

FINGRID OYJ
www.fingrid.fi

25.10.2017, at 11:00 a.m
EET

FINGRID GROUP – MANAGEMENT’S REVIEW 1 JANUARY - 30 SEPTEMBER

Fingrid follows a six-month reporting period as referred to in the Securities Markets Act and publishes management’s reviews for the first three and nine months of the year; the Management’s Reviews contain key information illustrating the company’s financial and other development.

The information presented in the Management’s Review relates to the Fingrid Group’s performance in January-September 2017 and the corresponding period of 2016, unless otherwise indicated. The figures presented here have been drawn up in accordance with International Financial Reporting Standards (IFRS). The Management’s Review is not an interim report in accordance with the IAS 34 standard. The figures are unaudited.

- Fingrid’s January-September proceeded according to expectations.
- Turnover during the period under review amounted to EUR 476.7 (408.1) million and operating profit, excluding the change in the fair value of derivatives, amounted to EUR 125.0 (100.0) million.
- The company’s profitability and liquidity remained at a good level.

CEO Jukka Ruusunen: We are Finland’s transmission system operator

“During the spring and summer, we prepared the company’s strategy for the coming years. Our foundation is that Fingrid is Finland’s transmission system operator. We secure reliable electricity for our customers and Finnish society and we shape the clean, market-oriented power system of the future.

The energy industry plays a key role in combatting climate change. Fingrid builds and maintains the electricity grid, which makes possible the transformation in the electricity system. Examples from the past quarter include the commencement of the final stages of the upgrade to Finland’s oldest power line, Rautarouva, built in the 1920s, the signing of an agreement between Fingrid and Svenska Kraftnät for a third alternating current (AC) connection between Finland and Sweden and special arrangements for connecting the Olkiluoto 3 nuclear power plant to the national grid.

The electricity system of the future will require, not only an upgraded electricity grid, but also a modernised electricity market model. We believe that well functioning markets will produce the best and most innovative solutions. Society is becoming increasingly dependent on electricity. We must continuously develop our operations with which we maintain the availability of electricity for industry and households, both in normal day-to-day life and in exceptional circumstances.

Developing the wholesale markets requires international co-operation. In this regard, developing Nordic balance management has not been entirely successful recently. The energy shift will also increase the role of customers on the electricity markets. The smart grid working group appointed by the Ministry of Economic Affairs and Employment (MEAE) has carried out excellent work in improving customers’ choices on the electricity markets.

We continuously prepare for the worst. Held in October, the national JÄÄTYVÄ 2017 exercise, where we practiced co-operation between authorities, municipalities and businesses in case of a wide-spread power outage caused by weather conditions, brought us plenty of valuable experience.

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One of Fingrid's key objectives is to offer customers a reliable, affordable supply of electricity. The stabilization of the company's investment programme at a lower level than before and the company's successful efforts to improve cost-effectiveness made it possible to keep grid service pricing for 2018 at the 2017 level. Cost-effectiveness is grounded in a strategy focusing on core tasks and a clear management system. The company efficiently carries out the market-driven outsourcing of services and competitive tendering of purchases, and utilises opportunities from digitalisation in its operations. Fingrid's transmission grid tariffs are still among Europe's lowest.

The transformation taking place in the energy sector is shifting the global focus increasingly onto how energy sector operators operate and their reputations. In future, an energy company's brand will prove to be a greater contributor to its success than ever before. The CHARGE competition, which sets the world's energy sector brands against one another, was organised for the second time this year. Fingrid made it to the final in its category for the second time. This is a clear indication that we have chosen the right path in developing our company."

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Key figures

€M	1-9/17	1-9/16	change %	1-12/16
Turnover	476.7	408.1	16.8	586.1
Operating profit*	125.0	100.0	24.9	156.6
Profit before taxes	115.4	115.8	-0.3	173.9
Profit for the period	92.2	92.3	-0.1	138.7
Capital expenditure, gross	81.8	106.6	-23.3	146.7
Net cash flow from operations**	101.7	82.1	23.8	93.6
Interest-bearing net debt	1,024.6	1,030.5	-0.6	1,028.0
Balance sheet total	2,129.7	2,191.0	-2.8	2,101.8
Equity ratio %	35.7	32.8		36.4

* Operating profit excluding the change in the fair value of derivatives

** Net cash flow from operations, after capital expenditure

- Turnover and operating profit grew due to the grid service pricing change carried out at the start of the year.
- Fewer investments were made during the review period than in the comparison period.

Main business events

- There were no major disturbances with far-reaching consequences in Fingrid's transmission grid during January-September.
- From January through September, electricity consumption in Finland was 62.0 (61.8) terawatt hours, and electricity transmissions via Fingrid's grid amounted to 48.9 (51.3) terawatt hours, which represents 77.0 (79.0) per cent of the country's total electricity transmission. During this period, Fingrid transmitted 47.3 (48.1) terawatt hours of electricity to its customers which amounts to 76.3 (77.8) per cent of Finland's total consumption.
- On 23 August, Fingrid and Svenska Kraftnät decided to sign an agreement on the realisation of a third AC connection between Finland and Sweden.
- On 25 August 2017, an occupational accident resulting in death occurred at Fingrid's transmission line work site between Vihtavuori and Koivisto in Central Finland. An employee of a subcontractor of the project's main contractor Tecnolines S.r.l. fell from a transmission tower and died of his injuries.
- On 15 September, Fingrid provided a response to the proposal made by Sweden's and Norway's TSOs in June, concerning the new model for balancing of production and consumption in the electricity system i.e. the balance management model. Fingrid cannot approve a proposal that conflicts with Finland's and the EU's energy policy objectives and legislation.

Events after the review period

On 2 October, 2017, Fingrid Oyj announced that it would keep grid service pricing for 2018 at the 2017 level. This was enabled by stabilising the investment programme at a lower level than before and the company's determined cost-effectiveness improvement efforts. Transmission grid rates in Finland are still some of Europe's lowest while power outages are extremely few.

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The company has not changed its earnings guidance from what is stated in the Jan–Jun interim report of 27 July 2017.

Helsinki, 25th October, 2017

Fingrid Oyj
Jukka Ruusunen, President & CEO

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Fingrid is Finland's transmission system operator. We secure reliable electricity for our customers and society and we shape the clean, market-oriented electricity system of the future.

Fingrid delivers. Responsibly.
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