
KreditGuide

CreditNews

from Standard & Poor's

Ratings Affirmed: Fingrid Oyj

Issuer credit rtings AA-/Stable/A-1+

Following an extensive review of Fingrid Oyj, the Finnish electricity transmission grid operator, Standard & Poor's today affirmed its ratings on Fingrid (the utility). For affected ratings, please call Standard & Poor's Ratings Desk on (44) 20-7826-3540, or see RatingsDirect, Standard & Poor's Web-based credit analysis system. The outlook is stable.

The ratings reflect Fingrid's strong business position as the monopoly owner and operator of the Finnish electricity transmission grid and international interconnections, a stable revenue base, and a favorable cost-plus regulatory regime. These factors balance a weak financial profile attributable to high leverage.

Fingrid's reported cash flow and net income for 1999 was euro (Eur) 88.5 million (US\$84 million) and Eur28.8 million, respectively. All of the utility's revenues are generated through its monopoly operations. In 1999, the entity secured rapid reserve capacity by acquiring gas turbine assets (capacity about 550MW) for about Eur75 million. The operational risk of these assets is limited, and costs are fully covered by monopoly service charges.

Fingrid benefits from the Finnish cost-of-service electricity grid regulation, which allows for cost coverage, reasonable return on equity, and a high degree of flexibility in transmission charges and capital expenditures. The utility has enhanced its revenue stability by shifting the allocation of transmission fees from generation to consumption, which is less

volatile, as of November 1998. By reducing tariffs by 10% at the same time, and reducing them by a further 5% as of Jan. 1, 2000, Fingrid has fulfilled its voluntary commitment to cut tariffs by 15%.

Fingrid's weak financial profile is a negative rating factor. The company's leverage and reliance on preferred capital notes are high. Treating 50% of the preferred capital notes as equity (since the utility can defer interest and payment of principal on them if needed), total debt to capital was 78% at year-end 1999, while funds from operations interest coverage was 2.8 times (x). Improved cost efficiency in operations, maintenance, and investments is expected to improve cash flow, and enable some debt reduction to the 75% debt leverage level over the next few years, while funds from operations interest coverage is expected to be maintained at about 2.5x. Fingrid retains the right to raise tariffs in case of major disturbances if necessary.

OUTLOOK: STABLE

Fingrid's stable monopoly position and revenue base, as well as the flexible regulatory regime, are expected to remain unchanged in the foreseeable future. This should enable Fingrid to avoid financial difficulties, despite its highly leveraged balance sheet. No further tariff reductions or leverage increases are expected.

*For further information please contact:
Andreas Zsiga, Stockholm, +46 (8) 440 59 36*

ISSUER CREDIT RATINGS

Fingrid Oyj

Issuer credit rtgs AA-/Stable/A-1+

Swedish Short-term rtg K-1

AFFIRMED RATINGS

Sr unsecd debt AA-

Pref Stk A-

CP A-1+