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<b>Speakers:</b>	Ingela Ulfves - VP of IR & Financial Communications Måns Holmberg - Manager of IR & Financial Communications Markus Rauramo - CFO Pekka Lundmark - CEO
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**Ingela Ulfves:** Hello and welcome to all of you to Fortum's webcasted news conference for analysts, investors, and media today on our fourth quarter and full year 2019 results. Please note that this event is being recorded and we will post a replay of the webcast later on the website. My name is Ingela Ulfves and I'm heading the IR team. With me here also Måns and Rauno from the IR team. Our CEO, Pekka Lundmark, and CFO, Markus Rauramo will present the full year and quarterly results today to you after which we will open up the Q&A session starting with the audience here with us at the headquarters in Espoo. And then take questions from the teleconference participants. Please note that you are also able to ask questions on the online chat with these words. I welcome Pekka to start the presentation.

**Pekka Lundmark:** Thank you very much Ingela, and a good morning to all of you dear investors and dear representatives of media. We have today presented a strong set of numbers. We improved our result in the fourth quarter in all segments compared to the fourth quarter of 2018. However, since this is now a full year report, I will mainly focus on the full year numbers, and a little bit later, then I will comment on the details of the Q4 but full year first. The market showed some weakness towards the end of the year, but despite the volatility on the market and the fact that the Nordic power price was actually on full year basis down 12%, we were able to deliver a pretty strong performance. Our achieved power price in 2018 was up 6%, 36,80. Comparable operating profit increased by more than 200 million euros to 1.2 billion, mainly driven by a clear result improvement in the generation segment, but also supported by improved results in Russia

and in the consumer solutions business. And in addition to this, our share of profits from associated companies and joint ventures increased to almost 750 million euros. Largely thanks to our share in Uniper. Our focus on cashflow measures together with the strong results in 2019 increased our cashflow to more than 2 billion at a year end. Maintaining strong cashflow and consistent de-leveraging is also central to our credit rating. Our key objective is to have a solid investment grade rating of at least triple B to preserve financial flexibility and a good access to capital markets. Also after the Uniper transaction has been closed. Based on these results 2019, our financial position and the outlook for the coming years Fortum's board of directors is proposing a dividend of a 1 Euro and 10 cents per share for the calendar year 2019 with an earnings per share of a 1 Euro and 67 cents. This proposal corresponds to a pay-out ratio of 66%, which is clearly within the 50 to 80% range of our dividend policy. EPS 167 for the sake of clarity, I do want to emphasize that that also includes setting the known operating results associated with the Uniper result. Those effect was approximately 44 cents. And if you want to calculate, the fully comparable EPS without Uniper non-operating results, and then also eliminating the effect of items affecting comparability. On the Fortum side, you would in a way get a clean, EBIT improvement from 80 cents per share in 2018 to 1 euro and 30 cents in 2019, which of course is a very good improvement that we are proud of. On the strategy execution side we made consistent and systematic progress. During 2019 we focused on operational excellence in all our operations and as said, improved our financial results substantially in most of the businesses. We performed a strategic review of parts of our district creating business which resulted in the divestment of Joensuu district heating plant. A good multiple price was 530 million euros. And we will book a tax-exempt capital gain of 430 million euros for this transaction in our Q1 numbers this year. We also continue to build solar and wind power and commissioned new solar capacity in India. And then in accordance with our capital recycling strategy, we announced the transaction to divest 80% of our wind assets in the Nordics in order to be able to rotate this capital into new renewables projects, and this way build more with the same amount of equity. This deal is expected to close during the first quarter this year. So consequently, we did achieve our financial targets. We had a 10% return on capital employed again for the sake of honesty that also includes the non-operational items from Uniper but reported ROCE is 10%. And when it comes to the net debt EBITDA target of around 2.5, I'm pleased to report that also that when taken into account now the divestment of Joensuu and the wind transaction once completed will be achieved everything. Else unchanged of course. Netdebt EBITDA was three times at the end of the year and then adding these two transactions, we would mathematically get to 2.5. We have today announced that we will initiate a strategic review of our district heating and cooling businesses in Poland, the Baltics, and in Järvenpää in Finland. Based on the initial assessment

