

Fingrid Group's Financial Statements Bulletin January–December 2016. Strong financials – transformation of the power system advances

Fingrid's consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS). Unless otherwise indicated, the figures in parentheses refer to the same period of the previous year.

Financial development in October - December 2016

- The Group's turnover in October - December was EUR 178.0 (172.5) million
- The Group's operating profit in October - December was EUR 67.4 (57.4) million
- The Group's profit in October - December was EUR 46.4 (36.2) million
- Cash flow from the Group's operations, after capital expenditure, in October - December was EUR 10.6 (14.6) million
- Capital expenditure in October - December amounted to EUR 40.1 (47.1) million

Financial development in January - December 2016

- The Group's turnover in January - December was EUR 586.1 (600.2) million
- The Group's operating profit was EUR 192.0 (162.6) million
- The consolidated profit for the year was EUR 138.7 (103.6) million
- Cash flow from the Group's operations, after capital expenditure, was EUR 93.6 (80.3) million
- Interest-bearing net borrowings totalled EUR 1,028.0 (1,026.9) million
- Capital expenditure totalled EUR 146.7 (147.5) million
- The equity ratio was 36.4 (33.5) per cent
- Earnings per share totalled EUR 41,706 (31,151)

KEY FIGURES		1-12/16	1-12/15	change %	10-12/16	10-12/15	change %
Turnover	€M	586.1	600.2	-2.3	178.0	172.5	3.2
Capital expenditure, gross	€M	146.7	147.5	-0.5	40.1	47.1	-14.8
- of turnover	%	25.0	24.6		22.5	27.3	
Research and development expenses	€M	2.4	1.8	31.3	0.8	0.7	12.1
- of turnover	%	0.4	0.3		0.5	0.4	
Average number of employees		336	319	5.4	334	315	6.0
Number of employees at end of period		334	315	6.0	334	315	6.0
Salaries and bonuses, total	€M	22.7	21.3	6.6	6.4	5.6	15.2
Operating profit	€M	192.0	162.6	18.1	67.4	57.4	17.5
- of turnover	%	32.8	27.1		37.9	33.3	
Profit before taxes	€M	173.9	129.3	34.4	58.0	45.1	28.6
- of turnover	%	29.7	21.5		32.6	26.2	
Profit for the period	€M	138.7	103.6	33.9	46.4	36.2	28.2
Comprehensive income for the period	€M	144.8	109.1	32.7	47.7	37.5	27.2
Return on investments (ROI)	%	10.4	8.7				
Return on equity (ROE)	%	18.8	15.0				
Equity ratio	%	36.4	33.5		36.4	33.5	
Interest-bearing net borrowings	€M	1,028.0	1,026.9	0.1	1,028.0	1,026.9	
Net gearing		1.3	1.4		1.3	1.4	
Earnings per share	€	41,706.12	31,150.79	33.9	13,942.38	10,872.71	28.2
Dividend, Series A shares	€	37536.09 *	33,686.24				

Dividend, Series B shares	€	16038.49 *	16,038.49			
Equity per share	€	230,301	213,822	7.7		
Dividend payout ratio, A shares	%	90.0	108.1			
Dividend payout ratio, B shares	%	38.5	51.5			
Number of shares						
– Series A shares	qty	2,078	2,078		2,078	2,078
– Series B shares	qty	1,247	1,247		1,247	1,247
Total	qty	3,325	3,325		3,325	3,325

*The Board of Directors' proposal to the Annual General Meeting

Jukka Ruusunen, President & CEO of Fingrid, on the year 2016:

The journey towards a new, more electricity-dominated energy system continues to gain momentum. During 2016, two important records were broken in the Finnish electricity system. In early January, the consumption of electricity throughout Finland reached the level of 15,100 megawatts.

Another national record was broken in August, when the production of wind power in Finland exceeded 1,200 megawatts. Later in the year, it even reached 1,300 megawatts. This is concrete proof of how wind power is gaining importance in our power system. Wind forecasts are an increasingly important daily tool for Fingrid's control room.

All in all, 2016 was a very busy and successful year for us. System security of the transmission grid stayed at an excellent level. We also succeeded in serving the electricity market by securing the efficient use of transmission capacity. Power flowed freely from one country to another, driven by price signals. We have made major efforts to improve the reliability of cross-border transmission connections, and this work is now bearing fruit: there are significantly fewer and shorter disturbances.

We have put forth ideas about how to control the future power system. We are strong proponents of a market-based system, and we believe the best solutions will be found when the operators, driven by market prices, can make decisions based on their own priorities. Demand side management is one area where answers are being sought to respond to rapid changes in the production or consumption of electricity, even within seconds.

Fingrid plays an active part in this development. Pilot schemes are rapidly advancing to practical, commercial solutions. Roughly half of our new frequency controlled reserves for disturbances come from demand side management and the other half from electricity production. This doubles the amount of demand side management compared with the previous year. We seek to promote consumers' possibilities to actively participate in the electricity market by developing a real-time market, by building the datahub to support the markets and by actively participating in the work of the national smart grid working group.

Fingrid has carried out capital investments at a brisk pace. In 2016 we had 27 substation projects and 13 transmission line projects underway. It is an indication of the organisation's excellent capabilities that all the projects have progressed according to the set schedules and budget. Furthermore, we have maintained excellent cost efficiency, as proven by the great results in international benchmarking studies. The flagship of our capital investments is the 400 kilovolt 'Coastal Power Line' from Pori to Oulu, Fingrid's all-time biggest investment, costing EUR 260 million and completed at the end of the year. This transmission connection will play a key role when building up a more environmentally sustainable power system not just in

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Finland, but in all of the Baltic Sea area. The next mega project is already ahead of us: in late 2016 we agreed with our Swedish colleagues on building an AC transmission connection between our countries. This is a project of national importance.

Making the new energy system of the future a reality requires international cooperation, where the overall rules are laid down in Brussels. Concrete co-operation with the other Nordic countries and the Baltics is reflected daily in our operations. Even if there are bumps in the road at times, the collaboration constantly produces new solutions that help to maintain high levels of system security and promote well-functioning markets. In the Baltic Sea region, this has for a long time been based on close inter-TSO co-operation. In future, political decision makers should bear their responsibility for this work better.

Our finances are in good shape, despite significant capital expenditure and operational development in recent years. Fingrid's profitability was stronger than projected. The consolidated turnover amounted to EUR 586.1 (600.2) million and profit for the financial period was EUR 138.7 (103.6) million. The financial result was positively impacted by raises in grid pricing, increased consumption of electricity and cross-border transmission as well as decreased loss power and reserve costs.

Accounting principles

The information published in this report is based on Fingrid's audited financial statements for 2016, published in connection with this bulletin.

Financial result

In preparing these consolidated financial statements, the Group has followed the same standards as in 2015.

