used after cleaning.

Legal proceedings and proceedings by authorities

Pending are procedures in accordance with EC Regulation 714/2009 on conditions for access to the network for cross-border exchanges in electricity and the new Finnish Electricity Market Act (588/2013). The EC Regulation requires national regulating authorities to make a decision on certifying the independence of transmission grid owners. In addition to this, the new Electricity Market Act requires Fingrid to apply for a new electricity network licence from the Energy Authority within one month of when the Energy Authority's decision on certification of the independence of the grid owner has entered into force.

Fingrid appealed to the Market Court against the decision of the Energy Authority on 23 November 2011: the confirmation of methods concerning the setting of the grid owner's income from grid operations and payments for transmission service for the control period starting 1 January 2012 and ending on 31 December 2015. The Market Court ejected Fingrid's appeal on 21 December 2012. Fingrid has appealed the decision of the Market Court to the Supreme Administrative Court on 21 January 2013.

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

At the end of 2013, commissioning tests on the direct current connection between Finland and Estonia, EstLink 2, were begun. The connection was taken into commercial use on 7 February 2014, when it was handed over to the clients. The connection is jointly owned by the Finnish and Estonian main grid companies Fingrid and Elering.

The company increased its transmission grid tariffs by eight per cent from 1 January 2014; consequently, Fingrid Group's profit for the financial period 2014 excluding the changes in the fair value of derivatives and before taxes is expected to improve from the previous year. The uncertainty involved in reserve costs, congestion income and in cross-border income on the interconnections from Russia makes it difficult to anticipate Fingrid's financial result for the entire year. Fingrid will continue the implementation of its long-term investment programme of some 1.5 billion euros. If necessary, the company will increase the amount of external funding in order to finance investments. The company's ability to take care of its liabilities is expected to remain stable.

Fingrid has decided to harmonise the accounting principles for derivatives and, from the beginning of the year 2014, has ceased IFRS-based hedge accounting for electricity derivatives.

The Board of Director's Proposal For The Distribution of Profit

Fingrid Oyj's distributable funds in the financial statements are 104,202,141.17 euros. Since the closing of the financial year, there have not been essential changes in the financial position of the company, nor does the proposed dividend distribution threaten the solvency of the company according to the Board of Directors.

The company's Board of Directors will propose to the Annual General Meeting of Shareholders that
- 2,018.26 euros of dividend per share be paid, totalling 6,710,714.50 euros
- 97,491,426.67 euros be carried over as unrestricted equity.

CONSOLIDATED KEY INDICATORS

		2013 IFRS	2012 IFRS	2011 IFRS	2010 IFRS	2009 IFRS
Extent of operations						
Turnover	million €	543,1	522.1	438.5	456.3	358.9
Capital expenditure, gross	million €	225,3	139.0	244.4	144.1	135.6
- of turnover	%	41,5	26.6	55.7	31.6	37.8
Research and development expense	milj.€	1,8	1.5	1.8	1.6	1.3
- of turnover	%	0,3	0.3	0.4	0.3	0.4
Personnel, average		277	269	263	260	251
Personnel, end of year		287	275	266	263	260
Salaries and bonuses, total	million €	19,0	18.2	17.2	17.2	16.0
Profitability						
Operating profit	million €	115,3	94.6	56.6	74.4	50.8
- of turnover	%	21,2	18.1	12.9	16.3	14.1
Profit before taxes	million €	87,3	88.3	34.2	56.3	33.2
- of turnover	%	16,1	16.9	7.8	12.3	9.3
Return on investment (ROI)	%	6,3	5.6	3.6	5.1	3.9
Return on equity (ROE)	%	15,0	12.4	6.5	8.7	5.7
Financing and financial position						
Equity ratio	%	29,5	27.3	25.7	28.6	27.2
Interest-bearing net borrowings	million €	1076,7	1,030.3	1,020.2	855.2	797.5
Share-specific indicators						
Earnings per share	€	27,277.9	20,159.2	9,924.1	12,561.9	7,417.4
Dividend, series A shares	€	2,018.26*	5,115.89	3,962.52	2,018.26	2,022.29
Dividend, series B shares	€	2,018.26*	2,018.26	2,018.26	2,018.26	2,022.29
Dividend payout ratio, A-shares	%	7,4	25.4	39.9	16.1	27.3
Dividend payout ratio, B-shares	%	7,4	10.0	20.3	16.1	27.3
Equity per share	€	193,293	171,365	152,573	154,654	134,676
Number of shares at 31 Dec						
- Series A shares	qty	2,078	2,078	2,078	2,078	2,078
- Series B shares	qty	1,247	1,247	1,247	1,247	1,247
Total	qty	3,325	3,325	3,325	3,325	3,325

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

CALCULATION OF KEY INDICATORS

Return on investment, %	=	Profit before taxes + interest and other finance costs / Balance sheet total - non-interest-bearing liabilities (average for the year)	x 100
Return on equity, %	=	Profit for the financial year / Shareholders' equity (average for the year)	x 100
Equity ratio, %	=	Shareholders' equity / Balance sheet total - advances received	x 100
Earnings per share, €	=	Profit for the financial year / Average number of shares	
Dividends per share, €	=	Dividends for the financial year / Average number of shares	
Dividend payout ratio, %	=	Dividend per share / Earnings per share	x 100
Equity per share, €	=	Shareholders' equity / Number of shares at closing date	
Interest-bearing net borrowings, €	=	Interest-bearing borrowings - cash and cash equivalents	

2. Financial statements

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	1 Jan - 31 Dec 2013 1,000 €	1 Jan - 31 Dec 2012 1,000 €
TURNOVER	2	543,088	522,064
Other operating income	3	4,071	3,835
Raw materials and consumables used	4	-269,526	-267,103
Employee benefits expenses	5	-22,847	-22,135
Depreciation	6	-81,704	-75,665
Other operating expenses	7, 8, 9	-57,802	-66,376
OPERATING PROFIT		**115,280**	**94,621**
Finance income	10	1,249	3,126
Finance costs	10	-29,986	-10,293
Finance income and costs		-28,736	-7,167
Portion of profit of associated companies		709	845
PROFIT BEFORE TAXES		**87,253**	**88,299**
Income taxes	11	3,446	-21,269
PROFIT FOR THE FINANCIAL YEAR		**90,699**	**67,029**
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be reclassified to profit and loss			
Cash flow hedges	12	-3,992	6,112
Translation reserve	12	-646	92
Available-for-sale financial assets	12	-2	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**86,059**	**73,235**
Profit attributable to:			
Equity holders of parent company		90,699	67,029
Total comprehensive income attributable to:			
Equity holders of the company		86,059	73,235
Earnings per share, €	13	27,278	20,159
Earnings per share for profit attributable to the equity holders of the parent company:			
Undiluted earnings per share, €	13	27,278	20,159
Diluted earnings per share, €	13	27,278	20,159

Income tax related to other comprehensive income is presented in notes 12.
Notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	31 Dec 2013 1,000 €	31 Dec 2012 1,000 €
NON-CURRENT ASSETS			
Intangible assets:			
Goodwill	15	87,920	87,920
Other intangible assets	16	92,751	91,085
		180,671	179,005
Property, plant and equipment:	17		
Land and water areas		14,224	13,933
Buildings and structures		142,061	126,385
Machinery and equipment		582,317	527,112
Transmission lines		788,389	684,187
Other property, plant and equipment		8,525	8,188
Advance payments and purchases in progress		87,910	124,870
		1,623,426	1,484,674
Investments:	18		
Equity investments in associated companies		10,416	8,292
Available-for-sale investments		300	302
		10,716	8,594
Receivables:			
Derivative instruments	30	42,337	81,678
Deferred tax assets	27	13,643	21,683
Other receivables	20	4,313	
		60,293	103,361
TOTAL NON-CURRENT ASSETS		**1,875,107**	**1,775,634**
CURRENT ASSETS			
Inventories	19	11,397	10,443
Derivative instruments	30	2,128	3,884
Trade receivables and other receivables	21	76,021	88,251
Financial assets recognised in income statement at fair value	22	194,973	207,426
Cash and cash equivalents	23	22,339	6,411
TOTAL CURRENT ASSETS		**306,858**	**316,415**
TOTAL ASSETS		**2,181,965**	**2,092,049**

Notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	Notes	31 Dec 2013 1,000 €	31 Dec 2012 1,000 €
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	26	55,922	55,922
Share premium account	26	55,922	55,922
Revaluation reserve	26	-11,559	-7,565
Translation reserve	26	-3	643
Retained earnings	26	542,416	464,856
TOTAL EQUITY		**642,699**	**569,788**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	119,775	152,579
Borrowings	28	975,295	1,032,199
Provisions	29	1,735	1,869
Derivative instruments	30	38,757	30,127
		1,135,561	**1,216,773**
CURRENT LIABILITIES			
Borrowings	28	318,695	211,932
Derivative instruments	30	15,508	10,770
Trade payables and other liabilities	31	69,500	82,786
		403,704	**305,488**
TOTAL LIABILITIES		**1,539,265**	**1,522,261**
TOTAL EQUITY AND LIABILITIES		**2,181,965**	**2,092,049**

Notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, 1,000 €

Attributable to equity holders of the parent company

	Notes	Share capital	Share premium account	Revaluation reserve	Translation reserve	Retained earnings	Total equity
Balance at 1 Jan 2012		**55,922**	**55,922**	**-13,679**	**551**	**408,586**	**507,304**
Comprehensive income							
Profit or loss	26					67,029	67,029
Other comprehensive income							
Cash flow hedges	12			6,112			6,112
Translation reserve	12				92		92
Items related to long-term asset items available-for-sale	12			1			1
Total other comprehensive income adjusted by tax effects				6,113	92		6,205
Total comprehensive income				**6,113**	**92**	**67,029**	**73,235**
Transactions with owners							
Dividends relating to 2011	26					-10,751	-10,751
Balance at 31 Dec 2012		**55,922**	**55,922**	**-7,565**	**643**	**464,865**	**569,788**
Balance at 1 Jan 2013		**55,922**	**55,922**	**-7 565**	**643**	**464,865**	**569,788**
Comprehensive income							
Profit or loss	26					90,699	90,699
Other comprehensive income							
Cash flow hedges	12			-3,992			-3,992
Translation reserve	12				-646		-646
Items related to long-term asset items available-for-sale	12			-2			-2
Total other comprehensive income adjusted by tax effects				-3,994	-646		- 4,640
Total comprehensive income				**-3,994**	**-646**	**90,699**	**86,059**
Transactions with owners							
Dividends relating to 2012	26					-13,148	-13,148
Balance at 31 Dec 2013		**55,922**	**55,922**	**-11,559**	**-3**	**542,416**	**642,699**

Notes are an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	1 Jan - 31 Dec 2013 1,000 €	1 Jan - 31 Dec 2012 1,000 €
Cash flow from operating activities:			
Profit for the financial year	26	90,699	67,029
Adjustments:			
Business transactions not involving a payment transaction	36	85,818	86,206
Interest and other finance costs		29,986	10,293
Interest income		-1,243	-3,120
Dividend income		-7	-6
Taxes		-3,446	21,269
Financial assets recognised at fair value		25	-488
Changes in working capital:			
Change in trade receivables and other receivables		10,597	-22,712
Change in inventories		-954	-3,736
Change in trade payables and other liabilities		-6,572	22,742
Change in provisions	29	-134	-29
Interests paid		-25,078	-21,787
Interests received		1,218	3,556
Taxes paid	11	-22,071	-14,586
Net cash flow from operating activities		158,838	144,633
Cash flow from investing activities:			
Purchase of property, plant and equipment	17	-222,272	-139,611
Purchase of intangible assets	16	-4,699	-5,106
Purchase of other assets	18	-2,001	0
Proceeds from sale of property, plant and equipment	17	3,980	612
Dividends received	10	306	1,335
Interests paid	10	-1,681	-3,136
Net cash flow from investing activities		-226,367	-145,905
Cash flow from financing activities:			
Withdrawal of loans		528,640	643,535
Repayment of loans		-444,489	-621,516
Dividends paid	26	-13,148	-10,751
Net cash flow from financing activities		71,003	11,269
Net change in cash and cash equivalents		**3,474**	**9,996**
Cash and cash equivalents 1 Jan		**213,837**	**203,841**
Cash and cash equivalents 31 Dec	22, 23	**217,311**	**213,837**

Notes are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Fingrid Oyj's Board of Directors has accepted the publication of these financial statements in its meeting on 13 February 2014. In accordance with the Finnish Companies Act, the shareholders have an opportunity to adopt or reject the financial statements in the shareholders' meeting held after their publication. The shareholders' meeting can also amend the financial statements.

Primary business areas

Fingrid Oyj is the national transmission system operator responsible for the main electricity transmission grid in Finland. The company's responsibilities are to develop the main grid, to maintain a continuous balance between electricity consumption and generation, to settle the electricity deliveries between the parties on a nation-wide level, and to promote the electricity market. The company is also in charge of the cross-border transmission connections to the other Nordic countries, Estonia and Russia.

The consolidated financial statements contain the parent company Fingrid Oyj and its fully-owned subsidiary Finextra Oy. The consolidated associated companies are Porvoon Alueverkko Oy (ownership 33.3%) and Nord Pool Spot AS (ownership 18.18%) and eSett Oy (ownership 33.3%). The Group has no joint ventures.

All intercompany transactions, internal margins on inventories and property, plant and equipment, internal receivables and liabilities as well as internal profit distribution are eliminated in consolidation. Ownership of shares between the Group companies is accounted for under the purchase method of accounting. The associated companies are consolidated using the equity method of accounting. The portion corresponding to the Group's ownership in the associated companies is eliminated of unrealised profits between the Group and its associated companies. If necessary, the accounting principles applied by the associated companies have been adjusted to correspond to the principles applied by the Group.

Segment reporting

The entire business of the Fingrid Group is deemed to comprise transmission system operation in Finland with system responsibility, only constituting a single segment. There are no essential differences in the risks and profitability of individual products and services. This is why segment reporting in accordance with the IFRS 8 standard is not presented. The operating segment is reported in a manner consistent with the internal reporting delivered to the Chief Operating Decision Maker. The Chief Operating Decision Maker is the government.

