



Finland's Transmission System Operator

December 2014

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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 75% of electricity consumed in Finland

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

Fingrid continuously ensures power system production and consumption balance in Finland

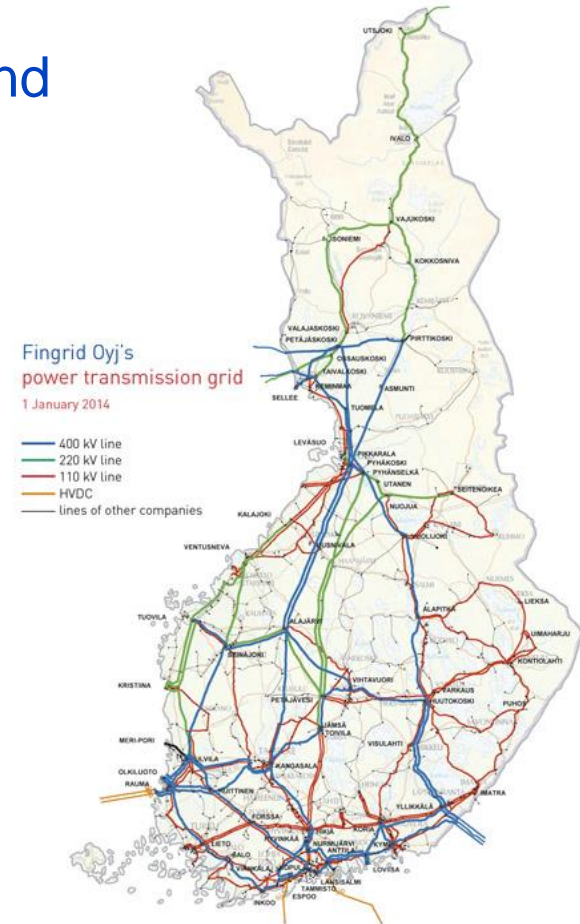
Fingrid's network the covers entire of Finland

14 300 km of power lines
113 substations
935 MW of reserve power

Note: All figures in 2013

Revenue: MEUR 543
Net profit: MEUR 86
Total assets: MEUR 2 182
Total debt: MEUR 1 293
Personnel: 287

Note: All figures in 2013



Key investment considerations

Regulation

Finland has a stable and predictable cost plus regulatory model

Ownership

The Finnish state owns 68% and Finnish financial institutions 32%

Operating model

Construction and maintenance of the network is outsourced

Efficiency

Fingrid is one of the most cost efficient TSOs worldwide

Financials

Continuously improved operating profitability in past three years

Rating

Fingrid benefits from A+/A1/A ratings from the three main agencies

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

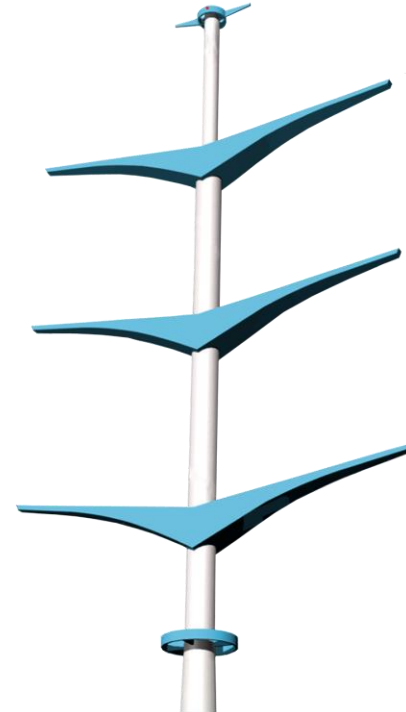
- **Mission**

We work for the benefit of our customers and the Finnish society:

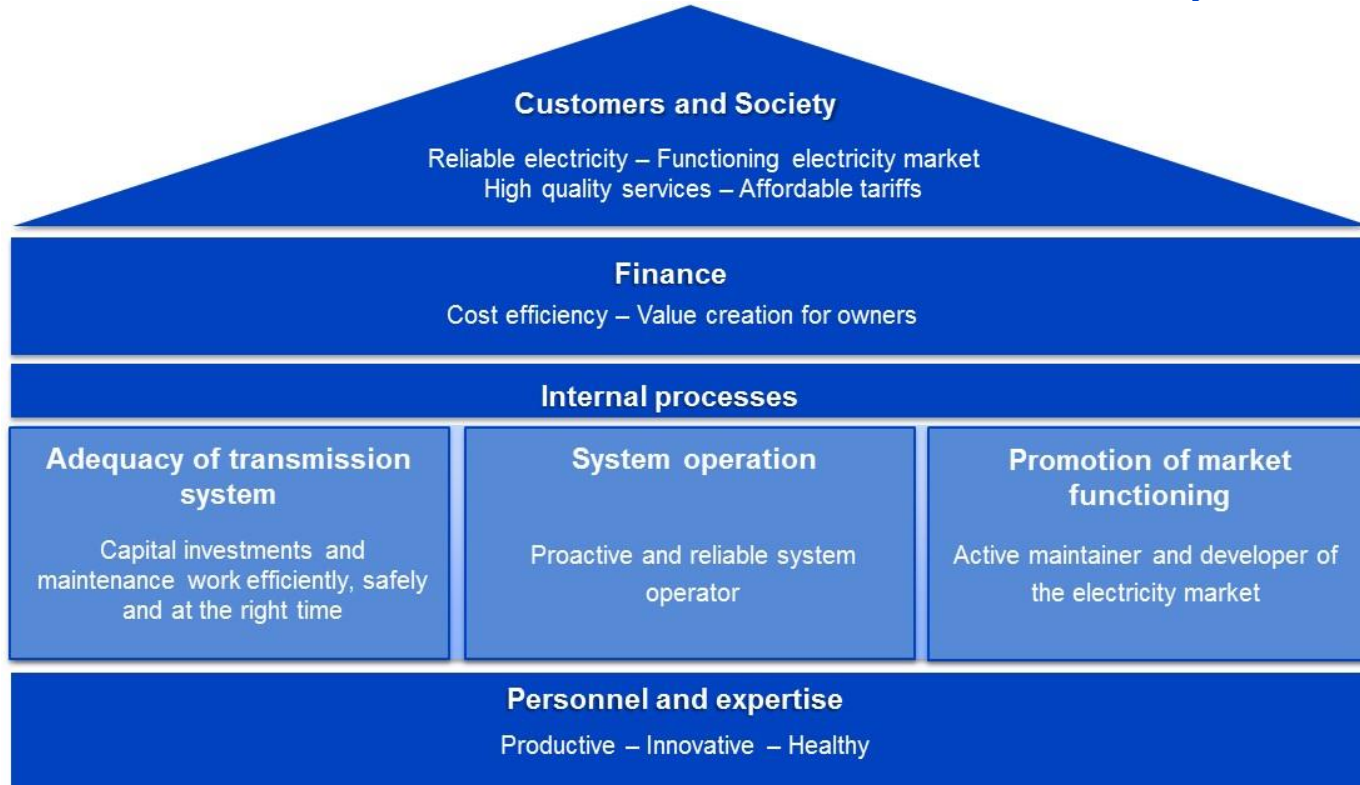
- We transmit electricity reliably
- We promote the electricity market actively
- We develop the transmission system with a long time span

- **Values**

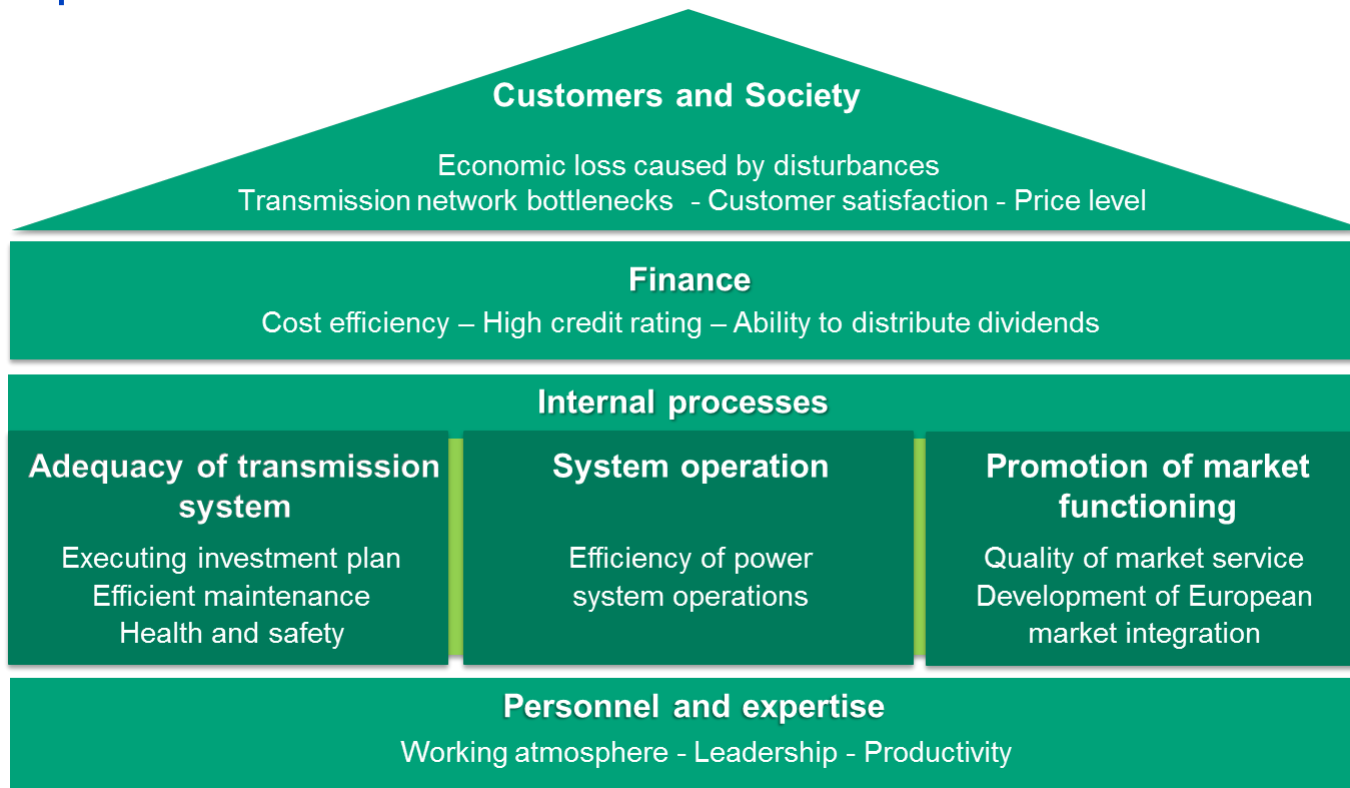
- Transparency
- Impartiality
- Efficiency
- Responsibility



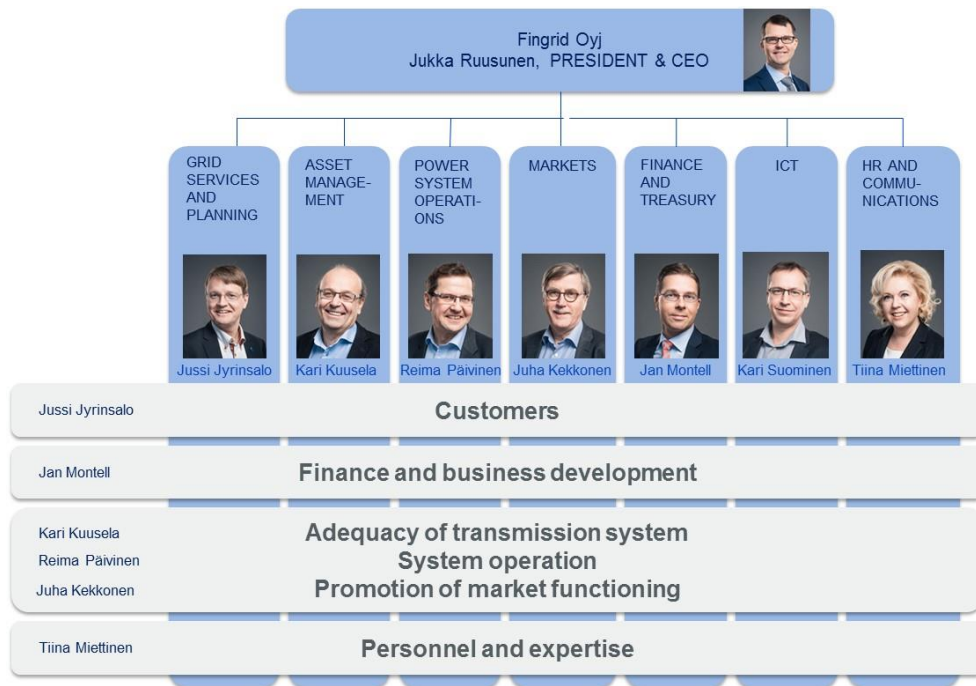
Balanced vision for the benefit of customers and society



