Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Fingrid Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Fingrid Oyj (business identity code 1072894-3) for the year ended 31 December, 2016. The financial statements comprise:

- the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies

- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

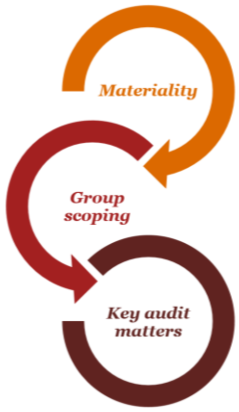
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our Audit Approach

Overview



- Overall group materiality: € 10 million

- Group audit scope includes, in addition to the parent company Fingrid Oyj, all the Group's subsidiaries that are Finnish entities.

- Turnover
- Property, plant and equipment, and depreciation
- Financial items and derivatives

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 10 million
How we determined it	Profit before tax and balance sheet total combined
Rationale for the materiality benchmark applied	We chose the combination described above as the benchmark because, in our view, they are the benchmarks against which the performance of the Group is commonly measured by users. In our view, either of the figures individually is not sufficient for determination of materiality based on the specific characteristics of the company's operations, such as operating in a regulated market. The chosen percentages (5 % and 1 %) are within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Turnover	
Referring to notes 1 "Turnover" and the accounting principle "Revenue recognition" as well as the note pertaining to judgement and estimates "Estimate of the purchase and sale of imbalance power" we have determined turnover and revenue recognition of sale of imbalance power as key audit matters due to the judgement involved. The most significant flows of turnover are related to grid service income and sale of imbalance power, which generally are invoiced on a monthly basis. As concerns turnover, the most significant periodization item is recognition of sale of imbalance power revenue for December in the correct accounting period. Final imbalance settlement for sale of imbalance power is completed retroactively in about a month and a half after the month of delivery, due to which the revenue recognized for sale of imbalance power in the financial statements for December involves inherent judgement. In order to periodise the income into the correct accounting period, the company builds a forecast, based on which revenue from sale of imbalance power is recognised for the last month of the financial year in the financial statements.	The audit of turnover as a whole was a combination of audit of controls and substantial audit procedures. The substantial audit procedures included both analytics and detailed audit procedures. Revenue recognition for imbalance power sales is based on forecast calculations made by the management. Our audit focused on the fundamentals behind these calculations and their documentation. We assessed consistency of the fundamentals used in the calculations in comparison with principles used in previous years. In addition, we assessed accuracy of the forecasts used in previous years based on historical data. As part of our audit we compared on a monthly basis consistency of the revenue recognized based on the forecast with the final billing. Our review covered monthly estimates of income compared to actual billed revenue. The review period used was time since previous financial statements until the end of November in the current financial period. Our audit of grid service income and other items of turnover focused specifically on invoicing being based on accounting principles and decisions made. We also assessed recognition of revenue to the correct accounting period by reconciling invoiced amounts to tracking of actual energy border transmissions.
Property, plant and equipment, and depreciation	
Referring to notes 11 "Property, plant and equipment" as well as the accounting principle	As part of our audit of transmission grid investments we performed a review of consistency of capitalization

"Property, plant and equipment" we defined these items as key audit matters based on their quantitative significance for the company financial statements and due to significance of estimates related to economic life. The transmission grid owned by the company is also the basis for calculation of carrying amount of grid assets in the regulatory balance sheet of the grid operations sector, when calculating the adjusted present value of the grid assets for purposes of calculation of reasonable return as defined by the Energy Authority.

Property, plant and equipment per 31 December, 2016 were valued at € 1 690 million which is 80 % of total assets. Accumulated depreciation for the period totalled € -99 million.

The company currently has a significant investment program in progress. Transmission grid investments comprise of both power lines and construction of connecting and transforming substations. The projects are usually completed as 2-3 subassemblies, due to which it is possible to utilise some subassembly financially or take it into use prior to completion of the entire project.

We determined as key audit matters the assessment of costs allocated to the investment projects in view of eligibility for capitalization, and that the completed investment or a part of it is classified and its economic life are correctly defined using consistent principles, and that depreciation calculation is initiated in a timely manner. As to replacement investments completed, it is essential to assess their effect on the economic lifetimes of the assets replaced.

principles compared with previous accounting periods and conformity with the accounting principles for the consolidated financial statements.

For the basis of our audit we obtained understanding of the group investment process and related controls.

Substantive audit included e.g. assessment of investments recorded on the balance sheet for eligibility for capitalization. The testing methods we used were a combination of control testing and detailed substantive testing.

Regarding investments, we tested whether completed investments were recognized in the correct balance sheet items, depreciation was initiated in a timely manner and the economic lives defined systematically correspond to economic lives used by the company and defined in the accounting principles.

In addition to the measures described above, we discussed with the management the depreciation times used in reasonable return calculation and related regulatory reporting.

Regarding replacement investments we tested through substantive audit procedures whether the economic lives of assets to be replaced had been adjusted in accordance with company practice in a manner, whereby the remaining carrying value is depreciated when the replacement investment is taken into use.

Financial items and derivatives

Referring to notes 14 "Borrowings", 19 "Cash and cash equivalents", 20 "Financial assets recognised in the financial statements at fair value" and 23 "Derivative instruments" as well as the related accounting principles and notes concerning the income statement items 6 "Other operating expenses" and 17 "Interest income and expenses from loans and other receivables" we defined financing debts and derivative instruments as key audit matters based on their quantitative significance in the company financial statements and the effect of

Audit of financing instruments as a whole was a combination of different audit procedures. In our audit we assessed the key controls the company utilizes to ensure recording of transactions in the company's accounting system, as well as practices related to valuation.

Our substantive audit procedures included both analytical procedures and detailed audit procedures.

Focus of our audit of financing debts was on reconciling them with external confirmations, verifying periodization of purchase cost and correctness of changes in their carrying value on the company profit/loss.

Financial items in the financial statements comprise mainly of bonds issued by the company. Carrying value of financing debt per 31 December, 2016 totalled € 1 108 million, i.e. 53 % of balance sheet total.

Financing derivatives

The company uses derivative contracts to hedge against interest rate and exchange rate risks according to Corporate Finance and Financing Principles approved by the Board of Directors. The interest rate and currency derivatives are the most commonly used basic instruments in the markets. Valuations of the interest rate and currency derivatives used by the company are not always available directly from publicly registered operative markets, but

Electricity derivatives

Transmission of electricity incurs losses, which the company is obliged to compensate. The company purchases loss power at an electricity exchange. The company uses electricity derivatives to hedge against market price volatility. Price hedging is implemented over a four year horizon, and it is divided in three parts; basic, budget and operative hedging. The company mainly uses exchange quoted products for price hedging.

presentation of short and long term items. As concerns the income statement, we verified registrations of financing income and expenses through analytical and detailed substantial audit procedures.

We verified existence of derivatives presented in the financial statements by reconciling and comparing information in the financial statements for completeness and correctness against external confirmations obtained from third parties.

As concerns valuation of derivatives we assessed consistency of valuation methods used and whether they were based on generally accepted valuation methods. Our audit included testing of the valuations reported in the company financing accounts by reconciling them with the valuations we obtained by using price information available in [/produced by] the general systems in the market.

Valuations of electricity derivatives were reconciled with the price information available in the quoted exchanges. Registrations of market value in the income statement was verified through reconciliation with changes of market value derived from the balance sheet.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the information included in the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Opinions

We support that the 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 17 February, 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen
Authorised Public Accountant