these heating and cooling businesses have been identified as operations that could provide higher growth and value potential with an alternative ownership structure. This is something that we will come back to later on. There are no decisions made at this time, and I do want to emphasize that district heating continues to be strategic to Fortum, also going forward. Our district heating operations in Espoo, Stockholm, Oslo, or in Russia are not part of this review. In October our Uniper investment took a leap forward with our agreement to buy an additional stake in excess of 20% in the company. In December we received approval for closing the transaction from the United States and subject to certain conditions from the Russian government commission. This decision was made in November. The clarification of these conditions in Russia is somewhat delayed due to the recent change of the Russian government. However, we are still confident that we will achieve closing of this transaction during the first quarter 2020. And as announced previously with closing, we will seek adequate board representation in the supervisory board Uniper per reflecting our ownership and this naturally includes the chairmanship position as well. As the majority owner Fortum will focus corporation and strategic alignment with Uniper. Our two companies are already well positioned to drive forward the European energy transition. Together both companies can benefit from a further aligned strategic focus to enable a carbon neutral Europe by 2050. During the transition, Europeans expect that their energy companies execute an ambitious climate policy while continuing to provide electricity and heat at all times and at an affordable cost. The German government recently announced a coal exit law reflects these requirements and coal fire generation will be phased out in steps by the end of 2038 at the latest. We have continued our de-carbonization efforts on the Fortum side during the year and we'll continue to do so also in the future. We have therefore decided to tighten our climate target for specific CO2 emissions by 10% to 180 grams of CO2 per produced kilowatt hour applicable to Fortum standalone fleet for the year 2020. We are building continuously more solar and wind power while also utilizing our so-called capital recycling business model, as I described earlier to release cash. This enables us to invest more with the limited equity exposure. Another major effort is the commitment to carbon neutral district heating here in our hometown Espoo. We announced actually last week that we will accelerate our goal to discontinue the use of coal in district heating here in Espoo already in 2025, four years earlier than earlier planned. Other examples are the sustainable decommissioning of the one gigawatt Inkoo coal fired power plant here in Finland where we show a recycling rate of 92% of the material. We are placing the Meripori coal-fired power plant into the Finnish national peakload reserve capacity system from July 2020. And on top of this last week there were announcements from a Fortum's associated companies in Naantali in Finland to shut down coal-fired units after this heating season. And very importantly, an announcement

from our joint venture jointly owned companies, Stockholm Exergi to decommission its last coal-fired unit after this heating season. These means that Stockholm district heating will be hundred percent renewable. And we are quite proud of this achievement since we are talking about one of the largest district heating networks in the whole world. It will be 100% renewable after this heating season. When acquiring the additional Uniper stake and when our ownership increases to approximately 70% or slightly over it will mean that we will consolidate Uniper into our numbers. Here you can see that what the effect will be to our generation profile. The first observation here is that our CO2 free generation will increase by approximately 60% to over 70 terawatt hours per year. For comparison, just a couple of examples, Verbund CO2 free generation in 2018 was about 30 terawatt hours and Ørsted, both great renewables companies, produced about 15 terawatt hours of CO2 free electricity. And we will know after the Uniper transaction, we'll go over 70 Terawatt hours. So this will make us really really a very large renewables and CO2 free electricity producer. The consolidated gas-fired power generator will increase a lot as you can see here and as we have discussed several times, gas will be an essential fuel in de-carbonization of energy as it ensures flexibility in the energy system in combination with intermittent renewables. Over the long term it is also absolutely clear that gas needs to become green. Electrolysis technology, hydrogen power to gas are all things that are being discussed a lot and not only discussed, a lot is already being done in this respect. Not only in Fortum but perhaps even more so on the Uniper side. So gas will be an important transition fuel, but it also needs to become green in the long-term. The share of coal fired capacity you see on the graph that will be reduced over time. And you may have noted Uniper's recent announcement to shut down 1.5 gigawatts in 2022 and 1.4 gigawatts in 2025. And the remaining of the European coal capacities are expected to phased out based on national plans. So this is how it will look like. And then, then if I zoom into the German plans specifically. First of all, we welcome Uniper's decision to close down these, old hard coal fired power plants in Germany. They announced that they will shut down all their old hard coal fired power plants in the next few years. This decision is clearly in line with Fortum's ambition to decrease the environmental impacts and CO2 emissions of power generation. And it is also consistent with the German government's coal phase out law that was introduced by the cabinet last week. Assuming approval of the law, first auctions for hard coal are expected to be held in 2020. These power plants that Uniper announced to be shut down were commissioned between years 1968 and 1992. So we are talking about fairly old power plants. We stand for a strategy of de-carbonization and this strategy also applies to our investments, including Uniper. We support Unipers decision to close down the company's old units, as the new coal fired CHP plant Datteln 4 is taken into use. And here comes the key thing: as long as coal has to be used for security of supply in Germany, especially while they are shutting