Revenue and sales recognition

Sales recognition takes place on the basis of the supply of the service. Electricity transmission is recognised once the transmission has taken place. Balance power services are recognised on the basis of the supply of the service. Connection fees are recognised on the basis of the relevant time. Indirect taxes and discounts, among others, are deducted from the sales income when calculating revenue.

Public contributions

Public contributions received from the EU or other parties related to property, plant and equipment are deducted in the acquisition cost of the item of property, plant or equipment, whereby the contributions reduce the depreciation made on the property, plant or equipment. Other contributions received are presented in other operating income.

Pension schemes

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

Research and development

Research and development by the Group aim to intensify intra-company operations. No new services or products sold separately are created as a result of R&D. This is why R&D costs are recorded in the income statement as expenses in the accounting year in which they are created.

Leases

Lease obligations where the risks and rewards incident to ownership remain with the lessor are recorded as other leases. Lease obligations paid on the basis of other leases are recorded in other operating expenses, and they are recognised in the income statement as equally large items during the lease period. The other leases primarily concern office facilities, land areas and network leases. In accordance with the principles of standard IAS 17 Leases, those leases where the company is transferred substantially all the risks and rewards incident to ownership are categorised as finance leases.

Foreign currency transactions

The consolidated financial statements are presented in euros, which is the functional currency by the parent company. Commercial flows and financial items denominated in foreign currencies are booked at the foreign exchange mid-rate quoted by the European Central Bank (ECB) at the transaction value date. Receivables and liabilities denominated in foreign currencies are translated at the mid-rate quoted by ECB at the closing day and recognised in the financial statements. Foreign exchange gains and losses from business are included in corresponding items above operating profit. Foreign exchange gains and losses from financial instruments are recorded at net amounts in finance income and costs.

Foreign exchange gains and losses from translating the income statement items of the foreign associated company to the mid-rate and from translating its balance sheet items to the rate at the closing date are presented as a separate item in shareholders' equity.

Income taxes

Taxes presented in the consolidated income statement include the Group companies' accrual taxes for the profit of the financial year, tax adjustments from previous financial years and changes in deferred taxes. In accordance with IAS 12, the Group records deferred tax assets as non-current receivables and deferred tax liabilities as non-current liabilities.

Deferred tax assets and liabilities are recorded of all temporary differences between the tax values of asset and liability items and their carrying amounts using the liability method. Deferred tax is recorded using tax rates valid at the closing date.

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

Earnings per share

The Group has calculated the undiluted earnings per share in accordance with standard IAS 33. The undiluted earnings per share are calculated using the weighted average number of shares outstanding during the financial year.

Since Fingrid has no option systems or benefits bound to the shareholders' equity nor other equity financial instruments, there is no dilution effect.

Goodwill and other intangible assets

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

Other intangible assets comprise computer software and land use rights. Computer software is valued at the original acquisition cost and depreciated on a straight line basis during their estimated economic lives. Land use rights with unlimited economic lives are not depreciated but tested annually for impairment.

The depreciation periods of intangible assets are as follows:

Computer software	3 years

Subsequent expenses relating to intangible assets are only capitalised if their financial benefit for the company increases above the former performance level. In other cases, the expenses are recorded in the income statement when they materialise.

Emission rights

Emission rights acquired free of charge are valued in intangible assets at their nominal value, and purchased emission rights are recorded at the acquisition cost. A liability is recorded of emission rights to be returned. If the Group has a sufficient volume of 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 price of the emission rights in question. No depreciation is recorded of emission rights. They are derecognised in the balance sheet at the time of transfer when the actual emissions have been ascertained. The expense resulting from the liability is recorded in the income statement under the expense item Materials and services. Capital gains from emissions rights are recorded under Other operating income.

Property, plant and equipment

Land areas, buildings, transmission lines, machinery and equipment constitute most of the property, plant and equipment. These are recognised in the balance sheet at the original acquisition cost less accumulated depreciation and potential impairment. If an asset is made up of several parts with economic lives of different lengths, the parts are recorded as separate items.

The revised standard IAS 23 Borrowing Costs requires that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the acquisition cost of that asset. The Group has applied the revised standard to those qualifying assets the capitalisation of whose borrowing costs has commenced at 1 January 2009, when the value of the assets exceeds 50,000 euros and when the completion of the investment takes more than 12 months. Borrowing costs capitalised to the acquisition cost are calculated on the basis of the average borrowing cost of the Group.

When a separately recorded part of property, plant and equipment is renewed, the costs relating to the new part are capitalised. Other subsequent costs are capitalised only if it is likely that the future financial benefit relating to the asset benefits the Group and the acquisition cost of the asset can be determined reliably. Repair and maintenance costs are recognised in the income statement once they have materialised.

Straight-line depreciation is recorded of property, plant and equipment on the basis of their economic lives. Depreciation on property, plant and equipment taken into use during the financial year is calculated asset-specifically from the month of introduction. Land and water areas are not depreciated. The expected economic lives are verified at each closing date, and if they differ significantly from the earlier estimates, the depreciation periods are amended accordingly.

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

Buildings and structures		
Substation buildings and separate buildings	40	years
Substation structures	30	years
Buildings and structures at gas turbine power plants	20–40	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 expenses	30	years
Aluminium towers of transmission lines (400 kV)	10	years
Optical ground wires	10–20	years
Machinery and equipment		
Substation machinery	10–30	years
Gas turbine power plants	20	years
Other machinery and equipment	3–5	years

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

Impairment

The carrying amounts of asset items are assessed at the closing date to detect potential impairment. If impairment is detected, the recoverable amount of the asset is estimated. An asset is impaired if the balance sheet value of the asset or of a cash-generating unit exceeds the recoverable amount. Impairment losses are recorded in the income statement.

The asset items subject to depreciation are examined for impairment also when events or changes in circumstances suggest that the amount corresponding to the carrying amount of the asset items may not be recovered.

The impairment loss of a cash-generating unit is first allocated to reduce the goodwill of the cash-generating unit and thereafter to reduce in proportion the other asset items of the unit.

The recoverable amount of intangible assets and property, plant and equipment is defined so that it is the higher of the fair value reduced by the costs resulting from sale or the value in use. When defining the value in use, the estimated future cash flows are discounted at their present value based on discount rates which reflect the average capital cost of the said cash-generating unit before taxes. The specific risk of the assets in question is also considered in the discount rates.

An impairment loss relating to property, plant and equipment and intangible assets other than goodwill is reversed if a change has taken place in the estimates used for defining the recoverable amount of the asset. An impairment loss is reversed at the most up to an amount which would have been defined as the carrying amount of the asset (reduced by depreciation) if no impairment loss had been recorded of it in the previous years. An impairment loss recorded of goodwill is not reversed.

Available-for-sale investments

Available-for-sale investments are long-term assets unless executive management intends to sell them within 12 months from the closing date. Publicly quoted securities are classified as available-for-sale investments and recorded at fair value, which is the market value at the closing date. Changes in fair value are recorded in the shareholders' equity until the investment is sold or otherwise disposed of, in which case the changes in fair value are recorded in the income statement.

Inventories

Inventories are entered 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.

Loans receivables and other receivables

Loans receivables and other receivables are recorded initially at fair value. The amount of bad receivables is estimated based on the risks of individual items. An impairment loss of receivables is recorded when there is valid evidence that the Group will not receive all of its receivables at the original terms (e.g. due to the debtor's serious financial problems, likelihood that the debtor will go bankrupt or subject to other financial rearrangements, and negligence of due dates of payments by more than 90 days). Impairment losses are recorded directly to reduce the carrying amount of receivables and under item Other operating expenses.

Derivative instruments

Trading derivatives are classified as a derivatives asset or liability. Derivatives are initially recognised at fair value on the date a derivative contract is entered into are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company uses derivative contracts only for hedging purposes according to a specific risk management policy.

Electricity derivatives

The company enters into electricity derivative contracts in order to hedge its electricity purchases in accordance with the loss energy forecast, by following the loss energy procurement policy approved by the executive management group. The company applies hedge accounting for electricity derivatives based on cash flow hedging of loss energy purchases. The company documents at the inception of the contract the relationship between the hedged item and the hedging instrument. Similarly are the risk management objectives and strategy documentated for undertaking various hedging transactions. The effective portion of changes in the fair values of instruments that are designated and qualify as cash flow hedges are recorded in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other gains and losses. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit and loss. Changes in fair value of instruments which are designated and qualify for hedge accounting are recorded in equity, hedging reserve. Changes in the fair values of other electricity derivatives continue to be recorded in the income statement. Hedge accounting is applied to publicly quoted annual and quarterly instruments bought by the company. When a hedging instrument expires, is sold or no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity, and is recognised only when the forecast transaction is ultimately recognised in the income statement within other gains and losses.
Instruments quoted at NASDAQ OMX Commodities are valued at the market prices at the closing date.

Interest rate and currency derivatives

The company enters into derivative contracts in order to hedge the financial risks (interest rate and foreign exchange exposures) in accordance with the principles for financing approved by the Board of Directors. Fingrid does not apply hedge accounting to the derivatives.
Derivative assets and liabilities are recognised at the original fair value. Derivatives are measured at fair value at the closing date, and their change in fair value is recorded in the income statement in finance income and costs. The fair values of derivatives at the closing date are based on different calculation methods. Foreign exchange forwards have been measured at the forward prices. Interest rate and cross-currency swaps have been measured at the present value on the basis of the yield curve of each currency. Interest rate options have been valued by using generally accepted option pricing models in the market.

Held-for-trading financial securities

Financial securities at fair value through profit or loss are financial assets held for trading. The category includes money market securities and investments in short-term money market funds. Financial securities are recorded in the balance sheet at fair value at the settlement day. Subsequently financial securities are measured in the financial statements at fair value, and their change in fair value is recognised in the income statement in finance income and costs.

Financial assets recognised in the income statement at fair value primarily comprise certificates of deposit, commercial papers and municipality bills with maturities of 3–6 months, and investments in short-term money market funds. Financial securities are derecognised when they mature, are sold or otherwise disposed of. Assets in this category are classified as current assets.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank deposits. Cash and cash equivalents are derecognised when they mature, are sold or otherwise disposed of. Assets in this category are classified as current assets.

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. Borrowings are subsequently carried at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are derecognised when they mature and are repaid.

Provisions

A provision is recorded when the Group has a legal or factual obligation based on an earlier event and it is likely that fulfilling the obligation will require a payment, and the amount of the obligation can be estimated reliably.
The provisions are valued at the present value of costs required to cover the obligation. The discounting factor used in calculating the present value is chosen so that it reflects the market view of the time value of money at the assessment date and of the risks pertaining to the obligation.

Fingrid uses creosote-impregnated and CCA-impregnated wooden towers and cable trench covers. Decree YMA 1129/2001 by the Finnish Ministry of the Environment categorises decommissioned impregnated wood as hazardous waste. A provision was recorded in 2004 of the related disposal costs materialising in the future decades.

Dividend distribution

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

Critical accounting estimates and judgements

When the consolidated financial statements are drawn up in accordance 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 in the conditions which constitute the foundation for the estimates of the items recorded in the financial statements. The actual amounts may differ from these estimates. In the financial statements, estimates have been used for example in the drawing up of impairment testing calculations, when specifying the economic lives of tangible and intangible asset items, and in conjunction with deferred taxes and provisions.

Imbalance power purchase and sale estimate

The income and expenses of imbalance power are ascertained through nation-wide imbalance settlement procedure, which is based on the decree by the Ministry of Employment and Economy on 9 December 2008 disclosure obligation related to settlement of electricity delivery. The final balance settlement is completed no later than two months from the delivery month, which is why the income and expenses of imbalance power in the financial statements are partly based on preliminary balance settlement. The preliminary settlement has been made separately for consumption balance, production balance and foreign balances. For the two first balances, the volume of unsettled imbalance power has been estimated using reference group calculations. For foreign balances, the calculations have been verified with the foreign counterparties.

ITC compensation

Inter-compensations for the transit transmissions of electricity have been agreed upon through the ITC agreement. The centralised calculations are carried out by ENTSO-E (the European Network of Transmission System Operators of Electricity). The ITC compensations are determined on basis of the compensation paid for the use of the grid and transmission losses. The ITC compensations are calculated considering the electricity transmissions between the various ITC agreement countries. The inter-TSO compensation can represent both income and cost for a transmission system operator. Fingrid's portion of the ITC compensation is determined on the basis of the cross-border electricity transmissions and imputed grid losses. The ITC compensation invoicing in arrears after all parties to the ITC agreement has approved the invoiced sums, after the monthly control. This is why the uninvoiced ITC compensations for 2013 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 analysing the actual figures in previous months and data on grid transmissions during these months.

Estimated impairment of goodwill

Goodwill is tested annually for potential impairment, in accordance with the accounting principles stated in note 15.

Application of new or revised IFRS standards and IFRIC interpretations

In preparing these interim financial statements, the Group has followed the same accounting policies as in the annual financial statements for 2012 except for the following amendments to existing standards, which the company has applied since 1 January 2013.
Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting.

This amendment includes new disclosures to enhance the presentation of financial assets and financial liabilities and when those can be offset.

As a result of the amendments to IFRS 7, the Group has expanded its disclosures about the offsetting of financial assets and financial liabilities (see note 24).

The company has introduced the following new standards, which are applicable from 1 January 2014. These new standards have no impact, however, on the consolidated financial statements:

Amendment to IFRSs 10, 11 and 12 on transition guidance
IFRS 10, 'Consolidated financial statements'
IFRS 11, 'Joint arrangements'
IFRS 12, 'Disclosures of interests in other entities'
IFRS 13, 'Fair value measurement'
IAS 28 (revised 2011), 'Associates and joint ventures'

The Group will adopt the following IFRS standards, interpretations and amendments entering into force later on 1 January 2014 or later:

Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting.

These amendments are to the application guidance in IAS 32, and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures.

