FINGRID

Annual Report 2010

Contents

Fingrid Oyj in brief

- Fingrid is responsible for electricity transmission in the transmission grid in Finland.
- The transmission grid is the high-voltage trunk network which covers the entire Finland. Major power plants, industrial plants and regional electricity distribution networks are connected to the grid.
- The transmission grid encompasses approx. 14,000 kilometres of 400, 220 and 110 kilovolt transmission lines plus more than 100 substations.
- Fingrid makes sure that Finland obtains electricity without disturbance. In the next few years, almost 3,000 kilometres of new transmission lines and about 30 substations will be constructed in Finland.
- The company was established on 29 November 1996.
- Operations started on 1 September 1997.
- Revenue 456 million euros.
- Balance sheet total 1,800 million euros.
- Owns 20 per cent of electricity exchange Nord Pool Spot AS.
- Number of personnel at the end of the year: 263 (249 in permanent employment).

Fingrid's mission

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

- develop the power system
- transmit electricity reliably
- promote the functioning of the electricity market.

Fingrid's values

- transparency
- impartiality
- efficiency
- responsibility

Fingrid's vision

Fingrid's vision is to be the international forerunner in transmission system operation.

FINGRID

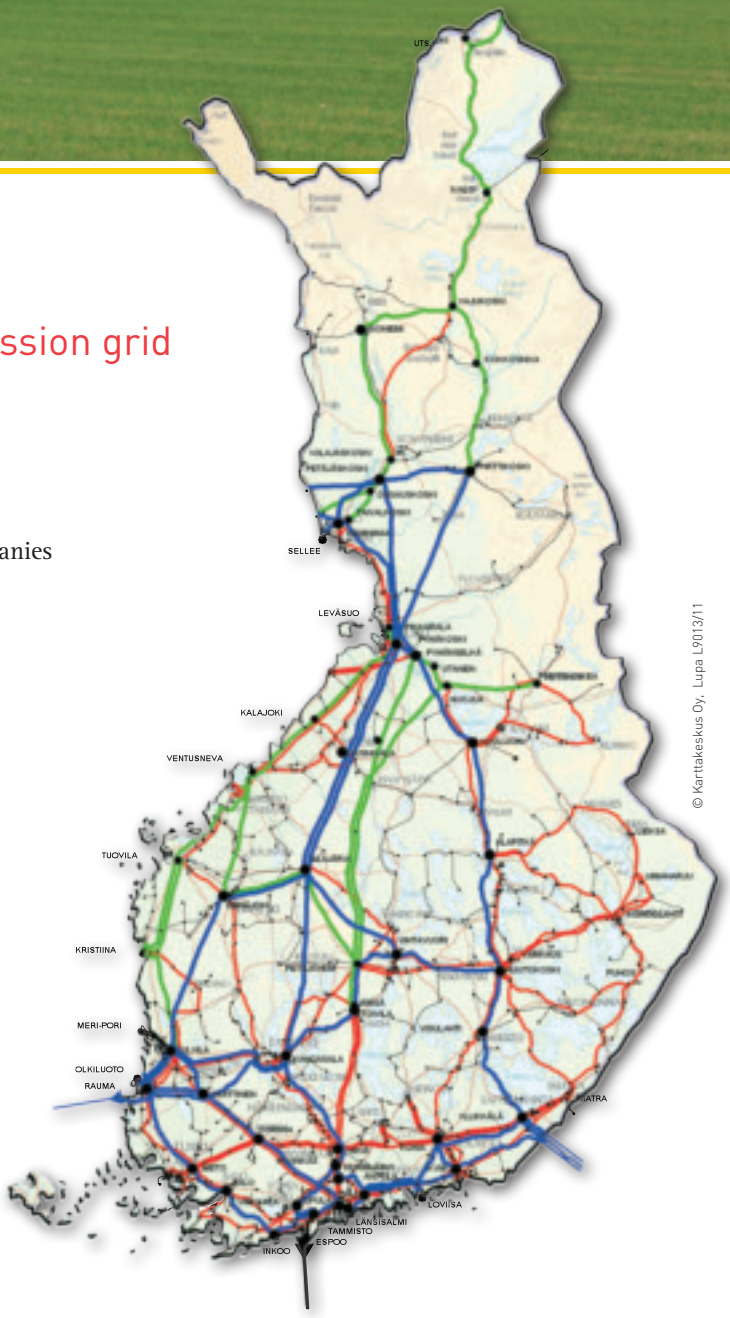
Fingrid Oyj

Jukka Ruusunen, President & CEO

	Grid service	Stakeholder relations	Power system operation	Asset management	System development	Finance and business development	Market development
Adequacy of transmission system							
System operation							
Promotion of market functioning							

Fingrid Oyj's power transmission grid 1 January 2011

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



Review by the CEO

In 2010, Finland took some significant steps forward in future energy solutions with regard to both nuclear power and renewable energy. Final decisions on the nuclear power projects together with future decisions on the location of new nuclear power units will specify the connection of these units to the transmission grid. With wind power, the uncertainty prevails; what is in focus now is the local acceptability of wind power projects.

Investments in new generating capacity, trends in electricity consumption and several other factors in our operating environment involve many uncertainties for decades to come. The management of uncertainties is an essential assumption in our capital investment strategy as we develop the transmission grid of the future. This is why we characterise our capital investment strategy as wise and persistent.

Wisdom means that we manage the future uncertainty by building flexibility into our capital investment programme. We complete duties related to the environmental impact assessments, permit processes for land use, and planning well in advance so that the actual construction project can be launched smoothly and exactly when we deem it necessary. In this way, we can complete the projects in an economically viable manner without compromising the system security of the power system or the functioning of the electricity market. We can carry out the projects when this is expedient for our customers. The chosen mode of operation also reduces the contractors' risks. For Fingrid, this mode of operation devised in recent years provides "real options" in our portfolio, and at the moment the portfolio looks really good.

The strategy has a long perspective, since we use a time span of at least 10 years to examine the development needs of the grid from the viewpoints of the connection of power plants to the grid, trends in electricity consumption, maintaining of high system security, and market functioning. The objective is to build the necessary transmission links on time and thus avoid problems resulting from insufficient capacity. A long time span together with the flexibility of the capital investment programme serves the interests of society and our customers. On the other hand, it also facilitates long-term resource planning by contractors and equipment suppliers.

International co-operation also gives a long perspective to the corporate operations. ENTSO-E, the European Network of Transmission System Operators for Electricity, published the first Ten Year Network Development Plan in the summer. Even though the plan consists of present plans by TSOs in the various countries, it indicates clearly that there is a great need for capital investments in the European transmission grid. This is a direct consequence of the ambitious climate and energy strategy of the European Union.

In Finland, grid planning has continued in good co-operation with Fingrid's customers. In addition to actual grid planning, there has been discussion on the specification of the nation-wide transmission grid. This specification has been processed in a task force headed by the Ministry of Employment and the Economy. The task force has been preparing amendments to the Finnish Electricity Market Act, necessitated by the third legislative package on the EU's energy and gas markets.

Investments in new generating capacity and grid construction projects require both long-term planning and response ability from Fingrid's system operation. In the coming years, there will inevitably be difficult interruption situations in the Finnish grid. Their exemplary implementation requires good advance planning and seamless co-operation with our customers and those responsible for the grid construction projects. It is Fingrid's principle to utilise existing rights-

of-ways as much as possible. Approximately 90 per cent of the new transmission lines will be built in existing rights-of-ways or parallel with them. This allows us to consider the needs of landowners and land use in an optimal manner. The flip side of this principle is that the outages encountered in the transmission grid are much more demanding.

The Finnish grid survived the heavy storms last summer with little consequences. However, we also learned some new things: trees can also fall on the lines of the high-voltage grid, and telecommunications are a critical resource even if there were no faults in the transmission grid. We have contemplated the impacts of the rapidly changing power system on future system operation and concluded that the most efficient and viable approach in terms of system security is to combine Fingrid's present Power System Control Centre in Helsinki and the Network Control Centre in Hämeenlinna into one control centre. This will be done when Fingrid moves to its new premises at the end of 2012.

As far as the connection of generating capacity to the transmission grid is concerned, our system operation efforts will be put to the test in 2013 when the Olkiluoto 3 nuclear power unit will be connected to the grid. The megawatts supplied by the Forssa reserve power plant, which is under construction, will also be needed by that time.

The year 2010 was significant in terms of the enlargement of the electricity market. The largest electricity market in the world was created in November, when the Nordic countries were integrated with Western Continental Europe. The scope of the market area today is approx. 1,500 terawatt hours. The integration project succeeded as planned. The invisible market forces showed their efficiency as the driver of both power plants and of the transmission system. The area price differences in Western Continental Europe decreased. The market was also integrated between Finland and Estonia, when the full capacity on the present Estlink connection was made available to the market. The ongoing EstLink 2 project also contributes to electricity market integration in the Baltic Sea region.

Fingrid's committees established at the customer interface in accordance with the company's main duties together with the Advisory Committee have demonstrated their necessity and efficiency in the development of the customer interface. We believe that we are a forerunner in this respect, too.

Fingrid's responsibility was enhanced further by identifying essential matters with regard to Fingrid's strategy, with focus on these matters in the future. This work utilised interviews among senior management, team work, and information received in stakeholder interaction concerning the expectations of stakeholders towards Fingrid. In 2011, the responsibility theme will be continued in workplace community coaching by empowering the personnel to influence responsibility issues related to their own work.

The year 2010 involved many events for Fingrid. We are living amidst a huge process of change, which has been anticipated in the previous years. The past year showed that we are well prepared for the change. The matrix-based management approach adopted by us works efficiently, and the personnel have accepted the new challenges in an excellent manner. Our organisation can now demonstrate what it can really do.

Jukka Ruusunen
President & CEO

Powering Finland

Fingrid cares for its stakeholders. The company endeavours to promote active and efficient interaction with the grid customers, electricity market parties, authorities and landowners. The needs of customers and of the electricity market constitute the foundation of grid planning and stakeholder efforts by Fingrid. Whenever line routes are being planned and in conjunction with transmission line maintenance work, Fingrid gives landowners, neighbours of the line and other concerned parties an opportunity to express their views, to discuss the project and to co-operate in issues related to the project plan and its execution.

The present four-year grid contract period will expire at the end of 2011. Preparations for a new contract period have already been launched. At the end of 2010, Fingrid's Board of Directors decided that the energy-based grid tariff structure in use at present will also be applied in the new contract period. The unit prices of the tariff for 2012 will be decided in the early autumn of 2011, when the operating environment of 2011 – such as cost level, capital investments and consumption forecast – has become more specific. As we have stated previously, the increase in the level of the tariff is expected to be higher than in the previous years. This is primarily due to Fingrid's sizeable capital investment programme and the higher loss energy and reserve costs.

The specification of the high-voltage transmission grid has been discussed with Fingrid's customers and authorities. The objective of the discussions was to reach an understanding within the industry of the definition of the high-voltage grid, of Fingrid's responsibilities and obligations, and – ultimately – of detailed changes in the scope of the grid. A task force of the Ministry of Employment and the Economy also examined this matter as part of its report of the needs for changes in the Finnish Electricity Market Act, required by the third legislative package on the EU's energy and gas markets. The results of this work and any potential legislative amendments must naturally be taken into account when changes are made to the responsibilities and scope of the transmission grid.

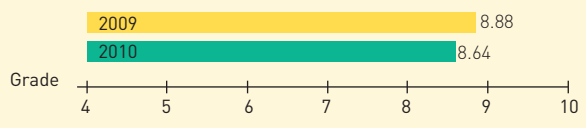
Numerous planning projects for wind power were especially in focus in Fingrid's customer interface in 2010. The work on these projects will also continue in the coming years, and the results will begin to materialise now that the act on the feed-in tariff for renewable energy sources was passed by the Finnish Parliament at the end of 2010.

The aged energy meters used in the transmission grid will be replaced in 2011 to 2013 to correspond to future needs. The new energy meters will allow us to offer our customers crucial electricity quality data at the connection points.

The discussion on the level of expropriation compensations and on the compensation criteria has continued to be lively. These issues were a frequent topic of discussions with local landowners at the Farmari agricultural fair in Mikkeli and at the FinnMETKO fair. The use of Fingrid's map-based feedback and statement request service intended for citizens continued. The service was also experimented in conjunction with the environmental impact assessment procedure and the construction stage of a transmission line.

Landowners have welcomed Fingrid's willingness to co-operate with them so as to enhance the compensation pro-

CUSTOMER SATISFACTION



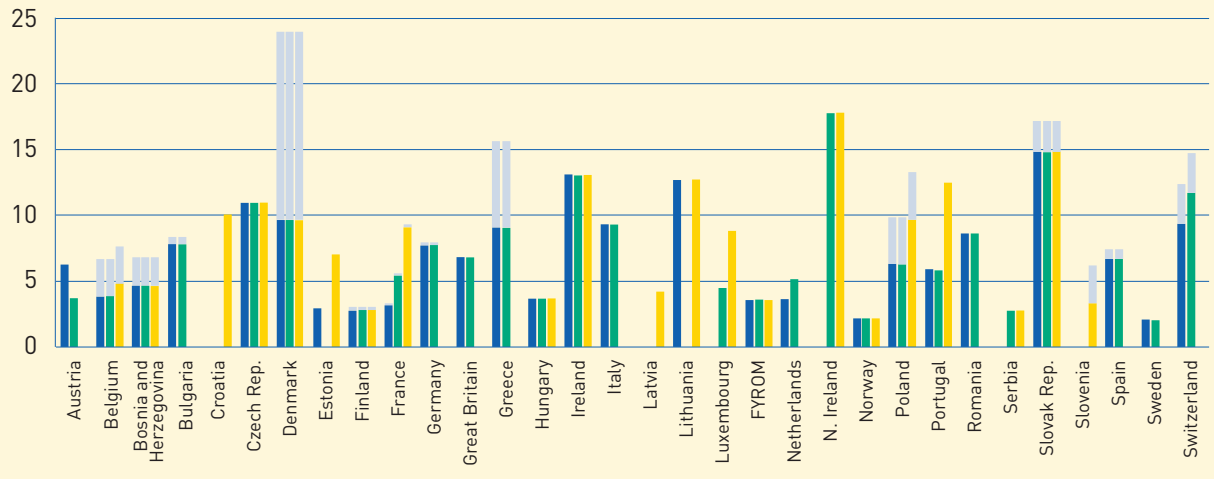
"Landowners are very rational, because Finland depends on electricity. In Finland, we have not seen the kind of resistance towards transmission lines as in Continental Europe. People are well informed in good time, so we have been able to relieve the early part of the process," said Fingrid's Senior Vice President Matti Tähtinen in newspaper Kainuun Sanomat on 23 April 2010 on the attitudes of landowners towards transmission line projects.

cedure. However, authorities and legislators have the final say in this matter.

The Finnish act on the feed-in tariff for peat condensing power finished at the end of 2010, and it also ended the related administrative duty assigned to Fingrid. The present peak load power act will also finish after the current winter period, at the end of February 2011. Administering the feed-in tariff for peat and the peak load power arrangement are not included in the grid service, and Fingrid has received separate compensation confirmed by the relevant authority for these duties.

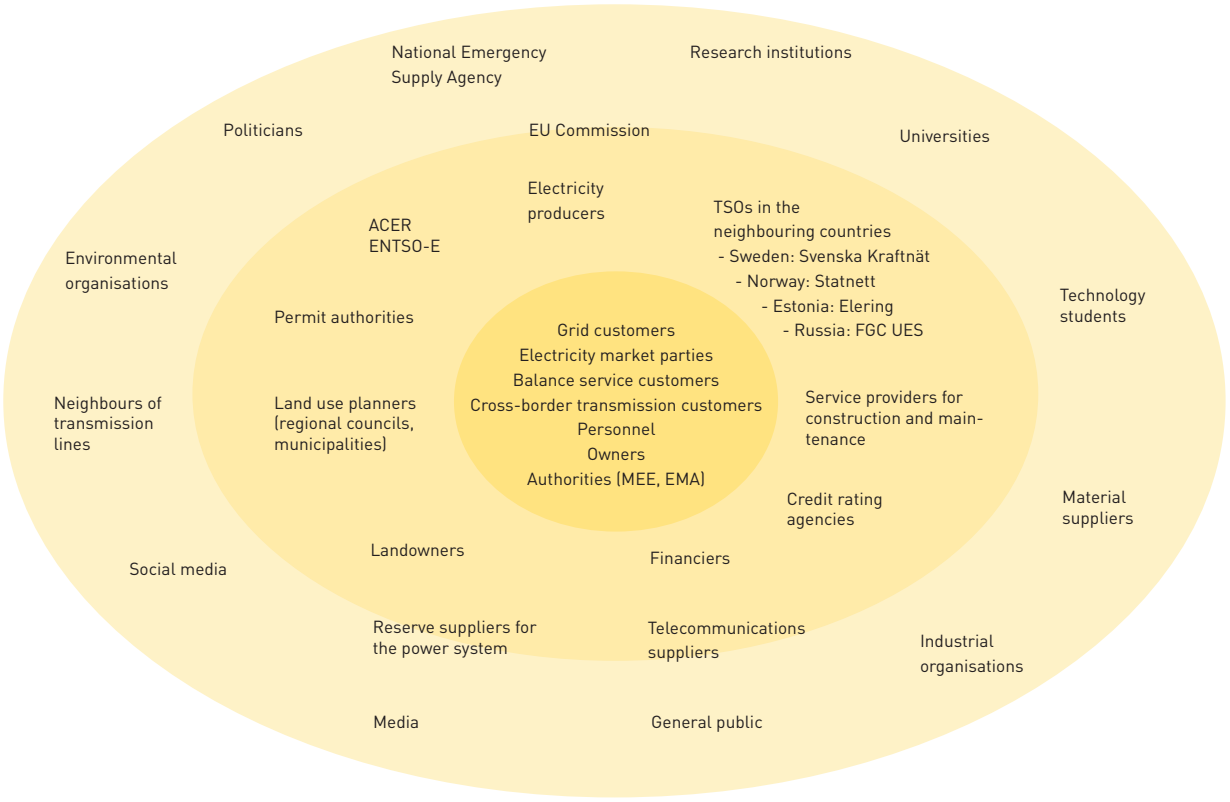
In accordance with the new peak load power act which is being prepared, the Energy Market Authority will be responsible for assessing the need for peak load power and for competitive bidding among the power plants to be covered by the arrangement. In line with the new act, Fingrid will take care of the operating and market rules of the relevant power plants, levy the fees required to maintain the system, and reimburse the fees to the appropriate electricity producers.

PRICE OF GRID SERVICE IN FINLAND AND ELSEWHERE: ENTSO-E'S TARIFF COMPARISON 2009



Costs related to grid operations, such as capital investments, loss energy, system services ■ 400–380 kV ■ 220–150 kV ■ 132–50 kV
■ Other regulatory charges not directly related to TSO activities: stranded costs, public interest contribution, renewable energy and other.

STAKEHOLDERS



Advisory Committee

Hannu Linna, Managing Director, Vaasan Sähkö Oy (Chairman)
Kalle Ahlstedt, Vice President, Corporate Strategy Development, Fortum Power and Heat Oy
Elina Engman, Vice President, Energy, Kemira Oyj Energia
Heikki Hukkanen, Managing Director, PVO-Alueverkot Oy
Risto Vesala, Senior Vice President, Pohjolan Voima Oy (until 5/2010)
Pentti Kellokumpu, Managing Director, Inergia Oy
Markus Lehtonen, Senior Vice President, Development, Helsinki Energy
Tapani Liuhala, Head of Networks Finland, Vattenfall Verkko Oy
Karri Mäkelä, Director, Operations, Nord Pool Finland Oy
Timo Pylvänen, Managing Director, Savon Voima Oyj
Mikko Rintamäki, Vice President, Energy, Outokumpu Oyj
Janne Savelainen, Managing Director, Lahti Energia Oy
Pekka Tynkkynen, Director, Portfolio Management and Trading, UPM-Kymmene Oyj
Matti Tähtinen, Senior Vice President, Fingrid Oyj (Secretary)

Operations Committee

Reima Päivinen, Fingrid Oyj (Chairman)
Hannu Halminen, Manager, Technical Services, Electrification, Boliden Harjavalta Oy
Teppo Härkönen, Unit Manager, Helen Sähköverkko Oy
Jorma Myllymäki, Manager, Operations and Network Performance, Vattenfall Verkko Oy
Erkki Nuortio, Control Centre Manager, Kemijoki Oy
Raimo Peltola, Senior Advisor, Fortum Power and Heat Oy
Jaakko Puotinen, Development Engineer, Stora Enso Oyj
Jukka Rajala, Managing Director, Etelä-Pohjanmaan Alueverkko Oy
Erkki Tiippana, Senior Consultant, VR-Rata Oy Ab
Kimmo Kuusinen, Fingrid Oyj (Secretary)

Market Committee

Juha Kekkonen, Fingrid Oyj (Chairman)
Kimmo Dahl, Manager, Financial Trade, Kymppivoima Hankinta Oy (from 10/2010)
Jukka-Pekka Häkli, Managing Director, Solidus Oy
Antti Koskelainen, Managing Director, Suomen ElFi Oy
Harri Mattila, Director, Helsinki Energy
Jukka Muilu, Director, Energiakolmio Oy (until 10/2010)
Karri Mäkelä, Director, Operations, Nord Pool Finland Oy
Vesa Mäkilä, Sales Manager, Turku Energia
Karl-Henrik Nordblad, Senior Advisor, Fortum Power and Heat Oy
Ilkka Salonen, Managing Director, Vattenfall Sähkönmyynti Oy
Anne Särkilahti, Director, Balance Management, UPM-Kymmene Oyj
Jarno Sederlund, Fingrid Oyj (Secretary until 5/2010)
Katja Lipponen, Fingrid Oyj (Secretary from 5/2010)

Grid Committee

Kari Kuusela, Fingrid Oyj (Chairman)
Pasi Heinonen, Operation Manager, LE Sähköverkko Oy
Heikki Hukkanen, Managing Director, PVO-Alueverkot Oy
Esa Kalla, Manager, Energy and Electrical Section, Production Service, Outokumpu Stainless Oy
Jarkko Kohtala, Asset Manager, Vattenfall Verkko Oy
Arto Pajunen, Managing Director, Järvi-Suomen Energia Oy
Pekka Pollari, Managing Director, UPM Sähkönsiirto Oy
Harri Salminen, Operating Manager, Turku Energia Sähköverkot Oy
Eero Vauhkala, Manager, Regional Network, Finland, Fortum Sähkönsiirto Oy
Petri Parviainen, Fingrid Oyj (Secretary)

Sustainable corporate finances as the foundation of modern transmission system operation

Fingrid takes care of cost efficiency. Fingrid ensures a stable trend in the prices of its services by planning the corporate finances, risk management, financing and capital expenditure over a long time perspective. The key objectives in financial control are predictability of finances, cost efficiency of the business processes, management of cost risks and performance, and follow-up of strategy implementation.

Fingrid's vision is to be the international forerunner in transmission system operation. From the viewpoint of corporate finances, this means cost efficiency, attaining the objectives concerning return on investment, stable capital structure, and retaining the high credit ratings.

Fingrid's cost efficiency and effective management of cost risks relating to the grid assets are evidenced by Fingrid's top-ranking position in international benchmarking concerning the cost efficiency and quality of transmission system operation and by the international asset management certificate (PAS 55) granted to Fingrid.

Fingrid's profit before taxes, excluding changes in the fair value of derivatives was 60,3 million euros. Fingrid's financial result in 2010 was improved by the growth of 8 per cent in electricity consumption brought by the recovery of economy and the cold winter weather. The financial result was also enhanced by the tariff increases carried out at the beginning of 2010. The grid tariffs were increased by 4.5 per cent. Despite a rise in the interest rate level, Fingrid's financial costs decreased from the previous years. The high area prices of electricity elevated Fingrid's loss energy costs. Fingrid's target for the return on investment, 6 per cent, was not met in the financial year of 2010, but it remained at 5.1 per cent.

The cash flow from the operations of the Group deducted by capital expenditure and dividends was -19 (-74) million euros. Fingrid's extensive capital expenditure programme of 1,700 million euros and the resulting negative cash flow impose challenges on retaining the company's high credit ratings. Fingrid will raise the transmission grid tariffs considerably in 2012 from the level of the current grid contract period of 2008 to 2011 in order to secure the implementation of the company's capital expenditure programme.

The financial position of the Group continued to be satisfactory. During the year, Fingrid issued a total of 86 million euros worth of bonds in form of private placements. The European Investment Bank (EIB) granted a loan of 150 million euros to Fingrid for the implementation of FennoSkan 2, the second submarine cable between Finland and Sweden. Moreover, a loan of 20 million euros was signed with the Nordic Investment Bank (NIB) to secure funding for the EstLink 2 cable project. The European Union granted a subsidy of 100 million euros for the EstLink 2 submarine cable between Estonia and Finland. Fingrid signed its Medium Term Note Programme of 1,500 million euros with a Finnish and international bank group in November 2010.

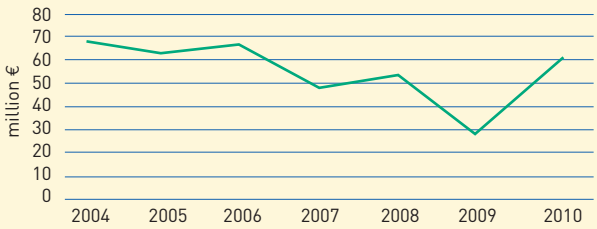
The Energy Market Authority supervises the reasonableness of the proceeds of network operators. The Energy Market Authority has confirmed that between 2005 and 2007, Fingrid's proceeds were approx. 100 million euros below the permit-

"It is our principle to carry out any major renovation so thoroughly that there is no need to execute a similar contract in the next 20 years," said Fingrid's Maintenance Management Manager Harri Ollikainen on the principles of the renovation of the Kristiina power plant in newspaper Suupohjan Sanomat on 20 October 2010.

ted level. According to the preliminary information supplied by the Energy Market Authority, Fingrid's proceeds between 2008 and 2009 were approx. 150 million euros below the permitted level. The present supervision period commenced on 1 January 2008 and it will finish on 30 December 2011.