down not only coal but also nuclear in two years time, as long as coal is needed for security of supply, we share Uniper's view that it does make sense to use it in the most efficient, most modern, newest and cleanest units and rather shut down old even more polluting units. This is particularly true as the German government has confirmed that Datteln 4 will not change the coal phase-out date and will not lead to any additional CO2 emissions on the national level. Uniper has also stated that once the closes are completed and Datteln 4 is running the CO2 emissions of the company's German coal fleet will reduce by approximately 40% by 2025. Then I move on to our core business, which is of course very much driven by hydro-power here in the Nordics and the hydrology situation and that always affects the volumes. As you may remember most of the year 2019, which is the orange color here on this graph, we were moving pretty close to the long-term average, which is the dotted grey line. The end of the year was a little bit drier, but during the beginning of 2020, which is the light green colour here on this graph, as you have seen, the hydro reservoirs have actually increased, very quickly. This is because of the weather, it has been a very rainy and this deficit that we had has actually now turned into a surplus for the latest figure is about six terawatt hour surplus in Nordic water reservoirs. And this is of course, one of the reasons why there has clearly been weakness in the power price, for the coming quarters. Commodity prices have also been fairly weak. Here you see two basically graphs. The dotted line was the forwards one quarter ago and now the solid grey line is the current forwards. As you can see, first of all, gas price has been weak. That's the lower of these two graphs. Clearly the reason here is strong supply of LNG. Global LNG supply increased by 50 BCM during 2019 and most of that has been absorbed by Europe since Europe has the most flexible demand and also a very high storages or big storages, and currently storage levels are actually the record high in Europe. Coal price has also been weak. It has been affected by weakening global macro economy, increasing Chinese domestic coal production and increasing electricity production from nuclear and renewables. All of this has been affecting demand for coal and that way also pushing down prices. CO2 price has held up quite well. It peaked around 30, but clearly the market stability reserve, which was started in the beginning of 2019 has supported the price. The interesting thing is that when we talk about coal phaseout, the emission trading system is now clearly delivering. The use of coal for power declined in Europe by slightly over 20% last year. And this is to a very large extent thanks to the ETS system and we have used so much time in Brussels and in other instances to do everything that we can, that this system would be further strengthened. And we are pleased to see that it seems to be a key element in the new commissions new green deal. This is now pushing out gradually coal from the market. This switch away from coal last year in Europe actually eliminated approximately 80 million tons of CO2 emissions just during one year. Now the risk for hard Brexit is removed, that is now

supporting the CO2 price. There may be a some near term weakness because of the fact that the 2019 allowances, UK allowances, which were about 50 million tons, were not auctioned last year due to the Brexit uncertainty. And now they will be auctioned this year together with the 2020 allowances and this will increase the supply temporarily during 2020. But MSR continues to remove a significant amount of allowances, about 370 million tons also during 2020 and this will make the market much tighter during the coming years. I already mentioned that the weather has been pushing down the near-term power prices in the Nordic region. It's actually a combination of many, many things, a warm, wet, windy weather with weak commodities. Six times W in the headline. But it is really a combination of several factors. Warm weather, wet weather, windy weather, and when the commodities have been a weak, the combination and the result of this combination, you can see there is quite a significant drop in power prices. Especially for the first, second, and third quarters of this a year. Now I can say that fortunately we are already 75% hedged for this year at 34 euros per year. So that will have a significant supporting effect to our result this year despite this short-term weakness on the price. Here you see the achieved prices in graphical format. I already mentioned that on full-year basis, we were able to achieve in Nordics an achieved prize, which was 6% higher than in 2018. And in Russia the achieved price for the full year 2019 was up 7%, 1% in roubles, and then 8% in coming as a result from Forex. Then quickly couple of comments on each division before Markus continuous. First generation, this was driven by a combination of volumes and then higher achieved price. HydrO volumes recovered from the very low level in 2018. Hydro volume in the full year 2019 was 20.3 terawatt hours. It's still below long-term average of 21 terawatt hours. Now of course, hydrology has improved, so that means that we can expect higher volumes this year. Another factor on full-year basis was that a nuclear load factor was at the highest level in our history and particularly Loviisa Unit number one set a new production record. And overall the deviation or result was really good. A comparable return on net assets for the full year 2019 was 12.8%. City solutions division has had their share of challenges. Q3 result as you remember, was very weak. It's recovered nicely during the Q4, but still full year result did not quite meet our targets. We are looking at a 121 million comparable operating profit. We have to remember though that in 2018 there was a one-time sales gain of 26 million from the sale of a solar stake in India. 4.7% comparable return on net assets is of course below our target level. Consumer solutions another excellent quarter, and also a great a year. We now have nine consecutive quarters behind us in consumer solutions with the EBITDA improvement. This is a combination of several things. First of all, we have the half Hafslund transaction with the synergies that we have been implementing. Our target was to achieve synergies of 10 million euros by the end of 2020. And now I'm pleased to report that this target has now already been achieved one year ahead of time. But this is only

one part of it. The other part is the active development of the product and service portfolio and the introduction of new services, which has also then supported the sales margin. Excellent improvement full year comparable operating profit from 53 million to 79 million. And finally, the Russia segment also good result. The full year result is all-time high for us in Russia. Full year comparable EBDA 469 million euros and then after depreciation full year comparable operating profit, 316 million euros. And also there, like in the generation division, an excellent comparable return on net assets of 12.3%. Now I will finish here. I will ask Markus to continue. And then after that we are ready for questions.

