

December 2016

Finland's Transmission System Operator

FINGRID

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Executive summary



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

Fingrid transmits
in its own network
approximately

78%

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



14 300 km
of power lines
300 km
of submarine cable



over
49 000 towers



118 substation



10 reserve power
plants
> 935 MW reserve

Fingrid has achieved its targets in 2011 - 2016

	2011	2016
Net profit	MEUR 33	MEUR 139
Return	Below regulatory allowed	Below regulatory allowed
Dividend	MEUR 7	MEUR 98
Efficiency	High benchmark study rankings	High benchmark study rankings
Investments	In schedule and budget	In schedule and budget
Fingrid has a proven track record of continuously executing its defined strategy		



Key investment considerations

Regulation	Fair, stable and predictable regulatory model
Ownership	The Finnish state owns 53% and Finnish financial institutions 47%
Strategic importance	Considered as strategically important holding to the Finnish state*
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 AA-/A+ ratings (S&P, Fitch)

* Source: Prime Minister's Office, Finland. (2016). *Government resolution on state-ownership policy*.

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

Company overview



Vision

Forerunner in
transmission network
operations



Mission

We work for the benefit of our customers and society

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



Our values

transparent

impartial

efficient

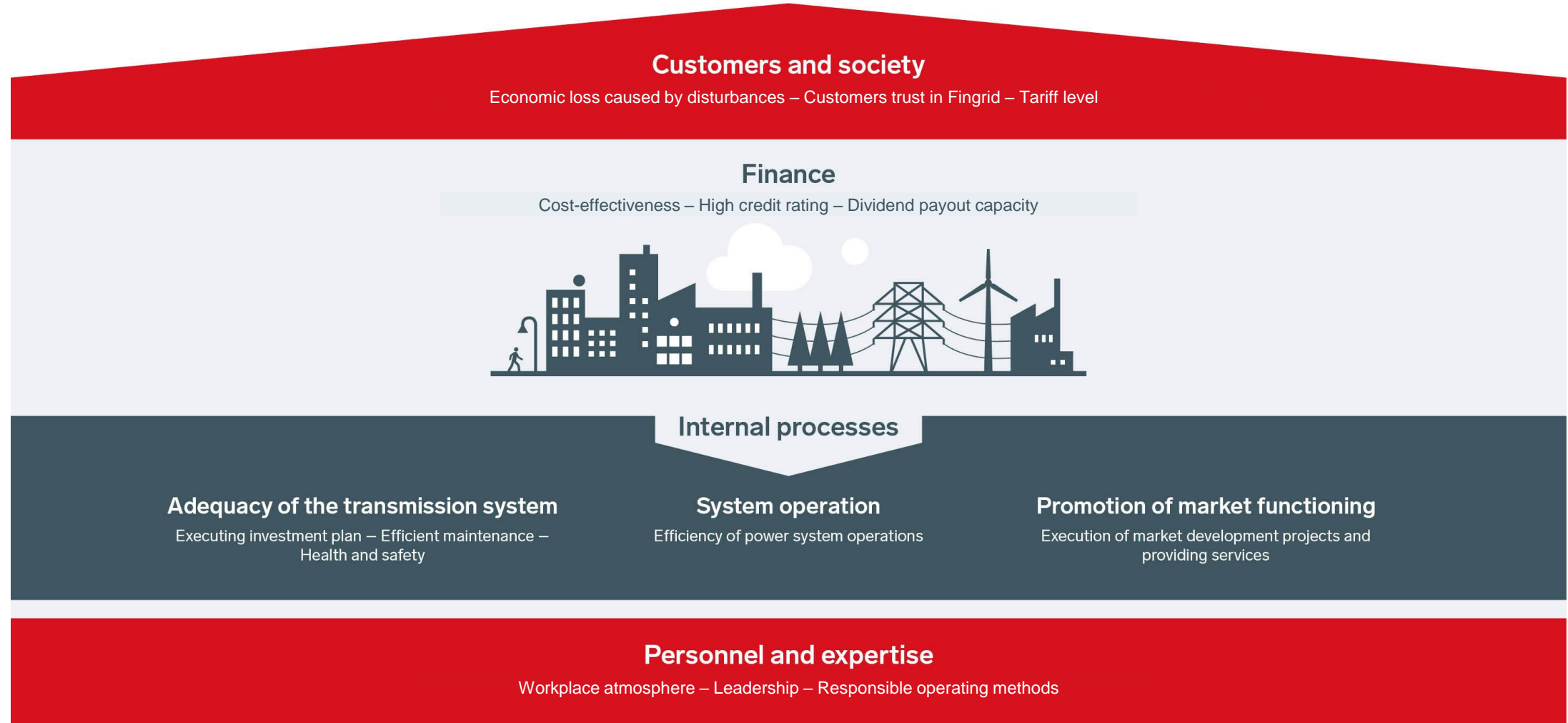
responsible



Balanced strategy



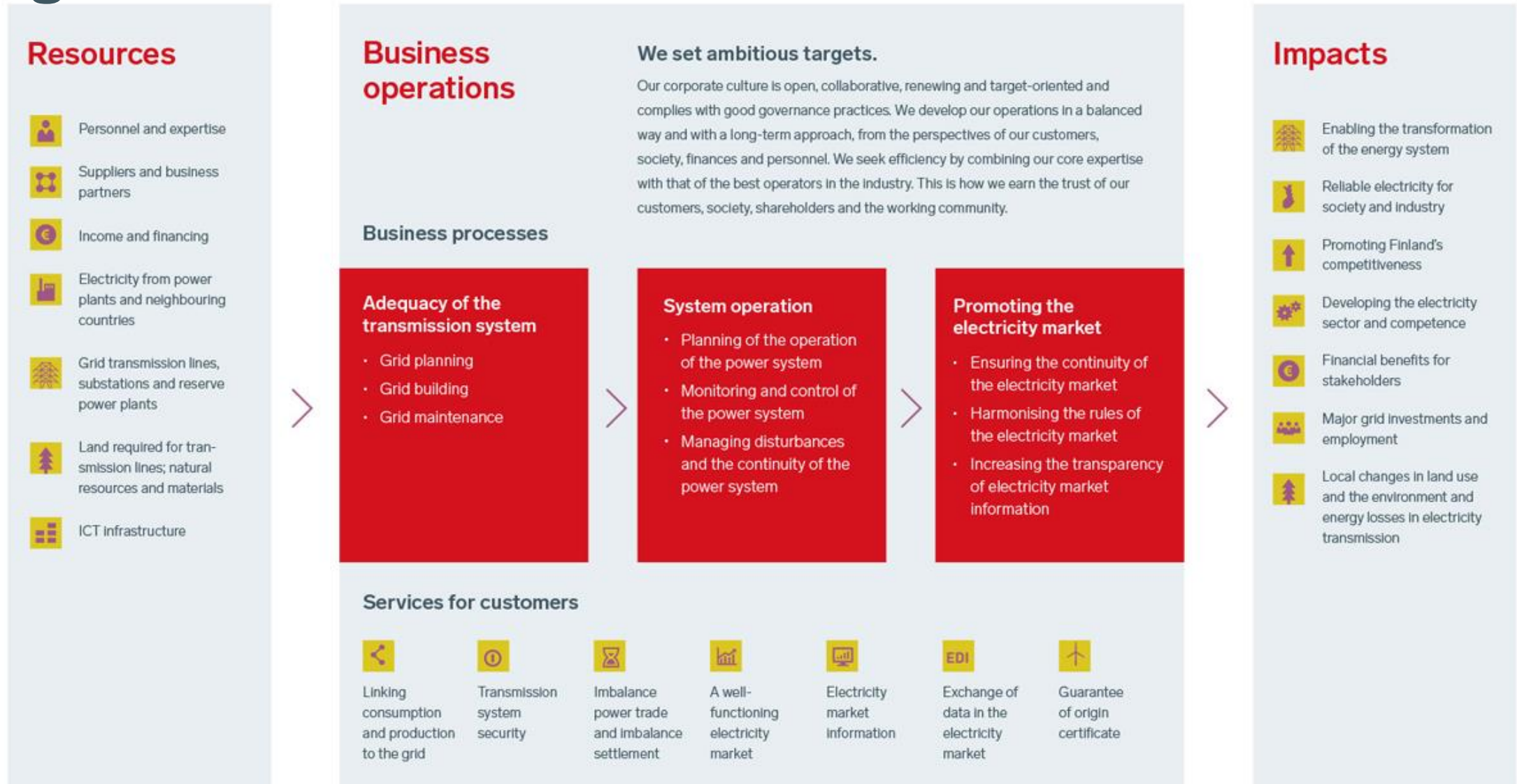
Strategic key performance indicators



Fingrid operates in a matrix organisation structure

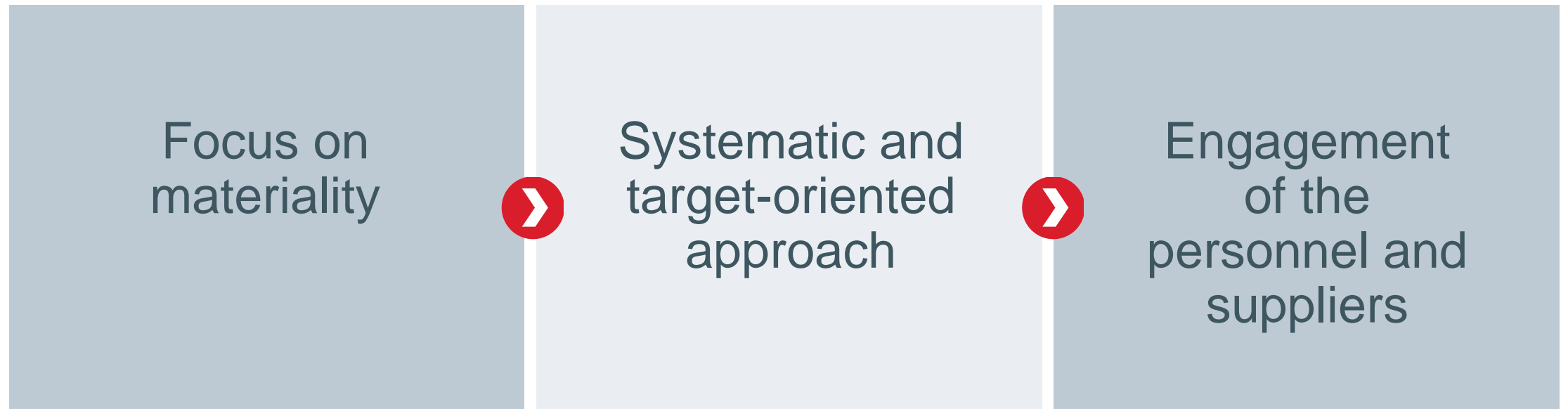


Fingrid's business model



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

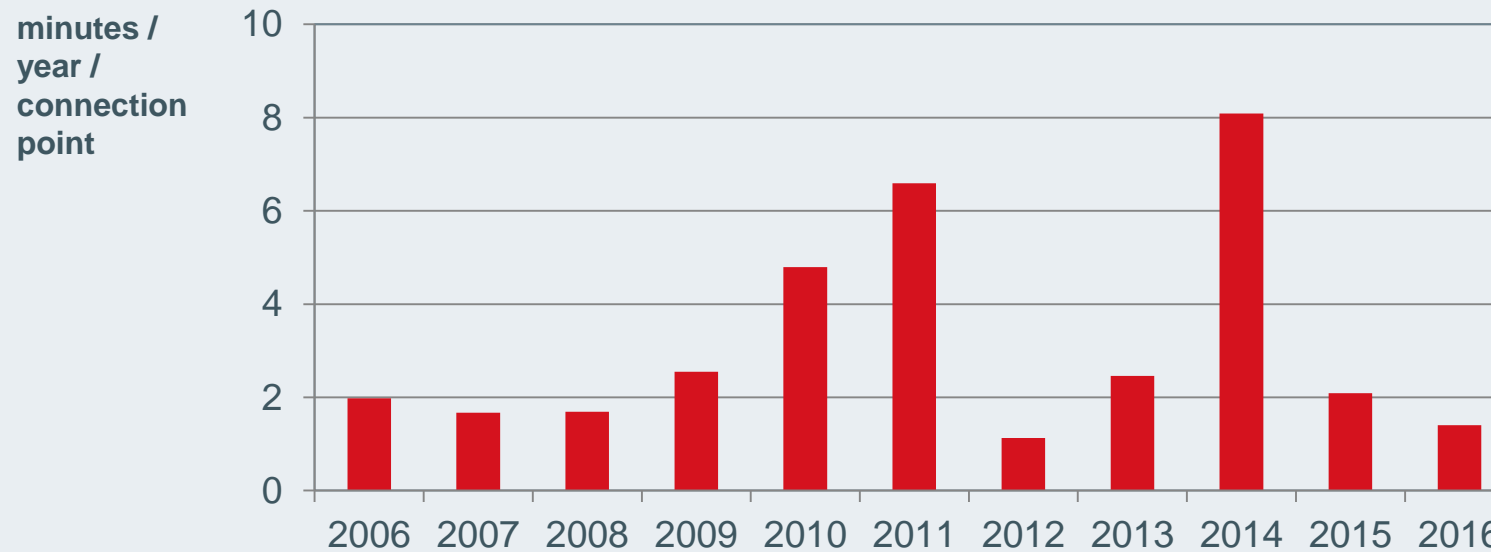
Corporate responsibility management is founded on the company's strategy and guided by the company's Code of Conduct



