Company: **Fortum Oyj**

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Moderator: **Pekka Lundmark**

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Ingela Ulfves: Welcome to all of you, for those of you who are here at our new headquarters in Espoo and those of you who are listening online. We are happy to host a joint webcasted news conference on Fortum's fourth quarter and full year results here today. Please note that this event is being recorded and a replay will be available on our website after the presentation. My name is Ingela Ulfves and since the end of November 2017, I am the head of Investor Relations and Financial Communications here at Fortum. Together with me here today is our CEO Pekka Lundmark and our CFO Markus Rauramo, as well as Måns and Rauno from our IR team.

Pekka and Markus will start by presenting Fortum's Q4 and full year numbers and performance, after which we will open up for questions and answers. As a new feature this time, you are also able to ask questions on our webcast chat. I now hand over to Pekka. Please go ahead.

Pekka Lundmark: Thank you very much, Ingela. Good morning to all of you, both here in Espoo and wherever you are. We are satisfied with our execution during 2017. It was really an eventful year in many ways and I will now summarise the most important events, including the numbers. We took several important steps in our strategy implementation during the year. And, of course, Uniper has been discussed a lot, but I really want to point out that this year was about many, many other things also in addition to Uniper. We, of course, closed the Hafslund transaction that increased our presence in the Nordic heat and retail markets, especially in Norway.

We increased, quite a lot actually, our investment in renewables. We signed deals for 180 megawatts of wind in Norway – one operational - five and two under construction. We inaugurated 35 megawatts of wind power in Russia. We have entered into a joint venture in Russia with a license now to build 1,000 megawatts of wind going forward. We now have 185 megawatts operational solar capacity in India. 170 was added during this year. We started commercial operations of Chelyabinsk GRES unit number three during the year.

And on top of all of this, we've put a lot of effort in the development of completely new things, such as solutions for EV charging new digital services for consumers. We announced markets for charge and drive cloud services. We introduced home charging solutions for electric vehicles in Norway and Finland, and we also put a lot of effort into our home automation system, called Fortum Smart Living in Finland with a lot of new customers and deals also with construction companies such as YIT and Lemmikäinen. The Smart Living concept expands from the home automation system to also independent energy production with solar panels and the household EV charging stations and other smart energy solutions for homes. We have been developing virtual power plants, battery solution, et cetera, et cetera. Of course, we all understand that these kinds of initiatives are important, perhaps even crucial, to our longer-term development, our longer-term competitiveness, but at the same time, we all know that their important for our short-term results development is fairly limited.

Financially, 2017 was a solid year comparable operating profit and comparable EBITDA, both up 26%. Our EPS reported was EUR 0.98. There are two things to take into account there. We had items affecting comparability EUR 0.38 on the positive side, and then the Swedish tax case that, if needed, Markus can repeat for you the details of EUR -0.14. So, all these things eliminated the really comparable EPS developments from 2016 to 2017 would have been from EUR 0.78 to EUR 0.74, if these two categories would be eliminated.

We completed our EUR 100 million fixed cost savings programme, which has enabled us then to, for example, start investing in new things, some of which I mentioned. This has been a very important strategic initiative also. We are taking out costs from the, in a way, the existing operations and older things in order to be able to then invest into our future.

And then, of course, a very important decision that the Board has made is to propose an unchanged dividend at EUR 1.10 per share. When our strategy implementation and capital redeployment continues, our dividend payment capability will be further strengthened. That is our goal. And, now when the Board is proposing an unchanged dividend of EUR 1.10 per share for the calendar year 2017, our ambition is to pay a stable, sustainable and over the time increasing dividend, now and also in the future. And, when we have been looking at the market conditions – the prevailing market conditions – we have decided to set ourselves a goal to avoid a temporary dividend cut. Of course, we want to stick to the 50%-80% of EPS going forward, but we are looking at this thing as a whole, and when I am talking about prevailing market conditions, I'm, of course, then incorporating certain expectations about higher power prices, as most of the analysts have in their forecasts, especially then in the 2020s. And all these things have been taken into account in this consideration that the Board has made.

Then, a few comments and updates on the Uniper investment. The additional acceptance period is still ongoing today, and it will end at midnight central European time. So, you will still have time – a few hours' time to tender your shared. And we will announce the final result next Wednesday, 7 February 2018. As I have said several times throughout this process, we see lots of cooperation possibilities between our two companies to add value to all shareholders and stakeholders. There is a good strategic fit. There is a good complementary in assets and in geographies.

We have recently entered into talks with Uniper's management to cover both the formalisation of the commitments we have made earlier, including in the offer document and also discussing the relationship going forward between the two companies. The starting point and the aim of our talks is completely transparent and mutually beneficial cooperation between the two companies. Without pre-empting these talks in any way, it is possible – it is possible that this may result in a far-reaching and a fairly complex agreement and, therefore, we have signed a Non-Disclosure Agreement with Uniper to be able to have in-depth discussions, which require full confidentiality. It is fair to say that such discussions need to be thorough and undertaken with due care on both side, and that's why it is important.

I want to point it out here that this – it is unlikely that these types of discussions could be concluded within just a few weeks. And, we also need to wait – for certain aspects of discussions at least – we need to wait for the competition and other approvals from the authorities that are needed for the transaction, which – and these we expect to get by the end of June. So, that's why, I guess what I'm asking now is for patience. We are not going to comment in public in any way the content of any of these discussions. And, we will then, of course, in due course, if there is something to inform, we will inform the market, as required.