This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to IAS 39 'Financial instruments: Recognition and measurement' – 'Novation of derivatives'.

This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets certain criteria.

IFRIC 21 'Levies'

The interpretation applies to IAS 37 'Provisions, contingent liabilities and contingent assets'. IAS 37 outlines the recognition criteria for liabilities. One of the criteria is the requirement that the company has an existing liability which is a result of an earlier event (obligating event). IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

IFRS 9, 'Financial instruments' *

The IFRS 9 is to replace IAS 39. Currently IFRS 9 contains new requirements for the classification and measurement of financial assets and liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The new guidance for hedge accounting aligns hedge accounting more closely with risk management. Also IFRS 9 relaxes the requirements for hedge effectiveness and change what qualifies as a hedged item. IFRS 9 allows hedge accounting for example for risk components of commodities, aggregated exposures, groups of items when hedging foreign currency and equity investments. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

Annual improvements 2010–2012 *

Annual improvements 2010–2012 reporting cycle include changes to:

- IFRS 2, 'Share-based payments'
- IFRS 3, 'Business combinations'
- FRS 8, 'Operating segments'
- IFRS 13, 'Fair value measurement'
- IAS 16, 'Property, plant, and equipment', and IAS 38, 'Intangible assets'
- IAS 24, 'Related party disclosures'

Annual improvements 2011–2013 *

Annual improvements 2011–2013 reporting cycle include changes to:

- IFRS 3, 'Business combinations'
- IFRS 13, 'Fair value measurement'
- IAS 40, 'Investment property'

Changes entering into force later are not estimated to have a material impact on the consolidated financial statements.

*) not yet endorsed by EU

2. INFORMATION ON TURNOVER AND SEGMENTS

TURNOVER, 1,000 €	2013	2012
Grid service revenue	321,029	276,247
Sale of imbalance power	158,522	152,489
Cross-border transmission	13,225	10,613
ITC income	8,301	9,957
Peak load capacity	13,376	18,701
Estlink congestion income	3,701	6,469
Nordic congestion income	18,594	44,244
Other operating revenue	6,341	4,716
Total	**543,088**	**522,064**

Through the grid services, a customer obtains the right to transmit electricity to and from the main grid through its connection point. Grid service is agreed by means of a grid service contract signed between a customer connected to the main grid and Fingrid. Fingrid charges a consumption fee, use of grid fee, connection point fee and market border fee for the grid service. The contract terms are equal and public.

Transmission services on the cross-border connections to the other Nordic countries enable participation in the Nordic Elspot and Elbas exchange trade. Fingrid makes transmission services on the cross-border connections from Russia available to all electricity market parties. The transmission service is intended for fixed electricity imports. When making an agreement on transmission services from Russia, the customer reserves a transmission right (in MW) for a period of time to be agreed upon separately. The smallest unit that can be reserved is 50 MW. The contract terms are equal and public.

Each electricity market party must ensure that its electricity balance is in balance by making an agreement with either Fingrid or some other party. Fingrid buys and sells imbalance power in order to balance the hourly power balance of an electricity market party (balance provider). Imbalance power trade and pricing of imbalance power 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 regulating power in Finland. The balance providers can participate in the Nordic balancing power market by submitting bids of 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.

The congestion income is revenues that the transmission system operator receives from market actors for use of transmission capacity for those transmission links, on which the operational reliability of the power system restricts the power transmission. Fingrid receives a contractual portion of the Nordic congestion income.

ITC-compensation are income and/or costs for Fingrid, which the transmission system operator receives for the use of its grid by other European transmission operators and/or pays to other transmission system operators when using their grid when servicing its own customers.

Peak load power includes condensing power capacity, when it is under threat of being closed down, to be kept in readiness for use (peak load power) and the feed-in tariff for peat includes compensation for peat condensing power.

Information on segments is not presented, because the entire business of the Fingrid Group is deemed to comprise transmission system operation in Finland with system responsibility, only constituting a single segment. There are no essential differences in the risks and profitability of individual products and services.

3. OTHER OPERATING INCOME, 1,000 €

	2013	2012
Rental income	1,620	1,825
Contributions received	215	214
Other income	2,237	1,796
Total	**4,071**	**3,835**

4. MATERIALS AND SERVICES, 1,000 €

	2013	2012
Purchases during financial year	242,026	238,532
Change in inventories, increase (-) or decrease (+)	-954	-3,736
Materials and consumables	241,072	234,795
External services	28,455	32,307
Total	**269,526**	**267,103**

5. EMPLOYEE BENEFITS EXPENSES, 1,000 €

	2013	2012
Salaries and bonuses	18,995	18,215
Pension expenses - contribution-based schemes	3,248	3,050
Pension expenses - benefit-based schemes*	-346	
Other additional personnel expenses	950	869
Total	**22,847**	**22,135**

* Redemption of insured pension accrual related to an expired benefit-based pension scheme.

Salaries and bonuses of top management (note 37)	**1,582**	**1,536**

Since 2013, the Group has applied a remuneration system whose general principles were accepted by the Board of Directors of Fingrid Oyj on 14.2.2013. The total remuneration of 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 President is 25 per cent and to the other members of the executive management group 20 per cent of the annual salary. The maximum amount of the long-term incentive scheme payable to the President is 35 per cent and to the other members of the executive management group 25 per cent.

Number of salaried employees in the company during the financial year:	2013	2012
Personnel, average	277	269
Personnel, 31 Dec	287	275

6. DEPRECIATION, 1,000 €	2013	2012
Intangible assets	1,338	2,529
Buildings and structures	5,715	4,785
Machinery and equipment	39,804	36,461
Transmission lines	33,769	31,022
Other property, plant and equipment	1,078	868
Total	**81,704**	**75,665**

7. OTHER OPERATING EXPENSES, 1,000 €	2013	2012
Contracts, assignments etc. undertaken externally	40,192	37,913
Gains/losses from measuring electricity derivatives at fair value	6,489	12,500
Rental expenses	6,173	8,716
Foreign exchange gains and losses	71	162
Other expenses	4,876	7,083
Total	**57,802**	**66,376**

8. AUDITORS FEES, 1,000 €	2013	2012
Auditing fee	51	35
Other fees	97	63
Total	**148**	**98**

9. RESEARCH AND DEVELOPMENT, 1,000 €	2013	2012
Research and development expenses	1,777	1,533
Total	**1,777**	**1,533**

10.FINANCE INCOME AND COSTS, 1,000 €	2013	2012
Interest income on held-for-trading financial assets	-1,180	-3,047
Interest income on cash and cash equivalents and bank deposits	-63	-21
Net foreign exchange gains and losses	0	-51
Dividend income	-7	-6
	-1,249	-3,126
Interest expenses on borrowings	33,041	36,549
Net financial expenses on interest and foreign exchange derivatives	-12,121	-10,792
Gains from measuring derivative contracts at fair value	-2,138	-17,744
Losses from measuring derivative contracts at fair value	11,696	4,032
Net foreign exchange gains and losses	3	
Other finance costs	1,185	1,383
	31,667	13,429
Capitalised finance costs, borrowing costs; the capitalisation rate used 1.76% (note 17)	-1,681	-3,136
Total	**28,736**	**7,167**

11. INCOME TAXES, 1,000 €

	2013	2012
Direct taxes	20,885	12,825
Change of deferred taxes (note 27)	-24,331	8,445
Total	**-3,446**	**21,269**
Reconciliation of income tax:		
Profit before taxes	87,253	88,299
Tax calculated in accordance with statutory tax rate in Finland 24.5%	21,377	21,663
Deferred tax resulting from change in tax rate	-24,547	
Non-deductible expenses and tax-free income	-276	-364
Income Taxes in the Consolidated Income Statement	**-3,446**	**21,269**

12. TAXES RELATED TO OTHER ITEMS IN TOTAL COMPREHENSIVE INCOME, 1,000 €

	2013			2012		
	Before taxes	Tax impact	After taxes	Before taxes	Tax impact	After taxes
Cashflow hedges	-4,425	433	-3,992	8,095	1,983	6,112
Translation reserve	-646		-646	92		92
Items related to long-term asset items available-for-sale	-2	0	-2	2	0	1
Total	**-5,074**	**434**	**-4,640**	**8,189**	**1,984**	**6,205**

13.EARNINGS PER SHARE

	2013	2012
Profit for the financial year, 1,000 €	90,699	67,029
Weighted average number of shares, qty	3,325	3,325
Undiluted earnings per share, €	27,278	20,159
Diluted earnings per share, €	27,278	20,159

14. DIVIDEND PER SHARE

After the closing date, the Board of Directors has proposed that a dividend of 2,018.26 (2012: A-shares 5,115.89, B-shares 2,018.26) euros for both the A- and B-series of shares be distributed totalling 6.7 (13.1) million euros.

15. GOODWILL, 1,000 €

	2013	2012
Cost at 1 Jan	87,920	87,920
Cost at 31 Dec	**87,920**	**87,920**
Carrying amount 31 Dec	**87,920**	**87,920**

The entire business of the Fingrid Group is the transmission system operation in Finland with system responsibility, which the full goodwill of the Group is comprised of.

In impairment testing, the recoverable amount from business is defined by means of value in use. The cash flow forecasts used in impairment calculations are based on financial estimates derived from the company's ten year strategy. The cash flows used

in the imparement test are based on income and expenses deriving from the business operations and replacement capital expenditure according to the capital expenditure programme. The estimated cash flows cover the following five year period. The expected cash flows during the subsequent years are estimated by extrapolating the expected cash flows using a growth estimate of zero per cent. The discount rate before taxes used in the calculations is 5.0% (6.0%). The discount rate has been lowered as a result of a general decline in interest rates. According to the view of the management, reasonable changes in the primary assumptions used in the calculations will not lead to a need for recording impairment losses.

16. INTANGIBLE ASSETS, 1,000 €

	2013	2012
Land use rights		
Cost at 1 Jan	87,974	86,098
Increases 1 Jan – 31 Dec	2,947	1,876
Decreases 1 Jan – 31 Dec	-1,119	
Cost at 31 Dec	**89,802**	**87,974**
Carrying amount 31 Dec	**89,802**	**87,974**
Other intangible assets		
Cost at 1 Jan	26,925	24,925
Increases 1 Jan – 31 Dec	1,358	2,001
Decreases 1 Jan – 31 Dec	-181	
Cost at 31 Dec	**28,102**	**26,925**
Accumulated depreciation according to plan 1 Jan	-23,815	-21,286
Depreciation according to plan 1 Jan – 31 Dec	-1,338	-2,529
Carrying amount 31 Dec	**2,949**	**3,111**
Carrying amount 31 Dec	**92,751**	**91,085**

The land use rights are tested annually for impairment in connection with the testing of goodwill.
No need for impairment has been noted as a result of the testing.

17. PROPERTY, PLANT AND EQUIPMENT, 1,000 €

	2013	2012
Land and water areas		
Cost at 1 Jan	13,933	13,671
Increases 1 Jan – 31 Dec	291	262
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	**14,224**	**13,933**
Carrying amount 31 Dec	**14,224**	**13,933**
Buildings and structures		
Cost at 1 Jan	159,839	127,014
Increases 1 Jan – 31 Dec	21,392	32,852
Decreases 1 Jan – 31 Dec		
Cost at 31 Dec	**181,231**	**159,839**
Accumulated depreciation according to plan 1 Jan	-33 454	-28,669
Decreases, depreciation according to plan 1 Jan – 31 Dec		
Depreciation according to plan 1 Jan – 31 Dec	-5 715	-4,785
Carrying amount 31 Dec	**142,061**	**126,385**
Machinery and equipment		
Cost at 1 Jan	880,407	767,533
Increases 1 Jan – 31 Dec	95,244	112,874
Decreases 1 Jan – 31 Dec	-671	
Cost at 31 Dec	**974,980**	**880,407**
Accumulated depreciation according to plan 1 Jan	-353,295	-316,833
Decreases, depreciation according to plan 1 Jan – 31 Dec	435	

Depreciation according to plan 1 Jan – 31 Dec	-39,804	-36,461
Carrying amount 31 Dec	**582,317**	**527,112**
Transmission lines		
Cost at 1 Jan	1,031,935	1,006,788
Increases 1 Jan – 31 Dec	139,890	25,425
Decreases 1 Jan – 31 Dec	-4,027	-278
Cost at 31 Dec	**1,167,798**	**1,031,935**
Accumulated depreciation according to plan 1 Jan	-347,748	-316,859
Decreases, depreciation according to plan 1 Jan – 31 Dec	2,108	133
Depreciation according to plan 1 Jan – 31 Dec	-33,769	-31,022
Carrying amount 31 Dec	**788,389**	**684,187**
Other property, plant and equipment		
Cost at 1 Jan	20,674	14,658
Increases 1 Jan – 31 Dec	1,274	6,016
Cost at 31 Dec	**21,948**	**20,674**
Accumulated depreciation according to plan 1 Jan	-12,486	-11,649
Depreciation according to plan 1 Jan – 31 Dec	-937	-837
Carrying amount 31 Dec	**8,525**	**8,188**
Advance payments and purchases in progress		
Cost at 1 Jan	120,174	162,318
Increases 1 Jan – 31 Dec	168,343	116,320
Transfers to other tangible and intangible assets 1 Jan – 31 Dec	-206,843	-158,464
Cost at 31 Dec	**81,674**	**120,174**
Carrying amount 31 Dec	**81,674**	**120,174**
Capitalised interest		
Cost at 1 Jan	4,728	1,593
Increases 1 Jan – 31 Dec (note 10)	1,681	3,136
Cost at 31 Dec	6,410	4,728
Accumulated depreciation according to plan	-33	-3
Depreciation on capitalised interest according to plan1 Jan – 31 Dec	-141	-30
Carrying amount 31 Dec	**6,236**	**4,695**
Carrying amount 31 Dec	**87,910**	**124,870**
Carrying amount 31 Dec Property, plant and equipment	**1,623,426**	**1,484,674**

Item advance payments and purchases in progress contains the advance payments of noncurrent property, plant and equipment and intangible assets, and acquisition costs caused by capital investments in progress.

