Fingrid Oyj

Full Rating Report

Ratings

Long-Term IDR	A
Short-Term IDR	F1
Senior unsecured	A+

Outlook

Long-Term Foreign-Currency IDR	Stable

Financial Data

Fingrid Oyj

	31 Dec 12	31 Dec 11
Revenue (EURm)	522	439
Operating EBITDA (EURm)	170	124
EBITDA margin (%)	32.6	28.4
Funds from operations (EURm)	150	108
Capex (EURm)	148	244
FFO gross interest coverage (x)	7.9	5.7
FFO net leverage (x)	6.2	7.9

Related Research

Rating EMEA Regulated Network Utilities (August 2012)

2013 Outlook: European Utilities (December 2012)

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Key Rating Drivers

Strong Business Profile: The ratings reflect Fingrid Oyj's low business risk due to its monopoly position, strong efficiency track record and almost wholly regulated earnings. Fingrid benefits from a stable and highly supportive regulatory framework. It has the ability to set its own tariffs under a cost-plus regulatory regime while the remuneration of the capital invested, the weighted average cost of capital (WACC), is established by the regulator under a "reasonable return" concept.

Increasing Dividend and Capex: Fitch Ratings expects Fingrid's dividend payout policy to increase from 2013, as it is assumed that the new majority shareholders will seek a reasonable return on their investment. This, combined with off-peak but still high capex in 2012-2013 will stretch leverage ratios above the level commensurate with an 'A' rating up to 2014.

Continuing Tariff increases: The agency predicts an improvement in the company's financial profile from 2014, as the company continues to implement tariff increases to reach the maximum allowable return in 2014, which should contribute to a reduction in funds from operation (FFO) net adjusted leverage to below 5.5x towards the end of the current regulatory period 2012-15. Tariffs have been increased by 30% in 2012 and by 15% in 2013.

No State Support: In accordance with Fitch's parent and subsidiary rating linkage methodology, the rating of Fingrid does not incorporate any state support, despite the Finnish government holding a 53% stake in Fingrid (70.9% voting rights), as the company operates on an entirely commercial basis, with no tangible financial support from its majority owner.

Unsecured Debt Notch Uplift: The senior unsecured rating of 'A+' benefits from a generic, one-notch uplift from the Long-Term IDR, to account for what Fitch views as above-average recovery prospects in case of default in accordance with Fitch's report *Recovery Ratings and Notching Criteria for Utilities*, published 12 November 2012.

Rating Sensitivities

Deteriorating Financial Profile: The failure to implement tariff increases to reach the maximum allowable return by 2014 and 2015, while maintaining the capex plan and an aggressive dividend policy, resulting in continuing negative free cash flow (FCF) in 2014, would likely lead to negative action. In addition, adverse changes in the Finnish regulatory system, resulting in a loss of flexibility with regards to tariff setting, and ability to include capex overruns in the Regulated Asset Base (RAB) could also have negative implications.

Negative rating triggers are FFO net adjusted leverage above 5.5x, net debt/RAB above 60% and FFO gross interest cover below 4.0x, all on a sustained basis. Positive triggers are FFO net adjusted leverage of lower than 4.5x, net debt/RAB below 45% and FFO gross interest over 6.5x, all on a sustained basis.

Liquidity and Debt Structure

Adequate Liquidity: Fingrid has adequate liquidity, with EUR213m of cash at 31 December 2012 (the company has a minimum EUR200m cash deposit policy), and a EUR250m undrawn revolving credit facility, maturing in April 2017. This adequately covers negative FCF of around EUR90m in 2013 and debt maturities of EUR212m in 2013. Annual maturities through to 2015 are EUR225m. Fingrid's market access is good; in April 2012 Fingrid issued a EUR300m 12 year bond.

Key Contents

Key Rating Issues

Supportive Regulatory Framework

Fingrid benefits from a stable and highly supportive regulatory framework. EMV (Energiamarkkinavirasto), the Finnish regulator, establishes tariff remuneration parameters including a "reasonable" rate of return under which Fingrid sets its own transmission tariff. This mechanism is unique for a European Transmission System Operator (TSO) and has granted Fingrid extensive financial flexibility.

- The regulatory framework in Finland is stable and highly supportive.
- Fingrid can effectively set its own tariff increases, subject to a high upper limit and a test for "reasonableness." All of its capex to date has been included in RAB.

The regulator's determination of RAB is generous, and all of Fingrid's capex to date has been included in the RAB. Fingrid is also a top performer amongst TSOs in Europe with good efficiency levels and is also one of the lowest cost operators in Europe. The RAB as of end-2012 is estimated to be around EUR2.5bn.