Even without the values upside from the operation, we are very pleased with the returns that we can expect from the 47% take in Uniper that we received in the first part of the tender offer, before the extended period started. However, the cooperation opportunities have potentially significant additional upside and additional value drivers. So, it is right now our top priority to work together with Uniper's management team to see how we can realise those opportunities and clearly for the benefit of the shareholders and stakeholders of both companies.

I have also noted speculation about another offer about a control transaction and a DPLPA. So, let me just say this. We are focused on being a long-term shareholder, and we are happy with the E. ON's stake. Our focus is now on the value upside through cooperation and working together with Uniper after the closing of the transaction. And anything that is beyond this is just market speculation. And as I believe I will get asked many speculative questions today and in the coming weeks, I want to be very clear, my answer will be, "We will not speculate," to all of these questions.

Then, if I go back to – back to the – in a way – the base business, I comment briefly the current market situation and the current situation in a second, but before that, a few bullet points about 2017. Electricity consumption in the Nordic region was 392 terawatt hours, slightly up from the year before. Precipitation in the Nordics was clearly above the normal level in Q4 and also in full year 2017, after quite a dry year in 2016. As you have seen, the spot price in the Nordics increased for the – on the full-year level from EUR 26.90 to EUR 29.40. So, there was a trend upwards. Also, the same was true for the Finnish and Swedish area prices. CO_2 prices – emission prices, increased from EUR 6.50 to EUR 8.20 at the end of year outcome. I will comment on the current situation in a second. So, that went to the right direction as well. And then Russia, electricity consumption slightly higher and the first price zone, which is Fortum's operating area price, slightly up from the year before.

Then, coming back to – or coming to the current conditions, first of all, the Nordic near-term pricing has been dominated by quite volatile weather forecast. The start of the year indicated towards quite wet and mild winter, with really a lot of water expected in the system. But, lately, the weather forecasts are actually pointing towards a fairly cold and dry February. And that's good, if realised. That's good. It ups most of the current hydro surplus. As you can see, there is

– there is a slight surplus at the moment. The orange curve gives you the 2018 situation and the dotted line is the reference level – the normal situation.

Pricing fundamentals for electricity has been – has seen some changes during the first week of 2018. We have all been following with great interest the German coalition partners discussions and what will and what will not be in the new potential agreement regarding CO_2 prices, CO_2 floors, time schedules for coal and lignite, et cetera. This, of course, has a big effect on expected prices on the market – German prices for the 2020s.

There has been some softness also as a result of the French nuclear production, which has finally reached close to maximum production, after quite a troublesome 2017. Then, coal condensing, short-term marginal costs, which is, of course, a strong benchmark for both German and Nordic electric pricing, has mainly moved sideways during the first part of the year. But, what is quite interesting is that the strong EPS EUA really continued, a very strong start for the year. The latest price, which I checked on this morning was EUR 9.24. So, it has continued up. But, some of this has been then mitigated by slightly weaker coal prices and also weakening dollar up against euro. So, all this, considering most of the indicators have recently moved sideways.

EPS is such an important thing that I want to briefly comment briefly comment – comment the recent agreement, because after two and a half years of legislative processing, the EU has now agreed on the revision of the ATS scheme for the period 2021 to 2030. The new rules will, number one, increase the emission reduction target – the annual reduction target from the current 1.74% to 2.2% - number one. And number two – this is important from the current market balance and pricing perspective – is the strengthening of the so-called market stability reserve, which includes a doubling of the intake rate from 12% to 24% during 2019 to 2023, and the cancellation of allowances from the reserve from 2023 onwards. And in addition, the new directive includes a provision for voluntary cancellations of allowances from the – from the market.

We do not publish our own estimates on power prices. We do not publish our own estimates on EPS prices either. But, this agreement is clearly a key reason why the EPS price has increased recently. However, this agreement is not yet in line with the Paris Agreement, so further strengthening would still be needed. And then here, you see the – see the electricity price development of all this. One note here is when we look at the forwards, they do not expect a major increase in power prices in the coming years. What has been typical to these forwards is that the liquidity has been quite low, so they have not always been fully representative to what then actually has happened on the market. But at least the general trend in the realised prices has been fairly positive recently.

Power price development for us in the Nordic region and Russia – Q4 spot price was -11% after the very strong Q4 in 2016. Power achieved price was up 3% in Russia – very small changes.

Key figures Q4 and full year, comparable EBITDA in Q4 was up 42% and comparable operating profit in Q4 was up 57%. So, it was clearly a very strong quarter. What I also want to point was the strong cash flow. Net cash from operating activities EUR 295 million compared to EUR 150 million the year before, and this was Q4 cash flow. Markus will go through the details of the cash flow statement. And also, of course, EPS for the quarter – EUR 0.28 compared to EUR 0.16 the year before.

Before Markus continues, I have brief comments on each division and I start from generation. We had higher achieved power price in 2017 – EUR 31.80 compared to EUR 31.00 the year before. Clearly the result is supported by now the lower real estate and the nuclear capacity taxed in Sweden. These were both the prices and the taxes were on the positive side. Then on the negative side was 1.1-terawatt hours lower nuclear volume, mainly because of the closure of Oskarshamn 1 unit in the summer in 2017. What I want to point, though, of course, that the production at our 100%-owned Loviisa power plant was record high. Overall, good results for generation, comparable operating profit for the full year from EUR 417 million to EUR 478 million, and EBITDA from EUR 527million to EUR 603 million. The year ended with a very strong quarter.