Fingrid's performance measurement metrics



Fingrid operates in a matrix organisation structure



Executive management team is highly regarded in the Finnish business community

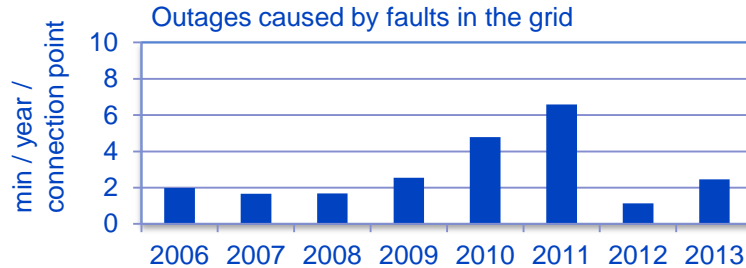
77% of Fingrid's personnel holds an academic degree*

* Full-time and permanent at the end of 2013

Fully implemented matrix structure ensures efficient strategy implementation and personnel engagement

For the benefit of customers and society – key operational targets

Reliable electricity

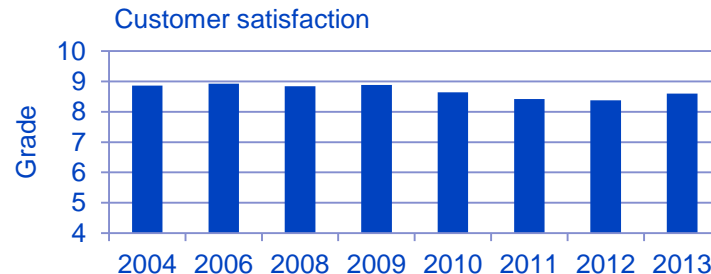


Functioning electricity market

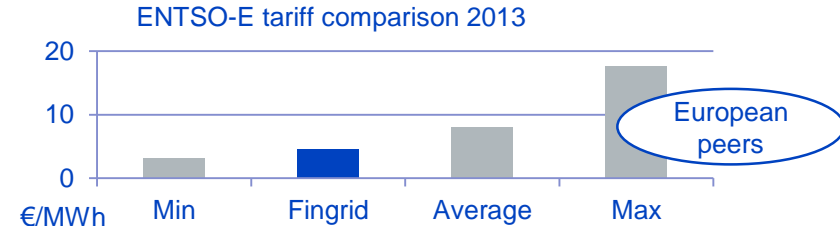
Congestion hours between Finland and Sweden 2013



High quality services



Affordable tariffs



Operational targets are centered around cost competitiveness and customer service

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

- Fingrid's 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 our operations
 - We apply the international Global Reporting Initiative (GRI) reporting guidelines

Huutokoski - Alapitkä transmission line



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

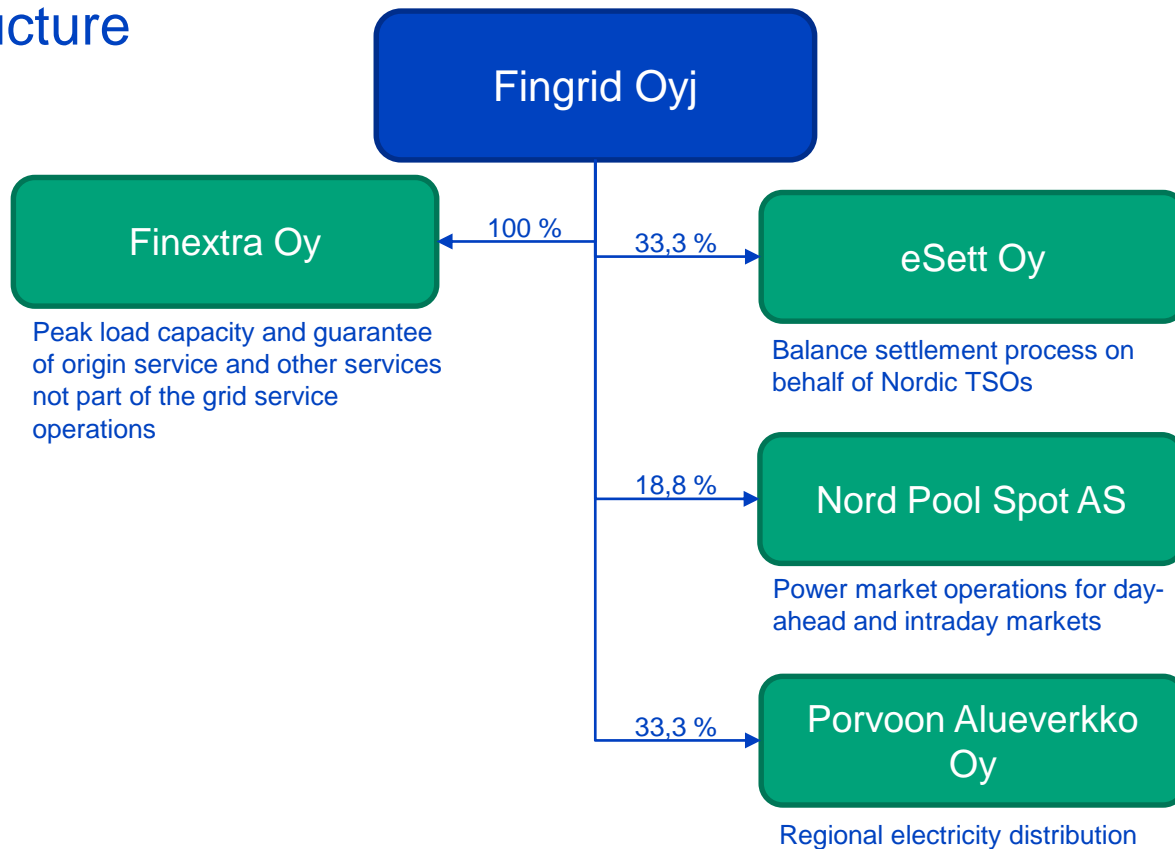
Fingrid has achieved its core strategic goals in 2011 - 2014

	2011		2014
Net profit *	MEUR 33		MEUR 91 (full year 2013)
Tariff	Below regulatory allowed	+ > 60%	Maximum regulatory allowed
Dividend	MEUR 7		MEUR 82 (paid in 2014)
Efficiency	High benchmark study rankings		High benchmark study rankings
Investments	On schedule and budget		On schedule and budget

* IFRS

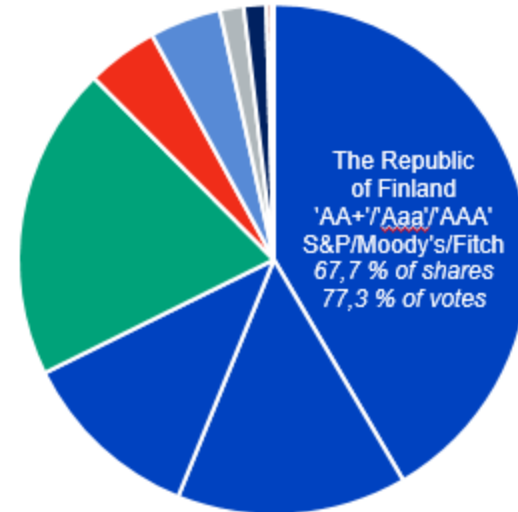
Fingrid has a proven track record of continuously executing its defined strategy

Legal structure



The Republic of Finland is the majority shareholder of Fingrid

- In 2011 the Republic of Finland acquired with the Mutual Insurance Company Ilmarinen 51,6 percent of shares in Fingrid for MEUR 650
- Currently the Republic of Finland owns 67,7 percent of Fingrid through direct ownership, State Pension Fund and National Emergency Supply Agency. Finnish insurance companies own 32,3 percent



■ The Republic of Finland (direct ownership: 41,6 %)
 ■ National Emergency Supply Agency (11,6 %)
 ■ Mutual Pension Insurance Company Elo (4,5 %)
 ■ LocalTapiola Mutual Insurance Company (1,5 %)
 ■ Imatran Seudun Sähkö Oy (0,3 %)

■ State Pension Fund (14,6 %)
 ■ Mutual Pension Insurance Company Ilmarinen (19,9 %)
 ■ Pohjola Insurance Ltd (4,5 %)
 ■ LocalTapiola Mutual Life Insurance Company (1,4 %)
 ■ Fennia Life Insurance Company (0,2 %)

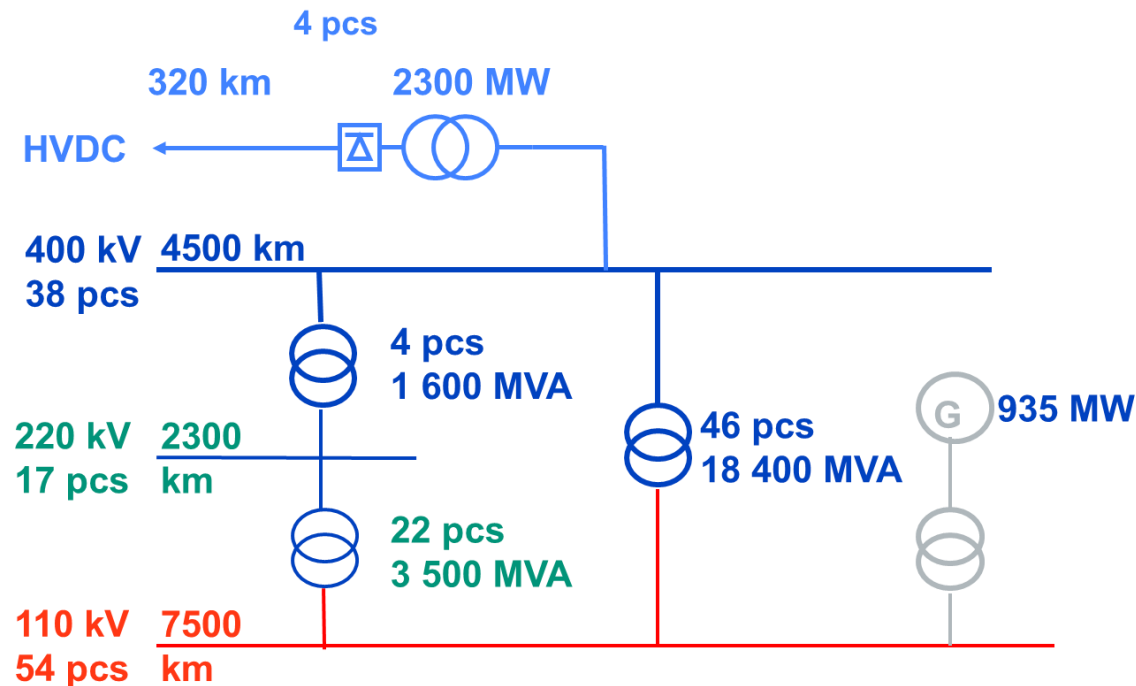
Fingrid is classified as a company with strategic importance to the state and where it has strategic interest

Operations

Description of operations

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Fingrid owns and operates the transmission network in Finland



Approximately 75% of electricity consumed in Finland is transmitted via Fingrid's network

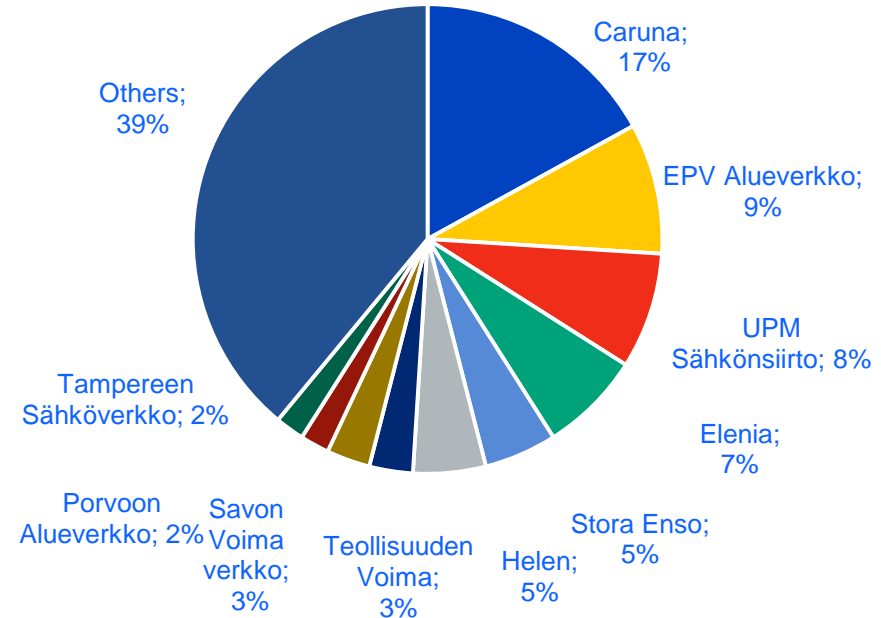
Fingrid is a part of ENTSO-E, European Network of Transmission System Operators for Electricity.