We report responsibility as part of the annual report according to GRI Standards

Excellent reliability in the grid

Economic losses caused by disturbances

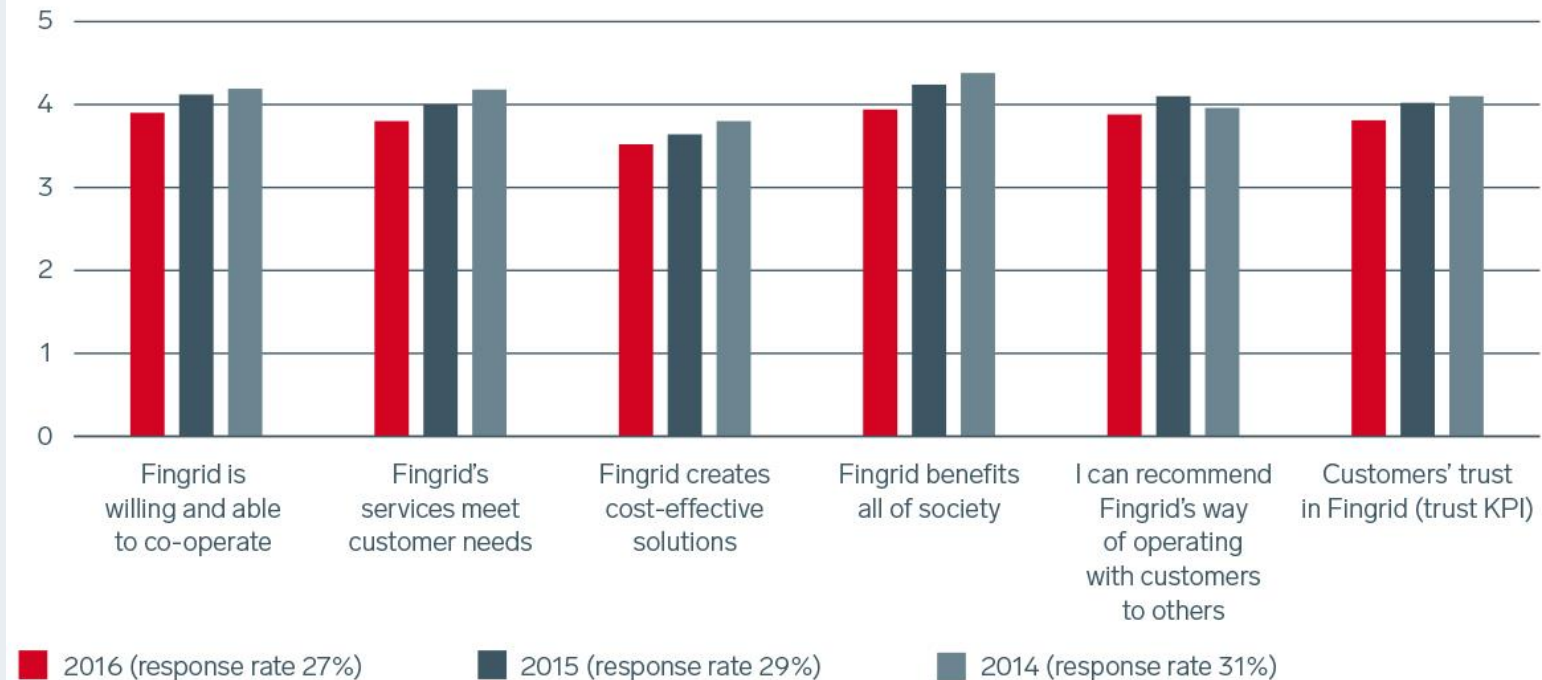


Only 1.4 minutes outage caused by faults in the grid in 2016

For the benefit of customers and society

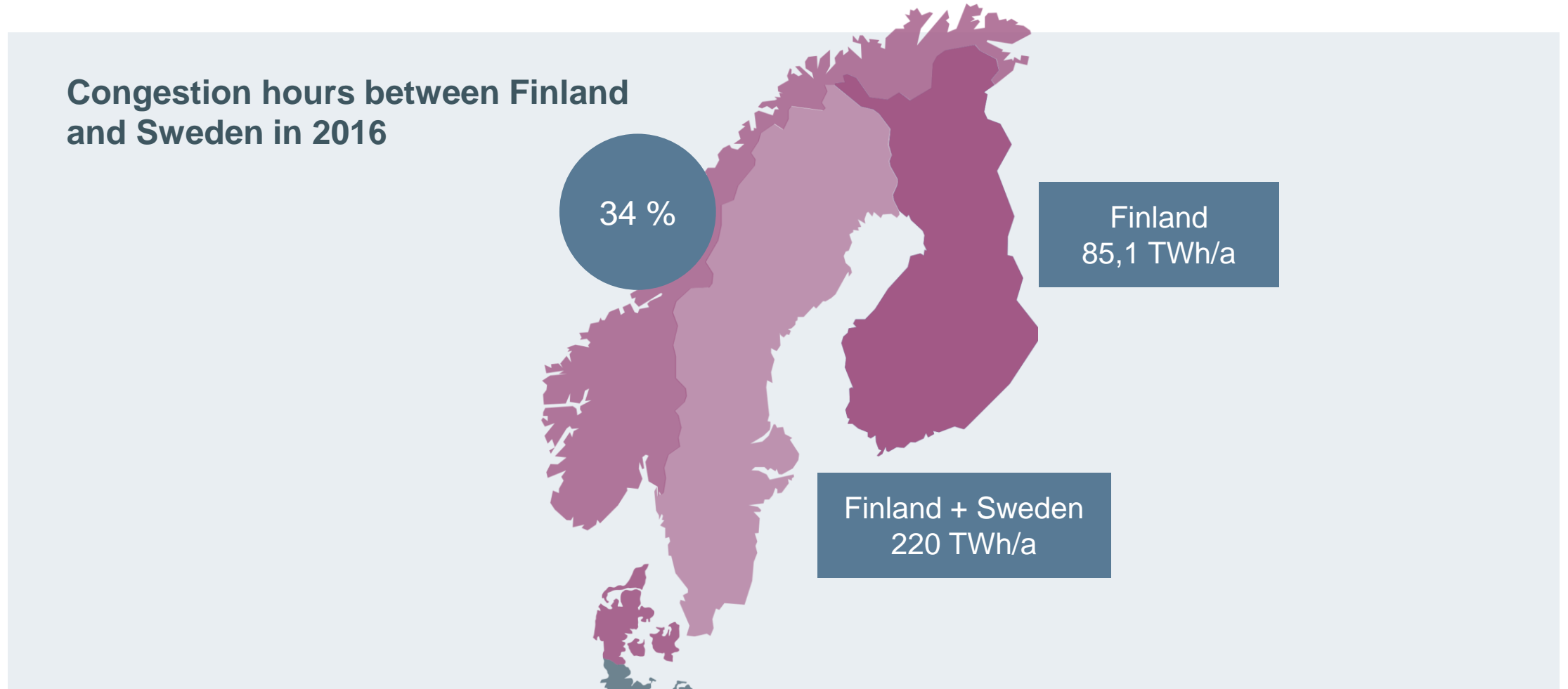
Customer satisfaction: High quality services

Customers' trust in Fingrid



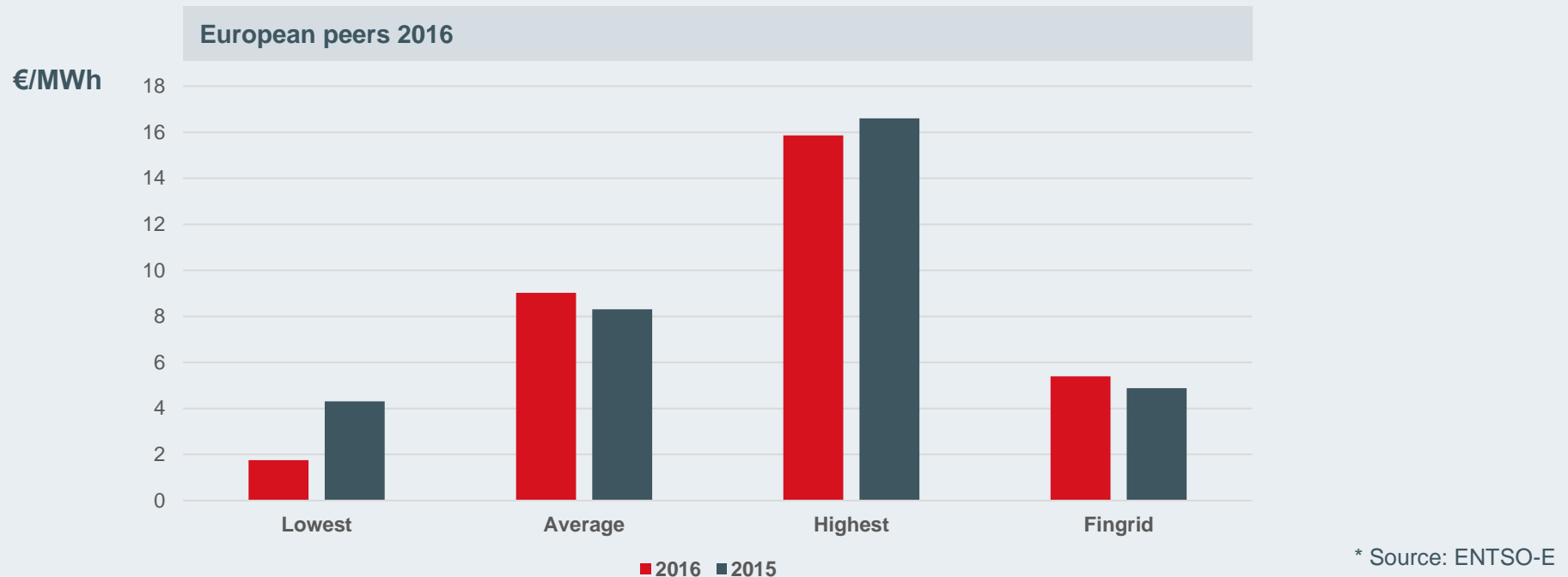
The customers' trust survey grade was 4,0 (scale 1-5) in 2016

Network bottlenecks: Functioning electricity market



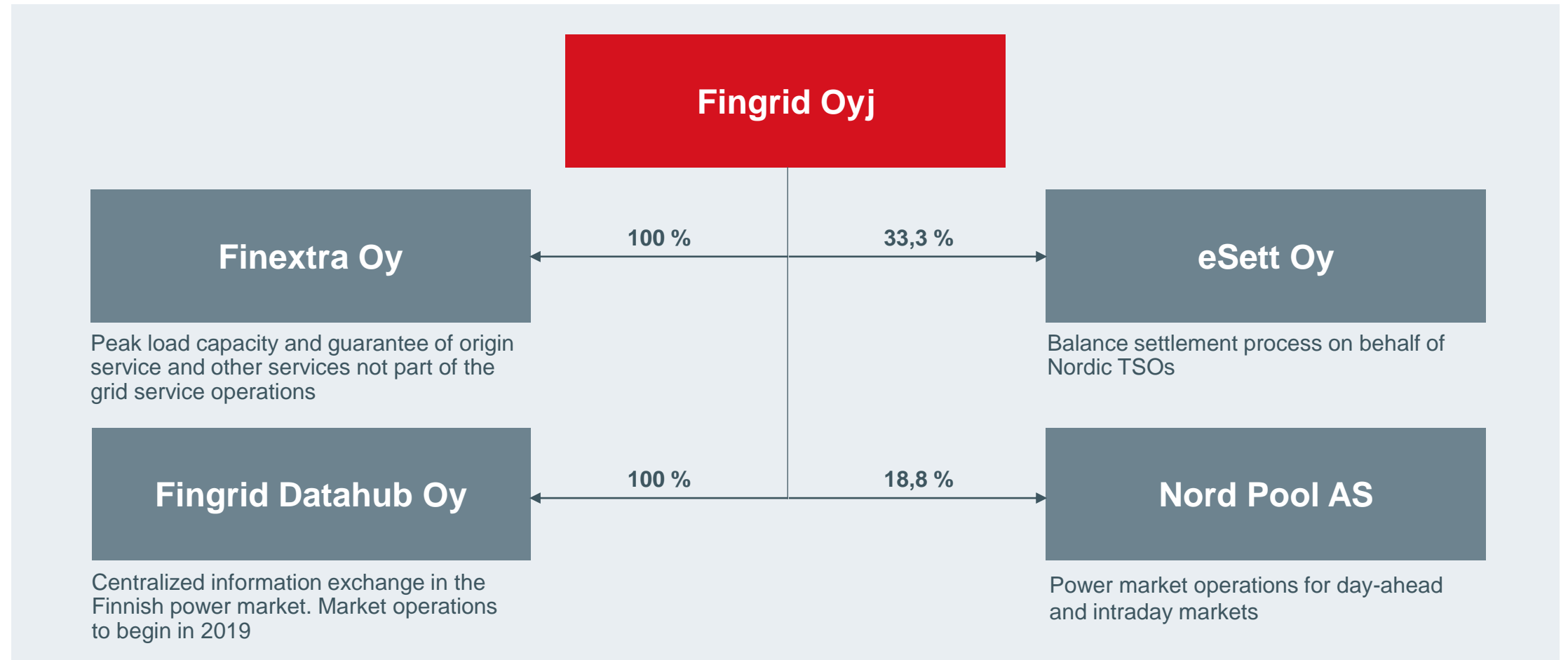
Affordable fees for grid services

ENTSO-E comparison on grid service fees

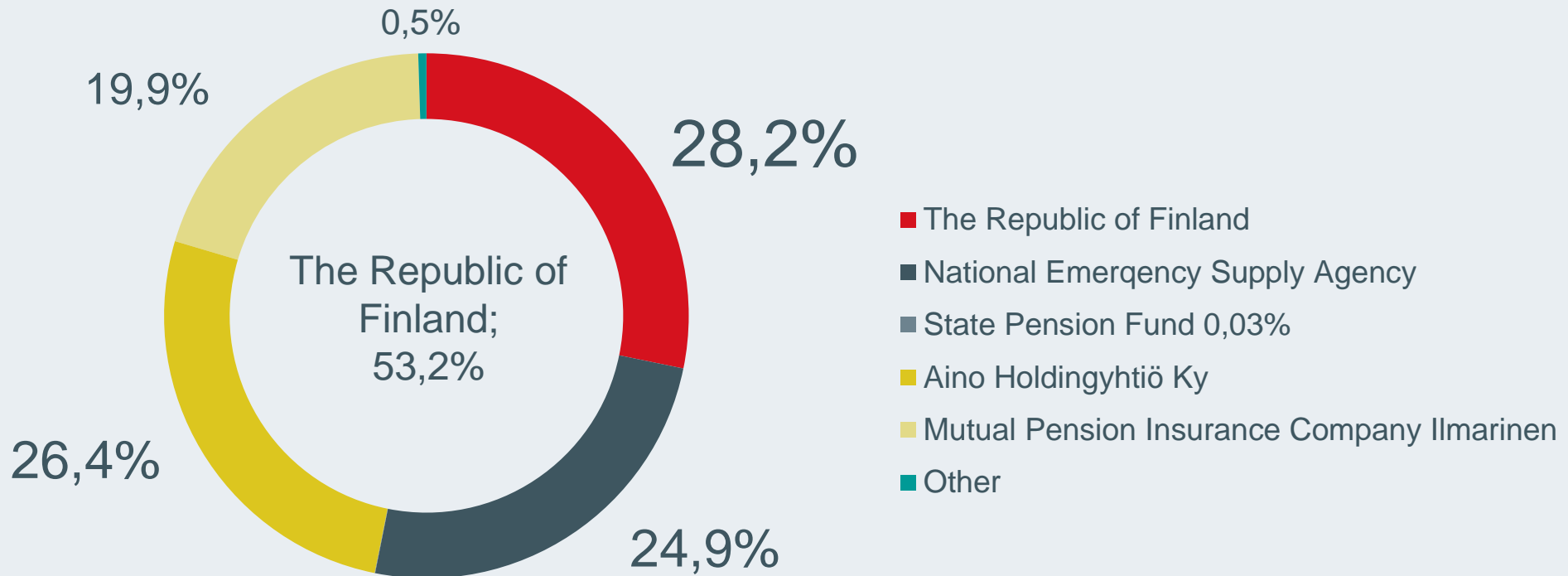


Operational targets are centered around cost competitiveness and customer service

Legal structure

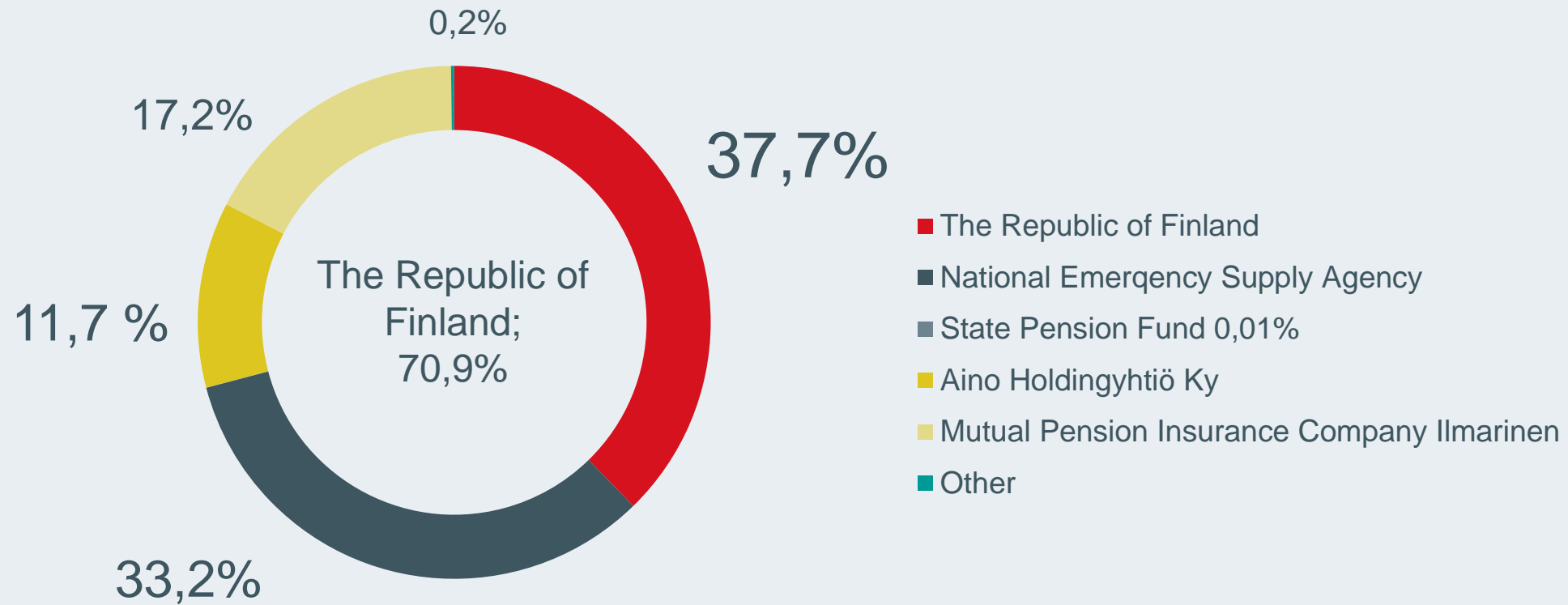


Shares



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

Voting rights



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

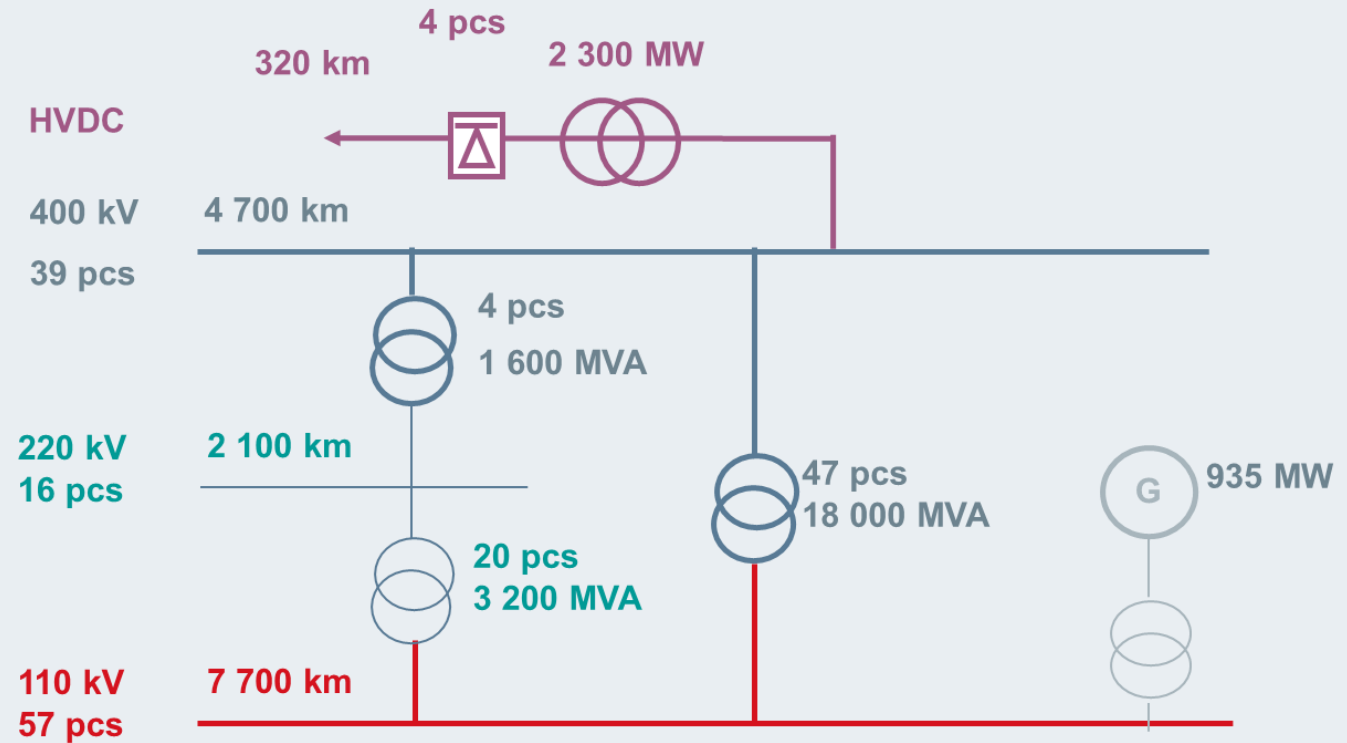
Operations

Description of operations

Fingrid owns and operates the transmission network in Finland

Fingrid transmits in its own network approximately **78 %** of electricity transmitted in Finland