Then, City Solutions higher sales were driven, of course, by the Hafslund integration. There is now an operational company called Fortum Oslo Varme, of which we own 50%, and consolidate into our numbers. This consolidation had a positive effect of EUR 15 million on the comparable operating profit in 2017. We are pleased with the performance of Ekokem, which we acquired already in 2016. Also, power prices and fuel mix supported the result development of City Solutions. And also profits from associates, which is not part of sales or operating profit here, they increased from the year before. So, overall, a reasonably good year for City Solutions. Full-year compatible operating profit from EUR 64.0 million to EUR 98.0 million, and full-year EBITDA from EUR 186.0 million to EUR 262.0 million.

Consumer Solutions had a tough year, as we have discussed earlier, and Q4 was no exception, but now, fortunately, the Hafslund integration has started to support the results. Comparable operating profit was supported by EUR 13 million from the Hafslund integration in Q4 – no sorry – in the full year 2017. But as we have discussed, this business, which now has after the consolidation 2.5 million customers altogether is suffering from lower margins from very tough competitive situation. And we have taken a deliberate decision to increase spending in new services to increase differentiation and now the integration of Hafslund gives us a strong base and higher number of customers for which we can develop the new services and that helps to fund this development. But, this overall result level is, of course, disappointing. You should not expect any quick fixes here. This is also a case that takes time, but we are fully committed to mitigating the margin pressure through new and better services for the customers going forward.

We did in this report publish an estimate on – or the targets for the synergies in the Hafslund transaction. And the combined level for Consumer Solutions and City Solutions – the target for hard synergies – is EUR 15-20 million by the end of 2020. And that is split so that it is approximately EUR 10 million for Consumer Solutions and EUR 5-10 million for City Solutions. This is hard synergies. Of course, our ambition level in the result improvement in Consumer Solutions will be higher than just taking advantage of these hard synergies.

Russia development for the full year was extremely positive. We had significant comparable operating profit increase on the full-year level from EUR 191 million to EUR 296 million. EBITDA from EUR 312 million to EUR 438 million. These are supported by commissioning of the new units, higher received CSA payments, higher volumes and also – which I am very pleased with – improved bad-debt collections. On top of all this, which is operational, then comes on the full-year level EUR 31 million support from forex from the strengthened Russian rouble on the full-year level. We have now new capacity from Chelyabinsk GRES 3, which is 248 megawatts, but I want to point out, though, that this is not the CSA unit. So, this is subject to participation in the competitive capacity selection (CCS) options. But this does not receive the high CSA payment for new capacity.

But we now have operational in renewables in Russia is 35 megawatts wind in Ulyanovsk. There is a 15-year CSA tariff for this and depending on the volume we produce, the price per megawatt hour that we will be between EUR 180 and EUR 200 per megawatt hour. And then there is a 35-

megawatt solar capacity now operational in Russia, also 15-years CSA - payment at EUR 435 per megawatt hour for 15 years for these 35 megawatts.

So, this is a brief summary of the divisions and then I would ask Markus to dig a little bit deeper into the numbers.

Markus Rauramo: Thank you, Pekka. Good morning on my behalf. I will go shortly through the recap of Q4 and the full-year numbers. Q4 we had strong performance, results up EUR 107 million. The main contributors in generation, hydro-volumes, prices and positive development in the taxes, both in real estate as well as nuclear.

In City Solutions, Fortum Oslo Varme was the main contributor. Also, recycling and waste solutions had a positive impact in the fourth quarter.

In Consumer Solutions, the positive development was the inclusion of Hafslund markets. And then we continued to experience the margin pressure for the rest of the businesses. Russia, strong contribution from the increased CSA payments. A positive element from bad-debt collection and then the heat margin also developed positively, which I'm happy about.

For the full year, if we look at the complete picture, results improved EUR 167 million. In generation, we had positive the impact from prices, from hydro volume and from the taxation reductions. The nuclear volumes had a negative impact. In City Solutions, Fortum Oslo Varme inclusion impacted positively. Also, the heating and cooling business had a positive impact, as well as the recycling and waste solutions, the former Ekokem business.

In Consumer Solutions, we experienced the tough margin pressure on our businesses, and the increased costs from the new business development. And then Hafslund market had a positive impact.

In Russia, for the full year, as well as for the Q4, CSA payments developed positively. Bad debt provisions positive impact. Good impact from foreign exchange, and the heat margins improving.

In other segments, we spent on technology, new ventures, on new business development. And also, we had more discretionary increases in the functional costs. On a run-rate level, we would roughly estimate that G&A cost would be around EUR 70 million, without the discretionary spend we are spending on new business and more one-time type of items.

Then I move over to the income statement, and I make a few highlights here as well as the cash flow statement. Sales, both in Q4 and for the full year developed very positively. On the full year, 24% up. Comparable operating profit up 26%. If we go down, I take a few highlights. On items affecting comparability in 2017, the main item was the sales gain from the Hafslund transaction. Then in the share of profit of associates and joint venture, otherwise quite stable, but in 2016, we had negative impact from Oskarshamn early closure for us, which were recorded in the associated income in that year.

