



Finland's Transmission System Operator

December 2015

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Executive summary

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Fingrid is the sole transmission system operator (TSO) in Finland

Fingrid transmits in its own network approximately 82 % of electricity transmitted in Finland

Fingrid manages cross-border connections between Finland and Sweden, Estonia, Russia and Norway

Fingrid continuously ensures power system production and consumption balance in Finland

Fingrid's network covers entire Finland

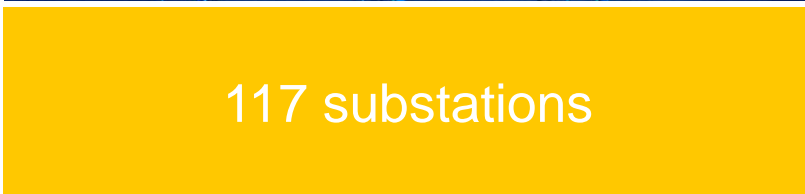
14 500 km of power lines
320 km of submarine cable



47 000 towers



117 substations



10 reserve power plants
935 MW



Key investment considerations

Regulation	Finland has a stable and predictable regulatory model
Ownership	The Finnish state owns 53% and Finnish financial institutions 47%
Operating leverage	Construction and maintenance of the network is outsourced
Efficiency & Quality	Fingrid is one of the most cost efficient and reliable TSOs worldwide
Financials	Continuously improved operating profitability in past three years
Rating	Fingrid benefits from A+/A ratings (S&P, Fitch)

Fingrid provides a solid long term investment in a stable operating environment

Company overview

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Fingrid Delivers. Responsibly

Vision

Forerunner in transmission system operation

Mission

We work for the benefit of our customers and society

- We transmit electricity reliably
- We promote the electricity market activity
- We develop the transmission system with a long time span

Values

transparent - impartial – efficient - responsible



Balanced strategy

Customers and society

We secure reliable electricity and a well-functioning electricity market for society.
We offer affordable services that meet our customers' needs.

Finance

We operate cost-effectively and bring value to our owners.



Internal processes

Adequacy of the transmission system
We carry out investments and maintenance safely and efficiently at the right time.

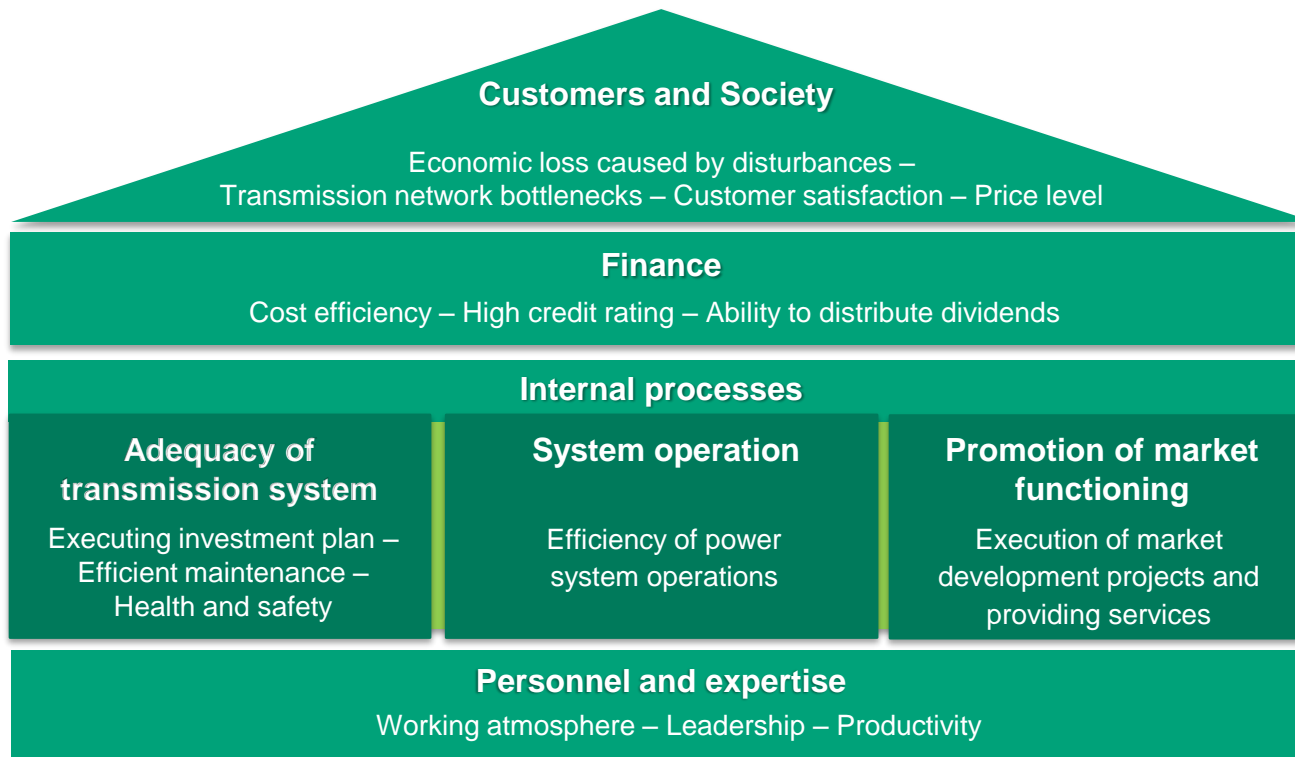
System operation
We operate the national grid proactively and reliably.

Promoting the electricity market
We actively maintain and develop the electricity.

Personnel and expertise

The cornerstone of our operations is a productive, innovative and healthy working community.

Strategic metrics



Fingrid operates in a matrix organization structure



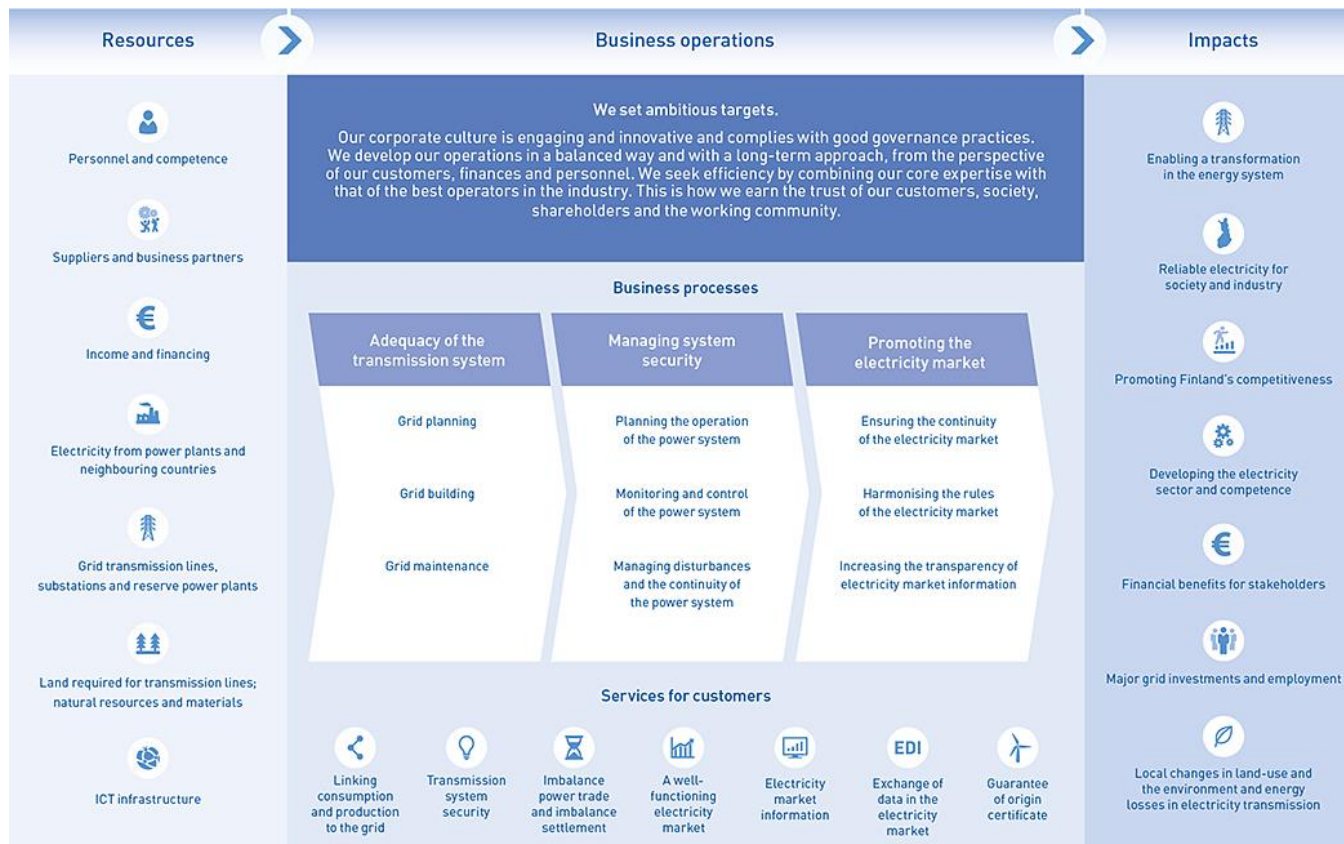
81% of Fingrid's personnel holds an academic degree**

Executive management team is highly regarded in the Finnish business community

* Mrs. Asta Sihvonen-Punkka appointed Senior Vice President, Electricity Market Development starting March 1st, 2016 after Mr. Juha Kekkonen having retired

Fully implemented matrix structure ensures efficient strategy implementation and personnel engagement

Fingrid's business model



Responsibility is part of our values, strategy and everything we do

- Corporate responsibility management is founded on the company's strategy
 - Focus on materiality
 - Systematic and target-oriented approach
 - Engagement of the personnel
- We report on responsibility as part of the annual report
 - We give as clear and comparable image as possible of the main impact of our operations
 - We apply the international Global Reporting Initiative (GRI G4) guidelines

Landscape tower in Nummela, City of Vihti



Our operations and corporate responsibility is guided by the company's Code of Conduct

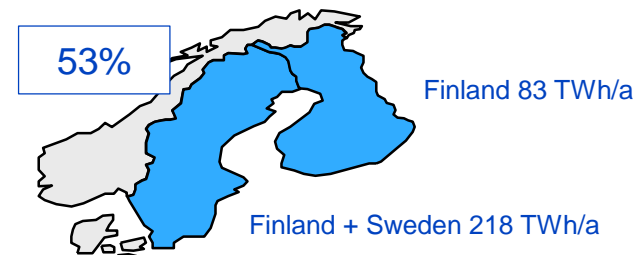
For the benefit of customers and society

Economic losses caused by disturbances: reliable electricity

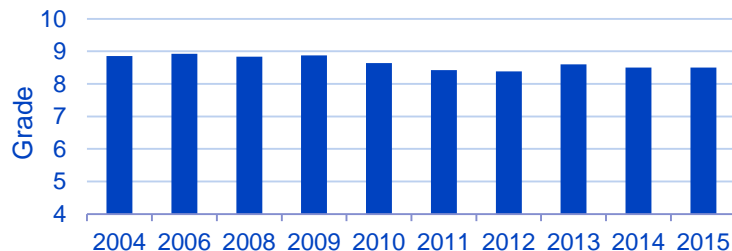


Network bottlenecks: Functioning electricity market

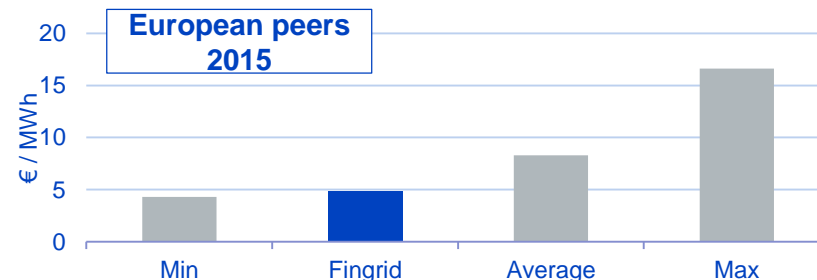
Congestion hours between Finland and Sweden 2015



Customer satisfaction: High quality services



Price level: Affordable tariffs*



Operational targets are centered around cost competitiveness and customer service