The guidelines for the current regulatory period show no material changes from the previous regime with a 4.29% WACC allowed. An innovation incentive has been added to the regulatory method in order to encourage the research and development of innovative technologies and processes in its network operations, with reasonable costs being allowed into the realised adjusted profit. In an ever-changing European energy market, the risk of regulatory change occurring exists. The introduction of any restriction in the tariff setting mechanism, and/or the circumstance that the tariff setting is returned to the regulator, would materially alter the regulatory risk of Fingrid and could lead to a negative rating action.

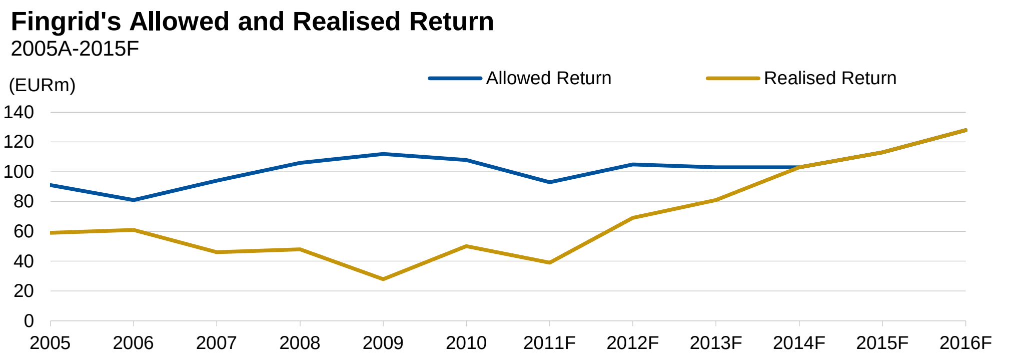
Implementing Tariff increases

- In the current regulatory period 2012-15, Fingrid will increase tariffs such that the gap between allowed and realised return is eliminated by 2014.
- Increased tariffs together with lower than peak capex averaging around EUR100m per year from 2014 will lead to an improved financial profile.

According to company's indications, Fingrid will implement tariff increases in the current regulatory period (2012-15) to reach the maximum allowable return by 2014. Fitch expects this to result in an improvement in its financial profile, which should be commensurate with the leverage of rated peers by 2015.

Fingrid raised tariffs by around 30% at the beginning of 2012 and by 15% in 2013 in line with the allowed level of return for the current regulatory period. This increase was deemed necessary, in consideration of the EUR1.7bn capital investment plan in new transmission connections and reserve power plants over the next 10 years.

Figure 1



Source: Fingrid

Related Criteria

Corporate Rating Methodology (August 2012)

Recovery Ratings and Notching Criteria for Utilities (November 2012)

Investment Programme

Fingrid's projected financial profile shows a peak in leverage in conjunction with the peak of capex between EUR150m-250m in 2011-13. The 10-year investment programme includes investments in cross-border interconnection, investments in the transmission grid and reserve power, and the replacement of ageing parts of the grid. Fingrid's largest single investment to date, Fenno Scan 2, completed in November 2011, provides an additional 800 megawatt (MW) of transmission capacity between Finland and Sweden (submarine cable connection), improving the functioning of the Nordic electricity market.

Two large projects will be completed over the next two years, including the cross-border Estlink 2 connection and the Forssa reserve power plant. The fall in annual capex from 2014 onwards to around EUR100m, represents the end of the investment cycle which will leave the focus on maintenance capex and the replacement of the existing grid.

- No government support is factored into the ratings, despite the Republic of Finland's 53% stake in Fingrid, in accordance with Fitch's parent and subsidiary rating linkage methodology.

Change of Shareholders

In the previous regulatory period, 2008-11, Fingrid maintained low and stable tariffs, despite legislation allowing for larger increases, as its former largest shareholders (Fortum Corporation (A−/Negative) and Pohjolan Voima Oy) were also its customers. This was the driver for Fingrid's above-average leverage ratios. The financial flexibility from this tariff headroom was factored into the rating, allowing Fingrid to have weaker credit metrics relative to its European peers.

In April 2011 Fortum Corporation's and Pohjolan Voima sold their stake in Fingrid to the Republic of Finland (AAA/Stable/F1+) as a result of implementation of the EU's third energy market package that calls for the separation of high voltage transmission and power generation. Tariffs are subsequently no longer expected to be kept artificially low, and an appetite for higher returns and a higher dividend payout ratio is assumed as new majority shareholders will seek a reasonable return on their investment. Fingrid is now 53% owned by the Republic of Finland, 20% by Ilmarinen Pension Insurance and 27% by institutional investors. The combination of large capex and higher dividend payouts will stretch Fingrid's credit metrics over the next two years. A less aggressive dividend policy would be positive for the rating.