The Group's turnover was EUR 586.1 (600.2) million. Grid service income increased to EUR 382.4 (333.0) million, as a result of the change in grid pricing enacted at the start of the year and due to the growth in electricity consumption. Electricity consumption totalled 85.1 (82.5) terawatt hours. Fingrid transmitted 68.6 (67.9) terawatt hours of electricity in its grid, which represents 77.5 (77.1) per cent of all electricity transmitted in Finland. Imbalance power sales amounted to EUR 153.9 (137.1) million. The growth in imbalance power sales resulted from an increase in the volume of imbalance power and higher imbalance power prices. Cross-border transmission income from the connection between Finland and Russia increased to EUR 24.0 (11.2) million. This was due to the new dynamic tariff structure that was introduced as well as to increased imports from Russia. Fingrid's congestion income from connections between Finland and Sweden declined to EUR 37.5 (86.8) million due to weakened hydrological conditions, which significantly decreased the number of congestion hours. Fingrid's congestion income from the links between Finland and Estonia amounted to EUR 2.4 (4.2) million. Congestion income will no longer be reported in Fingrid's turnover as of the beginning of 2016. Other operating income totalled EUR 12.7 (5.2) million. The growth in other operating income mainly resulted from the EUR 6.3 million in recognised congestion income, in compliance with the regulation concerning the costs from maintaining cross-border capacity and countertrade.

The Group's total costs amounted to EUR 442.2 (418.6) million. Imbalance power costs increased from the previous year's level to EUR 121.7 (98.2) million, due to the increase in the

volume and price of imbalance power. Loss power costs amounted to EUR 57.6 (68.6) million. The declining loss power costs have been affected by the lower price of loss power procurement and the slightly lower volume of loss power. The average price of loss power procurement was EUR 43.87 (48.22) per megawatt hour. The cost of reserves to safeguard the grid's system security decreased to EUR 50.5 (54.7) million. The reason for the decreased cost was an interruption in the procurement of the automatic frequency control reserve until August, as well as the lower procurement cost of frequency controlled reserves for normal operation and disturbances due to high availability on the markets. Depreciation amounted to EUR 99.2 (94.1) million. Grid maintenance costs grew to EUR 24.1 (19.2) million. The maintenance costs were increased by the periodical felling of trees around substations and the trimming of trees at the edges of transmission line right-of-ways. Personnel costs increased as the payroll expanded, due to new operations and increased statutory duties and due to higher employer contributions in additional personnel expenses, and amounted to EUR 28.6 (25.8) million.

Turnover and other operating income, € million

	Jan- Dec/16	Jan- Dec/15	Oct- Dec/16	Oct- Dec/15
Grid service revenue	382.4	333.0	113.1	100.8
Sales of imbalance power	153.9	137.1	47.4	37.9
Cross-border transmission income	24.0	11.2	10.0	2.9
Finland-Estonia congestion income*		4.2		0.8
Finland-Sweden congestion income*		86.8		22.0
Peak load capacity income**	7.0	7.6	1.8	1.8
ITC income	13.2	15.3	3.8	4.5
Other turnover	5.6	5.1	2.0	1.8
Other operating income	12.7	5.2	2.0	3.0
Turnover and other income total	598.8	605.4	180.0	175.5

Costs, € million

	Jan- Dec/16	Jan- Dec/15	Oct- Dec/16	Oct- Dec/15
Purchase of imbalance power	121.7	98.2	37.5	29.6
Cost of loss energy	57.6	68.6	12.8	17.8
Depreciation	99.2	94.1	25.4	24.2
Cost of reserves	50.5	54.7	13.8	12.6
Personnel costs	28.6	25.8	8.4	6.8
Maintenance management costs	24.1	19.2	9.1	7.9
Cost of peak load capacity**	6.6	7.2	1.6	1.4

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ITC charges	12.6	9.4	4.2	2.0
Estlink grid rents				
Other costs	41.1	41.3	10.5	11.4
Costs total	442.2	418.6	123.4	113.7
Operating profit excluding the change in the fair value of commodity derivatives	156.6	186.8	56.6	61.9
Operating profit of Group, IFRS	192.0	162.6	67.4	57.4

* Due to a change in congestion income reporting, congestion income is not reported in the turnover as of the beginning of 2016.

** Peak load capacity income and costs are related to the securing of sufficient electricity supply during peak consumption hours in compliance with the Finnish Peak Load Capacity Act.

The Group's operating profit was EUR 192.0 (162.6) million. To recognise changes in the fair value of electricity derivatives and the currency derivatives related to capital expenditure and other operating expenses, EUR 35.4 (-24.3) million was recorded in operating profit.

Net financial costs in accordance with IFRS were EUR 18.7 (33.7) million, including a change of EUR -0.3 (-13.3) million in the fair value of financial derivatives.

The Group's profit before taxes was EUR 173.9 (129.3) million. The biggest differences from the last year are explained by changes in the market value of derivatives (EUR +72.7 million), the growth in grid service income (EUR +49.4 million), and a change in the reporting of congestion income (effect EUR -84.6 million). The profit for the year was EUR 138.7 (103.6) million. The equity to total assets ratio increased and was 36.4 (33.5) per cent at the end of the review period.

The parent company's turnover was EUR 581.4 (592.4) million, profit for the financial year EUR 103.9 (123.7) million and the distributable funds EUR 176.0 million.

By the company's own calculations, the return according to the regulatory model that governs grid operations amounts to a deficit of around EUR 40 million for 2016.

Capital expenditure and maintenance

Fingrid's grid investment programme improves system security and promotes the electricity markets as well as the implementation of the national energy and climate strategy. The annual capital expenditure in the grid has remained extensive.

The company's total capital expenditure in 2016 amounted to EUR 146.7 (147.5) million. Of that amount, a total of EUR 135.8 (138.4) million was invested in the transmission grid and EUR 3.3 (0.7) million in reserve power. ICT investments totalled EUR 7.5 (8.4) million. A total of EUR 2.4 (1.8) million was used for R&D projects during the year under review.

At the end of 2016, Fingrid had thirteen 400 kilovolt substation sites and 67 kilometres of 400 kilovolt power line contracts as well as a significant number of 110 kilovolt substation and power line projects under construction.

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Fingrid's all-time biggest investment, the 400 kilovolt 'Coastal Power Line' transmission connection from Pori to Oulu was completed at the end of 2016. With the completion of this power line on the western coast of Finland, there are now three 400 kilovolt transmission links connecting the northern and southern parts of the country. The project, which cost a total of EUR 260 million, was carried out according to plan over a span of ten years. The transmission link serves the wind farms that have been built in western coastal areas and which will be followed by more in the future. Several existing and planned nuclear power stations are also located close to this line. The new connection furthermore improves the cross-border transmission between Sweden and Finland. The investments carried out by Fingrid also help prepare for the new AC link to be built between the countries by 2025. Thanks to the Coastal Power Line, Finland's future as a single price region is now more secure. The voltage upgrade will also decrease transmission losses. This multi-year project was a major challenge for both Fingrid personnel and our suppliers. The employment impact of the project amounted to approximately 1,000 man-years. A large part of the congestion income collected by Fingrid was allocated to this major investment.

Overall, the Coastal Power Line consisted of three extensive projects:

- A 400 and 110 kilovolt transmission line connection from Seinäjoki to Vaasa, and a new transformer substation in Nivala were completed in 2011.
- A 400 kilovolt connection from Ulvila to Kristinestad was completed in the second stage of the power line project October 2014.
- In the final phase, a 400 kilovolt power line connection from Kokkola (Hirvisuo) to Muhos (Pyhänselkä) was completed in late 2016.

Overall, the Coastal Power Line includes 380 kilometres of new 400 kilovolt power line, nine new substations and several smaller substation extensions. This provides 600–800 megawatts of entirely new transmission capacity between northern and southern Finland.

