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Helsinki, Finland, 2018-03-01 10:15 CET (GLOBE NEWSWIRE) -- Fingrid Oyj
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Fingrid's consolidated financial statements have been drawn up in accordance with the International Financial Reporting Standards (IFRS). Unless otherwise indicated, the figures in parentheses refer to the same period of the previous year. The information published in this report is based on Fingrid's audited financial statements for 2017, published in connection with this bulletin.

- Fingrid's January–December in line with expectations.
- In 2017, Finland's electricity consumption amounted to 85.5 (85.1) terawatt hours.
- A total of 66.2 (68.5) terawatt hours of electricity was transmitted in Fingrid's grid, representing 75.5 (77.3) per cent of the total transmission volume in Finland (consumption and inter-TSO).
- The transmission reliability rate remained at an excellent level and was 99.9997 (99.9999) per cent.

KEY FIGURES

		1-12/17	1-12/16	change %	7-12/17	7-12/16	change %
Turnover	â-M	672.0	586.1	14.7	345.9	288.8	19.8
Capital expenditure, gross	â-M	111.1	146.7	-24.3	52.8	71.3	-26.0
- of turnover	%	16.5	25.0		15.3	24.7	
Research and development expenses	â-M	2.6	2.4	10.8	1.5	1.2	27.5
- of turnover	%	0.4	0.4		0.4	0.4	
Average number of employees		352	336	4.8	355	334	6.3
Number of employees at end of period		355	334	6.3	355	334	6.3
Salaries and bonuses, total	â-M	24.2	22.7	6.4	12.1	11.2	8.0
Operating profit	â-M	184.8	192.0	-3.8	81.0	91.6	-11.5
- of turnover	%	27.5	32.8		23.4	31.7	
Profit before taxes	â-M	163.7	173.9	-5.8	71.3	77.1	-7.6
- of turnover	%	24.4	29.7		20.6	26.7	
Profit for the period	â-M	130.8	138.7	-5.6	56.9	61.2	-7.1
Comprehensive income for the period	â-M	130.3	144.8	-10.0	56.2	64.3	-12.5
Cashflow after capital expenditure	â-M	125.8	93.6	34.5	40.0	19.9	101.6
Return on investments (ROI)	%	10.0	10.4				
Return on equity (ROE)	%	16.7	18.8				
Equity ratio	%	37.8	36.4		37.8	36.4	
Interest-bearing net borrowings	â-M	998.9	1,028.0	-2.8	998.9	1,028.0	
Net gearing		1.3	1.3		1.3	1.3	
Earnings per share	â-	39,350.79	41,706.12	-5.6	17,121.38	18,420.81	-7.1
Dividend, Series A shares	â-	68470 *	37,536.09				
Dividend, Series B shares	â-	25050 *	16,038.49				
Equity per share	â-	240,017	230,301	4.2			
Dividend payout ratio, A shares	%	174.0	90.0				
Dividend payout ratio, B shares	%	63.7	38.5				
Number of shares							
â Series A shares	qty	2,078	2,078		2,078	2,078	
â Series B shares	qty	1,247	1,247		1,247	1,247	
Total	qty	3,325	3,325		3,325	3,325	

* The Board of Directors's proposal to the Annual General Meeting on the maximum dividend to be distributed

Jukka Ruusunen, President & CEO of Fingrid, on the year 2017:

2017 was a busy year for Fingrid. We did well in achieving the operational and financial targets set for 2017. We developed the grid for the power system of the future. The grid's transmission capacity was in efficient use, and transmission reliability remained at an excellent level. We raised the reliability of direct current (DC) connections that are important for the electricity market to an all-time high. Financially, Fingrid is in good shape, despite significant capital expenditure and operational development in recent years. The result development has been strong. The consolidated turnover amounted to EUR 672.0 (586.1) million and profit for the financial period was EUR 130.8 (138.7) million. Our estimates indicate that the return according to the regulatory model that governs grid operations will show a slight deficit for 2017. Towards the end of the year, we decided to keep the transmission grid tariffs unchanged for 2018.