Rating Issues Register

Issue	Fitch view	Likelihood, timescale, rating impact	More information
Regulatory Risk	Fingrid's rating currently benefits from a favourable and supportive regulatory framework. Changes under the new regime are small with an additional innovation mechanism being implemented and a WACC in line with the previous regime. In the current regulatory period, 2012-15, Fitch expects Fingrid to implement tariff increases to reach the maximum allowable return by 2014. Fitch expects Fingrid's financial profile to improve as a result. Following 2013, tariffs will remain around 25% below the allowed return and are expected to be increased in 2014.	Likelihood: Likely. Time-scale: Over current regulatory period. Rating impact: Reflected in rating. Negative rating impact should Fingrid fail to implement full tariff increases in current regulatory period.	Fingrid is contesting the 4.29% guaranteed WACC, and if successful this could mean a higher WACC is granted. In January 2013 tariffs were increased by a further 15%.
Stretched Financial Profile	Fingrid's capex programme will constrain the ratings. Fitch expects capex to range from EUR100m-200m per year over the current regulatory period, earmarked for the replacement of the ageing grid, investments in reserve power and cross-border interconnection. This has led to a stretching of the current leverage ratios.	Likelihood: Likely. Time-scale: Over current regulatory period. Rating impact: Reflected in rating. Negative rating impact should capex be larger than Fitch's expectations.	-
Aggressive Dividend Policy	A higher dividend payout ratio is assumed as new majority shareholders will seek a reasonable return on their investment.	Likelihood: Highly likely. Timescale: Ongoing. Rating impact: Reflected in rating.	-

Source: Fitch

Sector Performance and Expectations

(EURm)	FY11	FY12	Expectation
Revenue			
Transmission	232	287	Growth in revenues and EBITDA due to tariff increases during current regulatory period (2012-15) and congestion income on the interconnection between Finland and Sweden.
Congestion	25	51	
Imbalance power	146	152	
Other	35	32	
EBITDA	124	170	
EBITDA (%)	28.4	32.6	

Source: Fingrid/Fitch

Fitch's internally generated expectations for key leverage and coverage metrics are shown on the next page.

Cash Flows

Transmission volume remained at 64.2TWh in 2012 from 2011, and electricity consumption in Finland increased slightly by 1.1% from 2011. Fingrid's revenue increased by close to 20%, primarily as a result of its tariff increase of 30% and also due to a large increase in Fingrid's congestion income on the interconnection between Finland and Sweden, driven by the differences in the area prices of electricity and outages on one of the submarine cables between Finland and Sweden. Fingrid's net cash flow from operations has correspondingly increased in FY12 to EUR145m (FY11: EUR96m).

Fingrid follows a strategy of "maximum outsourcing" — under which construction and maintenance of the network are outsourced. Only core IT and system operations are managed in-house, resulting in low controllable costs (Fingrid estimates this at some 10% of the total cost base). Controllable costs are assessed for reasonableness by the regulator when it makes its assessments of future operating efficiency, thus limiting Fingrid's exposure to future adverse regulatory changes.

For FY12, Capex was 40% lower compared to peak year 2011 due to the completion of the Fenno-Skan 2 and Forssa Reserve Power plant projects in 2012. Unlike other European TSOs Fingrid must have its own, minimum back-up reserve capacity, which is fully included in the RAB. Capex will remain high in 2013 as Fingrid invests in its one remaining cross-border interconnection project, Estlink 2, due for completion in 2014. Thereafter capex should fall to average around EUR100m per year with investments focused on upgrading the existing grid as well as investments in reserve power. Fitch views the investment programme as positive, as it will strengthen Fingrid's position as a key player in the wider Nordic and Baltic electricity markets. Nevertheless, as a result, the company is expected to be FCF negative in 2013.

Credit Metrics

2012 FFO/net adjusted leverage improved to 6.2x (2011: 7.9x) driven by increased cash flows from operations and reduced capex. This remains weaker than guideline ratios for an 'A' rated TSO. However, the results are impacted by the previous regulatory period where less-than-allowed increases in tariffs were implemented by Fingrid, as was agreed with the previous shareholders. Additionally, we deem the Finnish regulatory framework as relatively supportive.

FFO/interest is high in FY12 at 7.9x due to gains from derivative contracts reducing interest costs during the year, and an increase in FFO. Fingrid's cost of debt is very low at around 1.8%.

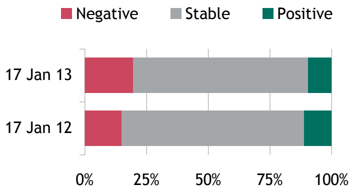
With tariffs forecast to increase over the current four-year regulatory period, Fitch expects FFO/net adjusted leverage to be below 5.5x over the period. Average FFO/interest over the four-year period is expected to be above 4.5x and net debt/RAV around 40%.