The roughly EUR 130 million modernisation project on Finland's oldest transmission line, dubbed the 'Iron Lady' and running from Imatra to Turku, proceeded as planned during the year under review. The Hikiä–Forssa section of this major project was completed and commissioned in March. Modernisation of the Iron Lady continues between Lieto and Forssa. Work on the Ylikkälä–Koria section also started, between Lappeenranta and Kouvola. Furthermore, a decision was made to renew the transmission line between Hikiä and Orimattila and to build a new substation in Orimattila. The Iron Lady project is expected to be fully completed by 2020.

With the aim of securing the electricity supply for both residents of the Helsinki region and functions that are vital to society, Fingrid will reinforce the Espoo substation and the Länsisalmi substation in Vantaa. These substation upgrades and extensions, which cost nearly EUR 9 million for Espoo and roughly EUR 18.5 million for Vantaa Länsisalmi, started in 2016 and will be completed in 2017. The supply of electricity from the main grid to Helsinki and Vantaa takes place via the Länsisalmi and Tammisto transformer substations, serving around 800,000 people. Increasing electricity consumption and changes taking place in the production of electricity in Helsinki necessitate upgrades in supply capacity. The extension of the Espoo substation will improve the system security of the transmission facilities in western

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Uusimaa, the region west of the capital area. Local electricity production has decreased while consumption is constantly increasing.

Fingrid has, over the last two years, made major investments to develop the transmission grid in Lapland by building or upgrading a total of six substations. These measures were necessary due to increasing local consumption and due to new wind power capacity. During the year under review, the substation at Vajukoski and Petäjäsoski received new transformers and the existing systems were upgraded and extended. The Vajukoski transformer substation, north of Sodankylä, serves both hydropower production and mining industry and links up with the Norwegian transmission grid via Ivalo. The Petäjäsoski transformer substation, a major link between Lapland's 220 kilovolt and 400 kilovolt main transmission networks, also received an entirely new 220 kilovolt gas-insulated switchgear. Extensive upgrades were additionally carried out at the Taivalkoski and Ossauskoski substations. The total capital expenditure amounted roughly to EUR 43 million.

Several investment decisions were made during the year, many of which proceeded to the implementation stage.

The Inkoo substation that was built in the 1970s secures the electricity supply in western Uusimaa. An investment decision was made to modernise the ageing substation, and the project is due for completion in 2018. To secure the supply of electricity in the Hämeenlinna and Valkeakoski areas, Fingrid decided to modernise a 51-kilometre transmission line between the cities. Aged and worn out pylons and transmission lines will be dismantled and replaced with a new line. The project is due for completion in 2018.

Several of the investments are related to enabling or improving the operating conditions of industry. An upgrade on the Vuoksi substation and the roughly 24-kilometre Lempiälä–Vuoksi transmission line is planned between Lappeenranta and Imatra. The investment will be carried out sooner than originally planned, due to an extension to Kemira's industrial plant in Joutseno, and it is due for completion in 2018. The electricity supply for the new bioproduct mill in Äänekoski will be secured with the construction of a new 110 kilovolt transmission line between Äänekoski's Koivisto and Laukaa's Vihtavuori substations, due for completion in late 2017. Olkiluoto's 400 kilovolt switching station, which is outdated and has insufficient system security, will be modernised. The Olkiluoto substation is one of the most important grid nodes, with three nuclear power plants connected to it. The project is due for completion in 2019.

Fingrid's Huutokoski reserve power plant will undergo a EUR 15 million upgrade. The Huutokoski plant, located in Joroinen, is one of the ten reserve power plants owned by Fingrid which are tasked to support a sufficient supply of electricity in Finland during major disturbances in the power system. The upgrade project includes the modernisation of obsolete systems to secure reliable operation for the next 20 years as well as significant environmental investments. The systems to be modernised include fuel tanks and fuel systems, extinguishing systems, the plant's internal electrical and automation systems as well as the plant's own reserve power systems.

In 2006, Fingrid launched a project aimed at building a complete, modern IT system to support asset management operations. Thanks to system integrations, all the master data of the transmission grid assets is now in a single application. The overall project combined both modern ICT technology and in-house knowledge, and transformed operational procedures. Thanks to advanced technology, significant efficiency improvements were achieved in asset

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management. The ELVIS IT system project tasked to support asset management and use of the assets was completed in 2016.

Major improvements have been achieved in the reliability of cross-border transmission connections and Fingrid now has more expert resources on DC transmission connections. A 24/7 back-up system was taken into use in HVDC operations as of the beginning of 2016. During the year under review, disturbance clearing has been accelerated, individual disturbances have been prevented proactively and measures to secure the reliability and availability of the HVDC connections have been implemented much faster than in previous years. The total duration of interruptions in 2016 remained at around 10% of the 2014 and 2015 levels. The number of interruptions was halved from 2014 and 2015.

By international standards, Fingrid's maintenance management is world-class. The company was one of the best operators in the International Transmission Operations and Maintenance Study (ITOMS) for the 11th consecutive time. Lloyd's Register audited Fingrid's asset management operations and awarded Fingrid a certificate for compliance with the ISO 55001 standard.

In 2016, Fingrid's personnel had no accidents resulting in absence from work (2015: 1), in other words, the zero accidents target was achieved. Suppliers' personnel had 12 (13) accidents resulting in absence from work, three of which resulted in an absence of more than 30 days. The suppliers' and Fingrid's combined accident frequency rate decreased somewhat from the previous year.

The occupational safety development project continued, with a focus on implementing occupational safety models and tools and improving safety attitudes. On-line training was introduced in early 2016 and used by more than 1,700 people during the year. A safety observation campaign was carried out with suppliers and Fingrid's own personnel. Work was also continued to develop a mobile reporting system for occupational safety, quality and environmental issues, on-line training and Fingrid's safety management system.

Power system

In 2016, electricity consumption in Finland amounted to 85.1 (82.5) terawatt hours. A total of 68.6 (67.9) terawatt hours of electricity was transmitted in Fingrid's grid, representing 77.5 (77.1) per cent of the total transmission volume in Finland (consumption and inter-TSO).

Electricity import and production capacity was well sufficient to cover the peak consumption, which amounted to a maximum of 15,100 (13,500) megawatts. The peak consumption was at an all-time record high in Finland. During the consumption peaks early in the year, electricity production in Finland totalled approximately 10,800 (11,200) megawatts.

Electricity transmissions between Finland and Sweden consisted mostly of large imports to Finland. During 2016, 15.7 (17.8) terawatt hours of electricity was imported from Sweden to Finland, and 0.3 (0.2) terawatt hours were exported from Finland to Sweden.

The electricity transmission between Finland and Estonia was dominated by exports from Finland to Estonia, which amounted to 3.1 (5.0) terawatt hours.

The electricity imports from Russia increased by approximately 50 per cent. Nearly the full transmission capacity was available. Electricity imports from Russia totalled 5.9 (3.9) terawatt hours.

With a transmission reliability rate of 99.9998 per cent, the reliability of the transmission grid was at an excellent level during the year under review. The number of disturbances due to thunder exceeded the average, and the resulting multi-phase disturbances were detrimental to the process industry. Otherwise the number of disturbances remained at the normal level. Increased resources were allocated on determining the DC transmission links' susceptibility to disturbances. Thanks to this, no disturbances requiring extensive repairs occurred in the DC links during 2016, and also less significant disturbances were cleared more quickly than in previous years. The total duration of interruptions due to disturbances in DC links in 2016 remained at around 10% of the 2014 and 2015 levels, and the number of interruptions was halved from the 2014 and 2015 figures.