Fingrid has achieved its targets in 2011 - 2015

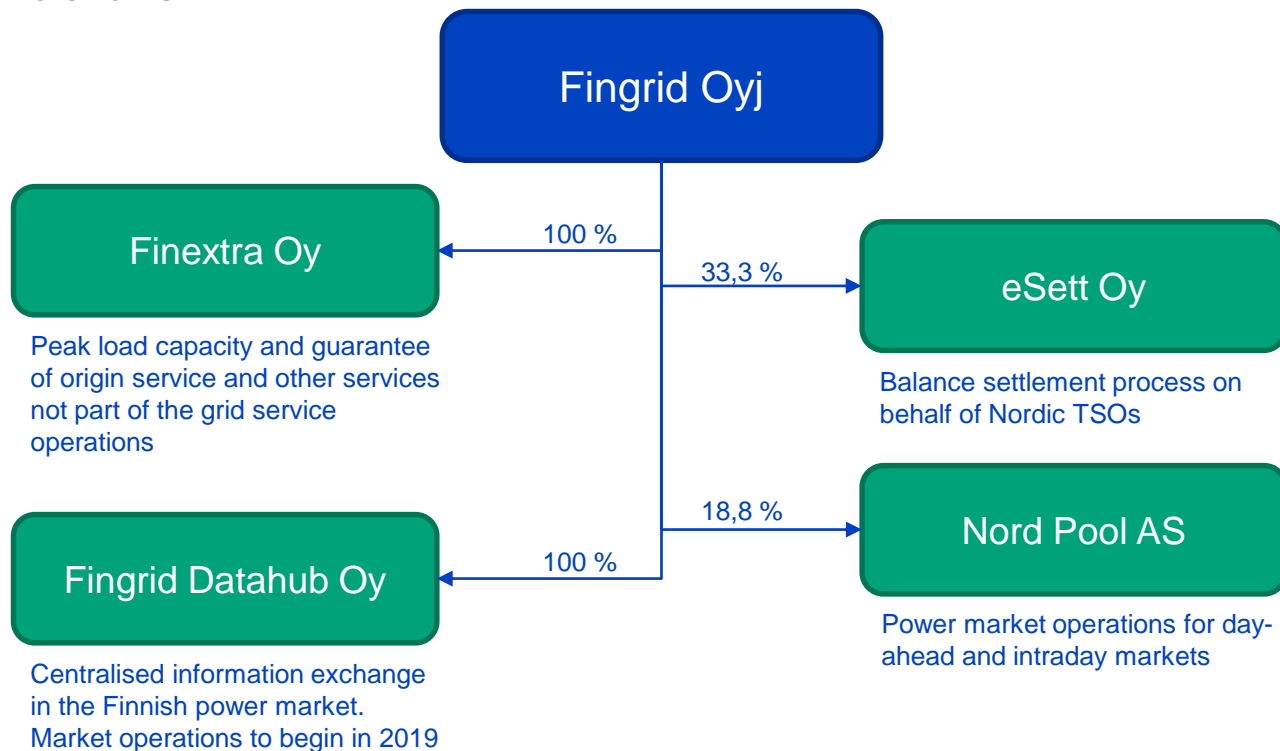
	2011		2015
Net profit *	MEUR 33		MEUR 104
Return	Below regulatory allowed		Maximum regulatory allowed
Dividend	MEUR 7		MEUR 90 **
Efficiency	High benchmark study rankings		High benchmark study rankings
Investments	In schedule and budget		In schedule and budget

* IFRS

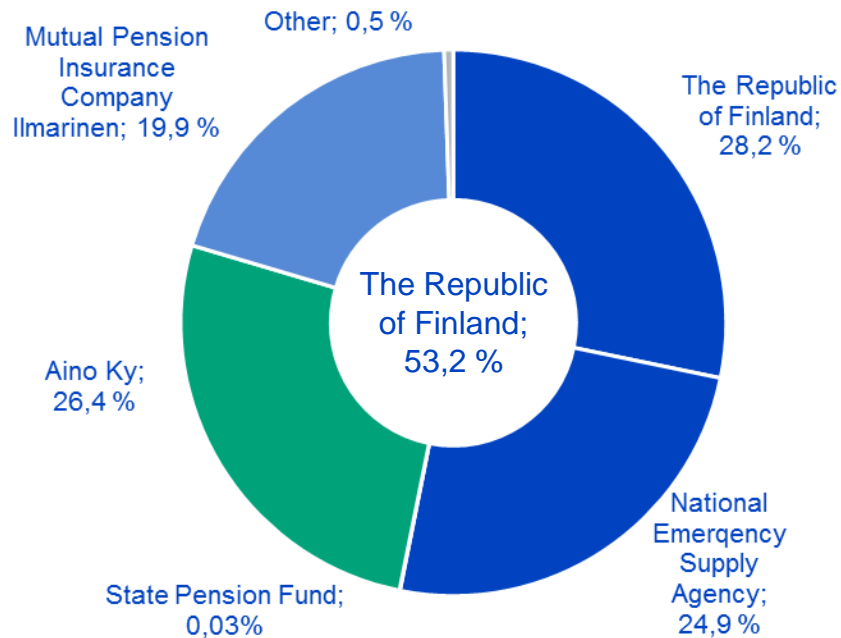
** Board proposal

Fingrid has a proven track record of continuously executing its defined strategy

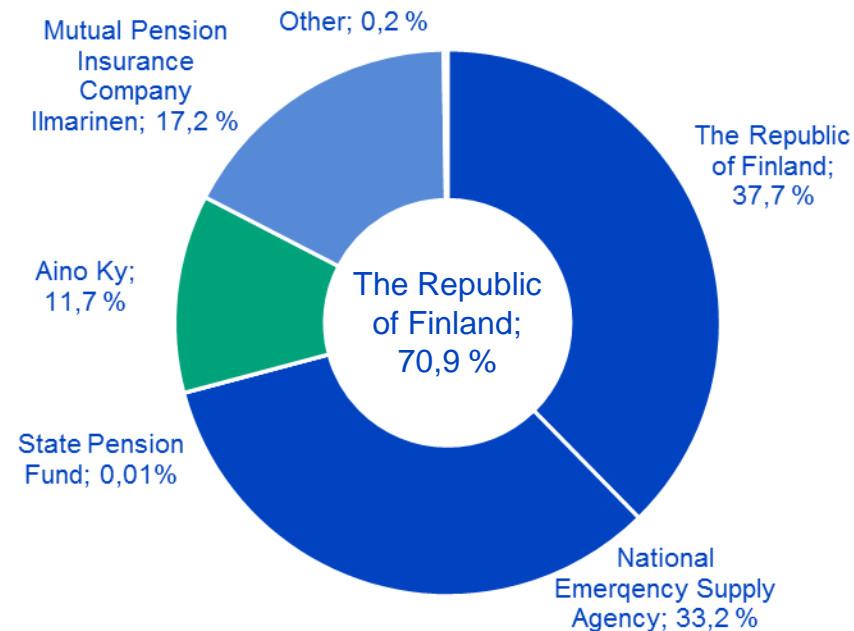
Legal structure



Shares



Voting rights



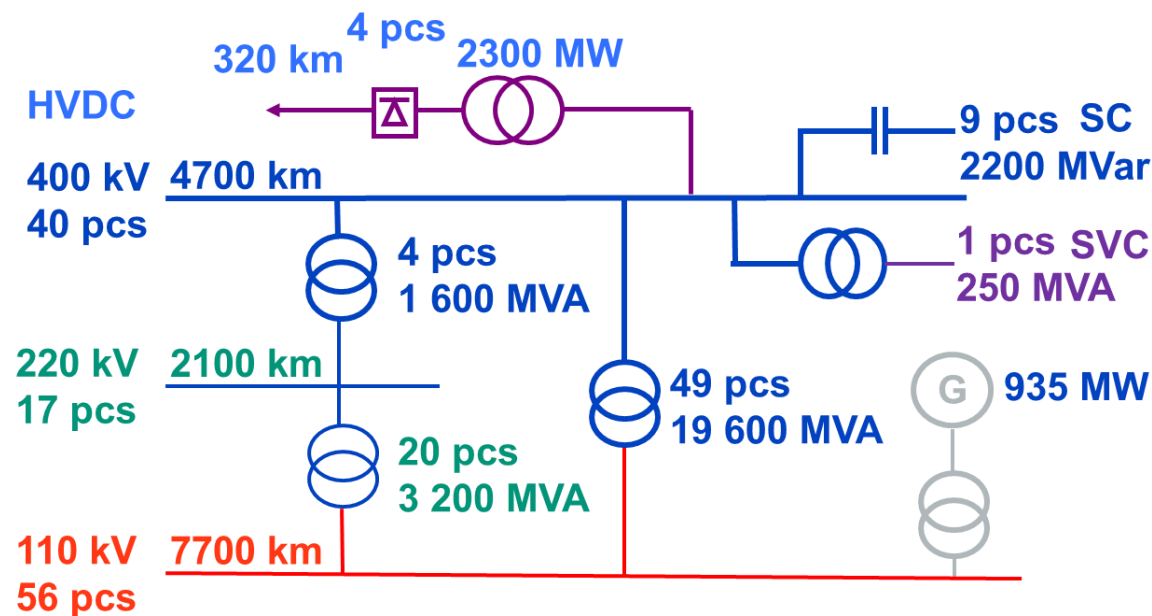
Fingrid's shareholder base is a good balance between private and public sector owners

Operations

Description of operations

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Fingrid owns and operates the transmission network in Finland



Fingrid transmits in its own network approximately 82 % of electricity transmitted in Finland

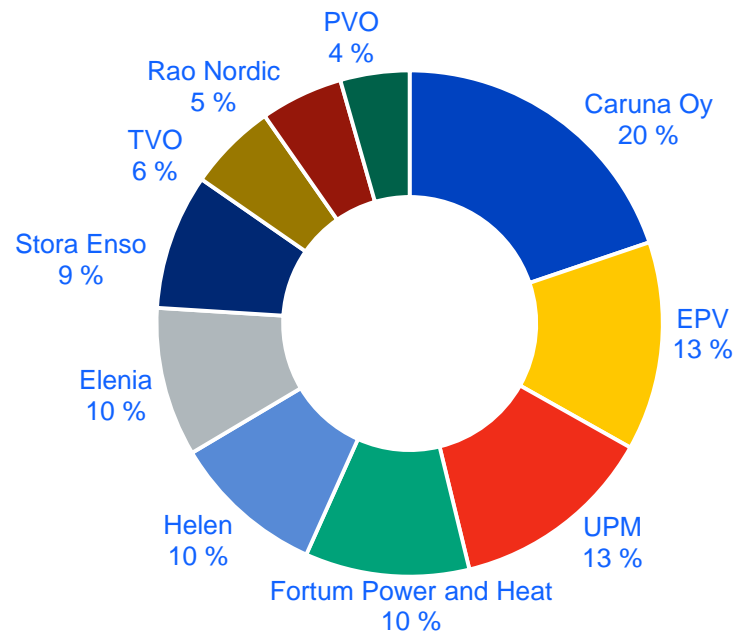
Fingrid is a part of ENTSO-E, European Network of Transmission System Operators for Electricity.

Fingrid's 400 kV power lines form the backbone of the transmission network in Finland

Transmission network client base consists of around 120 entities

- Customers comprise mainly of electricity producers, process industry and electricity distribution companies
- Fingrid is obligated to provide its customers a network connection point
- A new grid service agreement with customers was enacted from January 1st, 2016
- Credit quality of customer base is strong

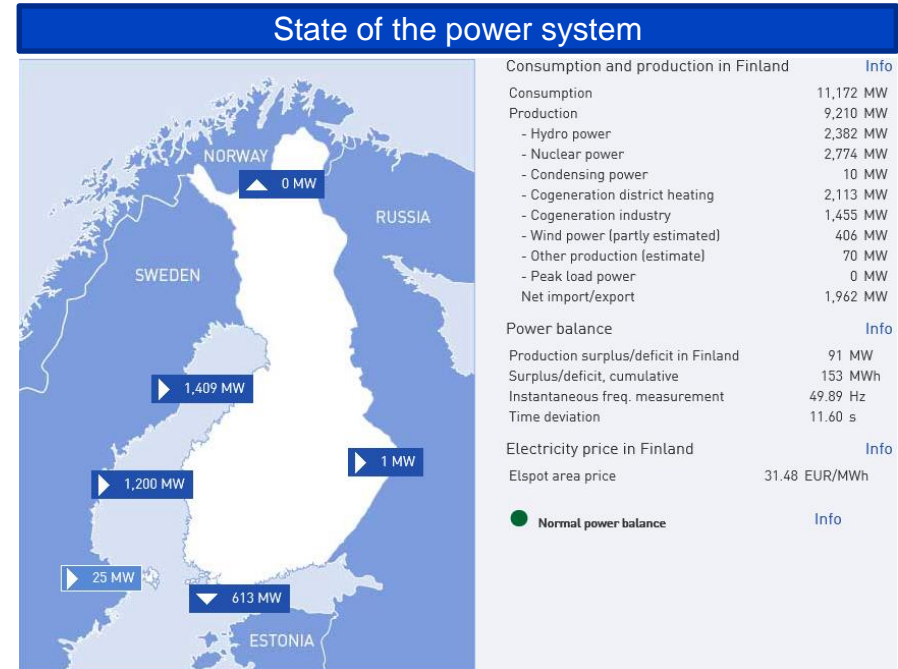
Top 10 customers of total turnover in 2015



Ten largest customers account for 44 percent of total turnover

Fingrid continuously maintains production and consumption balance

- Fingrid fulfills responsibility to maintain real time balance in all market conditions
- Holders of electricity production and loads can submit bids to the balancing market concerning their capacity
- Fingrid has created a common Nordic balancing market together with other TSOs in the region
- Fingrid's core task is to ensure network functionality with automatic and manual reserves in imbalance situations

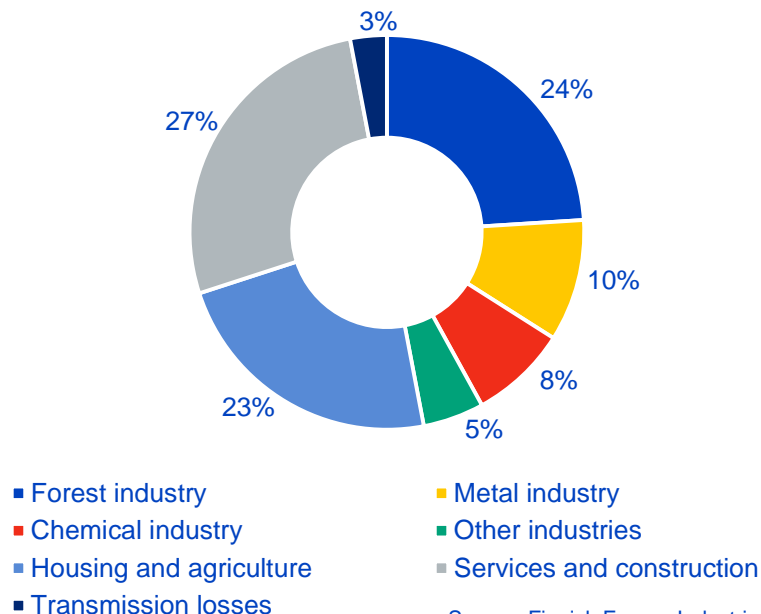


Source: <http://www.fingrid.fi>

Fingrid procures the needed amount of reserve capacity to maintain the balance of the power system