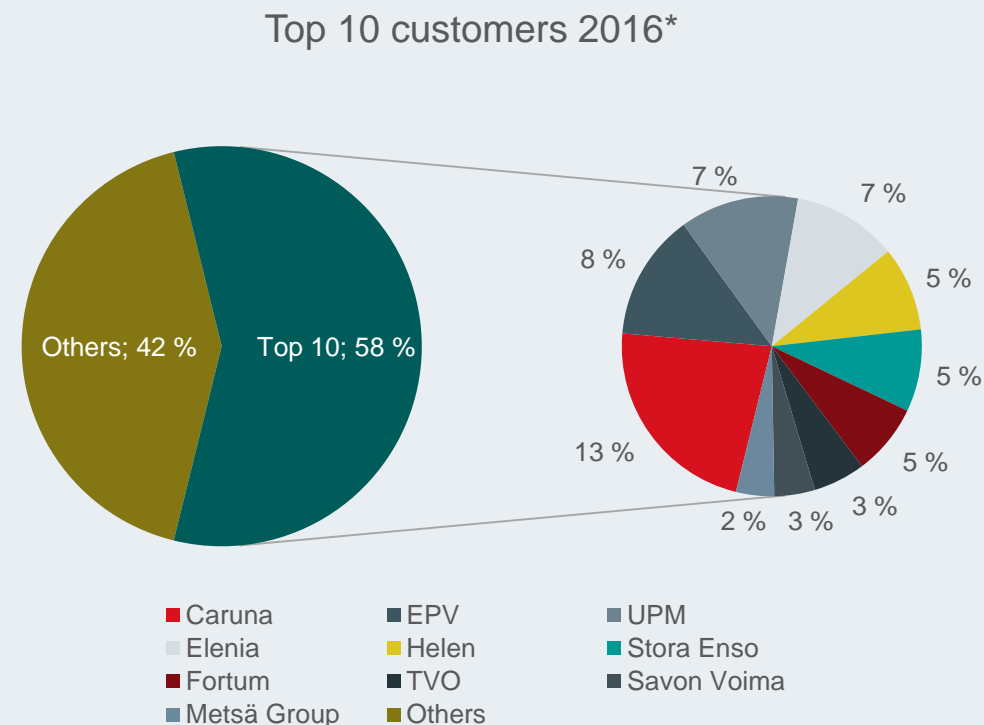
Fingrid is a part of ENTSO-E, European Network of Transmission System Operators for Electricity.



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

Grid service customer 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
- Ten largest customers account for 58 percent of grid service income



* based on grid service income

Credit quality of customer base is strong

Fingrid continuously maintains production and consumption balance

- Fingrid fulfils 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

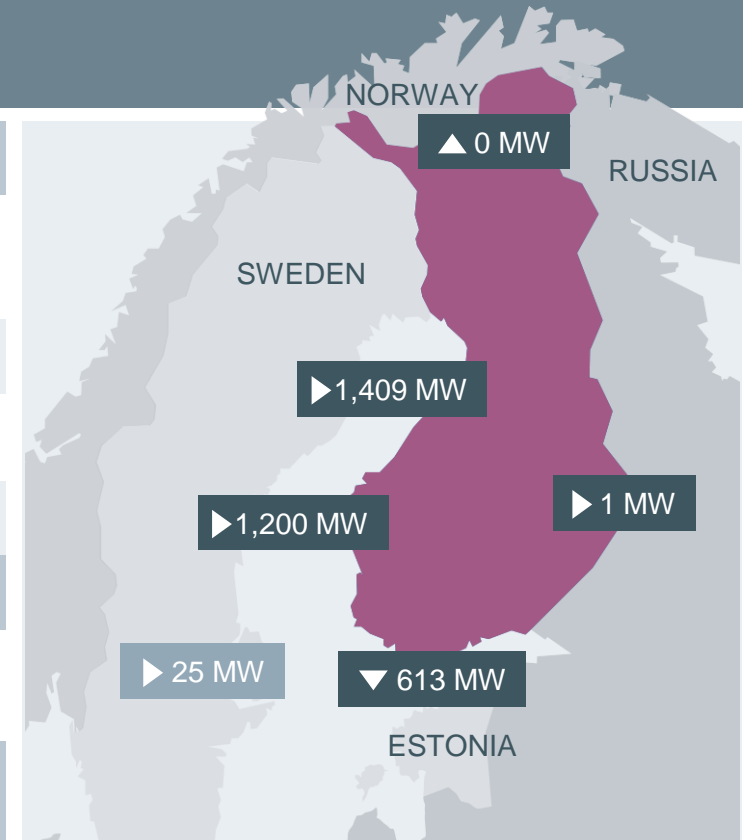


Fingrid procures the needed amount of reserve capacity to maintain the balance of the power system

Fingrid continuously maintains production and consumption balance

State of the power system – *illustrative example*

Consumption and production in Finland Info		Power balance	Info
Consumption	11,172 MW	Production surplus/deficit in Finland	91 MW
Production	9,210 MW	Surplus/deficit, cumulative	153 MWh
• Hydro power	2,382 MW	Instantaneous freq. measurement	49,89 Hz
• Nuclear Power	2,774 MW	Time deviation	11,60 s
• Condensing power	10 MW	Electricity price in Finland Info	
• Cogeneration district heating	2,113 MW	Elsport area price	31,48 EUR/MWh
• Cogeneration industry	1,455 MW	Normal power balance Info	
• Wind power (partly estimated)	406 MW		
• Other production (estimate)	70 MW		
• Peak load power	0 MW		
Net import/export	1,962 MW		

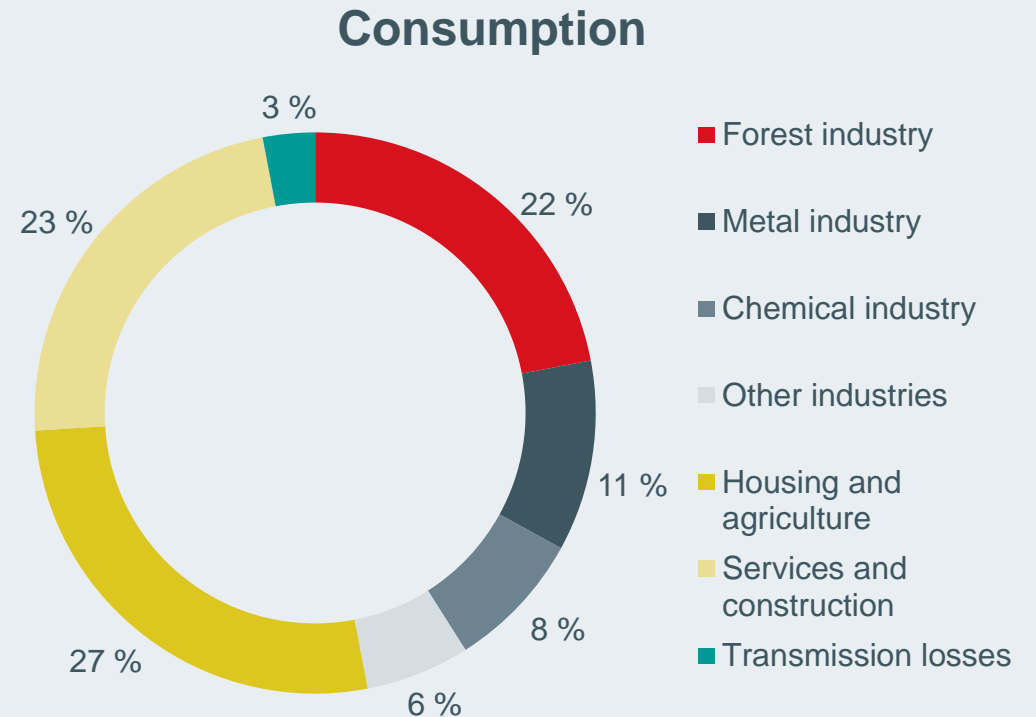


Fingrid procures the needed amount of reserve capacity to maintain the balance of the power system

Electricity consumption in Finland

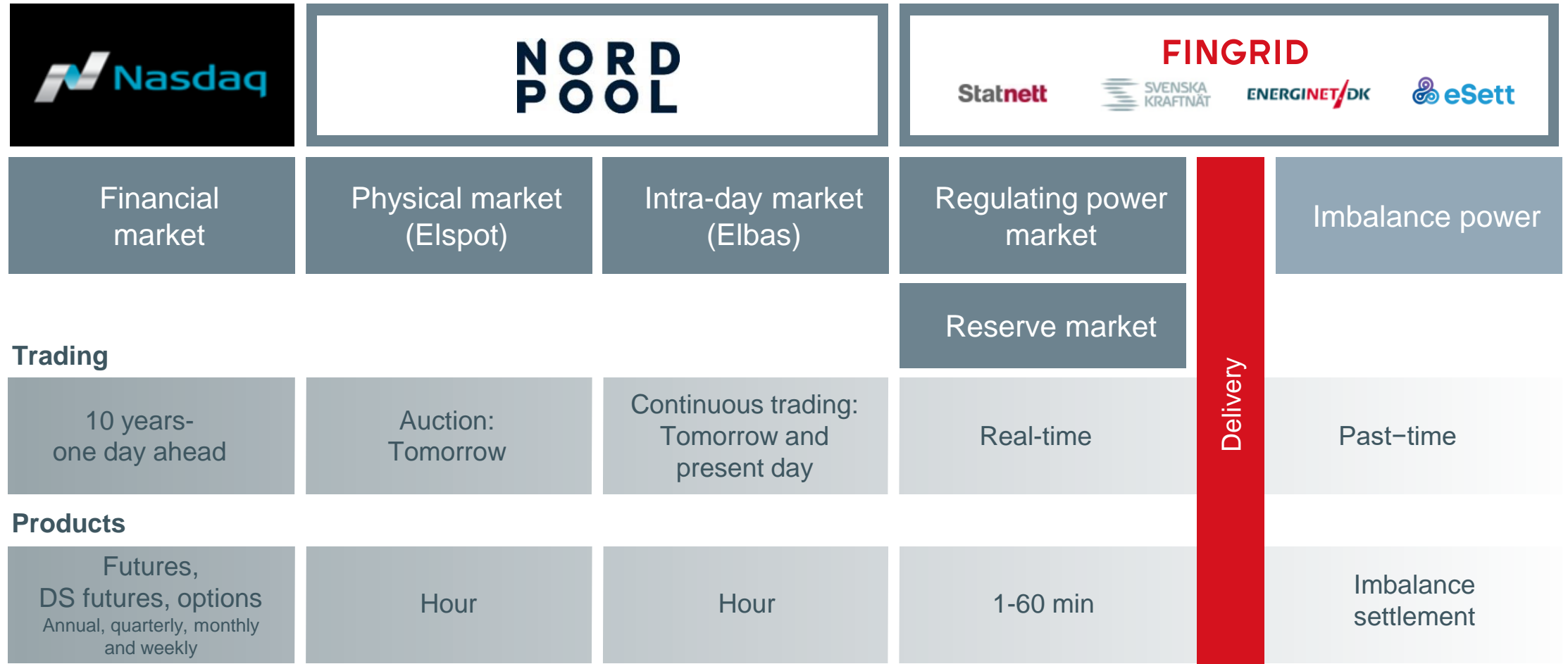
Fingrid continuously maintains production and consumption balance

Electricity consumption was 85,1 TWh in Finland in 2016. Electricity imports accounted for 19 TWh or 22 % of total consumption



Energy-intensive industry is a major consumer in Finland accounting for 47 % of consumption in 2016

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

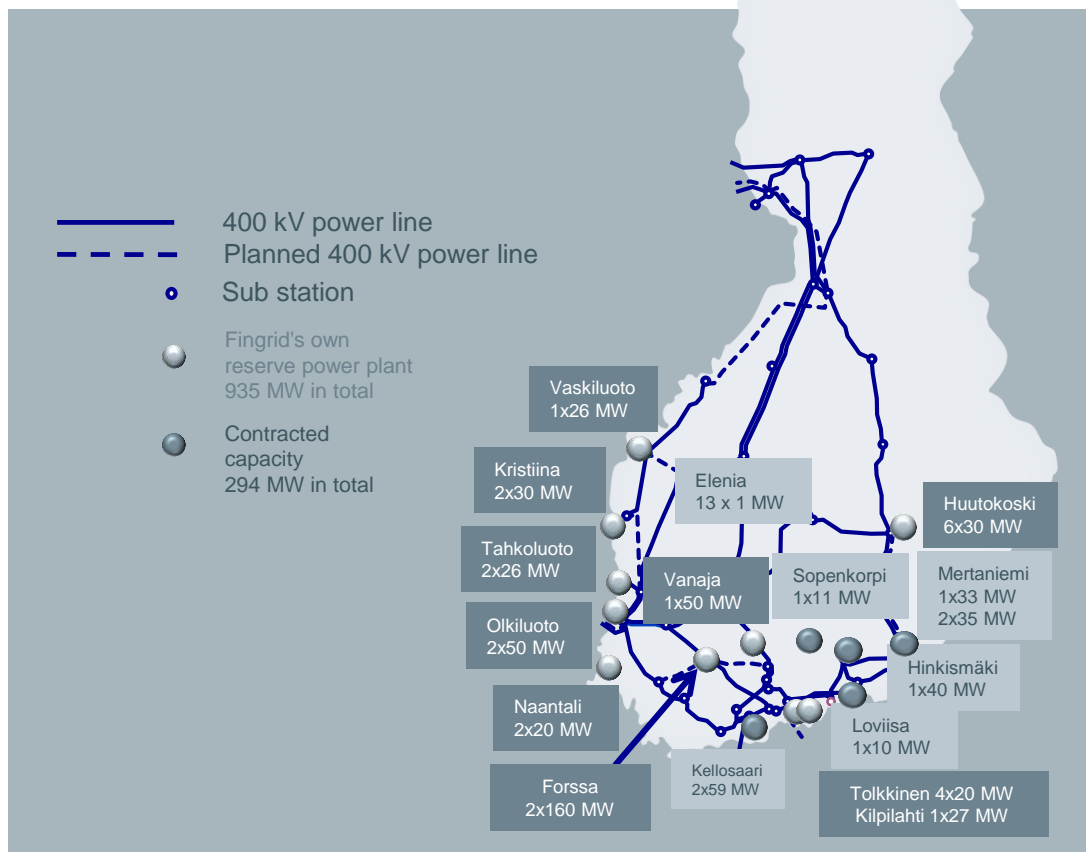
*With the establishment of the joint service company eSett Oy, the Transmission System Operator Fingrid, Statnett and Svenska Kraftnät have taken a big step towards the establishment of a Nordic balance settlement. The new company has the objective of providing balance settlement services to participants 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: www.fingrid.fi

Imbalance settlement in Finland, Sweden and Norway will be done by eSett from 2017 onwards

Fingrid owns an assortment of backup power plants

- Fingrid owns 935 MW of backup power plants and leases further 295 MW. All plants can be activated within minutes
- Backup power plants are not used to sell energy to market but solely as a reserve for imbalances and disturbances in power system
- Fingrid's own power plants are included in the regulatory asset base
- The total capacity of backup power plants comfortably exceeds the capacity of the largest power plant in the network