Transmission outages in connection with investment projects mostly affected Ostrobothnia and northern Ostrobothnia. The outages were challenging and required careful advance planning and good cooperation with our customers. The outages were handled successfully.

Counter trade	Jan- Dec/16	Jan- Dec/15	Oct- Dec/16	Oct- Dec/15
Counter-trade between Finland and Sweden, €M	2.5	0.8	0.3	0.2
Counter-trade between Finland and Estonia, €M	0.1	0.8	0.0	0.0
Counter-trade between Finland's internal connections, €M	1.2	2.2	0.3	0.6
Total counter-trade, €M	3.9	3.8	0.6	0.9

Reserves required to maintain the power balance of the electricity system were procured from Finland, the other Nordic countries, the Baltic countries and Russia. Countertrade costs totalled EUR 3.9 (3.8) million. Countertrade refers to special adjustments made in the management of electricity transmission which are used to eliminate short-term bottlenecks (an area where electricity transmission is congested) from the grid. Fingrid guarantees the cross-border transmission it has confirmed by carrying out countertrades, i.e. purchasing and selling electricity, up until the end of the 24-hour usage period. The need for countertrade can arise from, for example, a power outage or disruption in a power plant or in the grid.

An outage in a connection point in the grid caused by a disturbance in Fingrid's electricity network lasted an average of 2.1 minutes, which is clearly shorter than the ten-year average of 3.3 minutes. The estimated cost of the disturbances was EUR 3.5 (4.1) million.

Power system operation	Jan- Dec/16	Jan- Dec/15	Oct- Dec/16	Oct- Dec/15
Electricity consumption in Finland TWh	85.1	82.5	23.2	22.1
TSO transmission in Finland, TWh	3.5	5.5	0.4	1.4

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Transmission within Finland, TWh	88.6	88.0	23.6	23.5
Fingrid's transmission volume TWh	68.6	67.9	17.4	17.7
Fingrid's electricity transmission to customers, TWh	64.9	62.3	16.8	16.3
Fingrid's loss energy volume TWh	1.3	1.4	0.3	0.3
Electricity transmission Finland - Sweden				
Exports to Sweden TWh	0.3	0.2	0.2	0.1
Imports from Sweden TWh	15.7	17.8	2.8	4.7
Electricity transmission Finland - Estonia				
Exports to Estonia TWh	3.1	5.0	0.2	1.2
Imports from Estonia TWh	0.7	0.0	0.5	0.0
Electricity transmission Finland - Russia				
Imports from Russia TWh	5.9	3.9	1.9	1.0

Electricity market

The average market price of spot electricity on the electricity exchange (system price) was EUR 26.91 (20.98) per megawatt hour. The price level in the Nordic electricity markets trended downwards for an extended period during the first half of 2016, but rebounded during the summer. The drivers behind the price increase include weakened hydrological conditions as well as price hikes in fossil fuels and emission rights.

In 2016, prices on the Finnish wholesale market were higher than they were in other Nordic countries. The overall increase in Nordic prices made the price disparity between Finland and Sweden less pronounced and, as a result, congestion hours between Finland and Sweden decreased significantly during the latter half of the year. In addition to the increased Nordic price level, another reason for the decrease in congestion hours and decreased price disparity was the completion of the NordBalt transmission link between Sweden and Lithuania during the first half of 2016.

Fingrid accrued EUR 37.5 (86.8) million in congestion income from the cross-border power lines between Finland and Sweden. EUR 29.9 (24.3) million of this was accrued during the first half of 2016 and EUR 7.6 (62.5) million during the second half of the year. The links between Finland and Estonia generated EUR 2.4 (4.2) million in congestion income. All the congestion income accrued by Fingrid during 2016 was used for maintaining cross-border transmission capacity and for upgrade investments.

The imports from Russia increased to 5.9 (3.9) terawatt hours. Despite the increase, electricity imports from Russia to Finland have decreased significantly in recent years, and the hourly import volumes from Russia have varied considerably. In addition to Russia's capacity mechanism, the reduction in electricity trade is attributed to increased electricity prices in the country.

In spring, Fingrid published a discussion paper on the challenges of the electricity market and various alternative solutions to them entitled "Electricity market needs fixing – What can we do?", which sparked a lively debate. Fingrid's consultation request was responded to by a total of 36 industry operators, associations, research institutions and private citizens. During the

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second half of the year, Fingrid published a summary of the feedback, which contained suggestions for various routes to a market-based green electricity system.

The operating capacity of the electricity market and the sufficiency of electricity supply became national topics due to the bitter cold of January 2016. As the consumption of electricity broke records, the topics of meeting consumption needs and national self-sufficiency in terms of electricity were widely debated.

Roughly half of the cross-border transmission capacity between Finland and Sweden is provided by the Fenno-Skan links, i.e. high-voltage DC connections. Several measures were started by Fingrid early in 2016 to improve the reliability of cross-border transmission capacity. Thanks to the improvements, it was possible to keep interruptions very brief, and the availability of the connections has been clearly better compared to previous years.

Fingrid Datahub Oy, a company focused on the transfer of retail market information, was established on 16 February 2016. The task of the subsidiary, wholly owned by Fingrid, is to implement a centralised information exchange system for the electricity markets, i.e. a datahub, in which the exchange of information between retail sellers and distribution system operators is concentrated into a single service. This makes the exchange of information in the retail electricity market more straightforward and efficient. Data exchange among retail markets is needed in managing the various business processes of the electricity markets, such as balance settlement, an end user's change of address and a change of seller, for example. The system will facilitate the processing of measurement data, simplify and speed up client agreement events and improve the reliability of the service.

The implementation of European network codes required by the European Union proceeded in Finland, as Fingrid established a network code forum that is open to all market parties. The forum promotes public debate on all matters related to network codes and aims to gather the views of stakeholders as well as to complement the public hearing processes related to implementing the network codes. The network code forum convened three times during the year under review.

The Finnish, Norwegian and Swedish TSOs continued with the switchover to shared Nordic balance settlement. The jointly owned company eSett Oy, which Fingrid owns one third of, aims to start up operations in spring 2017.

In September, the Ministry of Economic Affairs and Employment set up a working group to look into the role of smart grids in the electricity market. The aim of the working group is to forge a common vision of future smart grids and to propose concrete measures for using smart grids as a means of increasing customers' opportunities to participate in the electricity market and contribute to maintaining a secure supply of electricity. The members of the working group broadly represent the stakeholders in the sector, including active participation by Fingrid.

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Electricity market	Jan- Dec/16	Jan- Dec/15	Oct- Dec/16	Oct- Dec/15
Nord Pool system price, average €/MWh	26.91	20.98	34.42	21.92
Area price Finland, average €/MWh	32.45	29.66	37.48	30.59
Congestion income between Finland and Sweden, € million*	75.0	173.5	3.9	44.1
Congestion hours between Finland and Sweden %**	32.7	47.1	10.9	47.4
Congestion income between Finland and Estonia, € million*	4.7	8.4	0.1	1.6
Congestion hours between Finland and Estonia %	9.7	12.0	2.8	9.1

* The congestion income between Finland and Sweden and between Finland and Estonia is divided equally between the relevant TSOs. The income and costs of the transmission connections are presented in the tables under 'Financial result'. Congestion income is used for investments aimed at eliminating the cause of congestion.