On the financial items, otherwise, the interest cost has been fairly stable. But, for 2017, we have the Uniper acquisition facility, first recorded in that year. And then for the income tax expenses, significant difference between 2017 and 2016. This is relating to the Swedish tax cases from 2009 to 2012, which had EUR 150 million impact in 2017 Q2. Otherwise, between the quarters, Q4, there are not very significant differences.

Then, on the cash flow statement, overall, we had strong operational cash flow, which was very positive. And, then when you go below, there are a lot of moving parts, and I will take a few highlights from these. First of all, if we look at the realised FX gains and losses, as you know, this is a volatile item. In 2017, the internal loan hedges, when we are rolling over our loans had a negative impact, mostly because of the Russian rouble movement in the early part of 2017. This was the main impact. On the net financial items – or financial item payments and taxes, the tax payment in Sweden in 2016 was the big differentiator explaining the EUR -402 million number. This was a total of EUR 127 million payment the previous year.

Then if we move forward, changes in working capital, the main swing factor there is the futures cash settlements. We are continuous to settling the fair values of the futures and that had a positive impact in 2017 and negative impact in 2016.

On the capex, capex was fairly stable. A little bit higher in 2017 than 2016. These are big projects – Zabrze, solar in India, wind projects and so on. And of course, the regular maintenance capex. Then large items in acquisitions and divestment of shares. The biggest one being in 2017, the Hafslund transaction, which explains both the acquisition of shares and divestment of shares. In addition to that, we have the acquisition of solar in Russia, as well as wind companies. And 2016, as a reminder, in the acquisition side, we had Ekokem and DUON acquisitions.

Then on the change in cash collaterals, that is an item that will gradually reduce. But what explains this is then the cash collateral is required for the Nord pool forwards. And in 2016, we had a big swing as we moved from bank guarantees to cash collateral. But we are gradually moving more as the forwards run out to the futures. For this item, like-for-like should continue to reduce over time.

And then finally, in other investing activities, the differences are mostly explained by the loan receivables from associated companies, plus receivables from the sale of Tobolsk. So, Tobolsk, Oskarshamn, Forsmarks had a positive impact in 2017.

Then I move over to the financing part. First of all, we have a good loan portfolio, so we do not have large maturities in 2018/2019 and hardly anything in 2020. So, there is not very much to be refinanced. Debt maturities in 2018 are around EUR 650 million. What can be noticed, of course, is that Standard & Poor's downgraded us to triple-D. It's not with negative outlook, but that is the main change when it comes to our debt activities.

The financial position and preparedness is very strong. Net debt to EBITDA ended up on a good level – 0.8 times. We have a strong cash position – EUR 3.9 billion in short-term deposits, we have undrawn revolving credit facilities totalling EUR 1.9 billion. And on top of that, we have EUR 12.0 billion in acquisitions facilities that we had to put in place when we are doing the tender offer for 100% of the Uniper shares. So this covers both the shares, as well as possible change of control loans in the situation that those would be triggered.

Then I move over to the outlook. We continue to expect that electricity demand will grow 0.5% on average and that electricity will continue to gain share of total energy consumption. I think this trend is only strengthening. Capex we estimate this year to be at a level of EUR 600-700 million, which of maintenance capex is approximately EUR 300 million. The main projects, Zabrze, Rusnano wind joint venture, automation renewals in Loviisa and so on are the bigger projects. On hedging, we are now for 2018 hedged 70% at EUR 28/MWh. Previous quarter we reported 50%, so the hedge radio has increased, and for 2019, we are 40% hedged at EUR 25/MWh, an increase of EUR 1/MWh on the hedge price, and ten percentage points on the hedge level.

Then, we are now – as you heard already – we are now reporting the targeted synergies from the Hafslund transaction – EUR 15-20 million by the end of 2020. And that is split into City Solutions EUR 5-10 million and Consumer solutions EUR 10 million. On tax, we expect that the effective tax rate will be between 19-21% and that has been exactly there – 19-20% - now in the last two years. And the nuclear and hydro real estate taxes are then decreasing. The level is much lower than where they were before.

Last, I will just comment on our internal focus. It will now be – we will be focusing on being tight on the costs. But we will continue the same cost discipline as we had with our EUR 100 million cost reduction and shifting into new focus. Focus on cash flow and then delivering on our investments and the synergies from the transactions and acquisitions that we have done. These are some of our key priorities for 2018.

And then finally, we have also the call for the Annual General Meeting. It will be held on 28 March 2018. The proposal for dividend is EUR 1.10 per share, and the dividend date you can see here with the payment being on 10 April 2018.

Ingela Ulfves: Thank you Markus, and thank you, Pekka. We are now ready for questions and answers. And we will start the Q&A session with questions here in the audience. And then open up for more questions from the teleconference participants. For those of you here in the audience, if you have a question, please raise your hand and Pia will bring you a microphone. You are also able to ask questions in Swedish or Finnish. Before the question, please state your name and the company. So, we are ready to start.

No questions in the audience. Okay. That was quick. We can come back to you if there would occur any questions. Operator, we are then ready for the questions from the telephone call – teleconference. Please go ahead.