**Markus Rauramo:** Thank you, Pekka. So to summarize first the fourth quarter. The Q4 results improved by 20% from 333 million to 398. Happy to say that all divisions improved. Generation was up 51 million on the back of higher hydro and nuclear volume. So great performance, great availability throughout the whole year and higher achieved power prices. City solutions up 60 million driven by the one-time effects, better performance in Norway heating and cooling. Consumer solutions benefited from higher sales margins. And Russia results improved on the back of positive effects impact and improved result in the heat business. The full year cumulative result improved by a good 204 million euros. Generations was up 166 million with increased volumes and better prices. Consumer solutions up 26 million on back of a higher sales margins, active development of the product and service offering, which I'm really happy about great work on consumer solutions on product development and sales. Russia division improved with 45 million, with higher electricity margins, lower bad debt provisions and positive foreign exchange. City solutions result was 14 million lower but the main impact between the years was coming from having the mentioned 26 million profit from selling the majority of our solar business ownership in 2018. This was then partly offset by improvements in the Norwegian heating and cooling business and one-time effects. Other costs increased but that was driven by the increased spend mostly in business technology including our internal and external ventures. Then I will move over to the main points in our key financials and lift up a couple of key items there. Our sales comparable EBDA and comparable operating profit improved on a full year basis. If we look at the top line on the right-hand side, comparable EBDA and comparable operating profit improved also in the fourth quarter on a year on year basis. Then the big move was in the share of profit from associates totalling 744 million when you go down the lines. That includes 632 million of Uniper results. Going further down the EPS on the full year basis of 1.67 euros includes negative 7 cents of items affecting compatibility and 71 cents of Uniper result. The net cash from operating activities on the last line for the full year was very strong at 2.015 billion euros. So all in all, I would say that we had a very strong set of numbers when we look at the key financials.

Then a couple of observations on income statement and cashflow. On the income statement I focus mostly on the full year. Comparable operating profit improved from 987 million to 1.191 billion. If you look at the middle of the chart on the right-hand side. In 2018 items affecting comparability were positive. They included 106 million of sales gains and 98 million of positive fair value changes. On the other hand, in 2019 the negative 81 million consisted mostly of negative fair value changes. Share of profits from associates increased by 700 million, and that was again, mostly driven by the Uniper result. Finance costs were stable at around 130 million. There are some moving parts, pluses and minuses, but all in all stable. And taxes were somewhat higher driven by increased profit and also including withholding tax on Russian dividends that we are taking from Russia. And good to remember that when you look at the profit before income tax, the share of profit from associates is net of tax, so the 744 million already includes the tax impact. So on the last line total is a strong profit for the period of 1.5 billion euros for the year. Moving then onto the cashflow statement, main items there again, focusing on the cumulative 2019 numbers. EBDA increased to healthy number of 1.76 billion euros. Going down the line, paid financials, tax and others were stable compared to previous year and we received a 239 million dividends from associated companies. The biggest contributor there being Uniper. Settlements from the futures were now positive for the full year, 356 million compared to last year's negative number. So big change there. And this resulted in the net cash from operating activities for the full year of 2015 million euros. Very strong. Then going further down Capex was a 695 million, and that's including sizable investments in solar and wind. Where we also announced this year in the 2019 year, the capital recycling transaction for Nordic wind. The collateral arrangement we did earlier in 2019 was the main contributor to the change in cash collaterals, change being positive 311 million. And this brings us a strong cash flow before financing of 1.6 billion. The only other point I'd highlight here is the impact of the Uniper share acquisition in 2018, which is most of the 4 billion item for that year. Then moving on to our long-term financial targets. When it comes to financial targets, the development is very positive. EBDA up, net debt down. And this resulted in year end comparable a net debt to EBDA at 3.0 times. When we include the Joensuu divestment and wind divestment, everything else being alike we would be at the target of 2.5. ROCE reached our long term target of 10%. Liquidity is very strong. At year end we had a liquid funds, so 1.4 billion, undrawn committed credit facilities in excess of 10 billion euros. Average cost of debt continues to decrease and we have a good maturity profile with no bond maturities in 2020. I elaborate a little bit more on our rating target. Our key objective is to have an investment grade rating of at least a triple B flat. It is to ensure a financial flexibility and good access to capital. Also post-closing of the Uniper transaction. We have a good dialogue with the rating agencies we expect that the credit watches mentioned also on this slide

would be resolved at some point after the closing of the transaction. We have been de-leveraging, as you can see from the graph, our balance sheet in a very determined way. Coming from a net debt to EBDA number of 3.6 down to 3.3, and now 3.0 at year end. And again, when adjusting for Joensuu and Nordic wind you can see the illustrative graph. We have reached our target of being around 2.5. We will continue to manage our portfolio actively. As you have seen, to keep strategic focus and maintain financial strength. Finally going into outlook, we expect that Nordic electricity demand will grow at 0.5% per year on average. Hedges are at good levels. We are hedged 75% for this year at 34 euro for megawatt hour. And for 2021, we are hedged 40% at 33 euros. And of course, again, the point which with the hedging is to have the predictability and forecastability for the near term cash flows. Our Capex is estimated for this year to be around 700 million euros. That's including maintenance investment of 300 million and 200 million euros of investments into renewables, solar and wind that can be subject to capital recycling. I'm very happy to say that we have progressed well on the Hafslund transaction synergies. In consumer solutions we achieved our target of 10 million euros ahead of schedule. And we continue to expect the City Solution that we achieve synergies of 5-10 million fully by the end of this year. On the tax side we expect that the taxes in Sweden for hydro will be 15 million euros lower this year compared to last year. So this is for my part and now I think we are ready for questions.