** The calculation of a congestion hour between Finland and Sweden refers to an hour during which Finland's day-ahead area price differs from both Sweden's SE1 and its SE3 area prices.

Financing

The company's credit rating remained high, reflecting the company's strong overall financial situation and debt service capacity. The company's net financial costs during the period under review were EUR 18.7 (33.7) million, including the change in the fair value of derivatives of EUR -0.3 million (EUR -13.3 million).

Interest-bearing borrowings totalled EUR 1,107.7 (1,143.4) million, of which non-current borrowings accounted for EUR 842.9 (907.2) million and current borrowings for EUR 264.9 (236.2) million. In 2016, the company issued bonds totalling EUR 80 million (EUR 50 million with a four-year maturity and EUR 30 million with a six-year maturity) to refinance current borrowings.

The company's liquidity remained good. Cash and financial assets recognised at fair value through profit or loss on 31 December 2016 totalled EUR 79.7 (116.6) million. The company additionally has an undrawn revolving credit facility of EUR 300 million to secure liquidity and EUR 50 million in uncommitted overdraft facilities. Fingrid used the first extension option of the revolving credit facility during the period under review. This extended the maturity of the revolving credit facility until 11 December 2021.

The counterparty risk arising from derivative contracts relating to financing was EUR 16 (11) million. Fingrid's foreign exchange and commodity price risks were generally fully hedged.

The international credit rating agencies S&P Global (S&P) and Fitch Ratings (Fitch) upgraded Fingrid's ratings as follows:

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- On 28 October 2016, S&P raised the rating for Fingrid Oyj's unsecured senior debt and long-term company rating to 'AA-' and the short-term company rating to 'A-1+', with a stable outlook.
- On 21 November 2016, Fitch raised the rating for Fingrid Oyj's unsecured senior debt to 'AA-', the long-term company rating to 'A+', and affirmed 'F1' for the short-term company rating, with a stable outlook. The rating received by Fingrid was, at the time of issuing, the highest valid rating given by Fitch to any European regulated TSO.

Share capital

The company's share capital is EUR 55,922,485.55. Fingrid shares 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 voting and dividend rights 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 company's website.

Personnel and remuneration systems

Fingrid Oyj employed 334 (315) persons, including temporary employees, at the end of the year. The number of permanent personnel was 291 (280).

Of the personnel employed by the company, 25.0 (24.4) per cent were women and 75.0 (75.6) per cent were men. The average age of the personnel was 44 (44).

During 2016, personnel received a total of 11,647 (11,794) hours of training, with an average of 35.7 (37.4) hours per person. Employee absences due to illness accounted for 1 (2) per cent of the total working hours. In addition to a compensation system that is based on the requirements of each position, Fingrid applies incentive bonus schemes.

Board of Directors and corporate management

Fingrid Oyj's Annual General Meeting was held in Helsinki on the 6th of April 2016. Juhani Järvi was elected Chairman of Fingrid's Board of Directors and Juha Majanen was elected Vice Chairman. Other members elected to the Board were Esko Torsti, Sanna Syri and Anu Hämäläinen.

The Board members until 6th April 2016 were Helena Walldén, Juha Majanen, Juhani Järvi, Sanna Syri and Esko Torsti.

PricewaterhouseCoopers Oy was elected as the auditor of the company, with Jouko Malinen, APA serving as the responsible auditor.

The Board of Directors has two committees: the Audit Committee and the Remuneration Committee. As of 6th April 2016, the Audit Committee consists of Esko Torsti (Chairman), Juhani Järvi and Juha Majanen. The members of the Audit Committee until 6th April 2016 were Juha Majanen (Chairman), Juhani Järvi and Helena Walldén.

As of 6th April 2016, the Remuneration Committee consists of Juhani Järvi (Chairman), Sanna Syri and Anu Hämäläinen. The members of the Remuneration Committee until 6th April 2016 were Helena Walldén (Chairman), Sanna Syri and Esko Torsti.

Jukka Ruusunen serves as President & CEO of the company. Fingrid has an executive management group which supports the CEO in the company's management and decision-making.

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A corporate governance statement, required by the Finnish Corporate Governance Code, has been provided separately. The statement and other information required by the Code are also available on the company's website at www.fingrid.fi.

Internal control and risk management

Fingrid's internal control is a permanent component of the company's operations and deals with all those operating methods and procedures whose objective it is to ensure

- effective and profitable operations that are in line with the company's strategy,
- the reliability and integrity of the company's financial and management information,
- that the company's assets are protected,
- that applicable legislation, guidelines, regulations, agreements and the company's own governance and operating guidelines are complied with, and
- that the company's risk management meets a high standard.

Risk management is planned as a whole with the objective of comprehensively identifying, assessing, monitoring and safeguarding the company's operations, the environment, personnel and assets from various threats and risks. Due to the nature of the company's basic mission, risks are also assessed from the perspective of society in general.

Continuity management is a part of risk management. Its objective is to improve the organisation's capacity to prepare and to react in the best possible way should risks occur, and to ensure the continuity of operations in such situations.

Further information on internal control, risk management and the foremost risks and factors of uncertainty is available on the company's website at www.fingrid.fi and in the Board of Directors' annual review.

Board of Directors

The company's Board is responsible for organising internal control and risk management, and it approves the principles of internal control and risk management on an annual basis. The Board specifies the company's strategic risks and related management procedures as part of the company's strategy and action plan, and monitors their implementation. The Board decides on the operating model for the company's internal audit. The Board regularly receives internal audit and financial audit reports as well as a status update at least once a year on the strategic risks and continuity threats relating to the company's operations and their management and occurrence.

Line management and other organisation

Assisted by the executive management group, the CEO is responsible for executing and steering the company's governance, decision-making procedures, control and risk management, and for the assessment of strategic risks and continuity threats at the company level, and their related risk management.

The heads of functions are responsible for the practical implementation of the governance, decision-making procedures, controls and risk management for their areas of responsibility, as well as for the reporting of deviations and the sufficiency of more detailed guidelines. Directors appointed in charge of the threats to continuity management are responsible for drawing

up and maintaining continuity management plans and guidelines, and for arranging sufficient training and practice.

The CFO is responsible for arranging procedures, controls and monitoring at the company level as required by the harmonised operating methods of internal control and risk management. The company's general counsel is responsible at the company level for assuring the legality and regulation compliance of essential contracts and internal guidelines, taking into account the company's interests, as well as for the procedures these require. Each Fingrid employee is obligated to identify and report any risks or control deficiencies she or he observes and to carry out the agreed risk management procedures.

Internal auditor and auditor

The Board decides on the operating model for the company's internal audit. The internal audit acts on the basis of plans processed by the Audit Committee and approved by the Board. Audit results are reported to the object of inspection, the CEO, the Audit Committee and the Board. Upon decision of the Board, an internal audit outsourced to an authorised public accounting company acts within the company. From an administrative perspective, the internal audit is subordinate to the company's CEO. The internal audit provides a systematic approach to the assessment and development of the efficacy of the company's risk management, monitoring, management and administrative processes and ensures their sufficiency and functionality as an independent party. The internal audit has the authority to carry out reviews and to access all information that is essential to the audit. The company's internal audit carries out risk-based auditing on the company's various processes.