Debt Structure

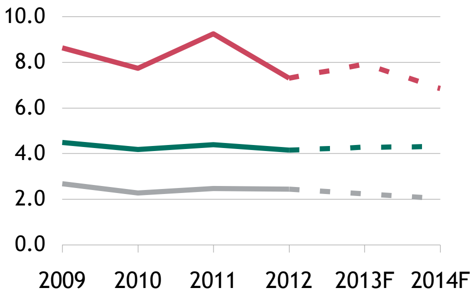
Fingrid's debt of EUR1.24bn at 31 December 2012 consisted primarily of bonds issued off the company's EUR1.5bn EMTN programme, and of bank loans and commercial paper. Fingrid has a non-onerous debt maturity profile and sufficient liquidity.

Fingrid Oyj — Utilities Median — A Median — Source: Company data; Fitch.

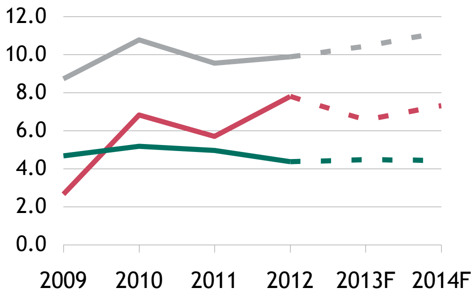
Distribution of Sector Outlooks
Directional Outlooks and Rating Watches



Leverage
including Fitch expectations



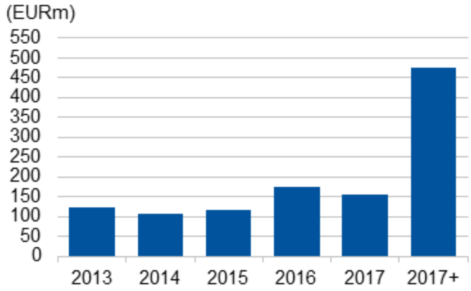
Interest Cover
including Fitch expectations



Fitch's expectations are based on the agency's internally produced, conservative rating case forecasts. They do not represent the forecasts of rated issuers individually or in aggregate. Key Fitch forecast assumptions include:

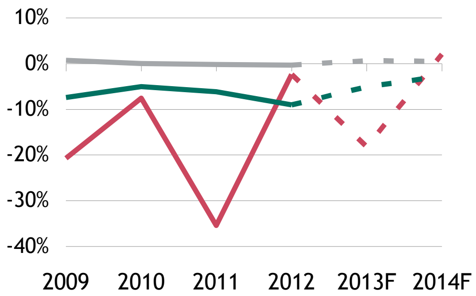
- tariff increases to bring achieved returns in line with expected returns;
- total capex programme of EUR600m in 2012-15;
- liquidity maintained at EUR200m, consistent with company policy.

Maturity of Non-Current Borrowings
As of FY12

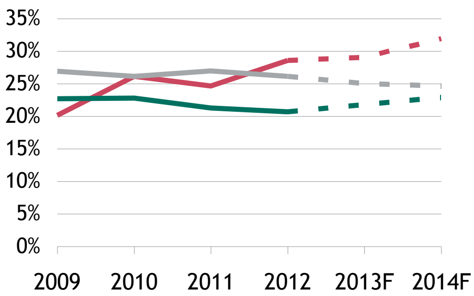


Source: Fingrid

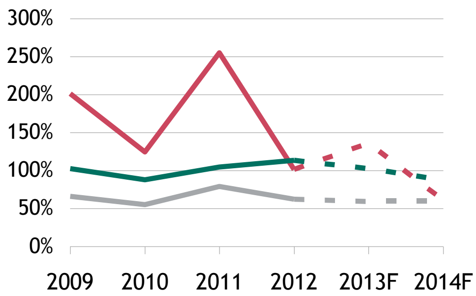
FCF/Revenues
including Fitch expectations