**Ingela Ulfves:** Thank you Pekka and thank you Markus. Yes, I said we are now ready for the Q&A session. We will start with the questions here among the audience in Espoo. If have any questions, then raise your hand and we will hand you a microphone. After that we take some questions from the chat before then moving on to the teleconference participants and their questions. So please go ahead.

**Q:** Three questions from my side. So first thought in this Joensuu divestment at quite high multiples and doing first a strategic review on as a district heating assets. Would you consider to do similar assessment, for example, to some of your hydro assets, which are presumably might be non-core or basically not as synergetic as your portfolio? So is it possible or is completely off the table? Then the second question is relating to Uniper and Pekka commented that you support shutdowns relating to coal in Germany. How do you view a Uniper's new target of cutting CO2 to emissions by 40% in the next five years? And the last one is a more mechanical one relating to this abnormal hydro situation. And does this new hedge rate of 75% reflect in basically likely much better hydro availability what we'll see in 2020?

**Pekka Lundmark:** You are right that the Joensuu multiple of course was good. I think 26.5 or something like that is the correct number But when it comes to the potential assessment of

hydro. Highly unlikely, I mean hydro is clearly a core part of our business. And one of the key attractions to us in Uniper is also the substantial hydro portfolio they have both in Sweden and Germany. Minus 40% is Uniper's announced a CO2 reduction target by 2025, we can only say that that we support their decarbonization. We cannot make statements on their behalf, but as a significant owner, we support this path. And of course, as an owner we have in discussions that we have had with them, we had a have made it very clear to them that we expect all our portfolio companies to present ambitious climate targets. And I can only say that that they are clearly acting on this one.

**Markus Rauramo:** And for the hedging. So the hedging ratios are then reflecting our forecasted production at the time of giving the forecast.

**Q:** Ok. Very clear. Thank you.

**Ingela Ulfves:** Any further questions here among the audience, if not more questions from the chat please? If we have any?

**Måns Holmberg:** So we have one question regarding the achieved power price and the strong achieve power price in the fourth quarter. And looking at the fourth quarter it seems particularly strong in terms of this optimization spread and the question is then, is this something that is just happened now during the fourth quarter or something we can expect also for the future?

**Pekka Lundmark:** I mean, of course both physical and financial optimization is part of the normal operations that we are doing every day. But then how well we will succeed in this remains to be seen and since we do not give guidance on the achieved power price in relation to the market price, it is unfortunately impossible to answer this question in more detail. But we are pleased, the teams have done a good job in optimization. So that observation is absolutely correct.

**Måns Holmberg:** Ok. Then we have a further question to Pekka Lundmark. Have you seen any change or development in Uniper's attitude towards the intention to gain control of the company?

**Pekka Lundmark:** We have a good and constructive discussions with Uniper and we are discussing many topics including sustainability and CO2 reductions as a I mentioned. We are now focusing on getting the transaction closed so that we get to over 70%. We want to get represented appropriately on the on the supervisory board. And then after that, our expectation is to start a really a deep discussion as to how we achieve a strategic alignment between two

companies. And I have no reason to believe that that the new Uniper management would not have a very constructive approach in these discussions.

**Måns Holmberg:** And then we have one more question then regarding the net debt to EDITDA, the 2.5 target that was achieved. When you correct them for the Joensuu and the wind transactions. Does this figure also include the potential debt impact from the acquisition of 20% of Uniper?

**Markus Rauramo:** No.

**Ingela Ulfves:** Very good with these questions from the audience and the chat then. Operator, we are now ready for the questions from the at teleconference participants. Please go ahead.

**Operator:** Thank you. Ladies and gentleman, if you have a question for the speakers, please press zero one on your telephone keypad. The first question comes from the line of Wanda Serwinowska from Credit Suisse, please go ahead.

**Q:** Good morning. Good afternoon. Two questions from me. First one is on the City solutions. During the Q3 results, you said that you are looking at potential corrective measures. When we remove the 26 million capital gain from Q3 18 and also report some positive one-offs in Q4 19, the underlying the clean EBIT it's flattish. Are you happy with it or should we expect you to work towards a higher profitability? The second question is on your leverage target. Currently you look at 2.5 times net financial debt EBDA. Once you start fully consolidating Uniper in a couple of months time, would you consider looking at economic net debt given the size of the provisions of Uniper? And what target would you be setting? Thank you very much.

**Pekka Lundmark:** It's an absolutely correct observation that in a way clean City solutions EBIT year over year is a flattish. As I think you put it. A clear answer to your question is that no, we are not happy with this level. There were, of course, part of this is market weakness, but there were also operational issues that we are looking at. The Q4 was already much better than Q3. So there is improvement, but on a full year basis we are clearly not happy.