At Fingrid, we continuously think about the future and the impacts it will have on the operations of a transmission system operator. For us, the main drivers of the future will be the energy system's transition to new production methods and technologies, and the changes taking place in society. The electrification of society is an efficient way to put an end to the considerable carbon dioxide emissions caused by the energy system. A reliable supply of electricity must be ensured for a society that can no longer function without it. As a transmission system operator, Fingrid has a central role in powering Finland. Preparing for changes in the industry and for future investments demands diligent work. Decisions made today will continue to have an impact decades from now. Society's efforts to achieve ever-greater equality and openness are also nicely aligned with our operations, which have for a long time now been based on these factors. Corporate Spirit's People Power and Great Place to Work workplace atmosphere surveys conducted in 2017 prove that Fingrid is one of the best places to work in Finland.

Fingrid stands apart from other transmission system operators in its customer-oriented way of operating. We work for the benefit of customers and society. Every Fingrid employee must hear the customer's voice. Based on feedback received in 2017, our customers trust us. Our work is also characterised by world-class efficiency, which is based on our ability to combine our core competence with the best experts in every industry. Fingrid's customer focus, efficiency and innovative approach have also garnered attention around the world. The company was ranked among the top three transmission grid brands at the CHARGE energy conference in Iceland in October 2017. This achievement would not have been possible without our smooth co-operation with customers and service providers. We do important development work on behalf of the power system's transmission reliability and the electricity markets. The modernisation and digitalisation of the power system continuously leads to new innovations. Without significant technological breakthroughs, the transition to a new, clean power system is not possible. It is important that the new technologies are effectively integrated into the power system. The market's 'invisible hand' is the best partner for new technologies: competition and the markets effectively steer new investments, while price guides the use of new technology so that it optimally supports balance in the power system. Well-functioning markets reward market players and encourage them to find new solutions. It has been a joy to see that demand-side management in electricity consumption is gradually finding its place in the electricity markets. We saw some good examples of this in 2017. Similar development would also be welcome in battery technology. The hope is that the market attracts new investments, also in electricity production.

In terms of promoting the electricity markets, we are pro-integration. In that respect, we do have concerns about the future of Nordic co-operation. Recently, there have been clear signs of a power struggle instead of traditional, trust-based co-operation.

We are seeking new solutions on a broad front by collaborating with innovative companies. We are focused on our core mission, and are not contemplating to find new business. Fingrid's mission is to support and promote Finnish companies by carrying out joint development work with them and by serving as a platform for growth for new business operations. This enables us to support Finland's success in the best possible way and to realise our core mission as a transmission system operator for all Finns.

Financial result

In preparing these consolidated financial statements, the Group has followed the same standards as in 2016.

The Group's turnover was EUR 672.0 (586.1) million. Grid service income increased to EUR 412.1 (382.4) million, as a result of the change in grid pricing enacted at the start of the year and due to the growth in electricity consumption. Electricity consumption in Finland totalled 85.5 (85.1) terawatt hours during the year. Fingrid transmitted 66.2 (68.5) terawatt hours of electricity in its grid, which represents 75.5 (77.3) per cent of all electricity transmitted in Finland. Imbalance power sales amounted to EUR 213.9 (153.9) million. The increase in imbalance power sales resulted from the transfer of imbalance settlement to eSett Oy*, following which the imbalance power sold to cross-border imbalance responsible parties is reported as external turnover. Cross-border transmission income from the connection between Finland and Russia decreased to EUR 20.7 (24.0) million, as a result of Russia's lower realised transmission tariff. The transmission tariff used in imports from Russia is based on the difference between Finland's and north-western Russia's area prices. Fingrid's congestion income from connections between Finland and Sweden decreased to EUR 25.5 (37.5) million, which has been used for the Hirvisuo-Pyhänselkä grid investment. Other operating income totalled EUR 2.9 (12.7) million. The decline in other operating income resulted from the EUR 6.3 million in congestion income recognised in 2016 in compliance with the regulation concerning the costs from maintaining cross-border capacity and countertrade, and from a decline of EUR 3.5 million in capital gains on fixed assets.