FFO Profitability
including Fitch expectations



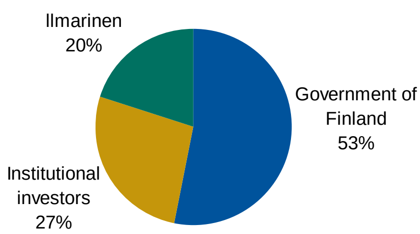
Capex/CFO
including Fitch expectations



Definitions

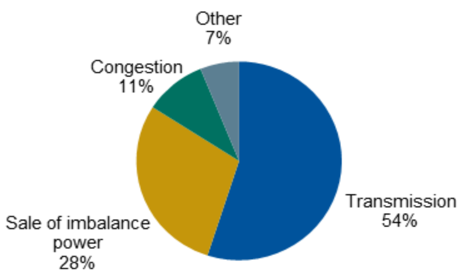
- Leverage: Gross debt plus lease adjustment minus equity credit for hybrid instruments plus preferred stock divided by FFO plus gross interest paid plus preferred dividends plus rental expense.
- Interest cover: FFO plus gross interest paid plus preferred dividends divided by gross interest paid plus preferred dividends.
- FCF/revenue: FCF after dividends divided by revenue.
- FFO profitability: FFO divided by revenue.
- For further discussion of the interpretation of the tables and graphs in this report see Fitch's "*Interpreting the New EMEA and Asia-Pacific Corporates Credit Update Format*" Special Report, dated 25 November 2009 and available at www.fitchratings.com.

Fingrid Ownership



Source: Fingrid

Fingrid Revenue Breakdown
(As at FY12)



Source: Fingrid

Sector Credit Factors Mapping

Building Blocks - EMEA Regulated Utilities (Transmission, Storage, Distribution of Electricity, Gas and Water Companies) - Fingrid Oyj

	Sector Risk Profile	Company-Specific Traits			Financial Profile (historical where relevant and forecast, mid-points)				Other
		Regulatory environment	Asset base	Operations	FFO lease adj. net leverage (x)	FFO interest cover and FFO fixed charge cover (x)[c]	Net debt/ asset base (%)	PMICR (CFO-Capex) /Interest (x)	
AA	• National monopolies and asset owners	• Transparent and predictable • Independent regulators • Mature, tested or benign tariff setting framework • Cost 'pass-through' mechanisms	• Critical mass in one or more regulated assets • Well diversified geographically and/or by type or regulation • Good asset quality[a]	• Key performance measures[b] above average and/or regulatory target • Low counterparty and market risk	3.0	5.0	40%	2.0	IDRs above 'BB-': Sector Recovery Uplift for debt instrument ratings
A	• Regional or local natural monopoly owner	• Less transparent and sometimes unpredictable reviews • Less mature and untested tariff-setting framework • Limited cost 'pass- through' mechanisms	• Partial diversification in other asset type and/or (regional) geographical markets • Average asset quality	• Key performance measures in line with peers/regulatory target • Medium counterparty and market risk	4.0	4.5	60%	1.75	
BBB	• Asset operators	• Mature, but demanding or opaque, arbitrary tariff-setting framework • Political risk • Concession renewal risk • No cost 'pass-through'	• Limited or no regional diversification, small size affecting efficiency of operations • Below-average asset quality	• Key performance measures below average and/or regulatory target • High counterparty and market risk	5.5	3.5	70%	1.5	
BB and below		• Inadequate tariff setting mechanism for recovery of costs and investments • High political risk	• Elevated exposure to emerging markets	• Operational underperformance with financial/legal implications • High market and event risk (prone to incidents with prolonged loss of supply)	6.5	2.0	80%	1.1	

General
- Essential service
- Natural Regulated Monopolies
- Inelasticity of demand
- Defensive, non cyclical
- Capital Intensive

[a] Asset quality
- Maturity of asset life
- State of maintenance
- Customer mix
- Economy of area served
- Exposure to weather events

[b] Performances measures
- Service interruption rate
- Network losses
- Customer service
- Environmental indicators
- Operating and capital maintenance efficiencies

[c] Regulated Utilities' FFO interest is normally equivalent to the FFO fixed charge cover since regulated utilities have little or no operating leases

Current Forecast

Indicative factors observed or extrapolated for rated issuers in developed markets. Ratio levels refer to the mid-point of a through-the-cycle range; actual observations are likely to vary from these. Certain sub-sectors may contain a small number of observations; where no observations currently exist, guidelines for a category are extrapolated based on Fitch judgement. The factors give a high-level overview and are neither exhaustive in scope nor uniformly applicable. Additional factors will influence ratings, particularly in emerging markets and where group relationships constrain or enhance a rating level.

Peer Group

Issuer	Country
A	
Fingrid Oyj	Finland
A-	
Enagas S.A.	Spain
National Grid Electricity Transmission plc	United Kingdom
Red Electrica Corporacion S.A.	Spain
Terna Spa	Italy

Issuer Rating History

Date	LT IDR (FC)	Outlook/ Watch
1 Nov 12	A	Stable
16 Oct 12	A	Stable
20 Oct 11	A	Stable
13 Jul 11	A+	Negative
9 Aug 10	A+	Negative
15 Apr 09	AA-	Negative
23 Oct 07	AA-	Stable

Immediate Peer Group – Comparative Analysis

Sector Characteristics

Operating Risks

Network utilities typically demonstrate very stable operations through the business cycle, due to their monopoly status and regulated earnings. These businesses are generally not sensitive to volume and pricing movements, thanks to regulatory provision that neutralises volatility. The stability of the regulatory framework improves predictability and transparency of revenues.

