

FITCH AFFIRMS FINGRID OYJ AT 'A+', OUTLOOK NEGATIVE

Fitch Ratings-Paris/Milan/London-13 July 2011: Fitch Ratings has affirmed Fingrid Oyj's (Fingrid) Long-term Issuer Default Rating (IDR) at 'A+', senior unsecured rating at 'AA-' and Short-term IDR at 'F1'. The Outlook for the Long-term IDR is Negative.

The affirmation reflects Fingrid's low business risk due to its monopoly position, strong efficiency track record and almost wholly regulated earnings. Fingrid benefits from a benign and stable regulatory system, with the flexibility to set tariffs in the current regulatory period. Fingrid is 53% owned by the Republic of Finland ('AAA'/Stable/'F1+'), following the purchase by the government of Fortum Corporation's ('A-'/Stable) and Pohjolen Voima Oy's stakes in Fingrid in April 2011. Fingrid is currently rated on a standalone basis, with no government support factored in, as the company operates on an entirely commercial basis.

The senior unsecured rating of 'AA-' benefits from a generic, one-notch uplift from the Long-term IDR to account for the above-average ratings prospects in accordance with Fitch's Utilities Sector Notching and Recovery Ratings Criteria.

The Negative Outlook reflects Fitch's view that credit ratios, in particular leverage, could remain at levels inconsistent with an 'A+' rating, due to the company's large ongoing capex programme. Probable increases in tariffs in the next regulatory period (2012-15), could stabilise the company's financial profile, but this will be contingent on the new majority shareholders' capital structure strategy, specifically its dividend policy.

Factors which could result in a stabilisation of the Outlook include an improvement in Fingrid's financial profile. This could be achieved for example, through the majority shareholder implementing the maximum tariff increase in the next regulatory period, in combination with a conservative capital structure policy and against the backdrop of a continued, highly favourable regulatory environment in the next regulatory period (2012-15). The Finnish regulator will publish a formal decision in the autumn this year regarding the next regulatory period.

Fitch also notes that evidence of tangible support provided by Fingrid's 53% majority owner, the Finnish government, could lead to a re-assessment of parent support, in accordance with Fitch's parent subsidiary rating linkage methodology, and could therefore be a credit positive.

Should Fingrid not take advantage of implementing the maximum allowed tariff increases in 2012-15, the additional implied headroom and financial flexibility would be factored into the rating, as it has been to date, which has allowed Fingrid to have a weaker financial profile relative to its European peers. Failure to use the tariff headroom over a sustained period or pressure by shareholders on tariff development may lead Fitch to limit the benefits derived from flexibility. A meeting has been scheduled with the company and Fitch will provide a further update over the next three months.

The ratings factor in Fingrid's good liquidity, with EUR220m of cash and cash equivalents and an EUR250m undrawn revolving credit facility as of June 2011. This adequately covers at least one year of debt maturities and the majority of annual capex requirements.

Fingrid is the monopoly electricity transmission system operator and owner of Finland's high voltage electricity assets and interconnectors. The company also owns a 20% stake in Nord Pool Spot AS, the Nordic electricity exchange.

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Additional information is available at www.fitchratings.com.

Applicable criteria, 'Corporate Rating Methodology', dated 13 August 2010 available at www.fitchratings.com.

Applicable Criteria and Related Research:
Corporate Rating Methodology - Amended
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=546646

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