In addition to the financial objectives of the company, the implementation of the strategy is measured monthly in terms of the functioning of the electricity market, system security, and cost efficiency. The objectives for the strategic corporate indicators set on the relevant sectors were attained to a degree of 80 per cent in 2010. The average result was decreased by a few longer than normal outages at the connection points of the transmission grid, caused by faults which were difficult to pinpoint.

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



CREDIT RATINGS

	Long-term debt	Short-term debt	Outlook
Fitch Ratings	AA-	F1	Negative
Moody's Investors Service	A1	P-1	Negative
Standard and Poor's	A+	A-1	CreditWatch Positive

EVENTS IN 2010

Fingrid was the first enterprise in the Nordic countries to receive an **internationally recognised certificate for good asset management.** Careful development, construction and maintenance of Fingrid's transmission lines and substations secure the electricity supply in the whole of Finland.

Electricity in the cold of winter and storms of summer

Fingrid takes care of the Finnish power system. Fingrid's nation-wide transmission grid and cross-border connections are an integral part of the power system in Finland. Fingrid's performance has a direct impact on the functioning of Finnish society, in other words on the everyday life and welfare of all Finns. Fingrid carries system responsibility, i.e. it is to take care of the Finnish power system.

Electricity consumption in Finland turned to a steep growth track in 2010, approaching the pre-recession level. Electricity consumption was raised by the rapid increase in industrial electricity use and by the cold winter weather. It was cold in the whole of Finland both at the beginning and end of 2010.

The transmission system and power plants operated without disturbance in the winter period, and the sufficiency of electricity was not jeopardised. On 28 January 2010, electricity consumption in Finland rose to the highest figure of the year as a result of the long period of cold weather. On that day the average hourly power was approx. 14,500 megawatts (the highest peak demand of electricity in Finland to date has been about 14,900 megawatts in 2007). The lowest electricity consumption, about 5,000 megawatts, was reached at Midsummer.

In peak consumption situations, Finland is dependent on imports of electricity, and the highest domestic production volume in the early part of the year was about 12,400 megawatts. The peak load reserves were activated on two occasions in the Elspot market in the early part of 2010. This was due to the increase in electricity consumption as a result of the cold weather in Southern Scandinavia and to the scant water reservoirs in Norway and service shutdowns of nuclear power plants in Sweden, which reduced electricity production.

Electricity transmissions between Finland and Sweden consisted mainly of exports to Sweden with the exception of the late summer. Construction or maintenance work on the transmission grid did not cause significant restrictions in the transmission capacity made available to the electricity market.

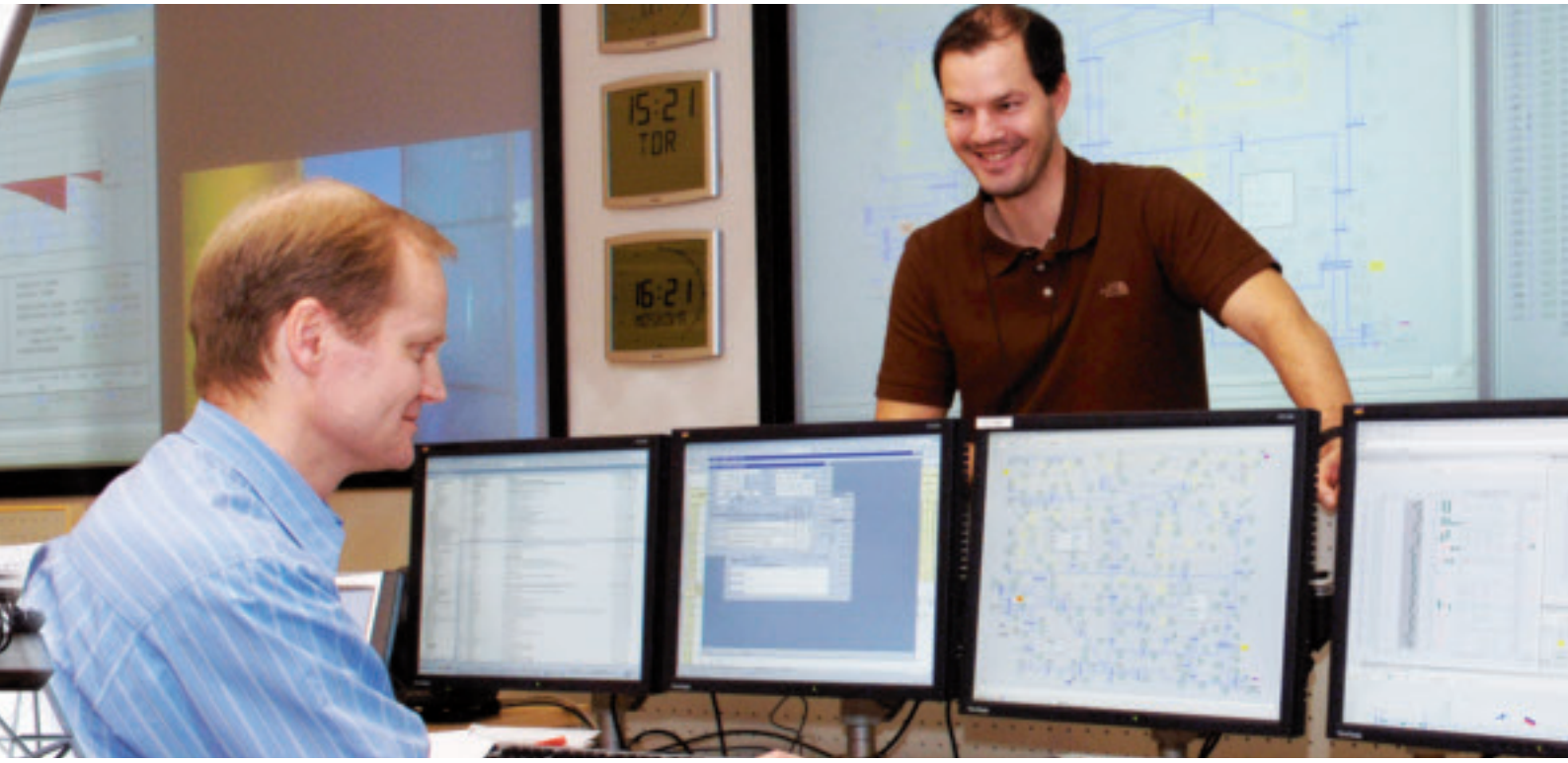
Electricity was exported from Finland to Estonia in the late summer and autumn, but at other times the transmissions were dominated by imports from Estonia to Finland. Upgrading work in the Estonian grid restricted the transmission capacity to Finland in the summer and autumn.

The full import capacity from Russia was in use during the review period, like in the previous years. The annual maintenance of the direct current substation in Vyborg restricted the import capacity from Russia in July.

The number of disturbances in the Finnish grid was at the average level as compared to the previous years. The high-voltage transmission grid survived the summer storms with little damage. There were no significant disturbances in the transmission grid in 2010, although the average time with no electricity, caused by disturbances at the connection points, grew somewhat from the previous years.

Fingrid's transmission losses rose to a record-high level in mid-January, averaging 357 megawatts in one hour. In the hour in question, corona losses accounted for approx. 150 megawatt hours of the total losses. The high corona losses were caused by hoar frost accumulating extensively on the surface of the conductors in certain weather conditions.

"None of our meters shows that kind of shift-over. Energy is consumed in the same manner, only with an hour's difference to the earlier pattern," was how Timo Kaukonen, Fingrid's manager of power system operation planning, commented on the impact of the shift-over to standard winter time in newspaper Etelä-Saimaa on 31 October 2010.



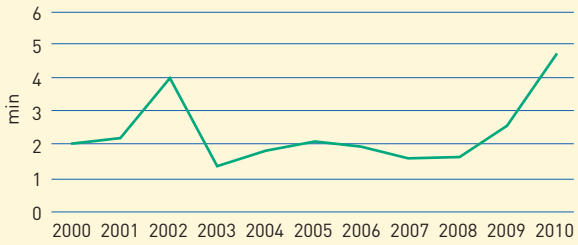
The procurement model for frequency controlled reserves was revised, and the reserves to be maintained in 2011 were selected through competitive bidding instead of the earlier model of contractual prices. Moreover, Fingrid supplemented its fast disturbance reserve capacity for the coming years by means of contracted power plants.

The quality of frequency in the Nordic power system has deteriorated over the years, which is why the Nordic transmission system operators are preparing measures used for securing system security in the future as increasing wind power capacity and market integration will add to variations in the transmissions.

A report by the Nordic TSOs of the impact of increasing wind power capacity on the operation of the Nordic power system was completed in August. The report states that an increase in the Nordic wind power capacity from the present level of approx. 5,000 megawatts to about 15,000 to 20,000 megawatts by 2020 can be controlled. Preparations for variations in wind power production due to the natural changes in winds will require that forecasts concerning wind power production are advanced and that the necessary balancing capacity is ensured. In addition, the technical requirements imposed on wind power will be harmonised on a European level.

The integration of the Power System Control Centre in Helsinki and the Network Control Centre in Hämeenlinna into a single control centre was studied in early 2010. This will be done when Fingrid moves to its new premises at the end of 2012.

OUTAGES CAUSED BY DISTURBANCES IN THE TRANSMISSION GRID



POWER SYSTEM OPERATION

	2010	2009	2008	2007	2006
Electricity consumption in Finland TWh	87.5	81.3	87.2	90.3	90.0
Fingrid's transmission volume TWh	68.1	62.8	65.4	68.2	67.3
Fingrid's loss energy volume TWh	1.1	1.0	1.0	1.1	1.1
Electricity transmissions Finland–Sweden					
exports to Sweden TWh	5.7	4.1	4.2	3.7	3.8
imports from Sweden TWh	2.8	2.7	3.7	4.0	3.4
Electricity transmissions Finland–Estonia					
exports to Estonia TWh	0.2	0.1			
imports from Estonia TWh	2.0	1.8	2.3	1.9	
Electricity transmissions Finland–Russia					
imports from Russia TWh	11.6	11.7	10.9	10.2	11.5

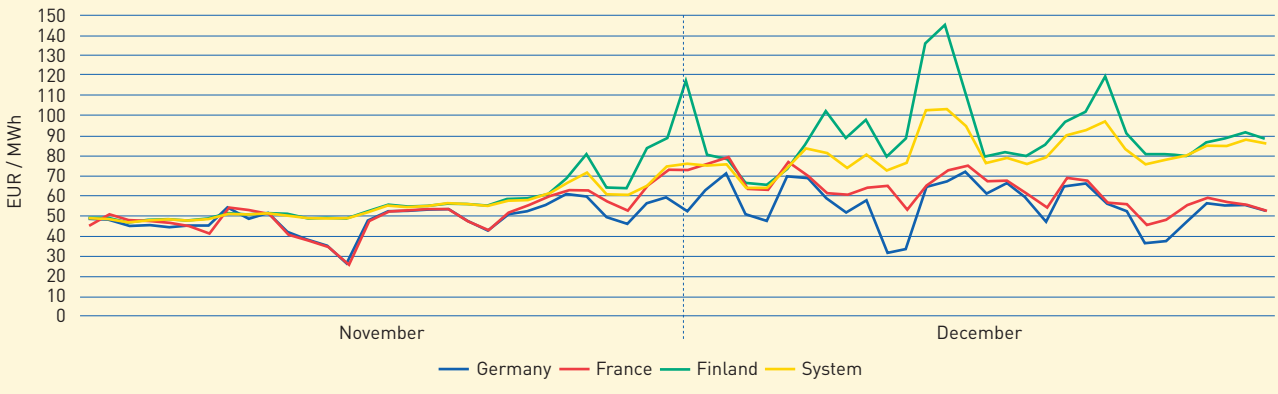
Electricity market expanded to the Baltic countries

Fingrid takes care of the electricity market. Fingrid enhances the electricity market mechanisms together with its customers, electricity market parties, other transmission system operators, and regulators. The company develops shared rules which contribute to the functioning of the market and procedures that ensure its efficiency and transparency. The goal is to minimise grid congestions which hamper the market and to provide a basis for the effective formation of the price of electricity.

A cold weather prevailed in all the Nordic countries in the early part of 2010. This was reflected in the price spikes of wholesale electricity. The situation highlighted the need to improve the elasticity of electricity consumption during high prices. Towards the end of the year, the prices were also raised by cold weather and scant water reservoirs in Norway. However, the price impacts were not as drastic in the autumn. This was partly due to the increased integration with the market in Western Continental Europe and due to the more inexpensive electricity supplied from there to the Nordic countries towards the end of the year.

The spot markets in the Nordic countries and Western Continental Europe were integrated on 9 November 2010. At the same time, the countries in Western Continental Europe (Germany, France, Belgium, Netherlands and Luxembourg) also introduced a procedure where a centralised calculation process determines the prices of electricity in these countries. As a result of the integration, the transmission capacity between the price areas is now used more efficiently, and there is more competition especially in Western Continental Europe.

DAILY PRICES IN NOVEMBER AND DECEMBER (GERMANY, FRANCE, FINLAND, SYSTEM)



"The shared electricity exchange intensifies competition, and the price of electricity comes down. In the European electricity market, electricity flows from areas of surplus production to areas of great demand. This evens out the regional price differences." This is how Development Manager Juha Hiekkala commented on the integration of the European electricity exchanges in newspaper Lapin Kansa on 14 August 2010.

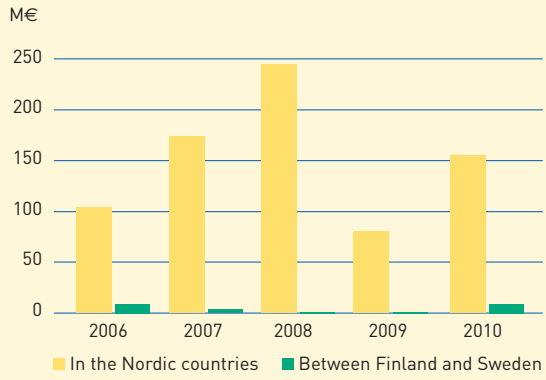
Market integration in the Baltic Sea region has also made swift progress. The Nordic electricity exchange Nord Pool Spot expanded to Estonia at the beginning of April. In the autumn, the entire capacity on the Estlink 1 connection between Finland and Estonia was made available to the electricity market, a new price area of Estonia was established in the electricity exchange, and intra-day Elbas trading, which supplements the daily market, was launched in Estonia. A new procedure which optimises the use of the capacity of the SwePol cable between Sweden and Poland was introduced between the Polish electricity exchange and Nord Pool Spot in December. The goal in 2011 is to integrate the electricity markets in Latvia and Lithuania to Nord Pool Spot's daily market and later to intra-day trading.

Fingrid accumulated 9 million euros of Nordic congestion income during the year under review. This was mainly created on the border between the bidding areas of Southern Norway and Denmark, but in accordance with the allocation principles applied until the end of November 2010, Fingrid also received a share of this income. From this point on, the congestion income will only be divided between those countries on whose border the congestion income is created.

The Estlink transmission connection between Finland and Estonia became partly available to the market in April and completely in September. The connection has been in efficient use throughout this time, and the congestion income on the connection totalled 18.9 million euros in 2010. Fingrid and Elering pay this income as the grid rent to the owners of the transmission connection.

Imports from Russia to the expanding electricity market continued in the usual fashion, being 11.6 terawatt hours in 2010.

NORDIC CONGESTION INCOME AND CONGESTION INCOME BETWEEN FINLAND AND SWEDEN



ELECTRICITY MARKET

	2010	2009	2008	2007	2006
Nord Pool Spot system price, average €/MWh	53	35	45	28	49
Area price Finland, average €/MWh	57	37	51	30	49
Congestion income in the Nordic countries million €	156.1	79.5	244.1	173.6	104.0
Congestion income between Finland and Sweden million €	8.9	1.1	1.3	2.7	9.1
Congestion hours between Finland and Sweden %	6.5	4.6	2.5	4.9	6.8
Congestion income between Finland and Estonia million €	18.9				
Congestion hours between Finland and Estonia %	50.0				
Fingrid's share of the congestion income in the Nordic countries million €	9.0	4.9	23.2	22.6	11.9

Extensive capital investment programme puts the company to the test

Fingrid takes care of the transmission grid. Fingrid maintains and develops the Finnish power system as part of a European infrastructure, and keeps all parts of the grid reliable. The devised procedures enable flexible and cost-efficient transmission system operation in changing circumstances. Fingrid's principles embrace issues such as high level of safety, environmental responsibility, good corporate governance, and transparency and impartiality. The company also requires ethically high standards from its service providers.

The Ten-Year Network Development Plan was drawn up in 2010 between the European transmission system operators. The plan concerning the development needs of European transmission grids increases the transparency of the TSOs. The plan encompasses significant capital investment proposals worth approx. 25 thousand million euros so as to enhance the European transmission system. Approximately half of the projects focus in the Baltic Sea and North Sea regions.

Fingrid maintains a total of 13 regional grid plans for Finland. These include details of the capital investment and renovation needs. The regional plans are prepared in close co-operation with the customers. The regional grid plans for Ostrobothnia, South Karelia and Central Finland were updated in 2010.

Fingrid's annual expenditure in the transmission grid has increased considerably from the level of 40 million euros in the early part of the millennium to over 140 million euros. The sharp increase in capital expenditure is the result of Fingrid's active efforts in promoting the functioning of the electricity market, renewal of the ageing grid, and regional changes in electricity consumption and production patterns in Finland. The pace of capital investments is not slowing down, on the contrary: Fingrid is making capital investments totalling 1,700 million euros in the transmission grid and reserve power in the next 10 years. This is equivalent to just under half of the current replacement cost of the Finnish transmission grid. In other words, half of the transmission grid built in the entire history of the Finnish grid will be constructed during this decade.

Preparations for the extensive capital investment programme have been made by developing the operations actively, by preparing for risks, and by regularly reviewing the grid development and renovation needs in close collaboration with the stakeholders. As evidence of the exemplary procedures, Fingrid was granted an international asset management (PAS 55) certificate for the efficient utilisation of the company's physical assets and for operations conforming to the life cycle principle.

The execution of Fingrid's capital investment programme proceeded as planned in 2010. A good foundation has been laid for the execution of the capital investment programme by carrying out the environmental impact assessments for the projects covered by the programme proactively, and by launching communications to the stakeholders as early as possible. This is why it was also possible to plan the grid reinforcements required by the connection of the new nuclear power units and other generating units, such as wind power, in good time before execution.

Fingrid's Board of Directors made a capital investment decision concerning the construction of the second direct current transmission link (650 megawatts) between Estonia and Finland in co-operation with the Estonian transmission system operator Elering. The Commission of the European Union considers the transmission connection between Finland and Estonia as very important, which is why it has granted an investment subsidy of 100 million euros for the project as part of a more extensive economy recovery package of the EU. A decision on the renewal and upgrading of transmission

"The new nuclear power plants in Finland will be ready in about 2019. The grid should be ready to take on these plants at around the same time," stated Senior Vice President Pertti Kuronen on Fingrid's capital investment programme in newspaper Pohjolan Sanomat on 4 June 2010.

power on the transmission link between Ulvila and Kristiinankaupunki in Western Finland was made in the autumn.

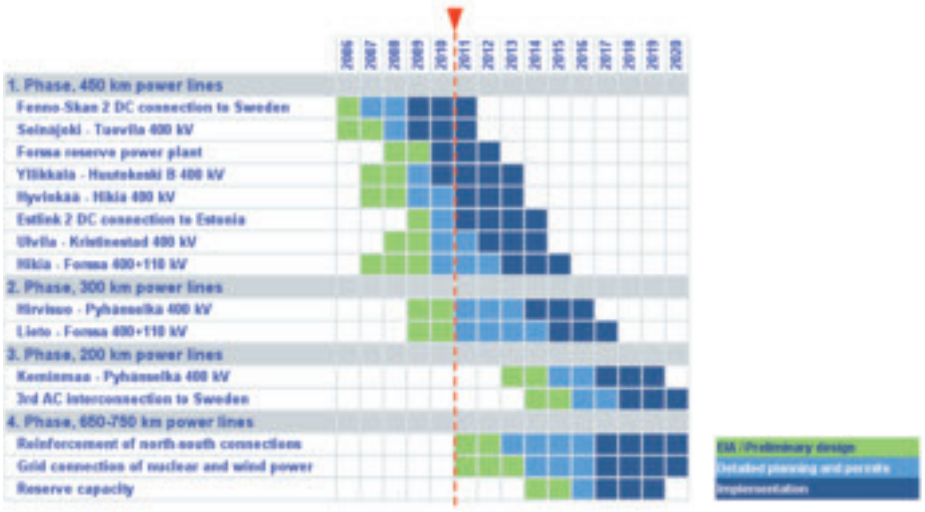
A total of 255 million euros worth of new procurement decisions were made in 2010. Among others, these covered procurement related to the Forssa reserve power plant, the direct current link between Finland and Estonia, and the transmission connection between Yllikkälä and Huutokoski.

The condition of the transmission system was maintained and improved through several measures. Among these were the overhaul of main transformers and gas-insulated substations, reinforcement of guy structures of towers, and the renovation of the 220 kilovolt line between Leväsuo and Ventusneva. Moreover, the service lives of Fingrid's reserve power plants were extended by measures such as the renovation of the Tahkoluoto reserve power plant and the renewal of the fuel storage at the Vaskiluoto reserve power plant.

PROJECTS COMPLETED IN 2010:

- Reinforcement of the 220 kilovolt network in Lapland, which improves system security in Northern Finland now that electricity consumption there grows by more than 5 per cent annually.
- Renewal of the Lieto 400 kilovolt substation. This enhances system security in South-Western Finland and responds to the changed transmission needs.
- A dozen or so smaller projects were also brought to conclusion.

CAPITAL INVESTMENT STRATEGY FOR TRANSMISSION GRID



Aiming at a super intelligent grid

Fingrid takes care of research and development. Fingrid focuses on the development of technologies and procedures related to electricity transmission and maintains special expertise pertaining to transmission system operation in Finland. Development projects are used for improving the cost efficiency and system security of the power system and for enabling controlled introduction of new technologies. The development projects also contribute to securing the expertise and constant development of personnel working in the industry.

In 2010, Fingrid had some 60 ongoing research and development projects, which constituted the company's R&D input of approx. 1.5 million euros. The R&D costs were on the same level as in the previous years, but the number of projects has increased slightly. Most of Fingrid's research and development projects are conducted in co-operation with customers or other stakeholders, such as research institutions. These partnerships have brought new development ideas and a wider perspective on the projects.

The research and development projects also support the expertise of personnel and of the transmission industry and its further enhancement. There are no full-time research personnel on the company's payroll, but research and development constitute an integral part of the work of one quarter of the personnel. Fingrid also commissions a number of Master's and equivalent theses annually, and funds research for Doctoral theses. Fingrid aims to contribute to training and know-how in the transmission business in Finland. Significant advancements were reached in this respect in 2010 as the five-year professorship in power transmission systems donated by Fingrid to Aalto University School of Science and Technology was made permanent.

In Finland, Fingrid participated in the work of the Electricity Research Pool and control of projects funded by it, and in research programme Smart Grids and Energy Markets by Cleen Oy, the strategic centre for science, technology and innovation in the energy and environmental industries. Fingrid's focus in the research programme is on issues pertaining to smart grids. The programme examines matters such as demand response, connection of decentralised electricity production and its impacts on the power system, and new types of methods for the analysis of low-frequency power oscillations in the power system and for system security management.

Alongside smart grids, other key topics in research and development by Fingrid in 2010 were the management of the ageing of the grid and development of the electricity market. In terms of the ageing and maintenance management of the grid, the issues studied included the corrosion of guy anchor rods, devices for moisture monitoring in transformers, ageing of overhead ground wires made of steel, and maintenance monitoring methods for rigid insulators. Within electricity market development, Fingrid participated in the energy market vision project by Finnish Energy Industries, launched a survey of the impacts of the future electricity production and consumption environment on the market mechanisms, and drew up a report of the efficiency of the Nordic market.

The role of European co-operation has become more prominent in Fingrid's R&D work. European projects also provide opportunities to integrate Finnish research projects into more comprehensive EU-funded project programmes. Fingrid is actively involved in ENTSO-E's R&D Committee due to launch its work in early 2011. This committee is to co-ordinate European research by transmission system operators, with the objective of fulfilling the requirements of the third legislative package on the EU's energy and gas markets.

"In a smart grid, the electrons are so smart that they also know economics," said President Jukka Ruusunen in summarising the essence of smart grids in journal Power & Automation 2010/1.

SUPPORT PROVIDED BY FINGRID'S R&D PROJECTS FOR THE COMPANY'S THREE BUSINESS PROCESSES

- Adequacy of transmission system 708,700 euros
- System operation 507,100 euros
- Promotion of market functioning 191,100 euros
- Other R&D projects 49,400 euros
- R&D administration 73,000 euros

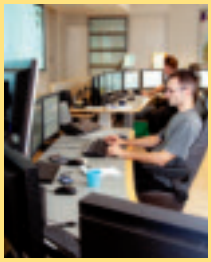
Total 1,529,000 euros

BREAKDOWN OF R&D COSTS IN 2010

- Salaries (28%)
- Travel expenses (3%)
- Other expenses (4%)
- Purchased services (65%)

The majority of Fingrid's R&D was conducted in universities and research institutions.

EVENTS IN 2010



The rapid changes in the Finnish power system have led to a decision by Fingrid to combine the company's control room functions. **The Power System Control Centre in Helsinki and the Network Control Centre in Hämeenlinna** will be integrated as Fingrid moves to its new facilities at the end of 2012. The contract on the new building was signed with YIT Rakennus Oy in September.