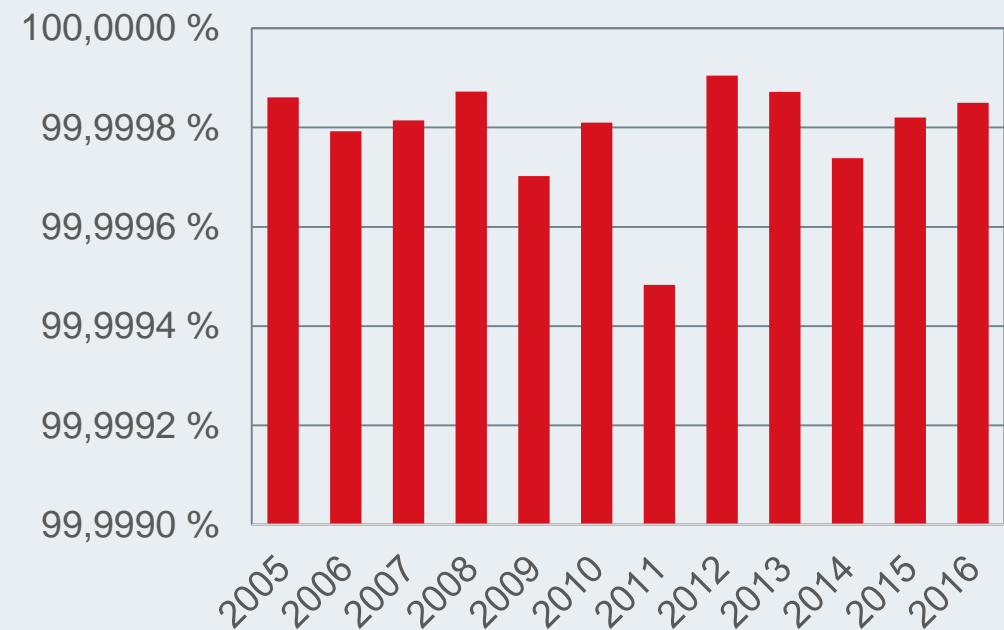


Fingrid's own backup power plants ensure reliable activation of reserves in disturbance situations

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

Transmission network reliability

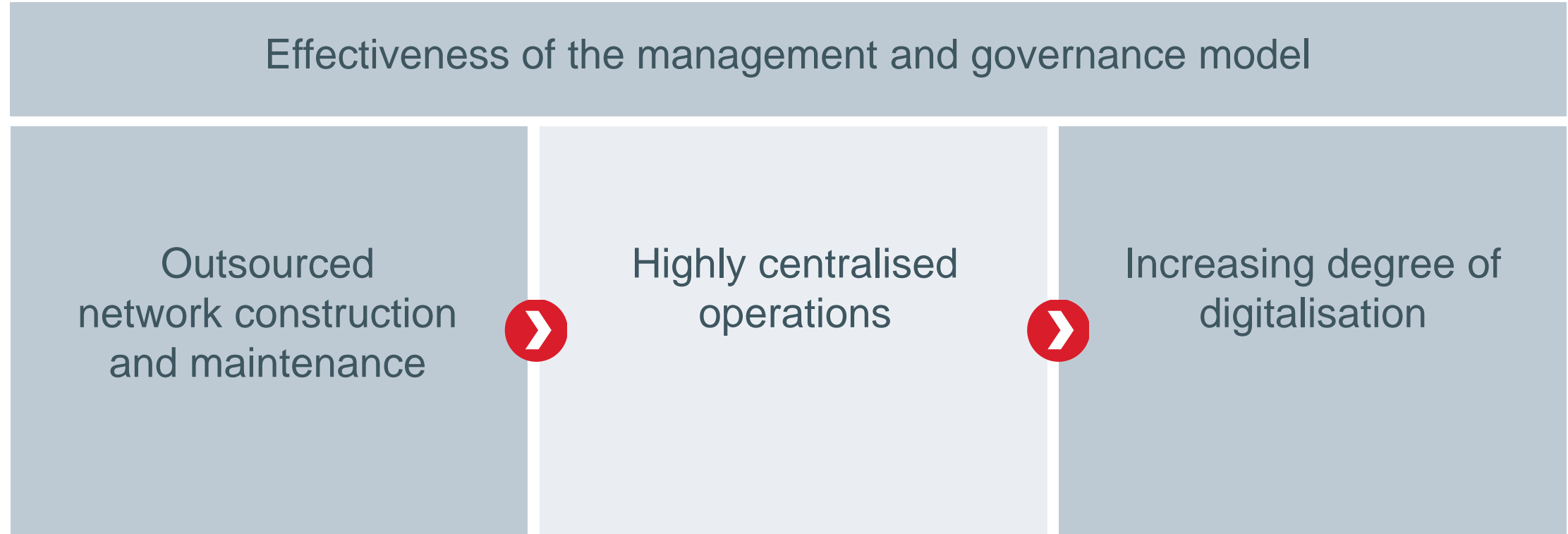


The reliability of the Finnish power system is top class

Operations

Efficiency of operations

Key efficiency drivers



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 are 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 are 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

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



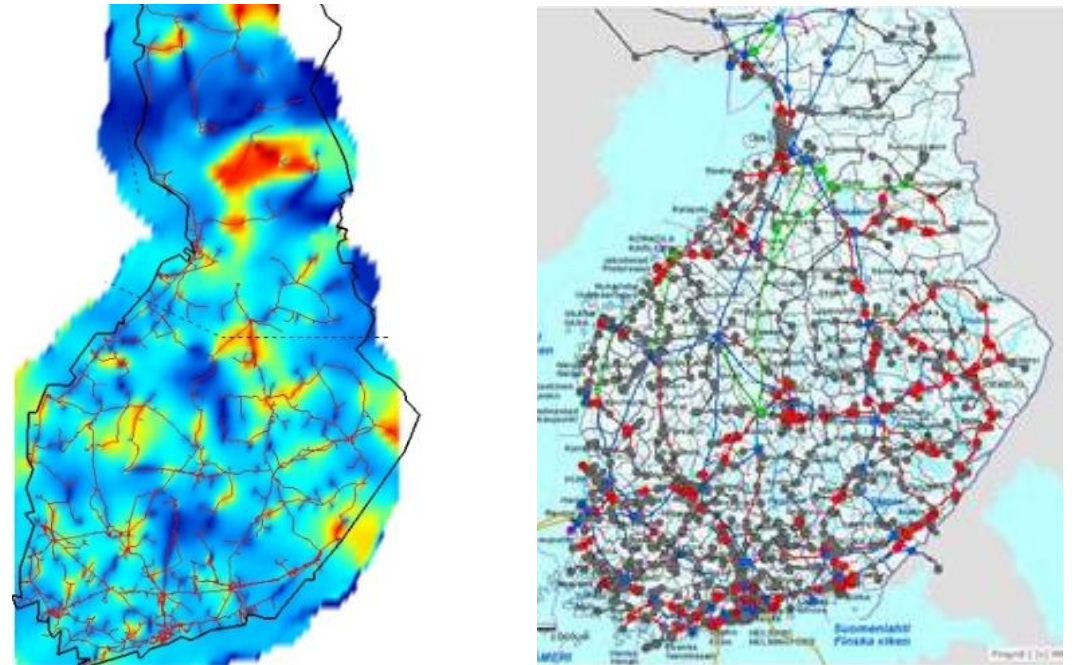
Hyvinkää – Hikiä transmission line construction site

High operational efficiency and flexibility are achieved through comprehensive outsourcing capabilities

Investing in efficient management of information through digitalisation

- 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 utilisation and further development (2016-)

For a quick overview of the ELVIS asset management solution see video at: www.youtube.com key in [BMM99tIYFBw](https://www.youtube.com/watch?v=BMM99tIYFBw)



New ERP provides real-time network condition on map

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 ranked among the best TSOs 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 2016 Fingrid's asset management again received Publicly Available Specification **PAS 55** certificate.

Fingrid also received new ISO 55001 certification that sets out standards for asset management

* Thirty-one TSOs from around the world participated in the 2015 study

Fingrid's overall efficiency is confirmed also by regulators

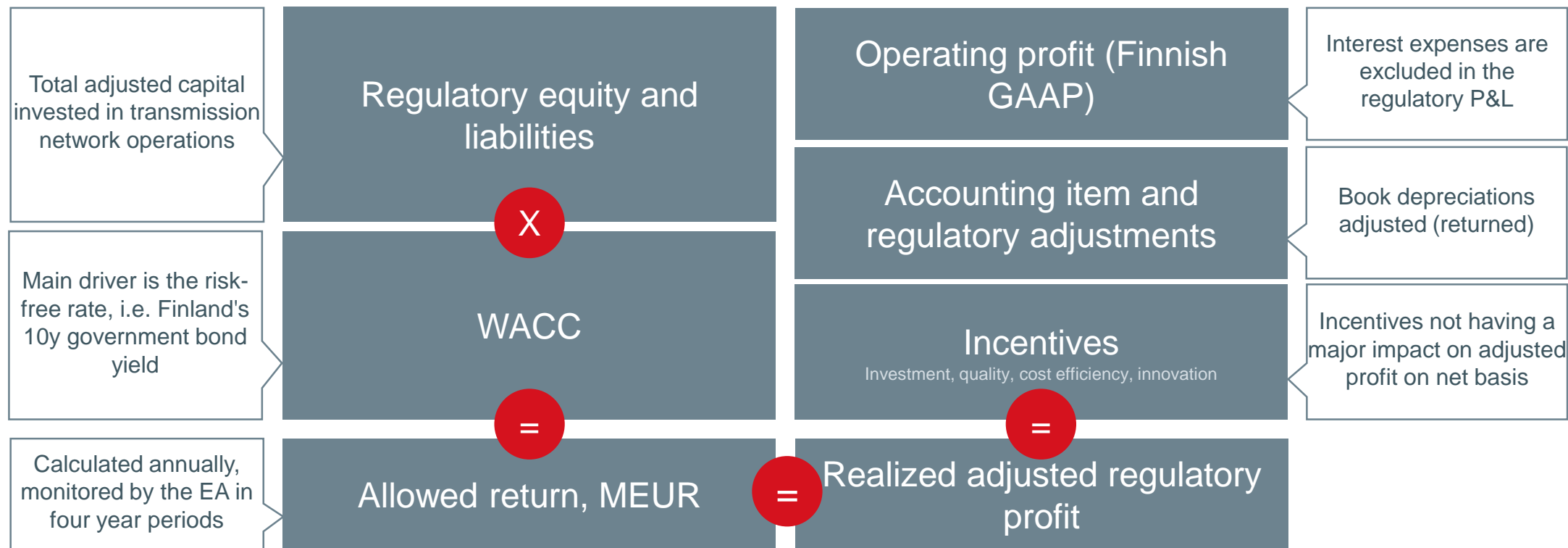
- Study done for the Council of European Energy Regulators (CEER) 2013
- Fingrid was "exceptionally efficient" together with four other TSOs
- Study included 21 European TSOs and performed every four years
- Comparison of total efficiency: costs in grid construction, maintenance, planning and administration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



Operations

Earnings model

Regulatory capital and WACC defined by the Energy Authority set the allowed return



Fingrid aims to match realized regulatory profit and allowed return on an annual basis

Calculation of WACC in the regulatory model 2016-2023

Cost of equity	Parameter	Value to be applied
$C_E = R_r + \beta_{debt\ free} \times (1 + (1 - t) \times D/E) \times (R_m - R_f) + LP$ $C_E = \text{Finnish 10y bond} + 0,4 \times (1 + (1 - 20\%) \times 50/50) \times 5\% + 0,6\%$ $C_E = \text{Finnish 10y bond} + 4,2\%$	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
Cost of debt	Asset beta ($\beta_{debt\ free}$)	0,4
$C_D = R_r + DP$ $C_D = \text{Finnish 10y bond} + 1,4\%$	Market risk premium ($R_m - R_f$)	5,0%
WACC (pre tax)	Liquidity premium (LP)	0,6%
$WACC_{post-tax} = C_E \times 50/100 + C_D \times (1 - t) \times 50/100$ $WACC_{post-tax} = \text{Finnish 10y bond} \times 0,9 + 2,66\%$ $WACC_{pre-tax} = \text{Finnish 10y bond} \times 1,125 + 3,33\%$	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:

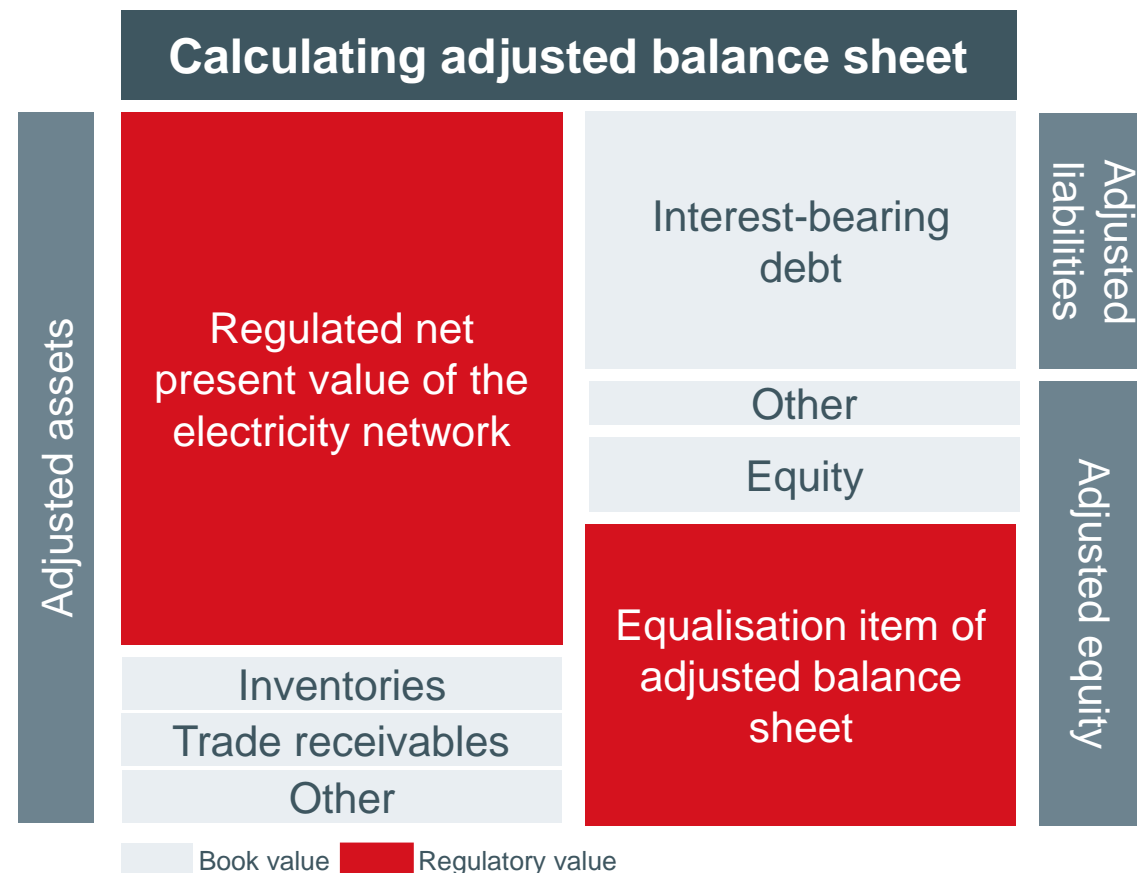
$$R_{pre-tax} = WACC_{pre-tax} \times (D+E)$$

E = adjusted amount of equity

D = adjusted amount of interest-bearing debt

$$R_{pre-tax\ 2016} = 6,55\% \times \sim 2,950\ M\text{€} = \sim 190\ M\text{€}$$

