

FINGRID OYJ
www.fingrid.fi

26.4.2018, at 10:00 a.m
EET

FINGRID GROUP – MANAGEMENT’S REVIEW 1 JANUARY - 31 MARCH 2018

Fingrid follows a six-month reporting period as referred to in the Securities Markets Act and publishes management reviews for the first three and nine months of the year; the Management Reviews contain key information illustrating the company’s financial and other development. The information presented in the Management’s Review relates to the Fingrid Group’s performance in January-March 2018 and the corresponding period of 2017, unless otherwise indicated. The figures presented here have been drawn up in accordance with International Financial Reporting Standards (IFRS). The IFRS 15 standard, applied by Fingrid as of 1 January 2018, does not have significant impacts on the company’s financial result and balance sheet. The Management’s Review is not an interim report in accordance with the IAS 34 standard. The figures are unaudited.

- Fingrid’s January-March proceeded according to expectations.
- Turnover during the period under review amounted to EUR 260.6 (193.0) million and operating profit, excluding the change in the fair value of derivatives, amounted to EUR 95.4 (88.1) million.
- The company’s profitability and liquidity remained at a good level.

CEO Jukka Ruusunen: Finland’s national grid operated reliably throughout the winter

Finland’s national grid operated reliably throughout the winter, with no major disturbances. The country’s electricity consumption peaked at approximately 14,000 megawatts on the 28th of February. The sufficiency of electricity was not in jeopardy during the peak consumption period. Finland continues to be dependent on imported electricity, with roughly a quarter of the peak load imported.

The focus of Fingrid’s investment programme during the first months of the year has been on renewing the first transmission line in Finland, originally built in the 1920s and dubbed the ‘Iron Lady’. The project will be completed during 2019, coinciding with the impressive 90th anniversary of Finland’s grid system. The Vantaa Länsisalmi substation inaugurated in late March will improve the reliability of electricity supply in the capital region.

We once again excelled in the international benchmarking study on the quality and cost-effectiveness of the maintenance management of transmission lines and substations. Our operational model, which combines the high expertise level of our personnel with service providers’ competences, continues to yield great results.

As intermittent, renewable electricity production increases, balancing production and consumption will require structural changes in the electricity markets. In future, power trading will take place closer to the hour of consumption. We concluded a co-operation agreement with the other Nordic transmission system operators (TSOs) in early March on developing a new Nordic balancing concept. The agreement defines the principles on which the future joint Nordic markets for reserve and regulating power will be built over the next three years.

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Key figures

€M	1-3/18	1-3/17	change %	1-12/17
Turnover	260.6	193.0	35.0	672.0
Operating profit*	95.4	88.1	8.2	175.9
Profit before taxes	95.6	73.3	30.5	163.7
Profit for the period	76.3	58.5	30.3	130.8
Capital expenditure, gross	21.6	23.6	-8.1	111.1
Net cash flow from operations**	106.3	97.9	8.5	125.8
Interest-bearing net debt	888.9	929.8	-4.4	998.9
Balance sheet total	2,198.7	2,160.9	1.8	2,113.3
Equity ratio %	32.6	38.1		37.8

* Operating profit excluding the change in the fair value of derivatives

** Net cash flow from operations, after capital expenditure

- The turnover increased due to the sales of imbalance power that resulted from the transfer of imbalance settlement to eSett Oy. The imbalance power sold to cross-border imbalance responsible parties is now reported as external turnover.
- Operating profit grew due to increased electricity consumption.

Main business events

- There were no major disturbances with far-reaching consequences in Fingrid's transmission grid during January-March.
- From January through March, electricity consumption in Finland was 25.6 (24.1) terawatt hours, and electricity transmissions via Fingrid's grid amounted to 18.1 (17.4) terawatt hours, which represents 69.0 (71.1) per cent of the country's total electricity transmission. During this period, Fingrid transmitted 18.8 (17.0) terawatt hours of electricity to its customers which amounts to 73.5 (70.4) per cent of Finland's total consumption.
- Finland's peak consumption for the winter, approximately 14,000 megawatts, fell on 28 February 2018.
- The Nordic TSOs have concluded a co-operation agreement on developing a new Nordic balancing concept. The agreement is an important step towards efficient, climate-friendly and reliable energy markets.
- Fingrid Oyj's Annual General Meeting 28.3.2018 approved the financial statements for 2017. The AGM decided on the dividend and decided to establish a shareholders' nomination board. Päivi Nerg was elected as a new member of Fingrid's Board of Directors to replace Juha Majanen, who resigned from Fingrid's Board of Directors.
- The Nurmijärvi substation, built in the 1970s, will be modernised. Infratek Finland Oy has received the contract for the modernisation. The contract is valued at roughly EUR 7 million and will be completed by the end of 2019.
- Fingrid came in 10th for the second time in a row in the mid-sized companies category of the Great Place to Work Finland survey. Fingrid was also included in the list of Finland's Most Inspiring Workplaces 2018.

Legal proceedings and proceedings by authorities

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Fingrid has cancelled its appeal of the decision issued by the Energy Authority on 2 January 2017 in which the Energy Authority required, on the basis of the Act on the Control of the Electricity and Natural Gas Market, Fingrid to submit the terms and conditions concerning balancing power agreements and the grounds for the determination of fees for approval by the Energy Authority. Fingrid cancelled its appeal after receiving a notification from the Energy Authority stating that the Energy Authority will not require specific implementation of the obligations; instead, the matter will be processed as part of the approval process on the terms and conditions related to balancing in compliance with the Electricity Balancing Guideline (EBGL), Article 18.

The company has not changed its earnings guidance from what is stated in the financial statements of 1 March 2018.

Further information:

Jukka Ruusunen, President & CEO
+358 30 395 5140 or +358 40 593 8428

Jan Montell, Chief Financial Officer
+358 30 395 5213 or +358 40 592 4419

Fingrid is Finland's transmission system operator. We secure reliable electricity for our customers and society and we shape the clean and market-oriented electricity system of the future.

Fingrid delivers. Responsibly.
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