The major grid projects in Lapland were brought to completion. The reinforcements improve the system security of the grid in Northern Finland. The importance of the upgrades has been proven in the cold winter days.

The **system security of the grid in disturbance situations was enhanced** by signing a contract on the use of the Kellosaari gas turbine power plant in Helsinki.

Environmental responsibility as an integral part of everyday work

Fingrid cares for the environment. Fingrid mitigates the adverse land use and scenic impacts caused by the transmission grid through environmental planning as well as technical and landscape solutions. A reduction in the land use and scenic impacts is one of the cornerstones in our capital investment programme. The company makes sure that its equipment conforms to environmental requirements. Fingrid supports research concerning the useful applications and natural conditions of transmission line areas.

Fingrid carried out the environmental impact assessment of the 400 kilovolt transmission line project between the Hirvisuo substation in Kokkola and the Pyhänselkä substation in Muhos. The environmental impact assessment report of the 400 and 110 kilovolt transmission line project between Forssa and Lieto, employing double circuit towers, was announced in public in December. Moreover, the environmental impact assessment of the renewal of the 110 kilovolt transmission line between the Varkaus and Kontiolahti substations was completed in 2010. Evaluations conforming to the Antiquities Act were performed for five transmission line and substation projects.

Expropriation permit decisions were obtained in 2010 for the 400 kilovolt transmission line between Yllikkälä in Lappeenranta and Huutokoski in Joroinen as well as for the renewal of the 110 kilovolt line between Kuninkoja and Räntämäki in Turku. EstLink 2, the second submarine cable between Finland and Estonia, obtained all four required regulatory permits. The expropriation permit applications for the 400 and 110 kilovolt transmission lines between Hyvinkää and Hikiä in Hausjärvi plus the environmental permit application for the new reserve power plant in Forssa were submitted for processing in 2010. Internal environmental audits were held at the Olkiluoto and Tahkoluoto reserve power plants, and soil surveys were conducted at the Vanaja and Vaskiluoto reserve power plants. Approximately 100 litres of cooling agent leaked to the ground at the Kristiinankaupunki reserve power plant in March.

Preliminary planning required by the connection of new baseload power capacity and wind power capacity to the grid continued. These plans involved, among other things, contribution to analyses examining wind power production on land areas. Fingrid processed about 260 statement requests concerning land use planning and some 400 statement requests concerning technical crossings.

Fingrid and several other parties participated in a joint project which combines the support for small entrepreneurs and the versatile utilisation of transmission line areas. Within the project, sheep will graze in transmission line areas in Nokia during five summers, with the objective being to maintain biodiversity by means of grazing. The grazing project was rewarded in a competition for best rural practices in 2010.

Fingrid together with a local association of insect researchers in Tampere monitored and restored meadows inhabited by the butterfly false heath fritillary (Meliatae diamina) at Pohtola in Tampere. Tampere University of Technology drew up two reviews for use by Fingrid's stakeholders, concerning electric and magnetic fields from a medical point of view. Fingrid together with Tampere University of Technology and

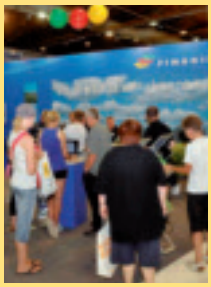
"When someone informs us that a transmission line of ours is located on a migratory route of birds, our ornithologist examines whether power line bird markers should be installed on the line," said Environmental Specialist Tiina Seppänen in newspaper Lahden Seutu on 27 September 2010 when asked about Fingrid's preparations for the autumn migration of birds.

Sähköturvallisuuden edistämiskeskus ry studied the impacts of low-frequency electric and magnetic fields involved in transmission lines on cardiac pacemakers and arrhythmia pacemakers. Fingrid is also involved in research developing biological sprout prevention, aiming to find a species of fungus capable of efficient sprout prevention of various deciduous trees. The objective is to devise a product ("Sproutstop"), which fights sprout growth effectively.

FACTS IN BRIEF

- Fingrid manages vegetation in about 5,300 to 6,000 hectares of transmission line areas annually.
- The expropriation permit decisions concerned approximately 790 real estates in Finland in 2010.

EVENTS IN 2010



Fingrid participated in the FinnMETKO 2010 and Farmari exhibitions. Many landowners visited Fingrid's stands in these. There was especially lively discussion concerning the Yllikkälä–Huutokoski transmission line in the Farmari exhibition in Mikkeli. Fingrid also launched a new map-based feedback and statement request service on the Internet to facilitate interaction with landowners and authorities.

In the spring, Fingrid reminded farmers to be **cautious when working close to transmission line towers.** Machinery must not be operated too close to the tower structures and live phase conductors.

A building full of power

Fingrid cares for its personnel. Fingrid's corporate values – transparency, impartiality, efficiency and responsibility – create the foundation for good work motivation and atmosphere. Fingrid supports actively the improvement of its personnel's professional expertise and special skills. Occupational welfare and safety are ensured by following the jointly agreed personnel and equality principles and action plan for occupational protection. The objective of the personnel strategy is a productive, innovative and satisfied workplace community. In order to monitor the implementation of the strategy and so as to develop the efforts, the company uses various indicators and surveys to compile information and feedback which support leadership.

In addition to various types of professional training pertaining to transmission system operation, Fingrid launched "My Strategy" workplace community coaching, which encompasses the entire personnel, in 2010. The objective of the coaching project is to evolve strategic thinking and expert skills in the various organisational levels. The project represents significant input in strategic personnel development. Developing the expertise and modes of operation of the entire workplace community is a focal area in Fingrid's personnel policy. Regular appraisal interviews are among the most important tools in expertise management. In 2010, these were bound even more closely to the corporate strategy. Fingrid provided an average of 67 hours of training per person in 2010.

A personnel index was introduced in 2010, used for monitoring the fulfilment of the personnel strategy objectives and the work satisfaction indicators three times a year. The index consists of key figures for leadership and welfare, access to information, and expertise and development. One part of the studies involved in the personnel index was the "Towards a Better Working Community®" study by the Finnish Institute of Occupational Health, where Fingrid has attained excellent grades for several years. In 2010, Fingrid's general grade as an employer was 8.6 on a scale from 4 to 10. Absences resulting from injuries or illnesses were at a low level as in previous years, only about 1.7 per cent.

Fingrid's personnel have access to extensive occupational health services, and occupational health and safety issues are developed constantly in co-operation with experts in the field. Fingrid complies with the agreed safety principles, and the same commitment is also required from all service providers.

There have been positive developments in recent years in Fingrid's occupational accident statistics, although in 2010 the company did not quite reach the goal of zero accidents as in 2009. However, the final result for 2010 was good, since Fingrid's occupational accident frequency was approx. 2.5. The number of days lost through sickness as a result of occupational accidents has also developed favourably and was clearly below the average in 2010. Despite the good progress in occupational safety, an accident which led to the loss of one life occurred at Fingrid's worksite in Alajärvi in November.

Contractors for Fingrid's capital investment projects are selected on the basis of international competition. This is why workers from several different countries and nationalities work at Fingrid's sites. Internationalisation and multiculturalism require more comprehensive agreements on the conditions of work throughout the supply chain.

In 2010, Fingrid focused on enhancing its reputation as an employer. This was carried out by participating in various publications and events and by further developing the regular co-operation with educational establishments. The goal is to make the company better known and the transmission industry more attractive, and to ensure that there are sufficient experts also in the future.

"It's not just computers that do this work... I get to put my thoughts together, sit at my own desk, concentrate on my e-mails, spin the numbers – in other words do my work surrounded by my colleagues," said Imbalance Settlement Specialist Pauli Schukov in Fingrid's corporate magazine 3/2010.

Number of personnel at 31 December 2010
249 permanent, 14 non-permanent

Gender distribution of permanent personnel at 31 December 2010
56 women, 193 men

Age distribution of permanent personnel at 31 December 2010

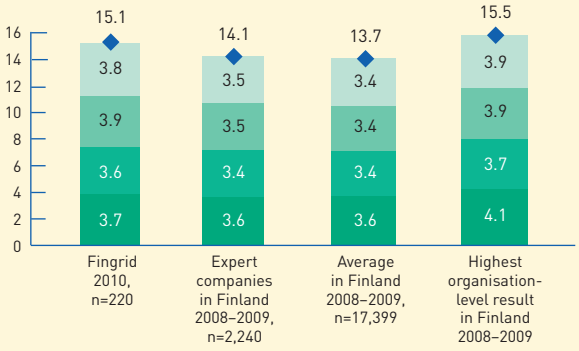
–34	57
35–44	72
45–54	78
55–65	42

Basic education of permanent personnel at 31 December 2010

Basic and secondary education	21
Lowest level of tertiary education	43
Bachelor's degree	87
Master's degree	91
Second stage of tertiary education	7

Training hours in 2010: on average 67 hours per person per year
Sickness absence percentage in 2010: 1.7%

TOWARDS A BETTER WORKING COMMUNITY KEY INDICES



Development conditions of the working community
Development activity of unit
Co-operation between units
The actions of the supervisor
The actions of management

Functionality of the working community
Functionality of unit
Co-operation between units
The actions of the supervisor
The actions of management

Preconditions of work
Tasks and objectives
Control over work: opportunities to develop and influence work
Work load (reversed)

Well-being of the staff
Work stress (reversed)
Job satisfaction

Towards a Better Working Community (ParTy®) Key Index

EVENTS IN 2010

Fingrid practised for a major disturbance. The **disturbance exercise**, which lasted a whole day in the autumn, involved almost 70 Fingrid employees from the various corporate functions and also outside observers.

An joint accident exercise was arranged at Huutokoski in Joroinen together with rescue authorities and service providers. The exercise tested the practical functioning of the emergency plan, the capacity of the rescue service, and co-operation between the various parties.

Corporate governance statement

Fingrid Oyj is the Finnish electricity transmission system operator responsible for the nation-wide transmission grid in Finland. The company is to develop the transmission grid, maintain a continuous balance between electricity generation and consumption, settle the electricity supplies between the parties on a nation-wide level, and improve the functioning of the electricity market. Moreover, Fingrid is responsible for the cross-border transmission connections to the other Nordic countries and Russia.

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 (former Fingrid Verkko Oy). The associated companies are Porvoon Alueverkko Oy (holding 33.3%) and Nord Pool Spot AS (holding 20.0%). 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 applicable sections of the Finnish Corporate Governance Code published by the Finnish Securities Association, which came into effect on 1 October 2010. Moreover, 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 President. Fingrid's supreme power of decision is exercised by the shareholders in the general meeting. The Board of Directors of the company is responsible for its governance and business management. The Board of Directors ensures that Fingrid applies to the principles of good governance. The President 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 objective handling of matters.

Departure from Corporate Governance Code

Fingrid departs from recommendations 14, 26, 32 and 51 of the Corporate Governance Code. The grounds for the departures are given below.

1.1 Management principles

The purpose of the management principles is to guide the organisation to implement Fingrid's mission so that the solutions support achieving the company's vision and selected operating model as well as work motivation of personnel.

Departure from the recommendations of Corporate Governance Code

Recommendation	Grounds
14.	The majority of the directors are not independent of the company or its significant shareholders. However, the Board of Directors considers that the objective and professional handling of matters by the Board has been ensured. In addition to the stipulations laid down in the Finnish Companies Act, Securities Markets Act and corresponding general regulations, Fingrid's decision making is especially subject to obligations prescribed by the Electricity Market Act concerning the unbiased treatment of customers and an obligation to develop the market with a view to the overall interests.
26.	All members of the audit committee are not independent of the company. The Board of Directors considers it important that practical expertise in the energy industry is also represented in the audit committee, which is why it is deemed necessary that Anja Silvennoinen, Senior Vice President, Energy Business Area, UPM-Kymmene Oyj, is a member of the audit committee.
32.	The majority of the members of the remuneration committee are not independent of the company. Of the members, Arto Lepistö is independent of the company. The Board of Directors considers that the composition of the committee ensures such handling of the matters that leads to an optimum outcome in view of the shareholders and the company.
51.	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.

The primary objectives include:

- The duties belonging to the company are taken care of efficiently.
- The responsibilities and authorisations are clear and correctly allocated.
- Internal communications are sufficient and extensive in view of decision-making.
- Expertise required by the duties has been secured, and the resources are used efficiently.
- The personnel have up-to-date tools and a desire to continuous personal development.
- Remuneration supports profitable operations.
- The benefits offered by the company support maintained working ability and mental coping at work as well as adaptation of work and family life.
- Promotion of co-operation and keeping up the motivation of personnel.
- The personnel experience that management is successful.

Organisation of duties

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 and grid permit. The company can only assume other duties by separate decision.

Organisation of basic duties

The basic duties of the company have been organised into functions. The heads of the functions make up the Executive Management Group of the company.

- The business of the company is primarily managed through the main processes. The main processes are: "Adequacy of transmission system", "System operation" and "Promotion of market functioning".
- The grouping of the duties into the line organisation follows the business processes of the company in a purposeful manner. The organisational levels comprise function and unit. If necessary, a unit can be divided into groups. Through a decision made by the Board of Directors, a certain duty can be organised into a separate company. The Board of Directors approves the basic organisation of the company on the level of functions.
- If necessary, teams are established to take care of a subduty concerning several parts of the organisation. Fixed-term projects are established for corresponding development duties. The establishment of project groups consisting of representatives of various organisations is handled by the Executive Management Group. The capital investments are mainly executed as projects.
- The work carried out and its organisation is verified whenever necessary. Function-level changes are handled by the Board of Directors.

Organisation of special duties

Special duties can comprise special services for the electricity market, consulting assignments etc. If the duties are extensive and fundamental, the Board of Directors decides on them being assumed by the company. If necessary, duties with a considerable financial significance are separated and organised into a separate company.

1.2 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 general meeting accepts issues such as the financial statements, and elects the auditor and Board of Directors of the company, which consists of seven persons elected for a year by the general meeting plus their seven personal deputy members. The general meeting elects the Chairman and the First and Second Deputy Chairmen 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 a 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 minutes of the general meeting including the voting results and the appendices of the minutes that are part of a decision made by the meeting shall be posted on the company website within two weeks of the general meeting.

As a rule, Fingrid's President, 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. 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 cannot be elected on the Board. The general meeting elects one Board member to serve as the Chairman of the Board, one member to serve as the First Deputy Chairman of the Board and one member to serve as the Second Deputy Chairman of the Board. The Board of Directors is summoned by the Chairman or a Deputy Chairman.

In accordance with the articles of association, the Board of Directors consists of seven (7) 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. The decisions of the Board of Directors are made through a majority of three quarters counted on the basis of the Board members present in the meeting and on the basis of the deputy members representing prevented Board members. New Board members are inducted into the operations of the company.

Fingrid's Board of Directors takes care of corporate administration. The Board of Directors decides on significant strategic policy decisions and approves the principles related to the management system of the company. The Board approves annually the action plan and budget and reviews the risks relating to the company's operations and the management of such risks. Moreover, the Board appoints the President of the company and approves its basic organisation and composition of the executive management group. The primary duties and principles of Fingrid's Board of Directors are specified in a written working order. The Board of Directors assesses its work once a year.

Meeting practice and supply of information

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

The Board of Directors handles the following business in its meeting:

- accepting the minutes of the previous meeting,
- review of current situation,
- financing report,
- matters to be decided,
- other matters,
- next meeting (confirmation).

Duties of Chairman and Deputy Chairmen

- The Chairman heads the work of the Board of Directors so that the duties are carried out.
- The Chairman accepts the agendas prepared by the President, summons the meetings of the Board of Directors and decides on summoning other persons to a meeting.
- The Chairman together with the Deputy Chairmen signs the minutes of the meeting, and if some of them is not present, another Board member appointed by the same shareholder signs the minutes instead of the absent person, and if that person is also absent, the deputy member appointed by that shareholder signs the minutes.
- The Chairman is responsible for planning and assessing the operations of the Board of Directors, keeps contacts with the President and monitors the operations of the company.

Further information on the work of the Board of Directors and its committees in 2010 together with the above meetings is provided in the corporate governance statement. This has been described in the corporate governance statement, which can be found on Fingrid's website under Investors.

3.1 Composition of Board of Directors

The members of the Board of Directors are Lauri Virkkunen (Chairman from 1 July 2010), Timo Rajala (Chairman until 30 June 2010), Timo Karttinen (First Deputy Chairman), Arto Lepistö (Second Deputy Chairman), Risto Autio, Ari Koponen, Ritva Nirkkonen and Anja Silvennoinen. Tarmo Rantalankila serves as the secretary of the Board. The members of the Board are presented on pages 34–35.

The annual Board meetings with their main topics and timing are as follows:

Time	Main topic
February	annual review and financial statements, account of corporate governance system, summoning the annual general meeting, proposal concerning the Board members and auditor, principles of corporate finances, principles of financing, principles of loss energy procurement, assessment of operations
April	interim report, verifying the decisions made in the general meeting, election of secretary of the Board, election of audit committee, principles of grid development, construction and maintenance management
May	preparation of strategy
August	interim report, accepting the strategy, Fingrid's management system
October	interim report, risk management principles, principles of system security management in the power system
December	accepting the action plan and budget, working orders of the Board, audit committee and remuneration committee

Fingrid departs from Corporate Governance Code recommendation 14, which requires that the majority of the Board members must be independent of the company, and at least two of the members representing this majority must be independent of significant shareholders of the company. Fingrid's Board of Directors has considered that of the seven Board members, Arto Lepistö, Ritva Nirkkonen and Risto Autio are independent of the company. Ritva Nirkkonen and Anja Silvennoinen are independent of the significant shareholders.

The Board of Directors considers that the objective and professional handling of matters by the Board has been ensured. In addition to the stipulations laid down in the Finnish Companies Act, Securities Markets Act and corresponding general regulations, Fingrid's decision making is especially subject to obligations prescribed by the Electricity Market Act concerning the unbiased treatment of customers and an obligation to develop the market with a view to the overall interests. The members of the Board are obliged to provide the Board with sufficient information that will allow the Board to evaluate his or her qualifications and independence, and notify the Board of any changes in such information.

Personal deputy members of the Board:
Timo Ritonummi, Senior Engineer, Ministry of Employment and the Economy
Jussi Hintikka, Executive Vice President, Pohjolan Voima Oy, until 29 October 2010
Minna Korkeaoja, Executive Vice President and Chief Financial Officer, Pohjolan Voima Oy, from 30 October 2010
Juha Laaksonen, Chief Financial Officer, Fortum Oyj
Jorma Tammenaho, Senior Portfolio Manager, appointed by investor shareholders
Pekka Kettunen, Senior Specialist, Prime Minister's Office, State ownership steering
Jukka Mikkonen, Director, Energy Finland, Stora Enso Oyj
Kari Koivuranta, Senior Adviser, Fortum Sähkönsiirto Oy

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

3.2 Audit committee

The Board of Directors appoints 3 to 7 members in the audit committee and the Chairman of the committee. The audit committee prepares, guides and assesses internal control, risk management, internal audit, auditing of accounts, and financial reporting in accordance with a separate working order confirmed by the Board of Directors. The audit committee is not a decision-making or executive body.

The members of the audit committee in 2010 were Ritva Nirkkonen (Chairperson), Arto Lepistö, Anja Silvennoinen and Risto Autio. In accordance with recommendation 26 of Corporate Governance Code, the members of the audit committee should be independent of the company. The Board of Directors considers it important that practical expertise in the energy industry is also represented in the audit committee, which is why it is deemed necessary that Anja Silvennoinen is a member of the audit committee.

Further information on the meetings of the audit committee in 2010 together with the attendance of its members in the meetings is provided in the corporate governance statement. This has been described in the corporate governance statement, which can be found on Fingrid's website under Investors.

3.3 Remuneration committee

The remuneration committee is appointed by the Board of Directors and it assists the Board. The committee consists of the Chairman and Deputy Chairmen of the Board. The main duties and principles of the committee are confirmed in a separate working order.

In 2010, the remuneration committee consisted of Lauri Virkkunen (Chairman from 1 July 2010), Timo Rajala (Chairman until 30 June 2010), Timo Karttinen and Arto Lepistö. In accordance with recommendation 32 of Corporate Governance Code, the majority of the members of the remuneration committee should be independent of the company. Of the members of the remuneration committee, Arto Lepistö is independent of the company. The Board of Directors considers that the composition of the committee ensures such handling of the matters that leads to an optimum outcome in view of the shareholders and the company.

Further information on the meetings of the remuneration committee in 2010 together with the attendance of its members in the meetings is provided in the corporate governance statement. This has been described in the corporate governance statement, which can be found on Fingrid's website under Investors.

4 PRESIDENT AND EXECUTIVE MANAGEMENT GROUP

The President attends to the administrative routines of the company in accordance with guidelines provided by the Board of Directors. The President serves as the Chairman of the Board of the subsidiaries and is responsible for the operations of the company assisted by the executive management group. The service terms of the President have been specified in a separate President's service contract which is approved by the Board of Directors. The financial benefits given by the President's service contract are described in the remuneration statement. The President is not a member of the Board of Directors.

Executive management group

Fingrid's executive management group assists the President in:

- the planning and development of Fingrid's short-term and long-term plans,
- communicating and implementing the strategy,
- the organisation and resource allocation of action plan execution,
- external communications and public relations,
- resource planning, procurement and control,
- the operative implementation of internal control and risk management.

In addition to the President, the executive management group comprises Kari Kuusela, Juha Kekkonen, Reima Päivinen,

Matti Tähtinen, Jussi Jyrinsalo, Tom Pippingsköld and Pertti Kuronen. The members of the executive management group are presented on pages 36–37.

Advisory Committee

Fingrid's executive management is assisted by an Advisory Committee with 10 to 12 members appointed by the Board of Directors. The Advisory 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 represents Fingrid's customers and electricity market parties comprehensively. The Advisory Committee is not a decision-making body.

5 REMUNERATION STATEMENT

5.1 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 17 March 2010 that the Board members are paid monthly remuneration as follows:

- Chairman of the Board 1,350 euros,
- Deputy Chairmen of the Board 1,000 euros,
- members of the Board of Directors 700 euros, and
- deputy members of the Board of Directors 450 euros.

It was also decided that the Board members and deputy members be paid 500 euros in attendance remuneration for each Board meeting and committee meeting in which the member has participated.

The remuneration of the members of the Board of Directors or its committees is not paid in the form of company shares. The members of the Board are not subject to a share-related remuneration scheme.

In 2010, the Board had seven meetings, the audit committee three meetings, and the remuneration committee three meetings.

5.2 Remuneration of executives

The Group applies a remuneration system whose general principles were accepted by the Board of Directors of Fingrid Oyj on 23 October 2007. The remuneration committee approves the remuneration to be paid to the President and other members of the executive management group on the basis of principles specified by the Board of Directors. Moreover, the committee confirmed the principles for determining the bonus of the executive management group in its meeting of 12 December 2007.

The total salary of the members of the executive management group consists of a fixed basic salary, perquisites and merit pay conforming to the remuneration system of the company.

The performance criterion in the merit pay system of the company is composed of the strategic indicators of the company. From 1 January 2010, remuneration is based on the three-year average of the strategic indicators. Moreover, by

In 2010, the following remuneration was paid to the members of the Board:

Name	Position	Work on the Board	Audit committee	Remuneration committee	Total 2010	Total 2009
Lauri Virkkunen	Chairman from 1 July 2010	10,100		500	10,600	
Timo Karttinen	Second Deputy Chairman until 16 March 2010, First Deputy Chairman from 17 March 2010	15,500		1,000	16,500	17,000
Arto Lepistö	Chairman until 16 March 2010, Second Deputy Chairman from 17 March 2010	16,550	1,500	1,000	19,050	22,700
Ari Koponen	Member	11,900			11,900	12,400
Ritva Nirkkonen	Member	11,900	1,500		13,400	13,900
Anja Silvennoinen	Member	10,400	1,500		11,900	13,400
Risto Autio	Member	11,900	1,500		13,400	12,150
Timo Rajala	First Deputy Chairman until 16 March 2010, Chairman 17 March - 30 June 2010	8,550		500	9,050	17,000
Timo Ritonummi	Deputy member	5,400			5,400	5,400
Jussi Hintikka	Deputy member	5,400			5,400	5,400
Juha Laaksonen	Deputy member	5,400			5,400	5,400
Kari Koivuranta	Deputy member	5,400			5,400	5,400
Pekka Kettunen	Deputy member	5,400			5,400	5,400
Jukka Mikkonen	Deputy member	5,400			5,400	5,400
Jorma Tammenaho	Deputy member (Member of the Board until 18 March 2009)	5,400			5,400	7,150
TOTAL		**134,600**	**6,000**	**3,000**	**143,600**	**148,100**

The table below indicates the salaries and benefits of Fingrid's President and other members of the executive management group in 2010:

	Fixed basic salary	Varying merit pay*	Other employment benefits such as perquisites	2010 Total	2009 Total
President	184,047	45,569,54	11,520	241,136,54	227,848
Executive management group	822,303,49	108,641,87	60,557,58	991,502,94	981,905
TOTAL	1,006,350,49	154,211,41	72,077,58	1,232,639,48	1,209,753

* The merit pay is based on the performance in 2009.

virtue of the decision of the remuneration committee, the bonus can be raised by a maximum of 1.2 times on the basis of personal performance. The remuneration committee of the Board of Directors assesses the fulfilment of the performance criteria and decides on the potential payment of a bonus to the members of the executive management group. The maximum amount of the bonus payable to the President is 35 per cent and to the members of the executive management group 25 per cent of the annual salary.

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

5.3 Service contract of President

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

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

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

6 INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

Fingrid's internal control is based on independent internal audit, internal operating principles and guidelines, financial reporting, supervision, documentation, and transparent processes and procedures. Internal control intends to make sure that Fingrid works efficiently and productively, that financial reporting is reliable, and that the applicable acts, regulations and the company's own procedural guidelines are followed.

