

## Fingrid Oyj

*Helsinki, Finland*

### Ratings

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

### Contacts

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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 (17% direct stake as well as indirect stakes) 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 2001 and expected continuing stable cash flows mean that Fingrid should maintain relatively low but consistent debt protection measures. The tariff framework for 2002-2004 allows for a nominal 2% year on year increase in tariffs, but efficiencies may allow for tariffs to be held at current levels. In any event Fingrid always has an option in its contracts with customers to raise tariffs if need be.

#### Rating Outlook - Stable

Fingrid's strategic role in providing a reliable network is vital. The company maintains a strong commitment to a conservative strategy and stability of cash flow to service its debt commitments.