An authorised public accounting company selected by the general meeting acts as auditor for the company. The company's financial auditor inspects the accounting, financial statements and financial administration for each financial period and provides the general meeting with reports required by accounting legislation or otherwise stipulated in legislation. The financial auditor reports on his or her work, observations and recommendations for the Board and may also carry out other authorisation-related tasks commissioned by the Board or management.

Foremost risks and uncertainty factors for society and Fingrid

One of the company's biggest business risks and the biggest risk where society is concerned is a major disturbance related to the functioning of the power system. A major disturbance or other electrical system disruption can cause significant financial and physical damage to Fingrid and society in general.

Other major risks for Fingrid and society are a loss of confidence in the electricity market, environmental risks and electricity and occupational health and safety risks.

The risks to Fingrid's operations are risks related to the unfavourable trend in official regulation, capital investments which have become unnecessary, financing risks, personnel risks, risks related to ICT and data transfer, asset risks and reputation risks.

Risks to society arising from Fingrid's operations are unsuccessful timing of capital investments and long-term restrictions in transmission capacity.

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The most significant of the above-mentioned risks to Fingrid are explored in greater detail in the company's annual report. Fingrid's financing risks are described in more detail in sections 5.2 and 5.3 of the consolidated financial statements (IFRS). No substantial risks were realised in 2016.

Corporate responsibility

Fingrid's compliance with corporate responsibility is steered by the set strategy targets. Corporate responsibility is a key element in the implementation of Fingrid's strategy and in its business expertise. The key targets have been set by identifying matters that are of material importance to Fingrid. The need for updates to the materiality analysis is assessed annually as part of the strategy process, based on an operating environment and stakeholder analysis and on the strategy update. Fulfilment of the targets serves as the basis for executive management's and personnel's remuneration.

Corporate responsibility is managed as an integrated part of Fingrid's management system. Fingrid's Board of Directors approves the company's Code of Conduct and monitors the company's compliance in operating responsibly. The Board is responsible for the CSR management systems and their integration into business operations. The CEO and the heads of functions are each responsible for corporate responsibility issues within their area of responsibility. Social issues and environmental impacts are taken into account in all decision-making and when assessing operations alongside profitability issues.

Managers and the entire work community ensure that behaviour is in line with the Code of Conduct. A whistleblower system managed by an independent third party for reporting cases of misconduct etc. is available to the personnel. Fingrid Oyj committed in 2016 to the United Nations Global Compact initiative. Fingrid's Code of Conduct complies with the Global Compact initiative's principles on human rights, labour, environment and anti-corruption. Fingrid also requires all contractors to comply with the Code of Conduct and monitors their compliance based on risk assessments.

Fingrid's work sites are regularly audited to verify compliance with contractor obligations, occupational safety and environmental management. The audits carried out during 2016 proved that the work site operations are generally at a high level and that use of the electronic reporting system is extensive.

A human rights impact assessment was carried out in compliance with the due diligence process recommended in the UN's Guiding Principles on Business and Human Rights. As regards tax footprint reporting, Fingrid only operates in Finland and has not resorted to any special arrangements to minimise taxes. The company's tax footprint is presented in the annual report's 'Corporate finances, financing and risk management' section. Dividends are mainly paid to the State of Finland and to Finnish pension insurance and insurance companies.

To ensure transparency and comparability, Fingrid reports on its corporate responsibility in accordance with the international Global Reporting Initiative (GRI) framework. The GRI G4 reporting framework is applied using the Core 'in accordance' option.

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Environmental matters

Fingrid has a long-term approach to its environmental impacts and land use issues, and the principles for minimising environmental impacts are accounted for in our land use and environmental policy. The key aspects include an environmental impact assessment (EIA) and preparedness for environmental risks. During 2016, Fingrid signed the energy efficiency agreement of Finnish industries 2017–2025 and committed to the target of cutting energy use by six per cent by 2025.

Environmental management was developed during the year by establishing a management system in compliance with the ISO 14 001 standard for the reserve power plants and by introducing an online training course on environmental issues for all personnel working at Fingrid sites. Environmental training was provided during the kick-off meetings for investment projects, and training was also provided on the use of chemicals, the management of safety data sheets and oil spill response for the providers of maintenance services at substations and reserve power plants. Environmental aspects were monitored as part of work site monitoring. Compliance with environmental requirements, occupational safety and contractor obligations was verified in 15 audits.

Several development projects were carried out to improve fire safety at substations and reserve power plants. Oil spill response plans were created and emergency response plans were updated at all reserve power plants. One significant environmental deviation occurred during the year, as around 180 litres of oil was leaked from a worksite at the Isokangas substation.

In 2016, Fingrid issued around 260 statements on land-use plans and EIAs. In addition, the company directed the construction taking place near grid installations by issuing statements containing safety guidelines and land use restrictions. Some 420 such statements were issued.

EIAs were carried out for six transmission line projects in 2016. Two events were arranged to inform the public about the environmental impacts of the power lines required to connect the Hanhikivi 1 nuclear power plant to the grid; the EIA process for the project was completed in October 2016. A Natura assessment update was carried out for this project in compliance with the Nature Conservation Act. An EIA was completed for five transmission line projects (Hämeenlahti–Hännilä, Kontiolahti–Pamilo, Kontiolahti–Uimaharju, Siikajoki–Raahe and the line rearrangements for the Olkiluoto substation). Three projects involved archaeological inventories.

In order to be able to build, operate and maintain a transmission line, Fingrid redeems a right of use to the transmission line area. Redemption permits were obtained for the re-routing of transmission lines from Multisilta and Kangasala to Lavianvuori and for the transmission lines Vanaja–Tikinmaa, Vihtavuori–Koivisto and Korja–Yllikkälä. A redemption permit application was filed for the transmission line project Hikiä–Orimattila. The redemption compensation procedure was completed in seven transmission line projects. Eight hearings in accordance with the Finnish Act on the Redemption of Immoveable Property and Special Rights were held with landowners.

Fingrid's reserve power plants are subject to an environmental permit and covered by the EU's emissions trading scheme. The accuracy of the measuring and reporting systems for fuel consumption is verified by an accredited emissions trading verifier. A total of 10,326

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(6,697) units (tCO₂) of emission allowances were returned, all of which consisted of acquired emission rights units. Fingrid has not been granted free-of-charge emission rights for the emissions trade period 2013–2020. No emissions rights were purchased in 2016. Emissions trading had minor financial significance for Fingrid.

Legal proceedings and proceedings by authorities

A lawsuit was initiated against Fingrid in December 2016, demanding non-specified damages due to an alleged breach of contract. The alleged injury is continuous and the claim amounted to EUR 135,000 by the time the lawsuit was initiated. Fingrid has contested the claims presented in the lawsuit. The case is currently before the court. In Fingrid's view, the legal proceedings are not likely to have a substantial impact on the company's financial result or financial position. Thus no provisions were recognised in the financial statements in relation to these proceedings.

Events after the review period and estimate of future outlook

Fingrid Group's profit for the 2017 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to improve somewhat. Grid service pricing for 2017 is set in such a way as to achieve a regulatory-allowed financial result.

Results forecasts for 2017 are complicated especially by the uncertainty related to grid income, ITC income and cross-border transmission income, and to reserve and loss power costs. These are particularly dependent on temperature variations and precipitation and changes in the hydrological situation in the Nordic countries, which affect electricity consumption and electricity prices in Finland and its nearby areas, and thereby also the volume of electricity transmission in the grid. The company's debt service capacity is expected to remain stable.