The Group's total costs amounted to EUR 499.0 (442.2) million. Imbalance power costs grew from the previous year's level, to EUR 186.0 (121.7) million due to the above-mentioned transfer of imbalance settlement to eSett Oy. Loss power costs amounted to EUR 47.5 (57.6) million. The declining loss power costs have been affected by the lower price of loss power procurement and the lower volume of loss power. The realised average price of loss power procurement was EUR 37.62 (43.87) per megawatt hour. The costs of reserves to safeguard the grid's system security amounted to EUR 51.5 (50.5) million. Depreciation totalled EUR 96.9 (99.2) million. Grid maintenance costs amounted to EUR 24.5 (24.1) million and personnel costs to EUR 29.4 (28.6) million.

The Group's operating profit was EUR 184.8 (192.0) million. To recognise changes in the fair value of electricity derivatives and the currency derivatives related to capital expenditure and other operating expenses, EUR 8.9 (35.4) million was recorded in operating profit. The Group's profit before taxes was EUR 163.7 (173.9) million. The biggest differences from the previous year are explained by changes in the market value of derivatives (EUR -33.1 million), the decline in other operating income (EUR -9.8 million), and the growth in grid service income (EUR +29.7 million). Profit for the financial year was EUR 130.8 (138.7) million. The equity ratio was 37.8 (36.4) per cent at the end of the year.

The parent company's turnover was EUR 665.4 (581.4) million, profit for the financial year EUR 123.4 (103.9) million and the distributable funds EUR 201.3 million.

By the company's own calculations, the result according to the regulatory model that governs grid operations amounts to a deficit of around EUR 5 million for 2017. Towards the end of 2017, the company decided to maintain the grid service fees unchanged in 2018.

Financing

The company's credit rating remained high, reflecting the company's strong overall financial situation and debt service capacity. The Group's net financial costs in 2017 were EUR 22.8 (18.7) million, including a change of EUR -8.2 (5.1) million in the fair value of financial derivatives.

Interest-bearing borrowings totalled EUR 1,082.7 (1,107.7) million, of which non-current borrowings accounted for EUR 813.4 (842.9) million and current borrowings for EUR 269.3 (264.9) million. In 2017, the company issued a EUR 100 million 10-year green bond to finance the company's investments, which are expected to have positive long-term net environmental impacts.

The company's liquidity remained good. Financial and cash assets recognised at fair value through profit or loss totalled EUR 83.8 (79.7) million on 31 December 2017. The company additionally has an undrawn revolving credit facility of EUR 300 million to secure liquidity and EUR 50 million in uncommitted overdraft facilities.

Fingrid has credit rating service agreements with S&P Global (S&P) and Fitch Ratings (Fitch).

- On 31 October 2017, S&P maintained the rating for Fingrid Oyj's unsecured senior debt and long-term company rating at AA- and the short-term company rating at A-1+ , with a stable outlook.
- On 5 December 2017, Fitch affirmed the rating for Fingrid Oyj's unsecured senior debt at AA- , the long-term company rating at A+ , and F1+ for the short-term company rating, with a stable outlook. The rating received by Fingrid was, at the time of issuing, the highest valid rating given by Fitch to any European regulated TSO.

Capital expenditure and maintenance

The company's total capital expenditure in 2017 amounted to EUR 111.1 (146.7) million. This included a total of EUR 91.1 (135.8) million invested in the transmission grid and EUR 14.2 (3.3) million for reserve power. ICT investments amounted to EUR 5.7 (7.5) million. A total of EUR 2.6 (2.4) million was used for R&D projects during the year under review. The company's capital expenditure will be around EUR 100 million in the next few years.

