Ingela Ulfves: Welcome to Fortum’s joint webcasted news conference on our second quarter results. My name is Ingela Ulfves and with me here are also Måns and Rauno from the IR team. This event is being recorded and a replay will be available later on our website. As Uniper is a subsidiary of the Fortum group we are now for the first time reporting the group financials with the Uniper consolidated income statement. Our CEO Markus Rauramo and acting CFO Markus Karttinen will present the Q2 figures and go through the group performance. After that we will open up for questions and answers. And as a reminder you're also able to ask questions on our chat. So with no further comments I welcome Markus to the stage.

Markus Rauramo: OK. Thank you, Ingela. And welcome also on my behalf to this half year report webcast. This has been a very special half year. COVID-19 affects businesses globally and many people and companies are struggling. Fortum as an international player is by no means immune but so far, we have managed to have only a limited impact. I am personally proud of the performance of our employees who have done a tremendous job, and I can only say thank you. As this is my first result announcement as Fortum CEO I would like to say a few words on my priorities before diving into our performance during the first half of the year. Fortum has developed substantially over the past few years and is now at the turning point. Following the major investment in the last years this next phase of our corporate development will focus on creating value and delivering returns. Among our investments Uniper is of course the most significant one. In March we completed the majority of transactions on Uniper and as announced
yesterday, we now hold a 75% stake in the company. In May the annual general meeting of Uniper confirmed the reorganization of the supervisory board with Fortum now having four representatives. I would like to remind you that we have ruled out a DPLTA or squeeze-out at least until the end of year 2021 – and we stand by that. So now that Uniper is a strategic subsidiary and the fifth segment of the Fortum group, it is only natural that my number one short-term priority will be to have a joint strategy for the group in place by the end of the year. I want to build the strategy on the strengths of both companies focusing on what we believe will create the most value for the group and our stakeholders going forward. I strongly believe that by working together we can accelerate the group's transformation to become a leader in the European energy transition. We will continue to reduce our coal-based production and pursue de-carbonization through growth in clean energy, both power and gas. We will also continue to develop solutions that help our customers to decarbonize and move to a more circular economy. And as part of our joint strategy we will set new climate targets for the whole group. I'm pleased that the strategy process with Uniper has gotten to a good start. However, we will come back to this by the end of the year at our capital market day which is to be held in the beginning of December. At the same time, we constantly work to secure the financial strength and flexibility of the group which in this COVID-induced uncertain market situation is even more important. Having a strong balance sheet and a solid investment grade rating of at least BBB flat continues to be a priority for Fortum. We are focusing on optimizing cashflow, maximizing our profitability, prioritizing our capital expenditure, and continuing the optimization of our portfolio. I will return to these topics later in the presentation. My third priority is to further strengthen our leadership culture and give clarity and a common direction to our people throughout the joint strategy. We have highly competent and driven people at both Fortum and Uniper, and I believe that when people feel that they are trusted and appreciated they will excel. Our open leadership building blocks: believing in each other one, wanting the best for each other, also make it possible to expect the best from each other. And then I move over to second quarter of 2020. Year 2020 will be impacted by COVID-19. Historical weakness, global GDP will decline, and it is still unclear how this will develop. And it is still too early to give any indication the final impacts on Fortum. But we can say that this is a clearly disruptive situation. During the second quarter the very wet hydrology continued especially in Norway and caused an exceptional 84% drop in the Nordic spot power price. The area price in Finland and Sweden also declined, but to a lesser extent. At the same time the CO2 price clearly increased during the second quarter. While all of this widens the spread between the German and Nordic power prices, it also increases the potential for a rebound in Nordic prices once the hydrological situation eventually normalizes. The low power prices affected the results of the Generation segment negatively, but our fairly high hedge levels
clearly cushioned the impact and our achieved power price declined only marginally by 4%. The market uncertainty due to the COVID-19 pandemic continued, but has had hardly any effect on the Nordic power consumption and consequently very marginal impact on our Nordic operations. However, COVID impacted both our and Uniper’s Russian operations. In Russia power consumption declined notably as a result of the pandemic and OPEC+ decisions, pushing down the electricity market price. Coupled with the weak Russian rouble, the contribution from Russia segment clearly decreased from last year. Uniper reported their Q2 results last week, and I want to highlight that I will not go into details on their business performance because this was already extensively covered by Andreas and Sasha on August 11th. However, we now report Uniper as a separate segment in the Fortum numbers. The results of Consumer Solutions and City Solution segments were stable. As Uniper now is a