18. INVESTMENTS, 1 000 €	2013	2012
Available-for-sale investments		
Cost at 1 Jan	302	301
Changes in fair value 1 Jan – 31 Dec	-2	2
Carrying amount 31 Dec	**300**	**302**

The changes in fair value are recorded in equity (note 26).

Equity investments in associated companies		
Cost at 1 Jan	8,292	7,947
Increases, eSett Oy	2,001	
Portion of profit 1 Jan – 31 Dec	**709**	**845**
Share issue Nord Pool Spot AS 30 Aug 2013	360	737
Translation reserve 1 Jan – 31 Dec	-649	92
Dividends 1 Jan – 31 Dec	-300	-1,329
Carrying amount 31 Dec	**10,416**	**8,292**
Carrying amount 31 Dec	**10,716**	**8,564**
Carrying amount of associated companies includes goodwill 31 Dec.	3,245	3,245

There are no such essential temporary differences with associated companies of which deferred tax assets or liabilities would have been recorded.

The ownership structure of the Nordic electricity exchange, Nord Pool Spot AS, changed on 30.8.2013, as the Latvian main grid company AST (Augstsprieguma Tiklsi) purchased a 2% share in NPS. Fingrid Oyj's ownership in Nord Pool Spot AS decreased to 18.8%.

Financial summary of associated companies, 1,000 €

2012	Assets	Liabilities	Turnover	Profit/ loss	Ownership (%)
Nord Pool Spot AS, Lysaker, Norway	331,432	305,649	21,567	4,719	19.2
Porvoon Alueverkko Oy, Porvoo, Finland	6,412	6,024	7,051	12	33.3

2013	Assets	Liabilities	Turnover	Profit/ loss	Ownership (%)
Nord Pool Spot AS, Lysaker, Norway	250,723	223,916	21,299	3,899	18.8
Porvoon Alueverkko Oy, Porvoo, Finland	6,455	5,968	7,535	9	33.3
eSett Oy, Helsinki	6,455	457		-4	33.3

Subsidiary shares 31 Dec 2012	Ownership (%)	Ownership (%)
Finextra Oy, Helsinki, Finland	100	100

19.INVENTORIES, 1,000 €

	2013	2012
Materials and consumables at 1 Jan	11,363	10,399
Work in progress	34	44
Total	**11,397**	**10,443**

The cost of inventories recognised as expense was 1.7 (0.7) million euros.

20. OTHER NON-CURRENT RECEIVABLES, 1 000 €

	2013	2012
Guarantee fund Nasdaq OMX, pledged account	813	
Guarantee account Nasdaq OMX	3,500	
Total	**4,313**	

21. TRADE RECEIVABLES AND OTHER RECEIVABLES, 1,000 €

	2013	2012
Trade receivables	59,037	68,420
Trade receivables from associated companies (note 37)	2,561	2,039
Prepayments and accrued income	14,399	17,763
Other receivables	25	55
Total	**76,021**	**88,251**

Essential items included in prepayments and accrued income	2013	2012
Accruals of sales	430	244
Accruals of purchases/prepayments	6,427	9,121
Interest receivable	7,352	8,185
Rents/prepayments	190	186
Total	**14,399**	**17,736**

Age distribution of trade receivables	2013	2012
Unmatured trade receivables	61,419	65,365
Trade receivables matured by 1–30 days	179	4,924
Trade receivables matured by 31–60 days		136
Trade receivables matured by more than 60 days		34
Total	**61,598**	**70,460**

In 2013, the company recorded impairment losses on trade receivables totaling 551,553.43 euros, incl. VAT 24%.

Trade receivables and other receivables broken down by currencies, 1,000 €	2013	2012
EUR	76,021	88,251
Total	**76,021**	**88,251**

The fair value of trade receivables and other receivables does not differ essentially from the balance sheet value.

22. FINANCIAL ASSETS RECOGNISED AT FAIR VALUE, 1,000 €

	2013	2012
Certificates of deposit	39,982	45,999
Commercial papers	134,818	151,413
Short-term money market funds	20,173	10,014
Total	**194,973**	**207,426**

Financial assets are recognised at fair value and the change in fair value is presented in the income statement in finance income and costs.

23. CASH AND CASH EQUIVALENTS, 1,000 €

	2013	2012
Cash and bank accounts	21,326	5,391
Pledged accounts	1,013	1,020
Total	**22,339**	**6,411**

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

Balance sheet item 31 Dec 2013	Loans and other receivables/ liabilities	Assets/ liabilities recognised in income statement at fair value	Available-for-sale financial assets	Financial assets/ liabilities measured at amortised cost	Total	Note
Non-current financial assets						
Available-for-sale investments			300		300	18
Interest rate and currency derivatives		48,883			48,883	30
Current financial assets						
Interest rate and currency derivatives		2,887			2,887	30
Trade receivables and other receivables	68,975				68,975	21
Financial assets recognised in income statement at fair value		194,973			194,973	22
Cash in hand and bank receivables		22,339			22,339	23
Financial assets total	**68,975**	**269,081**	**300**		**338,355**	
Non-current financial liabilities						
Borrowings				975,295	975,295	28
Interest rate and currency derivatives		17,012			17,012	30
Current financial liabilities						
Borrowings				318,695	318,695	28
Interest rate and currency derivatives		1,121			1,121	30
Trade payables and other liabilities	41,448			16,485	57,933	31
Financial liabilities total	**41,448**	**18,133**		**1,310,475**	**1,370,056**	

Balance sheet item 31 Dec 2012	Loans and other receivables/ liabilities	Assets/ liabilities recognised in income statement at fair value	Available-for-sale financial assets	Financial assets/ liabilities measured at amortised cost	Total	Note
Non-current financial assets						
Available-for-sale investments			302		302	18
Interest rate and currency derivatives		88,932			88,932	30
Current financial assets						
Interest rate and currency derivatives		4,815			4,815	30
Trade receivables and other receivables	78,700				78,700	21
Financial assets recognised in income statement at fair value		207,426			207,426	22
Cash in hand and bank receivables		6,411			6,411	23
Financial assets total	**78,700**	**307,585**	**302**		**386,587**	
Non-current financial liabilities						
Borrowings				1,032,199	1,032,199	28
Interest rate and currency derivatives		14,602			14,602	30
Current financial liabilities						
Borrowings				211,932	211,932	28
Interest rate and currency derivatives		1,842			1,842	30
Trade payables and other liabilities	56,677			18,181	74,859	31
Financial liabilities total	**56,677**	**16,444**		**1,262,312**	**1,335,434**	

Financial instruments that have been deducted from each other

	2013			2012		
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amount of financial assets presented in the balance sheet
Trade receivables	72,422	-10,824	61,598	79,730	-9,270	70,460

	2013			2012		
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet
Trade payables	34,694	-10,824	23,870	44,616	-9,270	35,346

25. FAIR VALUE HIERARCHY, 1,000 €

	2013			2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held at fair value						
Available-for-sale investments	58	190		50	200	
Interest rate and currency derivatives		34,509			77,393	
Financial assets recognised at fair value	20,173	174,800		10,014	197,413	
Financial assets held at fair value total	**20,321**	**209,498**		**10,064**	**275,006**	
Financial liabilities held at fair value						
Interest rate and currency derivatives		872			90	
Electricity forward contracts, NASDAQ OMX Commodities	38,208			27,294		
Financial liabilities held at fair value total	**38,208**	**872**		**27,294**	**90**	

Fair value measurement of assets and liabilities are categorised in a three-level hierarchy in the fair value presentation. 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 in its entirety that is to the fair value measurement.
Level 1: inputs are publicly quoted in active markets.
Level 2: inputs are not publicly quoted and are observerable market parameters either directly or indirectly.
Level 3: inputs are unobserverable market parameters

26. EQUITY

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

Share capital and share premium account, 1,000 €	Share capital	Share premium account	Total
1 Jan 2012	55,922	55,922	111,845
Change			
31 Dec 2012	55,922	55,922	111,845
Change			
31 Dec 2013	**55,922**	**55,922**	**111,845**

The share capital is broken down as follows:	Number of shares qty	Of all shares %	Of votes %
Series A shares	2,078	62.49	83.32
Series B shares	1,247	37.51	16.68
Total	**3,325**	**100.00**	**100.00**

Number of shares, qty	Series A shares	Series B shares	Total
1 Jan 2013	2,078	1,247	3,325
Change			
31 Dec 2013	**2,078**	**1,247**	**3,325**

The maximum number of shares is 13,300 as in 2012. 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 share confers 10 votes each at the Annual General Meeting and each series B share 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. After this, a corresponding dividend is distributed to series A shares. If the annual dividend cannot be distributed in some year, the shares confer a right to receive the undistributed amount from the funds available for profit distribution in the subsequent years; however so that series B shares have the right over series A shares to receive the annual dividend and the undistributed amount. Series B shares have no right to receive any other dividend.

Fingrid Oyj's Annual General Meeting decides on the annual dividend.
Definition of dividend for series B shares: the amount of the annual dividend is calculated on the basis of calendar years so that the subscription price of the share, added by amounts paid in conjunction with potential increases of share capital and reduced by potential amounts paid in refunds of equity, is multiplied by the dividend percentage; however so that the minimum dividend is 6%. The dividend percentage is defined on the basis of the yield of the 30-year German Government Bond.

The dividend proposal for series B shares for 2013 is 6.0 per cent.

There are no non-controlling interests.

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

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

Share premium account
The share premium account includes the difference between the counter value of the shares and the value obtained. According to the Finnish Companies Act the premium fund means tied equity. The share capital can be increased by transferring funds from the premium fund account. The premium fund account can be decreased in order to cover losses or it can under certain conditions be returned to the owners.

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

Hedge reserve, 1,000 €	2013	2012
1 Jan	-7,578	-13,691
Changes in fair value during financial year	-4,425	8,095
Taxes	433	-1,983
Hedge reserve 31 Dec	**-11,571**	**-7,578**

Fair value reserve, 1,000 €	2013	2012
1 Jan	14	12
Changes in fair value during financial year	-2	1
Taxes on changes in fair value during financial year	0	0
Fair value reserve 31 Dec	**12**	**14**

Translation reserve, 1,000 €	2013	2012
Translation reserve 31 Dec	**-3**	**643**

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

Dividends, 1,000 €	2013	2012
Dividends paid	13,148	10,751

The proposal for dividend distribution for the financial year 2013 is presented in note 14.

Retained earnings, 1,000 €	2013	2012
Profit from previous financial years	451,717	397,836
Profit for the financial year	90,699	67,029
Retained earnings 31 Dec	**542,416**	**464,865**

27. DEFERRED TAX ASSETS AND LIABILITIES, 1,000 €

Changes in deferred taxes in 2013:

	31 Dec 2012	Recorded in income statement at profit or loss	Recorded in other comprehensive income	31 Dec 2013
Deferred tax assets				
Provisions	458	-111		347
Current financial assets	1,235	-13		1,222
Trade payables and other liabilities	506	-127		379
Interest-bearing borrowings	12,057	-8,125		3,932
Derivative instruments	7,381	-63	433	7,751
Other items	47	-35		12
Total	**21,683**	**-8,473**	**433**	**13,643**
Deferred tax liabilities				
Depreciation difference	-109,980	-20,200		-89,779
Tangible and intangible assets	-22,414	-1,911		-20,503
Available-for-sale investments	-22		-1	-21
Other receivables	-2,007	-537		-1,471
Financial assets recognised at fair value	-145	-22		-124
Non-current financial assets	-18,010	-10,133		-7,878
Current financial receivables				
Total	**-152,579**	**-32,803**	**-1**	**-119,775**

Changes in deferred taxes in 2012:

	31 Dec 2011	Recorded in income statement at profit or loss	Recorded in other comprehensive income	31 Dec 2012
Deferred tax assets				
Provisions	493	-35		458
Current financial assets				1,235
Trade payables and other liabilities	491	15		506
Interest-bearing borrowings	10,434	1,623		12,057
Derivative instruments	8,446	-3,048	1,983	7,381
Other items	8	38		47
Total	**19,873**	**-1,408**	**1,983**	**21,683**
Deferred tax liabilities				
Depreciation difference	-106,463	-3,517		-109,980
Tangible and intangible assets	-19,287	-3,127		-22,414
Available-for-sale investments	-22		0	-22
Other receivables	-2,024	17		-2,007
Financial assets recognised at fair value	-265	119		-145
Non-current financial receivables	-10,720	- 7,290		-18,010
Current financial receivables	-1,559	-325		
Total	**-140,340**	**-14,122**	**0**	**-152,579**

28. BORROWINGS, 1,000 €

	2013		2012	
Non-current	Fair value	Balance sheet value	Fair value	Balance sheet value
Bonds	812,812	765,295	877,061	818,199
Loans from financial institutions	220,917	210,000	230,655	214,000
	1,033,730	975,295	1,107,716	1,032,199
Current	Fair value	Balance sheet value	Fair value	Balance sheet value
Current portion of long-term borrowings maturing within a year	106,011	104,081	126,230	123,022
Other loans / Commercial papers (international and domestic)	214,683	214,614	89,008	88,910
	320,694	318,695	215,238	211,932
Total	**1,354,424**	**1,293,990**	**1,322,954**	**1,244,131**

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 mid-rate quoted by ECB at the closing day.