By international standards, grid asset management at Fingrid is world-class. In spring, the company once again placed at the top in the International Transmission Asset Management Study (ITAMS).

A total of 22 substation projects and 16 power line projects were under way in 2017. The biggest current projects are related to the

modernisation of the aging Ålron-Ladå transmission line, connecting large-scale power plants to the grid, and maintaining system security for major cities.

In June, Fingrid published its grid development plan for 2017–2027. The plan is based on the regional grid plans drawn up together with customers. The plan also takes into account the Baltic Sea region's development plan and the ten-year grid plan covering all of Europe.

In 2017, Fingrid carried out a competitive tender process for the basic maintenance on substations and power lines, as well as basic and special maintenance on secondary equipment. The new three-year contractual periods started in the beginning of 2018 and will expire at the end of 2020.

The occupational safety development project continued, and the contractual conditions related to safety were updated. The company's personnel had two lost-time accidents (0). Suppliers had 9 (12) recordable incidents, one of which was fatal and eight were lost-time accidents.

Power system

Electricity consumption in Finland totalled 85.5 (85.1) terawatt hours in 2017. A total of 66.2 (68.5) terawatt hours of electricity was transmitted in Fingrid's grid, representing 75.5 (77.3) per cent of the total transmission volume in Finland (consumption and inter-TSO).

Electricity transmissions between Finland and Sweden consisted mostly of large imports to Finland. In 2017, 15.6 (15.7) terawatt hours of electricity was imported from Sweden to Finland, and 0.4 (0.3) terawatt hours was exported from Finland to Sweden. The electricity transmissions between Finland and Estonia were mainly exports to Estonia, amounting to 1.7 (3.1) terawatt hours. Imports from Estonia amounted to 0.9 (0.7) terawatt hours. Electricity imports from Russia remained on the previous year's level, at 5.8 (5.9) terawatt hours. Nearly the full transmission capacity was available. In 2017, 0.3 (0.2) terawatt hours of electricity was imported from Norway to Finland, and 0.0 (0.1) terawatt hours was exported from Finland to Norway.

The transmission reliability rate remained at an excellent level and was 99.9997 (99.9999) per cent. An outage in a connection point in the grid caused by a disturbance in Fingrid's electricity network lasted an average of 2.2 (1.4) minutes, which is clearly shorter than the ten-year average. The cost of the disturbances (regulatory outage costs) was EUR 2.8 (3.1) million and, including the quick reconnections, EUR 5.0 million.

The volume of transmission losses in the Finnish grid decreased from the previous year and was 1.2 (1.3) terawatt hours. This is 1.4 (1.4) per cent of the total volume of transmitted electricity.

Electricity market

The average market price of spot electricity on the electricity exchange (system price) was EUR 29.41 (26.91) per megawatt hour. The rise in wholesale prices of electricity that started in summer 2016 levelled out in 2017. In Finland, prices on the Finnish wholesale market were higher than they were in other Nordic countries. However, the price differences and thus the congestion income decreased from the previous year as a result of a general increase in prices.

Fingrid accrued EUR 25.5 (37.5) million in congestion income from the cross-border power lines between Finland and Sweden. EUR 10.5 (29.9) million of this was accrued during the first half of the year and EUR 15.1 (7.6) million during the second half of the year. The links between Finland and Estonia generated EUR 0.3 (2.4) million in congestion income. In accordance with the regulation on congestion income, Fingrid has used the congestion income it received in 2017 for the Hirvisuo-Pyhänselkä grid investment project, which supports the transmission of electricity from northern Sweden to southern Finland.

Personnel

Fingrid employed 355 (334) persons, including temporary employees, at the end of the year. The number of permanent personnel was 308 (291).

Of the personnel employed by the company, 24 (25) per cent were women and 76 (75) per cent were men. The average age of the personnel was 44 (44).