Electricity consumption in Finland

Consumption in 2015



Source: Finnish Energy Industries

Fingrid continuously maintains production and consumption balance

Electricity consumption was 82,5 TWh in Finland in 2015. Electricity imports accounted 16 TWh or 20 % of total consumption

Energy intensive industry is a major consumer in Finland accounting for 47 % of consumption in 2015

Advanced markets for all time frames



Fingrid is responsible for the imbalance power settlement after delivery

- Each party operating in the electricity market is financially responsible for an hourly power balance between its electricity production and consumption. Fingrid balances the differences between estimated and actual production and consumption
- After the actual power production or consumption has taken place, Fingrid settles the imbalance with market parties
- A service company eSett, equally owned by TSOs in Finland, Sweden and Norway, is established for balance settlement

Establishment of eSett – a joint service company

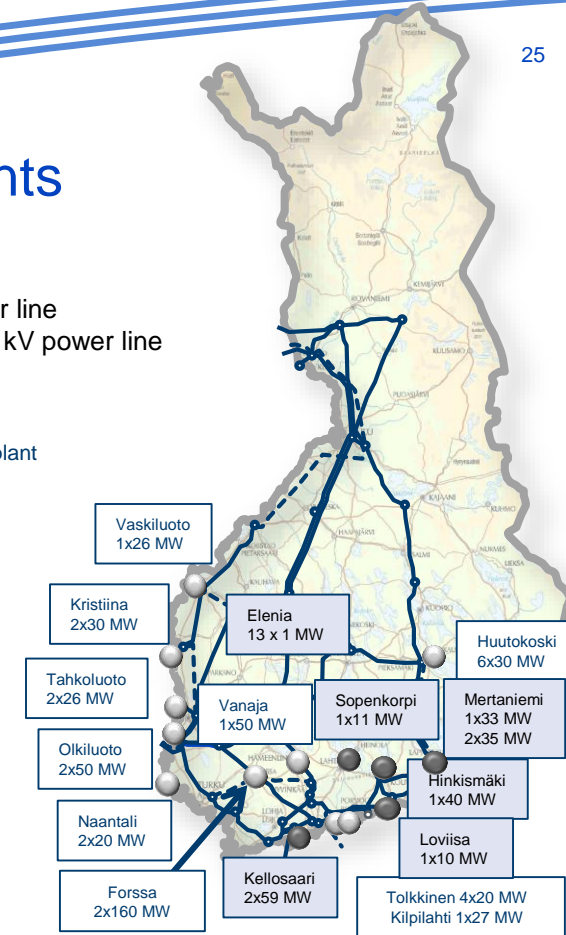
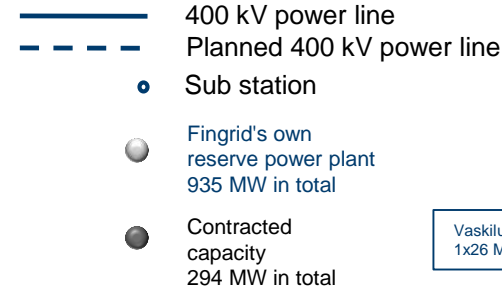
With the establishment of the joint service company eSett Oy, the Transmission System Operator Fingrid, Statnett and Svenska Kraftnät have taken a big step towards the establishment of a Nordic balance settlement. The new company has the objective of providing balance settlement services to participants of electricity markets in Finland, Norway and Sweden... ...The company aims to lower the entry barriers for the market parties in Finland, Norway and Sweden through equal and shared settlement rules. This will increase competition in the electricity markets in these countries, reduce long term costs for the market parties and pave the way for the establishment of a Nordic end-user market.

Source: <http://www.fingrid.fi>

Imbalance settlement in Finland, Sweden and Norway will be done by eSett from 2016 onwards

Fingrid owns an assortment of backup power plants

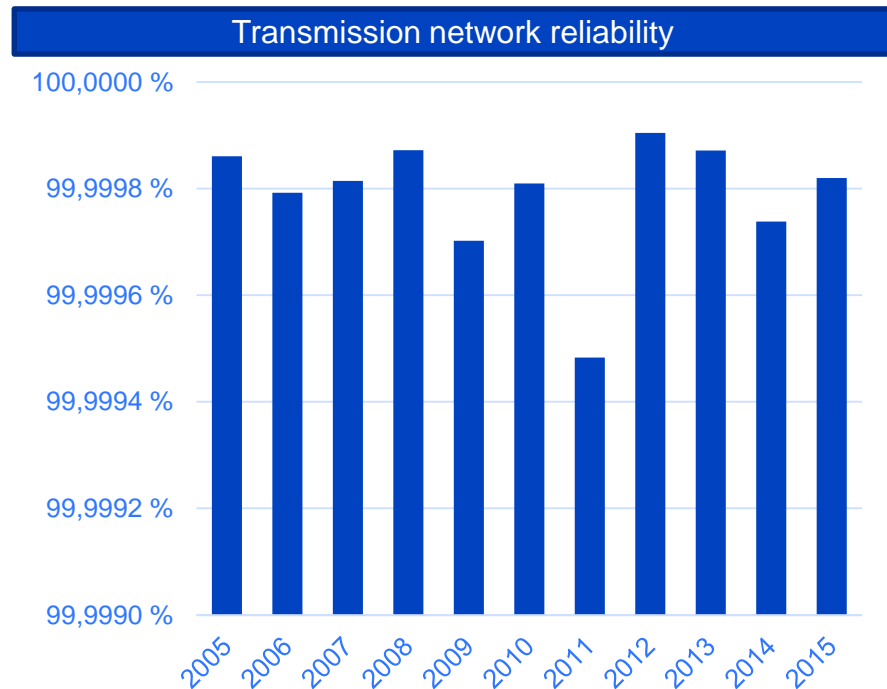
- Fingrid owns 935 MW of back up power plants and leases further 295 MW. All plants can be activated within minutes
- Back up power plants are not used for commercial operations but solely in network disturbance situations
- Fingrid's own power plants are included in the regulatory asset base
- The total capacity of back up power plants comfortably exceeds the capacity of the largest power plant in the network



Fingrid's own back up power plants ensure reliable activation of reserves in disturbance situations

Reliability of the Finnish power system

- The power system has to withstand a fault in any individual component (N-1)
- The main reasons for disturbances have been lightning and other weather related incidents (storms)
- Major part of the disturbances are cleared with automatic reclosure schemes without any manual switching operations
- The average duration of the connection point outages is usually a couple of minutes per year



The reliability of the Finnish power system is top class

Operations

Efficiency of operations

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Key efficiency drivers

Effectiveness of the management and governance model

Outsourced
network construction and
maintenance

Highly centralised
operations

Increasing degree of
digitalisation

Fingrid's excellence in ITAMS and ITOMS benchmark studies reflect highly efficient operating model

Outsourced network construction and maintenance

- Core feature of Fingrid's operating model is outsourcing
- Network construction and maintenance as well as substation and secondary equipment maintenance is outsourced
- Regional maintenance is tendered among external service providers
- Fingrid has around 40 core suppliers, of which 10 account for around 57 percent of total financial value of procurements

Network maintenance is outsourced



High operational efficiency and flexibility is achieved through comprehensive outsourcing capabilities

Fingrid uses qualified suppliers only

- A defined qualification process* for equipment suppliers, service providers and contractors
- An evaluation process of new suppliers is done annually
- Only qualified suppliers in Fingrid's supplier register are invited to bid for outsourced works
- Sustainability audits are conducted among suppliers
- Suppliers must comply with Fingrid's Supplier Code of Conduct

Note: * In accordance with the EU based public procurement legislation for the sector

Hyvinkää – Hikiä transmission line construction site

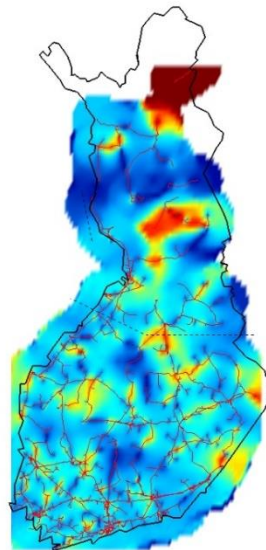


Prequalification of suppliers ensures efficient tendering process of outsourced works

Investing in efficient management of information through digitalization

New ERP provides real-time network condition on map

- Increasing proactivity in calculations, monitoring and maintenance
- Single source for power system information
 - Improving information access and usability within stakeholders
- Adding cost aspect to operation and power system components
 - Enhanced business planning through cost operational analytics
- System utilization and further development (2016-)



A single asset management based ERP will further strengthen Fingrid's operational excellence

Fingrid's efficient operations are highly recognized

- Excellent results from international benchmark studies
- Fingrid has continuously been one of the top performing companies in the International Transmission Operations and Maintenance Study (**ITOMS**)
- Fingrid ranked the best in the latest International Transmission Asset Management Study (**ITAMS**)
- Fingrid was "exceptionally efficient" in 2013 in a study done for the Council of European Energy Regulators (**CEER**)

Publicly Available Specification (PAS)

PAS 55 is the British Standards Institution's (BSI) Publicly Available Specification for the optimized management of physical assets - it provides clear definitions and a 28-point requirements specification for establishing and verifying a joined-up, optimized and whole-life management system for all types of physical assets. Now internationally recognized, PAS 55 is proving to be an essential, objective definition of what is required to demonstrate competence, establish improvement priorities and make better, clearer connections between strategic organizational plans and the actual day-to-day work and asset realities.

Source: <http://pas55.net>

- In 2015 Fingrid's asset management again received Publicly Available Specification **PAS 55** certificate

Fingrid is to apply for new ISO 55001 that sets out standards for asset management

Fingrid's overall efficiency is confirmed also by regulators

- Study done for the Council of European Energy Regulators (CEER) 2013
- Fingrid was "exceptionally efficient" together with four other TSOs
- Study included 21 European TSOs and performed every four years
- Comparison of total efficiency: costs in grid construction, maintenance, planning and administration during the past 20 years

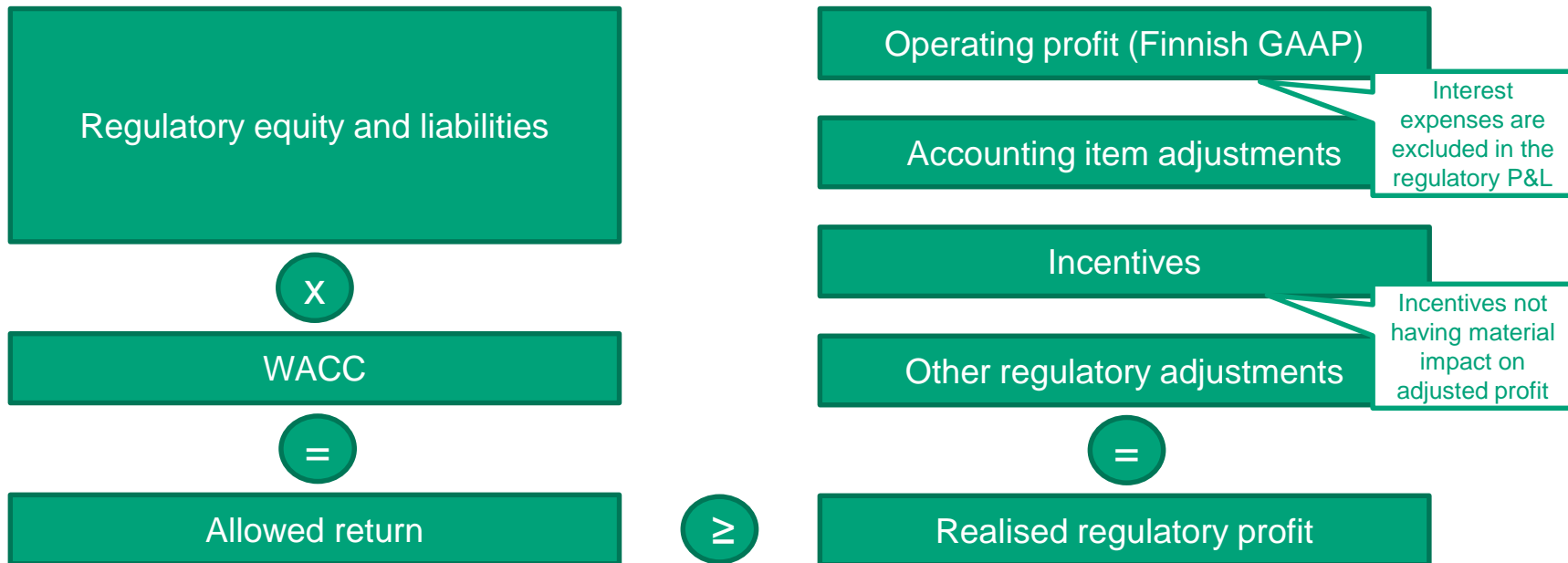


Operations

Earnings model

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Adjusted invested capital and WACC define the allowed return