Financial Risks

Network utilities are capital-intensive businesses that can be significantly FCF negative during investment cycles, using fresh debt to fund capex expansion. Given long-term assets, comparatively stable earnings and high financing requirements, network utilities tend to have long-term debt-maturity profiles. Generally, utilities have good access to funding via the capital markets.

Peer Group Analysis

2011	**Fingrid* A/Stable**	**Terna A-/Negative**	**Enagas A-/Negative**	**Red Electrica A-/Negative**	**NGET** A-/Stable**
Revenue (EURm)	522	1,631	1,137	1,637	3,375
EBITDA margin (%)	32.6	74.6	76.3	74.2	41.0
FFO net adjusted leverage (x)	6.2	5.7	4.2	3.9	5.0
FFO Interest coverage (x)	15.6	5.0	7.6	9.8	3.7

*As at 31 December 2012

** As at 31 March 2012. GBP1-EUR1.2

Source: Fitch, Companies

Key Credit Characteristics

Factors used by Fitch to differentiate ratings within the sector include the proportion of income from regulated assets, analysis of the regulatory environment, including the degree of regulatory risk and stability; the efficiency record of the network's business, and overall operational performance, including with respect to regulatory benchmarks.

Overview of Companies

Terna Spa (A-/Negative) – an Italian TSO in a quasi-monopoly position, with a low business-risk profile, stable and visible revenue (more than 90% regulated) and supportive regulation. Terna generates 100% of earnings in Italy and is exposed to the dynamics of the Italian electricity market. This limits the number of notches that it can be rated above the sovereign.

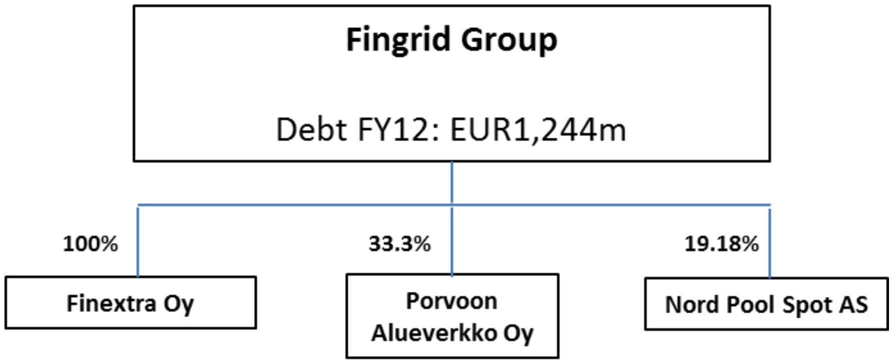
Enagas S.A. (A−/Negative) – the Long-Term IDRs are constrained by the sovereign rating of Spain (BBB/Negative). The company generates the bulk of its earnings domestically and has no geographical diversification. According to Fitch Ratings' approach, issuers in the eurozone that are primarily domestic can be rated two notches above the sovereign.

Red Electrica Corporacion S.A. (A−/Negative) – the Spanish electricity transmission operator. Red Electrica's ratings are currently constrained by the Spanish sovereign. According to Fitch's parameters for corporate rating dynamics versus sovereign ratings, the maximum allowed notching differential (at the current sovereign rating level) for fully domestic issuers is two notches.

National Grid Electricity Transmission plc. (NGET, A−/Stable) – a monopoly power transmission owner in England and Wales. The transparent regulatory regime, relative stability and predictability of regulated cash flow, current capital structure, and average regulatory performance support the ratings.

Group Structure Diagram

This diagram is a summary of the issuer group's legal structure at the date of publication. It cannot include all relevant details and may change over time.



The group structure consists of one entity for cash flows and debt issuance for the group, which is Fingrid Oyj. There is centralisation at this level of several financial functions such as treasury, liquidity, risk and funding with no operating companies. Fingrid Oyj has a 100% owned subsidiary, Finextra Oy. Fingrid Oyj also owns 33.3% of Porvoon Alueverkko Oy, a regional distribution company, and 19.18% of Nord Pool Spot AS, a Nordic electricity exchange.

