MOODY'S
INVESTORS SERVICE

Rating Action: Moody's affirms A1/P-1 ratings of Fingrid; stable outlook

Global Credit Research - 09 Dec 2014

London, 09 December 2014 -- Moody's Investors Service, ("Moody's") has today affirmed the A1/P1 issuer and senior unsecured ratings of Fingrid Oyj (Fingrid). The outlook on all ratings is stable.

RATINGS RATIONALE

The affirmation of Fingrid's A1/P-1 ratings reflects the increase in operating cash flows over 2012-14 as a result of charging higher tariffs, a shift towards generating profits in line with the regulatory allowed profit set by the Finnish regulator. Following tariff increases of 15%, 30% and 8% respectively over the past three years, the transition has been fully implemented as of January 2014. The improving financial profile at an operating level is, however, somewhat constrained by Fingrid's decision to distribute substantially all its parent company profit as dividend. Nonetheless, Moody's expects that Fingrid will maintain a conservative and flexible financial policy to support its operating strength and the implementation of its long term strategy.

The affirmation factors in Moody's expectation that the company will generally maintain future funds from operations (FFO)/net debt in the range of 14% to 16% and retained cash flow (RCF)/net debt of at least 10% to support the current ratings. Moody's takes into account, however, that RCF/net debt may dip below 10% in 2014 and 2015 as a result of (1) the extraordinary dividend of EUR82 million paid following the clarification of the dividend policy in 2014 and the deferral of most dividends in 2013 to absorb high capex; and (2) a 2% cut in tariffs in 2015 to compensate for slight profit over-recovery owing in part to high congestion charges.and lower than expected reserve costs in 2014.The ratings also balance these potentially slightly weaker ratios against the fact that the company will enter a more moderate capital expenditure programme focused on grid reinforcement of an average of around EUR150 million per annum over the 2014-17 period. This is in contrast with the high investment of EUR231 million spent in 2013 to complete Estlink 2 and additional reserve capacity.

In addition, the A1/P-1 ratings reflect (1) the low business risk profile of Fingrid's regulated electricity transmission network operations; (2) the well-established, stable and transparent regulatory framework, which supports good visibility of cash flows; and (3) the support of the majority owner, the Finnish government (Aaa/stable).

The regulatory regime in Finland is very supportive, providing a return on regulatory allowed assets, as well as an allowance for operating costs, outage costs and balancing costs. Fingrid's tariffs can be altered on an yearly basis in order to meet the regulator's allowed return in the case of under- or over-recovery. Any further adjustment needed at the end of the regulatory period, currently 2012-15, can be carried over into the next period.

Moody's provides one notch of uplift to Fingrid's Baseline Credit Assessment of a2, based on the application of our rating methodology for government-related issuers ("GRIs"). Moody's continues to view the probability of extraordinary support by the Government of Finland as moderate, notwithstanding the increase in ownership to 53% direct ownership in April 2011, from 33% direct and indirect ownership, given the government's non-interventionist approach.

The stable rating outlook reflects Moody's expectation that Fingrid's financial profile will improve to being comfortably in line with the guidance of FFO/net debt of 14-16% and RCF/net debt of 10% or over. The stable outlook also assumes there is no negative change in the supportiveness of the regulatory environment in the next regulatory period commencing in 2016.

WHAT COULD CHANGE THE RATING UP/DOWN

Positive pressure on Fingrid's rating could develop if the company's FFO/net debt and RCF/ net debt ratios were to rise to around high teens and low to mid-teens respectively although Moody's notes that this is unlikely given the company's policy to pay out most of its retained earnings in dividends.

Moody's could downgrade the rating in the event that Fingrid's metrics were to fall below FFO/net debt of 14-16% and RCF/net debt of 10% on a sustained basis.

Moreover, an increase in either business or financial risk, potentially through an increase in the size or complexity of the capital programme, or a move downwards in yield on the Finnish government bond, which is the benchmark for deriving the company's weighted average cost of capital, could increase the challenges to the company's business and/or financial profile. Moody's cautions that negative pressure could develop on the rating in the event that the company failed to demonstrate sufficient financial flexibility, for example, in its dividend policy, to compensate for such increased pressures should they arise.

Moody's notes that the single notch of uplift to the BCA under the rating agency's methodology for GRIs would be unlikely to be reduced in the event of a limited fall in the ratings of the Finnish government.

The methodologies used in this rating were Regulated Electric and Gas Networks published in November 2014, and the Government-Related Issuers published in October 2014. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

Fingrid Oyj ("Fingrid", A1/P-1, stable) is the transmission system operator and owner of Finland's high-voltage electricity assets and interconnectors. It also owns an 18.8% stake in Nord Pool Spot AS, the Nordic electricity exchange.

Fingrid was established in 1997 out of the transmission assets of the electric utilities IVO, now the 50% state-owned Fortum Oyj (A2 negative), Finland's largest utility, and PVO. Following a change in shareholdings on 19 April 2011, the state of Finland is the majority owner of Fingrid, owning 53% of shares, with the balance held by institutional investors, including Finnish pension fund Ilmarinen (19.9%). The change of ownership reflected the EU requirement that the ownership of transmission assets is unbundled from generation and supply companies by March 2012.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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Helen Francis
VP - Senior Credit Officer
Infrastructure Finance Group
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Neil Griffiths-Lambeth
Associate Managing Director
Infrastructure Finance Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454