Operator: Thank you. If you would like to ask a question, please press star one on your telephone keypad. Please be sure that your mute function is switched off to allow your signal to reach our equipment. Again, please press star one. We will now take our first question from Sam Arie, UBS. Please go ahead.

Sam Arie: Hello. Good morning. It's Sam Arie from UBS.

Pekka Lundmark: Sam Arie from UBS.

Sam Arie: I want to first thank you for the presentation and obviously a very strong set of results this year. I am going to avoid any questions on Uniper, as you signalled. But I would like to ask you a question on the generation business and on retail. So, on the generation side, the Nord pool price is still showing a wide gap to central Europe to the German price and I think we discussed with you before that over time, we expect interconnection to have an impact on that gap, potentially raising prices in Nord pool. But on a short-term basis, could you help us understand why the gap between Nordic and German power is so wide right now, and if you think there are any forces which could bring those prices closer together during the year, i.e. before we get into the impact of interconnection and so on, in the future. And perhaps, I'll come back to my question on retail in a moment.

Pekka Lundmark: Well, you are absolutely right that there is a longer-term expectation that the prices would converge. There's currently about 6,000 megawatts of interconnection capacity between the Nordic and central Europe, and that will roughly be doubled in the next few years. I mean, it's really hard to answer your question in detail, the Nordic price volatility has always been there, and as I just said, for example, the weather forecasts have moved quite a lot. Only in a few weeks there were some expectation for quite the warm and wet winter and now in the last week or so, the weather forecast has changed quite a lot, and this is causing price volatility. Most of the prices have very recently moved sideways – sideways, so it is really hard to say that – there the gap comes from. I think when you look at the very recent development in Germany, the volatility is coming from whatever rumours there are leaking out from the government programme negotiations and what they are planning to do with the time schedule for the phase out of coal and lignite, and then what type of speculation or plans there are about carbon floors and its potential relation with the – with the European ATS scheme. And these speculations have in the very recent days and weeks more pushed down prices, especially in the early parts of 2020s than earlier. I understand your question is very relevant, but unfortunately, it is very hard to give a more detailed answer than this.

Sam Arie: Okay. No. Thank you and thank you for your comments. I think from our side the sort of EUR 8.0 gap with the German power price is hard to explain. But, let's come back to this. In the meantime, very quickly, my other question is on retail.

Pekka Lundmark: Sorry, I'd just give one comment. If you look at the situation right now, and that's easy to follow. So, there's a lot of must run capacity and very little for style, for example, coal capacity in the marketplace. So, that if I would have to give one explanation for the Nordic structure right now.

Sam Arie: Yes. Okay. Understand. So, should I just quickly pass to the retail question? And here, I just want to say, obviously the Hafslund transaction gives you a lot of potential upside in the near term, and you mentioned that in the presentation just now. But I'm still interested in what you think will be the longer-term outlook and how core is the retail activity for what you're trying to achieve with the company. I mean, we keep hearing bad news from the retailers in Europe and in the US. Engie and Centrica had large misses in Q4 and SSE in the UK is now de-merging their retail business. But, on the other hand, you've got these investments in wind and solar around the world, which seem to have massive potential. So, do you think on a five year-view, or a ten year-view, retail is still worth a candle? And is this a core activity for you?

Pekka Lundmark: Of course, our goal is to improve the profitability of the retail business. It is a challenging case and it will continue to be a challenging case as long as product differentiation is very – very small. As long as everybody offers the same product, the outlook for margins is, of course, bad. And here is where the Hafslund transaction comes in, because I believe that from the combination of the Fortum and Hafslund portfolios and including the competence and experience that Hafslund has about value-added products, there is a good potential of developing a completely new product portfolio going forward, which is quite different from just the basic bulk being the same as everybody else type of product. This is moving towards wider service business where you can have different elements imbedded into different types of service packages, all delivered digitally to the customer. And this is what we aim – aim at developing and it will take time before we really, really know. And that's why I said that we need some patience here, and I would not go out and expect any dramatic result improvement on the underlying business this year. Then, of course, going forward in the longer term – you asked five-years – if we are not successful with this strategy that we are now implementing, of course, then we have to reconsider. But our base case obviously is that it will be successful.

Sam Arie: Okay. Very clear. Thank you.

Operator: We will now take our next question from James Brown, Deutsche Bank.

James Brown: Hi, it's James Brown from Deutsche Bank. I was hoping to ask three questions, if that's okay. The first one is just on the capex guidance that you gave for 2018 of EUR 600-700 million with about EUR 300-400 million of that being on growth capex. I was just wondering to the extent possible that you could give a bit more details on the specific areas in which particular growth investment is being invested. You mentioned hydro and CHP. But any more detail on that would be very helpful. Second question is on the Russian business. Obviously, you're still in the process of getting the ratchets up on the capacity payments there for new units as they move into the final four years of the ten-year programme. But, there's also linkage there between the capacity payments and the bond yield, and the ten-year, which for bond yields has come down about a percent over the last year, has come down by 3% over the last two years. So, I was wondering whether you could give any quantification, maybe, on what the underlying impact of that will be in 2018? And the third question is partly clarification – I just want to clarify, the Nordic and Indian renewables, I think they're being reported in other. It's a bit hard to see how much they're contributing, because the other costs have not – the other segment hasn't really moved around very much, so I was wondering whether you could just maybe give us a bit more guidance on what those businesses are actually contributing, or what those assets are contributing to your P&L? Thanks.