- 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

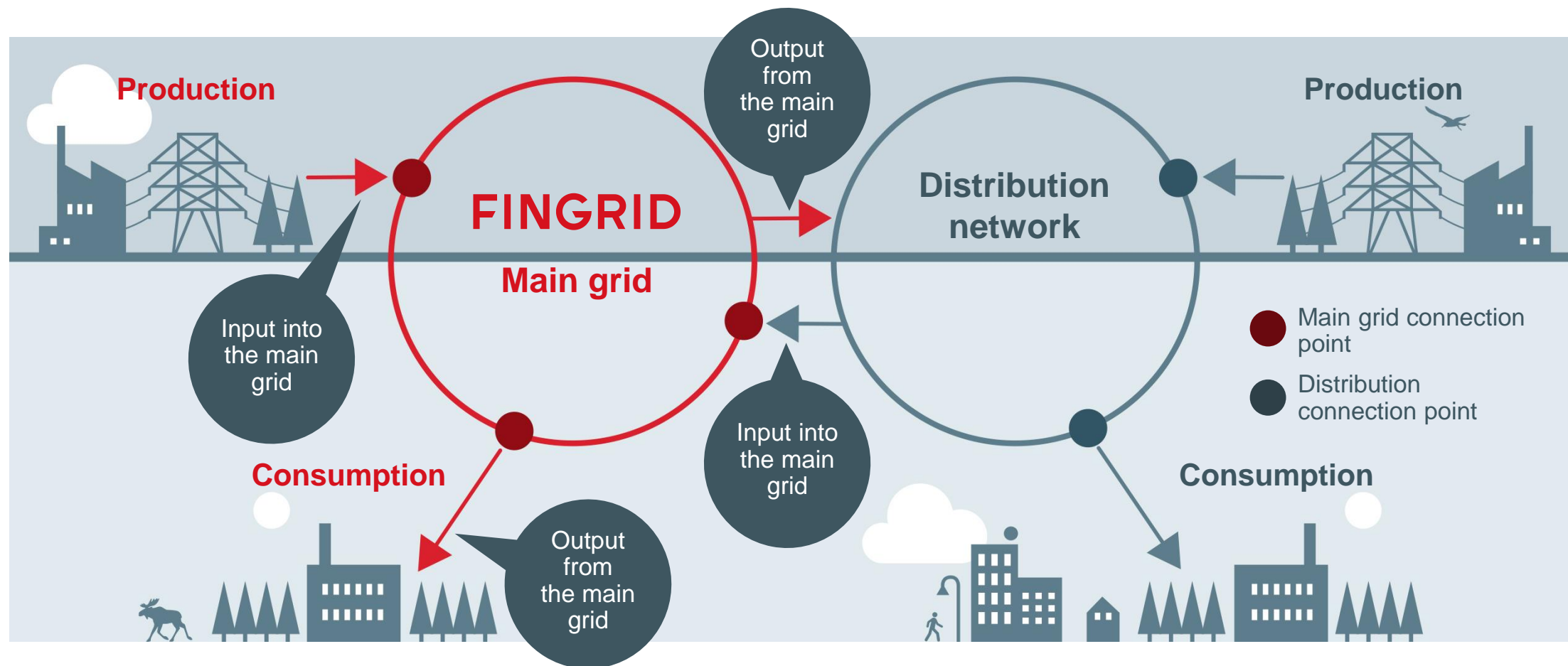


Balance sheet values of electricity network assets are converted to replacement value to calculate return

Operations

Pricing

Grid service pricing is applied on both consumption and production



Grid service pricing is applied on both consumption and production

Fingrid defines the grid service pricing structure, which is approved by the Energy Authority

Pricing EUR/MWh	2017
Consumption, winter period*	9,00
Consumption, other times	2,70
Output from the grid	1,09
Input into the grid	0,72
Power plant capacity fee	1950 €/MWh/a

* Winter period: 1.12.-28.2. on Monday – Friday 09.00 – 21.00

Transmission prices are seasonally adjusted and charged on consumption and use of grid

The cost of reserves is recovered in pricing



Balance service pricing

Frequency containment
reserve for disturbances
(FCR-D)
10%

Fast disturbance
reserve
10%

Frequency containment
reserve for normal
operation (FCR-N)
100%

Automatic frequency
restoration reserve
100%



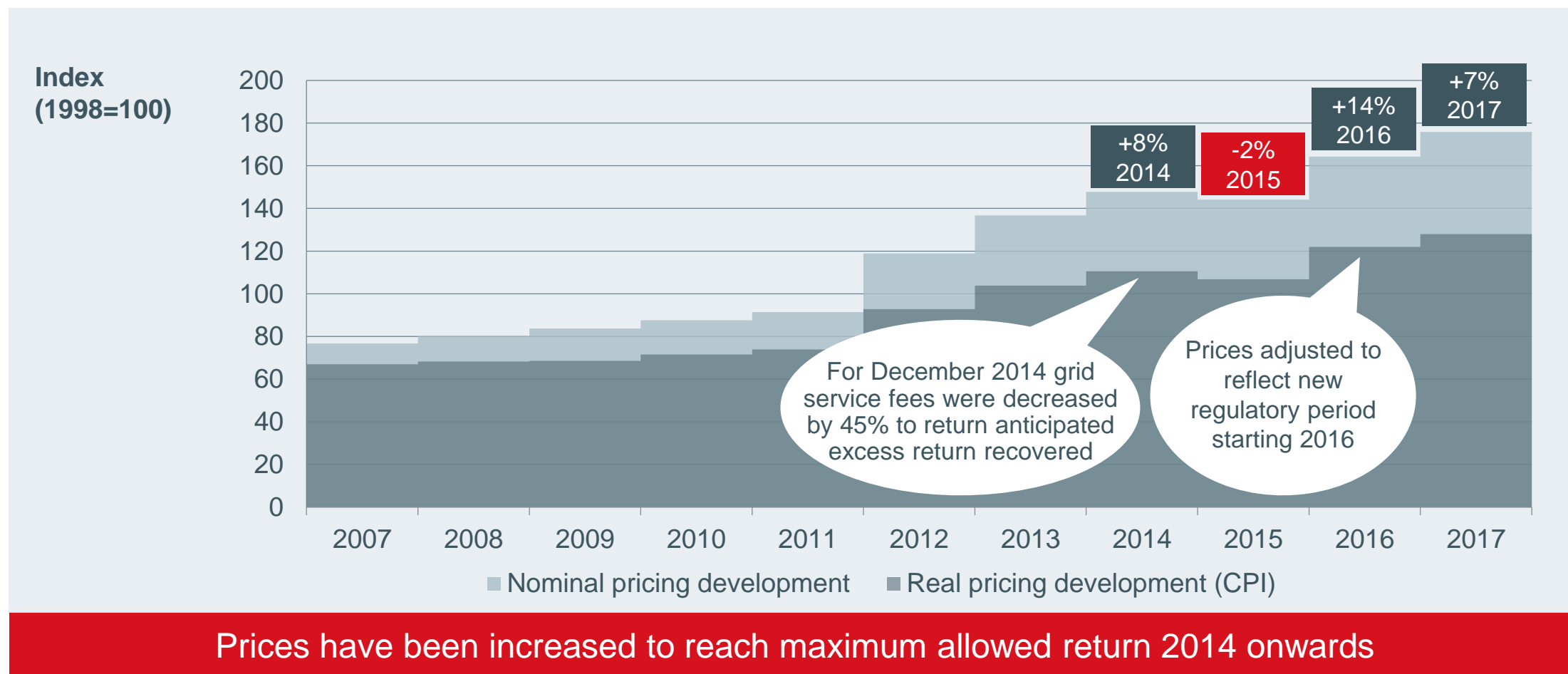
Grid service pricing

Frequency containment
reserve for disturbances
(FCR-D)
90%

Fast disturbance
reserve
90%

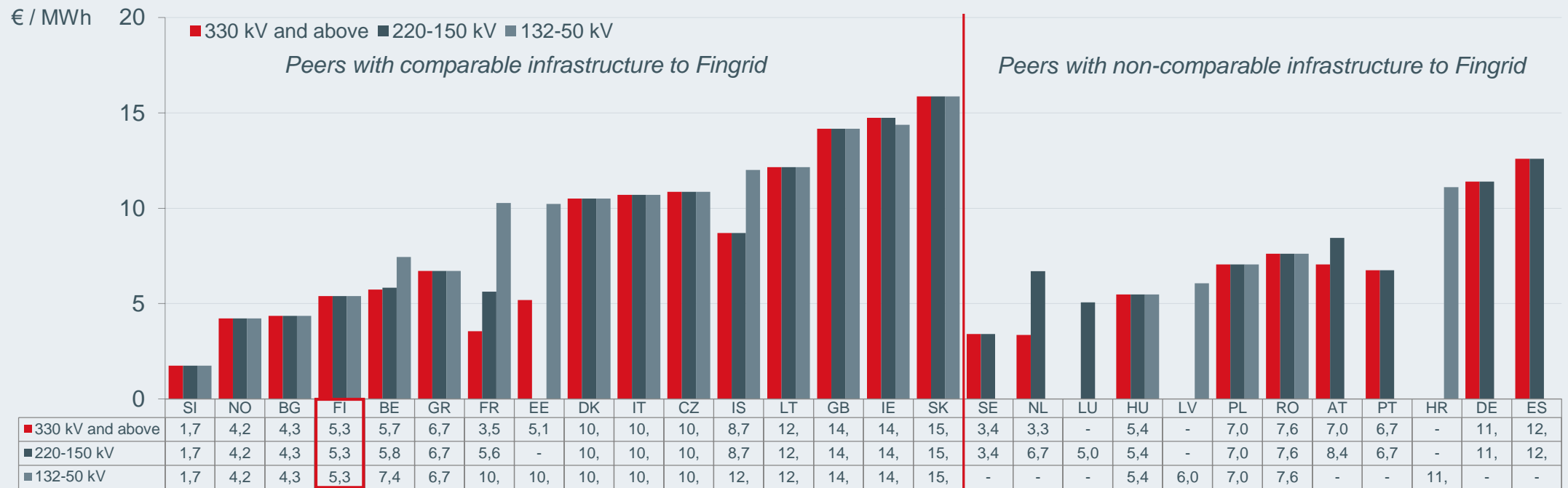
The cost of reserves is recovered in the income from balancing operations and transmission

Development of announced grid service pricing in 2007–2017



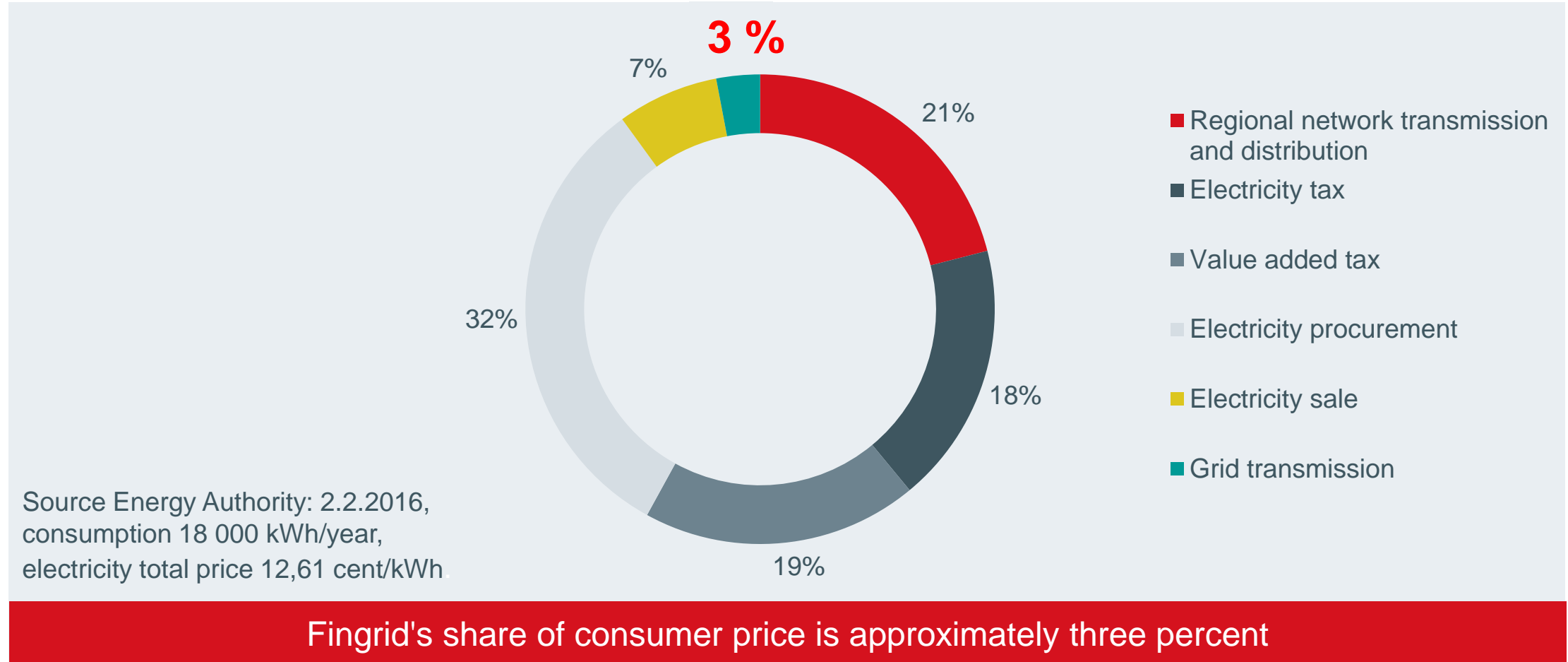
Transmission charges from generation to consumption

Transmission charges from generation to consumption in Europe 2016 – including EU and ETA countries



Fingrid's effectiveness and efficiency enable low charges

This is what makes up the consumer price



Operations

Capex

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

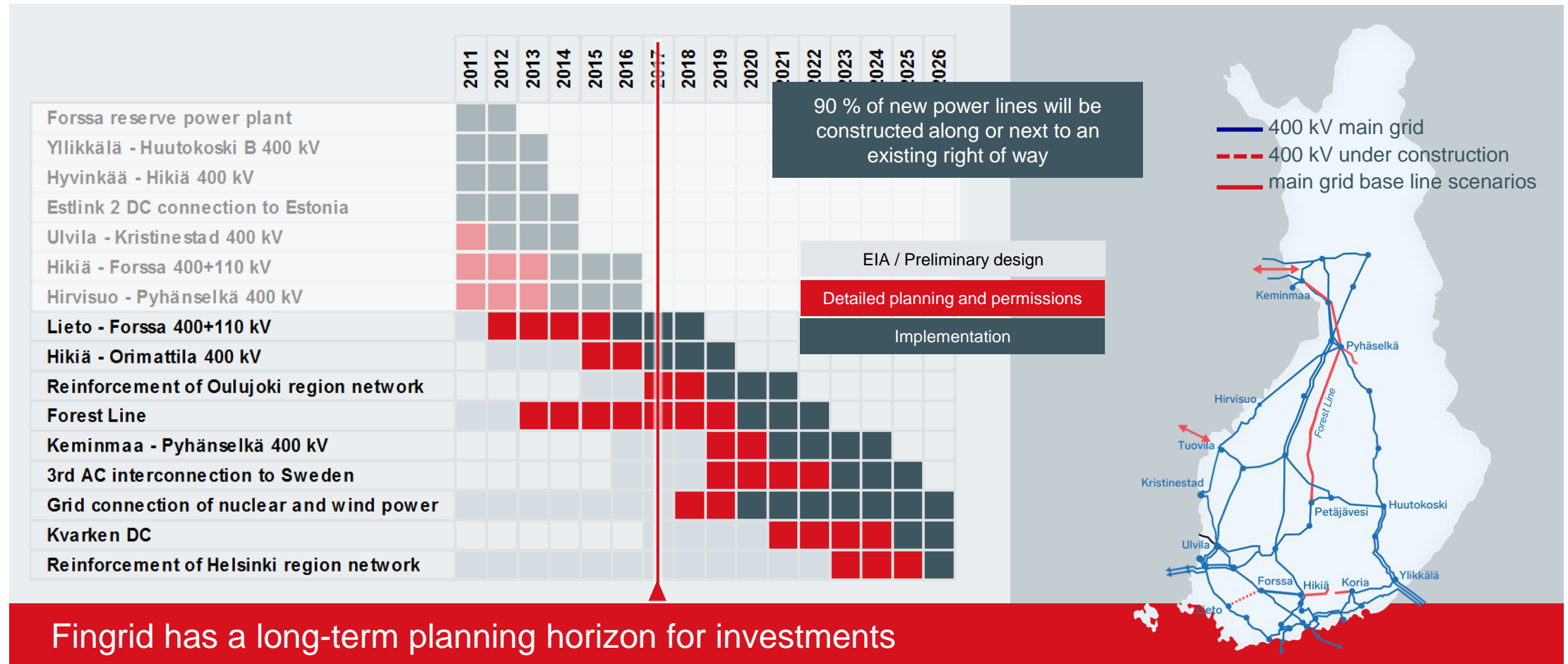


Keminmaa – Petäjäskoski transmission line

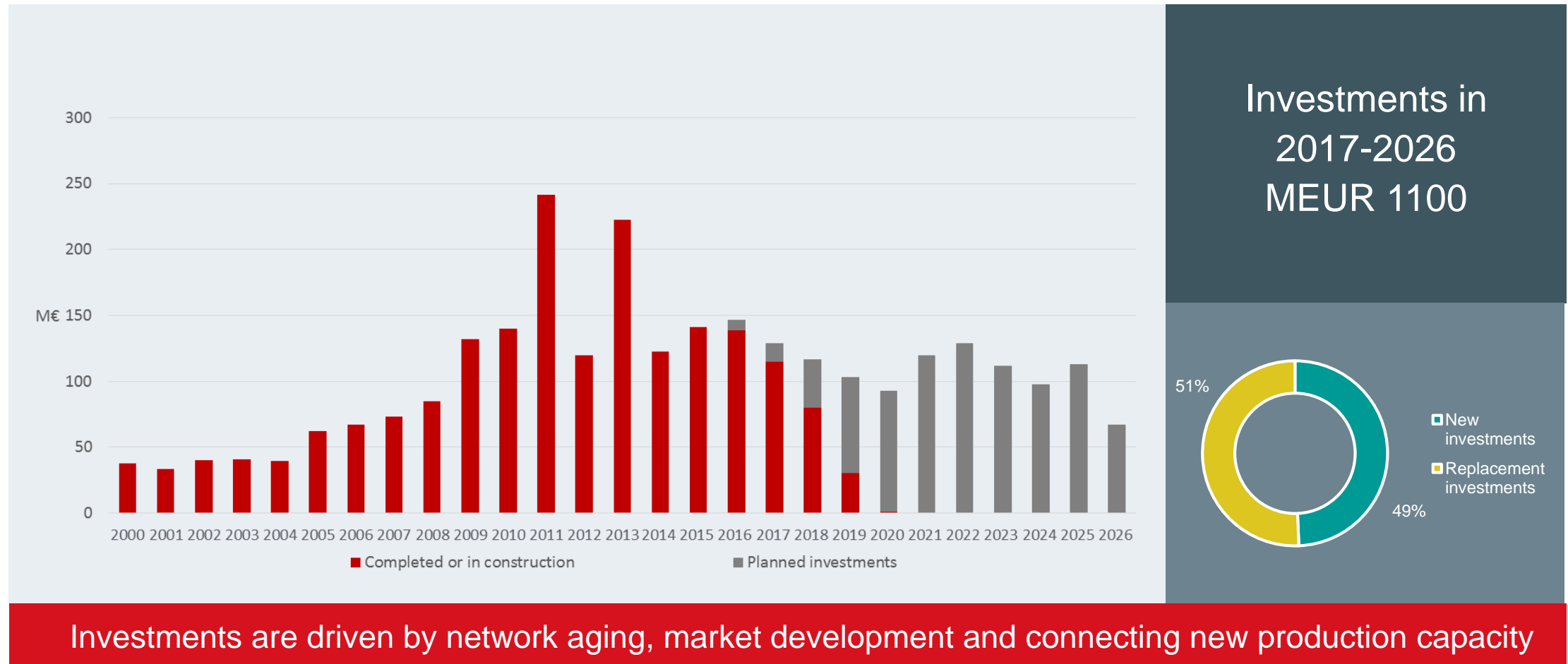
All Fingrid's investment projects have been done in schedule and budget