Legal proceedings and proceedings by authorities

A lawsuit was initiated against Fingrid in December 2016, demanding non-specified liquidated damages due to an alleged breach of contract. The legal proceedings ended with the district court issuing an interlocutory judgement in December 2017, according to which Fingrid had not been proven to have committed a contractual breach.

Fingrid has appealed to the Market Court against the decision issued by the Energy Authority on 2 January 2017 to the extent where the Energy Authority required Fingrid to submit the terms and conditions concerning the balancing power agreements and the grounds for the determination of fees for approval by the Energy Authority. According to Fingrid, under the legislation in force at the time the decision was issued, it was not required to submit the terms and conditions related to the procurement of balancing power beforehand to the authority for approval. The matter is still before the Market Court. The legal proceedings do not have a substantial impact on the company's financial result or financial position.

Events after the review period and estimate of future outlook

On 15 January 2018, Fingrid informed the Energy Authority and the European Agency for the Cooperation of Energy Regulators (ACER) that the Nordic transmission system operators were unable to submit a joint proposal on a new imbalance settlement structure within the timeframe required under the EU directive. The matter will be referred to the European Commission.

Fingrid Group's profit for the 2018 financial period, excluding changes in the fair value of derivatives and before taxes, is expected to remain on the previous year's level. Fingrid did not change the grid service pricing for 2018 and it aims to achieve a regulatory-allowed result for 2018.

Results forecasts for the financial year are complicated especially by the uncertainty related to grid income, ITC income and cross-border transmission income, and to reserve and loss power costs. These are particularly dependent on the variations in outside temperature and precipitation and changes in the hydrological situation in the Nordic countries, which affect electricity consumption and electricity prices in Finland and its nearby areas, and thereby also the volume of electricity transmission in the grid. The company's debt service capacity is expected to remain stable.

Board of Directors's proposal for the distribution of profit

The guiding principle for Fingrid's dividend policy is to distribute substantially all of the parent company profit as dividends. 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.

Fingrid Oyj's parent company's profit for the financial year was EUR 123,358,401.74 and distributable funds in the financial statements total EUR 201,312,662.75. Since the close of the financial year, there have been no material changes in the company's financial position and, in the Board of Directors's view, the proposed dividend distribution does not compromise the company's solvency.

The company's Board of Directors will propose to the Annual General Meeting of Shareholders that

- a dividend of EUR 68,470.00 at maximum per share will be paid for Series A shares and EUR 25,050.00 at maximum for Series B shares, for a total of EUR 173,518,010.00 at maximum. The dividends shall be paid in two instalments. The first instalment of EUR 48,700.00 for each Series A share and EUR 17,820.00 for each Series B share, totalling EUR 123,420,140.00 in dividends, shall be paid on 4 April 2018. The second instalment of EUR 19,770.00 at maximum per share for each Series A share and EUR 7,230.00 at maximum per share for each Series B share, totalling EUR 50,097,870.00 at maximum in dividends, shall be paid subject to the Board's decision after the half-year report has been confirmed, based on the authorisation given to the Board in the Annual General Meeting. The Board of Directors has the right to decide, based on the authorisation granted to it, on the payment of the second dividend instalment after the half-year report has been confirmed and it has assessed the company's solvency, financial position and financial development. The dividends that have been decided on with the authorisation given to the Board shall be paid on the third banking day after the decision. It will be proposed that the authorisation remains valid until the next Annual General Meeting.
- EUR 27,794,652.75 at minimum be retained in unrestricted equity.

Annual General Meeting 2018

Fingrid Oyj's Annual General Meeting is scheduled to be held on 28 March 2018 in Helsinki.

In Helsinki, on 1 March 2018
Fingrid Oyj
Board of Directors

*eSett Oy is a company owned jointly by the Finnish, Swedish and Norwegian transmission system operators, responsible for imbalance settlement in Finland, Sweden and Norway.

Click on, or paste the following link into your web browser, to view the associated documents

<https://cns.omxgroup.com/cds/DisclosureAttachmentServlet?messageAttachmentId=666614>

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