Key Debt Instruments

Summary

Issuer	Amount	Maturity	ISIN	Rating	Ranking	
Fingrid Oyj	FIM 210m	19 Aug 2013	XS0089986805	A+	Senior unsecured	EMTN
Fingrid Oyj	EUR 20m	15 Oct 2013	XS0178149232	A+	Senior unsecured	EMTN
Fingrid Oyj	EUR 24m	02 July 2014	XS0193320982	A+	Senior unsecured	EMTN
Fingrid Oyj	SEK 220m	01 Dec 2015	XS0215128934	A+	Senior unsecured	EMTN
Fingrid Oyj	EUR 20m	28 Apr 2013	XS0216478023	A+	Senior unsecured	EMTN
Fingrid Oyj	SEK 100m	21 Mar 2013	XS0247890394	A+	Senior unsecured	EMTN
Fingrid Oyj	SEK 200m	03 Apr 2013	XS0247959777	A+	Senior unsecured	EMTN
Fingrid Oyj	SEK 175m	04 Apr 2014	XS0294318414	A+	Senior unsecured	EMTN
Fingrid Oyj	NOK 200m	11 Apr 2017	XS0294846604	A+	Senior unsecured	EMTN
Fingrid Oyj	EUR 10m	16 Apr 2013	XS0295344542	A+	Senior unsecured	EMTN
Fingrid Oyj	NOK 200m	17 Oct 2016	XS0294847917	A+	Senior unsecured	EMTN
Fingrid Oyj	NOK 200m	10 Nov 2017	XS0465538378	A+	Senior unsecured	EMTN
Fingrid Oyj	EUR 18m	11 Nov 2014	XS0465248531	A+	Senior unsecured	EMTN
Fingrid Oyj	EUR 8m	11 Nov 2014	XS0465403011	A+	Senior unsecured	EMTN
Fingrid Oyj	NOK 200m	12 Nov 2019	XS0465538022	A+	Senior unsecured	EMTN
Fingrid Oyj	NOK 170m	19 Nov 2014	XS0464891448	A+	Senior unsecured	EMTN
Fingrid Oyj	EUR 10m	20 Nov 2014	XS0465946498	A+	Senior unsecured	EMTN
Fingrid Oyj	EUR 30m	15 Jun 2017	XS0517954078	A+	Senior unsecured	EMTN
Fingrid Oyj	SEK 300m	15 Jun 2015	XS0517436878	A+	Senior unsecured	EMTN
Fingrid Oyj	SEK 100m	15 Jan 2016	XS0517858436	A+	Senior unsecured	EMTN
Fingrid Oyj	SEK 100m	17 Jun 2015	XS0517453881	A+	Senior unsecured	EMTN
Fingrid Oyj	JPY 500m	22 Jun 2017	XS0518610786	A+	Senior unsecured	EMTN
Fingrid Oyj	SEK 500m	18 Oct 2016	XS0692637803	A+	Senior unsecured	EMTN
Fingrid Oyj	SEK 500m	18 Oct 2016	XS0692632085	A+	Senior unsecured	EMTN
Fingrid Oyj	EUR 300m	03 Apr 2024	XS0768448796	A+	Senior unsecured	EMTN

The information above is intended as summary information only. It is not intended to and cannot be a substitute for detailed analysis of the bond documents and consultation with legal counsel.
Source: Fitch