Flexible and long-term investment strategy

Note: [Click](#) to view National ten year grid development plan in Finland 2015-2025



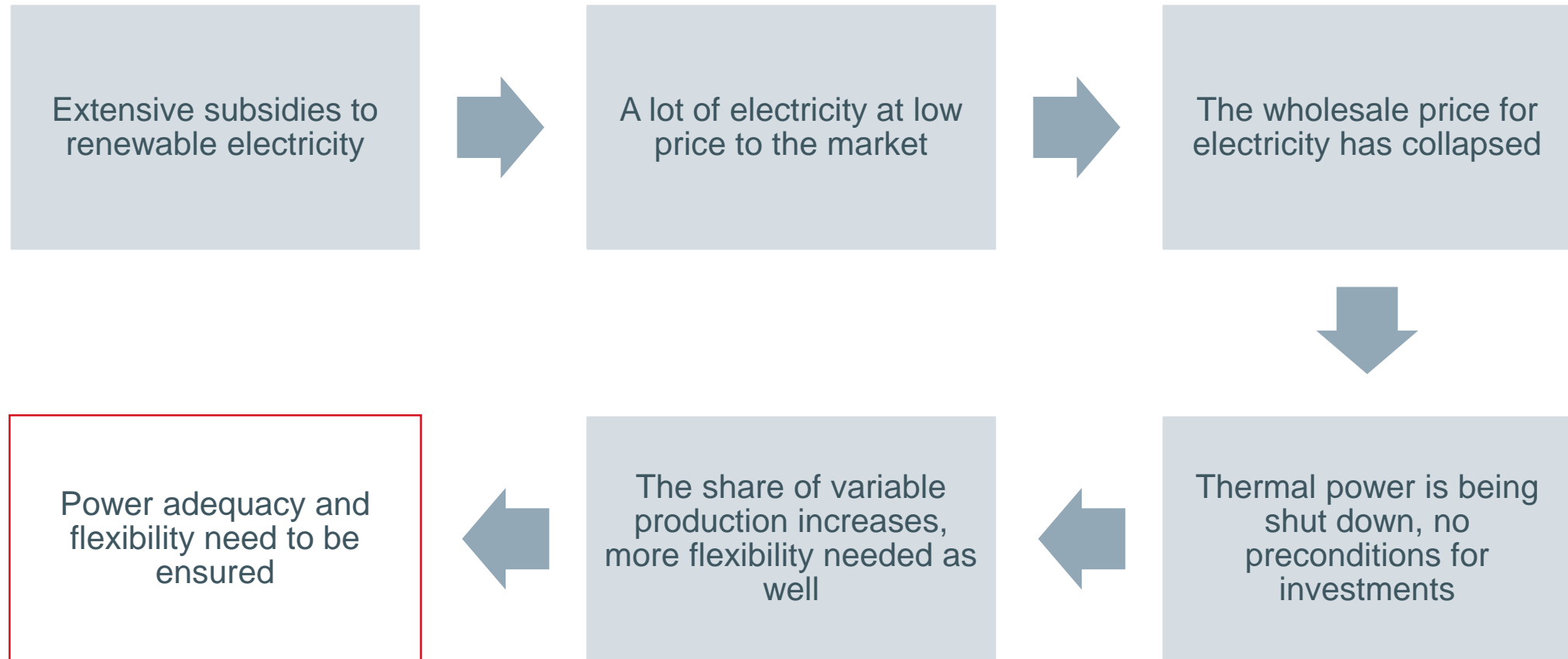
Investments in 2000–2026



Operating environment



Current developments in the Nordic electricity market

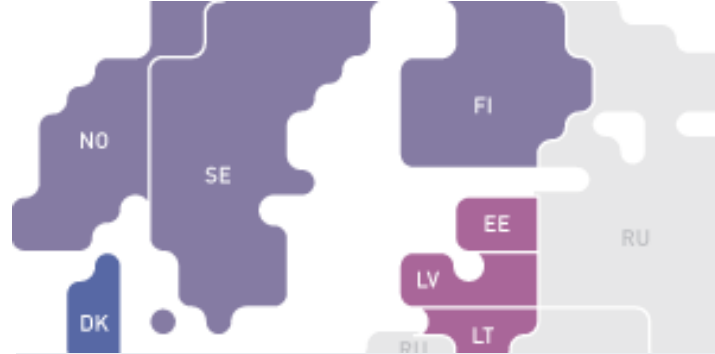


Fingrid's operating environment in three geographical levels



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 achieved in 2014
- 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

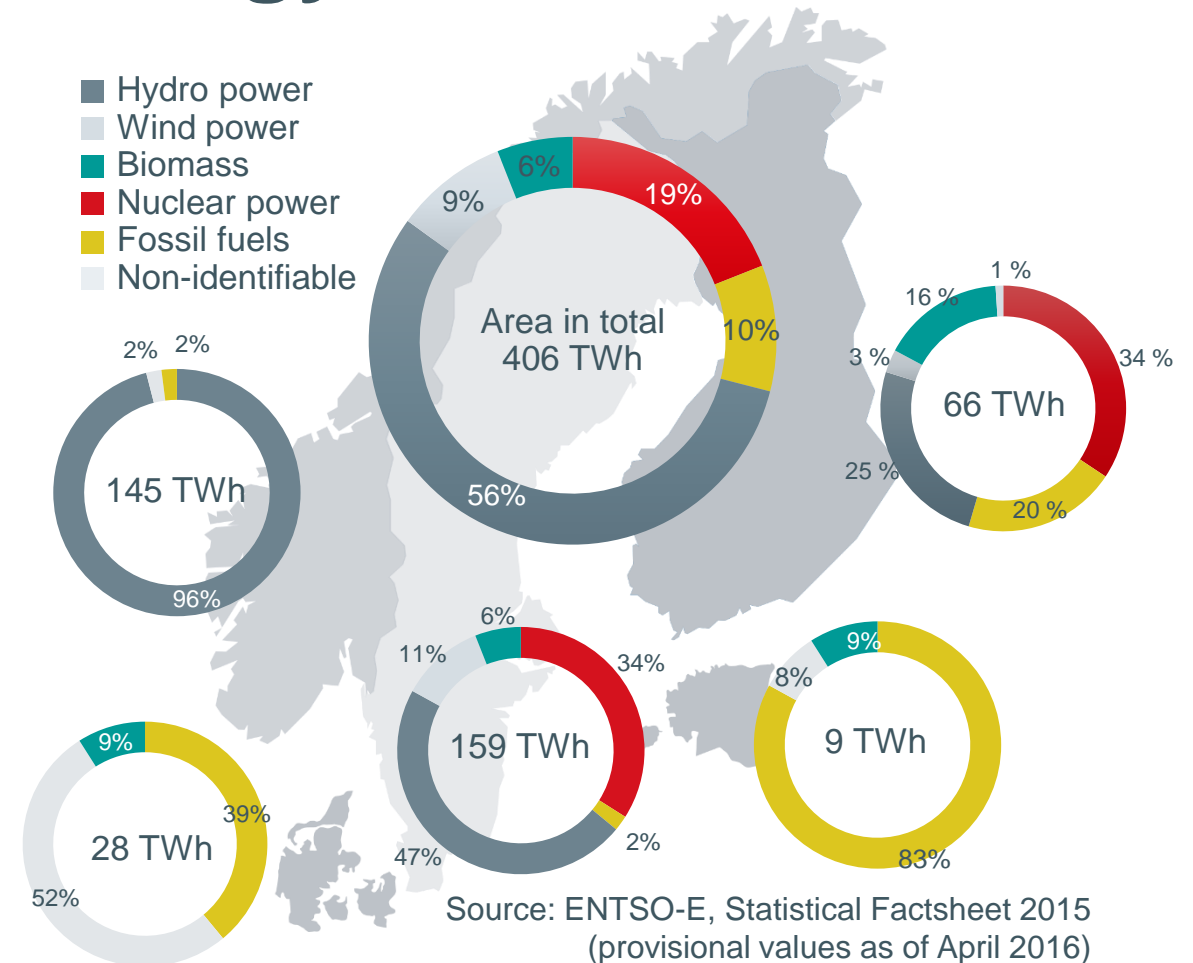


Market coupling

Electricity market from Helsinki to Lisbon in 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

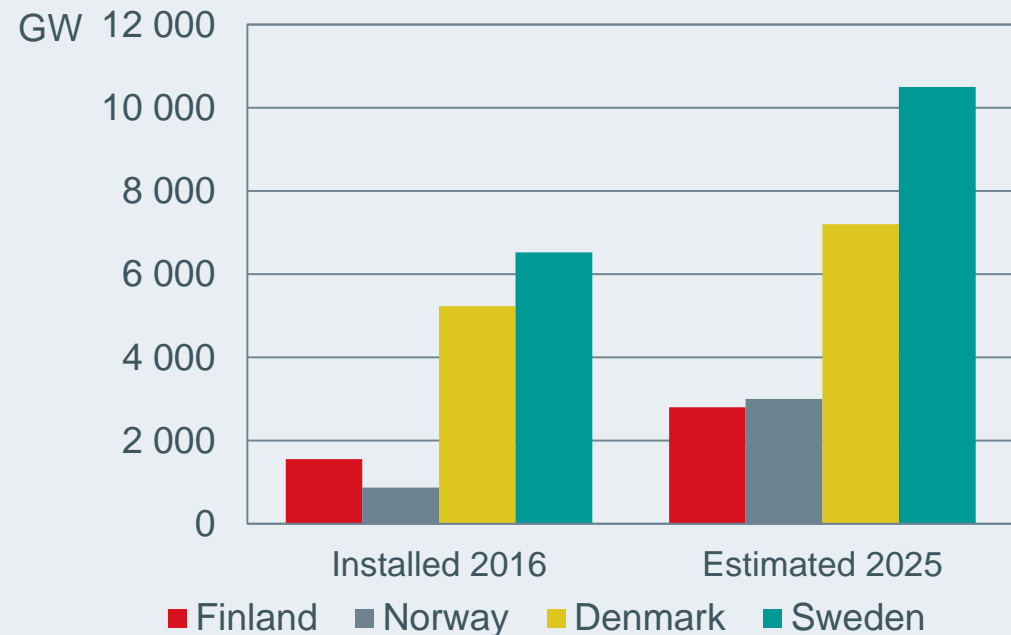


Nordic electricity price is driven by hydrological conditions in Scandinavia

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

- A feed in tariff for 2500 MW of new capacity came into force in 2011
- The feed in tariff was EUR 105,3/MWh until the end of 2015 and EUR 83,5/MWh going forward
- New technology neutral subsidy scheme for renewable electricity was presented in national energy and climate strategy in 2016
- Most of the planned new onshore wind power projects (~10GW in total) are located along the west coast where Fingrid is already making significant network investments

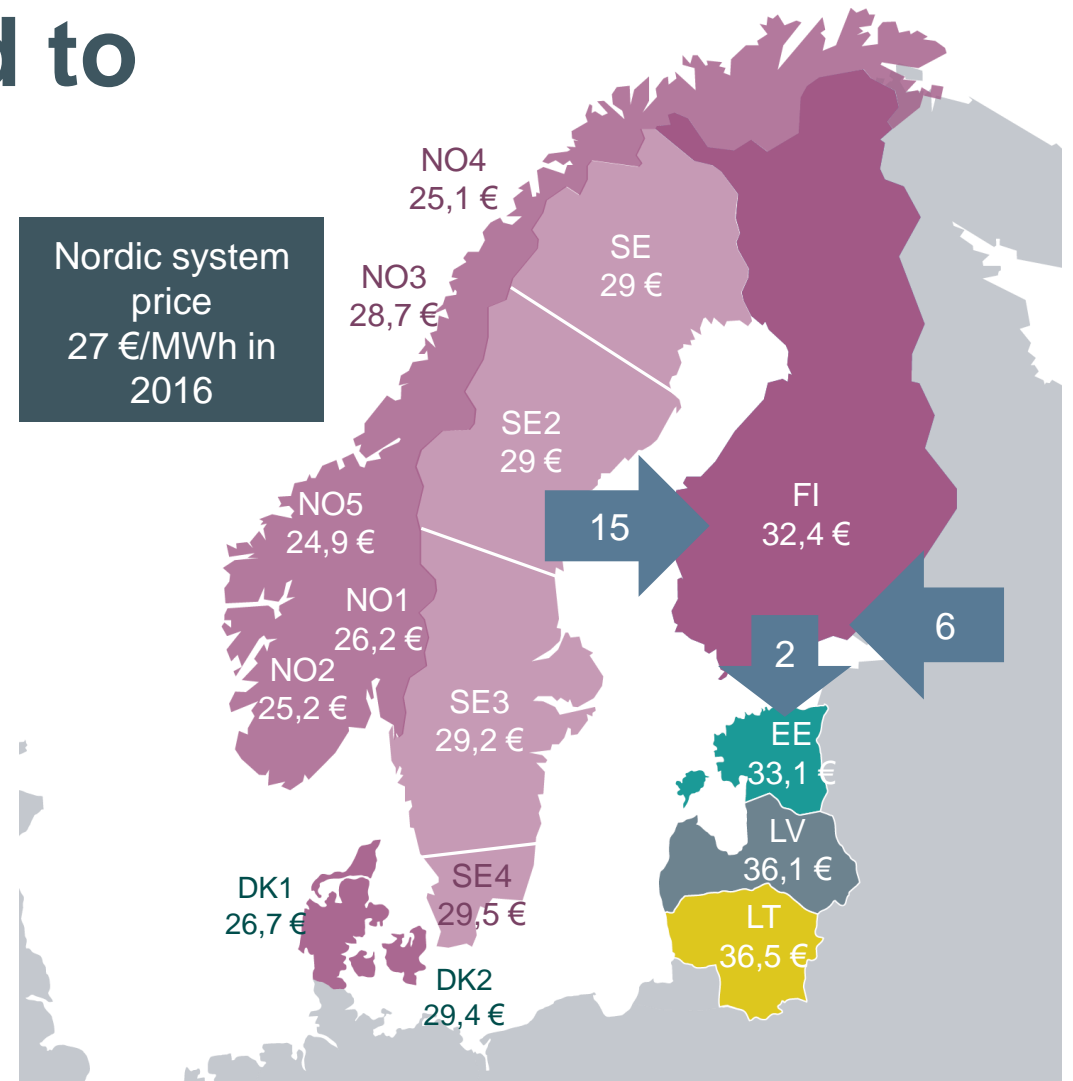
Evolution of wind energy net generation



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

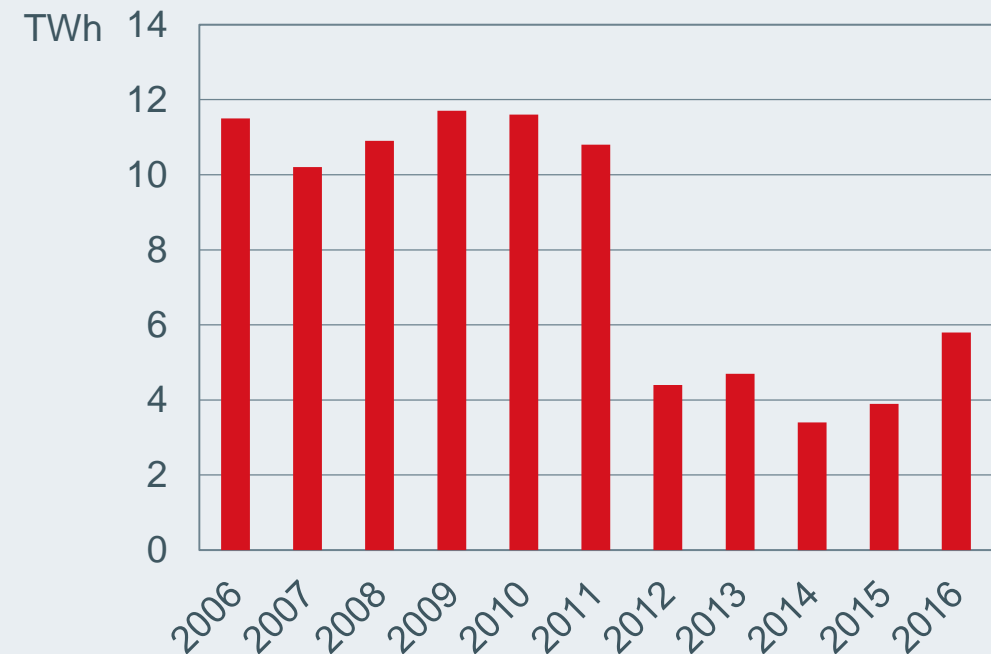


Finland is a net importer of electricity mainly from Scandinavia

Cross-border transmission between Finland and Russia

- Imports from Russia are currently low
 - Russia now has capacity payment of around 39€/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 pricing model
- First commercial exports to Russia in 2015
 - Very small volumes