**Markus Rauramo:** And then when it comes to the key financial targets, I think it's clear that both the business and financial risk profile of a combined company is different than two companies alone. So after the closing of the transaction, then we will have to look together what are the right measures, what are the right targets. What I can say is that for Fortum and for the combined entity, a good access to capital at the right cost in all conditions is very important. So we have now stated explicitly that triple B flat rate thing is our target. And then we will look at what are

then the financial indicators that are commensurate with these type of a rating outcome. So we will come back to that after the transaction closes during the year.

**Q:** Can I have a one quick follow up? I mean, when you talk to the rating agencies, is that any leverage target mentioned? I'm not asking, I mean, I don't expect you to answer that question now, but I mean the exact number, but when you discuss your future leverage with the rating agencies, is there any economic net debt to EBITDA that is a maximum that the rating entity will be happy with?

**Markus Rauramo:** We actually have very good discussions with all of the three rating agencies on an ongoing basis. They look at different measures, I think one of the most important ones is the FFO net debt, which we are of course all the time simulating what it would be. So our 2.5 times was roughly commensurate in our understanding with the triple B flat a rating. There isn't maybe explicit guidance on what the net debt EBITDA levels should be. The agencies have been clear about the FFO net debt and we think we are in line with those indicators. But of course, it's a factor. Then also the business risk and decisions portfolio structure and the recent transactions that we have done coal closures and so on. They continuously impact the financial ratios and the business risk profile of the separate companies and potential combined company.

**Q:** And can we expect our updated leverage targets from you guys? I mean from you as a CFO of Fortum? Because, I mean, once the transaction closed, 2.5 times net financial that EBDI I mean it's less relevant economic net debt to EBITDA. So can we expect some updates from you once a transaction is closed?

**Markus Rauramo:** Yes, at an appropriate point we will come back to that. I think it's easy to say that when the requirement for Uniper is higher than for Fortum, we have a lower expected FFO net debt one can assume that for the combined company the target will be somewhere between those numbers that the company is on a standalone basis have had earlier.

**Q:** Thank you very much.

**Operator:** The next question. Please go ahead.

**Q:** Good morning. A few questions from my side. The first one is on the operating cashflow, which Markus, he mentioned a few times and was very, very strong. How sustainable is that? Bearing in mind we have this huge swing that'd we've seen this huge swing sector and change since settlements for future. Should we think about that number for 2020 not only for the operating side, but just this change in sediments for future. What is this number likely to be, in 2020? Then

just to clarify from your previous answer, when you said three and a half times FFO net debt, is that for the combined entity or this for Fortum's standalone before fully consolidating Uniper? And this review of the heating business, is this largely balance sheet driven to ensure that you can actually get this triple B flat rating, perhaps also opportunistic given the rather high exit multiple you've got for the heating business you sold in December.

**Markus Rauramo:** So with regards to the operating cash flow, you're absolutely correct that that there's a very, very large swing factor. Now it was if you compare the two ends, 800 million. That unfortunately one cannot forecast. It's dependent on the market prices. So even on the short-term basis the swings can be quite big on the cashflow. That's also one reason why we need good liquidity. We need good access to capital, we need to have capital reserves. And we take that into account when we think about the key figures. Then I think the best answer for the rating agencies is actually to look at their reports. So it's not as simple as that there would be only one number. Again, it's a factor of the business risk and the financial risk but I think there is clear guidance on what the combined entities strength should be after the closing of the transaction. And we are of course working on all fronts to be commensurate with the triple B flat rating as we now state also that it is an important target for us.

**Pekka Lundmark:** And if I comment the heating business question. It is actually two different things that is driving this. Absolutely, balance sheet is one factor there and we were pleased to see that it was possible to divest an asset like Joensuu at a multiple that is close to 30. But then there is another aspect also and that is the fact that Unipers and Fortums combined a portfolio is extremely wide. And as part of any good strategic review, you always need to think about that, which things to focus on and which things not to focus on.

**Q:** Ok. Thank you. So just maybe one follow up question. Is there a timeline for when you expect the approval to come from from Russia?

**Pekka Lundmark:** We have said that we continue to target to close the transaction during the first quarter. The government commission in Russia decided already in November that we will be granted a permission to buy this additional 20%. What we are talking about now is the clarification of the conditions that how certain things will be done in practice. And those clarifications must be discussed before we can actually implement the closing and there, as I said unfortunately the Russian government change came just in the middle of these discussions and that has now caused a certain delay. But this does not change our assessment that we continue to believe that we'll close during the first quarter.