Pekka Lundmark: Okay. Thank you. I'll take the first question, then a quick comment on the last one and Markus will give more details. Yes, we are – it is in the other segment that we understand that that is an issue from transparency point of view which we need to – may need to work on going forward. Capex guidance for this year EUR 600-700 million, maybe one step back before commenting that. As you may have noted, our then final capex outcome for 2017 was slightly below our earlier guidance and that is connected to our now ongoing effort to actually increase our capex scrutiny while the unit per transaction is ongoing. So, that's why we are going to do very, kind of, strict prioritisation of capex, including maintenance capex and very – even more so growth capex. And we are going to be looking at the EUR 600-700 million also quite critically, depending on how the Uniper situation develops. The biggest projects there are Loviisa nuclear power plant digital automation system renewal, which has been announced quite a long time ago, Zabrze CHP – a multi-fuel CHP development in Poland is one of the largest elements, and then the ongoing renewables project mostly in Norway during this year and then the wind investment in Russia. Those would be the largest investments that we would have in there. But once again, we are going to exercise all the time higher degree of scrutiny when it comes to new capex decisions. And then the CSA –

Markus Rauramo: Yeah, so, on the CSA, the four key components: consumer price index, bond yields, spot market and then the profile of the CSA payments. We've seen obviously a lot in a negative direction, just from a mathematical point of view, so CPI and bonds had a negative impact, and the spot price as well as the profile had a positive impact. Now on the first – for 2018 on the first three ones, we don't give guidance on where we think they would be going. So, you can use your own estimate for that. The profile impact, meaning that the four last years of the CSA's we get higher payment. That will continue to have a positive impact for 2018. So, I think that's as much as we can guide there.

Then for the renewables visibility, I would agree with that – that you cannot see the impact yet and the thinking has been that as these have been in a development phase, we still keep them in other, and that is something we need to then see going forward that when these businesses are really maturing, how do we do the reporting. But, I think you can – the way you can estimate is that you take the capacities, you take the investments and then look at what kind of returns the market would imply for these investments. I think that gives you quite a good proxy on what the contribution is.

James Brown: Okay. Thanks for that. Just wondering whether the comments on the capex side around CHP in Poland and the Loviisa digital investments – whether you could give us a number for how much those two bigger buckets that you highlighted would represent? Thanks.

Pekka Lundmark: Yeah, they – well, I would characterise it so that they are some of the bigger investments in addition to the wind investments we are doing. And then, for example, in the growth, we also categorise when we are doing maintenance, if it has an impact on increase in capacity somewhere, then part of those investments are categorised into the growth, as well. But we don't split it up by project. But deposits of also the growth of let's say a tenth - tenths of activities on top of the ones that we mentioned.

James Brown: Okay. Thanks.

Pekka Lundmark: But very largely, already decided projects that are going on.

Operator: We will now take our next question from Peter from Bank of America Merrill Lynch. Please go ahead. Hello, caller, your line is open. Please do press the mute button or pick up your handset if you're using a speakerphone.

Peter Buschdiger: Hello. Apologies. Hello. Sorry. It's Peter Buschdiger here from Bank of America Merrill Lynch. Firstly, on Ekokem, it's helpful to get an idea of how much that business contributed to your results in 2017 and how that develops year-on-year please? And then also, I'd welcome an update on the discussions about heat reform in Russia and also if there's any prospects for further modernisation of your old generation assets in Russia, please?

Pekka Lundmark: If I take Ekokem first, as you remember, when we published the acquisition in 2016, we said that that EUR 700 million acquisition price was at that time roughly 11 times EBITDA, so that gives you an idea of the starting performance. Then we had also – then we also said that there is improvement potential in the EBITDA, and we happy to confirm that that improvement potential has realised. There is still further improvement potential in there, and this is taking the multiple to a more reasonable level than the 11, which was perhaps not outrageous, but still on the higher side. As we say now, it's clearly on a more reasonable level, and there is still improvement potential there. So, I'm – I'm satisfied with the Ekokem development, but as we are not disclosing our numbers by business unit with each segment, unfortunately, I do not want to go into more details. But, we have so far achieved the targets that we had with that acquisition.

Then the heat reform in Russia, two different things. We have achieved so-called heat operator systems status, both in Tyumen and Chelyabinsk, which gives us a better possibility to influence how the heat system is developed and how also the cash flows are managed. And this is one reason why we have been able to improve our cash flow. But then when it comes to deregulation of heat pricing in Russia and the pricing methods and the role of heat-only boilers in the future schemes, this is a longer-term plan. It is currently being, if I understand correctly, piloted in a couple of places in Russia – not in our regions. And our understanding is that depending on the experiences of these pilots, then they make – they may make decisions about expanding into other places. We see this as a potential upside to the result development during the years when the CSA payments are gradually going down. But it is too – far too early to try to quantify the timing or the monetary size of such improvement.

Markus Rauramo: And then finally, there was a question of the modernisation of the space in Russia. I would actually go back to the previous comment about our capex overall. We will have focus on our costs, focus on our cash flow and heavy prioritisation of our activities. The Russian fleet, of course, has potential, but we will evaluate these possibilities the same way as all the other investment options.

Peter Buschdiger: Okay. Thank you.

Operator: We will now take our next question from a participant from Credit Suisse. Please go ahead.