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.

6.1 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. Risk management must be continuous and systematic by nature.

Fingrid's risk management is divided into the identification and management of operative risks and strategic risks. In addition, the company applies operational assessment which supports risk management (audits) and draws up continuity plans.

The company's strategy work 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 work required to manage Fingrid's core duties and supervise their implementation. The functions carry responsibility for planning, resourcing and implementing the work and for reporting the results of the work.

The objective of the identification of the operative risks is to describe the risks that are related to the planning, resourcing and implementation of the above duties. The risks of the various implementation options are assessed as part of project planning and decisions concerning measures taken.

Main features of arranging risk management

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, performance indicators, action plan and budget.

The President 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. The corporate strategy presents the primary corporate-level

risks and the related risk management. These risks are monitored, co-ordinated and managed 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 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 taking the accepted risk management measures.

Risk identification, assessment and classification are the basic conditions for internal control within the company. The risks threatening the achievement of the company's strategic and financial objectives are identified and assessed in accordance with their likelihood and monetary value so that the risks can be controlled. The impact of the strategic risks on the company and society is assessed separately.

If necessary, development projects are launched to control major risks, and the corporate strategic indicators are supplemented for their more detailed monitoring whenever necessary. Extensive projects or ones having great significance are named strategic development projects and presented as part of Fingrid's strategy. The President appoints project leaders for such projects, approves the contents of the projects and monitors their progress.

The financial administration of the Group is responsible for the control structures relating to the financial reporting process.

Risk surveys and organisation of reporting

The strategic risks are analysed, and the associated risk management measures are planned as part of Fingrid's annual strategy work. The updated strategy is presented to the Board of Directors annually in August.

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 map of the operative risks, the risk assessments and the situation with the risk management measures are updated in the spring. Operational assessments are carried out systematically throughout the year as part of Fingrid's risk management. In all situations involving major changes to the operations, the risk caused by the change is evaluated as part of the project proposals and alternative measures. If the risk or other adverse event is realised, the impacts and likelihood of the event are always evaluated separately.

The impacts of operative risks are assessed from four points of view regarding Fingrid: impacts related to personnel and expertise, corporate finances, customers and stakeholders, and business processes. Moreover, the risks are assessed in view of society with regard to the functioning of the electricity market, system security, safety, and the environment. The likelihood of risks is also analysed as part of the risk survey.

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. 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.

Protection against risks

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 corrective action 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, improvement of technical solutions, contractual limitation (major and unexpected risks), and derivatives and insurance policies (risks distributed over several parties).

Financial administration is to support and assist the business functions so that risk management in the business processes is ensured. The risks are related to financing, loss energy procurement, balance service, grid service and asset management in particular. Risks to which the company is typically exposed include risks pertaining to the counterparties and the operating environment. Such risks are reported to the corporate management.

Limitation of risks

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

6.2 Foremost risks and factors of uncertainty

The foremost business risks of the company include risks relating to the functioning of the power system, such as a major disturbance or power shortage, and incorrect or unanticipated capital expenditure projects, for example due to a change in regional electricity consumption or generation. Also, risks related to official regulation, such as changes in Finnish or European regulation, can weaken the financial position of the company or its opportunities to pursue the

objectives related to the development of the electricity market. An unanticipated increase in costs or decrease in income as a result of the realisation of the counterparty risk or sudden changes in the price of electricity or in the interest rate level may have the same effect. Other significant risks include personnel risks related to issues such as electrical safety and expertise in the transmission industry.

Fingrid is prepared for a wide-spread disturbance concerning Finland or the Nordic power system by means of various reserves, procedural guidelines, contingency plans, and exercises. In its strategy, the company also focuses on the versatile utilisation of the operation control system, expedited disturbance management, and management of power shortage situations. A wide-spread disturbance in the power system may be caused by several simultaneous faults in the grid, inoperability of Fingrid's operation control system, insufficiency of production capacity, or an external event which prevents grid operation entirely or partially.

The objective is to avoid incorrect or unanticipated capital expenditure by updating nation-wide and regional grid plans regularly, by consolidating customer co-operation, and by conducting co-operation with the other transmission system operators.

Fingrid's operations are subject to official regulation and supervised by the Energy Market Authority. The company aims to establish well-working and transparent co-operation and interaction with the various stakeholders, to contribute actively to the reports and task forces of authorities, and to focus on working within ENTSO-E, the European organisation of transmission system operators, so that it can develop the electricity market at market terms and assess the financial changes pertaining to regulation.

An unanticipated increase in costs or decrease in income is restricted by enhancing financial control in the Group and assessment concerning financial latitude. Derivatives are used for hedging against changes in the price of electricity and the interest rate level. The counterparty risk involved in the obligations of parties which have a contractual relationship with Fingrid is limited contractually, by using various limits and by regularly monitoring the financial standing of the counterparties.

The expertise and occupational safety risks pertaining to personnel risks are limited by the company's strategic long-term personnel planning, allocated training programmes for both the company's own personnel and service providers, and by auditing the work sites systematically in order to attain the best practices and to enhance occupational safety. Keeping up an active employer image through communications and co-operation with educational establishments and students constitutes part of the limitation of personnel risks.

As part of its corporate social responsibility, Fingrid has identified the risks that have a major impact on society. These include a major disturbance or an extensive disturbance with a long duration, diminished confidence in the electricity market, postponement of cross-border line construction projects, delayed reinforcement programme for the trunk grid, and unexpected and long-term restrictions in transmission capacity.

In its selected strategic focal areas, Fingrid has also taken the management of these risks into account and made preparations for the risks in its action plan using various means, such as those described above in conjunction with a major disturbance. The company aims to contribute to the integration of the European electricity market and intensification of market mechanisms by constructing new cross-border transmission connections and by publishing market information which has bearing on the transparency of the market. The company prepares and allocates resources for projects which reinforce the cross-border connections and the trunk grid, and takes environmental impacts into account in planning and construction with a long time span. Long-term restrictions in transmission capacity inflict financial disadvantage on the customers and society. This disadvantage is minimised 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 optimising the timing of outages so that the financial impact on the customers is kept to a minimum.

The financing risks of the company are described comprehensively in accordance with the requirements of IFRS 7 in the notes to the financial statements of 2010.

6.3 Internal audit

The internal auditor monitors issues such as adherence to the internal rules of the company, acts and official regulations, and reports his findings concerning the company's procedural guidelines, authorisation and rules 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, internal audit audited issues such as the company's data security and personnel administration together with the related processes in 2010. Internal audit is also responsible for auditing business risk management, and it reports the results of its work to the audit committee.

7 AUDITING

The general meeting elected authorised public accountants PricewaterhouseCoopers Oy as the auditor of the company. Authorised Public Accountant Juha Tuomala 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 €	2010	2009
Auditing fees	42	34
Other fees	46	8
TOTAL	88	42

Board of Directors

① Lauri Virkkunen Chairman
President & CEO, Pohjolan Voima Oy, born in 1956, M.Sc. (Econ.), M.Sc. (Tech.)
Chairman of the Board from 1 July 2010

Chairman or member of the Boards of several enterprises in the PVO Group, Vice Chairman of the Board of Teollisuuden Voima Oyj from 1 July 2010, Chairman of the Board of Oy Alholmens Kraft Ab, Chairman of the Board of Finnish Energy Industries, member of the Board of Confederation of Finnish Industries EK.

Timo Rajala Chairman until 30 June 2010
President & CEO, Pohjolan Voima Oy, born in 1947, M.Sc. (Tech.)
Member of the Board 1997–2010

Chairman or member of the Boards of several enterprises in the PVO Group. Chairman of the Board of Teollisuuden Voima Oyj and Oy Alholmens Kraft Ab until 30 June 2010. Member of the Board of Savon Voima Oyj.

② Timo Karttinen First Deputy Chairman
Executive Vice President, Fortum Oyj, Electricity Solutions and Distribution, born in 1965, M.Sc. (Tech.)
Member of the Board since 2000

Deputy Chairman of the Board of Finnish Energy Industries, member of the Supervisory Board of Gasum Oy, member of the Trade Policy Committee and Energy Committee of the Confederation of Finnish Industries EK.

③ Arto Lepistö Second Deputy Chairman
Deputy Director General, Head of the Energy Markets Group, Ministry of Employment and the Economy, Energy Department, born in 1952, Licentiate in Technology
Member of the Board since 2006

Involved in the development of the energy market and related regulations in various duties. Participated in the work of various committees and task forces as their chairman and member, and served as Finland's representative in the organisations of the EU and IEA.

④ Risto Autio
Director, Alternatives, Varma Mutual Pension Insurance Company, born on 1958, M.Sc. (Econ.) Member of the Board 2005–2006 and from 19 March 2009

Served in the current position since 2005. Main responsibilities have included private equity investments (private equity funds, unlisted direct investments) of Varma since 2002. Before that worked for 15 years in Sampo Bank's corporate banking division including Corporate Finance, Structured Finance and Corporate Banking. Member of the Investor Committees or Advisory Boards of several international private equity funds, member of the Board of Leverator Oyj and deputy member of the Board of Tornator Oy.

⑤ Ari Koponen
Vice President, Fortum Distribution, born in 1964, M.Sc. (Econ.)
Member of the Board since 2008

Responsible for Fortum's electricity distribution business in the Nordic countries and Estonia. Chairman of the Boards of Fortum Sähkönsiirto Oy, Fortum Espoo Distribution Oy, Fortum Distribution AB and Fortum Distribution AS. Member of Eurelectric's DSO Directors Gathering.

⑥ Ritva Nirkkonen
Fund Raising Manager, University of Jyväskylä, special tasks, born in 1946, M.Sc. (Econ.)
Member of the Board since 2007

Served in the present position since 1 January 2009. Between 1995 and 2008, served as the Business Director for the Jyväskylä region and as the Managing Director of Jykes Oy. Worked previously at the Ministry of Trade and Industry as Commercial Counsellor responsible for international expansion of enterprises. Honorary Consul of the Federal Republic of Germany in Central Finland, member of the Executive Board of Finnish Tourist Board, deputy member of the Board of Invest in Finland, member of the control group of the Ministry of Employment and the Economy for reducing the administrative burden of business enterprises, supervisor of the Jyväskylä office of Nordea.

⑦ Anja Silvennoinen
Senior Vice President, Energy Business Area, UPM-Kymmene Oyj, born in 1960, M.Sc. (Tech.), MBA
Member of the Board since 2006

Served in the present position since 2004. Before UPM worked in several positions within the energy industry in Finland and abroad, in management consulting, and at the Ministry of Trade and Industry of Finland. Member of the Supervisory Board of Kemijoki Oy. Member of the National Board of Economic Defence, Energy Sector, and member of the National Emergency Supply Council established by the Government. Chairperson of the Energy Committees of the Confederation of Finnish Industries EK and the Finnish Forest Industries Federation, Vice Chairperson of CEPI Energy Committee. Member of the Board of Cargotec Oyj.

⑧ Tarmo Rantalankila
Secretary of the Board
General Counsel, Fingrid Oyj, born in 1952, LL.M.

Deputy members of the Board
Timo Ritonummi, Senior Engineer, Ministry of Employment and the Economy
Jussi Hintikka, Executive Vice President, Pohjolan Voima Oy
Juha Laaksonen, Chief Financial Officer, Fortum Oyj
Kari Koivuranta, Senior Adviser, Fortum Sähkönsiirto Oy
Pekka Kettunen, Ministerial Adviser, Prime Minister's Office, State ownership steering
Jukka Mikkonen, Director, Energy Finland, Stora Enso Oyj
Jorma Tammenaho, Senior Portfolio Manager, appointed by investor shareholders

Executive management group

① Jukka Ruusunen

- President and CEO since 2007
- born in 1958, Doctor of Technology
- member of the executive management group since 2007
- employed by Fingrid since 2007

Earlier positions
- Fortum Power and Heat Oy, Vice President, Business Development 1999
- Imatran Voima Oy, Advisor 1996
- Helsinki University of Technology, several positions 1982
- Helsinki School of Economics, several positions 1982

Key positions of trust
- Vice President of ENTSO-E 2009–
- Member of the Board of Finnish Energy Industries 2007–2010
- Member of Technology Academy Finland 2010–
- Visiting Professor at Aalto University School of Science and Technology 1995– and School of Economics 1996–

② Kari Kuusela

- Executive Vice President since 2007, asset management
- born in 1955, M.Sc. (Tech.)
- member of the executive management group since 1999
- employed by Fingrid since 1997

Earlier positions
- Fingrid Oyj, Technical Director and Construction Manager 1997
- Imatran Voima Oy, IVO Transmission Engineering Oy, IVO International Oy and IVO Voimansiirto Oy, several positions 1983
- Nokia Metalliteollisuus (Kaapeli), Development Engineer 1981

③ Juha Kekkonen

- Executive Vice President since 1997, electricity market development
- born in 1950, M.Sc. (Tech.)
- member of the executive management group since 1997
- employed by Fingrid since 1997

Earlier positions
- Finland's permanent representative office at the OECD, Industrial Counsellor 1988–1990
- Ministry of Trade and Industry, several positions 1975–1997

Key positions of trust
- Chairman of ENTSO-E Market Committee 2009–
- Member of the Board of Nord Pool Spot AS 2002–

④ Jussi Jyrinsalo

- Senior Vice President since 2005, system development
- born in 1964, Licentiate in Technology
- member of the executive management group since 2005
- employed by Fingrid since 1997

Earlier positions
- Fingrid Oyj, several positions 1997
- IVO Voimansiirto Oy, several positions 1993
- Lappeenranta University of Technology, Assistant Professor 1992
- Tampere University of Technology, several positions 1989

Key positions of trust
- Member of ENTSO-E System Development Committee 2009–
- Member of control group of Cleen Oy, Smart Grids and Energy Markets research programme 2009–
- Member of strategy group of Cigre Study Committee B4 (HVDC and Power Electronics) 2005–

⑤ Pertti Kuronen

- Senior Vice President since 2003, grid service
- born in 1953, M.Sc. (Tech.)
- member of the executive management group since 2003
- employed by Fingrid since 1997

Earlier positions
- Fingrid Oyj, several positions 1997
- Imatran Voima Oy and IVO Voimansiirto Oy, several positions 1978

Key positions of trust
- Member of the Board of Porvoon Alueverkko Oy 2008–
- Member of the Network Committee of Finnish Energy Industries 2008–

⑥ Tom Pippingsköld

- Chief Financial Officer since 2001
- born in 1960, M.Sc., MBA
- member of the executive management group since 2001
- employed by Fingrid since 1999

Earlier positions
- Fingrid Oyj, Treasurer 1999
- European Bank for Reconstruction and Development (EBRD), Principal Evaluation Officer 1994
- Postipankki Bank, Investment Analyst and Financial Manager 1990

Key positions of trust
- Deputy member of the Board of Nord Pool Spot AS 2007–
- Member of the Board of Nord Pool Spot AS 2002–2007

⑦ Reima Päivinen

- Senior Vice President since 2005, power system operation
- born in 1958, M.Sc. (Tech.)
- member of the executive management group since 2005
- employed by Fingrid since 1997

Earlier positions
- Fingrid Oyj, Balance Service Manager 2000
- Fingrid Oyj, Development Manager 1997
- Imatran Voima Oy and IVO Voimansiirto Oy, several positions 1983

Key positions of trust
- Member of ENTSO-E System Operation Committee 2009– and Regional Group Nordic 2010–
- Chairman of Power and District Heat Pool 2009–
- Fingrid Oyj, Chairman of Operations Committee 2008–

⑧ Matti Tähtinen

- Senior Vice President since 2007, stakeholder relations
- born in 1957, B.Sc. (Tech.)
- member of the executive management group since 2001
- employed by Fingrid since 1997

Earlier positions
- IVO Voimansiirto Oy, Project Manager 1992
- IVO International Ltd, Local Manager in Kenya 1985
- Imatran Voima Oy, Specialist 1981

Key positions of trust
- Fingrid Oyj, secretary of Fingrid's Advisory Committee 1997–

Report of the Board of Directors and financial statements

1 January 2010 - 31 December 2010

Contents

1. Annual review

REPORT OF THE BOARD OF DIRECTORS

Financial result

Revenue of the Fingrid Group in 2010 was 456 million euros (359 million euros in 2009). Other operating income was 7 (2) million euros.

Grid revenue rose by 24 million euros on the previous year as a result of the tariff increase of 4.5 per cent and higher electricity consumption. The sales of imbalance power were 160 (92) million euros and purchases of imbalance power 145 (85) million euros. Cross-border transmission income remained at the same level as in the previous year. Due to the high Nordic congestion income in the early part of the year, Fingrid's portion of the congestion income grew by 4 million euros on the previous year. The costs of 9 million euros of the Estlink 1 cross-border transmission connection rented for use by the price area of Estonia were covered by the congestion income received from the link. Fingrid's share of the European inter-TSO compensations decreased by 2 million euros.

The loss energy costs rose by 13 million euros due to an increase in the volume of loss energy procured and a rise in the average area price for Finland. The depreciation and reserve costs also grew from the previous year. The maintenance management costs and personnel costs remained at the same level as in 2009. There were no essential changes in the net income from the feed-in tariff for peat and from the peak load power arrangement as compared to the previous year. The corresponding changes during the last quarter of the financial year are shown in the table below (in million euros).

Revenue and other operating income (million €)	**1-12/10**	**1-12/09**	**10-12/10**	**10-12/09**
Grid service revenue	211	188	64	57
Sales of imbalance power	160	92	49	26
Cross-border transmission	24	24	6	6
Estlink congestion income	9	0	6	0
Nordic congestion income	9	5	1	1
Peak load reserve	14	13	2	4
ITC income	19	28	5	6
Feed-in tariff for peat	1	3	0	3
Other revenue	9	5	4	0
Other operating income	7	2	4	1
Revenue and other income total	463	361	142	105

Costs (million €)	**1-12/10**	**1-12/09**	**10-12/10**	**10-12/09**
Purchase of imbalance power	145	85	49	25
Purchase of loss energy	65	52	19	15
Depreciation	67	65	17	16
Reserves	22	21	6	5
Personnel	20	20	6	6
Maintenance management	18	18	5	6
Peak load reserve	13	13	3	3
ITC charges	10	16	2	4
Estlink grid rents	9	0	6	0
Feed-in tariff for peat	1	3	0	3
Other costs	21	19	7	5
Costs total	391	312	120	89
Operating profit*	72	49	22	16

* excluding the change in the fair value of electricity derivatives

The operating profit of the Group was 74 (51) million euros. Of the change in the fair value of electricity derivatives, +2 (+2) million euros were recognised in the income statement.

In the last quarter, the operating profit was 23 (16) million euros.

The Group's profit for the year was 42 (25) million euros.

The return on investment was 5.1 (3.9) per cent and the return on equity 8.7 (5.7) per cent. The equity ratio was 28.6 (27.2) per cent at the end of the review period. Revenue of the parent company was 456 (356) million euros and profit for the financial year 6 (5) million euros.

Grid development and maintenance

Fingrid's annual expenditure in the transmission grid has increased considerably from the level of 40 million euros in the early part of the millennium to over 140 million euros. The sharp increase in capital investments is the result of the promotion of the functioning of the electricity market, connection of new generating capacity to the transmission grid, renewal of the ageing grid, and regional changes in electricity consumption and production patterns in Finland.

Four new substations and approx. 150 kilometres of new transmission lines were completed for Fingrid in 2010. Fingrid also brought to completion the 220 kilovolt upgrades in Lapland, used for improving system security in Northern Finland. There were also several projects within the life cycle management of the transmission grid. Among these were the overhaul of main transformers and gas-insulated substations, reinforcement of guy structures of towers, and the renovation of the 220 kilovolt line between Leväsuo and Ventusneva. Moreover, the Tahkoluoto reserve power plant was modernised and the fuel storage at the Vaskiluoto reserve power plant was renewed.

Fingrid's Board of Directors made a capital investment decision concerning the construction of the second direct current transmission link (650 megawatts) between Estonia and Finland in co-operation with the Estonian transmission system operator Elering. The European Union granted the project a subsidy of 100 million euros. The total construction costs of the connection are expected to be approx. 320 million euros, about half of which will be covered by Fingrid.

A total of 255 million euros worth of new procurement decisions were made in 2010. Among others, these covered procurement related to the Forssa reserve power plant, the direct current link between Finland and Estonia, and the transmission connection between Yllikkälä and Huutokoski.

ENTSO-E's Ten Year Network Development Plan was drawn up in 2010 between the European transmission system operators. The plan encompasses significant capital investment proposals worth approx. 25 thousand million euros so as to enhance the European transmission system.

Fingrid's gross capital expenditure in 2010 was 144 million euros (136 million euros in 2009). Of this amount, a total of 109 (126) million euros were used for the transmission grid and 31 (5) million euros for reserve power. IT-related capital expenditure was approximately 4 (4) million euros.

Research and development were allocated a total of 1.5 (1.3) million euros. Some 60 research and development projects were in progress in 2010. The foremost R&D input was placed on the development work for transmission line towers and on promoting the system security of the grid, and market integration.

Power system

Electricity consumption in Finland returned to the growth track in 2010, approaching the pre-recession level. Electricity consumption was raised by the rapid increase in industrial electricity use and by the cold winter weather. Electricity consumption in Finland in 2010 totalled 87.5 terawatt hours (81.3 terawatt hours in 2009), which was almost 8 per cent more than in the previous year. A total of 68.1 (62.8) terawatt hours of electricity was transmitted in Fingrid's grid, representing 78 per cent of the electricity consumption in Finland.

Electricity transmissions between Finland and Sweden consisted mainly of exports to Sweden with the exception of the late summer. Construction or maintenance work on the transmission grid did not cause significant restrictions in the transmission capacity made available to the electricity market. A total of 2.8 terawatt hours (2.7 terawatt hours in 2009) of electricity was imported from Sweden to Finland during 2010, and 5.7 (4.1) terawatt hours was exported from Finland to Sweden.

Electricity was exported from Finland to Estonia in the late summer and autumn, but at other times the transmissions were dominated by imports from Estonia to Finland. Fingrid took care of the operation of the Estlink connection together with Elering Oü, the transmission system operator in Estonia. The volume of electricity imports from Estonia to Finland on the Estlink connection was 2.0 (1.8) terawatt hours, and 0.2 terawatt hours of electricity was exported from Finland to Estonia.

The electricity import capacity from Russia was in full use as in previous years. However, the annual service of the connection restricted the import capacity in July. Electricity imports from Russia to Finland totalled 11.6 (11.7) terawatt hours in 2010.

The number of disturbances in the Finnish grid was at the average level as compared to the previous years. There were no significant disturbances in the transmission grid in 2010, although the average time with no electricity, caused by disturbances at the connection points, grew somewhat from the previous years.

Promotion of electricity market

The weather was cold in all the Nordic countries in the early part of 2010. This was reflected in the price spikes of wholesale electricity. Towards the end of the year, the prices were raised by cold weather and scant water reservoirs in Norway. As a result, the price level in the spot market was clearly higher than in 2009. The average system price was 53 euros per megawatt hour (35 €/MWh in 2009), and the average area price for Finland was 57 €/MWh (37 €/MWh).

Significant steps were taken in electricity market integration in 2010. The spot markets in the Nordic countries and Western Continental Europe were integrated on 9 November 2010. As a result of the integration, the transmission capacity between the price areas is now used more efficiently, and there is more competition especially in Western Continental Europe. Market integration in the Baltic Sea region also made swift progress. The Nordic electricity exchange expanded to Estonia at the beginning of April, and trading in the price area of Estonia started actively.

Fingrid accumulated 9 million euros of Nordic congestion income in the year under review. This was mainly created on the border between the bidding areas of Southern Norway and Denmark, but in accordance with the allocation principles applied until the end of November 2010, Fingrid also received a share of this income. In the future, congestion income will only be allocated between the countries creating the income.

In 2010, Fingrid used 0.2 million euros for counter trade (0.7 million euros in 2009). This mainly resulted from disturbances on the cross-border connections and partly from transmission restrictions within Finland.

Financing

The financial position of the Group continued to be satisfactory. During the year, Fingrid issued a total of 86 million eu-

ros worth of bonds in form of private placements, and withdrew a long-term loan of 20 million euros from the Nordic Investment Bank (NIB) and a long-term loan of 150 million euros from the European Investment Bank (EIB). The company has increased the hedging level of its interest costs by entering into primarily interest rate cap contracts extending over the next 3 to 5 years.

The net financial costs excluding the change in the fair value of derivatives decreased considerably to 12 (20) million euros. Interest income was 2 (4) million euros. The net financial costs in accordance with the IFRS were 18 (18) million euros, including the negative change of -6 (2) million euros in the fair value of derivatives.

The cash flow from the operations of the Group deducted by capital expenditure and dividends was -19 (-74) million euros.

The financial assets at 31 December 2010 totalled 222 (204) million euros. The interest-bearing borrowings, totalled 1,077 (995) million euros, of which 878 (679) million euros were long-term and 199 (316) million euros were short-term. The counterparty risk arising from the currency derivative contracts and interest rate derivative contracts was 56 (25) million euros.

The company has a fully undrawn revolving credit facility of 250 million euros.

International rating agencies updated Fingrid's credit ratings in 2010. On 9 August 2010, Fitch Ratings downgraded Fingrid Oyj's long-term issuer default rating (IDR) from AA- to A+, and the short-term IDR from F+ to F1 and a senior unsecured debt rating from AA to AA-. Fitch Ratings assessed Fingrid's outlook to be negative. Standard & Poor's Rating Services (S&P) affirmed Fingrid's credit ratings on 20 September 2010, the long-term rating A+ and the short-term rating is A-1. S&P assessed Fingrid's outlook to be stable. On 20 December 2010, Moody's Investors Service affirmed Fingrid's long-term rating A1 and short-term rating P-1. Moody's assessed Fingrid's outlook to be negative.