Fingrid aims to equal realised regulatory profit and allowed return

Calculation of WACC in the regulatory model 2016-2023

Cost of equity

$$C_E = R_r + \beta_{\text{debt free}} \times (1 + (1 - t) \times D/E) \times (R_m - R_f) + LP$$

$$C_E = \text{Finnish 10y bond} + 0,4 \times (1 + (1 - 20\%) \times 50/50) \times 5 \% + 0,6 \%$$

$$C_E = \text{Finnish 10y bond} + 4,2 \%$$

Cost of debt

$$C_D = R_r + DP$$

$$C_D = \text{Finnish 10y bond} + 1,4 \%$$

WACC (pre tax)

$$WACC_{\text{post-tax}} = C_E \times 50/100 + C_D \times (1 - t) \times 50/100$$

$$WACC_{\text{post-tax}} = \text{Finnish 10y bond} \times 0,9 + 2,66 \%$$

$$WACC_{\text{pre-tax}} = \text{Finnish 10y bond} \times 1,125 + 3,33 \%$$

Parameter

Value to be applied

Risk-free rate (R_r)	Greater of: a) 10 year average of 10-year Finnish government bond rate b) Average of previous year April-September government bond rate
Asset beta ($\beta_{\text{debt free}}$)	0,4
Market risk premium ($R_m - R_f$)	5,0 %
Liquidity premium (LP)	0,6 %
Capital structure (D/E)	50/50
Risk premium of debt (DP)	1,4 % *
Tax rate (t)	20%

The core parameter defining yearly WACC is the yield of the Republic of Finland's 10 year bond

Calculating the reasonable return in euros: WACC x adjusted capital

- Reasonable return in euros is calculated as follows:

$$R_{pre-tax} = WACC_{pre-tax} \times (D+E)$$

E = adjusted amount of equity

D = adjusted amount of interest-bearing debt

- Adjusted assets equal to the sum of adjusted amount of equity and debt
- The equalisation item in the equity section of balance sheet balances adjusted assets with adjusted equity and liabilities

Calculating adjusted balance sheet	
Adjusted assets	Adjusted liabilities
Regulated net present value of the electricity network	Interest bearing debt
Inventories	Other
Trade receivables	Adjusted equity
Other	Equity
	Equalisation item of adjusted balance sheet

Balance sheet values of electricity network assets are converted to replacement value to calculate return

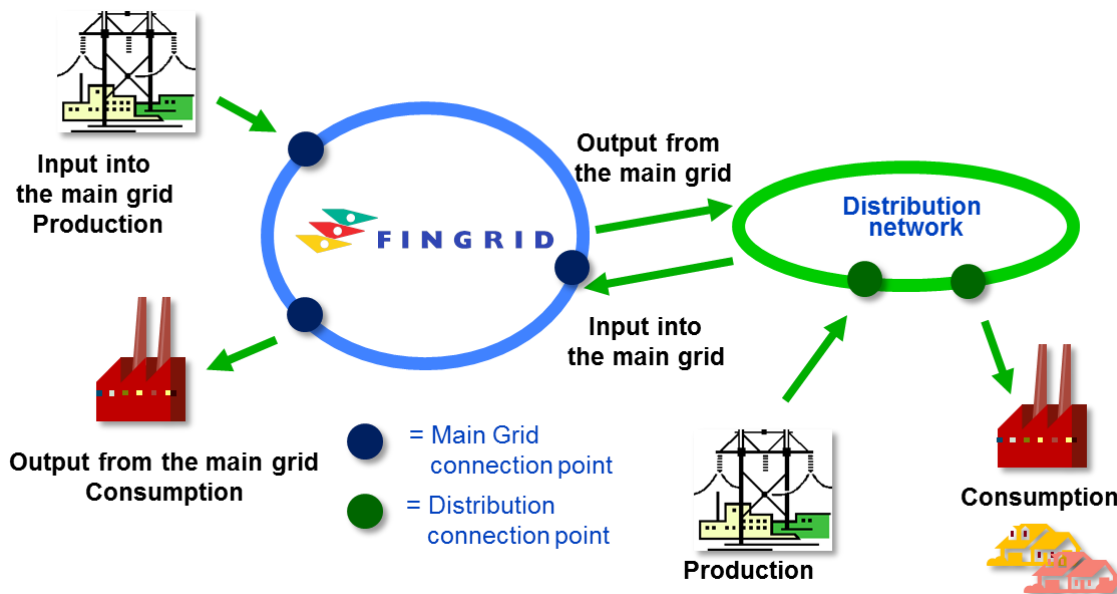
Operations

Tariffs

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Grid service tariff is applied on both consumption and production

Fingrid's operating environment



Fingrid defines the tariff structure, which is approved by the Energy Authority

Tariffs EUR/MWh	2016
Consumption, winter period*	7,90
Consumption, other times	2,60
Output from the grid	1,03
Input into the grid	0,68
Power plant capacity fee	1700 €/MWh/a

Tariffs are seasonally adjusted and charged on consumption and use of grid

The cost of reserves is recovered in tariffs

Balance service tariff

Frequency controlled
disturbance reserve
10%

Fast disturbance
reserve
10%

Frequency controlled
normal operation
reserve
100%

Automatic frequency
restoration reserve
100%

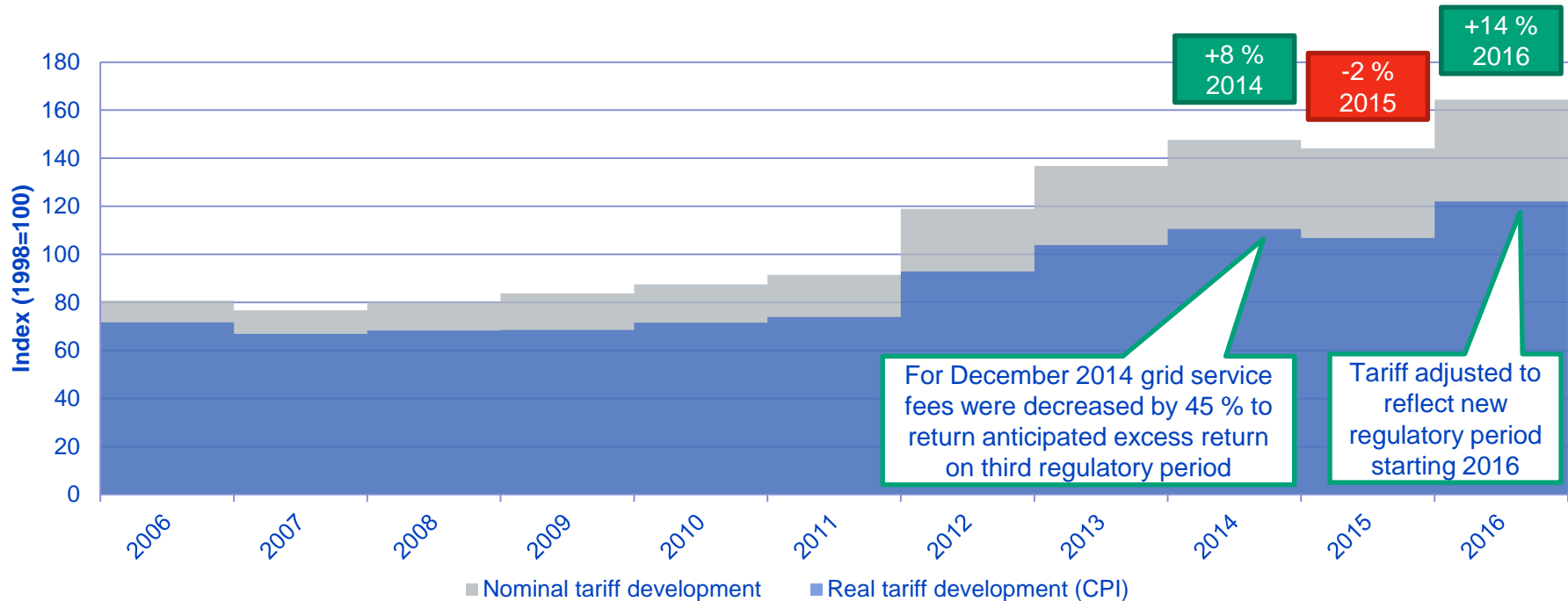
Grid service tariff

Frequency controlled
disturbance reserve
90%

Fast disturbance
reserve
90%

The cost of reserves is recovered in the tariffs for balancing operations and transmission

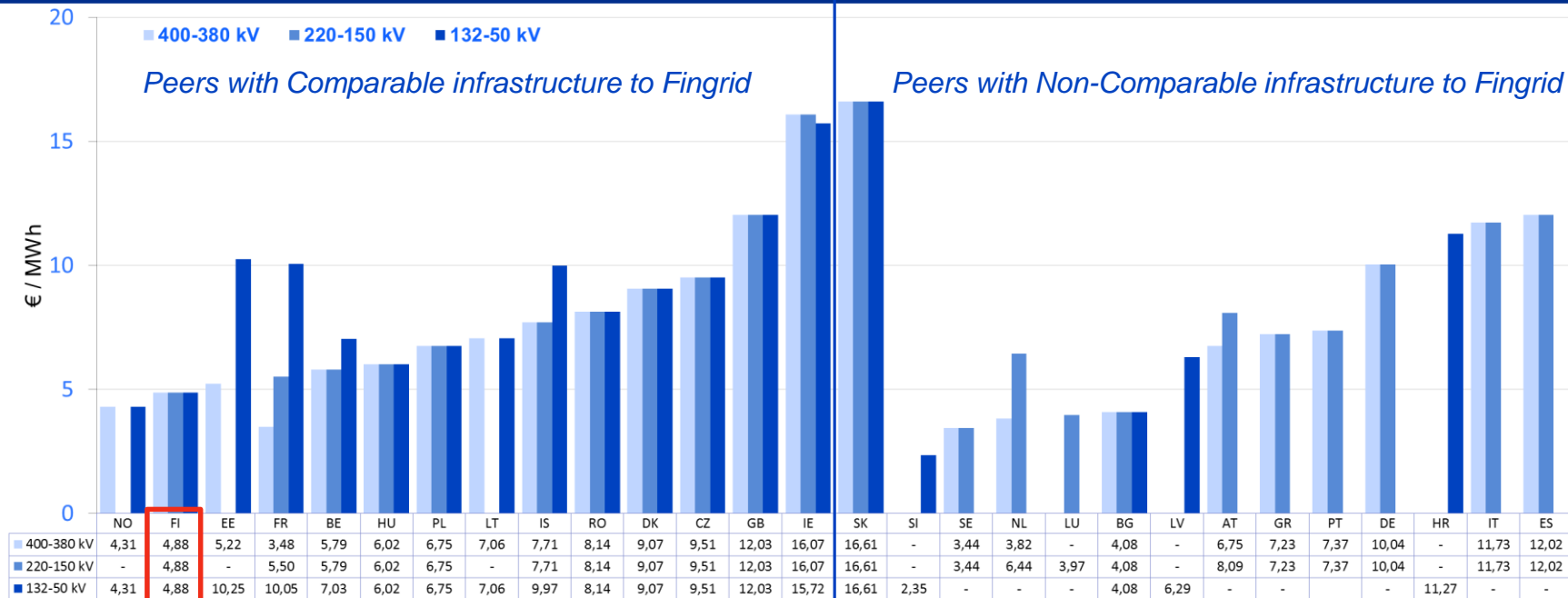
Development of announced grid service tariff in 2006- 2016



Tariffs have been increased to reach maximum allowed return 2014 onwards

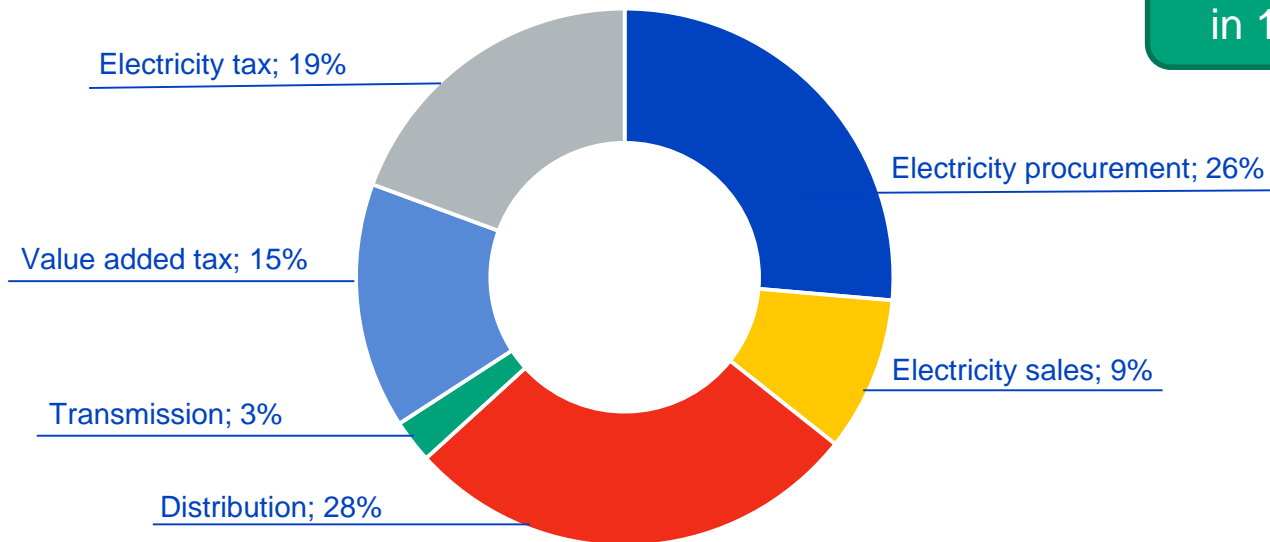
Transmission charges from generation to consumption