Bonds included in borrowings, 1,000 €				**2013**	**2012**
Currency	Nominal amount	Maturity date	**Interest**		
EUR	10,000	16.04.2013	variable interest		10,000
EUR	20,000	28.04.2013	variable interest		20,000
EUR	20,000	15.10.2013	4.30%		20,000
EUR	24,000	02.07.2014	variable interest	24,000	24,000
EUR	18,000	11.11.2014	variable interest	18,000	18,000
EUR	8,000	11.11.2014	variable interest	8,000	8,000
EUR	10,000	20.11.2014	3.26%	10,000	10,000
EUR	20,000	11.04.2017	variable interest	20,000	20,000
EUR	25,000	11.04.2017	variable interest	25,000	25,000
EUR	30,000	15.06.2017	3.07%	30,000	30,000
EUR	30,000	11.09.2023	2,71%	30,000	
EUR	300,000	03.04.2024	3.50%	298,603	298,457
EUR	25,000	27.03.2028	2,71%	25,000	
EUR	10,000	12.09.2028	3,27%	10,000	
				498,603	**483,475**
FIM	160,000	19.08.2013	5.20 %		26,909
					26,909
JPY	3,000,000	20.04.2015	1.45 %	20,730	26,406
JPY	500,000	22.06.2017	1.28 %	3,455	4,401
				24,185	**30,807**

NOK	170,000	19.11.2014	4.68%	20,328	23,135
NOK	200,000	17.10.2016	5.15%	23,915	27,217
NOK	200,000	11.04.2017	5.16%	23,915	27,217
NOK	200,000	10.11.2017	5.12%	23,915	27,217
NOK	200,000	12.11.2019	5.37%	23,915	27,217
NOK	100,000	16.09.2025	4,31%	11,957	
				127,945	**132,003**
SEK	100,000	21.03.2013	variable interest		11,652
SEK	200,000	03.04.2013	3.70%		23,305
SEK	175,000	04.04.2014	4.30%	19,754	20,392
SEK	300,000	15.06.2015	3.195%	33,863	34,957
SEK	100,000	17.06.2015	3.10%	11,288	11,652
SEK	220,000	01.12.2015	interest rate structure	25,654	26,845
SEK	100,000	15.01.2016	3.297%	11,288	11,652
SEK	500,000	18.10.2016	variable interest	56,439	58,261
SEK	500,000	18.10.2016	3.50%	56,358	58,153
				214,644	**256,870**
Bonds, long-term total				765,295	818,199
Bonds, short-term total				100,081	111,866
Total				**865,376**	**930,065**

Maturity of non-current borrowings, 1,000 €

	2014	2015	2016	2017	2018	2018+	Total
Bonds	100,081	91,535	148,000	126,285		399,475	**865,376**
Loans from financial institutions	4,000	16,424	20,710	21,662	21,662	129,541	**214,000**
Total	**104,081**	**107,959**	**168,710**	**147,947**	**21,662**	**529,016**	**1,079,376**

Capital structure

The corporate finances are planned over a long time span, and the company is ensured sufficient latitude and independent power of decision in the management of finances. The company aims to secure sufficient cash flow for the long-term development of transmission capacity, secured operational reliability and development of the electricity market so that the tariff level remains moderate. The company pursues as low average capital costs as possible by utilising a lower cost through debt financing as compared to equity cost. However, the goal is to keep the cash flow and debt service ratios of the company at such a level that the company retains its high credit rating. The high credit rating enables the company to tap the international and domestic money and capital markets. The target for the equity ratio is a level of 30 per cent.

29. PROVISIONS FOR LIABILITIES AND CHARGES, 1,000 €

	2013	2012
Provisions 1 Jan	1,869	1,897
Provisions used	-134	-29
Provisions 31 Dec	**1,735**	**1,869**

30. DERIVATIVE INSTRUMENTS, 1,000 €

	2013				2012			
	Fair value		Net fair	Nominal	Fair value		Net fair	Nominal
	Pos.	Neg.	value	value	Pos.	Neg.	value	value
Interest rate and currency derivatives	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2012	31.12.2012	31.12.2012	31.12.2012
Cross-currency swaps	39,830	-9,225	30,605	366,033	78,713	-6,621	72,092	418,578
Forward contracts		-872	-872	135,347		-90	-90	2,837
Interest rate swaps	11,939	8,036	3,904	471,000	15,032	-9,733	5,299	406,000
Interest rate options, bought				350,000	2		2	810,000
Total	**51,770**	**-18,133**	**33,637**	**1,322,381**	**93,747**	**-16,444**	**77,303**	**1,637,415**

	Fair value		Net fair	Volume	Fair value		Net fair	Volume
	Pos.	Neg.	value	TWh	Pos.	Neg.	value	TWh
Electricity derivatives	31.12.2013	31.12.2013	31.12.2013	31.12.2013	31.12.2012	31.12.2012	31.12.2012	31.12.2012
Electricity forward contracts, designated as hedge accounting NASDAQ OMX Commodities		-18,091	-18,091	1,76		-16,844	-16,844	2,68
Electricity forward contracts, not designated as hedge accounting NASDAQ OMX Commodities		-20,117	-20,117	2,21		-10,450	-10,450	1,20
Total		**-38,208**	**-38,208**	**3,97**		**-27,294**	**-27,294**	**3,88**

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

The electricity derivatives hedge future costs of energy losses.

The net fair value of derivatives indicates the realised profit/loss if they had been reversed on the last business day of 2013.

Maturity of derivative contracts:

Nominal value, 1,000 €	2014	2015	2016	2017	2018	2018+	Total
Interest rate swaps	36,000	30,000	70,000	30,000	105,000	200,000	**471,000**
Interest rate options	130,000	220,000					**350,000**
Cross-currency swaps	40,081	90,714	148,081	51,285		35,872	**366,033**
Forward contracts	134,702	645					**135,347**
Total	**340,784**	**341,359**	**218,081**	**81,285**	**105,000**	**235,872**	**1,322,381**

TWh	2014	2015	2016	2017	2018	2018+	Total
Electricity derivatives	1,25	1,14	0,79	0,53	0,26		**3,97**
Total	**1,25**	**1,14**	**0,79**	**0,53**	**0,26**		**3,97**

31. TRADE PAYABLES AND OTHER LIABILITIES, 1,000 €

	2013	2012
Trade payables	23,527	34,953
Trade payables to associated companies	343	393
Interest liabilities	16,485	18,181
Value added tax	8,895	5,103
Electricity tax	2,624	2,643
Accruals	17,010	20,789
Other debt	568	542
Total	**69,452**	**82,604**

Essential items included in accruals	**2013**	**2012**
Personnel expenses	4,069	3,713
Accruals of sales and purchases	10,311	13,261
Other accruals	2,630	3,815
Total	**17,010**	**20,789**

32. COMMITMENTS AND CONTINGENT LIABILITIES, 1,000 €

	2013	2012
Pledges		
Pledge covering property lease agreements	9	47
Pledged account in favour of the Customs Office	280	280
Pledged account covering electricity exchange purchases	4,313	
	4,601	**327**
Unrecorded investment commitments	**137, 441**	**217,193**
Other financial commitments		
Counterguarantee in favour of an associated company	1,700	1,700
Rent security deposit, guarantee	38	
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	565	459
Commitment fee for subsequent years	1,170	1,218
	3,473	**3,378**

33. OTHER LEASE AGREEMENTS, 1,000 €

	2013	2012
Minimum rental obligations of other irrevocable lease agreements:		
In one year	2,220	2,293
In more than one year and less than five years	9,239	8,499
In more than five years	16,053	13,770
Total	**27,512**	**24,536**

The foremost lease agreements of the Group relate to office premises. The durations of the lease agreements range from less than one year to fifteen years, and the contracts can usually be extended after the original date of expiration. The index, renewal and other terms of the different agreements vary.

The Group has rented for instance several land areas and some 110 kilovolt transmission lines and circuit breaker bays.

34. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

Pending are procedures in accordance with EC Regulation 714/2009 on conditions for access to the network for cross-border exchanges in electricity and the new Finnish Electricity Market Act (588/2013). The EC Regulation requires national regulating authorities to make a decision on certifying the independence of transmission grid owners. In addition to this, the new Electricity Market Act requires Fingrid to apply for a new electricity network licence from the Energy Authority within one month of when the Energy Authority's decision on certification of the independence of the grid owner has entered into force.

Fingrid appealed to the Market Court against the decision of the Energy Market Authority on 23 November 2011 (record number 831/430/2011): the confirmation of methods concerning the setting of the grid owner's income from grid operations and payments for transmission service for the control period starting 1 January 2012 and ending on 31 December 2015. The Market Court ejected Fingrid's appeal on 21 December 2012. Fingrid has appealed the decision of the Market Court to the Supreme Administrative Court.

There are no other ongoing legal proceedings or proceedings by authorities that would have a material impact on Fingrid's business.

35. RISK MANAGEMENT

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

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

Principles for financing
The Board of Directors of Fingrid Oyj approves the principles for financing, stating the guidelines for external funding, financial asset management, market, liquidity, refinancing and credit risks. The external financing of Fingrid Group is carried out by Fingrid Oyj.

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

Risk management processes
The treasury is in charge of risk management monitoring, systems and models as well as methods, for risk calculation and assessment. The internal audit additionally ensures that there is compliance with the principles for financing activities and the internal guidelines.

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

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

Transaction exposure

The company issues securities in the international and domestic money and capital markets. The loan portfolio of the company is distributed between different convertible currencies and the total debt portfolio and the related interest rate flows are hedged against currency risk. The foreign exchange risk of each bond is done in conjunction with the underlying debt issuance. Business related currency risks are small and they are hedged. Therefore there is no sensitivity analysis presentation of these risks. During the financial year the company used foreign exchange forwards and cross currency swaps for hedging the transaction exposure. The tables below first illustrate currency distribution and the hedging rate of the interest bearing debt of the company and then the sensitivity analysis of the euro against the foreign currencies, which also proves that the company does not have any open foreign exchange risk.

Currency distribution and hedging degree of borrowings, 1,000 €

Currency distribution 31 Dec 2013	Carrying amount	Portion %	Hedging degree	Currency distribution 31 Dec 2012	Carrying amount	Portion %	Hedging degree
EUR	793,577	61		EUR	824,451	66	
GBP	41,910	3	100				
JPY	24,185	2	100	JPY	30,807	2	100
NOK	127,945	10	100	NOK	132,003	11	100
SEK	214,644	17	100	SEK	256,870	21	100
USD	91,729	7	100				
Total	**1,293,990**	**100**	**100**	**Total**	**1,224,131**	**100**	**100**

The sensitivity analysis of foreign exchange rate is measured as a 10% change between the euro and the currency in question. The company's result will not be subject to exchange rate differentials, since the debt denominated in foreign currencies are hedged against foreign exchange changes. In the figures presented in the tables below, a negative figure would increase foreign exchange loss and a positive figure would correspondingly increase foreign exchange gain.

Exchange rate changes, 1,000 €

31 Dec 2013		Bonds	Commercial papers	Total	Cross-currency swaps	Forward contracts	Total	Net exposure Total
GBP	+10 %		4,661			-4,661		0
	- 10 %		3,814			-3,814		0
JPY	+10 %	-2,757			2,757			0
	- 10 %	2,256			-2,256			0
NOK	+10 %	-15,567			15,567			0
	- 10 %	12,805			-12,805			0
SEK	+10 %	-24,569			24,569			0
	- 10 %	20,176			-20,176			0
USD	+10 %		10,193			-10,193		0
	- 10 %		9,174			-9,174		0

Exchange rate changes, 1,000 €

31 Dec 2012		Bonds	Commercial papers	Total	Cross-currency swaps	Forward contracts	Total	Net exposure Total
JPY	+10 %	-3,559			3,559			0
	- 10 %	2,912			-2,912			0
NOK	+10 %	-16,467			16,467			0
	- 10 %	13,473			-13,473			0
SEK	+10 %	-29,795			29,795			0
	- 10 %	24,377			-24,377			0

Translation exposure

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

Translation exposure, 1,000 €		2013	2012
		Equity 31 Dec 2013	Equity 31 Dec 2012
NOK	+10 %	560	549
	-10 %	-458	-450

Interest rate risk

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

Interest rate risk is managed in accordance with the principles for financing so that 30–70% of the interest costs are hedged over the next five years. When the interest rates are high, the hedging level is kept close to the lower limit of the range, and when the interest rates are low, the hedging level is kept close to the upper limit of the range. The specified low level of interest rates is when 6 month Euribor interest rate is 3% or less. The interest level is considered high when the 6 month Euribor interest rate is 5% or more. At the end of 2013, 63% of the interest costs for the next five years were hedged, and correspondingly 75% were hedged at the end of 2012.

The sensitivity of the interest rate risk is measured as a1 percentage unit interest rate fluctuation and by using the CfaR method (Cashflow at Risk). The assumed fluctuation in interest rates is the effect of a1 percentage unit fluctuation during the next 12 months from the closing date. The analysis of interest rate sensitivity is carried out on borrowings including exchange rate hedging, the derivatives portfolio hedging the interest rate exposure, and on cash and cash equivalents, which result in a net debt position exposed to interest rate fluctuations.

Interest rate sensitivity, 1,000 €	2013		2012	
	-1%-unit	+1%-unit	-1%-unit	+1%-unit
Borrowings	6,195	-6,195	5,449	-5,449
Interest rate derivatives	-1,101	1,101	-269	269
Borrowings total	5,094	-5,094	5,180	-5,180
Financial assets and cash	-1,696	1,696	-1,566	1,566
Net borrowings total	**3,398**	**-3,398**	**3,614**	**-3,614**

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

Cashflow at Risk, 1,000 €	2013			2012	
	31 Dec 2013			31 Dec 2012	
Confidence level	Net finance costs		Confidence level	Net finance costs	
96 %	min.	20,092	96 %	min.	17,689
	max.	29,409		max.	23,961
98 %	min.	19,901	98 %	min.	14,722
	max.	30,903		max.	24,943

Commodity risk

The company is exposed to price and volume risk through transmission losses. Loss energy purchases are hedged in accordance with the loss energy purchasing policy accepted by the Board of Directors. The time span of price hedging is five years, divided into three parts: basic, budgetary and operative hedging. Moreover, the company has a loss energy purchasing policy for hedging and for physical electricity purchases and operative instructions, instructions for price hedging and control room instructions. For the price hedging of loss energy purchases the company mainly uses NASDAQ OMX Commodities quoted products. The company can also use OTC products, corresponding products at NASDAQ OMX Commodities, these products are settled at the power exchange.

If the market prices of electricity derivatives had been 20% higher or lower on the closing date, the change in the fair value of electricity derivatives would have been 25.3 (29.4) million euros higher or lower.