Annual electricity export from Russia to Finland



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 2016 a single price area between Finland and Sweden existed 65 percent of the time and 4 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

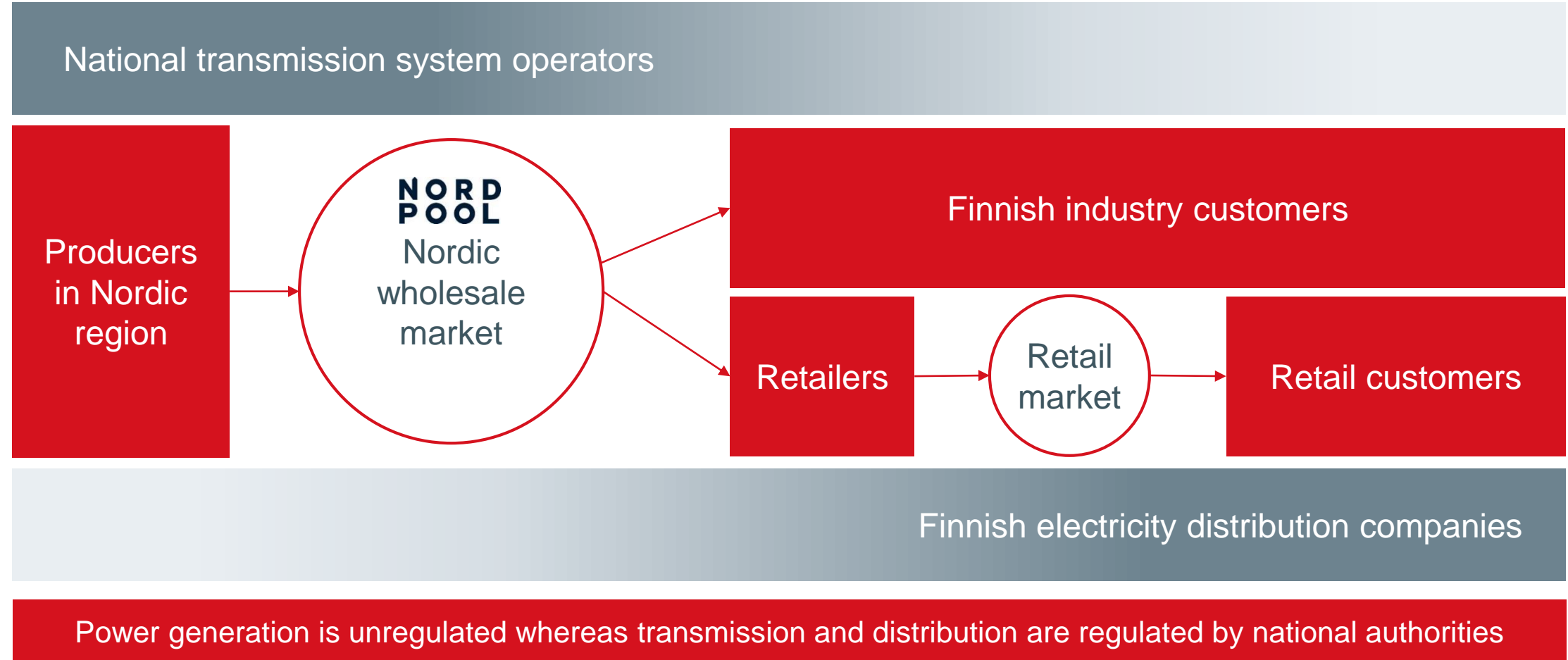
* Finland, Sweden, Norway, Denmark, Poland, Estonia, Latvia, Lithuania

Uniformity of spot prices in the Nordic region



Congestion income is used for developing further cross-border transmission capacity

Market structure and business areas in the Baltic Sea area



Financials

Financial performance



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 and society dimension
- We focus on efficiency in our daily operations and develop awareness of financial aspects across organization



Securing financing

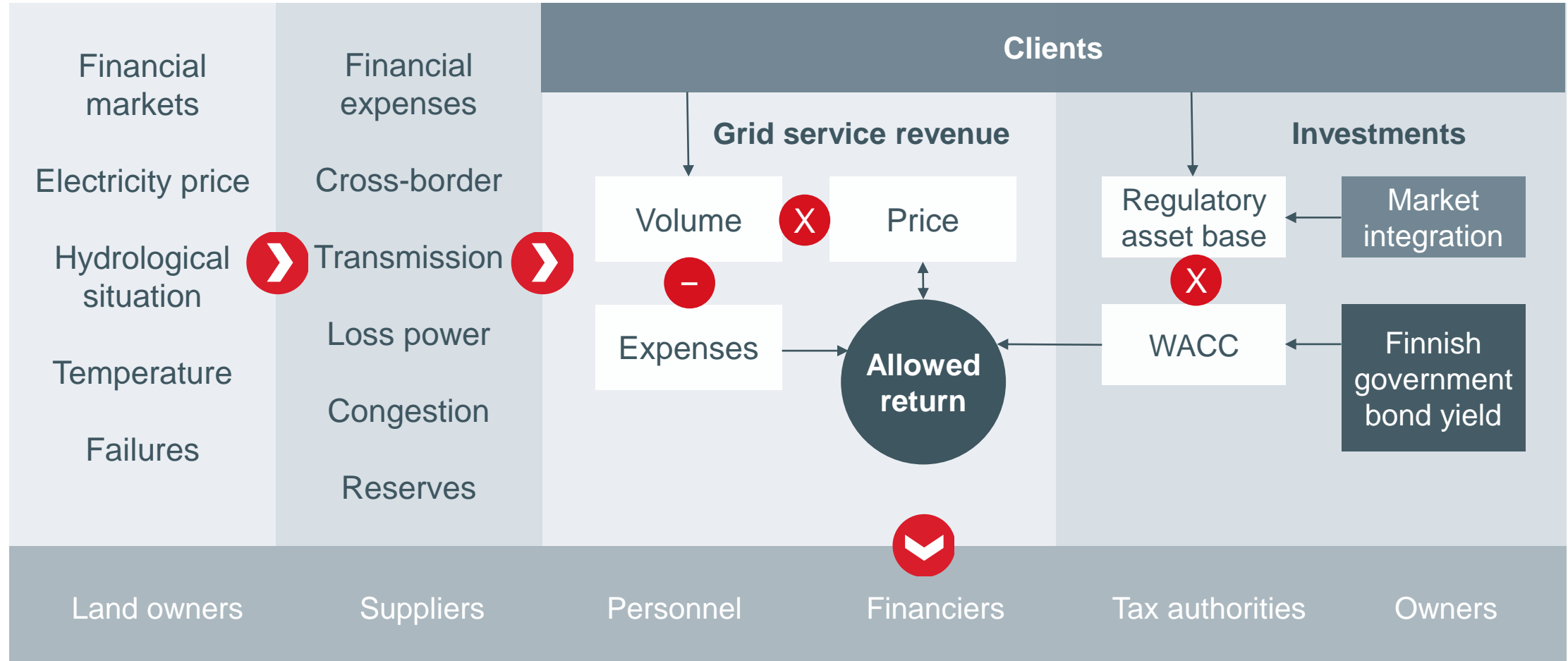
- We create strong financial position by diversification of funding sources and maturity profile while ensuring sufficient liquidity position
- We strengthen Fingrid's public profile with transparent reporting and consistent dialogue with owners, investors, financiers and credit rating agencies
- We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



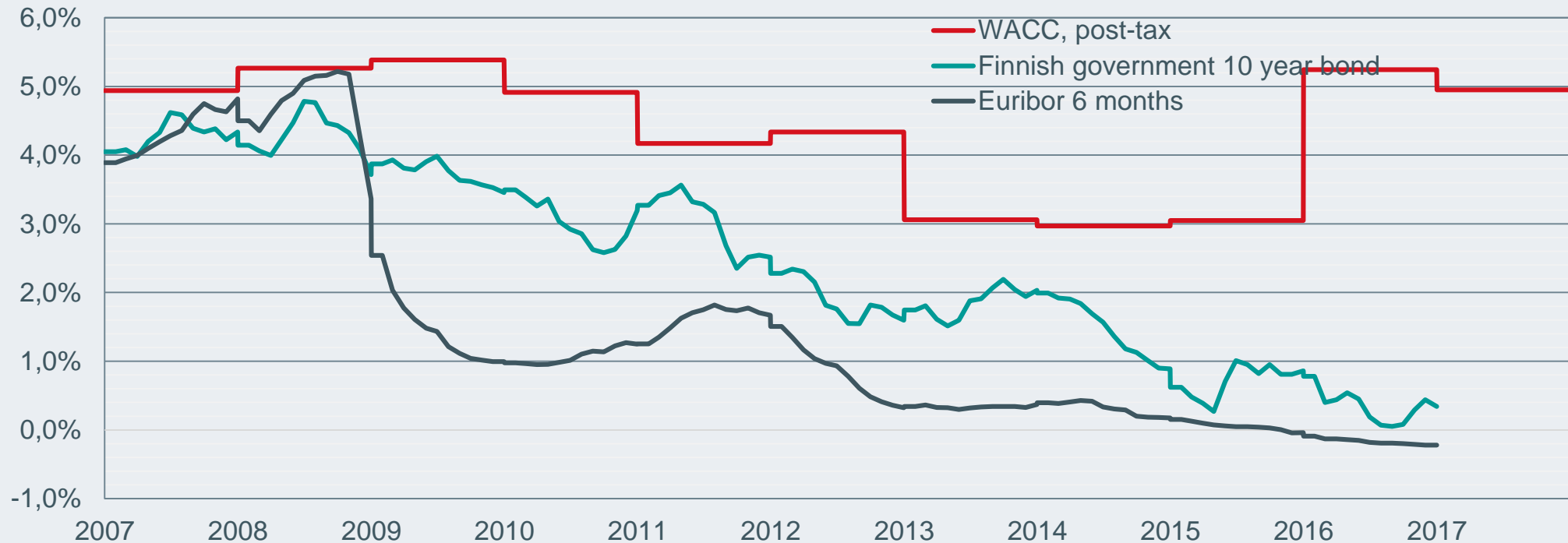
Value to the shareholders

- We maintain regulated profit at the maximum allowed level
- We contribute 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



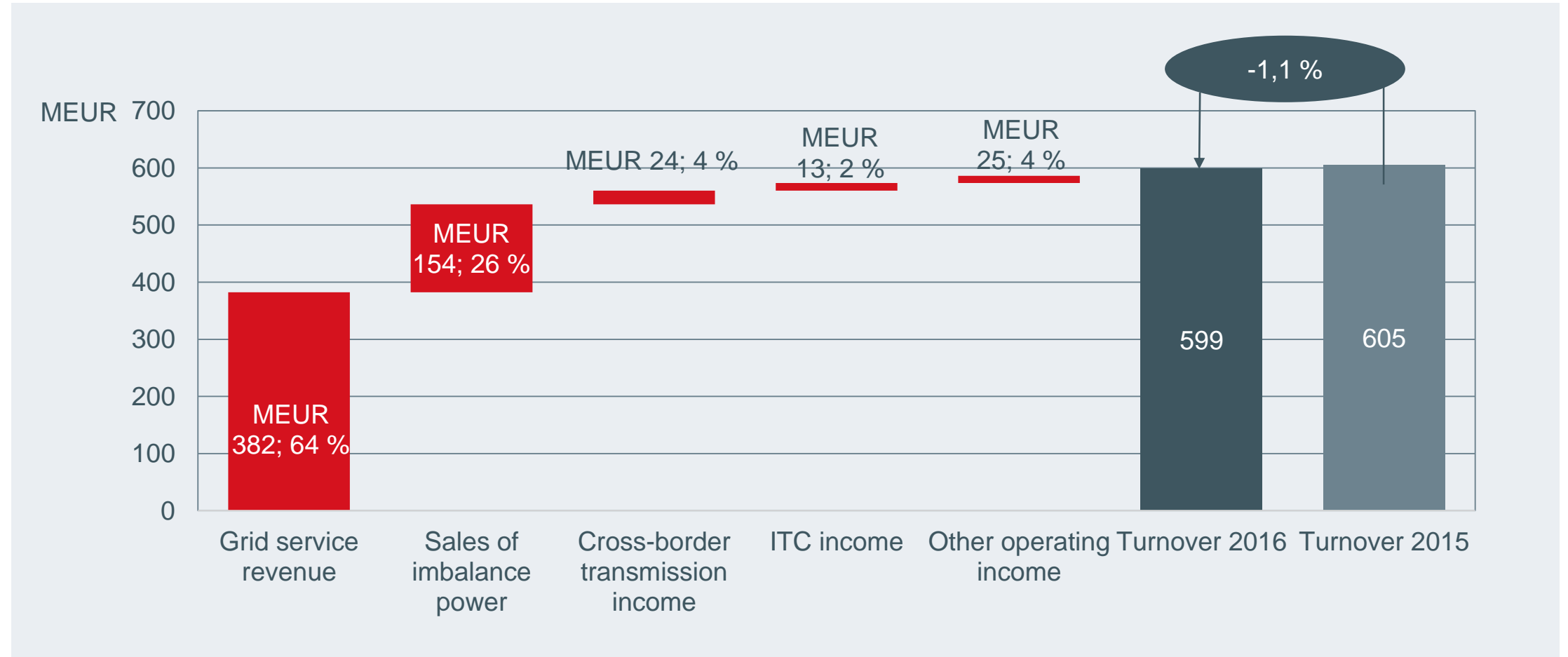
The WACC* is driven by market rates



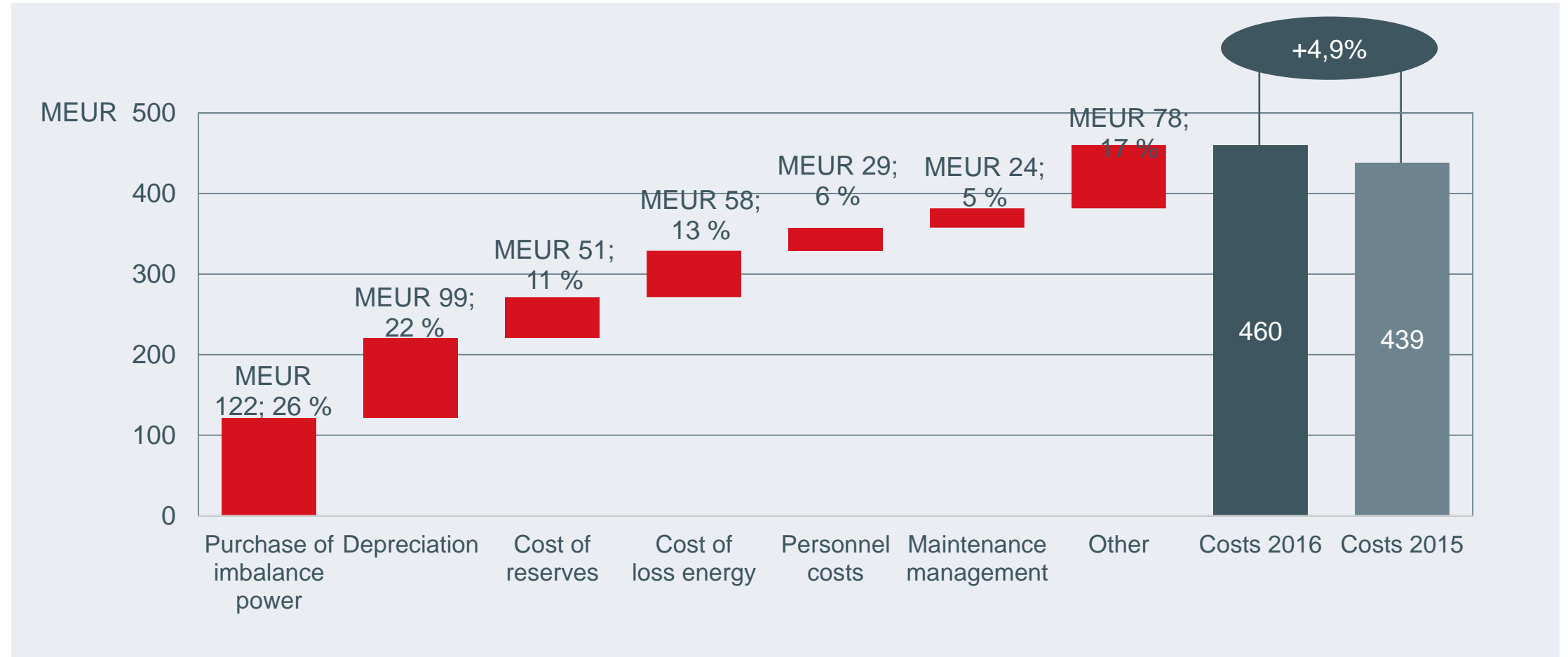
* Illustrative regulatory WACC 2007 – 2016 calculated as post-tax basis. From 2016 regulatory model applies pre-tax WACC.