Transmission charges from generation to consumption in Europe 2015 – including EU and ETA countries



Fingrid's effectiveness and efficiency enable low tariffs

Breakdown of end user electricity bill in Finland



Total 15,20 cents/kWh
in 1 February 2016

Source: Energy Authority

Fingrid's share of consumer price is approximately three percent

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Capex

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Investments are based on 5-25 year grid development plans

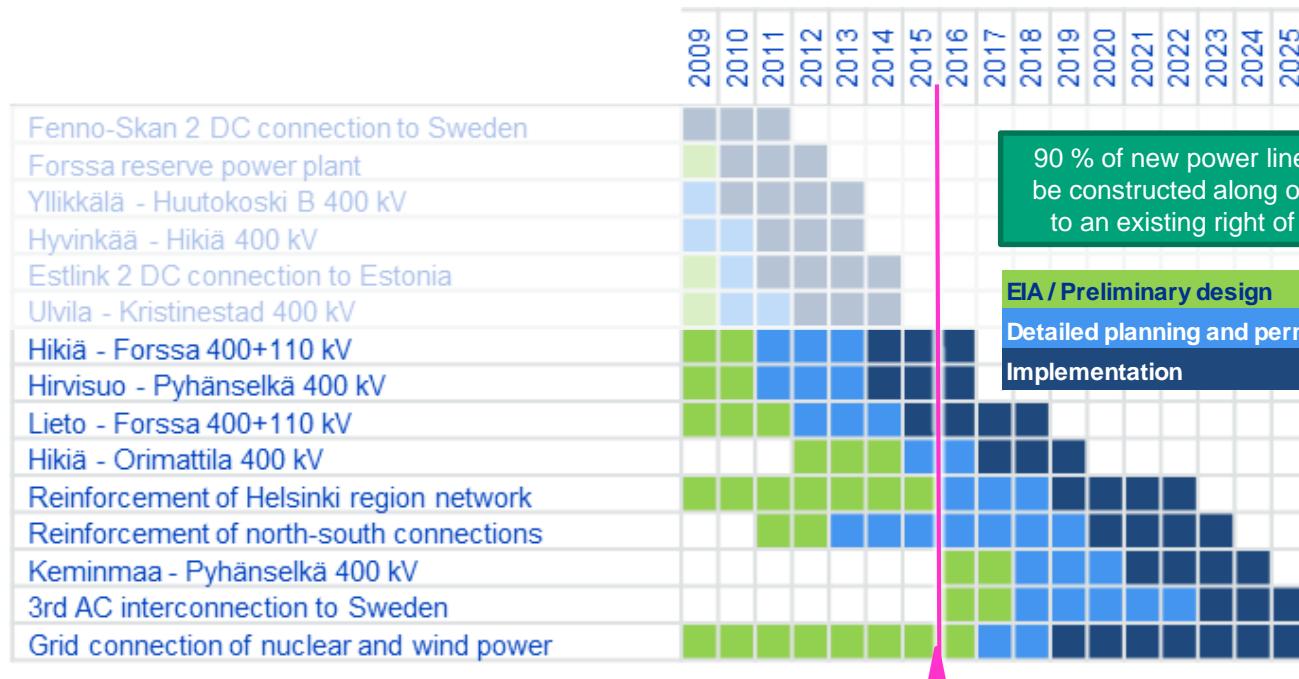
- Grid development plans are prepared at three levels, i.e. European, regional and national
- Fingrid decides on investments based on customers' needs, transmission system security and network capacity
- Fingrid's network construction is contracted with fixed price contracts
- Before network construction commences all environmental and planning permits are in place as Fingrid applies EIA before the investment decision

Keminmaa – Petäjäskoski transmission line



All Fingrid's investment projects have been done in schedule and budget

Flexible and long-term investment strategy

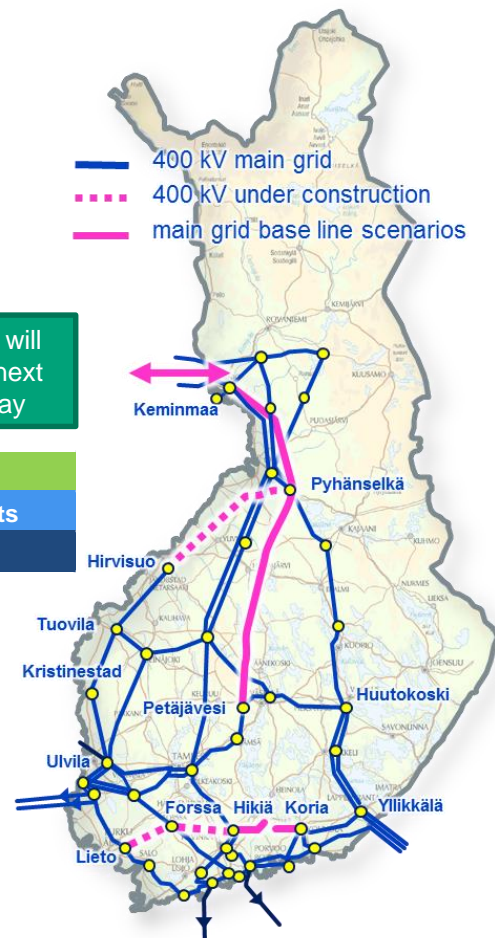


90 % of new power lines will be constructed along or next to an existing right of way

EIA / Preliminary design

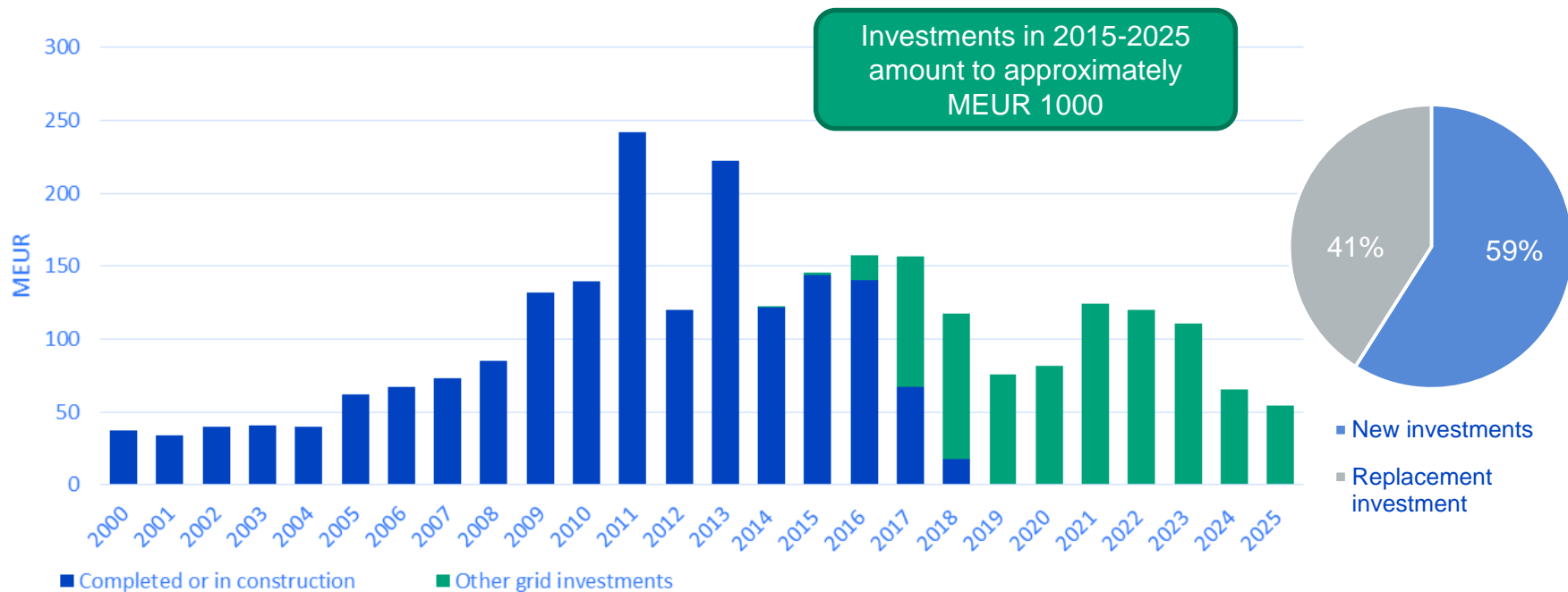
Detailed planning and permits

Implementation



Fingrid has a long-term planning horizon for investments

Investments in 2000 - 2025



Investments are driven by network aging, market development and connecting new production capacity

Operating environment

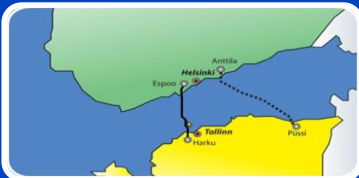
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Fingrid's operating environment in three geographical levels



Europe

- Vision: integrated electricity market working on one European grid
- Strong changes in the generation fleet (nuclear, renewables, gas)
- Electricity market from Helsinki to Lisbon 2014 achieved
- Structural bottlenecks will remain in the grid – licensing main obstacle



Baltic Sea region

- Transmission capacity between the Nordic region and Continental Europe will double by 2020
- Stronger connection between the Nordic region, Baltic states and Poland
- More active role of Russia via new interconnections from the Baltic states



Finland

- Energy and climate strategy: self-sufficiency via nuclear and renewables
- Share of price elastic generation decreases
- Modest growth in electricity demand: electrification and savings
- Role of cross-border connections increases

Towards a highly developed electricity market in Europe

- Improving efficiency and competitiveness of the power sector
 - efficient market price
 - cross-border trade
 - efficient dispatching via "the invisible hand"
- Delivering benefits for end-users and trust to market players
- Contributing to the security of supply
- Reaching the 20-20-20 goals of EU: better environment, more renewables

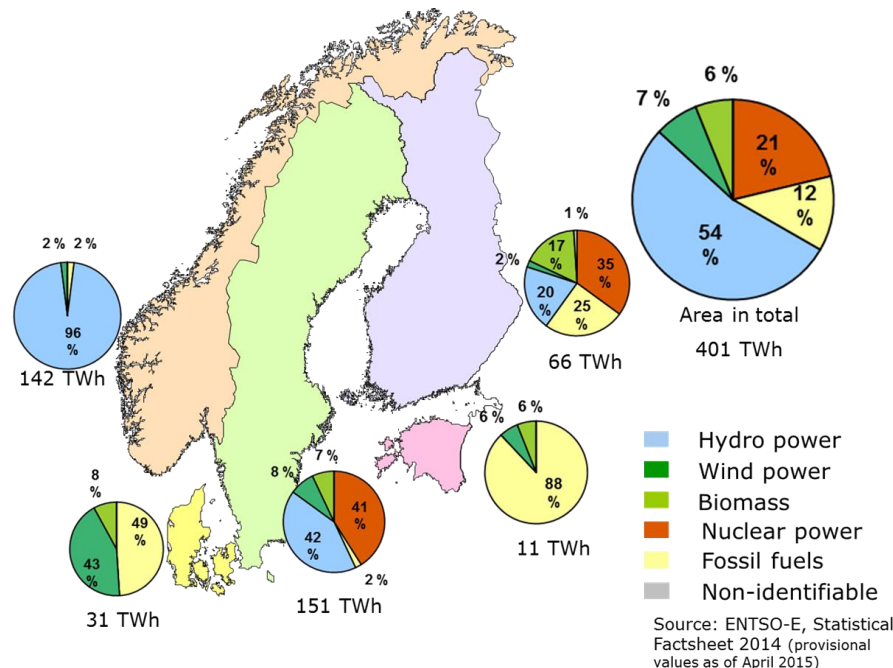
Market coupling



Electricity market from Helsinki to Lisbon 2014

Hydro power is the main energy source in the Nordic region

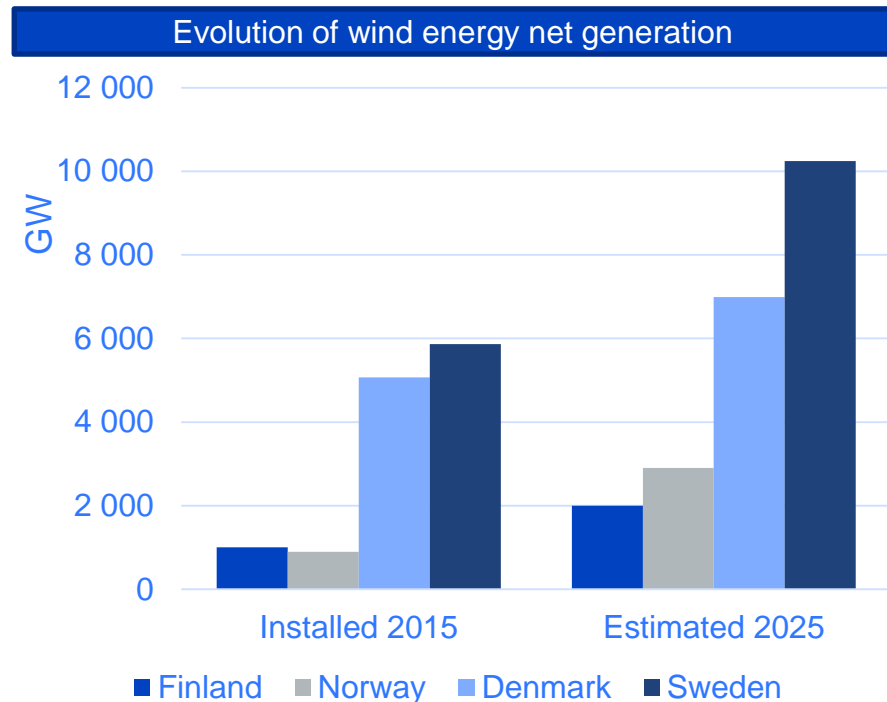
- Significant hydro power generation capacity in Norway and Sweden drive the electricity price in Finland
- Nuclear power generation is an important base load power generation source in Sweden and Finland
- Coal is the main fossil fuel used in Nordic countries
- Renewable power generation consist of hydro power, biomass fired cogeneration and wind power