Board of Directors' proposal for the distribution of profit

The guiding principle for Fingrid's dividend policy is to distribute substantially all of the parent company profit as dividend. When making the decision, however, the economic conditions, the company's near term investment and development needs as well as any prevailing financial targets of the company are always taken into account.

Fingrid Oyj's parent company's profit for the financial year was EUR 103,866,300.72 and distributable funds in the financial statements total EUR 175,954,253.06. Since the close of the financial year, there have been no material changes in the company's financial position and, in the Board of Directors' view, the proposed dividend distribution does not threaten the company's solvency.

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

- a dividend of EUR 37,536.09 per share be paid for Series A shares and EUR 16,038.49 per share be paid for Series B shares, for a total of EUR 97,999,992.05.

- EUR 77,954,261.01 be retained in unrestricted equity.

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Annual General Meeting 2017

Fingrid Oyj's Annual General Meeting is preliminarily scheduled for 24 May 2017 in Helsinki.

Helsinki, 17 February, 2017
Fingrid Oyj
Board of Directors

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		1 Jan - 31 Dec, 2016	1 Jan - 31 Dec, 2015
	Notes	€ 1,000	€ 1,000
TURNOVER	1	586,120	600,224
Other operating income	2	12,689	5,199
Materials and services	5	-248,359	-240,643
Employee benefits expenses	9	-28,598	-25,804
Depreciation	11,12	-99,222	-94,119
Other operating expenses	6,13	-30,586	-82,288
OPERATING PROFIT		192,045	162,570
Finance income	17	694	706
Finance costs	17	-19,385	-34,401
Finance income and costs		-18,691	-33,695
Share of profit of associated companies		511	447
PROFIT BEFORE TAXES		173,865	129,321
Income taxes		-35,192	-25,745
PROFIT FOR THE FINANCIAL YEAR		138,673	103,576

OTHER COMPREHENSIVE INCOME

Items that may subsequently be transferred to profit or loss

Cash flow hedges		7,232	7,232
Translation reserve		318	-309
Available-for-sale investments		17	22
Taxes related to other items in total comprehensive income		-1,450	-1,451
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD		144,790	109,070

Profit attributable to:

Equity holders of parent company		138,673	103,576
Total comprehensive income attributable to:			
Equity holders of parent company		144,790	109,070

Earnings per share for profit attributable to the equity holders of the parent company:

Undiluted and diluted earnings per share, €		41,706	31,151
Weighted average number of shares, quantity		3,325	3,325

Notes are an integral part of the financial statements.

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Consolidated balance sheet

ASSETS	Notes	31 Dec 2016 € 1,000	31 Dec 2015 € 1,000
NON-CURRENT ASSETS			
Intangible assets:	12		
Goodwill		87,920	87,920
Other intangible assets		96,580	95,428
		184,500	183,348
Property, plant and equipment:	11		
Land and water areas		15,701	15,349
Buildings and structures		193,716	167,280
Machinery and equipment		578,281	567,627
Transmission lines		825,038	789,614
Other property, plant and equipment		7,602	7,548
Prepayments and purchases in progress		69,825	129,566
		1,690,162	1,676,984
Investments in associated companies	24	14,158	12,388
Available-for-sale investments and receivables		101	284
Derivative instruments	23	29,657	32,148
Deferred tax assets	10	6,155	16,479
TOTAL NON-CURRENT ASSETS		1,924,733	1,921,632
CURRENT ASSETS			
Inventories	8	12,269	12,665
Derivative instruments	23	2,861	3,353
Trade receivables and other receivables	3	82,191	70,213
Financial assets recognised in the income statement at fair value	20	57,790	93,451
Cash in hand and cash equivalents	19	21,939	23,099
TOTAL CURRENT ASSETS		177,050	202,782
TOTAL ASSETS		2,101,782	2,124,414

Notes are an integral part of the financial statements.

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EQUITY AND LIABILITIES	Notes	31 Dec 2016 € 1,000	31 Dec 2015 € 1,000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	21	55,922	55,922
Share premium account	21	55,922	55,922
Revaluation reserve	21	59	-5,740
Translation reserve	21	-413	-731
Retained earnings	21	654,258	605,585
TOTAL EQUITY		765,749	710,960
NON-CURRENT LIABILITIES			
Deferred tax liabilities	10	125,778	125,240
Borrowings	14	842,866	907,232
Provisions	25	1,481	1,668
Derivative instruments	23	18,567	46,952
		988,692	1,081,092
CURRENT LIABILITIES			
Borrowings	14	264,865	236,217
Derivative instruments	23	7,859	30,331
Trade payables and other liabilities	7	74,617	65,815
		347,341	332,363
TOTAL LIABILITIES		1,336,033	1,413,455
TOTAL EQUITY AND LIABILITIES		2,101,782	2,124,414

Notes are an integral part of the financial statements.

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Consolidated statement of changes in equity

Attributable to equity holders of the parent company, € 1,000

	Share capital	Share premium account	Revaluation reserves	Translation reserve	Retained earnings	Total equity
Balance on 1 Jan 2015	55,922	55,922	-11,543	-422	567,009	666,889
Comprehensive income						
Profit or loss					103,576	103,576
Other comprehensive income						
Cash flow hedges			5,785			5,785
Translation reserve				-309		-309
Available-for-sale investments			18			18
Total other comprehensive income ad-justed by tax effects			5,803	-309		5,494
Total comprehensive income			5,803	-309	103,576	109,070
Transactions with owners						
Dividend relating to 2014					-65,000	-65,000
Balance on 31 December 2015	55,922	55,922	-5,740	-731	605,585	710,960
Balance on 1 Jan 2016	55,922	55,922	-5,740	-731	605,585	710,960
Comprehensive income						
Profit or loss					138,673	138,673
Other comprehensive income						
Cash flow hedges			5,785			5,785
Translation reserve				318		318
Available-for-sale investments			13			13
Total other comprehensive income ad-justed by tax effects			5,799	318		6,117
Total comprehensive income			5,799	318	138,673	144,790
Transactions with owners						
Dividend relating to 2015					-90,000	-90,000
Balance on 31 Dec 2016	55,922	55,922	59	-413	654,258	765,749

Notes are an integral part of the financial statements.

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Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT		1 Jan - 31 Dec, 2016	1 Jan - 31 Dec, 2015
	Notes	€ 1,000	€ 1,000
Cash flow from operating activities:			
Profit for the financial year	21	138,673	103,576
Adjustments:			
Business transactions not involving a payment transaction			
Depreciation		99,222	94,119
Capital gains/losses (-/+) on tangible and intangible assets		-3,792	-1,970
Share of profit of associated companies		-511	-447
Gains/losses from the assets and liabilities recognised in the income statement at fair value		-35,378	24,276
Interest and other finance costs		19,385	34,401
Interest income		-689	-701
Dividend income		-5	-5
Taxes		35,192	25,745
Impact from changes in the fair value of the investment		203	-233
Changes in working capital:			
Change in trade receivables and other receivables		-13,121	-11,532
Change in inventories		396	178
Change in trade payables and other liabilities		7,371	-8,332
Congestion income		39,863	
Change in provisions	25	-187	-18
Interests paid		-20,496	-23,734
Interests received		440	821
Taxes paid		-33,887	-20,470
Net cash flow from operating activities		232,679	215,674
Cash flow from investing activities:			
Purchase of property, plant and equipment	11	-138,084	-150,449
Purchase of intangible assets	12	-4,108	-3,421
Proceeds from sale of other assets		152	500
Proceeds from sale of property, plant and equipment		5,885	5,066
Loans granted		-1,500	-900
Dividends received		565	556
Contributions received			15,000
Capitalised interest paid	17	-2,016	-1,690
Net cash flow from investing activities		-139,106	-135,339
Cash flow from financing activities:			
Proceeds from non-current financing (liabilities)		80,000	107,424
Payments of non-current financing (liabilities)		-164,824	-104,220
Change in current financing (liabilities)		44,430	-80,961
Dividends paid	21	-90,000	-65,000
Net cash flow from financing activities		-130,394	-142,757
Change in cash as per the cash flow statement		-36,822	-62,421
Opening cash as per the cash flow statement		116,550	178,972
Closing cash as per the cash flow statement	19,20	79,729	116,550

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Notes are an integral part of the financial statements.

