

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

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 2018 and the corresponding period of 2017, 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 somewhat exceeded expectations.
- Turnover during the period under review amounted to EUR 624.6 (476.7) million and operating profit, excluding the change in the fair value of derivatives, amounted to EUR 147.7 (125.0) million.
- The company’s profitability and liquidity remained at a good level.

CEO Jukka Ruusunen: World-class efficiency enables cheap grid transmission prices

We promote the well-being and competitiveness of our customers and Finnish society by keeping grid transmission prices down. Our grid transmission prices are now among the most affordable when compared with European transmission system operators. The company’s positive earnings development in the first nine months of the year, its excellent cost-effectiveness, systematic and moderate investment rate and the predicted slight growth in electricity consumption give us the opportunity to reduce grid transmission fees by an average of eight per cent from the start of 2019.

With the exception of a serious disturbance in July, Finland’s transmission grid has operated reliably in the first part of the year. A defect at Fingrid’s substation at Olkiluoto prevented the nuclear power plant units at Olkiluoto from supplying electricity to the grid. The producers and consumers of electricity participated actively in balancing the situation, and electricity imports from the neighbouring countries were increased and an electricity shortage was avoided.

In order to secure the Helsinki region’s electricity supply, we are pursuing an entirely new type of operating model in which the City of Helsinki, the region’s distribution network company Helen Sähköverkko and Fingrid intend to collaborate on an infrastructure project that will serve the Helsinki region’s electricity supply and facilitate land use. Therefore, Fingrid is preparing to build a new 400-kilovolt cable link from Länsisalmi to Viikinmäki, with plans to have it up and running in 2025.

The future clean electricity system will be diverse, flexible and cost-effective. In order to succeed, it will require plenty of new technology and operating methods. As part of the energy system transformation, we are building a datahub for the electricity retail market’s information exchange, which will assemble data from all Finnish electricity consumers. Building the system is a laborious reform for Fingrid and the whole sector. The system will boost the consumer market and bring new opportunities to the electricity market. The government proposal on a so-called datahub act, given in September, will enable the adoption of the datahub in 2021. The datahub holds a key role in the electricity market’s shift from the current one-hour trading period to a fifteen-minute period.

Fingrid was selected as the world's Best Transmission Brand in the international energy sector brand competition CHARGE 2018. The competition was held for the third time in conjunction with the Branding Energy seminar in Iceland. The competition jury particularly valued Fingrid's clear core messages, innovation and the national monopoly's exceptional consumer focus and outward vision.

Key figures

€M	1-9/18	1-9/17	change %	1-12/17
Turnover	624.6	476.7	31.0	672.0
Operating profit*	147.7	125.0	18.2	175.9
Profit before taxes	160.2	115.4	38.8	163.7
Profit for the period	127.5	92.2	38.3	130.8
Capital expenditure, gross	64.1	81.8	-21.6	111.1
Net cash flow from operations**	160.9	101.7	58.3	125.8
Interest-bearing net debt	1,008.3	1,024.6	-1.6	998.9
Balance sheet total	2,064.2	2,129.7	-3.1	2,113.3
Equity ratio %	34.8	35.7		37.8

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

** Net cash flow from operations, after capital expenditure

- The significantly increased turnover was the result of growth in imbalance power sales. Imbalance settlement, now reported entirely as external turnover, is handled by eSett Oy. A corresponding change can also be seen in the imbalance power costs.
- Operating profit excluding the change in the fair value of derivatives improved when cross-border transmission income between Finland and Russia grew and higher electricity consumption increased grid transmission income.

Main business events

- From January through September, electricity consumption in Finland was 64.0 (62.3) terawatt hours. The electricity transmissions via Fingrid's grid amounted to 50.5 (48.9) terawatt hours during the same period, representing 76.3 (76.7) per cent of the country's total electricity transmission. During this period, Fingrid transmitted 48.2 (47.3) terawatt hours of electricity to its customers, representing 75.3 (76.0) per cent of Finland's total consumption.
- In January–September, two major disturbances took place in Fingrid's network. A 400-kilovolt current transformer at the substation at Olkiluoto was damaged in a fire on 18 July, preventing the nuclear power plant units at Olkiluoto from supplying electricity to the grid. Fingrid's 110-kilovolt power line between Inkoo and Karjaa experienced a defect on 27 September for roughly half an hour, impacting approximately 8,600 households.
- On 6 July 2018, Fingrid released an amendment decision on its naming decision concerning the scope of the transmission grid. The amendment decision applies to the naming decision concerning the scope of the grid, which Fingrid released on 31 March 2015, for the regulatory period 2016–2019.
- Fingrid Datahub Oy selected the supplier for the datahub system on 14 June 2018 and CGI Suomi Oy was selected as the system supplier. The procurement is valued at EUR 41.9 million. The Finnish government presented a proposal to the parliament on 20 September 2018 on amending the Finnish Electricity Market Act and certain related acts. The Datahub is a centralised information exchange system for retail markets that stores

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data from all of Finland's 3.5 million places of electricity consumption. The datahub will go live in 2021.

- In September, Fingrid was selected as the world's Best Transmission Brand in the international energy sector brand competition CHARGE 2018 in Reykjavik, Iceland.

Events after the review period

On 3 October 2018, Fingrid Oyj announced that it would reduce grid service fees for 2019 by an average of eight per cent. The decrease in fees is made possible by the positive earnings development in the first part of 2018, excellent cost-effectiveness, a moderate investment rate and predicted slight growth in electricity consumption. Grid service fees are very low in Finland compared to the rest of Europe. Fingrid's operations have a solid foundation and thus grid service fees are expected to remain stable also in the future.

The company has not changed its earnings guidance from what is stated in the January–June interim report of 14 August 2018.

Further information:

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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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