Personnel and rewarding systems

The Fingrid Group and Fingrid Oyj employed 263 persons, including temporary employees, at the end of 2010. The corresponding figure a year before was 260. The number of permanent personnel was 249 (245).

Of the personnel employed by the company, 22.4 per cent (22.7 per cent in 2009) were women and 77.6 (77.3) per cent were men at the end of the year. Among permanent personnel, those in age group 24–29 years of age numbered 21 (24) in 2010, 30–34 years 36 (33), 35–39 years 37 (40), 40–44 years 35 (31), 45–49 years 41 (42), 50–54 years 37 (35), 55–59 years 21 (23), and age group 60–65 years 21 (17).

During 2010, a total of 17,564 (15,317) hours were used for personnel training, with an average of 67 (59) hours per person. Employee absences on account of illness in 2010 accounted for 1.7 per cent of the total working hours. In addition to a compensation system which is based on the requirements of each position, Fingrid applies quality and incentive bonus schemes.

Board of Directors and corporate management

Fingrid Oyj's Annual General Meeting was held in Helsinki on 17 March 2010. Timo Rajala, President and CEO, was elected as the Chairman of the Board until 30 June 2010, and Lauri Virkkunen, President and CEO, from 1 July 2010. Timo Karttinen, Executive Vice President, was elected as the First Deputy Chairman of the Board, and Arto Lepistö, Deputy Director General, as the Second Deputy Chairman of the Board. The other Board members elected were Risto Autio, Director, Alternatives, Ari Koponen, Vice President, Ritva Nirkkonen, Fund Raising Manager, and Anja Silvennoinen, Senior Vice President, Energy Business Area.

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 in 2010 were Ritva Nirkkonen (Chairperson), Risto Autio, Arto Lepistö and Anja Silvennoinen. The remuneration committee consisted of Timo Rajala until 30 June 2010 (Chairperson), Lauri Virkkunen from 1 July 2010 (Chairperson), Timo Karttinen and Arto Lepistö.

Jukka Ruusunen serves as the President & CEO of the company.

An account of the governance and control systems of the company, required by the Finnish Corporate Governance Code, has been provided separately. The account 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

Fingrid's internal control is based on independent internal audit, internal operating principles and guidelines, financial reporting, supervision, documentation, and transparent processes and procedures. Internal control intends to make sure that Fingrid works efficiently and productively, that financial reporting is reliable, and that the laws, regulations and the company's own procedural guidelines are followed.

The Board of Directors approves the risk management policy and any changes in it annually. The Board approves the risk management measures as part of the corporate strategy, performance indicators, action plan and budget. 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 internal auditor monitors issues such as adherence to the internal rules of the company, acts and official regula-

tions, and reports his findings concerning the company's procedural guidelines, authorisation and rules 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, internal audit audited in 2010 issues such as the company's continuity planning and outsourced payroll administration as well as processes related to the acquisition of land areas. Internal audit is also responsible for auditing business risk management, and it reports the results of its work to the audit committee.

Fingrid's risk management is divided into the management of operative risks and strategic risks. The heads of the units are responsible for the identification, reporting and risk management measures of operative risks in their respective areas of responsibility. Responsible managers in each function attend to the implementation and follow-up of risk management in their areas of responsibility.

The foremost strategic risks are identified as part of the company's strategy work under the executive management group. The corporate strategy presents the primary corporate-level risks and the related risk management. These risks are monitored, co-ordinated and managed by the executive management group, but each function and/or business process is responsible for implementing its own risk management. The executive management group identifies and assesses regularly the strategic risks pertaining to personnel and expertise, corporate finances, customers and stakeholders, and business processes. Moreover, the risks are assessed in view of society with regard to the functioning of the electricity market, system security, safety, and the environment. The financial administration of the Group is responsible for the control structures relating to the financial reporting process.

Foremost risks and factors of uncertainty

The foremost business risks of the company include risks relating to the functioning of the power system, such as a major disturbance or a power shortage, and incorrect or unanticipated capital expenditure projects, for example due to a change in regional electricity consumption or changes in generation. Risks related to official regulation, such as changes in the Finnish or the European regulation, can also weaken the financial position of the company or its opportunities to pursue the objectives related to the development of the electricity market. Other significant risks include counterparty risk as well as risks pertaining to the price of electricity and changes in the interest rate level. Other risks include personnel risks related to issues such as electrical safety.

Fingrid is prepared for a wide-spread disturbance concerning Finland or the Nordic power system by means of various reserves, procedural guidelines, contingency plans, and exercises. In its strategy, the company also focuses on the versatile utilisation of the operation control system, expedited disturbance management, and management of power shortage situations. A wide-spread disturbance in the power system may be caused by several simultaneous faults in the grid, inoperability of Fingrid's operation control system, insufficiency of production capacity, or an external event which prevents grid operation entirely or partially.

The objective is to avoid incorrect or unanticipated capital expenditure by updating the grid plans regularly, by means of constant interaction with the customers, and by conducting co-operation with the other transmission system operators.

Fingrid's operations are subject to official regulation and supervised by the Energy Market Authority. The company aims to establish well-working and transparent co-operation and interaction with the various stakeholders, to contribute actively to the reports and task forces of authorities, and to focus on working within ENTSO-E, the European Network of Transmission System Operators for Electricity.

An unanticipated increase in costs or decrease in income is restricted by enhancing financial control in the Group and assessment concerning financial latitude. Derivatives are used for hedging against changes in the price of electricity or the interest rate level. The counterparty risk involved in the obligations of parties which have a contractual relationship with Fingrid is limited contractually by using various limits and by regularly monitoring the financial standing of the counterparties.

The expertise and occupational safety risks pertaining to personnel risks are limited by the company's strategic long-term personnel planning, allocated training programmes for both the company's own personnel and service providers and by auditing the work sites systematically in order to attain the best practices and to enhance occupational safety.

As part of its corporate social responsibility, Fingrid has identified the risks that have a major impact on society. These include a major disturbance or an extensive disturbance with a long duration, diminished confidence in the electricity market, postponement of cross-border line construction projects, delayed reinforcement programme for the trunk grid, and unexpected and long-term restrictions in transmission capacity.

In its selected strategic focal areas, Fingrid has also taken the management of these risks into account and made preparations for the risks in its action plan using various means, such as those described above in conjunction with a major disturbance. The company aims to contribute to the integration of the European electricity market and intensification of market mechanisms by constructing new cross-border transmission connections and by publishing market information which has bearing on the transparency of the market. The company prepares and allocates resources for projects which reinforce the cross-border connections and the trunk grid, and takes environmental impacts into account in planning and construction with a long time span. Long-term restrictions in transmission capacity inflict financial disadvantage

on the customers and society. This disadvantage is minimised 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 optimising the timing of outages so that the financial impact on the customers is kept to a minimum.

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 limits the share capital may be increased or lowered without amending the Articles of Association. At present, the share capital is 55,900,000 euros. The shares of the company are divided into series A shares and series B shares.

The number of series A shares is 2,078 and the number of series B shares is 1,247. The votes and dividends 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.

Environmental matters

The environmental principles of the company have been described in Fingrid Oyj's way of working in environmental matters, published on the company's website. The primary environmental impacts of Fingrid's operations are caused by transmission lines which constitute the backbone of the electricity transmission system together with areas required by these plus substations serving as nodes in the transmission grid.

Fingrid has a total of 26,514 tonnes of creosote-impregnated or CCA-impregnated wooden towers and cable trench covers, categorised as hazardous waste. The related disposal costs of approx. 1.9 million euros have been entered in the financial statements under provisions for liabilities and charges, which in turn have been added correspondingly to property, plant and equipment. Equipment used in Fingrid's substations contains 25.9 tonnes of sulphur hexafluoride (SF6 gas), which is categorised as a greenhouse gas. However, no provision has been made for the disposal cost of this gas because it can be re-used after cleaning.

Fingrid serves as the issuing body for guarantees of origin of electricity in Finland. The guarantee is included in the system required by the RES-E directive of the European Union.

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

Changes are taking place in Fingrid's ownership arrangements, because the EU's directive concerning the internal electricity market requires that transmission system companies are unbundled from electricity generating and selling companies by March 2012. By virtue of a preliminary agreement, Fortum Power and Heat Oy is selling its shareholding of 25 per cent in Fingrid to the State of Finland and Mutual Pension Insurance Company Ilmarinen. Pohjolan Voima Oy is also negotiating the divestment of its holding of 25 per cent in Fingrid to the State of Finland and Ilmarinen. After the share transaction, the holding of the State of Finland in Fingrid would be 53.1 per cent and that of Ilmarinen 19.9 per cent. The other shareholders, which are mainly Finnish pension insurance and insurance companies, would have a holding of 27 per cent.

Fingrid is making capital investments totalling 1,700 million euros in the transmission grid and reserve power in the next 10 years. The investments on an annual level are about 100–200 million euros. The extensive capital investments have a negative impact on cash flow and will require additional borrowing. This is why Fingrid will have to raise its grid transmission tariffs in the coming years.

On 28 January 2011, international rating agency Standard & Poor's Rating Services (S&P) placed Fingrid Oyj's long-term corporate credit rating of A+ and short-term corporate credit rating of A-1 on CreditWatch with positive implications.

In other respects, there have been no material events or changes in Fingrid's business or financial situation after the closing of the financial year.

CONSOLIDATED KEY INDICATORS

		2006 IFRS	2007 IFRS	2008 IFRS	2009 IFRS	2010 IFRS
Extent of operations						
Turnover	million €	351.3	334.6	382.3	358.9	456.3
Capital expenditure, gross	million €	69.6	79.2	87.9	135.6	144.1
- of turnover	%	19.8	23.7	23.0	37.8	31.6
Research and development expense	million €	1.2	1.2	0.9	1.3	1.6
- of turnover	%	0.4	0.4	0.2	0.4	0.3
Personnel, average		238	241	241	251	260
Personnel, end of year		233	244	249	260	263
Salaries and bonuses, total	million €	13.8	14.6	15.8	16.0	17.2
Profitability						
Operating profit	million €	79.5	90.7	68.4	50.8	74.4
- of revenue	%	22.6	27.1	17.9	14.1	16.3
Profit before taxes	million €	51.5	56.5	37.5	33.2	56.3
- of revenue	%	14.7	16.9	9.8	9.3	12.3
Return on investment (ROI)	%	6.4	7.3	5.8	3.9	5.1
Return on equity (ROE)	%	10.4	10.3	6.6	5.7	8.7
Financing and financial position						
Equity ratio	%	25.5	27.5	26.7	27.2	28.6
Interest-bearing net borrowings	million €	766.3	754.6	726.7	797.5	855.2
Share-specific indicators						
Earnings per share	€	11,531	12,616	8,379	7,417	12,562
Dividends per share	€	2,082	2,156	2,018	2,022	2,018*
Equity per share	€	115,952	129,338	125,600	134,676	154,654
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, % = $\frac{\text{Profit before taxes + interest and other finance costs}}{\text{Balance sheet total - non-interest-bearing liabilities (average for the year)}} \times 100$

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

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

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

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

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

Interest-bearing net borrowings, € = Interest-bearing borrowings - cash and cash equivalents

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

Fingrid Oyj's distributable funds in the financial statements are 7,208,616.08 euros. After the closing of the financial year, there have not been essential changes in the financial position of the company, nor does the proposed dividend distribution threaten the solvency of the company according to the Board of Directors.

The company's Board of Directors will propose to the Annual General Meeting of Shareholders that

- 2,018.26 euros of dividend per share be paid in accordance with article 5 of the Articles of Association, totalling 6,710,698.27 euros

- 497,917.81 euros to be carried over as unrestricted equity.

2. Financial statements

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	1 Jan - 31 Dec 2010 1,000 €	1 Jan - 31 Dec 2009 1,000 €
REVENUE	2	456,326	358,938
Other operating income	3	6,978	2,248
Raw materials and consumables used	4	-253,593	-188,468
Employee benefits expenses	5	-20,385	-19,803
Depreciation	6	-66,813	-64,612
Other operating expenses	7, 8, 9	-48,096	-37,522
OPERATING PROFIT		**74,416**	**50,780**
Finance income	10	2,040	4,084
Finance costs	10	-20,508	-21,911
Finance income and costs		-18,468	-17,827
Portion of profit of associated companies		384	284
PROFIT BEFORE TAXES		**56,332**	**33,238**
Income taxes	11	-14,564	-8,575
PROFIT FOR THE FINANCIAL YEAR		**41,768**	**24,663**
OTHER COMPREHENSIVE INCOME			
Cash flow hedges	12	31,159	11,760
Translation reserve	12	224	456
Available-for-sale financial assets	12	1	8
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**73,152**	**36,886**
Profit attributable to:			
Equity holders of parent company		41,768	24,663
Total comprehensive income attributable to:			
Equity holders of the company		73,152	36,886
Earnings per share, €	13	12,562	7,417
Earnings per share for profit attributable to the equity holders of the parent company			
Undiluted earnings per share, €	13	12,562	7,417
Diluted earnings per share, €	13	12,562	7,417

Notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	31 Dec 2010 1,000 €	31 Dec 2009 1,000 €
NON-CURRENT ASSETS			
Intangible assets:			
Goodwill	15	87,920	87,920
Other intangible assets	16	89,692	88,039
		177,613	175,960
Property, plant and equipment:	17		
Land and water areas		13,509	11,410
Buildings and structures		82,991	76,877
Machinery and equipment		403,357	412,155
Transmission lines		607,389	607,996
Other property, plant and equipment		3,097	3,253
Advance payments and purchases in progress		142,930	69,447
		1,253,273	1,181,139
Investments:	18		
Equity investments in associated companies		7,718	7,110
Available-for-sale investments		366	329
		8,084	7,439
Receivables:			
Derivative instruments	30	79,400	11,740
Deferred tax assets	26	10,893	6,711
		90,293	18,451
TOTAL NON-CURRENT ASSETS		**1,529,263**	**1,382,988**
CURRENT ASSETS			
Inventories	19	6,101	5,415
Derivative instruments	30	295	2,115
Trade receivables and other receivables	20	57,563	54,184
Financial assets recognised in income statement at fair value	21	217,903	199,766
Cash and cash equivalents	22	3,780	4,105
TOTAL CURRENT ASSETS		**285,642**	**265,585**
TOTAL ASSETS		**1,814,905**	**1,648,573**

Notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	Notes	31 Dec 2010 1,000 €	31 Dec 2009 1,000 €
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	25	55,922	55,922
Share premium account	25	55,922	55,922
Revaluation reserve	25	19,768	-11,392
Translation reserve	25	312	88
Retained earnings	25	382,299	347,255
TOTAL EQUITY		**514,224**	**447,796**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	149,262	121,774
Borrowings	28	877,530	679,124
Provisions	29	1,899	1,921
Derivative instruments	30	116	24,042
		1,028,807	**826,862**
CURRENT LIABILITIES			
Borrowings	28	199,327	315,974
Derivative instruments	30	481	
Trade payables and other liabilities	31	72,066	57,940
		271,874	**373,915**
TOTAL LIABILITIES		**1,300,681**	**1,200,776**
TOTAL EQUITY AND LIABILITIES		**1,814,905**	**1,648,573**

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
Balance at 1 Jan 2009		**55,922**	**55,922**	**-23,159**	**-368**	**329,303**	**417,621**
Comprehensive income							
Profit or loss	25					24,663	24,663
Other comprehensive income							
Cash flow hedges	12			11,760			11,760
Translation reserve	12				456		456
Available-for-sale financial assets	12			8			8
Total other comprehensive income				11,768	456		12,224
Total comprehensive income				**-11,392**	**88**	**24,663**	**36,886**
Transactions with owners							
Dividends relating to 2008						-6,711	-6,711
Balance at 31 Dec 2009		**55,922**	**55,922**	**-11,392**	**88**	**347,255**	**447,796**
Balance at 1 Jan 2010		**55,922**	**55,922**	**-11,392**	**88**	**347,255**	**447,796**
Comprehensive income							
Profit or loss	25					41,768	41,768
Other comprehensive income							
Cash flow hedges	12			31,159			31,159
Translation reserve	12				224		224
Available-for-sale financial assets	12			1			1
Total other comprehensive income				31,160	224		31,384
Total comprehensive income				**31,160**	**224**	**41,768**	**73,152**
Transactions with owners							
Dividends relating to 2009	25					-6,724	-6,724
Balance at 31 Dec 2010		**55,922**	**55,922**	**19,768**	**312**	**382,299**	**514,224**

Notes are an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	1 Jan - 31 Dec 2010 1,000 €	1 Jan - 31 Dec 2009 1,000 €
Cash flow from operating activities:			
Profit for the financial year	25	41,768	24,663
Adjustments:			
Business transactions not involving a payment transaction	36	63,677	62,841
Interest and other finance costs		20,508	21,911
Interest income		-2,035	-4,080
Dividend income		-4	-4
Taxes		14,564	8,575
Changes in working capital:			
Change in trade receivables and other receivables		-3,270	-5,376
Change in inventories		-686	-787
Change in trade payables and other liabilities		-496	707
Change in provisions	29	-23	-34
Financial assets at fair value		-133	-3,081
Interests paid		-19,450	-43,703
Interests received		2,167	7,157
Taxes paid	11	-1,760	-1,956
Net cash flow from operating activities		114,827	66,833
Cash flow from investing activities:			
Purchase of property, plant and equipment	17	-137,982	-127,585
Purchase of intangible assets	16	-4,814	-6,937
Purchase of other assets	18	3	1
Proceeds from sale of property, plant and equipment	17	904	116
Repayment of loans receivable			
Dividends received	10	4	4
Contributions received		15,000	
Net cash flow from investing activities		-126,885	-134,400
Cash flow from financing activities:			
Withdrawal of loans		475,688	365,396
Repayment of loans		-439,094	-293,391
Dividends paid	25	-6,724	-6,711
Net cash flow from financing activities		29,870	65,294
Net change in cash and cash equivalents		**17,812**	**-2,273**
Cash and cash equivalents 1 Jan		**203,871**	**206,144**
Cash and cash equivalents 31 Dec	21, 22	**221,683**	**203,871**

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 (Arkadiankatu 23 B), 00101 Helsinki.

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

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

Fingrid Oyj's Board of Directors has accepted the publication of these financial statements in its meeting on 14 February 2011. 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 20.0%). 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 pension security of the Group's personnel is arranged by an outside pension insurance company. The Group has both contribution-based pension schemes in accordance with IAS 19 and benefit-based schemes. Pension premiums paid for contribution-based schemes are charged to the income statement in the year to which they relate. 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. The present value of the commitment at the closing date is recorded as a liability in the balance sheet of

benefit-based pension schemes. The fair value of the assets included in the scheme is deducted from this present value, and it is adjusted by unrecorded actuarial gains and losses and by expenses based on retroactive long-term work performance. The amount of the commitment resulting from benefit-based schemes is based on annual calculations by impartial actuaries, with the calculations employing the projected unit credit method. The present value of the commitment is determined by discounting the estimated future cash flows by an interest rate which corresponds to the interest rate of high-quality bonds issued by business enterprises. Actuarial gains and losses, which result from empirical adjustments and changes in actuarial assumptions and which exceed 10% of the fair value of the assets included in the scheme or 10% of the present value of the commitment resulting from a benefit-based scheme (depending on which of these two is higher), are recognised in the income statement at fair value.

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

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

Income taxes

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

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

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

Earnings per share

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

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

Goodwill and other intangible assets

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

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

The depreciation periods of intangible assets are as follows:

Computer systems	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. Interest expenses during the construction period are not capitalised. If an asset is made up of several parts with economic lives of different lengths, the parts are recorded as separate items.

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. Permanent impairment of assets is recorded in the income statement. Unlisted securities are recorded at the acquisition cost as their fair values are not reliably available.

Inventories

Inventories are entered at the lower of the acquisition cost or net realisable value. The acquisition cost is determined using the FIFO principle. The net realisable value is the estimated market price in normal business reduced by the estimated future costs of completing and estimated costs required by sale. 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.

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 primary 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 acquisition cost. Derivatives are measured at fair value at the closing date, and their change in fair value is recorded in the income statement in finance income and costs. The fair values of derivatives at the closing date are based on different calculation methods. Foreign exchange forwards have been measured at the forward prices. Interest rate and cross-currency swaps have been measured at the present value on the basis of the yield curve of each currency. Interest rate options have been valued by using generally accepted option pricing models in the market.

Financial securities

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. Bank deposits are classified as held-to-maturity assets and they are recognised at the original acquisition cost. In the financial statements, bank deposits are measured at the amortised acquisition cost.
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 include bond and commercial paper issuance and loans raised by the company, recognised initially at fair value net of the transaction costs incurred. Transaction costs consist of bond prices above or below par value, credit 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 711/2001 by the Finnish Ministry of the Environment categorises decommissioned impregnated wood as hazardous waste. A provision was recorded in 2004 of the related disposal costs materialising in the future decades.

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, provisions, and valuation of assets and liabilities related to benefit-based pensions.

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 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 between the European transmission system operators. 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 in Europe. The ITC compensations are calculated considering the electricity transmissions between the various ITC agreement countries plus the price of electricity in Europe. 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 is monthly in arrears after all parties to the ITC agreement have accepted the invoice sums, approximately 3 to 5 months in arrears for the allocated month. This is why the uninvoiced ITC compensations for August to December 2010 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 2009 except for the effect of changes required by the adoption of the following new standards, interpretations and amendments to existing standards and interpretations on 1 January 2010. These new or revised standards and interpretations do not have a material impact on the 2010 financial statements.

IFRS 3 (Revised) Business Combinations
The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

IAS 27 (Revised) Consolidated and Separate Financial Statements
The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

IFRIC 12 Service Concession Arrangements
The interpretation applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure of public sector services.

IFRIC 15 Agreements for the Construction of Real Estate
The interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction should be recognised.

IFRIC 16 Net Investment in a Foreign Operation
IFRIC 16 clarifies the accounting for the hedge of a net investment in a foreign operation in an entity's consolidated financial statements. It eliminates the possibility of an entity applying hedge accounting for a hedge of the foreign exchange differences between the functional currency of a foreign operation and the presentation currency of the parent's consolidated financial statements. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item.

IFRIC 17 Distribution of non-cash assets to owners
This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets be classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

IFRIC 18 Transfers of Assets from Customers
The interpretation clarifies the requirements of IFRS standards for agreements in which an entity receives from a customer an item of property, plant and equipment or cash to be invested in an item that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

IFRIC 9 and IAS 39 (Amendment) Reassessment of embedded derivatives on reclassification
The amendments to IFRIC 9 and IAS 39 clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in the financial statements.

IAS 39 (Amendment) Financial instruments: Recognition and measurement – Eligible Hedged Items'
The amendment prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.

IFRS 2 (Amendment) Share-based Payment – Group Cash-settled Share-based Payment Transactions
The amendment to IFRS 2 clarifies that an entity that receives goods or services from its suppliers must apply IFRS 2 even though the entity has no obligation to make the required share-based cash payments.

IASB published changes to 12 standards or interpretations in April 2009 as part of the annual Improvements to IFRSs:

IFRS 2 (Amendment) Scope of IFRS 2 – Share-based Payment
The amendment is to confirm that in addition to business combinations as defined by IFRS 3 (revised) 'Business combinations', contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2, 'Share-based payment'.

IFRS 5 (Amendment) Non-current Assets Held for Sale and Discontinued Operations
The amendment clarifies that IFRS 5, 'Non-current assets held for sale and discontinued operations', specifies the disclosures required in respect to non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

IFRS 8 (Amendment) Operating Segments
Minor textual amendment to the standard, and amendment to the basis for conclusions, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker.

IAS 1 (Amendment) Presentation of Financial Statements
The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified

as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IAS 7 (Amendment) Statement of Cash Flows
The amendment is to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities.

IAS 17 (Amendment) Leases
The amendment deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17.

IAS 18 (Amendment) Revenue
Additional guidance added to the appendix to IAS 18 Revenue regarding the determination as to whether an entity is acting as a principal or an agent.

IAS 36 (Amendment) Impairment of Assets
The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined in IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics permitted by IFRS 8).

IAS 38 (Amendment) Intangible Assets
The amendment clarifies the requirements under IFRS 3 (2008) regarding accounting for intangible assets acquired in a business combination.

IAS 38 (Amendment) Intangible Assets
The amendment clarifies the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.

IAS 39 (Amendment) Financial Instruments: Recognition and Measurement
The amendment clarifies that pre-payment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, should be considered closely related to the host debt contract.

IAS 39 (Amendment) Financial Instruments: Recognition and Measurement
The amendment to the scope exemption in paragraph 2 (g) of IAS 39 is to clarify that: (a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date, and the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (b) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions.

IAS 39 (Amendment) Financial Instruments: Recognition and Measurement
The amendment clarifies when to recognise gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss.

IFRIC 9 (Amendment) Reassessment of Embedded Derivatives
The amendment to the scope paragraph of IFRIC 9 clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

IFRIC 16 (Amendment) Hedges of a net investment in a foreign operation
The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

The following new standards, interpretations and amendments to existing standards and interpretations issued during the year 2010 will be adopted by the Group in 2011:

IAS 24 (Revised) Related Party Disclosures
The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard still requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. It achieves this balance by requiring disclosure about these transactions only if they are individually or collectively significant.
The Group will adopt the revised standard in its 2011 financial statements. The interpretation does not have an impact on the consolidated financial statements.

IAS 32 (Amendment) Financial Instruments: Presentation – Classification of Rights Issues
The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.
The Group will adopt the amendment in its 2011 financial statements. The interpretation does not have an impact on the consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
The interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor. IFRIC 19 requires a gain or loss to be recognised in profit or loss when a liability is settled through the issuance of the entity's own equity instruments. The amount of the gain or loss recognised in profit or loss will be the difference between the carrying value of the financial liability and the fair value of the equity instruments issued.
The interpretation does not have an impact on the consolidated financial statements.