CONSOLIDATED KEY FIGURES

		2016 IFRS	2015 IFRS	2014 IFRS	2013 IFRS	2012 IFRS
Extent of operations						
Turnover	MEUR	586.1	600.2	567.2	543.1	522.1
Capital expenditure, gross	MEUR	146.7	147.5	129.5	225.3	139.0
- % of turnover	%	25.0	24.6	22.8	41.5	26.6
Research and development expenses	MEUR	2.4	1.8	1.7	1.8	1.5
- % of turnover	%	0.4	0.3	0.3	0.3	0.3
Personnel, average		336	319	305	277	269
Personnel at the end of period		334	315	313	287	275
Salaries and remunerations total	MEUR	22.7	21.3	20.5	19.0	18.2
Profitability						
Operating profit	MEUR	192.0	162.6	142.8	115.3	94.6
- % of turnover	%	32.8	27.1	25.2	21.2	18.1
Profit before taxes	MEUR	173.9	129.3	132.9	87.3	88.3
- % of turnover	%	29.7	21.5	23.4	16.1	16.9
Return on investments (ROI)	%	10.4	8.7	7.6	6.3	5.6
Return on equity (ROE)	%	18.8	15.0	16.3	15.0	12.4
Financing and financial position						
Equity ratio	%	36.4	33.5	31.0	29.5	27.3
Interest-bearing net borrowings	MEUR	1,028.0	1,026.9	1,046.1	1,076.7	1,030.3
Net gearing		1.3	1.4	1.6	1.7	1.8
Share-specific key figures						
Profit/share	€	41,706.1	31,150.8	32,027.9	27,277.9	20,159.2
Dividend/A shares	€	37536.09*	33,686.24	21,655.44	29,788.26	5,115.89
Dividend/B shares	€	16038.49*	16,038.49	16,038.49	16,038.50	2,018.26
Dividend payout ratio A shares	%	90.0	108.1	67.6	109.2	25.4
Dividend payout ratio series B shares	%	38.5	51.5	50.1	58.8	10.0
Equity/share	€	230,301	213,822	200,568	193,293	171,365
Number of shares at 31 Dec						
– Series A shares	shares	2,078	2,078	2,078	2,078	2,078
– Series B shares	shares	1,247	1,247	1,247	1,247	1,247
Total	shares	3,325	3,325	3,325	3,325	3,325

* The Board of Directors proposal to the Annual General Meeting

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CALCULATION OF KEY FIGURES

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, %	=	$\frac{\text{Profit for the financial year}}{\text{Equity (average for the year)}} \times 100$
Equity ratio, %	=	$\frac{\text{Equity}}{\text{Balance sheet total - advances received}} \times 100$
Earnings per share, €	=	$\frac{\text{Profit for the financial year}}{\text{Average number of shares}}$
Dividends per share, €	=	$\frac{\text{Dividends for the financial year}}{\text{Average number of shares}}$
Dividend payout ratio, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Equity per share, €	=	$\frac{\text{Equity}}{\text{Number of shares at closing date}}$
Interest-bearing net borrowings, €	=	Interest-bearing borrowings - cash and cash equivalents and financial assets
Net gearing	=	$\frac{\text{Interest-bearing borrowings - cash and cash equivalents and financial assets}}{\text{Equity}}$

SHAREHOLDERS BY CATEGORY 31 DEC	Number of shares	Of all shares %	Of votes %
Public organisations	1,768	53.17	70.87
Financial and insurance institutions	1,557	46.83	29.12
Total	3,325	100.00	100.00

Shareholders, 31 Dec 2016	Number of shares	Of all shares %	Of votes %
Republic of Finland, represented by the Ministry of Finance	939	28.24	37.66
Aino Holding Ky	878	26.41	11.74
National Emergency Supply Agency	828	24.90	33.20
Mutual Pension Insurance Company Ilmarinen	661	19.88	17.15
Imatran Seudun Sähkö Oy	10	0.30	0.13
Fennia Life	6	0.18	0.08

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Elo Mutual Pension Insurance	1	0.03	0.01
OP Insurance Ltd	1	0.03	0.01
The State Pension Fund	1	0.03	0.01
Total	3,325	100.00	100.00

DERIVATIVE INSTRUMENTS. 1 000 €

	2016				2015				Hierarchy level
	Fair value pos. 31.12.16	Fair value neg. 31.12.16	Net fair value 31.12.16	Nominal value 31.12.16	Fair value pos. 31.12.15	Fair value neg. 31.12.15	Net fair value 31.12.15	Nominal value 31.12.15	
Interest rate and currency derivatives									
Cross-currency swaps	6,930	-12,487	-5,558	196,396	15,286	-20,297	-5,011	341,205	Level 2
Forward contracts	46		46	2,271		-88	-88	4,505	Level 2
Interest rate swaps	26,667	-6,725	19,943	360,000	24,348	-9,442	14,905	430,000	Level 2
Bought interest rate options	1,350		1,350	518,820	862		862	358,820	Level 2
Total	34,993	-19,212	15,781	1,077,487	40,496	-29,827	10,668	1,134,531	
Electricity derivatives									
Electricity forward contracts. NASDAQ OMX Commodities, not designated as hedge accounting	1,640	-8,157	-6,518	4.07		-49,060	-49,060	4.22	Level 1
Total	1,640	-8,157	-6,518	4.07		-49,060	-49,060	4.22	

The net fair value of derivatives indicates the realised profit/loss if they had been closed on the last trading day of 2016. The net fair value cannot be used for deriving the net derivative liabilities or receivables in the balance sheet, as accrued interest is taken into account here.

COMMITMENTS AND CONTINGENT LIABILITIES, €1,000

	2016	2015
Pledges		
Pledge covering property lease agreements	9	9
Pledge covering customs credit account	280	280
Pledge covering electricity exchange purchases		863
	289	1,151
Other financial commitments		
Counterguarantee in favour of an associated company		
Rent security deposit, guarantee	38	38
Credit facility commitment fee and commitment fee:		
Commitment fee for the next year	395	326
Commitment fee for subsequent years	1,154	1,154

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	1,587	1,518
Unrecognised investment commitments	84,572	124,314

The investment commitments consist of agreements signed by the company to carry out grid construction projects.

Notes:

Financial Statements Bulletin

Corporate Governance Statement 2016

Financial statements and Report of the Board of Directors 2016