Nordic electricity price is driven by hydrological conditions in Scandinavia

New wind power capacity is supported with feed in tariff in Finland

- A new feed in tariff for 2500 MW of new capacity came into force in 2011
- 85 % of the capacity was allocated until the end of 2015 and applications submitted for 123 %
- The feed in tariff was EUR 103,5/MWh until the end of 2015 and EUR 83,5/MWh going forward
- Most of the planned new onshore wind power projects (~8GW in total) are located along the west coast where Fingrid is already making significant network investments

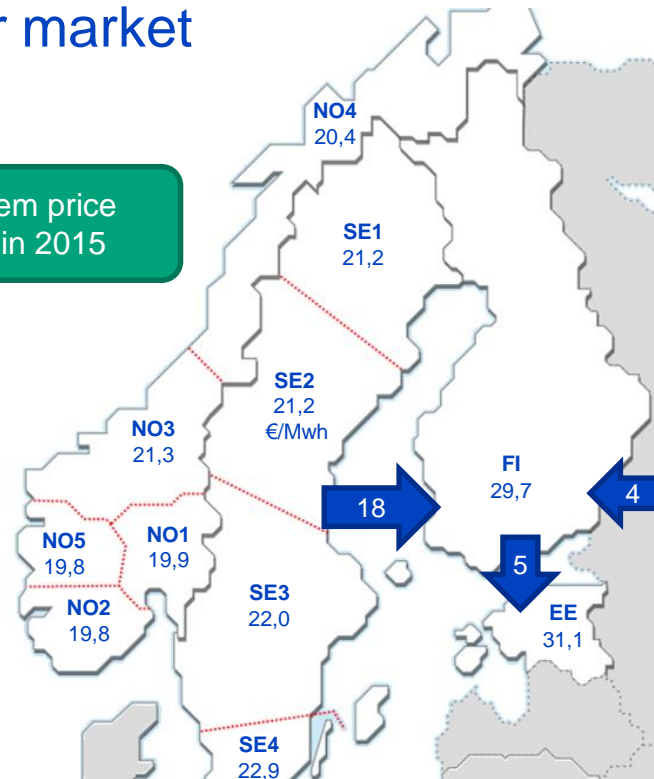


Fingrid is prepared to accommodate 2500 MW of new wind power capacity by 2020

Finland is well connected to Baltic Sea power market

- Finland is a net importer of electricity mainly from Scandinavia
- Finland is expected to remain as a net importer of electricity mainly because of the delay of 1600 MW green field nuclear power plant project (OL3)
- If cross border transmission capacity is constrained, the Finnish area price diverges from the Nordic electricity price

Nordic system price
21 €/MWh in 2015

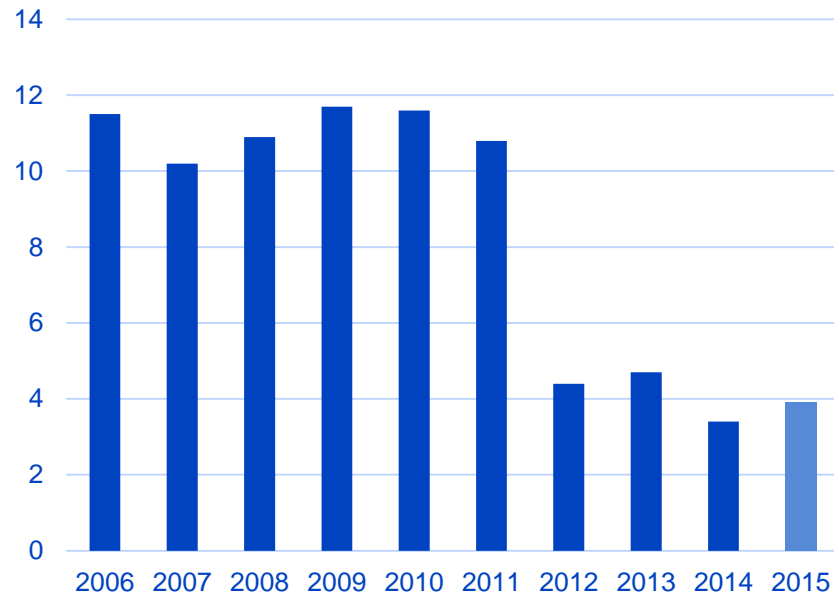


Finland is a net importer of electricity mainly from Scandinavia

Cross border transmission between Finland and Russia

- Imports from Russia are currently low
 - Russia now has capacity payment of around 25€/MWh on exports to Finland
 - Rising power generation costs in Russia
- Towards more efficient trade
 - Increased cooperation between power exchanges
 - Two way transmission with Russia possible since December 2014
 - Common rules between EU and Russia
 - Fingrid's new dynamic tariff model
- First commercial exports to Russia in 2015
 - Very small volumes

Annual electricity export from Russia to Finland (TWh)

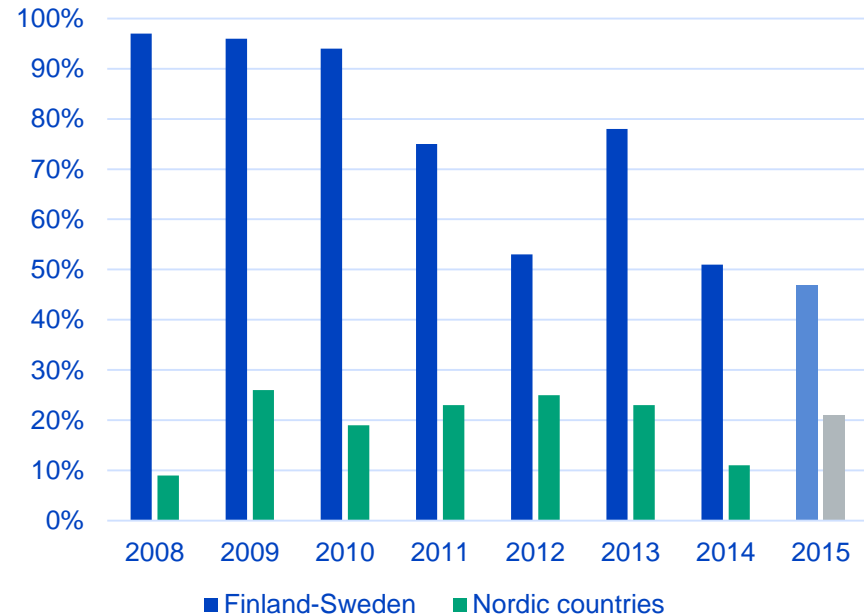


Finland's cross border transmission with Russia is driven by power market development in EU and Russia

The Baltic Sea region* forms a well developed regional market

- In 2015 a single price area between Finland and Sweden existed 47 percent of the time and 21 percent of the time between all the Nordic countries
- This was caused by very good hydrological situation in Sweden and Norway that decreased the Swedish area price even further

Uniformity of spot-prices in the Nordic region (% of time)

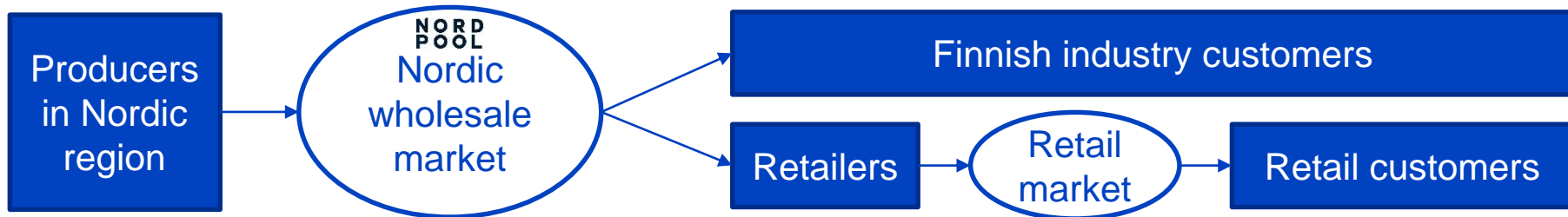


* Finland, Sweden, Norway, Denmark, Poland, Estonia, Latvia, Lithuania

Congestion income is used for developing further cross border transmission capacity

Market structure and business areas in the Baltic Sea area

National transmission system operators



Finnish electricity distribution companies

Power generation is unregulated whereas transmission and distribution is regulated by national authorities

Financials

Financial performance

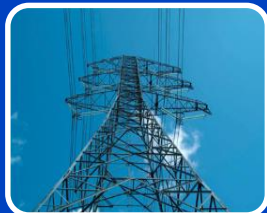
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Fingrid's core financial objectives



Efficient operations

- We ensure efficient operating model and operating principles as well as sufficient and high quality information for decision making
- We plan investments mindful of the company's financial situation
- We focus on operating costs in our daily operations and develop awareness of financial aspects across organisation



High credit rating and sufficient debt service capacity

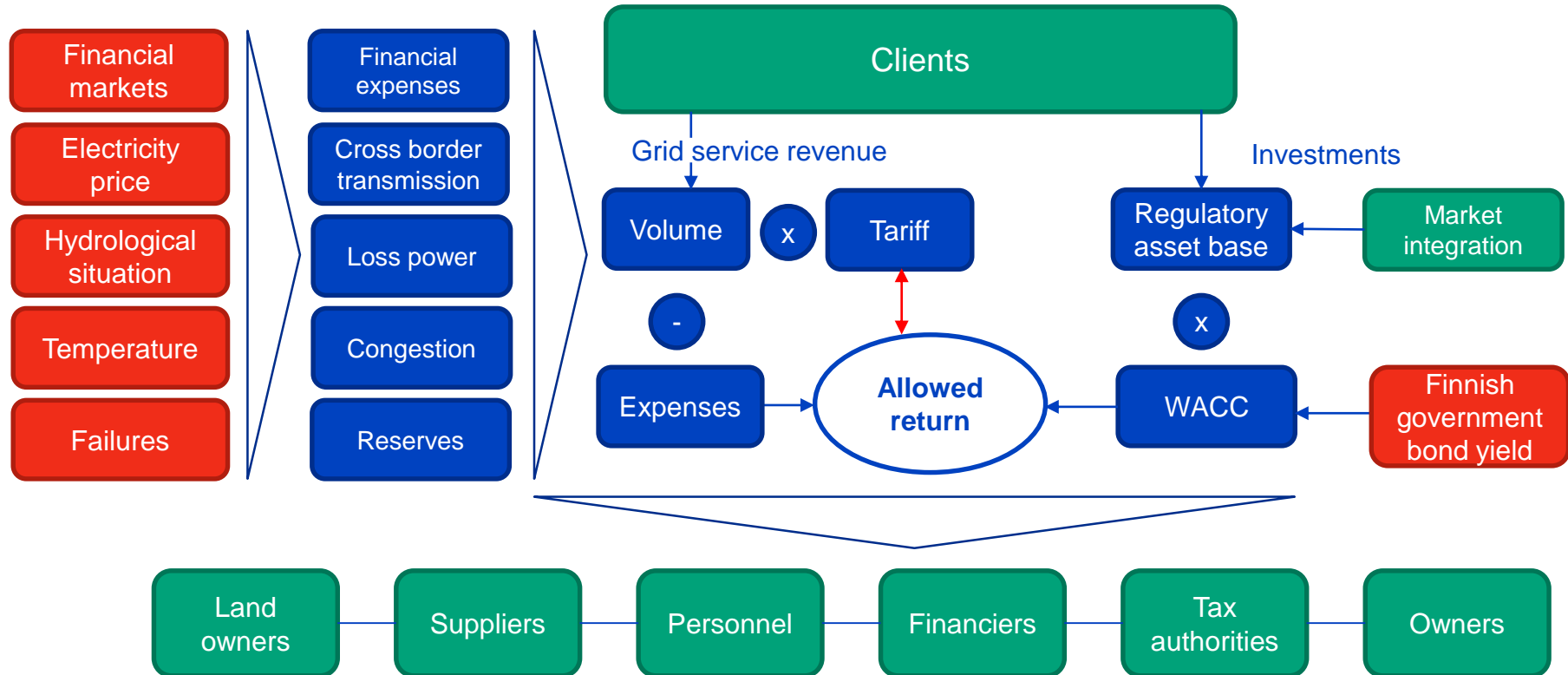
- We create strong financial position by diversification of funding sources and maturity profile while ensuring sufficient liquidity position
- We strengthen Fingrid's public profile with transparent reporting and consistent dialogue with investors, financiers and credit rating agencies
- We ensure sufficient debt service capacity by systematically forecasting financial performance