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

Transmission network client base consists of approximately 120 entities

- Customers comprise mainly of electricity producers, process industry and distribution network companies
- Fingrid is obliged to provide its customers a network connection point
- A grid service agreement with customers will be renewed by 2016
- Credit quality of customer base is strong

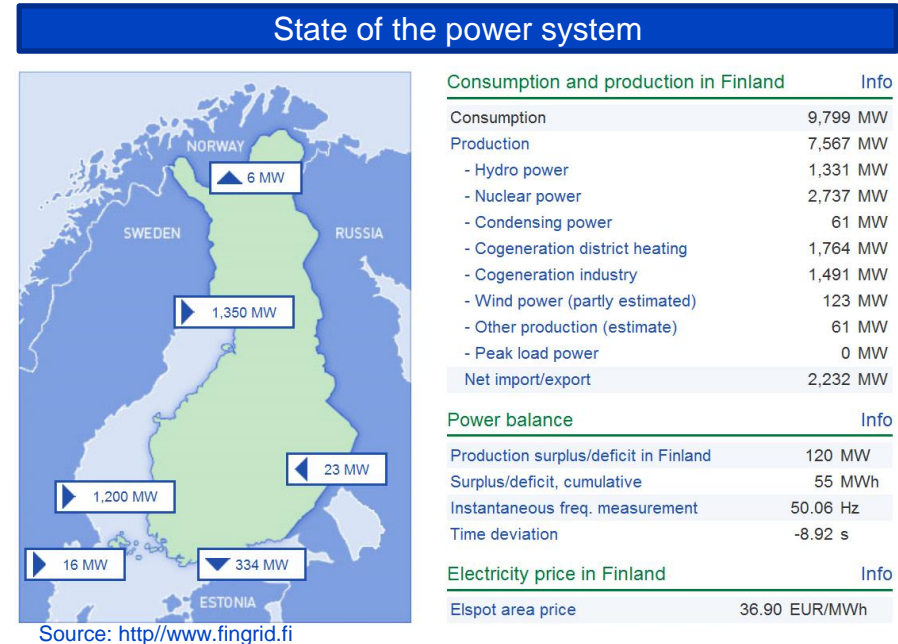
Top 10 customers by revenue



Ten largest customers account for 61 percent of the transmission network client base

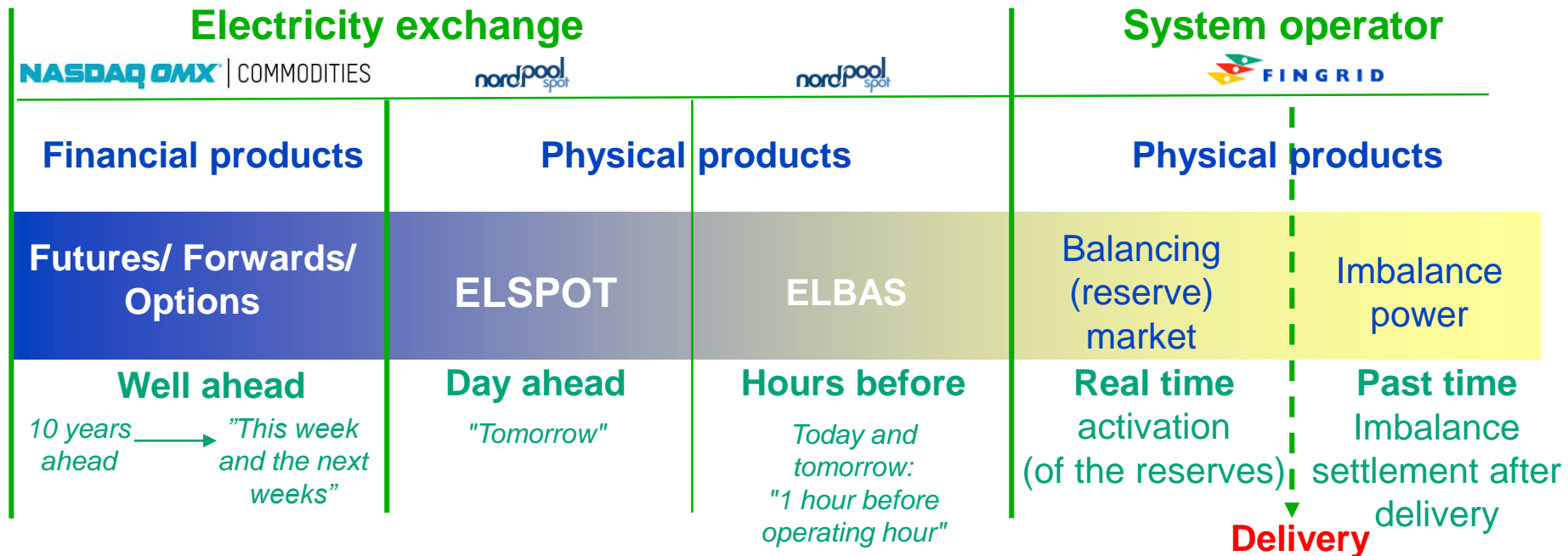
Fingrid continuously maintains production and consumption balance

- 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



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

Fingrid acts as the single buyer for electricity during the hour of delivery



Fingrid has a coupling to the electricity market through the balancing market

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 joint service company eSett, owned by TSOs in Finland, Sweden and Norway, is established for balance settlement

Establishment of eSett – a joint service company

12/18/2013 11:15 AM - Current News, Electricity Market, Power System

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 from the second half of 2015 dependent on regulatory changes and a subsequent preparation period for the market players. 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.

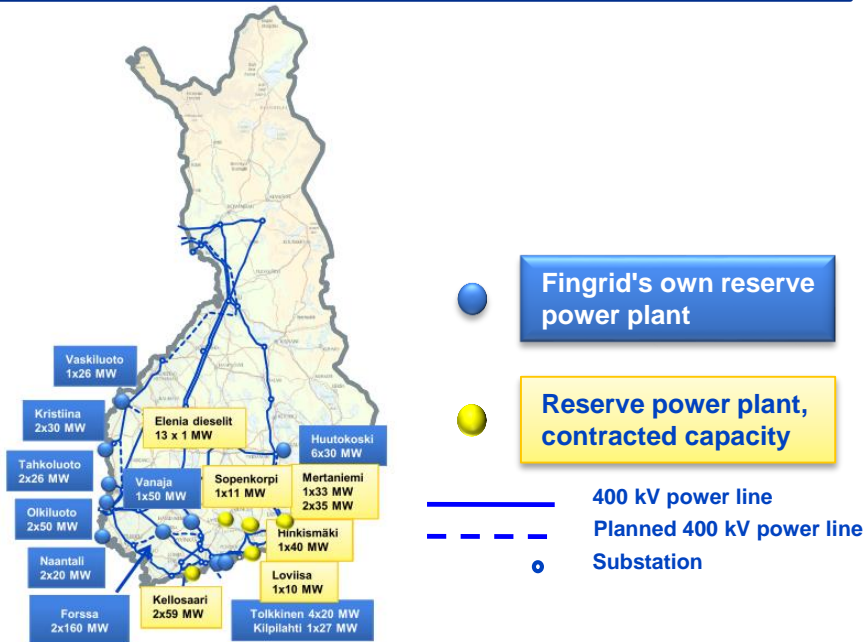
Source: <http://www.fingrid.fi>

Imbalance settlement in Finland, Sweden and Norway will be done by eSett, a joint service company

Fingrid owns an assortment of backup power plants

- Fingrid owns 935 MW of back up power plants and leases further 295 MW. All power plants can be activated within few minutes
- Back up power plants are not used for commercial operations in wholesale market but solely in network disturbance situations
- Fingrid's own power plants are included to 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 back up power plant portfolio

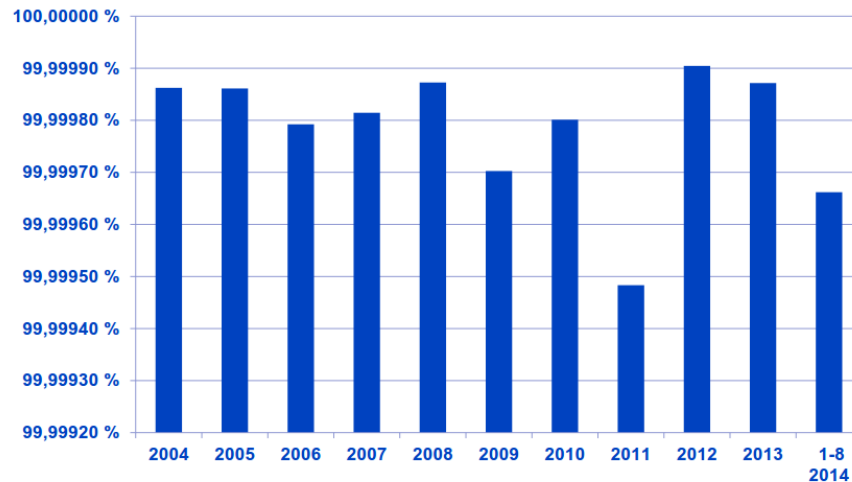


Fingrid's own back up power plants ensure reliable activation of reserves in disturbance situations

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

Transmission reliability



Transmission reliability = energy supplied / (energy supplied + energy not supplied due to disturbances)

The reliability of the Finnish power system is top class

Operations

Efficiency of operations

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Key efficiency drivers

Outsourced
operating model

Highly centralised
operations

Single IT platform for
asset management
(being implemented)

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's network is currently maintained by six service providers operating in the Nordic region

Network maintenance is outsourced



High operational efficiency is achieved through comprehensive outsourcing

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

Fingrid is implementing a new enterprise asset management platform

- Increasing operative efficiency
 - 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 (2015-)

Fingrid's conductors would reach around the globe 2,5 x



For a quick overview of the ELVIS asset management solution see video at:
<http://www.youtube.com> key in [BMM99tIYFBw](#)

A single asset management platform 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 second 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 2013 Fingrid's asset management again received Publicly Available Specification **PAS 55** certificate