Wanda Wierzbicka: Good morning.

Pekka Lundmark: Yeah. Go ahead.

Wanda Wierzbicka: Good morning. Wanda Wierzbicka, Credit Suisse. I would have two questions. First the - on your dividend policy going forward. You said that a dividend flow from Uniper would be left to your shareholders and you are going to also to repay some of your debt. So, my question is, do you have any percentage stated in your mind? Should we assume 50-50, 80-20 – something that you help us with modelling? And also, you said that you would like to avoid a temporary cut in your dividend, so should we assume that you are willing to modify your dividend again? I mean, tying over 80% of the pay-out just to have EUR 1.10 again, in the short term? And my second question -

Pekka Lundmark: When – when we –

Wanda Wierzbicka: is on the –

Pekka Lundmark: Sorry. I thought that was already two questions. But go ahead, please.

Wanda Wierzbicka: No. No. The first question was on the dividend, but the second one is very short. It's on your cost cutting, do you have any new official cost cutting programme? Thanks a lot.

Pekka Lundmark: Okay. The cost cutting, we have now implemented the EUR 100 million programme, and as Markus said, cost scrutiny will continue. We have no official announced programme, but this will be ongoing efforts in all our businesses with a high degree of discipline, and every stone will be turned. Then when it comes to the dividend policy, I think we have more or less said what we can say about that one. Avoiding – trying to avoid or targeting to avoid a temporary dividend cut simply means that since we have a policy of paying 50%-80% and we are not quite there yet. When we look at our financial situation and the outlook, including the Uniper transaction, including estimates on power price development, all the prevailing market conditions that I was referring to, our target is that we would over time get into that 50%-80% range without having to cut the dividend from EUR 1.10. This is our target. It's not an absolute promise. We are targeting that. How could that change? If market conditions change, if for example, power price development would not meet expectations, then we would have to revisit that situation.

Wanda Wierzbicka: And how about the dividends from Uniper – if you could just comment how much are you going to repay of your debt? How much are you going to give to your shareholders?

Pekka Lundmark: We are - we are first of all, we are satisfied with what Uniper has said about their own dividend policy issue. We'll have seen they have said that they target to quite substantially increase the dividend. And from our point of view, of course, that dividend income does not differ in any way form the other cash flow that we are receiving. And that then ties back to our dividend policy. So, it's not possible to, in a way, earmark the cash flow that we are receiving from Uniper and say that any specific percentage of that would be used for our debt repayment.

Wanda Wierzbicka: Thank you very much.

Operator: Our next question comes from Luda Shumaka from Societe Generale. Please go ahead.

Luda Shumaka: Good morning. Luda here – So Gen. Two questions for me. The first one is coming back to the very first questions that was asked on this unusually large discon between German and Nordic power prices. Now, usually, it's due to huge hydro weather wall levels. But there are close to normal – slightly above normal. So, has been some unusually big snowfall in the Nordic area that could impact these weather wall levels going into Q1 and Q2? Second question is – I mean, you did say you are reluctant to give out more details on business units within division, but can you perhaps give us an idea on the Hafslund contribution to other divisions – City and Consumer Solutions? And also like to this the weakness you're seeing in the supply business, is that from your existing supply, is it from Hafslund? Or is it the integration of the business that's troubling?

Pekka Lundmark: The margin pressure in the retail business is really across all sectors, but in relative terms, it has been there already before the Hafslund transaction, which we have seen it in our – us – we have seen it in our business. And as I indicated earlier, we are quite pleased with the confidences and capabilities of Hafslund in terms of being able to develop value-added products and their capability to fight against price erosion. So, from that point of view, the challenge has perhaps even been more in relative terms on the Fortum side. We are pleased with how the integration has started. The overall Hafslund financial contribution, as we have said, the underlying business EBITDA for both of them is EUR 130 million EBITDA on an annual level. Then now we have said that what the – what the synergy target is, and we have split it between the two divisions. And we have also said earlier that overall, we expect a positive EPS contribution to this – to the Fortum P&L. Markus, do you have further points on the Hafslund that you would like to add.

Markus Rauramo: No. No. I think this is what you should build the modelling on. So, EUR 130 million is the starting point, plus the synergies. And as you know, we don't break up the details in various businesses deeper than that. So, I think this is what you have to build from.

Luda Shumaka: Okay.

Pekka Lundmark: Then when it comes to the snowfall question. I don't have that information here right now. We have the water as it was – information, but snowfall, I do not have here. At least in our country – in Finland, the snowfalls have been quite heavy, so there is a lot of snow in the system. But this needs to be taken with a caveat, because I don't have the very latest figures from the Swedish and Norwegian mountains. We would have to check that one. But, that could be a potential explanation, absolutely. And then the other things that are connected to this is then how much water there is in the system, weather forecasts, also and then how many running hours there are in the system where marginal cost of coal is actually the price setter. So, this would be indicating that the relative number of those hours have been lower. But this has – there's so much speculation around this, that it's hard to be more detailed than this. But, we would agree with you that the price difference is quite large at the moment.

Luda Shumaka: Okay.

Markus Rauramo: And this – there are quite a few factors, actually, even intra-day, the import/export dynamics, depending on where in the surrounding countries industry is running. The wind conditions – very volatile, ranging from zero to very large capacities. Temperatures have not been so high or low when it comes to minus degrees. The hydro conditions, CHP industry and so on – so, various factors, and you can see it on an hour-by-hour basis, how the market is actually quite volatile.