IASB published changes to 12 standards or interpretations in May 2010 as part of the annual Improvements to IFRSs:

IFRS 3 (amendments)

a) Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. The amendment clarifies that the amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 32, 'Financial instruments: Presentation', and IAS 39, 'Financial instruments: Recognition and measurement', that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations, whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

b) Measurement of non-controlling interests
The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS.

c) Un-replaced and voluntarily replaced share-based payment awards
The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including unreplaced and voluntarily replaced share-based payment awards.

IFRS 7 (amendment) Financial instruments: Financial statement disclosures
The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.
The amendment does not have a material impact on the financial statements.

IAS 1 (amendment) Presentation of financial statements – statement of changes in equity
Clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
The amendment does not have a material impact on the financial statements.

IAS 27 (amendment) Consolidated and separate financial statements
Clarifies that the consequential amendments from IAS 27 made to IAS 21, 'The effect of changes in foreign exchange rates',

IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', apply prospectively for annual periods beginning on or after 1 July 2009, or earlier when IAS 27 is applied earlier.
The amendment does not have a material impact on the financial statements.

IAS 34 (amendment) Interim financial reporting
The change provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around:
- The circumstances likely to affect fair values of financial instruments and their classification;
- Transfers of financial instruments between different levels of the fair value hierarchy;
- Changes in classification of financial assets; and
- Changes in contingent liabilities and assets.
The amendment does not have a material impact on the financial statements.

2. INFORMATION ON REVENUE AND SEGMENTS

REVENUE, 1,000 €	2010	2009
Transmission revenue	211,462	187,850
Sale of imbalance power	159,812	92,497
Cross-border transmission	23,865	24,353
ITC income	19,298	27,904
Peak load power	13,962	13,469
Estlink congestion income	9,465	
Nordic congestion income	9,045	4,855
Feed-in tariff for peat	895	3,408
Other operating revenue	8,520	4,602
Total	456,326	358,938

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 €

	2010	2009
Rental income	1,632	1,751
Contributions received	138	105
Other income	5,207	392
Total	**6,978**	**2,248**

4. MATERIALS AND SERVICES, 1,000 €

	2010	2009
Purchases during financial year	243,000	169,427
Change in inventories, increase (-) or decrease (+)	-686	-787
Materials and consumables	242,314	168,640
External services	11,279	19,828
Total	**253,593**	**188,468**

5. EMPLOYEE BENEFITS EXPENSES, 1,000 €

	2010	2009
Salaries and bonuses	17,177	16,028
Pension expenses - contribution-based schemes	2,891	2,800
Pension expenses - benefit-based schemes (note 28)	-456	-340
Other additional personnel expenses	773	1,314
Total	**20,385**	**19,803**
Salaries and bonuses of top management (note 37)	**1,376**	**1,358**

The Group uses a compensation system, of which the general principles have been approved by the Board of Directors on 23 October 2007. The principles for the bonus programme for the Executive Management Group have additionally been determined in a meeting held on 12 December 2007 by the Remuneration Committee. The base salary and the profit-based compensation for the Executive Management Group, is based on the strategic indicators of the company. The members of the Executive Management Group are paid a bonus decided by the Remuneration Committee of the Board of Directors, of which the maximum amount is 35% for the President & CEO and 25% for the other members of the Management Executive Group of the annual salary. The system changed from a one-year to a three-year review period as of 1 January 2010, when the compensation will be based on a three-year average of the strategic indicators from 2008 until 2010.

Number of salaried employees in the company during the financial year:	**2010**	**2009**
Personnel, average	260	251
Personnel, 31 Dec	263	260

6. DEPRECIATION, 1,000 €	2010	2009
Intangible assets	2,792	3,665
Buildings and structures	3,669	2,997
Machinery and equipment	32,631	31,760
Transmission lines	27,299	25,824
Other property, plant and equipment	423	367
Total	66,813	64,612

7. OTHER OPERATING EXPENSES, 1,000 €	2010	2009
Contracts, assignments etc. undertaken externally	32,618	30,696
Gains/losses from measuring electricity derivatives at fair value	-2,282	-1,683
Rental expenses	11,543	2,199
Foreign exchange gains and losses	-649	-289
Other expenses	6,866	6,599
Total	48,096	37,522

8. AUDITORS FEES, 1,000 €	2010	2009
Auditing fee	42	34
Other fees	46	8
Total	88	42

9. RESEARCH AND DEVELOPMENT, 1,000 €	2010	2009
Research and development expenses	1,556	1,302
Total	1,556	1,302

10. FINANCE INCOME AND COSTS, 1,000 €	2010	2009
Interest income on held-for-trading financial assets	-2,005	-3,982
Interest income on cash and cash equivalents and bank deposits	-30	-98
Dividend income	-4	-4
	-2,039	-4,084
Interest expenses on borrowings	21,242	24,932
Net financial expenses on interest and foreign exchange derivatives	-7,645	-863
Gains from measuring derivative contracts at fair value	-4,008	-16,637
Losses from measuring derivative contracts at fair value	10,258	13,973
Net foreign exchange gains and losses	0	22
Other finance costs	760	548
	20,607	21,974
Capitalised finance costs, borrowing costs (note 17)	-100	-63
Total	18,468	17,827

11. INCOME TAXES, 1,000 €

	2010	2009
Direct taxes	2,207	1,779
Deferred taxes (note 26)	12,357	6,796
Total	**14,564**	**8,575**
Reconciliation of income tax:		
Profit before taxes	56,332	33,238
Tax calculated in accordance with statutory tax rate in Finland 26%	14,646	8,642
Non-deductible expenses and tax-free income	-82	-67
Tax expense in income statement	**14,564**	**8,575**

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

	2010			2009		
	Before taxes	Tax impact	After taxes	Before taxes	Tax impact	After taxes
Cashflow hedges	38,084	-6,924	31,159	15,891	-4,132	11,760
Translation reserve	224		224	456		456
Items related to long-term asset items available for sale	1	0	1	11	-3	8
Total	**38,308**	**-6,924**	**31,384**	**16,358**	**-4,135**	**12,224**

13. EARNINGS PER SHARE

	2010	2009
Profit for the financial year, 1,000 €	41,768	24,663
Weighted average number of shares, qty	3,325	3,325
Undiluted earnings per share, €	12,562	7,417
Diluted earnings per share, €	12,562	7,417

14. DIVIDEND PER SHARE

After the closing date, the Board of Directors has proposed that a dividend of 2,018.26 (2009: 2,022.29) euros per share be distributed, totalling 6.7 (2009: 6.7) million euros.

15. GOODWILL, 1,000 €

	2010	2009
Cost at 1 Jan	87,920	87,920
Cost at 31 Dec	**87,920**	**87,920**
Carrying amount 31 Dec	**87,920**	**87,920**

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

In impairment testing, the recoverable amount from business is defined by means of value in use. The cash flow forecasts used in impairment calculations are based on ten year strategic financial estimates. 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 ten 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%.

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 €	2010	2009
Land use rights		
Cost at 1 Jan	82,114	78,935
Increases 1 Jan - 31 Dec	2,545	3,179
Decreases 1 Jan - 31 Dec	-59	
Cost at 31 Dec	**84,600**	**82,114**
Carrying amount 31 Dec	**84,600**	**82,114**
Other intangible assets		
Cost at 1 Jan	21,623	18,370
Increases 1 Jan - 31 Dec	1,959	3,252
Cost at 31 Dec	**23,582**	**21,623**
Accumulated depreciation according to plan 1 Jan	-15,697	-12,032
Depreciation according to plan 1 Jan - 31 Dec	-2,792	-3,665
Carrying amount 31 Dec	**5,092**	**5,925**
Carrying amount 31 Dec	**89,692**	**88,039**

17. PROPERTY, PLANT AND EQUIPMENT, 1,000 €	2010	2009
Land and water areas		
Cost at 1 Jan	11,410	10,832
Increases 1 Jan - 31 Dec	2,098	583
Decreases 1 Jan - 31 Dec	0	-4
Cost at 31 Dec	**13,509**	**11,410**
Carrying amount 31 Dec	**13,509**	**11,410**
Buildings and structures		
Cost at 1 Jan	97,842	73,883
Increases 1 Jan - 31 Dec	9,783	23,959
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	**107,624**	**97,842**
Accumulated depreciation according to plan 1 Jan	-20,964	-17,967
Decreases, depreciation according to plan 1 Jan - 31 Dec		
Depreciation according to plan 1 Jan - 31 Dec	-3,669	-2,997
Carrying amount 31 Dec	**82,991**	**76,877**
Machinery and equipment		
Cost at 1 Jan	663,983	612,269
Increases 1 Jan - 31 Dec	23,836	51,714
Decreases 1 Jan - 31 Dec	-4	
Cost at 31 Dec	**687,816**	**663,983**
Accumulated depreciation according to plan 1 Jan	-251,828	-220,068
Decreases, depreciation according to plan 1 Jan - 31 Dec		
Depreciation according to plan 1 Jan - 31 Dec	-32,631	-31,760
Carrying amount 31 Dec	**403,357**	**412,155**

Transmission lines		
Cost at 1 Jan	869,911	806,702
Increases 1 Jan - 31 Dec	27,130	63,626
Decreases 1 Jan - 31 Dec	-668	-417
Cost at 31 Dec	**896,373**	**869,911**
Accumulated depreciation according to plan 1 Jan	-261,915	-236,219
Decreases, depreciation according to plan 1 Jan - 31 Dec	230	128
Depreciation according to plan 1 Jan - 31 Dec	-27,299	-25,824
Carrying amount 31 Dec	**607,389**	**607,996**
Other property, plant and equipment		
Cost at 1 Jan	13,830	12,838
Increases 1 Jan - 31 Dec	266	991
Cost at 31 Dec	**14,096**	**13,830**
Accumulated depreciation according to plan 1 Jan	-10,577	-10,210
Depreciation according to plan 1 Jan - 31 Dec	-423	-367
Carrying amount 31 Dec	**3,097**	**3,253**
Advance payments and purchases in progress		
Cost at 1 Jan	69,447	81,081
Increases 1 Jan - 31 Dec	127,274	84,961
Transfers to other property, plant, and equipment and to other intangible assets 1 Jan - 31 Dec	-53,890	-96,659
Borrowing costs capitalised in the financial year (note 10)	100	63
Cost at 31 Dec	**142,930**	**69,447**
Carrying amount 31 Dec	**142,930**	**69,447**
Carrying amount 31 Dec	**1,253,273**	**1,181,139**

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 €	2010	2009
Available-for-sale investments		
Cost at 1 Jan	329	324
Increases 1 Jan - 31 Dec	39	
Decreases 1 Jan - 31 Dec	-3	-7
Changes in fair value 1 Jan - 31 Dec	1	11
Carrying amount 31 Dec	**366**	**329**
The changes in fair value are recorded in equity (note 25).		
Equity investments in associated companies		
Cost at 1 Jan	7,110	6,370
Portion of profit 1 Jan - 31 Dec	384	284
Translation differences 1 Jan - 31 Dec	224	456
Carrying amount 31 Dec	**7,718**	**7,110**
Carrying amount 31 Dec	**8,084**	**7,439**
Goodwill contained in the carrying amount of associated companies at 31 Dec	3,245	3,245

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

Financial summary of associated companies, 1,000 €

2009	Assets	Liabilities	Revenue	Profit/loss	Ownership (%)
Nord Pool Spot AS, Lysaker, Norway	292,049	273,554	12,346	1,215	20.0
Porvoon Alueverkko Oy, Porvoo, Finland	5,931	5,832	5,066	96	33.3

2010	Assets	Liabilities	Revenue	Profit/loss	Ownership (%)
Nord Pool Spot AS, Lysaker, Norway	340,747	319,121	13,839	2,002	20.0
Porvoon Alueverkko Oy, Porvoo, Finland	5,797	5,209	4,949	12	33.3

Subsidiary shares 31 Dec 2010	Ownership (%)	Ownership (%)
Finextra Oy, Helsinki, Finland	100	100

19. INVENTORIES, 1,000 €

	2010	2009
Materials and consumables at 1 Jan	5,542	5,318
Work in progress	559	97
Total	**6,101**	**5,415**

The cost of inventories recognised as expense was 0.2 (2009: 0.5) million euros.

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

	2010	2009
Trade receivables	45,300	39,419
Trade receivables from associated companies (note 37)	3,219	777
Prepayments and accrued income	9,001	13,956
Other receivables	43	32
Total	**57,563**	**54,184**

Essential items included in prepayments and accrued income	2010	2009
Accruals of sales	3,606	8,996
Accruals of purchases/prepayments	857	533
Interest receivable	4,334	3,917
Rents/prepayments	205	205
Total	**9,001**	**13,650**

Age distribution of trade receivables	2010	2009
Unmatured trade receivables	47,970	39,840
Trade receivables matured by 1–30 days	501	274
Trade receivables matured by 31–60 days	32	3
Trade receivables matured by more than 60 days	16	79
Total	**48,519**	**40,196**

On 31 December 2010 or on 31 December 2009, the company did not have matured trade receivables of which impairment losses would have been recorded. Based on earlier payments, the company expects to receive the matured receivables in less than 3 months. Receivables where the due dates have been renegotiated are not included in matured trade receivables.

Trade receivables and other receivables broken down by currencies, 1,000 €	2010	2009
EUR	57,546	54,174
GBP		7
SEK	17	4
Total	**57,563**	**54,184**

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

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

	2010	2009
Certificates of deposit	99,659	74,881
Commercial papers	118,244	124,885
Total	**217,903**	**199,766**

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

22. CASH AND CASH EQUIVALENTS, 1,000 €

	2010	2009
Cash and bank accounts	1,111	1,812
Pledged accounts	2,669	592
Money market deposits		1,700
Total	**3,780**	**4,105**

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

Balance sheet item 31 Dec 2010	Loans and other receivables	Assets/ liabilities recognised in income statement at fair value	Available-for-sale financial assets	Financial assets/ liabilities measured at amortised cost	Total	Note
Non-current financial assets						
Available-for-sale investments			366		366	18
Interest rate and currency derivatives		52,798			52,798	30
Current financial assets						
Interest rate and currency derivatives		4,629			4,629	30
Other financial receivables						
Trade receivables and other receivables	57,563				57,563	20
Cash and cash equivalents recognised in income statement at fair value		217,903			217,903	21
Cash in hand and bank receivables	3,780				3,780	22
Financial assets total	**61,343**	**275,330**	**366**		**337,039**	

Non-current financial liabilities						
Borrowings				877,530	877,530	28
Interest rate and currency derivatives		116			116	30
Current financial liabilities						
Borrowings				199,327	199,327	28
Interest rate and currency derivatives		1,679			1,679	30
Trade payables and other liabilities	58,556			9,843	68,398	31
Financial liabilities total	**58,556**	**1,795**		**1,086,700**	**1,147,051**	

Balance sheet item 31 Dec 2009	Loans and other receivables	Assets/ liabilities recognised in income statement at fair value	Available-for-sale financial assets	Financial assets/ liabilities measured at amortised cost	Total	Note
Non-current financial assets						
Available-for-sale investments			329		329	18
Interest rate and currency derivatives		11,740			11,740	30
Current financial assets						
Interest rate and currency derivatives		6,032			6,032	30
Other financial receivables	1				1	
Trade receivables and other receivables	54,184				54,184	20
Cash and cash equivalents recognised in income statement at fair value		199,766			199,766	21
Cash in hand and bank receivables	4,105				4,105	22
Financial assets total	**58,290**	**217,538**	**329**		**276,156**	
Non-current financial liabilities						
Borrowings				679,124	679,124	28
Interest and currency derivatives		7,595			7,595	30
Current financial liabilities						
Borrowings				315,974	315,974	28
Trade payables and other liabilities	45,548			8,665	54,213	31
Financial liabilities total	**45,548**	**7,595**		**1,003,763**	**1,056,906**	

24. FAIR VALUE HIERARCHY, 1,000 €

	2010			2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets held at fair value						
Available-for-sale investments	49	265		48	265	
Interest rate and currency derivatives		56,645			11,567	
Electricity forward contracts, NASDAQ OMX Commodities	26,602					
Financial assets recognised at fair value		217,903			199,766	
Financial assets held at fair value total	**26,651**	**274,813**		**48**	**211,598**	

Financial liabilities held at fair value			
Interest rate and currency Derivative instruments	1,013		1,391
Electricity forward contracts, NASDAQ OMX Commodities		17,605	
Electricity forward contracts, others			182
Financial liabilities held at fair value total	**1,013**	**17,605**	**1,574**

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 significant 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.

25. EQUITY

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

Share capital and share premium account, 1,000 €	Share capital	Share premium account	Total
1 Jan 2009	55,922	55,922	111,845
Change			
31 Dec 2009	55,922	55,922	111,845
Change			
31 Dec 2010	**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 2010	2,078	1,247	3,325
Change			
31 Dec 2010	**2,078**	**1,247**	**3,325**

The maximum number of shares is 13,000 as in 2009. The shares have no par value.

Series A shares confer three votes each at a shareholders' meeting and series B shares one vote each. When electing members of the Board of Directors, series A share confers 10 votes each at a shareholders' meeting and each series B share one vote each.

Series B shares have 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 before series A shares to receive the annual dividend and the undistributed amount.

The shareholders' meeting decides on the annual dividend.
The determination of the dividend: 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 the year 2010 is 6.0%.

There are no minority interests.

Shareholders by different categories	Number of shares qty	Of all shares %	Of votes %
Public enterprises	834	25.08	33.44
Private enterprises	844	25.38	33.57
Public organisations	410	12.33	16.44
Financial and insurance institutions	1,237	37.20	16.55
Total	**3,325**	**100.00**	**100.00**

Shareholders	Number of shares qty	Of all shares %	Of votes %
Fortum Power and Heat Oy	834	25.08	33.44
Pohjolan Voima Oy	834	25.08	33.44
Republic of Finland	410	12.33	16.44
Varma Mutual Pension Insurance Company	405	12.18	5.41
Mutual Pension Insurance Company Ilmarinen	350	10.53	4.68
Tapiola Mutual Pension Insurance Company	150	4.51	2.01
Suomi Mutual Life Assurance Company	75	2.26	1.00
Pohjola Insurance Ltd	75	2.26	1.00
Mandatum Life Insurance Company Limited	54	1.62	0.72
Tapiola General Mutual Insurance Company	50	1.50	0.67
Tapiola Mutual Life Assurance Company	47	1.41	0.63
If P&C Insurance Company Ltd	25	0.75	0.33
Imatran Seudun Sähkö Oy	10	0.30	0.13
Fennia Life Insurance Company	6	0.18	0.08
Total	**3,325**	**100.00**	**100.00**

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

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

Hedge reserve, 1,000 €	2010	2009
1 Jan	-11,452	-23,211
Changes in fair value during financial year	38,084	15,891
Taxes	-6,924	-4,132
Hedge reserve 31 Dec	**19,708**	**-11,452**

Revaluation reserve, 1,000 €	2010	2009
1 Jan	60	52
Changes in fair value during financial year	1	11
Taxes on changes in fair value during financial year	0	-3
Revaluation reserve 31 Dec	**61**	**60**

Translation reserve, 1,000 €	2010	2009
Translation reserve 31 Dec	**312**	**88**

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

Dividends, 1,000 €	2010	2009
Dividends paid	**6,724**	**6,711**

The proposal for dividend distribution for the financial year 2010 is presented in note 14.

Retained earnings, 1,000 €	2010	2009
Profit from previous financial years	340,531	322,592
Profit for the financial year	41,768	24,663
Retained earnings 31 Dec	**382,299**	**347,255**

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

	2010	2009
Deferred tax assets		
Valuation of derivative contracts and other financial assets and liabilities at fair value	1,924	6,198
Other temporary differences	8,970	513
	10,893	6,711
Deferred tax liabilities		
Accumulated depreciation difference	113,453	103,074
Tangible and intangible assets	17,522	14,997
Valuation of derivative contracts and other financial assets and liabilities at fair value	16,515	2,683
Other temporary differences	1,772	1,019
	149,262	121,774
Total*	**138,368**	**115,063**

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

Deferred tax assets	10,893	6,711
Deferred tax liabilities	149,262	121,774

Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	8,710	5,334
Deferred tax asset to be recovered within 12 months	2,183	1,378
	10,893	6,711
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	147,377	119,889
Deferred tax liability to be recovered within 12 months	1,885	1,885
	149,262	121,774
Total	**138,368**	**115,063**

Changes in deferred taxes in 2010:

	31 Dec 2009	Recorded in income statement at fair value	Recorded in other comprehensive income	31 Dec 2010
Deferred tax assets				
Provisions	500	-6		494
Current financial assets	1,376	516		1,892
Non-current financial assets	196			
Interest-bearing liabilities		10,242		8,464
Derivative instruments	4,625	-571	-4,024	30
Other items	15	-1		13
Total	**6,711**	**10,179**	**-4,024**	**10,893**
Deferred tax liabilities				
Accumulated depreciations difference	-103,074	-10,379		-113,453
Property, plant and equipment, tangible and intangible assets	-14,997	-2,525		-17,522
Available-for-sale investments	-39		0	-39
Other receivables	-1,020	-109		-1,128
Financial assets recognised in income statement at fair value	-148	35		-113
Non-current financial assets		-9,634		-9,438
Interest-bearing liabilities	-1,778			
Derivative instruments			-6,924	-6,924
Trade payables and other liabilities	-718	75		-644
Total	**-121,774**	**-22,536**	**-6,925**	**-149,262**
Deferred net liabilities	**-115,062**	**-12,357**	**-10,949**	**-138,368**

Changes in deferred taxes in 2009:

	31 Dec 2008	Recorded in income statement at fair value	Recorded in equity	31 Dec 2009
Deferred tax assets				
Provisions	508	-9		500
Current financial assets	1,408	-32		1,376
Non-current financial assets	548	-353		196
Derivative instruments	9,194	-437	-4,132	4,625
Other items	19	-4		15
Total	**11,678**	**-835**	**-4,132**	**6,711**
Deferred tax liabilities				
Accumulated depreciation difference	-100,355	-2,719		-103,074
Property, plant and equipment, tangible and intangible assets	-12,557	-2,440		-14,997
Available-for-sale investments	-36		-3	-39
Other receivables	-57	-963		-1,020
Financial assets recognised in income statement at fair value	-949	801		-148
Interest-bearing liabilities	-865	-913		-1,778
Trade payables and other liabilities	-990	272		-718
Total	**-115,810**	**-5,961**	**-3**	**-121,774**
Deferred net liabilities	**-104,132**	**-6,796**	**-4,135**	**-115,062**

27. PENSION COMMITMENTS

The most important pension scheme of the Group is a contribution-based scheme in accordance with TyEL (Finnish Employee Pensions Act), where the benefits are determined directly on the basis of the beneficiary's earnings.

The Group has a benefit-based supplementary pension scheme covering those born between 1945 and 1949 who have worked at Fingrid at least as of 1 September 1997. These persons can retire at certain discretionary conditions at the earliest at an age of 60 and at the earliest in 2006. The payment of the supplementary pension will finish when the person reaches old age pension and at the latest at the age of 63, after which the person's pension will be composed of the statutory pensions incurred by that time.

The accumulation of benefit-based supplementary pension scheme for those employees who are part of the supplementary pension scheme has been terminated at 31 December 2009.
*) The pension expense and pension liabilities are zero euro starting from 31 December 2009.