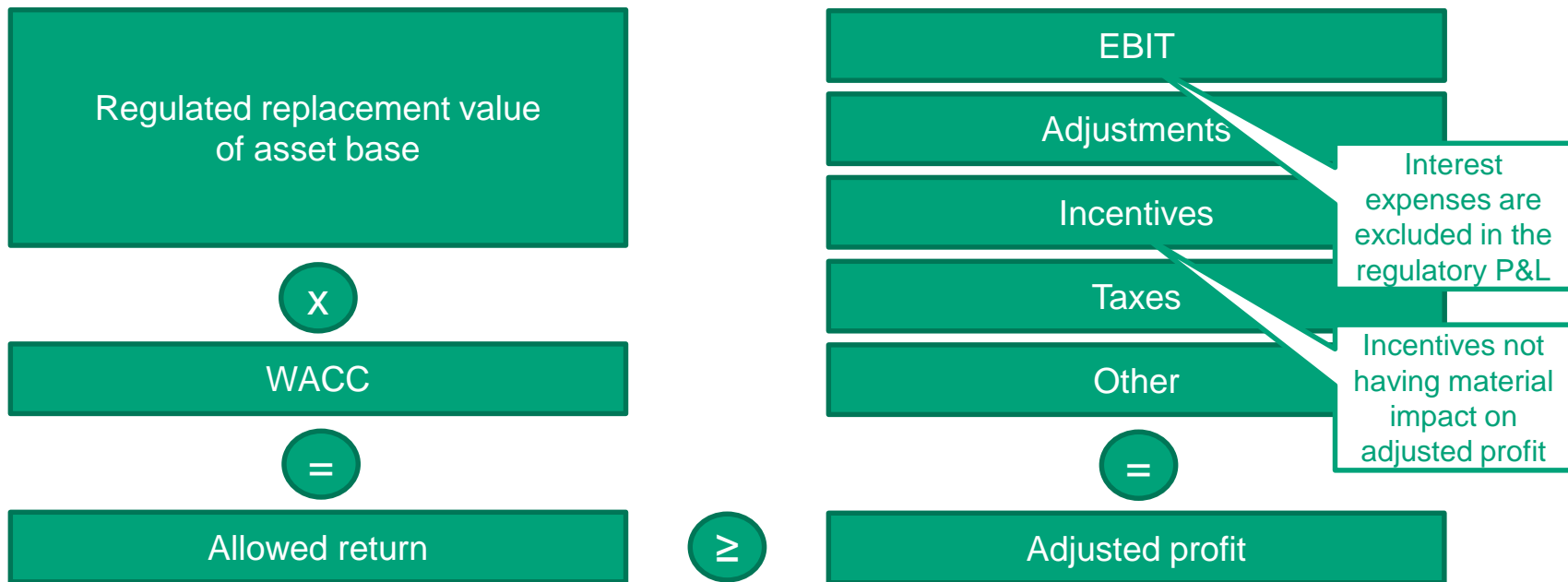
Fingrid holds the PAS 55 certificate and as achieved excellent success in ITAMS and ITOMS studies

Operations

Earnings model

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Fingrid's allowed return is driven by regulated WACC and asset base



Fingrid aims to equal adjusted profit and allowed return

Calculation of WACC in the regulatory period 2012-2015

Cost of equity

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

$$C_E = \text{Finnish 10y bond} - 1\% + 0,4 \times (1 + (1 - 20\%) \times 60/40) \times 5\% + 0,5\%$$

$$C_E = \text{Finnish 10y bond} + 3,9\%$$

Cost of debt

$$C_D = R_r + DP$$

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

$$C_D = \text{Finnish 10y bond}$$

WACC (post tax)

$$WACC_{\text{post-tax}} = C_E \times 40/100 + C_D \times (1 - t) \times 60/100$$

$$WACC_{\text{post-tax}} = (\text{Finnish 10y bond} + 3,9\%) \times 40/100 + (\text{Finnish 10y bond} \times (1 - 20\%)) \times 60/100$$

$$WACC_{\text{post-tax}} = \text{Finnish 10y bond} \times 0,88 + 1,56\%$$

Parameter	Value to be applied
Real risk-free rate (R_r)	Interest of 10-year Finnish government bond* less inflation component
Inflation component	1,0%
Asset beta ($\beta_{\text{debt free}}$)	0,4
Market risk premium ($R_m - R_f$)	5,0%
Liquidity premium (LP)	0,5%
Capital structure (D/E)	60/40
Risk premium of debt (DP)	1,0%
Tax rate (t)	20% (from 2014)

* Average of May in the previous year

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:

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

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 replacement 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

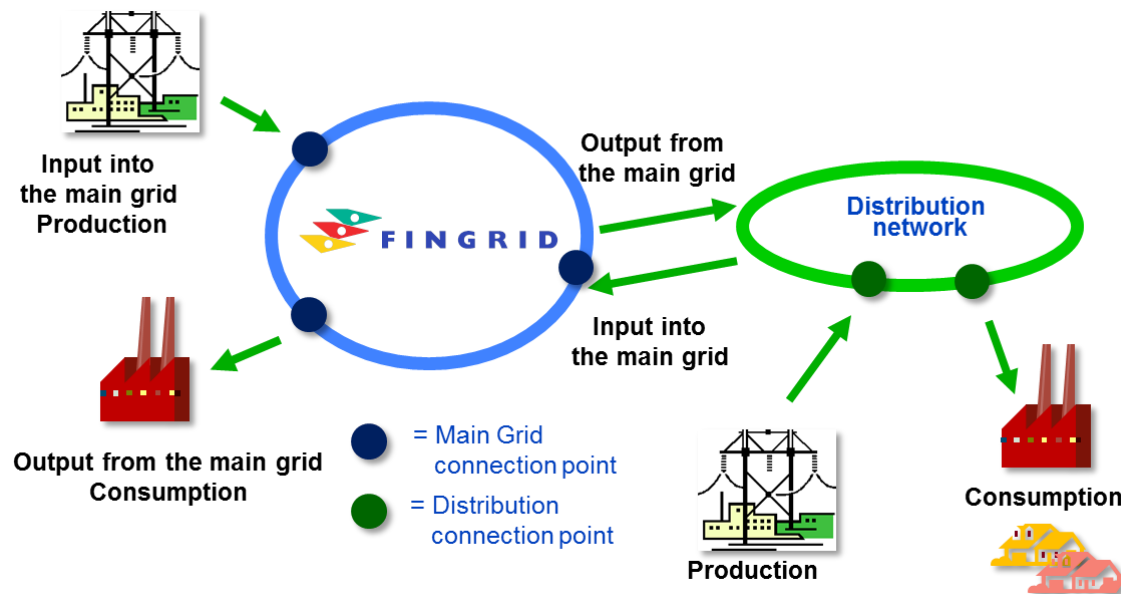
Operations

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	2015
Consumption, winter period	4,10
Consumption, other times	2,05
Use of grid, output from grid	0,9
Use of grid, input into grid	0,9

Winter period: 1.11.-31.3.
Other seasons: 1.4.-31.10.

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%

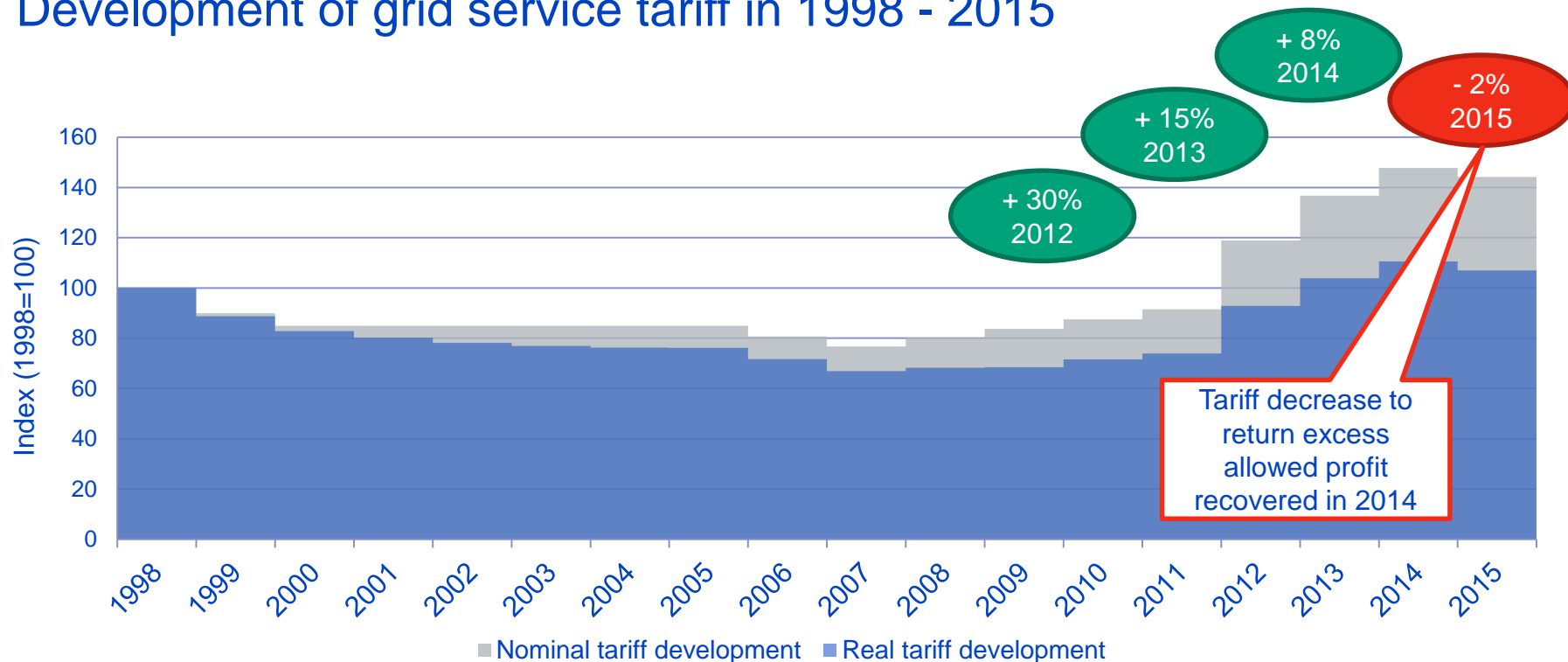
Grid service tariff

Frequency controlled
disturbance reserve
90%

Fast disturbance
reserve
90%

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

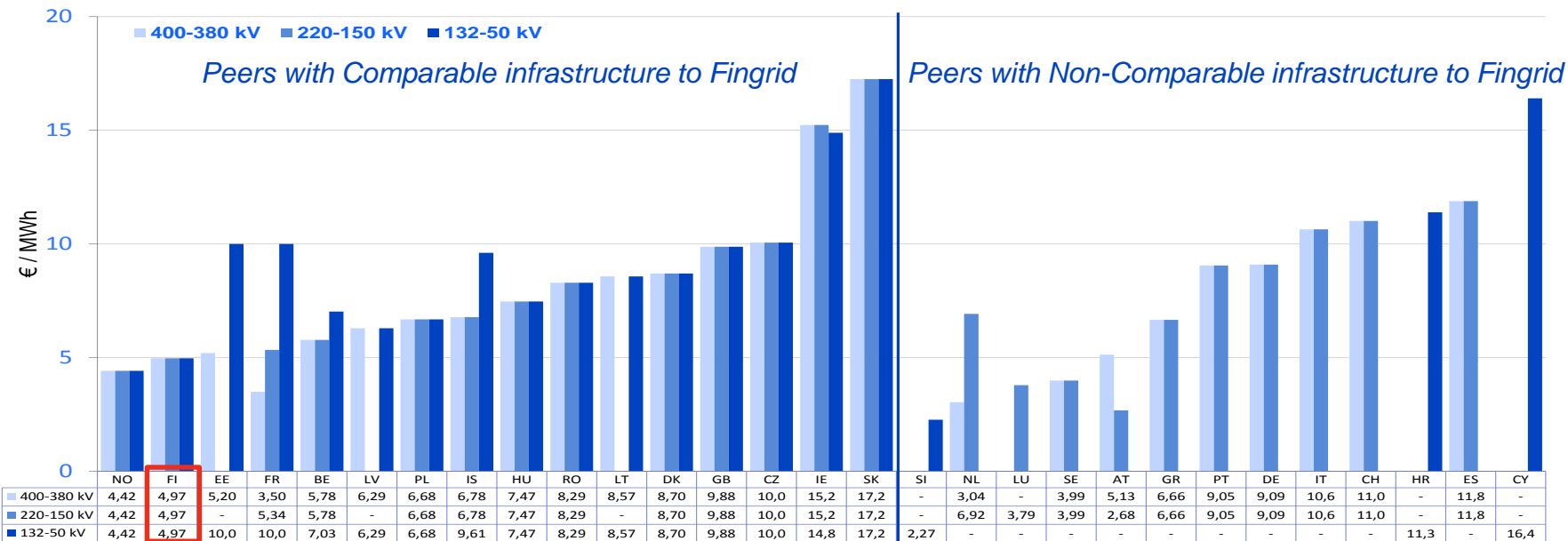
Development of grid service tariff in 1998 - 2015



Tariffs have been increased because of the strategic goal to reach maximum allowed return 2014 onwards