**Q:** Ok. Thank you. Very clear.

**Operator:** The next question. Please go ahead.

**Q:** Hi there. I have three questions please. The first one on Russia. How do you expect the earnings to develop this year and next? Are there any meaningful expires of CSA contracts in 2020 and 2021? So that's the first one. The second one is on the Uniper. When do you think you'll be ready to quantify synergies, would you put the Uniper deal? And the last one is on, on your Capex, obviously higher than consensus and, and higher than your 2019 number. Where would that incremental additional investment go? Is it renewables? And if so, is it going to be focused on Russian, Nordics or some other region? Thanks a lot.

**Pekka Lundmark:** If Markus takes the first question, I will start from the two other ones. When it comes to the Capex and the 700 million, as we said to the additional 200 million which was highlighted, that's going into renewables into solar and wind and that will be subject to what we call the capital recycling model, where we recycled part of the investment into new projects so that we can then maximize the new capacity being built with a certain amount of equity. It is focused on Nordics, Russia and India. Then the synergy question, it is too early to say when we can announce a synergy target, we are now focusing on closing. Then we want to have a detailed discussions on strategic alignment with Uniper so that whatever synergy target, we would set that it would not only be a based on our own outside-in estimates because that's the only thing we have access to currently, but then also in a more detailed strategic discussion where we then also get the comments from the Uniper side. Once all this is done, then it will be a time to discuss the synergies in what detail.

**Markus Rauramo:** And when it comes to the Russian earnings, so everything else being alike, we have now added further information regarding the CSA payments into our quarterly release. I referred to the setup of CSAs, so there's first for the whole 10 year period there are certain level of payments for the first six years and then increasing for years, 7-10. And this will now open up even more in the quarterly report. So what we have is that at the end of this year for two units, the 10 year CSA ends and in the beginning of next year, three units are entering the higher CSA payment. At the same time the units that are not subject to the CSA payments, they participate in the competitive capacity selection, CCS auctions. And as you can read from our material, I won't go to the detailed numbers now, but you can see that basically year after year, the CCS payments have been increasing. So we have units dropping out eventually of the CSA, some

coming to the higher and then CCS prices going up. And then the earnings are results partly of these factors.

**Q:** Thank you.

**Operator:** The next question. Please go ahead.

**Q:** I guess good morning. Thank you for taking my questions. A few from me as well. So just coming back to the item about Russia granting approvals for the increasing the Uniper's stake. What makes you confident that we will get this by the end of the first quarter? Is it sort of your expectation of when the situation on the government will be resolved or is it just irrelevant from, when that happens? And then secondly, do you have any colour on what those conditions could actually be? And just for me to understand a bit of the sequence of events sort of with a deal closed once you know, these conditions and then what happens if these conditions are not eventually met. So just trying to understand a bit the risks on execution on that. The second question on consumer solutions from me. Obviously very good result on delivering the synergies ahead of time. But if I look at the financial performance of the division, it's still more or less in line with what people would have thought at the beginning of the year. So maybe that means that the underlying market is still weak or is weakening. Any thoughts on implementing more synergies or more cost-cutting in the future or how should we be thinking of the development of consumer solutions? And then a technical question on the disposal or technical review, sorry, of the overheating activities, but if you actually dispose of them, what would be the proforma compatible return on net assets of that business? So if we exclude this assets what return on assets does the rest of the portfolio in city solutions at safe. Thank you.

**Pekka Lundmark:** Ok. Thank you. If I start with the Russia question, what makes us confident? Obviously we are in I would say daily discussions with the authorities about the conditions and the very thing that you actually pointed out to in your question, the sequence of events. But unfortunately this is something that I will not be able to discuss today. We will then inform the market about the conditions and the sequence of events once everything has been agreed with the Russian authorities. Then when it comes to the consumer business I'm not here and now going to announce any new higher synergy target because it will be more and more difficult to define separately that what is synergy and what is not synergy because the organizations are now fairly integrated. But what I can say though is that our appetite for result improvement in the consumer solutions business is definitely not yet met. We are continuing with product development, introducing new products. Our goal is to continue to push, cost to serve the

customer down. And then very importantly, typical to this whole market and this business is pretty high churn of customers. And we've been able to achieve this, substantial result improvement without really being able to substantially address the churn issue, which is typical to the whole market. And this is one of our key goals going forward that we will find ways to reduce churn and if, and hopefully when we are able to do that, that will have a strong supporting effect to the result.

**Markus Rauramo:** And when it comes to the strategic review of the mentioned assets. So at this stage, this is an assessment. So there is no decision to go any direction with the process. We will do the assessment, but of course in the meantime we are working continuously to improve the performance of the business on all fronts. And I'm happy to say that the whole City solutions division works with numerous initiatives to improve their performance.

**Q:** Ok. Thank you both.

**Operator:** Once again, ladies and gentlemen, if you do have a question, please press zero one on your telephone keypad. You too. Time constraints because we ask you to kindly limit your questions to two per person.

**Q:** Yes, good morning. I had a couple of questions. First of all, if you indeed get the clearance from Russia and close the dealing Q1, do you not have a clear view how will you will report Uniper in 2020?