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

The liquidity of the company must be arranged so that 100% of the refinancing need for the next 12 months is covered by means of liquid assets and available long-term committed credit lines; however, so that the refinancing need may not account for more than 45% of the total amount of the company's debt financing. As back-up for the liquidity the company has a revolving credit facility of 250 million euros. The revolving credit facility will mature on 18 April 2017. The revolving credit facility has not been drawn.

The company's funding is carried out through debt issuance programmes. The company operates in the international capital market by issuing bonds under the Medium Term Note Programme: The Programme size is 1.5 billion euros. Short-term funding is arranged through commercial paper programmes; a Euro Commercial Paper Programme of 600 million euros and a domestic commercial paper programme of 150 million euros. The refinancing risk is reduced by an even maturity profile so that the refinancing need over periods of 12 months in excess of one year must not exceed 30% of the company's amount of debt financing. Contractual repayments and interest costs of borrowings are presented in the next table. The interest rate percentages of variable-interest loans are defined using the zero coupon curve. The repayments and interest amounts are undiscounted values. Finance costs relating to cross-currency swaps, interest rate swaps and forward contracts are often paid in net amounts depending on their nature. In the following table, they are presented in gross amounts.

Fingrid's existing loan agreements, debt or commercial paper programmes are uncollateralized. These agreements or programmes do not include any financial covenants.

Contractual repayments and interest costs of borrowings and payments and receivables of financial derivatives, which are paid in cash, 1,000 €

31 Dec 2013		2014	2015	2016	2017	2018	2018+	Total
Bonds	- repayments	100,081	91,535	148,000	126,285		399,475	865,376
	- interest costs	28,115	24,930	23,476	17,879	14,117	82,004	190,521
Loans from financial	- repayments	4,000	16,424	20,710	21,662	21,662	129,541	214,000
institutions	- interest costs	4,573	4,603	4,704	4,584	4,350	16,309	39,123
Commercial papers	- repayments	214,614						214,614
	- interest costs	167						167
Cross-currency swaps	- payments	41,968	90,450	148,499	54,500	1,035	40,388	376,840
Interest rate swaps	- payments	5,083	5,031	5,307	4,395	4,776	25,051	49,643
Forward contracts	- payments	135,537	681					136,218
Guarantee commitment*	- payments	1,700						1,700
Total		**535,839**	**233,654**	**350,696**	**229,305**	**45,940**	**692,768**	**2,088,201**
Cross-currency swaps	- receivables	53,840	102,119	157,804	55,565	1,800	40,763	411,891
Interest rate swaps	- receivables	5,975	5,770	6,848	6,990	6,766	20,743	53,092
Forward contracts	- receivables	134,702	645					135,347
Total		**194,517**	**108,534**	**164,652**	**62,555**	**8,566**	**61,506**	**600,330**
Grand total		**341,321**	**125,120**	**186,044**	**166,750**	**37,374**	**631,261**	**1,487,871**

*Counterguarantee in favour of an associated company. No payment claims have been presented to Fingrid.

31 Dec 2012		2014	2015	2016	2017	2018	2018+	Total
Bonds	- repayments	111,867	103,526	98,650	155,392	133,835	327,217	930,488
	- interest costs	30,403	26,062	23,636	21,840	16,009	76,424	194,374
Loans from financial institutions	- repayments	11,156	4,000	16,424	20,710	21,662	151,203	225,156
	- interest costs	4,814	4,403	4,613	4,585	4,349	19,496	42,260
Commercial papers	- repayments	88,910						88,910
	- interest costs	90						90
Cross-currency swaps	- payments	34,761	41,765	90,394	147,961	54,041	25,036	393,958
Interest rate swaps	- payments	5,257	3,577	3,552	3,420	2,187	14,916	32,909
Forward contracts	- payments	1,920	325	681				2,927
Guarantee commitment*	- payments	1,700						1,700
Total		**290,878**	**183,659**	**237,951**	**353,909**	**232,084**	**614,292**	**1,912,773**
Cross-currency swaps	- receivables	50,532	57,126	110,486	165,209	63,123	30,141	476,618
Interest rate swaps	- receivables	5,440	4,349	4,127	4,417	4,004	16,006	38,343
Forward contracts	- receivables	1,847	321	669				2,837
Total		**57,819**	**61,796**	**115,282**	**169,626**	**67,127**	**46,147**	**517,798**
Grand total		**233,059**	**121,863**	**122,668**	**184,282**	**164,956**	**568,145**	**1,394,975**

*Counterguarantee in favour of an associated company. No payment claims have been presented to Fingrid.

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

Credit risk in financing
The company is exposed to credit risk through derivative agreements and financial investments. The company only has derivatives outstanding and invests its funds within the permitted risk limits. There is an upper limit in euros for each counterparty. The company signs the International Swap Dealers Association's (ISDA) Master Agreement with each counterparty before entering into a derivative transaction. The company has not received any collaterals decreasing the credit risks covering the financial assets or derivative contracts. Under the ISDA Master Agreement it is agreed on a process involving termination of obligations under derivative contracts with a defaulting party and subsequent combining of positive and negative replacement values into a single net payable or receivable in the event of bankruptcy or insolvency proceeding of the defaulting party. The counterparty risks of financial instruments did not incur any losses during the financial year.

36. OPERATING CASH FLOW ADJUSTMENTS, 1,000 €

	2013	2012
Business transactions not involving a payment transaction		
Depreciation	81,704	75,665
Capital gains/losses (-/+) on sale of property, plant and equipment	-1,282	-467
Portion of profit of associated companies	-709	-845
Share Issue Nord Pool Spot AS 30 Aug 2013	-360	-737
Gains/losses from the valuation of assets and liabilities recognised in income statement at fair value	6,465	12,591
Total	**85,818**	**86,206**

37. RELATED PARTY TRANSACTIONS

Transactions with owners include transactions conducted with the State of Finland. Other related party transactions include transactions concluded with entities where the State of Finland has a holding in excess of 50%.

Fingrid Group's related parties comprise the addition of associated companies, associated companies eSett Oy, Porvoon Alueverkko Oy and Nord Pool Spot AS and top management with its related parties. The top management is composed of the Board of Directors, President, and management team.

The company has not lent money to the top management, and the company has no transactions with the top management. Fingrid Oyj has granted PorvoonAlueverkko Oy a counter guarantee of 1.7 million euros.

Business with related parties is conducted at market prices.

Employee benefits of top management, 1,000 €	2013	2012
Salaries and other short-term employee benefits	1,582	1,536

Transactions with associated companies, 1,000 €	2013	2012
Sales	7,824	7,153
Expense adjustments	231	
Purchases	42,505	46,653
Receivables	2,561	2,039
Liabilities	343	393

Transactions with related parties, 1,000 €	2013	2012
Owners:		
Sales	24	47
Purchases	1	
Other related parties:		
Sales	82,750	66,772
Purchases	50,489	41,509
Receivables	8,602	1,234
Liabilities	5,359	7,707

General procurement principles
The Group follows three alternative procurement methods when purchasing goods or services. When the costs and value of the purchases are less than 30,000 euros, an oral call for bid is usually made in addition to a written order or a purchasing contract. When the estimated value of the procurement exceeds 30,000 euros but is below the values applied to public procurements, the procurement is subjected to competitive bidding by requesting written bids from the supplier candidates. When the limits for public procurements concerning Fingrid (approx. 0.4 million euros for goods and services and approx. 5 million euros for construction projects in 2012–2013) are exceeded, the company follows the public procurement procedure applied to special areas.

38. EMISSION RIGHTS

Fingrid has not been granted free-of-charge emission rights for the emission trade period 2013–2020.
The use of emission rights had no impact on the financial result in 2012.

	2013	2012
	tCO_2	tCO_2
Rights received without compensation		25,261
Total CO_2 emissions	5,566	21,317

39. EVENTS AFTER CLOSING DATE

The Group management is not aware of such essential events after the closing date that would affect the financial statements.

PARENT COMPANY FINANCIAL STATEMENTS (FAS)

PARENT COMPANY PROFIT AND LOSS ACCOUNT

	Notes	1 Jan – 31 Dec 2013 €	1 Jan – 31 Dec 2012 €
TURNOVER	2	529,973,491.76	503,662,672.10
Other operating income	3	3,710,950.69	3,097,722.02
Materials and services	4	-256,492,919.79	-248,809,581.40
Staff expenditure	5	-22,847,247.60	-22,134,749.81
Depreciation and amortisation expense	6	-91,301,518.24	-85,272,765.56
Other operating expenses	7, 8	-51,305,879.61	-53,723,489.03
OPERATING PROFIT		**111,736,877.21**	**96,819,808.32**
Finance income and costs	9	-26,014,888,09	-28,942,078.44
PROFIT BEFORE EXTRAORDINARY ITEMS		**85,721,989.12**	**67,877,729.88**
PROFIT BEFORE PROVISIONS AND TAXES		**85,721,989.12**	**67,877,729.88**
Provisions	10		-14,355,143.94
Income taxes	11	-20,872,258.31	-12,812,893.63
PROFIT FOR THE FINANCIAL YEAR		**64,849,730.81**	**40,709,692.31**

Notes are an integral part of the financial statements.

PARENT COMPANY BALANCE SHEET

ASSETS	Notes	31 Dec 2013 €	31 Dec 2012 €
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	12	23,588,356.60	30,021,544.77
Other non-current expenses	13	89,081,372.20	90,971,574.48
		112,669,728.80	**120,993,119.25**
Tangible assets	14		
Land and water areas		14,223,829.67	13,932,742.17
Buildings and structures		142,018,523.70	126,339,957.54
Machinery and equipment		580,302,462.29	524,998,735.03
Transmission lines		770,826,975.77	666,157,748.90
Other tangible assets		117,516.35	117,516.35
Advance payments and purchases in progress		81,674,341.34	120,174,398.32
		1,589,163,649.12	**1,451,721,098.31**
Investments	15		
Equity investments in Group companies		504,563.77	504,563.77
Equity investments in associated companies		8,642,260.21	6,641,360.21
Other shares and equity investments		1,378,426.50	1,176,314.01
		10,525,250.48	**8,322,237.99**
TOTAL NON-CURRENT ASSETS		**1,712,358,628.40**	**1,581,036,455.55**
CURRENT ASSETS			
Inventories	16	**11,397,077.70**	**10,442,615.15**
Receivables			
Non-current			
Other receivables	17	4,312,577.55	
		4,312 577,55	
Current receivables			
Trade receivables		56,549,091.02	62,648,323.09
Receivables from Group companies		64,418.89	139,978.60
Receivables from associated companies	18	2,560,815.83	2,039,225.25
Other receivables		24,534.78	55,257.35
Prepayments and accrued income	19, 20	18,225,075.59	26,629,008.48
		77,423,936.11	**91,511,792.77**
Financial assets	21	**194,354,841.08**	**206,833,143.48**
Cash in hand and bank receivables	21	**22,338,719.57**	**6,411,098.28**
TOTAL CURRENT ASSETS		**309,827,152.01**	**315,198,649.68**
TOTAL ASSETS		**2,022,185,780.41**	**1,896,235,105.23**

Notes are an integral part of the financial statements.

PARENT COMPANY BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 Dec 2013 €	31 Dec 2012 €
SHAREHOLDERS' 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		39,352,410.36	11,790,307.69
Profit for the financial year		64,849,730.81	40,709,692.31
TOTAL SHAREHOLDERS' EQUITY		**216,047,112.27**	**164,344,971.10**
ACCUMULATED PROVISIONS	23	**448,896,757.27**	**448,896,757.27**
PROVISIONS FOR LIABILITIES AND CHARGES	30	**1,734,746.78**	**1,868,946.78**
LIABILITIES			
Non-current liabilities			
Bonds	24, 25	761,382,622.41	782,848,102.36
Loans from financial institutions		210,000,000.00	213,999,999.98
		971,382,622.41	**996,848,102.34**
Current liabilities			
Bonds	24	98,977,209.88	108,774,439.32
Loans from financial institutions		4,000,000.00	11,156,064.01
Trade payables		21,119,511.21	29,315,342.32
Liabilities to Group companies	26	533,547.16	542,728.15
Liabilities to associated companies	27	342,810.97	393,455.81
Other liabilities	28	227,566,502.63	97,197,420.08
Accruals	29	31,584,959.83	36,896,878.05
		384,124,541.68	**284,276,327.74**
TOTAL LIABILITIES		**1,355,507,164.09**	**1,281,124,430.08**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,022,185,780.41**	**1,896,235,105.23**

Notes are an integral part of the financial statements.

PARENT COMPANY CASH FLOW STATEMENT

	Notes	1 Jan – 31 Dec 2013 €	1 Jan – 31 Dec 2012 €
Cash flow from operating activities:			
Profit for the financial year	22	64,849,730.81	40,709,692.31
Adjustments:			
Business transactions not involving a payment transaction	32	90,019,528.46	99,160,604.38
Interest and other finance costs		34,218,291.68	37,961,966.04
Interest income		-7,860,946.54	-7,672,856.82
Dividend income		-342,457.05	-1,347,030.78
Taxes		20,872,258.31	12,812,893.63
Changes in working capital:			
Change in trade receivables and other receivables		3,901,777.84	-22,756,802.95
Change in inventories		-954,462.55	-3,736,433.06
Change in trade payables and other liabilities		-3,347,245.17	22,751,951.30
Change in provisions		-134,200.00	-28,500.00
Interests paid		-23,277,403.45	-24,924,248.03
Interests received		1,217,939.45	3,555,790.10
Taxes paid	11	-22,057,738.08	-14,597,786.91
Net cash flow from operating activities		157,105,073.71	141,889,239.21
Cash flow from investing activities:			
Purchase of tangible assets	14	-222,503,301.21	-134 889 618.00
Purchase of intangible assets	13	-4,265,762.72	-9 785 186.55
Investments in other assets	15	-2,203,012.49	-41 421.46
Proceeds from sale of tangible assets	14	3,980,000.00	612 000.00
Dividends received	9	342,457.05	1 347 030.78
Net cash flow from investing activities		-224,649,619.37	-142 757 195,23
Cash flow from financing activities:			
Withdrawal of short-term loans		451,093,811.06	345,208,475.73
Repayment of short-term loans		-324,530,424.31	-463,553,819.40
Withdrawal of long-term loans		77,546,059.30	298,410,000.00
Repayment of long-term loans		-119,967,991.86	-157,961,730.32
Dividends paid	22	-13,147,589.64	-10,750,886.78
Net cash flow from financing activities		70,993,864.55	11,352,039.23
Net change in cash and cash equivalents		**3,449,318.89**	**10,484,083.21**
Cash and cash equivalents 1 Jan		**213,244,241.76**	**202,760,158.55**
Cash and cash equivalents 31 Dec	21	**216,693,560.65**	**213,244,241.76**

Notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY

1. ACCOUNTING PRINCIPLES

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

Foreign currency transactions
Commercial flows and financial items denominated in foreign currencies are booked at the foreign exchange mid-rate quoted by the European Central Bank (ECB) at the transaction value date. Interest-bearing liabilities and assets and the derivatives hedging these items are valued at the mid-rate quoted by ECB at the closing day. Realised foreign exchange gains and losses of interest-bearing liabilities and assets and of the related derivatives are booked under finance income and costs at maturity. The realised foreign exchange rate differences of derivatives hedging commercial flows adjust the corresponding item in the income statement.