Transmission charges from generation to consumption

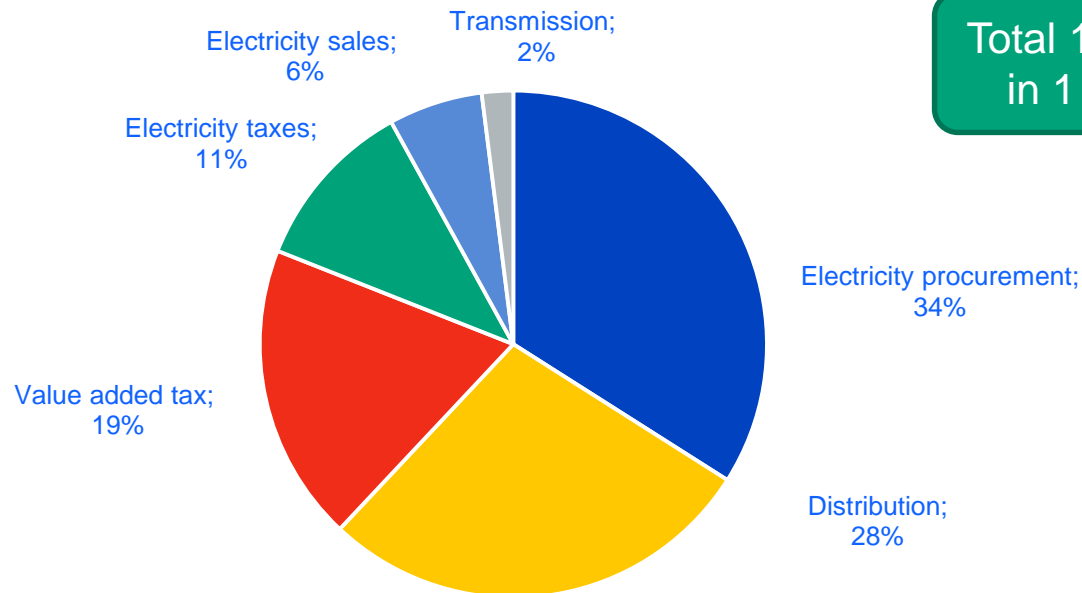
Transmission charges from generation to consumption in Europe 2014 - including EU and ETA countries



Source: Entso-E

Fingrid's charges from generation to consumption are lower than most of its European peers

Breakdown of end user electricity bill in Finland



Total 15,47 cents/kWh
in 1 January 2013

Source: Energy Authority

Fingrid's share of consumer price is approximately two percent

Operations

Capex

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Investments are based on ten year grid development plans

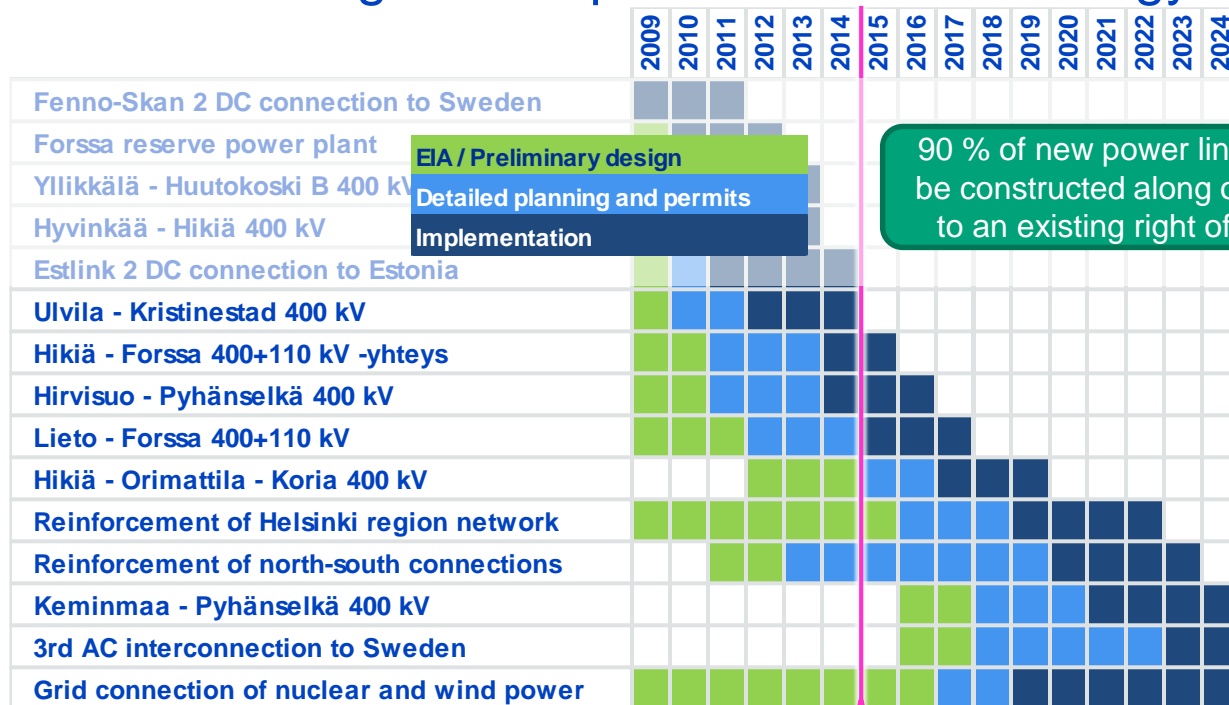
- Grid development plans are prepared at three levels i.e. European, regional and national
- Fingrid decides on investments based on customers' needs, transmission system security and network capacity
- Fingrid's network construction is contracted with fixed price contracts
- Before network construction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

Keminmaa – Petäjäskoski transmission line



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

Flexible and long term capital investment strategy



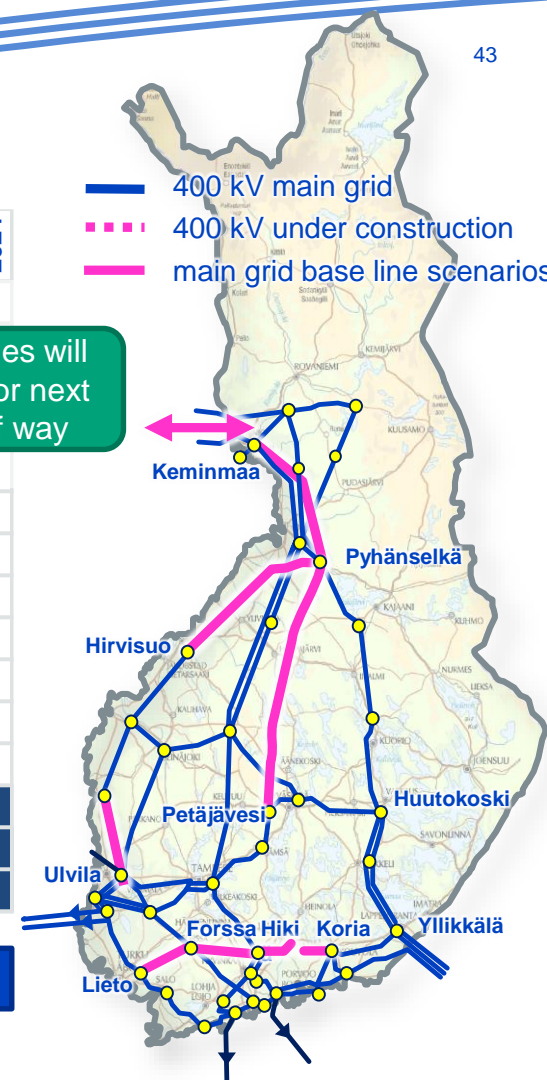
EIA / Preliminary design

Detailed planning and permits

Implementation

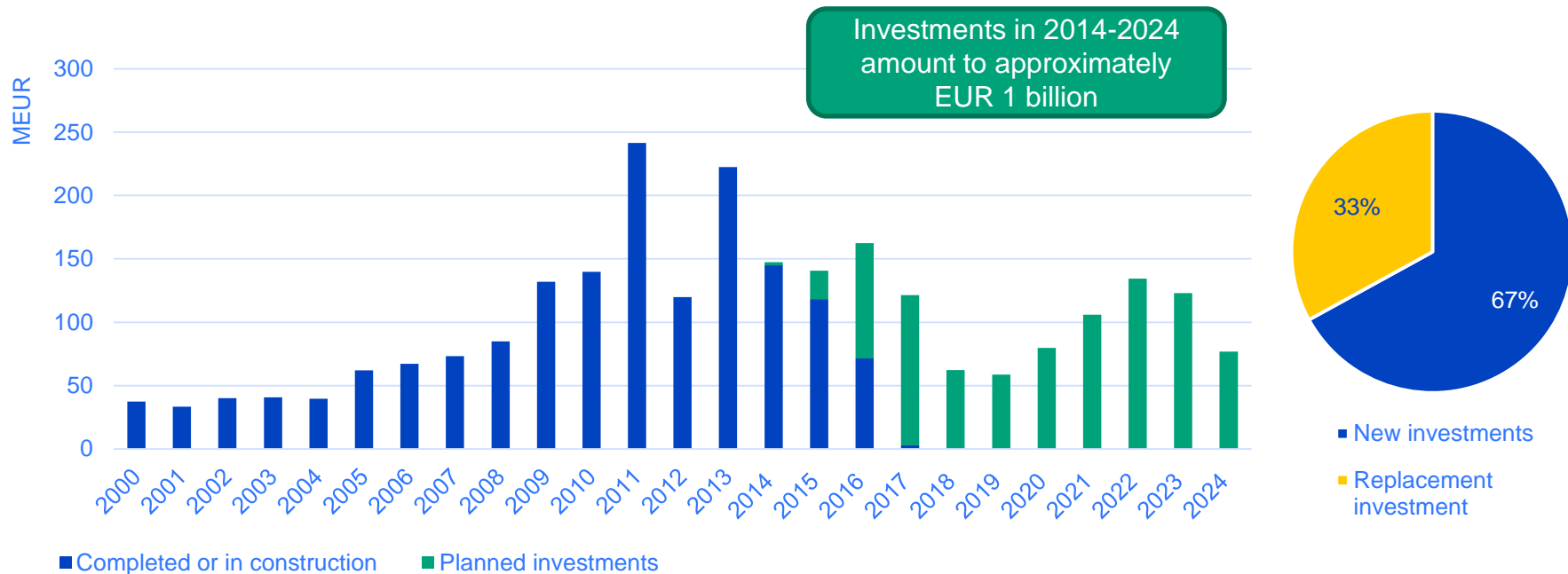
90 % of new power lines will be constructed along or next to an existing right of way

- 400 kV main grid
- - - 400 kV under construction
- main grid base line scenarios


Note: [Click](#) to view National ten year grid development plan Finland 2012

Planning horizon for investments exceeds ten years

Investments in 2000 - 2024



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

Operating environment

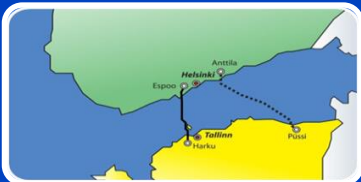
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Fingrid's operating environment in three geographical levels



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
- 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