Benefit-based pension expense in income statement, 1,000 €	2010	2009
Expenses based on service during financial year		46
Expected return on scheme assets		-35
Interest expenses		36
Other		24
Actuarial gains (-) and losses (+)		-164
Total		**-94**

*) Benefit-based pension liability in balance sheet, 1,000 €	2010	2009
Present value of funded obligations		
Fair value of scheme assets		
Deficit/surplus		
Unrecognised net actuarial gains (+) and losses (-)		
Net liability		

Changes in present value of benefit obligations, 1,000 €	2010	2009
Present value of benefit obligations 1 Jan		600
Service cost		46
Interest cost on benefit obligations		36
Other		-681
Actuarial gains (+) and losses (-)		
Present value of benefit obligations 31 Dec		

Fair value of plan assets, 1,000 €	2010	2009
Fair value of plan assets 1 Jan		593
Expected return on plan assets		35
Contributions by employer		77
Other		-705
Actuarial gains (+) and losses (-)		
Fair value of plan assets 31 Dec		

Principal actuarial assumptions used	
Discount rate (%)	5.00
Expected return on scheme assets (%)	5.00
Rate of increase in future compensation levels (%)	3.30
Future pension increases (%)	0.00
Inflation (%)	2.00

28. BORROWINGS, 1,000 €

Non-current	2010 Fair value	2010 Balance sheet value	2009 Fair value	2009 Balance sheet value
Bonds	675,619	663,218	638,106	627,655
Loans from financial institutions	212,976	214,312	53,139	51,469
	888,595	877,530	691,245	679,124
Current				
Current portion of long-term borrowings maturing within a year	105,888	104,768	95,594	94,304
Other loans / Commercial papers (international and domestic)	94,897	94,559	222,371	221,671
	200,785	199,327	317,965	315,974
Total	**1,089,380**	**1,076,858**	**1,009,209**	**995,098**

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 €				2010	2009
International:		Maturity date	Interest		
EUR	10,000	31.03.2010	interest rate structure		10,000
EUR	10,000	16.03.2011	3.625 %	10,000	10,000
EUR	25,000	23.03.2011	variable interest	25,000	25,000
EUR	15,000	24.03.2011	variable interest	15,000	15,000
EUR	20,000	07.04.2011	variable interest	20,000	20,000
EUR	25,000	16.03.2012	variable interest	25,000	25,000
EUR	25,000	12.04.2012	variable interest	25,000	25,000
EUR	10,000	16.04.2013	variable interest	10,000	10,000
EUR	20,000	28.04.2013	variable interest	20,000	20,000
EUR	20,000	15.10.2013	4.30 %	20,000	20,000
EUR	24,000	02.07.2014	variable interest	24,000	24,000
EUR	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	
				305,000	**285,000**
FIM	160,000	19.08.2013	5.20 %	26,908	26,906
				26,908	**26,906**
JPY	1,000,000	12.07.2010	2.00 %		7,510
JPY	2,000,000	16.10.2010	1.022 %		15,020
JPY	3,000,000	05.07.2011	1.31 % *	27,612	22,529
JPY	3,000,000	25.07.2012	1.3575 % **	27,612	22,529
JPY	3,000,000	20.04.2015	1.45 %	27,612	22,529
JPY	500,000	22.06.2017	1.28 %	4,602	
				87,437	**90,117**
CHF	39,000	15.03.2010	2.24 %		26,287
CHF	39,000	22.05.2012	2.475 %	31,190	26,287
				31,190	**52,575**

CZK	750,000	05.05.2010	variable interest		28,331
					28,331
NOK	170,000	19.11.2014	4.68 %	21,795	20,482
NOK	200,000	17.10.2016	5.15 %	25,641	24,096
NOK	200,000	11.04.2017	5.16 %	25,641	24,096
NOK	200,000	10.11.2017	5.12 %	25,641	24,096
NOK	200,000	12.11.2019	5.37 %	25,641	24,096
				124,359	**116,867**
SEK	225,000	03.04.2012	variable interest	25,096	21,947
SEK	225,000	11.04.2012	variable interest	25,096	21,947
SEK	100,000	21.03.2013	variable interest	11,154	9,754
SEK	200,000	03.04.2013	3.70 %	22,308	19,508
SEK	175,000	04.04.2014	4.30 %	19,519	17,070
SEK	300,000	15.06.2015	3.195 %	33,462	
SEK	100,000	17.06.2015	3.10 %	11,154	
SEK	220,000	01.12.2015	interest rate structure	26,994	24,779
SEK	100,000	15.01.2016	3.297 %	11,154	
				185,936	**115,005**
Bonds, long-term total				663,218	627,655
Bonds, short-term total				97,612	87,147
Total				**760,830**	**714,802**

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

Maturity of non-current borrowings, 1,000 €

	2011	2012	2013	2014	2015	2015+	Total
Bonds	97,612	158,994	110,369	101,314	99,221	193,320	**760,830**
Loans from financial institutions	7,156	9,156	11,156	4,000	16,424	173,576	**221,469**
Total	**104,768**	**168,150**	**121,526**	**105,314**	**115,645**	**366,896**	**982,299**

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.

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

	2010	2009
Provisions 1 Jan	1,921	1,955
Provisions used	-23	-34
Provisions 31 Dec	**1,899**	**1,921**

30. DERIVATIVE INSTRUMENTS, 1,000 €

	2010				2009	
	Fair value		Net fair value	Nominal value	Net fair value	Nominal value
Interest rate and currency derivatives	Positive 31 Dec 2010	Negative 31 Dec 2010	31 Dec 2010	31 Dec 2010	31 Dec 2009	31 Dec 2009
Cross-currency swaps	48,940	-479	48,462	426,467	-1,391	399,576
Forward contracts	245		245	1,747	218	14,079
Interest rate swaps	300	-1,313	-1,013	241,000	223	191,000
Interest rate options, bought	7,938		7,938	880,000	11,125	750,000
Total	**57,424**	**-1,792**	**55,632**	**1,549,214**	**10,176**	**1,354,654**

	Fair value		Net fair value	Volume TWh	Net fair value	Volume TWh
Electricity derivatives	Positive 31 Dec 2010	Negative 31 Dec 2010	31 Dec 2010	31 Dec 2010	31 Dec 2009	31 Dec 2009
Electricity forward contracts, designated as hedge accounting, NASDAQ OMX Commodities	26,625	-400	26,225	3.66	-17,528	3.61
Electricity forward contracts, NASDAQ OMX Commodities	377		377	0.03	-77	0.02
Electricity forward contracts, others					-182	0.02
Total	**27,002**	**-400**	**26,602**	**3.69**	**-17,787**	**3.65**

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.

Electricity forward contracts, others, include bilateral financial and physical purchase commitments concerning electricity purchases, not cleared separately by a clearing organisation. The derivatives hedge future electricity losses.

The net fair value of derivatives indicates the realised profit/loss if they had been reversed on the last business day of 2010.

Maturity of derivative contracts:

Nominal value, 1,000 €	2011	2012	2013	2014	2015	2015+	Total
Interest rate swaps	10,000	55,000	80,000	36,000	30,000	30,000	**241,000**
Interest rate options	0	30,000	185,000	445,000	220,000	0	**880,000**
Cross-currency swaps	27,612	108,994	33,642	41,314	96,766	118,320	**426,647**
Forward contracts	1,743						**1,743**
Total	**39,354**	**193,994**	**298,642**	**522,314**	**346,766**	**148,320**	**1,549,390**

TWh	2011	2012	2013	2014	2015	2015+	Total
Electricity derivatives	1.12	0.99	0.79	0.53	0.26		**3.69**
Total	**1.12**	**0.99**	**0.79**	**0.53**	**0.26**		**3.69**

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

	2010	2009
Trade payables	30,805	28,047
Trade payables to associated companies	324	146
Interest liabilities	9,843	8,665
Value added tax	3,051	3,169
Electricity tax	616	559
Accruals	26,782	16,767
Other debt	644	589
Total	**72,066**	**57,940**

Essential items included in accruals	**2010**	**2009**
Personnel expenses	4,409	4,028
Accruals of sales and purchases	22,361	12,727
Other	12	12
Total	**26,782**	**16,767**

32. COMMITMENTS AND CONTINGENT LIABILITIES, 1,000 €

	2010	2009
Pledges		
Pledge covering property lease agreements	46	46
Pledged account in favour of the Customs Office	150	150
Pledged account covering electricity exchange purchases	1,878	396
	2,074	**592**
Unrecorded investment commitments	**385,012**	**177,277**
Other financial commitments		
Counterguarantee in favour of an associated company	1,700	1,700
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	120	158
Commitment fee for subsequent years	89	255
	1,908	**2,113**
Donation of five-year professorship to Helsinki University of Technology for 2006–2010		120

33. OTHER LEASE AGREEMENTS, 1,000 €

	2010	2009
Minimum rental obligations of other irrevocable lease agreements:		
In one year	2,038	1,793
In more than one year and less than five years	9,664	3,840
In more than five years	16,003	1,869
Total	**27,706**	**7,501**

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

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

34. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

There are no ongoing legal proceedings or proceedings by authorities that would have a material impact on the business of the company. In relation to transmission line projects there are many times complaints made to different instances of justice. According to the management of the company there are no ongoing legal proceedings or other such legal proceedings relating to other areas, which final outcome would have a material impact on the financial position of the Group.

In December 2008 the Market Court reached a decision concerning Fingrid's appeal to the Energy Market Authority´s decision 13 December 2007 "Determination of the methodology for the assessment of the return of the grid owners' grid operations transmission services pricing for the review period starting on 1 January 2008 and ending on 31 December 2011". The Market Court partly changed the Energy Market Authority's decision according to Fingrid's appeal. The Energy Market Authority in turn appealed the decision to the Supreme Administrative Court. The Supreme Administrative Court partly approved the Energy Market Authority's appeal.

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 primary principles for risk management and any amendments to them. The Board of Directors approves the primary action for risk management as part of the corporate strategy, indicators, operating plan, and budget. The control committee of the Board of Directors receives 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.

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

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

Risk management processes
The treasury is in charge of risk management monitoring, systems and models as well as methods, for risk calculation and assessment. The internal audit additionally ensures that there is compliance with the primary 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 primary principles for financing or in the loss power procurement policy, and chosen in order to achieve efficient hedging of a risk exposure.

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

Transaction exposure
The company issues securities in the domestic and international money and capital markets. The 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. 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 2010	Carrying amount	Portion %	Hedging degree	Currency distribution 31 Dec 2009	Carrying amount	Portion %	Hedging degree
EUR	647,936	60		EUR	592,203	60	
CHF	31,190	3	100	CHF	52,575	5	100
CZK				CZK	28,331	3	100
JPY	87,437	8	100	JPY	90,117	9	100
NOK	124,359	12	100	NOK	116,867	12	100
SEK	185,936	17	100	SEK	115,005	12	100
Total	**1,076,858**	**100**	**100**	**Total**	**995,098**	**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 2010		Bonds	Commercial papers	Total	Cross-currency swaps	Forward contracts	Total	Net exposure Total
CHF	+10 %	-3,608		-3,608	3,608		3,608	0
	- 10 %	2,952		2,952	-2,952		-2,952	0
JPY	+10 %	-9,442		-9,442	9,442		9,442	0
	- 10 %	8,135		8,135	-8,135		-8,135	0
NOK	+10 %	-14,280		-14,280	14,280		14,280	0
	- 10 %	11,684		11,684	-11,684		-11,684	0
SEK	+10 %	-20,583		-20,583	20,583		20,583	0
	- 10 %	16,841		16,841	-16,841		-16,841	0

Exchange rate changes, 1,000 €

31 Dec 2009		Bonds	Commercial papers	Total	Cross-currency swaps	Forward contracts	Total	Net exposure Total
CHF	+10 %	-6,033		-6,033	6,033		6,033	0
	- 10 %	4,936		4,936	-4,936		-4,936	0
CZK	+10 %	-3,164		-3,164	3,164		3,164	0
	- 10 %	2,588		2,588	-2,588		-2,588	0
JPY	+10 %	-10,209		-10,209	10,209		10,209	0
	- 10 %	8,354		8,354	-8,354		-8,354	0
NOK	+10 %	-13,158		-13,158	13,158		13,158	0
	- 10 %	10,765		10,765	-10,765		-10,765	0
SEK	+10 %	-12,738		-12,738	12,738		12,738	0
	- 10 %	10,422		10,422	-10,422		-10,422	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 €		2010	2009
		Equity 31 Dec 2010	Equity 31 Dec 2009
NOK	+10 %	481	429
	-10 %	-393	-351

Interest rate risk

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

Interest rate risk is managed in accordance with the main principles of financing so that 30–70% of the interest costs are hedged over the next five years. When the interest rates are high, the hedging level is kept close to the lower limit of the range, and when the interest rates are low, the hedging level is kept close to the upper limit of the range. The specified low level of interest rates is 3% or less, and high level of interest rates is 5% or more. At the end of 2010, 70% of the interest costs for the next five years were hedged, and correspondingly 50% were hedged at the end of 2009.

The sensitivity of the interest rate risk is measured as a 1 percentage unit interest rate fluctuation and by using the CfaR method (Cashflow at Risk). The assumed fluctuation in interest rates is the effect of a 1 percentage unit fluctuation during the next 12 months from the closing date. The analysis of interest rate sensitivity is carried out on 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 €	2010		2009	
	-1 %-unit	+1 %-unit	-1 %-unit	+1 %-unit
Borrowings	6,692	-6,692	7,664	-7,664
Interest rate derivatives	-1,034	1,034	-442	442
Borrowings total	5,658	-5,658	7,222	-7,222
Cash and cash equivalents	-1,772	1,772	-1,740	1,740
Net borrowings total	**3,887**	**-3,887**	**5,482**	**-5,482**

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 €		2010			2009
		31 Dec 2010			31 Dec 2009
Confidence level		Net finance costs	Confidence level		Net finance costs
96 %	min.	16,511	96 %	min.	12,306
	max.	22,339		max.	20,073
98 %	min.	16,264	98 %	min.	11,908
	max.	22,642		max.	20,720

Commodity risk

The company is exposed to price and volume risk through transmission losses. Loss energy purchases are hedged in accordance with the loss energy purchasing principles accepted by the Board of Directors. The time span of price hedging is five years, divided into three parts: basic, budgetary and operative hedging. Moreover, the company has 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 39.9 million euros higher or lower (30.7 million euros in 2009).

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

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

The company's funding is carried out through debt issuance programmes. The company operates in the international capital market by issuing bonds under the Medium Term Note Programme: The Programme size is 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. Neither does any of these agreements or programmes 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 2010		2011	2012	2013	2014	2015	2015+	Total
Bonds	- repayments	97,612	158,994	110,371	101,314	99,220	193,319	760,830
	- interest costs	19,783	19,224	17,421	14,616	11,095	17,101	99,240
Loans from financial	- repayments	7,156	9,156	11,156	4,000	16,424	173,576	221,469
institutions	- interest costs	5,543	5,757	6,145	6,256	6,486	31,746	61,933
Commercial papers	- repayments	94,559						94,559
	- interest costs	441						441
Cross-currency swaps	- payments	33,729	105,101	38,878	46,613	93,957	121,436	439,715
Interest rate swaps	- payments	4,142	4,353	4,222	2,277	1,829	2,037	18,860
Forward contracts	- payments	1,501						1,501
Guarantee commitment*	- payments	1,700						1,700
Total		**266,166**	**302,586**	**188,194**	**175,076**	**229,011**	**539,215**	**1,700,248**
Cross-currency swaps	- receivables	40,966	122,059	44,602	51,635	105,320	130,876	495,457
Interest rate swaps	- receivables	3,811	3,941	3,573	2,429	1,941	1,842	17,537
Forward contracts	- receivables	1,743						1,743
Total		**46,520**	**126,000**	**48,175**	**54,064**	**107,261**	**132,718**	**514,737**
Grand total		**219,646**	**176,586**	**140,019**	**121,012**	**121,750**	**406,497**	**1,185,511**

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

31 Dec 2009		2010	2011	2012	2013	2014	2015+	Total
Bonds	- repayments	87,147	92,529	142,711	106,169	97,552	188,694	714,802
	- interest costs	16,289	18,046	17,422	15,207	12,012	22,627	101,603
Loans from financial institutions	- repayments	7,156	7,156	9,156	11,156	4,000	20,000	58,626
	- interest costs	982	1,316	1,410	1,192	964	2,620	8,484
Commercial papers	- repayments	221,671						221,671
	- interest costs	829						829
Cross-currency swaps	- payments	79,965	36,259	107,470	39,178	46,019	158,754	467,646
Interest rate swaps	- payments	1,843	3,441	3,631	3,062	764		12,741
Forward contracts	- payments	7,496	1,501					8,997
Guarantee commitment*	- payments	1,700						1,700
Total		**425,079**	**160,249**	**281,800**	**175,965**	**161,311**	**392,695**	**1,597,099**
Cross-currency swaps	- receivables	87,834	32,962	103,084	37,928	45,443	158,013	465,264
Interest rate swaps	- receivables	2,419	3,709	3,487	2,527	723		12,865
Forward contracts	- receivables	7,672	1,531					9,203
Total		**97,925**	**38,203**	**106,571**	**40,455**	**46,166**	**158,013**	**487,332**
Grand total		**327,154**	**122,046**	**175,230**	**135,510**	**115,145**	**234,682**	**1,109,767**

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

Credit risk in financing
The company is exposed to credit risk through derivative agreements and financial investments. The company only has 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. The counterparty risks of financial instruments did not incur any losses during the financial year.

36. OPERATING CASH FLOW ADJUSTMENTS, 1,000 €

	2010	2009
Business transactions not involving a payment transaction		
Depreciation	66,813	64,612
Capital gains/losses (-/+) on property, plant and equipment and intangible assets	-404	183
Portion of profit of associated companies	-384	-284
Gains/losses from the valuation of assets and liabilities recognised in income statement at fair value	-2,349	-1,670
Total	**63,677**	**62,841**

37. RELATED PARTY TRANSACTIONS

Fingrid Group's related parties comprise associated companies Porvoon Alueverkko Oy and Nord Pool Spot AS, the biggest owners Fortum Power and Heat Oy and Pohjolan Voima Oy with their group companies, and top management with its related parties. 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 Porvoon Alueverkko 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 €	2010	2009
Salaries and other short-term employee benefits	1,376	1,358

Transactions with associated companies, 1,000 €	2010	2009
Sales	4,155	4,208
Purchases	71,154	38,464
Receivables	3,219	777
Liabilities	324	252

Transactions with related parties, 1,000 €	2010	2009
Sales	106,742	86,417
Purchases	72,631	63,741
Receivables	8,341	7,840
Liabilities	1,738	1,082

General procurement principles
The group follows three alternative procurement methods when purchasing goods or services. When the costs and value of the purchase are less than 5,000 euros, an oral call for bid is usually made in addition to a written order or a purchasing contract. When the procurement exceeds 5,000 euros but is below the values applied to public procurements, bids are requested and competitive bidding is arranged. When the limits for public procurements concerning Fingrid (approx. 0.4 million euros for goods and services and approx. 5 million euros for construction projects) are exceeded, the company applies the public procurement procedure.

38. EMISSION RIGHTS

Fingrid was granted emission rights in total 126.3 thousand tonnes for the years 2008–2012, of which Olkiluoto power station was granted a share of 112.3 thousand tonnes. As a rule, the emission rights held by Fingrid at 31 December correspond at least to the annual CO2 emissions.

	2010	2009
	tCO2	tCO2
Emission rights received free of charge	25,261	25,261
Emission volumes, Olkiluoto	674	1,000
Emission volumes, other power plants total	2,218	2,000
Sales of emission rights	9,000	22,000

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 2010 €	1 Jan - 31 Dec 2009 €
TURNOVER	2	455,655,341.59	355,754,732.51
Other operating income	3	6,977,724.05	2,247,927.52
Materials and services	4	-252,934,683.61	-185,368,475.60
Staff expenditure	5	-20,385,296.72	-19,586,964.26
Depreciation and amortisation expense	6	-76,334,772.29	-74,041,085.44
Other operating expenses	7, 8	-50,392,640.16	-39,395,433.28
OPERATING PROFIT		**62,585,672.86**	**39,610,701.45**
Finance income and costs	9	-14,238,443.93	-22,437,872.95
PROFIT BEFORE EXTRAORDINARY ITEMS		**48,347,228.93**	**17,172,828.50**
PROFIT BEFORE PROVISIONS AND TAXES		**48,347,228.93**	**17,172,828.50**
Provisions	10	-39,918,607.06	-10,458,806.18
Income taxes	11	-2,206,584.38	-1,760,024.05
PROFIT FOR THE FINANCIAL YEAR		**6,222,037.49**	**4,953,998.27**

Notes are an integral part of the financial statements.

PARENT COMPANY BALANCE SHEET

ASSETS	Notes	31 Dec 2010 €	31 Dec 2009 €
NON-CURRENT ASSETS			
Intangible assets			
Goodwill	12	42,887,921.11	49,321,109.29
Other non-current expenses	13	116,674,457.84	75,675,200.97
		116,717,345.76	**124,996,310.26**
Tangible assets	14		
Land and water areas		13,508,605.63	11,410,363.85
Buildings and structures		82,942,332.94	76,826,448.30
Machinery and equipment		401,268,462.18	410,010,446.70
Transmission lines		607,095,469.42	607,692,130.64
Other tangible assets		117,516.35	117,516.35
Advance payments and purchases in progress		142,767,394.87	69,383,522.87
		1,247,699,781.39	**1,175,440,428.71**
Investments	15		
Equity investments in Group companies		504,563.77	504,563.77
Equity investments in associated companies		6,641,360.21	6,641,360.21
Other shares and equity investments		913,125.03	850,172.53
		8,059,049.01	**7,996,096.51**
TOTAL NON-CURRENT ASSETS		**1,372,476,176.16**	**1,308,432,835.48**
CURRENT ASSETS			
Inventories	16	**6,100,556.12**	**5,414,746.79**
Receivables			
Current receivables			
Trade receivables		45,300,257.51	39,418,784.93
Receivables from Group companies		276,750.00	274,500.00
Receivables from associated companies	17	3,218,535.01	777,395.89
Other receivables		43,066.26	31,875.78
Prepayments and accrued income	18, 19	28,514,948.37	26,030,991.45
		77,353,557.15	**66,533,548.05**
Financial assets	20	**217,467,915.94**	**199,198,409.69**
Cash in hand and bank receivables	20	**3,779,895.40**	**4,104,878.38**
TOTAL CURRENT ASSETS		**304,701,924.61**	**275,251,582.91**
TOTAL ASSETS		**1,677,178,100.77**	**1,583,684,418.39**

Notes are an integral part of the financial statements.

PARENT COMPANY BALANCE SHEET

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31 Dec 2010 €	31 Dec 2009 €
SHAREHOLDERS' EQUITY	21		
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		986,578.59	2,756,699.99
Profit for the financial year		6,222,037.49	4,953,998.27
TOTAL SHAREHOLDERS' EQUITY		**119,053,587.18**	**119,555,669.36**
ACCUMULATED PROVISIONS	22	**436,358,728.38**	**396,440,121.32**
PROVISIONS FOR LIABILITIES AND CHARGES	29	**1,898,946.78**	**1,921,446.78**
LIABILITIES			
Non-current liabilities			
Bonds	23, 24	630,558,105.45	642,275,696.72
Loans from financial institutions		214,312,494.90	51,468,925.24
		844,870,600.35	**693,744,621.96**
Current liabilities			
Bonds	23	98,200,000.00	85,620,380.48
Loans from financial institutions		7,156,430.08	7,156,430.23
Trade payables		30,804,861.93	28,047,324.19
Liabilities to Group companies	25	586,368.95	507,844.15
Liabilities to associated companies	26	324,440.99	145,775.79
Other liabilities	27	98,824,331.09	225,934,339.97
Accruals	28	39,099,805.04	24,610,464.16
		274,996,238.08	**372,022,558.97**
TOTAL LIABILITIES		**1,119,866,838.43**	**1,065,767,180.93**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,677,178,100.77**	**1,583,684,418.39**

Notes are an integral part of the financial statements.

PARENT COMPANY CASH FLOW STATEMENT

	Notes	1 Jan – 31 Dec 2010 €	1 Jan – 31 Dec 2009 €
Cash flow from operating activities:			
Profit for the financial year	21	6,222,037.49	4,953,998.27
Adjustments:			
Business transactions not involving a payment transaction	31	115,810,485.26	84,682,467.57
Interest and other finance costs		22,012,788.21	27,473,511.58
Interest income		-7,713,629.23	-5,021,363.87
Dividend income		-60,715.05	-14,274.76
Taxes		2,206,584.38	1,760,024.05
Changes in working capital:			
Change in trade receivables and other receivables		-6,984,934.21	-2,002,886.10
Change in inventories		-685,809.33	-787,037.53
Change in trade payables and other liabilities		3,086,305.82	-2,875,633.98
Change in provisions		-22,500.00	-33,800.00
Interests paid		-23,219,684.77	-43,770,686.88
Interests received		5,835,751.33	7,157,252.84
Taxes paid	11	-1,761,915.96	-1,929,912.98
Net cash flow from operating activities		114,724,763.94	69,591,658.21
Cash flow from investing activities:			
Purchase of tangible assets	14	-138,106,461.73	-126,679,634.58
Purchase of intangible assets	13	-4,563,487.45	-7,649,031.55
Investments in other assets	15	-23,685.92	-128,766.70
Proceeds from sale of tangible assets	14	903,900.00	116,312.00
Repayment of loans receivable			
Dividends received	9	60,715.05	14,274.76
Contributions reveived		15,000,000.00	
Net cash flow from investing activities		-126,729,020.05	-134,326,846.07
Cash flow from financing activities:			
Withdrawal of short-term loans		219,168,724.29	231,448,563.85
Repayment of short-term loans		-346,279,947.79	-263,142,195.23
Withdrawal of long-term loans		256,519,369.46	133,947,413.73
Repayment of long-term loans		-92,735,246.89	-30,000,000.00
Dividends paid	21	-6,724,119.67	-6,710,698.27
Net cash flow from financing activities		29,948,779.40	65,543,084.08
Net change in cash and cash equivalents		**17,944,523.29**	**807,896.22**
Cash and cash equivalents 1 Jan		**203,303,288.07**	**202,495,391.85**
Cash and cash equivalents 31 Dec	20	**221,247,811.26**	**203,303,288.07**

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

Electricity derivatives

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

Research and development expenses

Research and development expenses are entered as annual expenses

Valuation of fixed assets

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

The depreciation periods are as follows:

Goodwill	20	years
Other non-current expenses		
Rights of use to line areas	30–40	years
Other rights of use according to economic lives, maximum	10	years
Computer systems	3	years
Buildings and structurest		
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 and domestic Debt Issuance Programmes. The current interest-bearing liabilities consist of commercial papers issued under the domestic and international programmes and of the current portion of noncurrent debt and bonds maturing within a year. The outstanding notes under the programmes are denominated in euros and foreign currencies. Fingrid has both fixed and floating rate debt and debt with interest rate structures. The interest is accrued over the maturity of the debt. The differential of a bond issued over or under par value is accrued over the life of the bond. The arrangement fees of the revolving credit facilities are as a rule immediately entered as expenses and the commitment fees are accrued over the maturity of the facility.