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

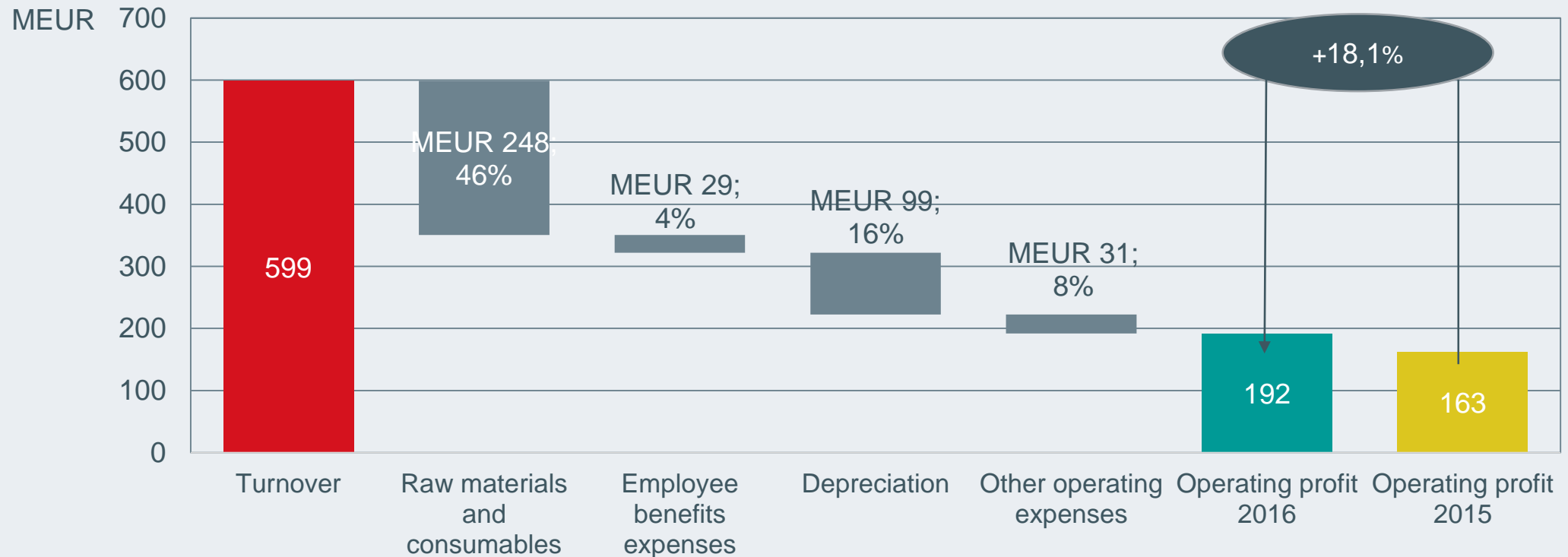
IFRS Turnover breakdown in 2016



IFRS Cost breakdown 2016



IFRS Operating profit in 2016



Fingrid Oyj consolidated profit and loss (IFRS)

- Turnover has increased because of pricing increases and congestion income 2012-2016
- Since 2016, congestion income is no longer presented as turnover in profit and loss statement
- Employee expenses remain at notably low level due to outsourced operating model

IFRS profit and loss 2012 – 2016 in MEUR					
	2016	2015	2014	2013	2012
TURNOVER	599	605	572	547	526
Raw materials and consumables used	-248	-241	-264	-270	-267
Employee benefits expenses	-29	-26	-25	-23	-22
Depreciation	-99	-94	-92	-82	-76
Other operating expenses	-30	-82	-48	-58	-66
OPERATING PROFIT (EBIT)	192	163	143	115	95
<i>EBIT-%</i>	32 %	27 %	25 %	21 %	18 %
Finance income and costs	-19	-34	-11	-29	-7
PROFIT BEFORE TAXES	174	129	133	87	88
Income taxes	-35	-26	-26	3	-21
PROFIT FOR THE PERIOD	139	104	106	91	67
Other comprehensive income *	6	5	0	-5	6
TOTAL COMPREHENSIVE INCOME	145	109	106	86	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 2012

Fingrid Oyj consolidated profit and loss (IFRS)

- Tangible asset increase in 2012-2016 driven by investments in grid assets
- Tangible assets were on average 80 % of total assets
- Current assets on average 12 % of total assets

IFRS assets 2012 – 2016 in MEUR					
	2016	2015	2014	2013	2012
Intangible assets	184	183	183	181	179
Tangible assets	1 690	1 677	1 640	1 623	1 485
Investments (associated companies and available for sale)	10	10	11	11	9
Receivables	40	51	55	60	103
NON-CURRENT ASSETS	1 925	1 922	1 889	1 875	1 776
Inventories	12	13	13	11	10
Derivative instruments	3	3	11	2	4
Trade receivables and other receivables	82	70	57	76	88
Financial assets recognised in income statement at fair value	58	93	116	195	207
Cash and cash equivalents	22	23	63	22	6
CURRENT ASSETS	177	203	261	307	316
TOTAL ASSETS	2 102	2 124	2 151	2 182	2 092

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 2012-2016
- Current liabilities on average total 17 % of total equity and liabilities
- Borrowings (current and non-current) totalled on average 56 % of total equity and liabilities
- Trade payables on average 21 % of current liabilities

IFRS liabilities 2012 – 2016 in MEUR					
	2016	2015	2014	2013	2012
Share capital and premium	112	112	112	112	112
Retained earnings	654	606	567	542	465
Other equity	0	-6	-12	-12	-7
EQUITY	766	711	667	643	570
Borrowings	843	907	962	975	1 032
Other non-current liabilities	146	174	170	160	185
NON-CURRENT LIABILITIES	989	1 081	1 132	1 136	1 217
Borrowings	265	236	263	319	212
Derivative instruments	8	30	17	16	11
Trade payables and other liabilities	75	66	72	70	83
CURRENT LIABILITIES	347	332	352	404	305
TOTAL EQUITY AND LIABILITIES	2 102	2 124	2 151	2 182	2 092

Balance sheet has remained stable in 2012-2016

Fingrid Oyj consolidated cash flow (IFRS)

- Strong and improving operating cash flow 2012-2016
- Cash and cash equivalents were reduced in 2016 to achieve more appropriate capital structure

IFRS cash flow 2012 – 2016 in MEUR					
	2016	2015	2014	2013	2012
Cash flow from operations	252	279	227	202	181
Change in working capital	-20	-63	-21	-43	-37
Net cash flow from operations	232	216	206	159	145
Net cash flow from investments	-139	-135	-111	-226	-146
Net cash flow after investments	94	80	95	-68	-1
Net borrowings	-40	-78	-51	84	22
Dividends paid	-90	-65	-82	-13	-11
Net cash flow from financing activities	-130	-143	-133	71	11
Net change in cash and cash eqv.	-37	-62	-38	3	10
Cash and cash equivalents 1 Jan	117	179	217	214	204
Cash and cash equivalents at the end of period	80	117	179	217	214

Operating cash flow has been mainly utilized to finance investments in 2012-2016

Financials

Financing

Financial risk management principles

Liquidity risk

- Cash, cash equivalents and committed credit facilities cover at least 110 percent of short-term debt
- Undrawn MEUR 300 revolving credit facility (RCF) until 2021 with one-year extension option
- 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

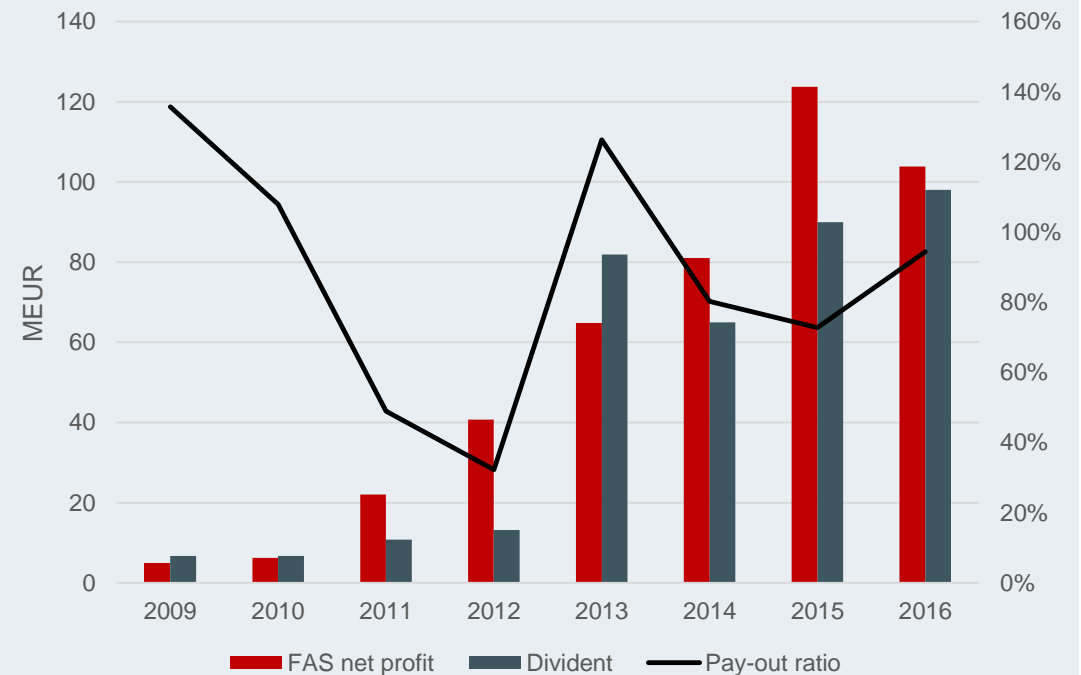
- Derivatives only for hedging purposes
- Interest rate risk hedging of debt; convergence towards 12 months' average interest re-fixing time
- Material currency and commodity risk fully hedged
- Loss power hedging horizon up to 5 years, 12 months fully hedged

Fingrid applies a conservative financial policy

Fingrid targets to distribute substantially all of parent company profit as dividend

- The guiding principle is to distribute substantially all of the parent company profit as dividend
- MEUR 98 dividend of 2016 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

Net profit and paid dividends in 2009-2016



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

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
- MEUR 300 Revolving Credit Facility (RCF) until December 2021 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's core relationship banks are the dealers of the EMTN Programme



BNP PARIBAS

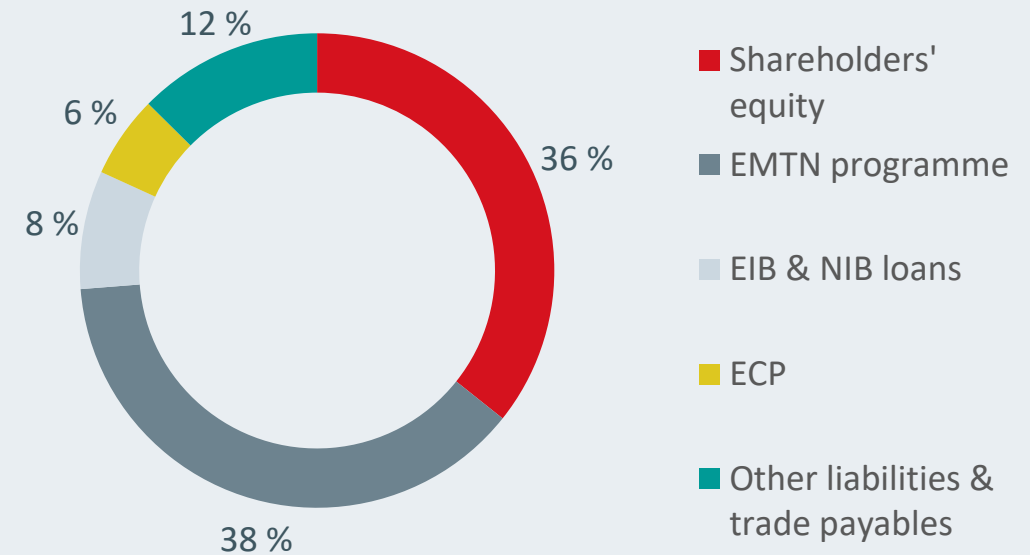


Fingrid is a seasoned issuer on international private and public debt capital markets

Fingrid's capital structure in 2016

- Total shareholders' equity and liabilities amount to MEUR 2,102
- Equity to total assets at 36 percent
- Undrawn revolving credit facility of MEUR 300
- A total of MEUR 50 uncommitted overdraft limits available for liquidity management

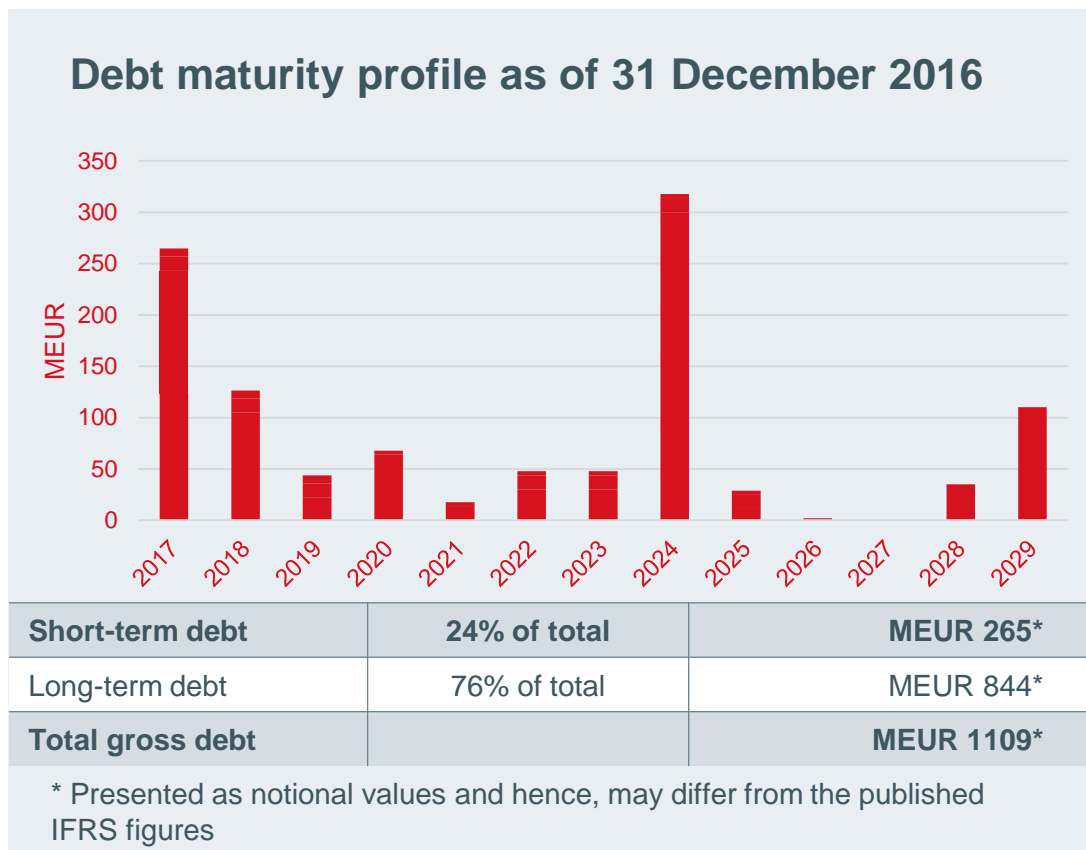
Capital structure as of 31 December 2016



Fingrid's equity to total assets ratio is approximately 36 percent

Weighted average debt maturity was 5,7 years in December 2016

- Fingrid aims to maintain a well-distributed debt maturity profile
- Long-term debt maturity on any single year cannot exceed 30 percent of total debt



Debt maturity profile is well-distributed

Ratings



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

	S&P	Fitch
Date	28.10.2016	21.11.2016
Outlook	Stable	Stable
Issuer rating	AA-	A+
Senior unsecured debt	AA-	AA-
Short-term	A -1+	F1
Uplift from state ownership	1 notch	No uplift

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

Thank you!

Fingrid Oyj

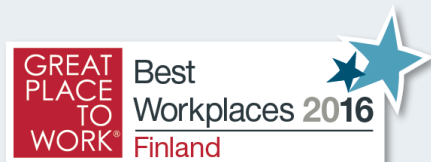
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FINGRID