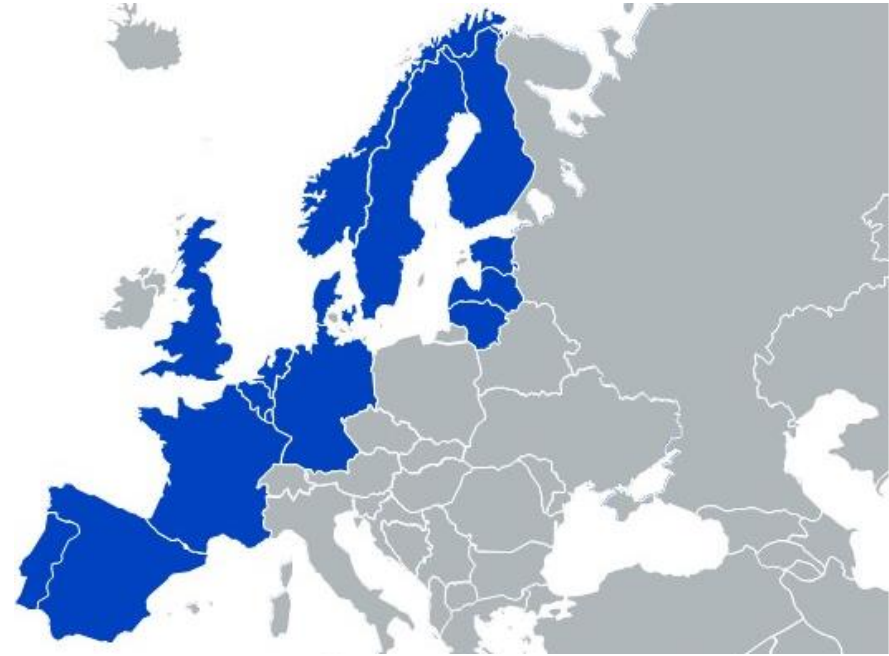
Finland

- 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

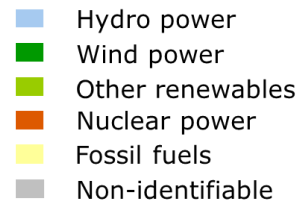
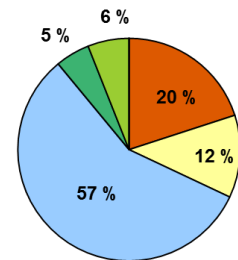
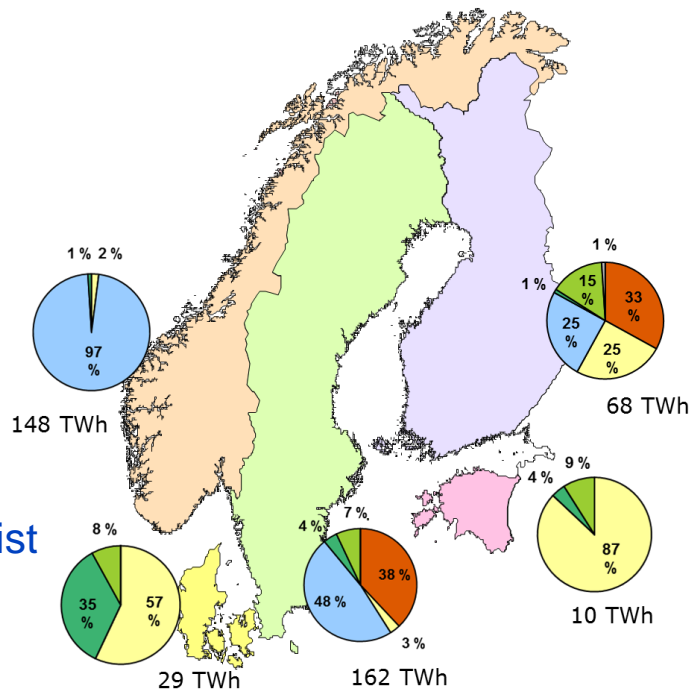
Market coupling



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

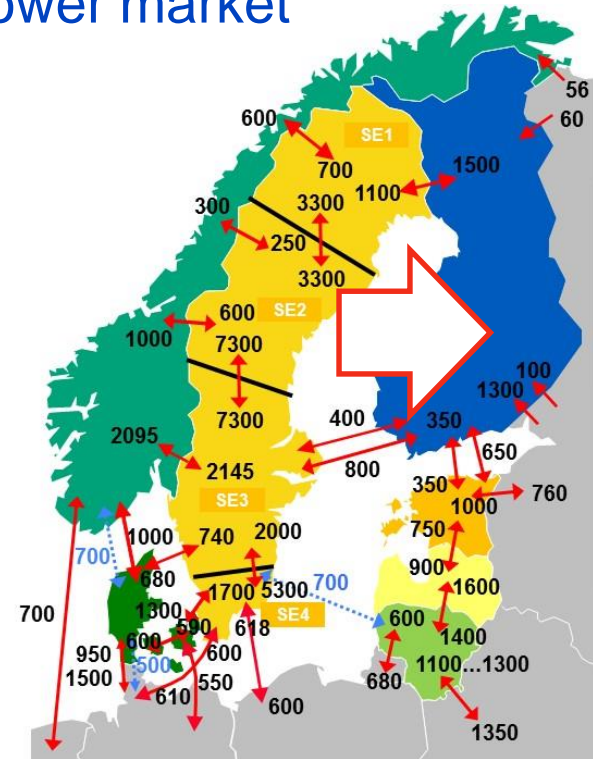


Source: ENTSO-E

Nordic electricity price is driven by hydrological conditions in Scandinavia

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

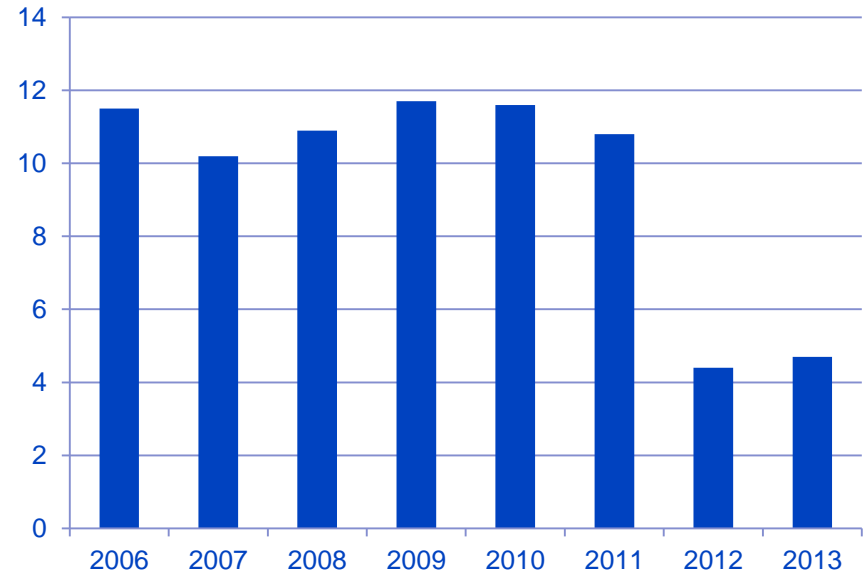


Finland is a net importer of electricity mainly from Scandinavia

Cross border transmission between Finland and Russia

- Over 30 years a continuous flow 1300 MW from Russia due to low price
- Imports from Russia are currently low
 - Russia now has capacity payment of around EUR 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

Annual electricity export from Russia to Finland (TWh)

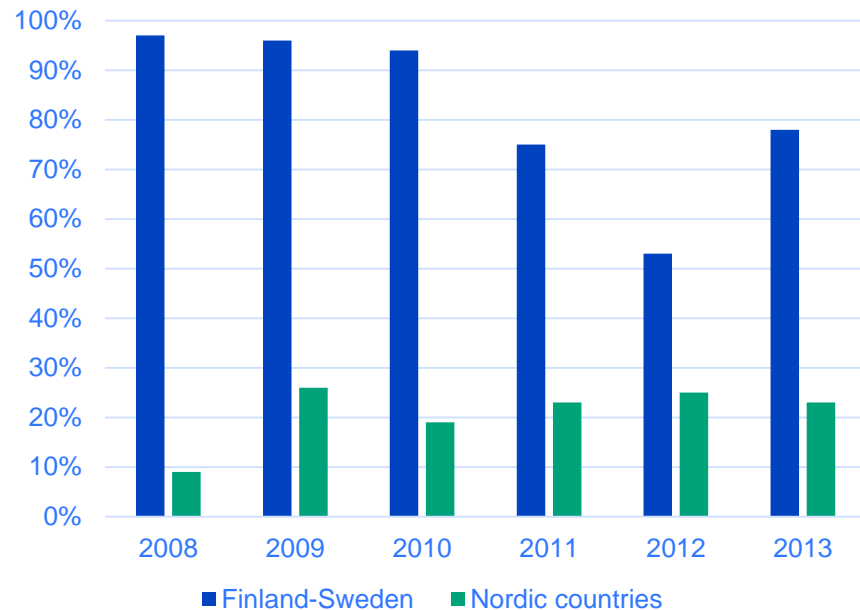


Finland's cross border transmission with Russia is driven by power market development in EU and Russia

The Baltic Sea region* forms a single market area

- In 2013 a single price area between Finland and Sweden existed 78 percent of the time and 23 percent of the time between all the Nordic countries
- Congestion income for the TSOs is generated when cross border transmission capacity is constrained. Congestion income is split between TSOs and used for developing further cross border transmission capacity

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

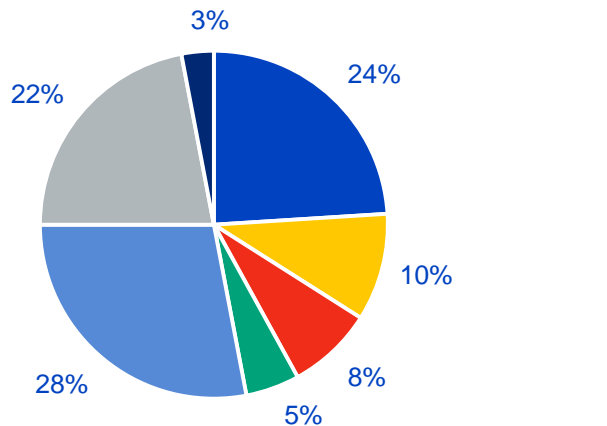


* Finland, Sweden, Norway, Denmark, Poland, Estonia, Latvia, Lithuania

Congestion income is used for developing further cross border transmission capacity

Electricity consumption in Finland

Consumption in 2013



- Wood processing industry
- Metal processing industry
- Chemical industry
- Other industries
- Housing and agriculture
- Services and construction
- Transmission losses

Source: Finnish Energy Industries

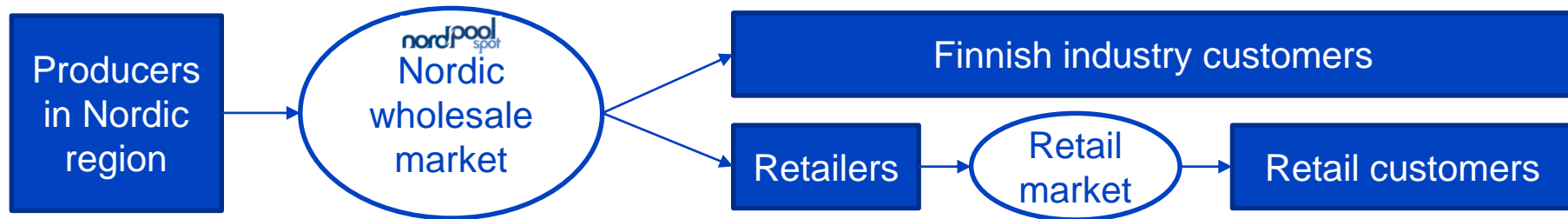
Fingrid continuously maintains production and consumption balance

Electricity production was 68 TWh in Finland in 2013. Electricity imports accounted 16 TWh or 19% of total consumption

Energy intensive industry is a major consumer in Finland

Market structure and business areas in the Baltic Sea area

National transmission system operators



Finnish electricity distribution companies

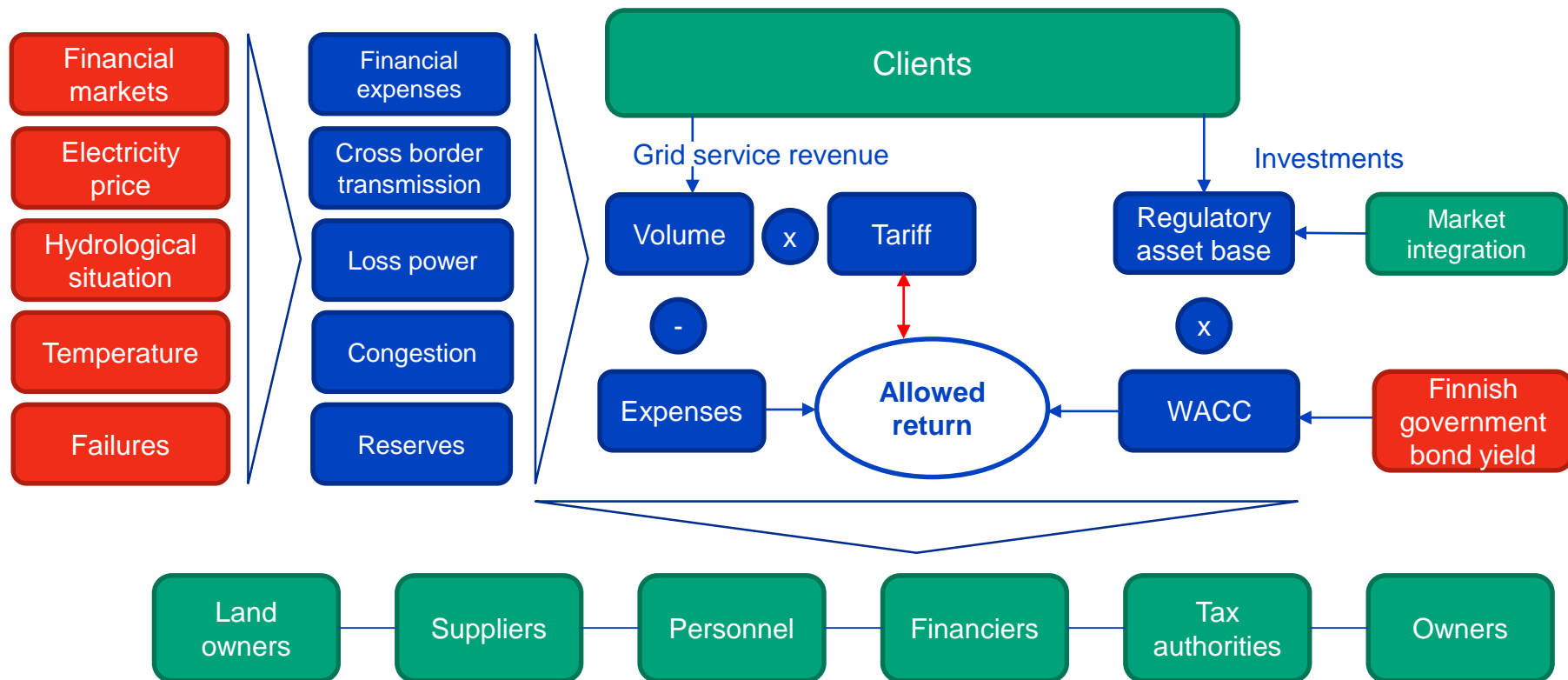
Power generation is unregulated whereas transmission and distribution is regulated by national authorities