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

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

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

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

The depreciation periods are as follows:

Goodwill	20	years
Other non-current expenses		
Rights of use to line areas	30–40	years
Other rights of use according to economic lives, maximum	10	years
Computer 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 expenses*	30	years
Aluminium towers of transmission lines (400 kV)	10	years
Optical ground wires	10–20	years
Machinery and equipment		
Substation machinery	10–30	years
Gas turbine power plants	20	years
Other machinery and equipment	3–5	years

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

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

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

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

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

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

Financial risk management
The principles applied to the management of financial risks are presented in the notes of the Group under item 35.

Income taxes
The taxes include the accrued tax corresponding to the profit of the financial year as well as adjustments of taxes for previous financial years.

Deferred taxes
Deferred tax assets and liabilities are not recorded in the profit and loss statement or balance sheet. Information concerning these is presented in the notes.

2. TURNOVER BY BUSINESS AREAS

The business of Fingrid Oyj comprises entirely transmission grid business with system responsibility. Because of this there is no division of revenue into separate business areas.

TURNOVER, 1, 000 €	2013	2012
Grid service revenue	321,029	276,247
Sale of imbalance power	158,522	152,489
Cross-border transmission	13,225	10,613
ITC income	8,301	9,957
Estlink congestion income	3,701	6,469
Nordic congestion income	18,594	44,244
Income from peak load capacity services	261	300
Other operating revenue	6,341	3,345
Total	**529,973**	**503,663**

3. OTHER OPERATING INCOME, 1,000 €	2013	2012
Rental income	1,620	1,825
Contributions received	215	214
Other income	1,876	1,059
Total	3,711	3,098

4. MATERIALS AND SERVICES, 1,000 €	2013	2012
Purchases during the financial year	183,790	173,954
Loss energy purchases	58,236	64,578
Change in inventories, increase (-) or decrease (+)	-954	-3,736
Materials and supplies	241,072	234,795
Grid service charges	129	40
Other external services	15,293	13,975
Services	15,421	14,014
Total	256,493	248,810

5. STAFF EXPENDITURE, 1,000 €	2013	2012
Salaries and bonuses	18,995	18,215
Pension expenses	2,902	3,050
Other additional personnel expenses	950	869
Total	22,847	22,135
Salaries and bonuses of the members of the Board of Directors and President and CEO	**474**	**418**
Helena Walldén, Chairman (since 3.5.2011)	42	34
Juha Majanen, Vice Chairman (since 22.3.2012)	26	15
Sirpa Ojala, Member of the Board (since 22.3.2012)	22	11
Esko Torsti, Member of the Board (since 22.3.2012)	23	12
Esko Raunio, Member of the Board (since 3.5.2011)	7	13
Matti Rusanen, Member of the Board (since 27.5.2013, Deputy Member of the Board 22.3.2012 – 27.5.2013)	15	2
Timo Ritonummi, Deputy Member of the Board (since 3.5.2001)	3	3
Marja Hanski, Deputy Member of the Board (since 3.5.2011)	3	4
Niko Ijäs, Deputy Member of the Board (since 22.3.2012)	3	2
Jari Eklund, Deputy Member of the Board (since 3.5.2011)	1	4
Ari Hakala, Deputy Member of the Board (since 27.5.2013)	2	
Katja Salovaara, Deputy Member of the Board (since 27.5.2013)	2	
Arto Lepistö, Vice Chairman (until 22.3.2012)		7
Elina Engman, Member of the Board (until 29.2.2012)		2
Timo Kärkkäinen, Member of the Board (until 22.3.2012)		4
Mikko Räsänen Deputy Member of the Board (until 22.3.2012)		1
Antti Riivari, Deputy Member of the Board (until 22.3.2012)		1
JukkaRuusunen, President and CEO	327	303
Number of salaried employees in the company during the financial year:		
Personnel, average	277	269
Personnel, 31 Dec	287	275

6. DEPRECIATION ACCORDING TO PLAN, 1,000 €

	2013	2012
Goodwill	6,433	6,433
Other noncurrent expenses	6,156	7,145
Buildings and structures	5,713	4,783
Machinery and equipment	39,697	36,356
Transmission lines	33,302	30,555
Total*	**91,302**	**85,273**
*Depreciation on the electricity grid (notes 13 and 14)	81,877	76,644

7. OTHER OPERATING EXPENSES, 1,000 €

	2013	2012
Contracts, assignments etc. undertaken externally	40,190	37,851
Grid rents	231	551
Other rental expenses	5,943	8,166
Other expenses	4,942	7,156
Total	**51,306**	**53,723**

8. AUDITORS FEES, 1,000 €

	2013	2012
Auditing fee	51	35
Other fees	97	63
Total	**148**	**98**

9. FINANCE INCOME AND COSTS, 1,000 €

	2013	2012
Dividend income from Group companies	-36	-12
Dividend income from others	-306	-1,335
Interest and other finance income from others	-7,861	-7,673
	-8,203	-9,020
Interest and other finance costs to Group companies	1	3
Interest and other finance costs to others	34,217	37,959
	34,218	37,962
Total	**26,015**	**28,942**

10.PROVISIONS, 1,000 €

	2013	2012
Difference between depreciation according to plan and depreciation carried out in taxation		**14,355**

11. INCOME TAXES, 1,000 €	2013	2012
Income taxes for the financial year	20,872	12,813
Total	**20,872**	**12,813**
Deferred tax assets and liabilities, 1,000 €		
Deferred tax assets		
On temporary differences	347	458
	347	**458**
Deferred tax liabilities		
On temporary differences	283	364
On provisions	89,779	109,980
	90,063	**110,343**
Total	**89,716**	**109,886**

12. GOODWILL, 1,000 €	2013	2012
Cost at 1 Jan	128,664	128,664
Cost at 31 Dec	**128,664**	**128,664**
Accumulated depreciation according to plan 1 Jan	-98,642	-92,209
Depreciation according to plan 1 Jan – 31 Dec	-6,433	-6,433
Carrying amount 31 Dec	**23,588**	**30,022**
Accumulated depreciation difference 1 Jan	-30,022	-36,455
Increase in depreciation difference reserve 1 Jan – 31 Dec		
Decrease in depreciation difference reserve 1 Jan – 31 Dec	6,433	6,433
Accumulated depreciation in excess of plan 31 Dec	**-23,588**	**-30,022**

13. OTHER NON-CURRENT EXPENSES, 1,000 €	2013	2012
Cost at 1 Jan	172,021	162,236
Increases 1 Jan – 31 Dec	4,810	9,785
Decreases 1 Jan – 31 Dec	-544	
Cost at 31 Dec	**176,287**	**172,021**
Accumulated depreciation according to plan 1 Jan	-81,049	-73,904
Decreases, depreciation according to plan 1 Jan – 31 Dec		
Depreciation according to plan 1 Jan – 31 Dec	-6,156	-7,145
Carrying amount 31 Dec*	**89,081**	**90,972**
Accumulated depreciation difference 1 Jan	-57,111	-58,135
Increase in depreciation difference reserve 1 Jan – 31 Dec	-5,525	-6,122
Decrease in depreciation difference reserve 1 Jan – 31 Dec	6,563	7,145
Accumulated depreciation in excess of plan 31 Dec	**-56,073**	**-57,111**

*Net capital expenditure in electricity grid, 1,000 €	2013	2012
Carrying amount 31 Dec	82,295	83,901
Carrying amount 1 Jan	-83,901	-86,802
Depreciation according to plan 1 Jan – 31 Dec	4,839	5,803
Decreases 1 Jan – 31 Dec	544	
Total	**3,776**	**2,903**

14. TANGIBLE ASSETS, 1,000 €	2013	2012
Land and water areas		
Cost at 1 Jan	13,933	13,671
Increases 1 Jan – 31 Dec	291	262
Cost at 31 Dec	**14,224**	**13,933**
Buildings and structures		
Cost at 1 Jan	158,161	125,336
Increases 1 Jan – 31 Dec	21,392	32,825
Decreases 1 Jan – 31 Dec		
Cost at 31 Dec	**179,553**	**158,161**
Accumulated depreciation according to plan 1 Jan	-31,821	-27,038
Decreases, depreciation according to plan 1 Jan – 31 Dec		
Depreciation according to plan 1 Jan – 31 Dec	-5,713	-4,783
Carrying amount 31 Dec	**142,019**	**126,340**
Accumulated depreciation difference 1 Jan	-11,417	-9,925
Increase in depreciation difference reserve 1 Jan – 31 Dec	-6,626	-6,275
Decrease in depreciation difference reserve 1 Jan – 31 Dec	5,713	4,783
Accumulated depreciation in excess of plan 31 Dec	**-12,330**	**-11,417**
Machinery and equipment		
Cost at 1 Jan	856,645	743,781
Increases 1 Jan – 31 Dec	95,236	112,864
Decreases 1 Jan – 31 Dec	-235	
Cost at 31 Dec	**951,646**	**856,645**
Accumulated depreciation according to plan 1 Jan	-331,646	-295,290
Decreases, depreciation according to plan 1 Jan – 31 Dec		
Depreciation according to plan 1 Jan – 31 Dec	-39,697	-36,356
Carrying amount 31 Dec	**580,302**	**524,999**
Accumulated depreciation difference 1 Jan	-107,676	-100,690
Increase in depreciation difference reserve 1 Jan – 31 Dec	-37,424	-43,342
Decrease in depreciation difference reserve 1 Jan – 31 Dec	39,873	36,356
Accumulated depreciation in excess of plan 31 Dec	**-105,227**	**-107,676**
Transmission lines		
Cost at 1 Jan	1,013,374	988,334
Increases 1 Jan – 31 Dec	139,890	25,318
Decreases 1 Jan – 31 Dec	-1,919	-278
Cost at 31 Dec	**1,151,345**	**1,013,374**
Accumulated depreciation according to plan 1 Jan	-347,216	-316,794
Decreases, depreciation according to plan 1 Jan – 31 Dec		133
Depreciation according to plan 1 Jan – 31 Dec	-33,302	-30,555
Carrying amount 31 Dec	**770,827**	**666,158**
Accumulated depreciation difference 1 Jan	-242,671	-229,337
Increase in depreciation difference reserve 1 Jan – 31 Dec	-42,310	-44,450
Decrease in depreciation difference reserve 1 Jan – 31 Dec	33,302	31,116
Accumulated depreciation in excess of plan 31 Dec	**-251,679**	**-242,671**

Other tangible assets		
Cost at 1 Jan	118	118
Cost at 31 Dec	**118**	**118**
Advance payments and purchases in progress		
Cost at 1 Jan	120,174	162,318
Increases 1 Jan – 31 Dec	-38,500	116,320
Decreases 1 Jan – 31 Dec		-158,464
Cost at 31 Dec	**81,674**	**120,174**
Total*	**1,589,164**	**1,451,722**

* Net capital expenditure in electricity grid, 1,000 €	2013	2012
Carrying amount 31 Dec	1,580,737	1,442,711
Carrying amount 1 Jan	-1,442,711	-1,387,391
Depreciation according to plan 1 Jan – 31 Dec	77,039	70,840
Decreases 1 Jan – 31 Dec	2,698	145
Total	**217,763**	**126,305**

Fingrid's reserve power plants are included in the property, plant and equipment of the transmission system from 1 January 2012, in accordance with the third supervision period.