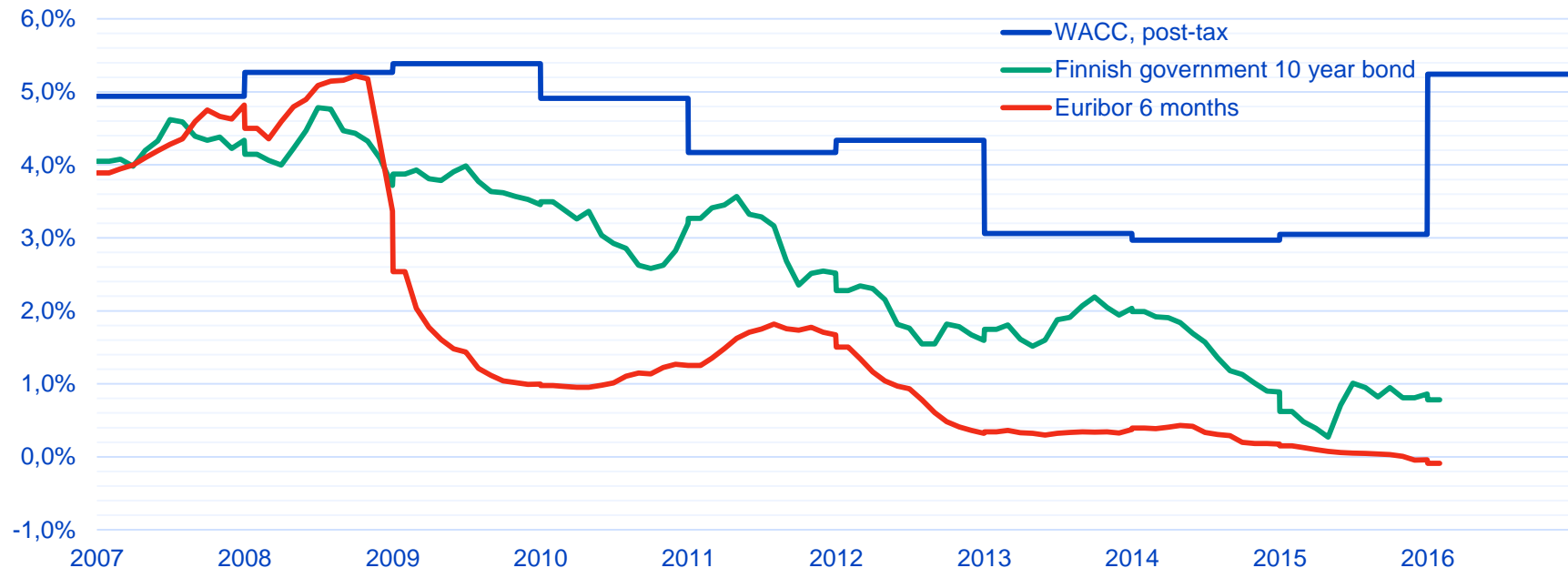
Reasonable return to the shareholders

- We maintain regulated profit at the maximum allowed level
- We impact to the definition and level of reasonable regulated return
- We manage risks related to the operations, asset base and financing with risk management processes as well as with derivatives, guarantees and insurances

Main economic drivers of transmission network operations

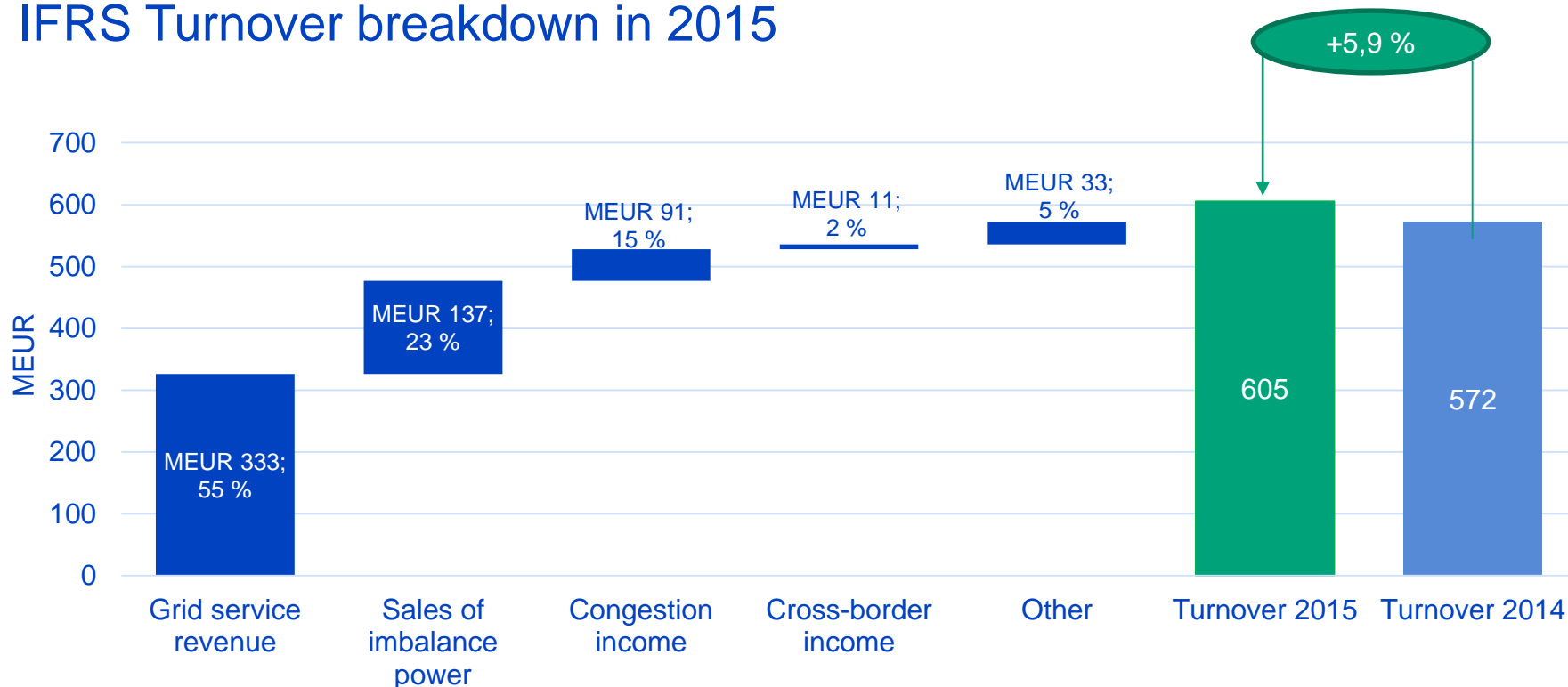


The WACC* is driven by market rates

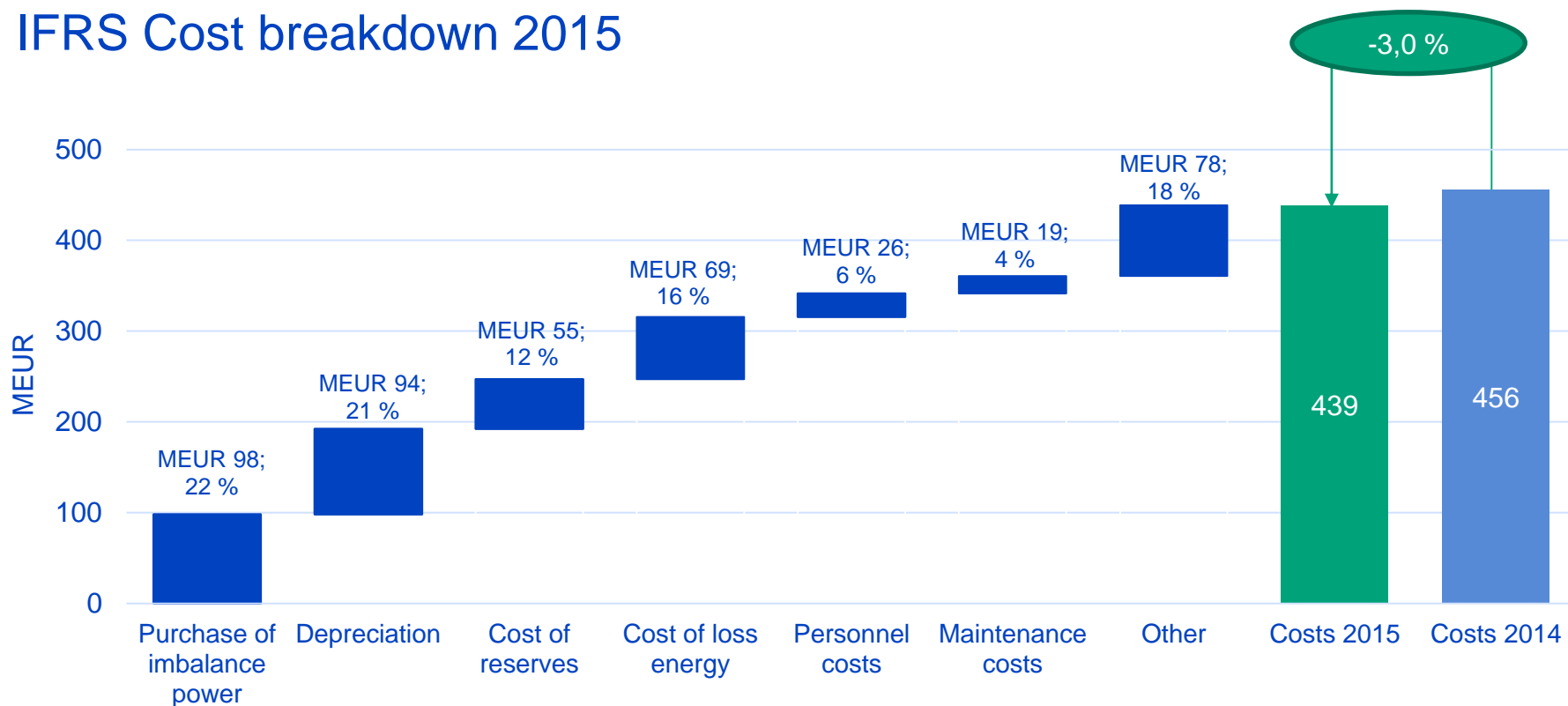


Finnish government 10 year bond yield, i.e. the risk free rate in WACC, varies annually

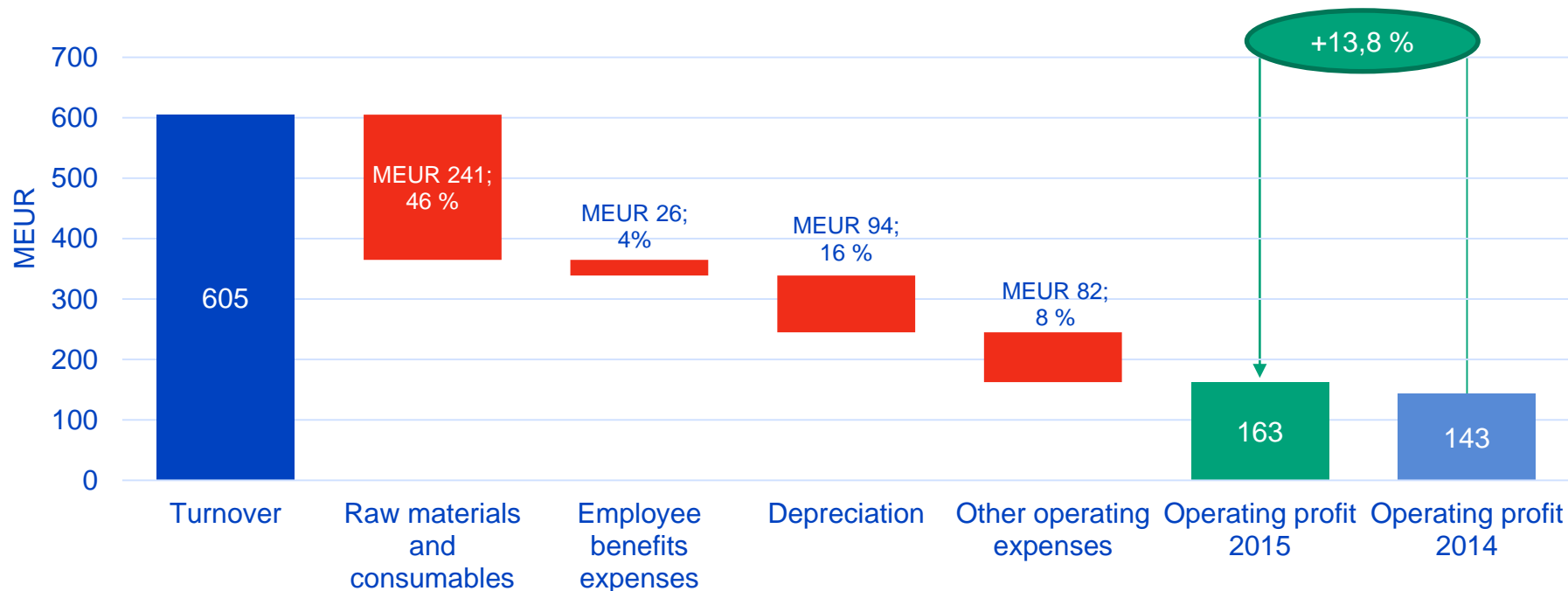
IFRS Turnover breakdown in 2015



IFRS Cost breakdown 2015



IFRS Operating profit in 2015



Fingrid Oyj consolidated profit and loss (IFRS)

- Turnover has increased because of tariff increases and congestion income 2010-2015
- Employee expenses continue at notably low level due to outsourced operating model
- Net financial costs were MEUR 34 including MEUR -13 change in the fair value of derivatives

IFRS profit and loss 2010 – 2015 in MEUR						
	2015	2014	2013	2012	2011	2010
TURNOVER	605	572	547	526	441	463
Raw materials and consumables used	-241	-264	-270	-267	-242	-254
Employee benefits expenses	-26	-25	-23	-22	-20	-20
Depreciation	-94	-92	-82	-76	-68	-67
Other operating expenses	-82	-48	-58	-66	-55	-48
OPERATING PROFIT (EBIT)	163	143	115	95	57	74
EBIT-%	27 %	25 %	21 %	18 %	13 %	16 %
Finance income and costs	-34	-11	-29	-7	-23	-18
PROFIT BEFORE TAXES	129	133	87	88	34	56
Income taxes	-26	-26	3	-21	-1	-15
PROFIT FOR THE PERIOD	104	106	91	67	33	42
Other comprehensive income *	5	0	-5	6	-33	31
TOTAL COMPREHENSIVE INCOME	109	106	86	73	-209	73

* Other comprehensive income consists of cash flow hedges, translation reserves and available-for-sale financial assets.