Financial risk management
The principles applied to the management of financial risks are presented in the notes of the Group under item 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. REVENUE BY BUSINESS AREAS

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

REVENUE, 1, 000 €	2010	2009
Transmission revenue	211,464	187,850
Sale of imbalance power	159,812	92,497
Cross-border transmission	23,865	24,353
ITC income	19,298	27,904
Peak load power	13,962	13,469
Estlink congestion income	9,465	0
Nordic congestion income	9,045	4,855
Service fee for feed-in tariff	225	225
Other operating revenue	8,520	4,602
Total	455,655	355,755

3. OTHER OPERATING INCOME, 1,000 €	2010	2009
Rental income	1,632	1,751
Contributions received	138	105
Other income	5,207	392
Total	**6,978**	**2,248**

4. MATERIALS AND SERVICES, 1,000 €	2010	2009
Purchases during the financial year	243,000	117,360
Loss energy purchases	65,212	52,067
Change in inventories, increase (-) or decrease (+)	-686	-787
Materials and supplies	242,314	168,640
Grid service charges	49	54
Other external services	10,571	16,675
Services	10,620	16,728
Total	**252,935**	**185,368**

5. STAFF EXPENDITURE, 1,000 €	2010	2009
Salaries and bonuses	17,177	16,028
Pension expenses	2,435	2,244
Other additional personnel expenses	773	1,314
Total	**20,385**	**19,587**
Salaries and bonuses of the members of the Board of Directors and President	**385**	**376**
Lauri Virkkunen, Chairman of the Board (as of 1 July 2010)	11	
Timo Karttinen, 1st Debuty Chairman of the Board	17	17
Arto Lepistö, 2nd Debuty Charman of the Board	19	23
Risto Autio, Member of the Board	13	12
Ari Koponen, Member of the Board	12	12
Ritva Nirkkonen, Member of the Board	13	14
Anja Silvennoinen, Member of the Board	12	13
Jorma Tammenaho, debuty Member of the Board	5	7
Jussi Hintikka, deputy Member of the Board	5	5
Pekka Kettunen, deputy Member of the Board	5	5
Kari Koivuranta, deputy Member of the Board	5	5
Jukka Mikkonen, deputy Member of the Board	5	5
Juha Laaksonen, deputy Member of the Board	5	5
Timo Ritonummi, deputy Member of the Board	5	5
Timo Rajala, former Chairman of the Board (until 30 June 2010)	9	17
Jukka Ruusunen, President & CEO	241	228

Pension commitments:
Pension commitments are described in the notes of the Group under item 27.

Number of salaried employees in the company during the financial year:		
Personnel, average	260	251
Personnel, 31 Dec	263	260

6. DEPRECIATION ACCORDING TO PLAN, 1,000 €

	2010	2009
Goodwill	6,433	6,433
Other noncurrent expenses	6,409	7,127
Buildings and structures	3,667	2,995
Machinery and equipment	32,537	31,666
Transmission lines	27,289	25,821
Total*	**76,335**	**74,041**
*Depreciation on the electricity grid (notes 13 and 14)	63,275	61,172

7. OTHER OPERATING EXPENSES, 1,000 €

	2010	2009
Contracts, assignments etc. undertaken externally	32,606	30,683
Grid rents	9,860	431
Other rental expenses	1,684	1,768
Other expenses	6,243	6,513
Total	**50,393**	**39,395**

8. AUDITORS FEES, 1,000 €

	2010	2009
Auditing fee	42	34
Other fees	46	8
Total	**88**	**42**

9. FINANCE INCOME AND COSTS, 1,000 €

	2010	2009
Dividend income from Group companies	-56	-10
Dividend income from others	-4	-4
Interest and other finance income from Group companies		
Interest and other finance income from others	-7,714	-5,021
	-7,774	-5,036
Interest and other finance costs to Group companies	2	2
Interest and other finance costs to others	22,010	27,471
	22,013	27,474
Total	**14,238**	**22,438**

10. PROVISIONS, 1,000 €

	2010	2009
Difference between depreciation according to plan and depreciation carried out in taxation	**39,919**	**10,459**

11. INCOME TAXES, 1,000 €	2010	2009
Income taxes for the financial year	2,207	1,760
Total	**2,207**	**1,760**
Deferred tax assets and liabilities, 1,000 €		
Deferred tax assets		
On temporary differences	494	500
	494	**500**
Deferred tax liabilities		
On temporary differences	422	440
On provisions	113,453	103,074
	113,875	**103,514**
Total	**113,382**	**103,015**

12. GOODWILL, 1,000 €	2010	2009
Cost at 1 Jan	128,664	128,664
Cost at 31 Dec	**128,664**	**128,664**
Accumulated depreciation according to plan 1 Jan	-79,343	-72,909
Depreciation according to plan 1 Jan - 31 Dec	-6,433	-6,433
Carrying amount 31 Dec	**42,888**	**49,321**
Accumulated depreciation difference 1 Jan	-49,321	-55,754
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	**-42,888**	**-49,321**

13. OTHER NON-CURRENT EXPENSES, 1,000 €	2010	2009
Cost at 1 Jan	136,473	128,824
Increases 1 Jan - 31 Dec	4,622	7,649
Decreases 1 Jan - 31 Dec	-95	
Cost at 31 Dec	**141,001**	**136,473**
Accumulated depreciation according to plan 1 Jan	-60,798	-53,671
Decreases, depreciation according to plan 1 Jan - 31 Dec	36	
Depreciation according to plan 1 Jan - 31 Dec	-6,409	-7,127
Carrying amount 31 Dec*	**73,829**	**75,675**
Accumulated depreciation difference 1 Jan	-61,766	-65,057
Increase in depreciation difference reserve 1 Jan - 31 Dec	-4,433	-3,836
Decrease in depreciation difference reserve 1 Jan - 31 Dec	6,873	7,127
Accumulated depreciation in excess of plan 31 Dec	**-59,326**	**-61,766**

*Net capital expenditure in electricity grid, 1,000 €	2010	2009
Carrying amount 31 Dec	72,067	73,747
Carrying amount 1 Jan	-73,747	-67,685
Depreciation according to plan 1 Jan - 31 Dec	5,811	6,654
Decreases 1 Jan - 31 Dec	59	
Total	**4,189**	**12,715**

14. TANGIBLE ASSETS, 1,000 €	2010	2009
Land and water areas		
Cost at 1 Jan	11,410	10,832
Increases 1 Jan - 31 Dec	2,098	583
Decreases 1 Jan - 31 Dec	0	-4
Cost at 31 Dec	**13,509**	**11,410**
Buildings and structures		
Cost at 1 Jan	96,164	72,205
Increases 1 Jan - 31 Dec	9,783	23,959
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	**105,946**	**96,164**
Accumulated depreciation according to plan 1 Jan	-19,337	-16,342
Decreases, depreciation according to plan 1 Jan - 31 Dec		
Depreciation according to plan 1 Jan - 31 Dec	-3,667	-2,995
Carrying amount 31 Dec	**82,942**	**76,826**
Accumulated depreciation difference 1 Jan	-9,577	-9,231
Increase in depreciation difference reserve 1 Jan - 31 Dec	-3,704	-3,341
Decrease in depreciation difference reserve 1 Jan - 31 Dec	3,667	2,995
Accumulated depreciation in excess of plan 31 Dec	**-9,614**	**-9,577**
Machinery and equipment		
Cost at 1 Jan	640,486	588,811
Increases 1 Jan - 31 Dec	23,799	51,676
Decreases 1 Jan - 31 Dec	-4	
Cost at 31 Dec	**664,281**	**640,486**
Accumulated depreciation according to plan 1 Jan	-230,476	-198,810
Decreases, depreciation according to plan 1 Jan - 31 Dec	0	
Depreciation according to plan 1 Jan - 31 Dec	-32,537	-31,666
Carrying amount 31 Dec	**401,268**	**410,010**
Accumulated depreciation difference 1 Jan	-89,485	-87,667
Increase in depreciation difference reserve 1 Jan - 31 Dec	-47,222	-33,484
Decrease in depreciation difference reserve 1 Jan - 31 Dec	32,537	31,666
Accumulated depreciation in excess of plan 31 Dec	**-104,170**	**-89,485**
Transmission lines		
Cost at 1 Jan	869,600	806,686
Increases 1 Jan - 31 Dec	27,130	63,331
Decreases 1 Jan - 31 Dec	-668	-417
Cost at 31 Dec	**896,062**	**869,600**
Accumulated depreciation according to plan 1 Jan	-261,908	-236,215
Decreases, depreciation according to plan 1 Jan - 31 Dec	230	128
Depreciation according to plan 1 Jan - 31 Dec	27,289	-25,821
Carrying amount 31 Dec	**607,095**	**607,692**
Accumulated depreciation difference 1 Jan	-186,290	-168,272
Increase in depreciation difference reserve 1 Jan - 31 Dec	-61,472	-44,020
Decrease in depreciation difference reserve 1 Jan - 31 Dec	27,402	26,002
Accumulated depreciation in excess of plan 31 Dec	**-220,360**	**-186,290**

Other tangible assets		
Cost at 1 Jan	118	107
Increases 1 Jan - 31 Dec		10
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	**118**	**118**
Advance payments and purchases in progress		
Cost at 1 Jan	69,384	81,081
Increases 1 Jan - 31 Dec	127,274	84,961
Decreases 1 Jan - 31 Dec	-53,890	-96,659
Cost at 31 Dec	**142,767**	**69,384**
Total*	**1,247,700**	**1,175,440**

* Net capital expenditure in electricity grid, 1,000 €	2010	2009
Carrying amount 31 Dec	1,144,803	1,098,811
Carrying amount 1 Jan	-1,098,811	-1,029,072
Depreciation according to plan 1 Jan - 31 Dec	57,464	54,518
Decreases 1 Jan - 31 Dec	442	293
Total	**103,898**	**124,550**

15. INVESTMENTS, 1,000 €

	2010	2009
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		
Decreases 1 Jan - 31 Dec		
Cost at 31 Dec	**6,641**	**6,641**
Other shares and equity investments		
Cost at 1 Jan	850	721
Increases 1 Jan - 31 Dec	66	135
Decreases 1 Jan - 31 Dec	-3	-7
Cost at 31 Dec	**913**	**850**
Total	**8,059**	**7,996**

16. INVENTORIES, 1,000 €

	2010	2009
Materials and supplies	5,542	5,318
Work in progress	559	97
Total	**6,101**	**5,415**

17. RECEIVABLES FROM ASSOCIATED COMPANIES, 1,000 €	2010	2009
Current:		
Trade receivables	3,219	777
Total	**3,219**	**777**

18. PREPAYMENTS AND ACCRUED INCOME, 1,000 €	2010	2009
Interests and other financial items	24,043	19,902
Accruals of sales and purchases	4,267	5,618
Taxes		306
Other	205	205
Total	**28,515**	**26,031**

19. UNRECORDED EXPENSES AND PAR VALUE DIFFERENTIALS ON THE ISSUE OF LOANS INCLUDED IN PREPAYMENTS AND ACCRUED INCOME, 1,000 €	2010	2009
Par value differentials	**2,588**	**3,833**

20. CASH AND CASH EQUIVALENTS, 1,000 €	2010	2009
Certificates of deposit	99,484	74,590
Commercial papers	117,984	124,609
	217,468	199,198
Bank Deposits	0	1,700
Cash in hand and bank receivables*	3,780	2,405
	3,780	4,105
Total	**221,248**	**203,303**

* Includes pledged bank accounts (note 30)

21. SHAREHOLDERS' EQUITY, 1,000 €	2010	2009
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	7,711	9,467
Dividend distribution	-6,724	-6,711
Profit from previous financial years 31 Dec	**987**	**2,757**
Profit for the financial year	**6,222**	**4,954**
Shareholders' equity 31 Dec	**119,054**	**119,556**
Distributable shareholders' equity	**7,209**	**7,711**

Number of shares, qty	Series A shares	Series B shares	Total
1 Jan 2010	2,078	1,247	3,325
31 Dec 2010	**2,078**	**1,247**	**3,325**

Series A shares confer three votes each at a shareholders' meeting and series B shares one vote each. When electing members of the Board of Directors, series A share confers 10 votes each at a shareholders' meeting and each series B share one vote each.

Series B shares have 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.

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

The dividend proposal for the year 2010 is 6.0%.

There are no minority interests.

22. ACCUMULATED PROVISIONS, 1,000 €	2010	2009
Accumulated depreciation in excess of plan, the difference between depreciation according to plan and depreciation carried out in taxation	**436,359**	**396,440**

23. BONDS, 1,000 €

				2010	2009
International:		Maturity date	Interest		
EUR	10,000	31.03.2010	interest rate structure		10,000
EUR	10,000	16.03.2011	3.625 %	10,000	10,000
EUR	25,000	23.03.2011	variable interest	25,000	25,000
EUR	15,000	24.03.2011	variable interest	15,000	15,000
EUR	20,000	07.04.2011	variable interest	20,000	20,000
EUR	25,000	16.03.2012	variable interest	25,000	25,000
EUR	25,000	12.04.2012	variable interest	25,000	25,000
EUR	10,000	16.04.2013	variable interest	10,000	10,000
EUR	20,000	28.04.2013	variable interest	20,000	20,000
EUR	20,000	15.10.2013	4.30 %	20,000	20,000
EUR	24,000	02.07.2014	variable interest	24,000	24,000
EUR	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	
				305,000	**285,000**
FIM	160,000	19.08.2013	5.20 %	26,910	26,910
				26,910	**26,910**
JPY	1,000,000	12.07.2010	2.00 %		10,215
JPY	2,000,000	16.10.2010	1.022 %		15,504
JPY	3,000,000	05.07.2011	1.31 % *	28,200	28,200
JPY	3,000,000	25.07.2012	1.3575 % **	25,400	25,400
JPY	3,000,000	20.04.2015	1.45 %	21,563	21,563
JPY	500,000	22.06.2017	1.28 %	4,507	
				79,670	**100,881**
CHF	39,000	15.03.2010	2.24 %		25,000
CHF	39,000	22.05.2012	2.475 %	25,000	25,000
				25,000	**50,000**
CZK	750,000	05.05.2010	variable interest		24,902
					24,902
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
				116,856	**116,856**

SEK	225,000	03.04.2012	variable interest	24,194	24,194
SEK	225,000	11.04.2012	variable interest	24,142	24,142
SEK	100,000	21.03.2013	variable interest	10,560	10,560
SEK	200,000	03.04.2013	3.70 %	21,305	21,305
SEK	175,000	04.04.2014	4.30 %	18,811	18,811
SEK	300,000	15.06.2015	3.195 %	31,168	
SEK	100,000	17.06.2015	3.10 %	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	
				175,321	**123,347**
Bonds, long-term total				630,557	642,276
Bonds, short-term total				98,200	85,620
Total				**728,757**	**727,896**

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

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

	2010	2009
Bonds	186,586	187,589
Loans from financial institutions	173,576	20,000
Total	**360,162**	**207,589**

25. LIABILITIES TO GROUP COMPANIES, 1,000 €

	2010	2009
Current:		
Other debts	586	508
Total	**586**	**508**

26. LIABILITIES TO ASSOCIATED COMPANIES, 1,000 €

	2010	2009
Current:		
Trade payables	324	146
Total	**324**	**146**

27. OTHER LIABILITIES, 1,000 €

	2010	2009
Current:		
Other loans / Commercial papers (international and domestic)	94,559	221,671
Value added tax	3,051	3,169
Electricity tax	616	559
Other debts	598	537
Total	**98,824**	**225,934**

28. ACCRUALS, 1,000 €	2010	2009
Current:		
Interests and other financial items	12,658	11,602
Salaries and additional personnel expenses	4,409	4,028
Accruals of sales and purchases	22,032	8,980
Total	**39,100**	**24,610**

29. PROVISIONS FOR LIABILITIES AND CHARGES, 1,000 €	2010	2009
Creosote-impregnated and CCA-impregnated wooden towers, disposal expenses	1,898	1,921
Total	**1,898**	**1,921**

30. COMMITMENTS AND CONTINGENT LIABILITIES, 1,000 €	2010	2009
Rental liabilities		
Liabilities for the next year	2,038	1,793
Liabilities for subsequent years	25,667	5,709
	27,706	7,501
Pledges		
Pledge covering property lease agreements	46	46
Pledged account in favour of the Customs Office	150	150
Pledged account covering electricity exchange purchases	1,878	396
	2,074	592
Other financial commitments		
Counterguarantee in favour of an associated company	1,700	1,700
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	120	158
Commitment fee for subsequent years	89	255
	1,908	2,113
Donation of five-year professorship to Helsinki University of Technology for 2006–2010		120

31. OPERATING CASH FLOW ADJUSTMENTS, 1,000 €	2010	2009
Business transactions not involving a payment transaction		
Depreciation	76,335	74,041
Increase or decrese in accumulated depreciation difference	39,919	10,459
Capital gains/losses (-/+) on tangible and intangible assets	-404	183
Other	-39	
Total	**115,810**	**84,682**

32. LEGAL PROCEEDINGS AND PROCEEDINGS BY AUTHORITIES

There are no ongoing legal proceedings or proceedings by authorities that would have a material impact on the business of the company. In relation to transmission line projects there are many times complaints made to different instances of justice. According to the management of the company there are no ongoing legal proceedings or other such legal proceedings relating to other areas, which final outcome would have a material impact on the financial position of the Group. In December 2008 the Market Court reached a decision concerning Fingrid's appeal to the Energy Market Authority´s decision 13 December 2007 "Determination of the methodology for the assessment of the return of the grid owners' grid operations transmission services pricing for the review period starting on 1 January 2008 and ending on 31 December 2011". The Market Court partly changed the Energy Market Authority's decision according to Fingrid's appeal. The Energy Market Authority in turn appealed the decision to the Supreme Administrative Court. The Supreme Administrative Court partly approved the Energy Market Authority's appeal.

33. 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 2010 was 16 (14). The operating profit was 1.8 (-5.1) per cent of turnover.

MANAGEMENT OF BALANCE OPERATION, SEPARATED PROFIT AND LOSS ACCOUNT	1 Jan - 31 Dec 2010 1,000 €	1 Jan - 31 Dec 2009 1,000 €
TURNOVER*	167,073	97,122
Materials and services*	-160,913	-99,177
Staff expenditure	-1,202	-1,145
Depreciation and amortisation expense	-943	-908
Other operating expenses	-1,000	-829
OPERATING PROFIT	**3,015**	**-4,936**
PROFIT BEFORE PROVISIONS AND TAXES	**3,015**	**-4,936**

Provisions	173	295
Income taxes	-829	
PROFIT FOR THE FINANCIAL YEAR	**2,359**	**-4,641**

* Turnover includes 6.5 (4.2) million euros of sales of imbalance power to balance provider Fingrid Oyj, and Materials and services includes 6.8 (3.7) million euros of its purchases.

MANAGEMENT OF BALANCE OPERATION, SEPARATED BALANCE SHEET

ASSETS	31 Dec 2010 1,000 €	31 Dec 2009 1,000 €
NON-CURRENT ASSETS		
Intangible assets		
Other non-current expenses	630	680
Tangible assets		
Machinery and equipment	673	726
Advance payments and purchases in progress		64
	673	791
TOTAL NON-CURRENT ASSETS	**1,303**	**1,471**
CURRENT ASSETS		
Current receivables		
Trade receivables	4,480	976
Receivables from Group companies	7,958	12,113
	12,438	13,090
Cash in hand and bank receivables	1	1
TOTAL CURRENT ASSETS	**12,439**	**13,091**
TOTAL ASSETS	**13,741**	**14,562**

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec 2010 1,000 €	31 Dec 2009 1,000 €
SHAREHOLDERS' EQUITY		
Share capital	32	32
Share premium account	286	286
Profit from previous financial years	11,338	15,979
Profit for the financial year	2,359	-4,641
TOTAL SHAREHOLDERS' EQUITY	**14,015**	**11,656**
ACCUMULATED PROVISIONS	**-463**	**-290**

LIABILITIES		
Current liabilities		
Trade payables		2,739
Other liabilities	190	457
	190	3,196
TOTAL LIABILITIES	190	3,196
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	13,741	14,562

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

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

34. KEY INDICATORS OF TRANSMISSION SYSTEM OPERATION

	2010	2009
Return on investment (ROI) in transmission system operation, %	4.8	3.2

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

35. EMISSION RIGHTS

Fingrid was granted emission rights totaling 126.3 thousand tonnes for the years 2008–2012, of which Olkiluoto power station was granted a share of 112.3 thousand tonnes. As a rule, the emission rights held by Fingrid at 31 December correspond at least to the annual CO2 emissions.

	2010	2009
	tCO2	tCO2
Emission rights received free of charge	25,261	25,261
Emission volumes, Olkiluoto	674	1,000
Emission volumes, other power plants total	2,218	2,000
Sales of emission rights	9,000	22,000

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

Helsinki, 14 February 2011

Lauri Virkkunen
Chairman

Timo Karttinen
1st Deputy Chairman

Arto Lepistö
2nd Deputy Chairman

Risto Autio

Ari Koponen

Ritva Nirkkonen

Anja Silvennoinen

Jukka Ruusunen
President & CEO

AUDITOR'S NOTATION

The financial statements for the financial year 2010 have been prepared in accordance with Generally Accepted Accounting Principles. A report on the audit carried out has been submitted today.

Helsinki, 15 February 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Tuomala,
Authorised Public Accountant

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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, 2010. 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 and 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.

PricewaterhouseCoopers Oy, Authorised Public Accountants, P.O. Box 1015 (Itämerentori 2), FI-00101 HELSINKI
Phone +358 9 22 800, Fax +358 9 2280 1880, www.pwc.com/fi
Reg. Domicile Helsinki, Business ID 0486406-8

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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, 15 February 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Tuomala
Authorised Public Accountant

STOCK EXCHANGE RELEASES IN 2010

22 December 2010
Fingrid's financial reports in 2011

20 December 2010
Moody's updated Fingrid's credit opinion

26 October 2010
Fingrid Group's interim report 1 January - 30 September 2010

21 September 2010
Standard & Poor's updated Fingrid's credit ratings

27 August 2010
Fingrid Group's interim report 1 January - 30 June 2010

9 August 2010
Fitch Ratings downgraded Fingrid's credit rating to 'A+'; outlook is negative.

28 April 2010
Fingrid Group's interim report 1 January - 31 March 2010

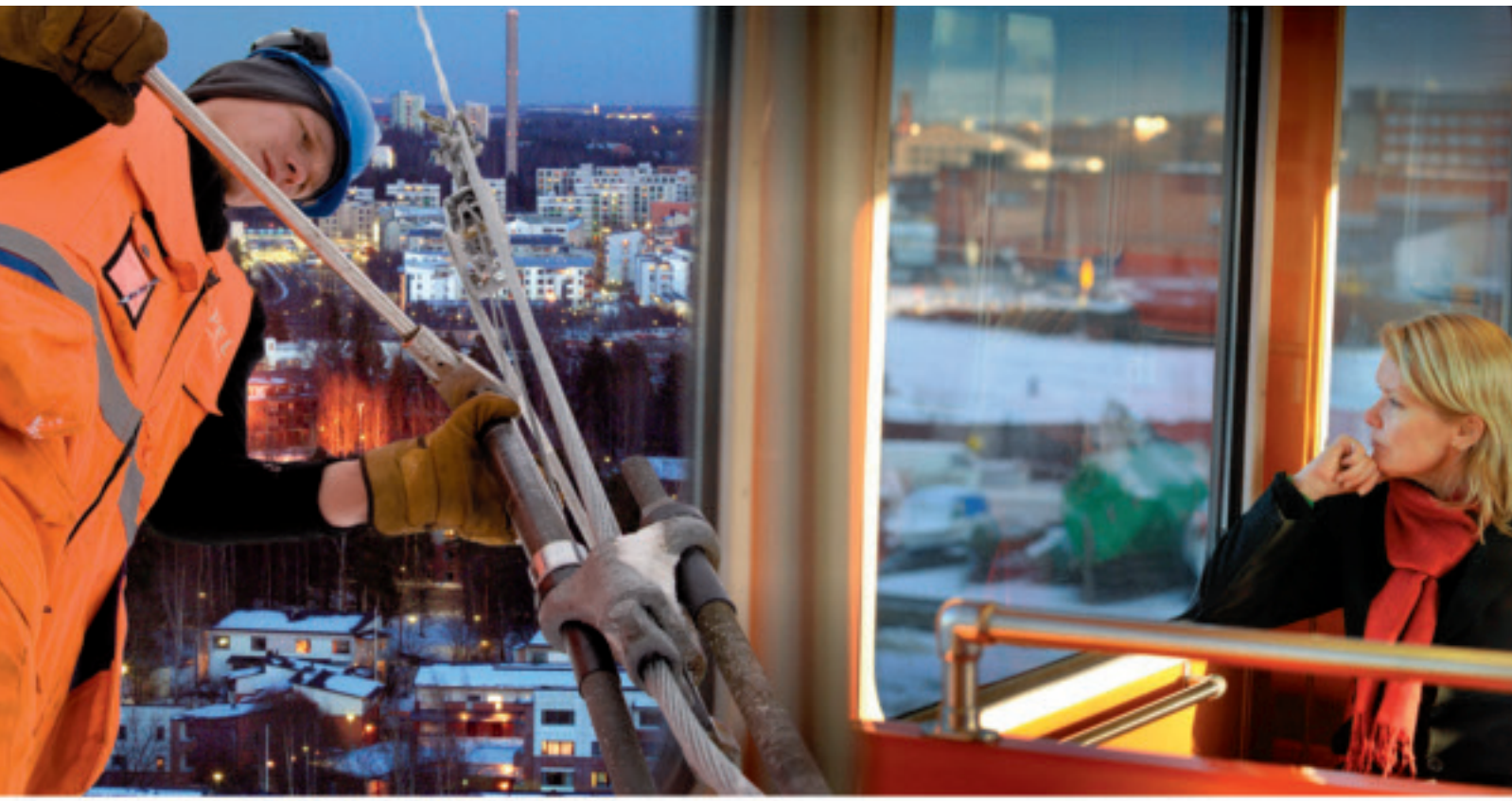
17 March 2010
Timo Rajala elected as Chairman of the Board of Directors of Fingrid Oyj

16 February 2010
Fingrid Group's financial review report 2009

Fingrid Group will release the following financial reports in 2011:

- 16 February 2011 financial review 2010
- 4 May 2011 interim report January - March 2011
- 19 August 2011 interim report January - June 2011
- 27 October 2011 interim report January - September 2011

Annual General Meeting will be held on 3 May 2011.



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FINGRID OYJ, Arkadiankatu 23 B, P.O. Box 530, FI-00101 Helsinki, Finland
Tel. +358 30 395 5000, fax +358 30 395 5196, **www.fingrid.fi**