15. INVESTMENTS, 1,000 €

	2013	2012
Equity investments in Group companies		
Cost at 1 Jan	505	505
Cost at 31 Dec	**505**	**505**
Equity investments in associated companies		
Cost at 1 Jan	6,641	6,641
Increases 1 Jan – 31 Dec	2,001	
Cost at 31 Dec	**8,642**	**6,641**
Other shares and equity investments		
Cost at 1 Jan	1,176	1,135
Increases 1 Jan – 31 Dec	202	41
Decreases 1 Jan – 31 Dec		
Cost at 31 Dec	**1,378**	**1,176**
Total	**10,525**	**8,322**

16. INVENTORIES, 1,000 €

	2013	2012
Materials and supplies	11,363	10,399
Work in progress	34	44
Total	**11,397**	**10,443**

17. OTHER NON-CURRENT RECEIVABLES, 1 000 €

	2013	2012
Guarantee fund Nasdaq OMX, pledged account	813	
Guarantee account, Nasdaq OMX	3,500	
Total	**4,313**	

18. RECEIVABLES FROM ASSOCIATED COMPANIES, 1,000 €	2013	2012
Current:		
Trade receivables	2,561	2,039
Total	**2,561**	**2,039**

19. PREPAYMENTS AND ACCRUED INCOME, 1,000 €	2013	2012
Interests and other financial items	12,201	18,075
Accruals of sales and purchases	5,834	8,368
Other	190	186
Total	**18,225**	**26,629**

20. UNRECORDED EXPENSES AND PAR VALUE DIFFERENTIALS ON THE ISSUE OF LOANS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME, 1,000 €	2013	2012
Par value differentials	2,361	2,928

21. CASH AND CASH EQUIVALENTS, 1,000 €	2013	2012
Certificates of deposit	39,971	45,837
Commercial papers	134,384	150,996
Short term money market funds	20,000	10,000
	194,355	206,833
Cash in hand and bank receivables	21,326	5,391
Pledged accounts	1,013	1,020
	22,339	6,411
Total	**216,694**	**213,244**

22. SHAREHOLDERS' EQUITY, 1,000 €	2013	2012
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	52,500	22,541
Dividend distribution	-13,148	-10,751
Profit from previous financial years 31 Dec	**39,352**	**11,790**
Profit for the financial year	**64,850**	**40,710**
Shareholders' equity 31 Dec	**216,047**	**164,345**
Distributable shareholders' equity	**104,202**	**52,500**

Number of shares, qty	Series A shares	Series B shares	Total
1 Jan 2013	2,078	1,247	3,325
31 Dec 2013	**2,078**	**1,247**	**3,325**

Series A shares confer three votes each at the Annual General Meetingand series B shares one vote each. When electing members of the Board of Directors, series A share confers 10 votes each at the Annual General Meeting and each series B share 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. After this, a corresponding dividend is distributed to series A shares. If the annual dividend cannot be distributed in some year, the shares confer a right to receive the undistributed amount from the funds available for profit distribution in the subsequent years; however so that series B shares have the right over series A shares to receive the annual dividend and the undistributed amount. Series B shares have no right to receive any other dividend.

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

Definition of dividend for series B shares: the amount of the annual dividend is calculated on the basis of calendar years so that the subscription price of the share, added by amounts paid in conjunction with potential increases of share capital and reduced by potential amounts paid in refunds of equity, is multiplied by the dividend percentage; however so that the minimum dividend is 6%. The dividend percentage is defined on the basis of the yield of the 30-year German Government Bond.

The dividend proposal for series B shares for 2013 is 6.0 per cent.

There are no minority interests.

23. ACCUMULATED PROVISIONS, 1,000 €

	2013	2012
Accumulated depreciation in excess of plan, the difference between depreciation according to plan and depreciation carried out in taxation	**448,897**	**448,897**

24. BONDS, 1,000 €

Currency	Nominal amount	Maturity date	Interest	2013	2012
EUR	10,000	16.04.2013	variable interest		10,000
EUR	20,000	28.04.2013	variable interest		20,000
EUR	20,000	15.10.2013	4.30%		20,000
EUR	24,000	02.07.2014	variable interest	24,000	24,000
EUR	18,000	11.11.2014	variable interest	18,000	18,000
EUR	8,000	11.11.2014	variable interest	8,000	8,000
EUR	10,000	20.11.2014	3.26%	10,000	10,000
EUR	20,000	11.04.2017	variable interest	20,000	20,000
EUR	25,000	11.04.2017	variable interest	25,000	25,000
EUR	30,000	15.06.2017	3.07%	30,000	30,000
EUR	30,000	11.09.2023	2.71%	30,000	
EUR	300,000	03.04.2024	3.50%	300,000	300,000
EUR	25,000	27.03.2028	2.71%	25,000	
EUR	10,000	12.09.2028	3.27%	10,000	
				500,000	**485,000**
FIM	160,000	19.08.2013	5.20%		26,910
					26,910
JPY	3,000,000	20.04.2015	1.45%	21,563	21,563
JPY	500,000	22.06.2017	1.28%	4,507	4,507
				26,070	**26,070**
NOK	170,000	19.11.2014	4.68%	20,166	20,166
NOK	200,000	17.10.2016	5.15%	24,620	24,620
NOK	200,000	11.04.2017	5.16%	24,620	24,620
NOK	200,000	10.11.2017	5.12%	23,725	23,725
NOK	200,000	12.11.2019	5.37%	23,725	23,725
NOK	100,000	16.09.2025	4.31%	12,512	
				129,367	**116,856**
SEK	100,000	21.03.2013	variable interest		10,560
SEK	200,000	03.04.2013	3.70%		21,305
SEK	175,000	04.04.2014	4.30%	18,811	18,811
SEK	300,000	15.06.2015	3.195%	31,168	31,168
SEK	100,000	17.06.2015	3.10%	10,417	10,417
SEK	220,000	01.12.2015	interest rate structure	24,336	24,336
SEK	100,000	15.01.2016	3.297%	10,390	10,390
SEK	500,000	18.10.2016	variable interest	54,900	54,900
SEK	500,000	18.10.2016	3.50%	54,900	54,900
				204,921	**285 122**
Bonds, long-term total				761,382	782,847
Bonds, short-term total				98,977	108,775
Total				**860,359**	**891,622**

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

	2013	2012
Bonds	401,237	323,725
Loans from financial institutions	129,541	151,203
Total	**530,778**	**474,928**

26. LIABILITIES TO GROUP COMPANIES, 1,000 €

	2013	2012
Current:		
Other debts	534	543
Total	**534**	**543**

27. LIABILITIES TO ASSOCIATED COMPANIES, 1,000 €

	2013	2012
Current:		
Trade payables	343	393
Total	**343**	**393**

28. OTHER LIABILITIES, 1,000 €

	2013	2012
Current:		
Other loans / Commercial papers (international and domestic)	215,479	88,910
Value added tax	8,895	5,103
Electricity tax	2,624	2,643
Other debts	568	542
Total	**227,567**	**97,197**

29. ACCRUALS, 1,000 €

	2013	2012
Current:		
Interests and other financial items	15,313	16,889
Salaries and additional personnel expenses	4,069	3,713
Accruals of sales and purchases	9,663	12,569
Other accruals	2,540	3,726
Total	**31,585**	**36,897**

30. PROVISIONS FOR LIABILITIES AND CHARGES, 1,000 €

	2013	2012
Creosote-impregnated and CCA-impregnated wooden towers, disposal expenses	1,735	1,869
Total	**1,735**	**1,869**

31. COMMITMENTS AND CONTINGENT LIABILITIES, 1,000 €

	2013	2012
Rental liabilities		
Liabilities for the next year	2,220	2,293
Liabilities for subsequent years	25,292	22,269
	27,512	24,563
Pledges		
Pledge covering property lease agreements	9	47
Pledged account in favour of the Customs Office	280	280
Pledged account covering electricity exchange purchases	4,313	
	4,601	327
Other financial commitments		
Counterguarantee in favour of an associated company	1,700	1,700
Credit facility commitment fee and commitment fee:	38	
Commitment fee for the next year	565	459
Commitment fee for subsequent years	1,170	1,218
	3,473	3,378

32. OPERATING CASH FLOW ADJUSTMENTS, 1,000 €

	2013	2012
Business transactions not involving a payment transaction		
Depreciation	91,302	85,273
Increase or decrese in accumulated depreciation difference		14,355
Capital gains/losses (-/+) on tangible and intangible assets	-1,282	-467
Total	**90,020**	**99,161**

33. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

Pending are procedures in accordance with EC Regulation 714/2009 on conditions for access to the network for cross-border exchanges in electricity and the new Finnish Electricity Market Act (588/2013). The EC Regulation requires national regulating authorities to make a decision on certifying the independence of transmission grid owners. In addition to this, the new Electricity Market Act requires Fingrid to apply for a new electricity network licence from the Energy Authority within one month of when the Energy Authority's decision on certification of the independence of the grid owner has entered into force.

Fingrid appealed to the Market Court against the decision of the Energy Market Authority on 23 November 2011 (record number 831/430/2011): the confirmation of methods concerning the setting of the grid owner's income from grid operations and payments for transmission service for the control period starting 1 January 2012 and ending on 31 December 2015. The Market Court ejected Fingrid's appeal on 21 December 2012. Fingrid has appealed the decision of the Market Court to the Supreme Administrative Court.

There are no other ongoing legal proceedings or proceedings by authorities that would have a material impact on Fingrid's business.

34. SEPARATION OF BUSINESSES IN ACCORDANCE WITH THE ELECTRICITY MARKET ACT

Imbalance power and regulating power

Each electricity market party must ensure that its electricity balance is in balance by making an agreement with either Fingrid or some other party. Fingrid buys and sells imbalance power in order to balance the hourly power balance of an electricity market party (balance provider). Imbalance power trade and pricing of imbalance power 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 regulating power in Finland. The balance providers can participate in the Nordic balancing power market by submitting bids of 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.

Management of balance operation

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

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

Income	direct
Separate costs	direct
Production costs	matching principle
Administrative costs	matching principle
Depreciation	matching principle in accordance with Fingrid Oyj's depreciation principles
Finance income and costs	on the basis of imputed debt
Income taxes	based on result

The average number of personnel during 2013 was 17 (17). The operating profit was 0 (-2.4) per cent of turnover.

MANAGEMENT OF BALANCE OPERATION, SEPARATED PROFIT AND LOSS ACCOUNT	1 Jan – 31 Dec 2013 1,000 €	1 Jan – 31 Dec 2012 1,000 €
TURNOVER*	169,143	164,730
Other operating income	0	67
Materials and services*	-165,041	-164,594
Staff expenditure	-1,581	-1,677
Depreciation and amortisation expense	-442	-653
Other operating expenses	-2,151	-1,754
OPERATING PROFIT	**-72**	**-3,882**
PROFIT BEFORE PROVISIONS AND TAXES	**-72**	**-3,882**
Provisions	-272	226
PROFIT FOR THE FINANCIAL YEAR	**-344**	**-3,656**

* Turnover includes 12.2 (8.5) million euros of sales of imbalance power to balance provider Fingrid Oyj, and Materials and services includes 7.7 (8.0) million euros of its purchases.

MANAGEMENT OF BALANCE OPERATION,
SEPARATED BALANCE SHEET

ASSETS	31 Dec 2013 1,000 €	31 Dec 2012 1,000 €
NON-CURRENT ASSETS		
Intangible assets		
Other non-current expenses	476	417
Tangible assets		
Machinery and equipment	539	735
	539	735
Investments		
Equity investments in associated companies	2,001	
TOTAL NON-CURRENT ASSETS	**3,016**	**1,153**
CURRENT ASSETS		
Current receivables		
Trade receivables	26,541	2,288
Receivables from Group companies	3,358	4,655
Other receivables	1,061	1,906
	30,960	8,849
Cash in hand and bank receivables	1	1
TOTAL CURRENT ASSETS	**30,961**	**8,850**
TOTAL ASSETS	**33,977**	**10,002**

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec 2013 1,000 €	31 Dec 2012 1,000 €
SHAREHOLDERS' EQUITY		
Share capital	32	32
Share premium account	286	286
Profit from previous financial years	7,692	11,347
Profit for the financial year	-344	-3,656
TOTAL SHAREHOLDERS' EQUITY	**7,665**	**8,009**

ACCUMULATED PROVISIONS	-460	-732
LIABILITIES		
Current liabilities		
Trade payables	25,878	
Liabilities to Group companies	894	2,725
	26,772	2,725
TOTAL LIABILITIES	26,772	2,725
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	33,977	10,002

Transmission system operation
Transmission system operation is deemed to cover the entire business of Fingrid Oyj, including system responsibility, which in turn includes balance operation.

Therefore, Fingrid Oyj's financial statements represent the financial statements of transmission system operation.

35. KEY INDICATORS OF TRANSMISSION SYSTEM OPERATION

	2013	2012
Return on investment (ROI) in transmission system operation, %	6.7	6.3

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

36. EMISSION RIGHTS

Fingrid has not been granted free-of-charge emission rights for the emission trade period 2013–2020.
The use of emission rights had no impact on the financial result in 2012.

	2013 tCO_2	2012 tCO_2
Rights received without compensation		25,261
Total CO_2 emissions	5,566	21,317

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

Helsinki, 13 February 2014

Helena Walldén
Chairman

Juha Majanen
Vice Chairman

Sirpa Ojala

Esko Torsti

Matti Rusanen

Jukka Ruusunen
President and CEO

AUDITOR'S NOTATION

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

Helsinki, 13 February 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen, APA

Auditor's Report (Translation from the Finnish Original)

To the Annual General Meeting of Fingrid Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Fingrid Oyj for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, 13 February, 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen
Authorised Public Accountant

STOCK EXCHANGE RELEASES IN 2013

30 December 2013
Fingrid Oyj and Elering OÜ have completed the Estlink 1 transmission cable transaction

30 December 2013
Fingrid Oyj's financial reports in 2014

27 November 2013
Fingrid and Elering will become the new owners of Estlink 1

8 November 2013
Fitch Ratings affirms Fingrid's senior unsecured rating at A+, Outlook Stable

23 October 2013
Fingrid Group's Interim Report 1 January – 30 September 2013

14 October 2013
Jan Montell appointed CFO of Fingrid Oyj

24 July 2013
Fingrid Group's Interim Report 1 January – 30 June 2013

27 May 2013
Helena Walldén continues as Chairman of the Board of Directors

23 April 2013
Fingrid Group's Interim Report 1 January – 31 March 2013

17 April 2013
Fingrid Oyj's Interim Report January – March 2013 publication date has changed

18 March 2013
Fitch Ratings updated Fingrid's senior unsecured debt rating A+, Outlook Stable

26 February 2013
Fingrid Oyj's Annual General Meeting

18 February 2013
Fingrid Oyj's review for January – December 2012: profit improved significantly

16 January 2013
Standard & Poor's Rating Services has revised Fingrid's Outlook from negative to stable and affirmed Fingrid's current ratings AA-/A-1+

Fingrid Group will release the following financial reports in 2014:

- 14 February 2014 Financial Review, Annual Review and Financial Statements 2013
- 30 April 2014 Interim Report January – March 2014
- 24 July 2014 Interim Report January – June 2014
- 23 October 2014 Interim Report January – September 2014

Annual General Meeting has been preliminarily scheduled for 6 May 2014.

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