Luda Shumaka: Okay. Thank you. So, can I just ask one more question? We also have seen the Kalv 19 contracts move to news on oil polluter three, eventually perhaps being connected. Is there any update on potential start-up date? Or are we still talking about the second half of 2019?

Pekka Lundmark: There is no new information. The information is May 2019, and that's all we have.

Luda Shumaka: Okay. Thank you.

Operator: Ladies and gentlemen, please press star one to ask a question. We will now take our next question from Engel Baka from Kepler Chevreaux. Please go ahead.

Engel Baka: Yes. Hi. Good morning. I have two questions. Could you talk us through the pressures in retail? Where exactly is it coming from? You face rising competition from conventional players or lots of new entrants. Are customers changing their behaviour, becoming more price sensitive or shopping around elsewhere? And the second question would be on Ekokem, this acquisition - Burnlee I think asked you all to explain it – is kind of a transforming acquisition. I was wondering if you can already see that you are acquiring? Would that be setup new customers in the area of

City Solutions and what potential you see for that business also against the backdrop that actually is changing the offering that you have? Thank you.

Pekka Lundmark: Thank you. I'll take the Ekokem and Markus will comment on retail in more detail. As I said, we are please with the progress in Ekokem, which is now called Fortum Recycling and Waste Solutions. We are developing that business. There are several initiatives going on. We are expanding the scope of recycling, for example, towards ash handling and recycling ash and extracting valuable fractions that there are remaining in the bottom ash when you are burning things. We are continuing to develop what is called 'recycling village' here in Finland, where we are receiving unsorted household waste and through an almost 100% automated process, we are separating different fractions, for example, plastic, which is very important, grouping it into five different categories, and automatically washing it and melting it and pressing back to granules that we sell back to the industry as recycled plastic. This is clearly tapping into one of the most important megatrends in the world, which is the obvious and urgent need to reduce the consumption of plastic and increase recycling. So, these are some of the initiatives that we have made – that we are working on. We have also made a couple of small bolt-on acquisitions to strengthen some of the capabilities there. So, we are working hard to build this as a – really a new egg for us going forward.

Markus Rauramo: Okay. On the retail where we see – where the biggest pressures are is that customers are migrating from fixed product to spot product, which is hitting the margins, also partly in Sweden. And I think we would say that it's not so much new type of entrants into the business, but it's new entrants. It's the number of competitors that is in the market, and when you look at how the pricing moves, it is also traditional competitors and new entrants, similar type as we are and the existing players are better than – from time to time – in the more aggressive pricing and trying to capture customers.

Engel Baka: Right. Thank you.

Operator: As there are no further questions, I would now like to hand back for any additional or closing remarks.

Ingela Ulfves: Thank you operator and thank you for the questions. We seem to have certain questions on the chat, so I'll hand over to Måns now to ask those questions.

Måns Holmberg: Thank you Ingela. So, the first question relates to IFRS-16. And so, I guess this is to Markus, then. And that is – has Fortum already estimated the balance sheet impact of IFRS-16 on leases, and is the impact material? And if it is material, could you give an approximate value?

Markus Rauramo: Well, we will give more disclosure on 16, 15 and 9 in our coming reporting. And I think the most important change is in IFRS-9, where the new approach to hedge accounting will reduce the volatility of our fair value items. But otherwise on 15 and 16, there are no material changes expected for us.

Måns Holmberg: Thank you. Then we had the second question – one question here in Finnish.

[Finnish 1:08.05 to 1:08.12]

Måns Holmberg: So, in English, would there be any R&D initiatives expected, for example, like Chempolis?

Pekka Lundmark: Absolutely. We are continuing on R&D, and we hope to be able to invest more in technology development in the future, because in the future energy system, we strongly believe that more and more value will move the technology software and services from our only large power plants. Chempolis is one interesting element in this whole picture. The whole buy-up economy and possibilities is the fraction biomass and develop new products on top of it, in our case, instead of just burning the millions and millions of cubic metres of biomass, as we are doing. It's definitely one of the most interest potentials for us in the future. On top of that we are, as I said, developing new digital services for consumers and many other things. So, the relative importance of R&D and technology, in my books can only increase in the future.

Måns Holmberg: Okay. Thank you. And then we have one final question here with regard to Uniper and that is – given how hostile Uniper's management has been toward Fortum's bid, do you think you are able to work and have meaningful talks with Uniper's current management?

Pekka Lundmark: That is certainly our goal. We have now started those talks and I've said in my introduction, we need to be patient. They take time. There are certain elements that require also approval from competition authorities. But, we are hopeful, because there is so much – so much to be gained. As I said, we are happy with the 47% shareholding and its return potential as such. But there is so much upside to be gained through good cooperation between these two companies that I think that is definitely something that worth going for.

Ingela Ulfves: Thank you everyone. Thank you all for your contributions. Before closing the call, I would still like to highlight that we, today, also in the report, have announced and confirmed our Capital Markets Day for 2018, which will be held in Espoo on 13 November 2018. So, we are looking forward to that. And finally, then, I want to thank you all once more, and wish you all a very nice weekend.

Pekka Lundmark: Thank you.

Markus Rauramo: Thank you.