Financials

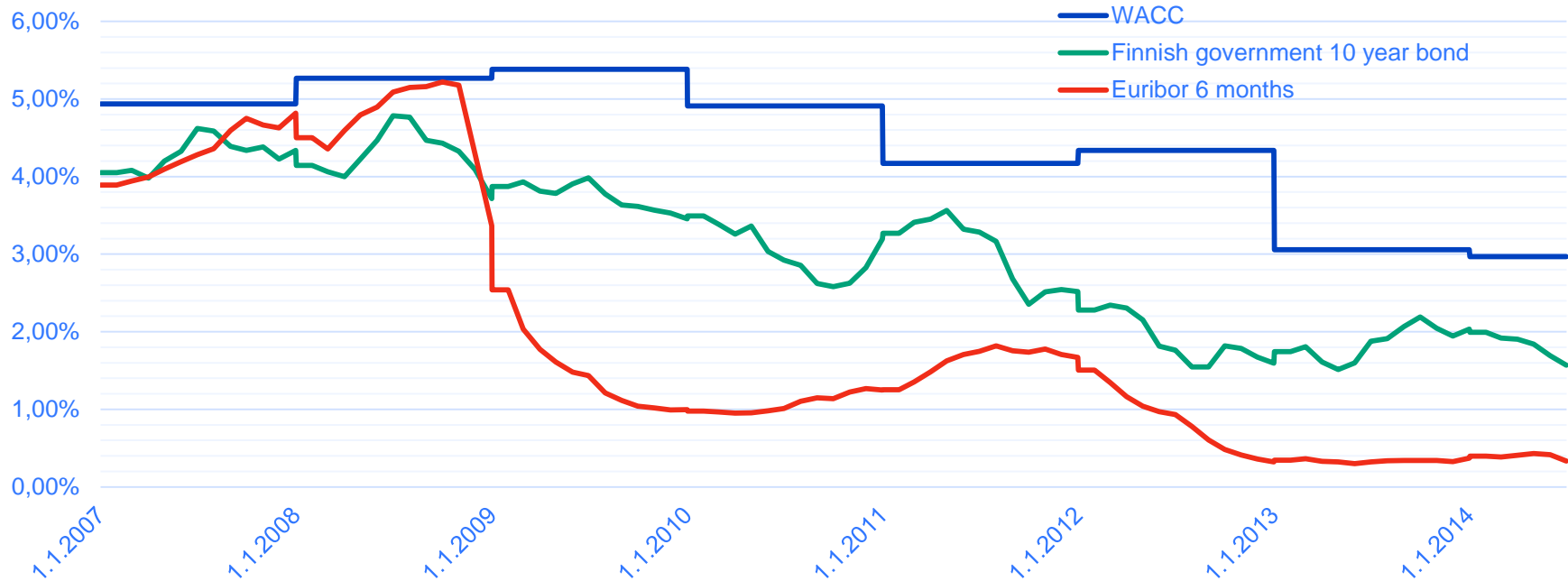
Financial performance

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Main economic drivers of transmission network operations

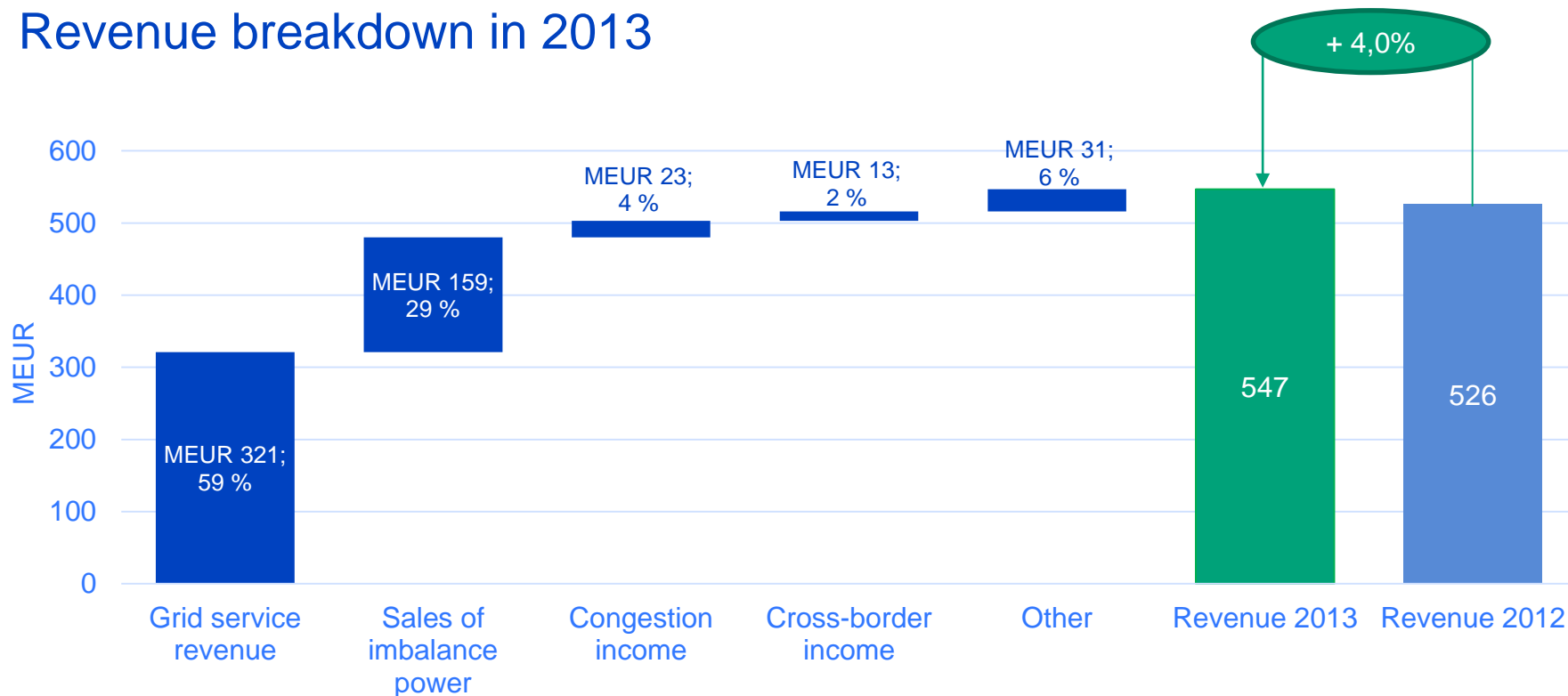


The WACC is driven by market rates

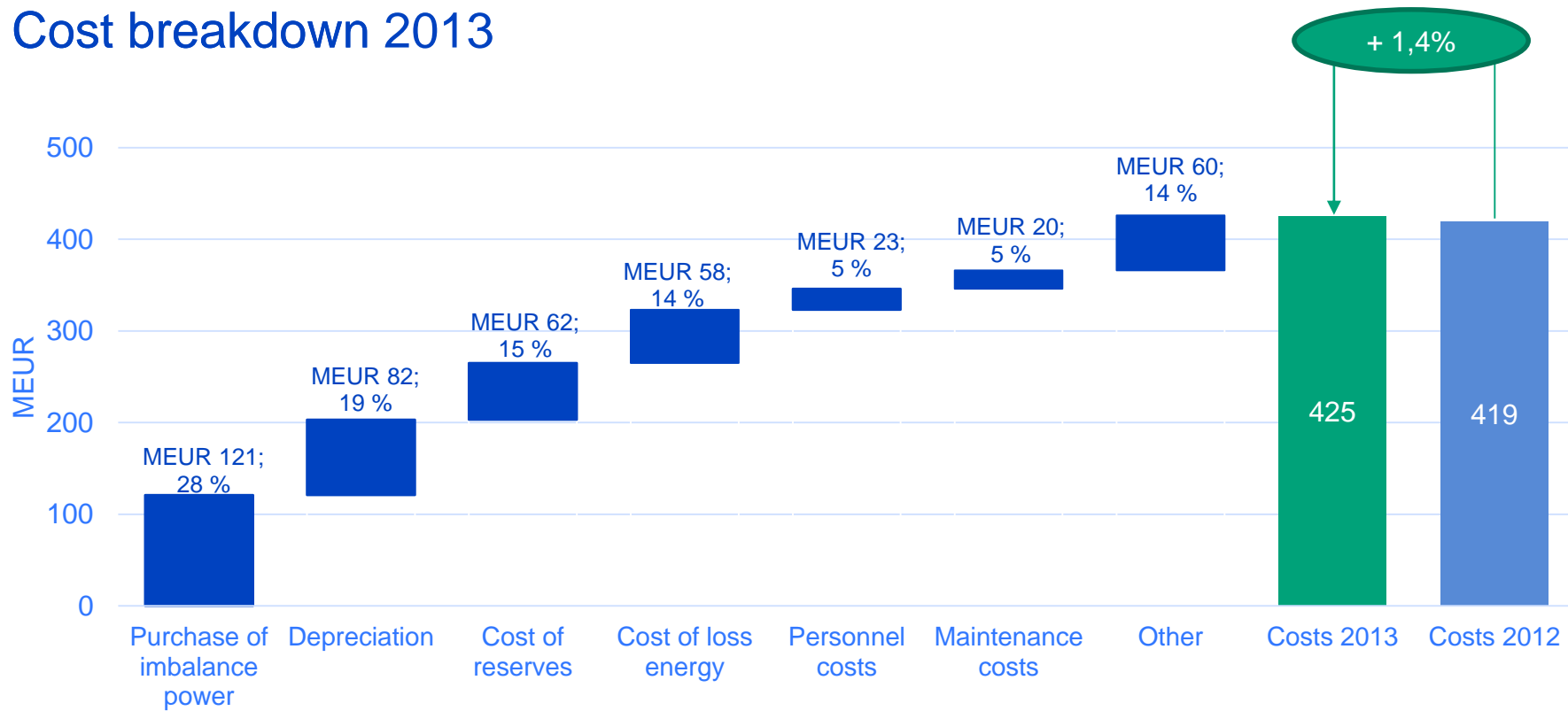


Finnish government 10 year bond yield, i.e. the risk free rate in WACC, varies annually