**Markus Rauramo:** Yes. So the answer is yes, then Uniper will be consolidated as a group company in the Fortum numbers. So we will have a line-by-line consolidation

**Q:** And from Q1 or Q2 or?

**Markus Rauramo:** From the closing of the transaction. So then there will need to be a clawback also on the not yet included part of result.

**Q:** Ok. Good. Thank you. My second question is on the potential divestment of the additional district heating assets. You said that the assets in Espoo, Oslo, Stockholm, Russia district heating remain strategic. So is it then your decision or your clear view that you will never sell these assets and you see that the highest growth in value potential is within Fortnum's ownership?

**Pekka Lundmark:** I think that the business, it's best never to say never. If you really talk about things being permanent, because anything, nothing in this world is permanent. But I really meant

what I said when I said that this review is not about these particular assets. Strategy review has to be constant. And the now as I said we will start hopefully when we close a thorough strategy review with Uniper that will then lead to then the next decisions about what to focus on and what not to focus on. But this announcement today is not to be interpreted in any particular way when it comes to the assets in Espoo, Oslo or Stockholm

**Q:** Ok. Thank you.

**Operator:** The next question. Please go ahead.

**Q:** Morning. A couple of questions. So firstly, I just want you to understand the Finnish district heating disposal. So that 26 and a half times EBITDA multiple that you talked about, is it effectively, was that the EBITDA normalized or was it a funny EBITDA of any sort? Or is there something about the profit stream in terms of its growth profile that may sort of indicate why such a multiple repay? And then in connection to that, how does the sort of profit stream of this type of asset compared to the ones that you're putting under strategic review at the moment? And then the last question is just on leverage again, the strategic review that you announced today, does that get you a decent way of rightsizing the debts or bringing down the leverage to tell your targets or do the reason six euros or so fall in power prices mean that we're going to have to see quite a few additional on announcements to attain that two and a half times leverage target. Thank you.

**Markus Rauramo:** Okay. So I can take that question. Joensuu, is a growing city. It's a very vibrant city in its area the assets are well invested. So the assets are in good shape. Performance has been good and steady. It's also well located within the procurement area for the biomass. So it is an attractive asset, the district heating connections continue to grow and churn is very low. So this was an attractive asset from a buyers and owner's perspective. The EBITDA represents, in my view, quite a clean number and I think the expectation is with these fundamentals that there is potential for growth. When it comes to the question about financial leverage target and potential strategic reviews. We are actually at the target right now. So with the with the Joensuu divestment, and the wind transaction we are at 2.5. So we are comfortably now where we want to be and when it comes then to how things look after the closing of the Uniper transaction, again, our target is to have financials commensurate with the triple B flat rate thing. So we will return to the financial indicators in due course after the closing.

**Q:** Thanks. Thank you.

**Operator:** The last question. Please go ahead.

**Q:** Hi. Good morning everybody. I have two questions. So first one, this post Uniper, takeover, post the consolidation, how much will you pay attention to Uniper dividends given that all stays on your balance sheet. And what's your approach towards that dividend policy, which will be announced as I understand at the full year and the new one. And second on the CSA profile. My impression previously was that that is about that you'd expect a significant drop for both of the companies more like in 2022. And from your comments earlier, I understood you actually expected an increase of CSA payment. So can you maybe give a bit of a details on what is really the kind of the contribution and when over the next three, four years for the combined company?

**Pekka Lundmark:** When it comes to the Uniper dividend, obviously in German governance management proposes dividend and then shareholders will vote on the proposal and I would like to point out that we have made a commitment not to implement the domination agreement for two years i.e. during 2020 or 2021. So that means that we are not going to, even though we consolidate the company as a subsidiary in our numbers, it means that we will not be in a position to issue operational or other instructions to that company. So that's why I'm not able to give you more colour on the future treatment of a dividend at this time.

**Markus Rauramo:** And finally for the CSA payment profile. So we have almost 2.4 gigabytes of capacities under CSA and a directionally once the CSAs end for two units in this year. Then in 21, 22, 24 and 25 the CSA, everything else being alike, they will reduce. We have good disclosure on each unit when the CSA payments start to increase and end. So I think it's a good to look at that and Ingel and her team are happy to help if you need further information on that. But we break out both the CCS payments and CSA payments in the quarterly information about, but we're happy to help further on that if needed.

**Q:** Ok. Shall I multiply it by two given that the two companies? Do you think about it this way as well on the CSAs?

**Markus Rauramo:** Uniper has of course as you said, the CSA units as well, so for that part their IR can help with getting the detail on those units, but that information is available as well.

**Q:** Ok. Thank you very much.

**Ingela Ulfves:** Thank you, Pekka. Thank you, Markus. Thank you everyone for participating here and for your active participation with questions. I guess we have a few questions still on the chat, so we will come back to those separately and of course any further questions from any of you,

then please get in contact with the IR team and we will be happy to help. On behalf of Fortum, I wish you all a very nice rest of the day. Thank you so much.

**Markus Rauramo:** Thank you.

**Pekka Lundmark:** Thank you.