Moody's Investors Service
Global Credit Research

Fundamental Credit Research
Opinion Update
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Fingrid Oyj

Helsinki, Finland

Ratings

Category	Moody's Rating
Senior Unsecured	Aa3
Subordinate -Dom Curr	A1
Commercial Paper	P-1
Other Short Term	P-1

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Opinion

Rating Rationale

The Aa3 rating reflects the low business risk of Fingrid as the national electricity transmission monopoly, together with a supportive regulatory framework which confers flexibility and stability of earnings despite a highly leveraged financial profile.

Fingrid was established in 1997 out of the transmission assets of electric utilities IVO (now Fortum) and PVO, who are shareholders together with the State and institutional investors. Fingrid was incorporated with high leverage in order to reduce its cost of capital and hence offer the lowest possible tariffs to its customers, which include Fortum and PVO. Accordingly, cashflow interest coverage is relatively low, mitigated by the flexibility of the regulatory framework. Fingrid is able to set its own tariffs to reflect costs plus a "reasonable profit", which allows the company to pass cost increases (or cost decreases) through to customers as required. Over time excess cash flow from increased efficiencies should allow some debt reduction.

Fingrid has cut tariffs overall by 15% since its inception, ahead of its initial 2001 target. Solid results in 2000 and expected continuing stable cash flows mean that Fingrid should maintain relatively low but consistent debt protection measures.

Rating Outlook

Stable. Fingrid's strategic role in providing a reliable network is vital. Moody's discussions with the Government have indicated that it accepts the need to maintain Fingrid's financial profile. This support is evidenced by the State's share ownership (both directly and through Fortum) and the relatively light regulatory framework. The company maintains a strong commitment to a conservative strategy and stability of cash flow to service its debt commitments.