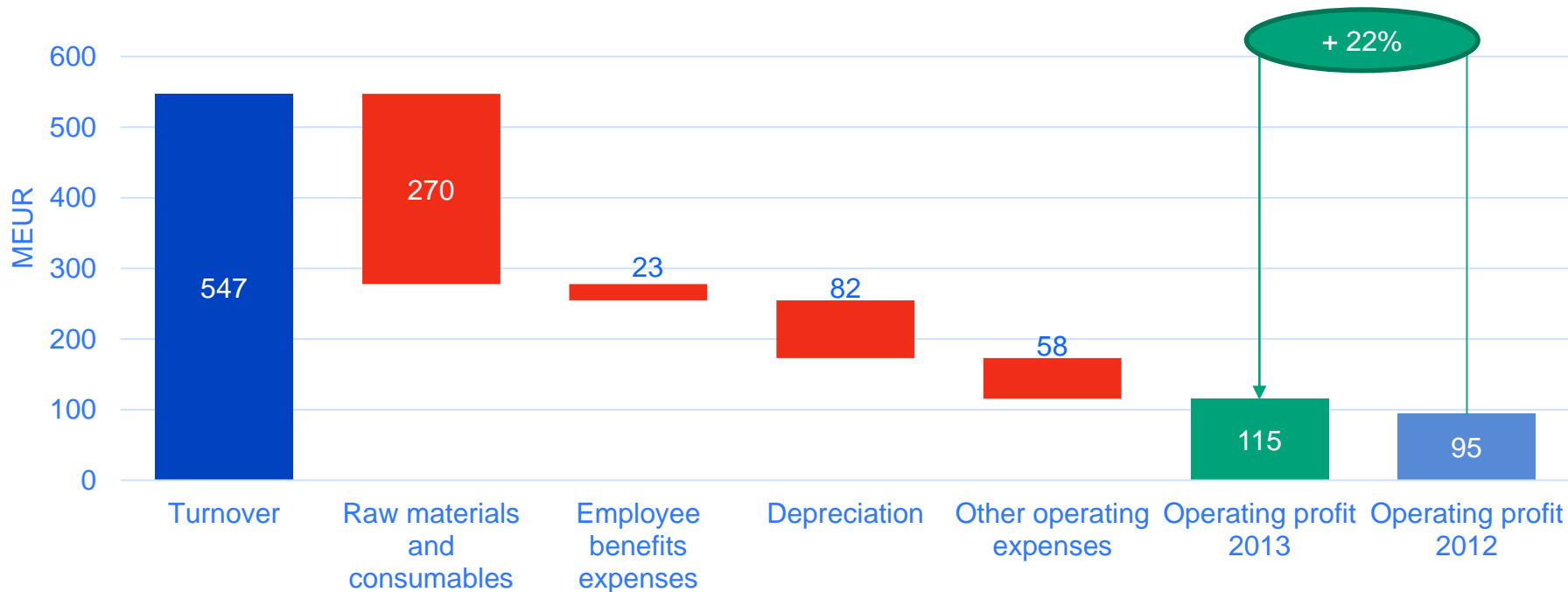
Revenue breakdown in 2013



Cost breakdown 2013



Operating profit in 2013



Fingrid Oyj consolidated profit and loss (IFRS)

- Turnover has increased in because of tariff increases 2010-2013
- Employee expenses continuously at low level due to outsourced operating model

IFRS profit and loss 2010 – 2013 in MEUR				
	2013	2012	2011	2010
TURNOVER	547	526	441	463
Raw materials and consumables used	-270	-267	-242	-254
Employee benefits expenses	-23	-22	-20	-20
Depreciation	-82	-76	-68	-67
Other operating expenses	-58	-66	-55	-48
OPERATING PROFIT (EBIT)	115	95	57	74
EBIT-%	21 %	18 %	13 %	16 %
Finance income and costs	-29	-7	-23	-18
PROFIT BEFORE TAXES	87	88	34	56
Income taxes	3	-21	-1	-15
PROFIT FOR THE FINANCIAL YEAR	91	67	33	42
Other comprehensive income *	-5	6	-33	31
TOTAL COMPREHENSIVE INCOME	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 – 2013 has been driven by investments

IFRS assets 2010 – 2013 in MEUR				
	2013	2012	2011	2010
Intangible assets	181	179	178	178
Tangible assets	1 623	1 485	1 420	1 253
Investments (associated companies and available for sale)	11	9	8	8
Receivables	60	103	77	90
NON-CURRENT ASSETS	1 875	1 776	1 683	1 529
Inventories	11	10	7	6
Derivative instruments	2	4	14	295
Trade receivables and other receivables	76	88	65	58
Financial assets recognised in income statement at fair value	195	207	202	218
Cash and cash equivalents	22	6	1	4
CURRENT ASSETS	307	316	289	286
TOTAL ASSETS	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 2010-2013

IFRS liabilities 2010 – 2013 in MEUR				
	2013	2012	2011	2010
Share capital and premium	112	112	112	112
Retained earnings	542	465	409	382
Other equity	-12	-7	-13	20
EQUITY	643	570	507	514
Borrowings	975	1 032	845	878
Other non-current liabilities	160	185	177	267
NON-CURRENT LIABILITIES	1 136	1 217	1 022	1 029
Borrowings	319	212	379	199
Derivative instruments	16	11	670	481
Trade payables and other liabilities	70	83	64	72
CURRENT LIABILITIES	404	305	443	272
TOTAL EQUITY AND LIABILITIES	2 182	2 092	1 972	1 815

Balance sheet has remained stable in 2010-2013

Fingrid Oyj consolidated cash flow (IFRS)

- Operating cash flow has covered approximately two thirds of the investment cash flow in 2010-2013

IFRS cash flow 2010 – 2013 in MEUR				
	2013	2012	2011	2010
Cash flow from operations	202	181	130	138
Change in working capital	-43	-37	-34	-24
Net cash flow from operations	159	145	96	115
Net cash flow from investments	-226	-146	-244	-127
Net borrowings	84	22	138	37
Dividends paid	-13	-11	-7	-7
Net cash flow from financing activities	71	11	131	30
Net change in cash and cash eqv.	3	10	-18	18
Cash and cash equivalents 1 Jan	214	204	222	204
Cash and cash equivalents 31 Dec	217	214	204	222

Operating cash flow has been mainly utilized to finance investments in 2010-2013

Financials

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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

Dividend policy was redefined in June 2014

- The guiding principle is to distribute substantially all of the parent company profit as dividend
- Prevailing conditions and investment needs are always considered before taking decision on dividend to be paid

Dividend policy

"Fingrid Oyj's Board of Directors has unanimously approved Fingrid Oyj's dividend policy on 6.6.2014.

The purpose of Fingrid's dividend policy is on one hand to ensure that the shareholders receive a reasonable return on their invested capital and on the other hand to maintain the company's financial position at a level that enables long-term implementation of the strategy and supports operative flexibility.

The guiding principle for Fingrid's dividend policy is to distribute substantially all of the parent company profit as dividend. When making the decision, however, the economic conditions, the company's near term investment and development needs as well as any prevailing financial targets of the company are always taken into account."

Source: Fingrid stock exchange release 6 June 2014

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

Fingrid debt programme overview

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

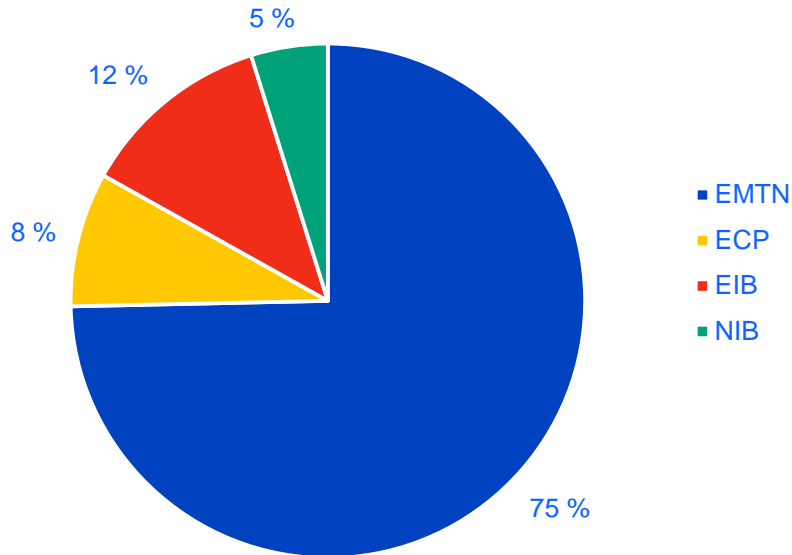


- MEUR 250 Revolving Credit Facility (RCF) provided by the dealers. The facility supports the company's liquidity reserve and is undrawn
- Long-term bilateral loans are provided by the European Investment Bank (EIB) and Nordic Investment Bank (NIB)

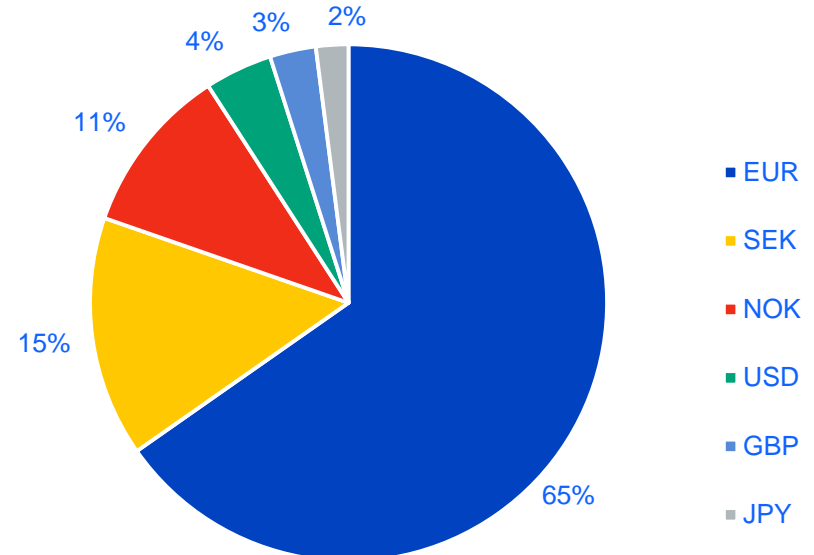
Fingrid is a seasoned issuer on international private and public debt capital markets

Debt capital markets are the primary source of funding for Fingrid

Breakdown of total debt as of 30 September 2014



Total debt by original currency* as of 30 September 2014



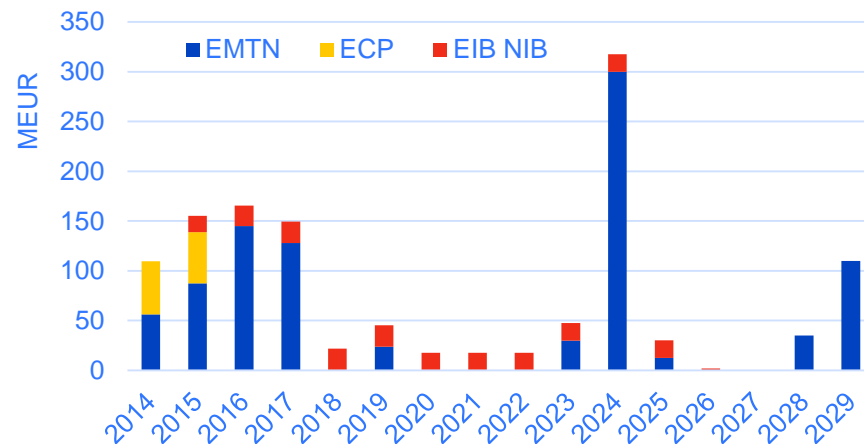
* All debt is swapped to euros, i.e. hedge ratio for debt portfolio is 100 %

Fingrid's long term financing is sourced mainly under EMTN program and in euros

Fingrid's debt maturity profile extends until 2029

- Fingrid aims to maintain a well distributed debt maturity profile
- Short term debt consisted of MEUR 105 of ECP issuance, MEUR 126 of EMTN private placement maturities and MEUR 4 of NIB loan amortizations
- Fingrid issued a MEUR 300 Eurobond in 2012 to international investors
- In 2014 Fingrid issued two 15 year private placements of MEUR 110 in total to institutional debt investors
- Long term debt maturity on any single year cannot exceed 30 percent of total debt

Debt maturity profile as of 30 September 2014



Short term debt	19% of total	MEUR 235
Long term debt	81% of total	MEUR 1 014
Total gross debt		MEUR 1 249

Debt maturity profile is well distributed

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Fingrid has high credit ratings and stable outlook

	S&P	Moody's	Fitch
Date	14.10.2014	9.12.2014	6.11.2014
Outlook	Stable	Stable	Stable
Issuer rating	A+	A1	A
Senior unsecured debt	A+	A1	A+
Short – term	A -1	P-1	F1
Uplift from state ownership	1 notch	1 notch	No uplift

Key rating factors according to the rating agencies

- **Moody's**
 - (1) The low business risk profile of its regulated electricity transmission network operations
 - (2) The well-established, stable and transparent regulatory framework, which supports good visibility of cash flows
 - (3) The support of the majority owner, the Finnish government
- **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



Powering Finland.