Fingrid Oyj
FINANCIAL SUMMARY

	31 Dec 2012 EURth Year End	31 Dec 2011 EURth Year End	31 Dec 2010 EURth Year End	31 Dec 2009 EURth Year End	31 Dec 2008 EURth Year End
Profitability					
Revenue	522,064	438,456	456,326	358,938	382,309
Revenue Growth (%)	19.07	(3.92)	27.13	(6.11)	14.27
Operating EBIT	94,620	56,563	74,417	49,098	68,364
Operating EBITDA	170,285	124,442	141,230	113,710	127,848
Operating EBITDA Margin (%)	32.62	28.38	30.95	31.68	33.44
FFO Return on Adjusted Capital (%)	9.57	7.81	8.99	8.06	11.34
Free Cash Flow Margin (%)	(2.42)	(35.43)	(7.60)	(20.73)	5.62
Coverages (x)					
FFO Gross Interest Coverage	7.87	5.74	6.82	2.65	3.61
Operating EBITDA/Gross Interest Expense	16.54	4.77	6.89	4.63	3.02
FFO Fixed Charge Coverage (inc. Rents)	5.91	4.15	4.72	2.57	3.48
FCF Debt-Service Coverage	0.04	(0.33)	(0.07)	(0.09)	0.22
Cash Flow from Operations/Capital Expenditures	0.99	0.39	0.80	0.50	1.33
Debt Leverage of Cash Flow (x)					
Total Debt with Equity Credit/Operating EBITDA	7.31	9.84	7.63	8.81	7.30
Total Debt Less Unrestricted Cash/Operating EBITDA	6.05	8.20	6.06	7.01	5.68
Debt Leverage Including Rentals (x)					
Annual hire lease rent costs for long-term assets (reported and/or estimate)	8,716	11,538	11,543	2,199	2,100
Gross Lease Adjusted Debt/Operating EBITDAR	7.34	9.68	7.65	8.79	7.31
Gross Lease Adjusted Debt /FFO+Int+Rentals	7.29	9.24	7.73	8.62	6.13
FCF/Lease Adjusted Debt (%)	(0.96)	(11.80)	(2.97)	(7.30)	2.26
Debt Leverage Including Leases and Pension Adjustment (x)					
Pension and Lease Adjusted Debt /EBITDAR + Pension Cost	7.34	9.68	7.65	8.79	7.31
Liquidity					
(Free Cash Flow+Available Cash+Committed Facils)/(ST Debt + Interest) (%)	202.38	80.00	208.11	117.66	175.14
Balance Sheet Summary					
Cash and Equivalents (Unrestricted)	213,837	203,841	221,683	203,871	206,144
Restricted Cash and Equivalents	n.a.	n.a.	n.a.	n.a.	n.a.
Short-Term Debt	211,932	378,841	199,327	315,974	254,522
Long-Term Senior Debt	1,032,199	845,154	877,530	685,379	678,336
Subordinated debt	n.a.	n.a.	n.a.	n.a.	n.a.
Equity Credit	n.a.	n.a.	n.a.	n.a.	n.a.
Total Debt with Equity Credit	1,244,131	1,223,995	1,076,857	1,001,353	932,858
Off-Balance-Sheet Debt	69,728	92,304	92,344	17,592	16,800
Lease-Adjusted Debt	1,313,859	1,316,299	1,169,201	1,018,945	949,658
Fitch- identified Pension Deficit	n.a.	n.a.	n.a.	n.a.	n.a.
Pension Adjusted Debt	1,313,859	1,316,299	1,169,201	1,018,945	949,658
Cash Flow Summary					
Operating EBITDA	170,285	124,442	141,230	113,710	127,848
Gross Cash Interest Expense	(21,787)	(22,815)	(20,508)	(43,703)	(42,398)
Cash Tax	(14,586)	(2,344)	(1,760)	(1,956)	(2,329)
Associate Dividends	1,335	211	4	4	647
Other Items before FFO (incl. interest receivable)	14,427	8,618	317	4,208	26,722
Funds from Operations	**149,674**	**108,112**	**119,283**	**72,263**	**110,490**
Change in Working Capital	(3,706)	(12,349)	(4,452)	(5,426)	4,806
Cash Flow from Operations	**145,968**	**95,763**	**114,831**	**66,837**	**115,296**
Total Non-Operating/Non-Recurring Cash Flow	n.a.	n.a.	n.a.	n.a.	n.a.
Capital Expenditures	(147,853)	(244,377)	(142,796)	(134,523)	(86,657)
Dividends Paid	(10,751)	(6,711)	(6,724)	(6,711)	(7,169)
Free Cash Flow	**(12,636)**	**(155,325)**	**(34,689)**	**(74,397)**	**21,470**
Net (Acquisitions)/Divestitures	612	50	907	0	n.a.
Net Equity Proceeds/(Buyback)	n.a.	n.a.	n.a.	n.a.	n.a.
Other Cash Flow Items	1,884	(9,705)	(23,910)	3,629	6,449
Total Change in Net Debt	(10,140)	(164,980)	(57,692)	(70,768)	27,919
Working Capital					
Accounts Receivable Days	53	51	39	43	39
Inventory Days	11	9	8	9	8
Accounts Payable Days	92	95	67	78	77

Reconciliation of Debt Adjustments

Fitch Reconciliation

EURm	Dec 12	Dec 11
Short-term debt	212	379
Short-term financial leasing liabilities	0	0
Long-term senior unsecured debt	1,032	845
Long-term financial leases	0	0
Total debt (as reported)	1,244	1,224
Total off-balance sheet debt (x8 LT leases)	70	92
Total adjusted debt (a)	**1,314**	**1,316**
Cash & equivalents (unrestricted)	214	204
Total adjusted net debt (b)	**1,100**	**1,112**
Operating EBITDAR	179	136
Net Interest Paid	-18	-20
Cash Tax Paid	-15	-2
Associate Dividends	1	0
Other Changes before Funds From Operations	2	-6
FFO	150	108
Gross Cash Interest	22	23
Lease Expenses	9	12
FFO adjusted (c)	**181**	**143**
FFO net adjusted (using net interest) (d)	**177**	**140**
FFO adjusted leverage (a ÷ c)	**7.3**	**9.2**
FFO net adjusted leverage (b ÷ d)	**6.2**	**7.9**

Source: Fitch

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.