Strong improvement in the operating profit both in absolute and percentage terms since 2011

Fingrid Oyj consolidated assets (IFRS)

- Tangible asset increase in 2010-2015 driven by investments to grid assets
- Tangible assets were on average 74 % of total assets
- Current assets on average 14 % of Total assets

IFRS assets 2010 – 2015 in MEUR						
	2015	2014	2013	2012	2011	2010
Intangible assets	183	183	181	179	178	178
Tangible assets	1 677	1 640	1 623	1 485	1 420	1 253
Investments (associated companies and available for sale)	10	11	11	9	8	8
Receivables	51	55	60	103	77	90
NON-CURRENT ASSETS	1 922	1 889	1 875	1 776	1 683	1 529
Inventories	13	13	11	10	7	6
Derivative instruments	3	11	2	4	14	295
Trade receivables and other receivables	70	57	76	88	65	58
Financial assets recognised in income statement at fair value	93	116	195	207	202	218
Cash and cash equivalents	23	63	22	6	1	4
CURRENT ASSETS	203	261	307	316	289	286
TOTAL ASSETS	2 124	2 151	2 182	2 092	1 972	1 815

Tangible asset increase is driven by a defined long term investment plan

Fingrid Oyj consolidated liabilities (IFRS)

- Growth in equity has resulted from low dividend payments in 2010-2015
- Current liabilities on average total 17 % of total equity and liabilities; 16 % at year-end 2015
- Borrowings (current and non-current) totaled on average 54 % of total equity and liabilities
- Trade payables on average 21 % of current liabilities

IFRS liabilities 2010 – 2015 in MEUR						
	2015	2014	2013	2012	2011	2010
Share capital and premium	112	112	112	112	112	112
Retained earnings	606	567	542	465	409	382
Other equity	-6	-12	-12	-7	-13	20
EQUITY	711	667	643	570	507	514
Borrowings	907	962	975	1 032	845	878
Other non-current liabilities	174	170	160	185	177	267
NON-CURRENT LIABILITIES	1 081	1 132	1 136	1 217	1 022	1 029
Borrowings	236	263	319	212	379	199
Derivative instruments	30	17	16	11	670	481
Trade payables and other liabilities	66	72	70	83	64	72
CURRENT LIABILITIES	332	352	404	305	443	272
TOTAL EQUITY AND LIABILITIES	2 124	2 151	2 182	2 092	1 972	1 815

Balance sheet has remained stable in 2010-2015

Fingrid Oyj consolidated cash flow (IFRS)

- Strong and improving operating cash flow 2010-2015
- Cash and cash equivalents were reduced in 2015 to achieve more appropriate capital structure

IFRS cash flow 2010 – 2015 in MEUR						
	2015	2014	2013	2012	2011	2010
Cash flow from operations	279	227	202	181	130	138
Change in working capital	-63	-21	-43	-37	-34	-24
Net cash flow from operations	216	206	159	145	96	115
Net cash flow from investments	-135	-111	-226	-146	-244	-127
Net cash flow after investments	80	95	-68	-1	-149	-12
Net borrowings	-78	-51	84	22	138	37
Dividends paid	-65	-82	-13	-11	-7	-7
Net cash flow from financing activities	-143	-133	71	11	131	30
Net change in cash and cash eqv.	-62	-38	3	10	-18	18
Cash and cash equivalents 1 Jan	179	217	214	204	222	204
Cash and cash equivalents at the end of period	117	179	217	214	204	222

Operating cash flow has been mainly utilized to finance investments in 2010-2015

Financials

Financing

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Risk management principles

Liquidity risk

- Cash and committed credit facilities cover at least 110 percent of short term debt
- Undrawn MEUR 300 revolving credit facility (RCF) until 2020 with two one-year extension options
- Continuous cash flow forecasting

Refinancing risk

- Refinancing in any given year less than 30 % of total debt
- Even maturity profile
- Diversified funding sources
- Strong credit rating from at least two major rating agencies

Credit and counterparty risk

- Prequalification of suppliers based on predetermined financial criteria
- Continuous credit risk analysis and monitoring
- Counterparty credit rating requirements and limits
- ISDAs in force for derivatives

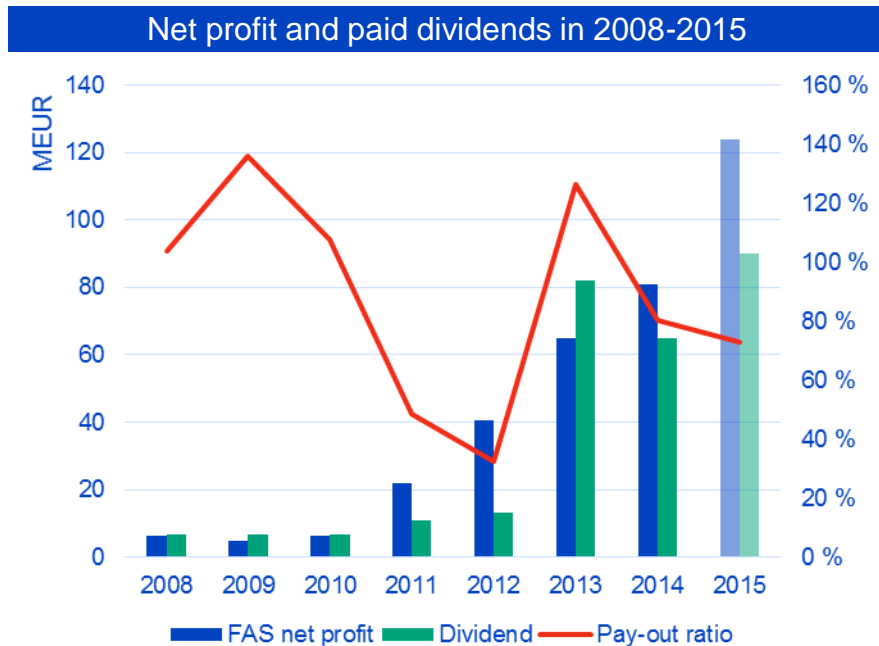
Market price risk

- Derivatives only for hedging purposes
- Interest rate risk hedging of debt; convergence towards 12 months' average interest re-fixing time
- Material currency and commodity risk fully hedged
- Loss power hedging horizon up to 5 years, 12 months fully hedged

Fingrid applies a conservative financial policy

Fingrid targets to distribute substantially all of parent company profit

- The guiding principle is to distribute substantially all of the parent company profit as dividend
- MEUR 90 dividend proposed of 2015 parent company FAS net profit
- Prevailing conditions and investment needs are always considered before taking decision on dividend to be paid
- The policy ensures that shareholders receive a reasonable ROI
- This will enable long-term implementation of the strategy while allowing operative flexibility



Dividend policy aims is to ensure reasonable return and take into account company's financial targets

Fingrid debt programme overview

- Long presence in the capital and money markets since 1998 with debt programmes:
 - EMTN Programme, MEUR 1,500 since 1998
 - ECP Programme, MEUR 600 since 1998
 - CP Programme, MEUR 150 since 1998
- Fingrid's core relationship banks are the dealers of the EMTN Programme


BNP PARIBAS
Danske
Bank
ING

Nordea

Pohjola
SEB
Swedbank

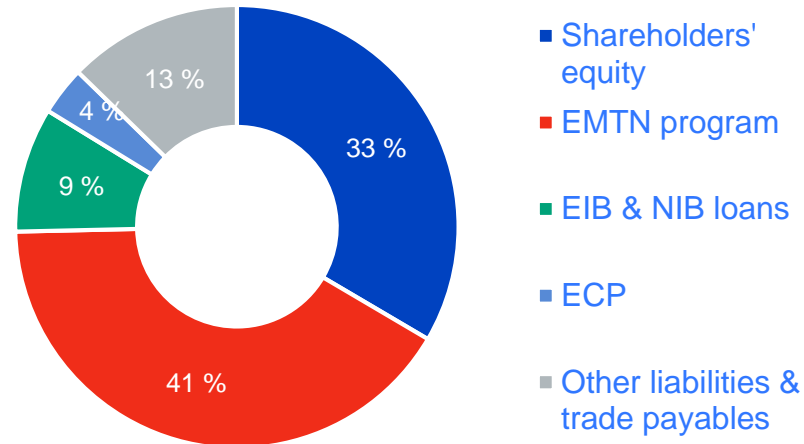

- MEUR 300 Revolving Credit Facility (RCF) until December 2020 with two one-year extension options is provided by the dealers. The facility supports the company's liquidity reserve and is undrawn
- A total of MEUR 50 uncommitted overdraft limits to be used for liquidity management
- Long-term bilateral loans provided by the European Investment Bank (EIB) and Nordic Investment Bank (NIB)

Fingrid is a seasoned issuer on international private and public debt capital markets

Fingrid's capital structure in 2015

- Total shareholders' equity and liabilities was MEUR 2124
- Equity to total assets was 33 percent
- Undrawn revolving credit facility of MEUR 300
- A total of MEUR 50 uncommitted overdraft limits to be used for liquidity management

Capital structure in 2015

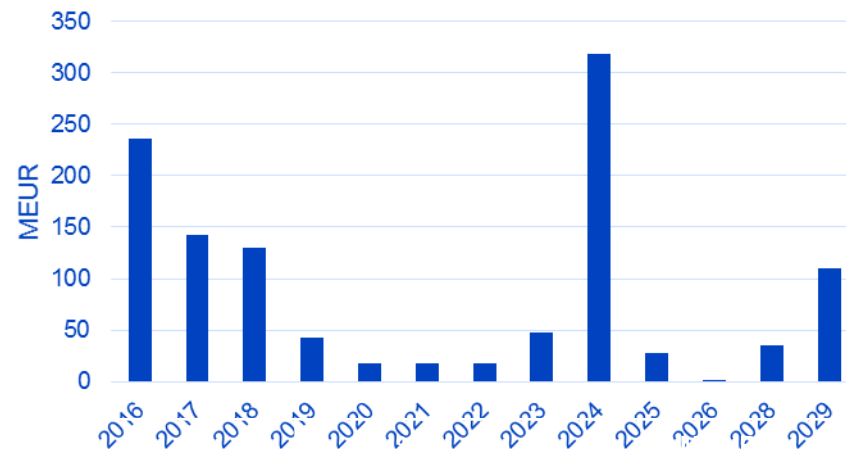


Equity to total assets was approximately 33 percent in 2015

Weighted average debt maturity was 6,3 years in December 2015

- Fingrid aims to maintain a well distributed debt maturity profile
- In 2015 Fingrid issued 3 year floating rate note of SEK 1000 to institutional debt investors
- Long term debt maturity on any single year cannot exceed 30 percent of total debt

Debt maturity profile as of 31 December 2015



Short term debt	21 % of total	MEUR 236*
Long term debt	79 % of total	MEUR 908*
Total gross debt		MEUR 1 145*

Debt maturity profile is well distributed

Ratings

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Fingrid has high credit ratings from Standard & Poor's and Fitch Ratings

	S&P	Fitch	Moody's*
Date	26.10.2015	15.1.2015	9.12.2014
Outlook	Positive	Stable	Stable
Issuer rating	A+	A	A1
Senior unsecured debt	A+	A+	A1
Short – term	A -1	F1	P-1
Uplift from state ownership	1 notch	No uplift	1 notch

Fingrid's strategic target is to maintain credit rating at least at 'A-' level

Key rating factors according to the rating agencies

- **Standard & Poor's**
 - (1) Company's excellent business risk profile and significant financial risk profile
 - (2) A "high" likelihood that Finland would provide timely and sufficient extraordinary support to Fingrid the event of financial distress.
- **Fitch**
 - (1) Fingrid's credit profile benefits from its monopoly position, low business risk and a highly supportive regulatory framework
 - (2) The Stable Outlook reflects Fitch's expectation that, after the peak of investment spending in 2013, leverage will decline to within the guidance for an 'A' rating. Furthermore Fingrid benefits from ample liquidity to meet immediate funding needs

Fingrid's low business risk profile and supportive regulatory framework are key credit strengths



Otsikkotekstiä – Otsikko kertoo sliden ajatuksen

- Sisältötekstiä

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- .
- .
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- .
- .
- .

Otsikko alla olevalle kuvalle/chartille

- Tämä tila kuvalle, chartille tms. jos sivun asetteluun sopii "kaksi sisältökohdetta" asettelu. Jos ei sovi toki muitakin voi tehdä

Tähän tulee sliden "pääviesti" eli takeaway