subsidiary of Fortum, we have also consolidated Uniper’s income statement as of Q2 2020. In Q2 last year and still in Q1 2020 Fortum recorded share of Uniper result as a share of profits as an associated company. It is important to note that our Q2 19 results included the share of results from Uniper’s Q1 19 results, 399 million euros not their Q2 2019. This means that the EPS is not comparable on a year on year basis due to the volatility and result between the quarters. It is good to remember that Q1 and Q4 are the strongest quarters and Q2 and Q3 weakest result quarters for Fortum and also for Uniper. In the first half of 2020 Uniper has contributed 65 cents to our EPS of 1 euro 40 cents including all items. The change in working capital was mainly due to Uniper’s trading and optimization business. And then to the Q2 highlights. Due to the ongoing COVID-19 pandemic, the exposure to risk and uncertainty in all risk categories has increased compared to the year-end situation. Although there has been certain stabilization and partial recovery of prices in the second quarter, market prices for Nordic electricity remain lower than at the beginning of the year due to lower commodity prices and European demand, as well as the extremely wet warm and windy winter in the Nordics during the first quarter. Fortum’s hedges especially for the remainder of 2020 and for the year 21 will provide some protection against short-term fluctuations in the Nordic electricity and other commodity market prices. But if the pandemic continuous longer than expected or results in a more severe economic downturn than anticipated, results will be negatively impacted as the hedge level for future years is lower. As I mentioned earlier, taking care of our financial strength and rating is a priority for us. At Fortum we continuously evaluate and optimize our business portfolio, as can be seen in the acquisitions and divestments we have made over the last few years. We will continue to do so with the aim of having a more focused business portfolio for the whole group in the future. Regarding our ongoing strategy, the work will continue throughout this year in collaboration with Uniper with the aim to communicate the outcome for the consolidated group at our capital markets day, planned to be held on 3rd of
December. This year we have disclosed divestments amounting to 1.2 billion. That includes Joensuu and Järvenpää district heating, majority of Nordic wind portfolio and the Recharge infrastructure. We are very satisfied especially with the district heating transactions as we have managed to sell them at attractive multiples: Joensuu 26 times and Järvenpää 34 times EBITDA. Some of these are already closed and some will be close later this year. With these actions we are increasing our portfolio focus and at the same time taking care of our balance sheet. During the second quarter we also disclosed that we continue the review of our business portfolio related to our 50% stake in Stockholm Exergi. And we have initiated discussions with the city of Stockholm. We are now in discussions with the city as the other owner of the business. We have a shareholder agreement in place, the terms of which are not disclosed but we are quite free to explore all options. And this is what we want to do: evaluate our possibilities, and only after that we will make decisions. The strategic review of our district heating assets and businesses in Poland and the Baltics continue as planned. Then over to the power demand development in our various operating regions. Impacted by COVID-19, power consumption has declined across Europe. In the Central Western Europe, the decline has been about 10% for Q2 2020 compared to comparable period last year. However, in the Nordics the impact has been negligible. In Russia price zone one power demand in Q2 decreased 6% compared to Q2 2019. Mainly due to the COVID-19 reducing economic activities and reduced the production after OPEC+ decision. It is clear that there will be a recession in Europe but how long and how deep, that is uncertain. And consequently, it is too early to say what the impact on power demand and consumption will be. The impact is likely to vary depending on country. Here we tried to give a risk map of potential impact on our different segments from a recession following COVID-19. This picture we already showed last time in Q1. So this is basically repeating many of the same messages as the impact on group level has been limited so far. So far, we have not seen any impact in the form of credit losses. However, we will continue to monitor the situation very carefully. Only our Russia business has been hit through lower power demand. That also resulted in lower power prices especially in Tyumen area which is an oil and gas production area. So far, we have not seen there any impact in the form of credit losses either. Uniper already reported also that COVID-19 has had limited impact on their operations. Going over to the hydro reservoir situation. The Nordic reservoir levels at the end of July are clearly above normal. The Norwegian surplus and production pressure is the highest, while also the Swedish reservoir level is clearly above normal. Precipitation below normal level during spring reduced the inflows in Finland where reservoirs currently are at the normal levels. The levels were around normal during the whole year 2019 but increased fast at the end of 2019 and in the beginning of 2020. The rapid change due to exceptionally rainy mild and windy weather started during the last weeks of 19 and continued
throughout January and February. Spring was colder than normal and precipitation amounts were slightly below normal. This did not have any significant impact on the overall surplus in Norway and Sweden, but in Finland the spring inflow realized below expectations and reservoirs remained at normal level. In the beginning of Q2 Nordic reservoir level was at 11 TWh above the long-term average. While at the end of Q2 the level was 9 TWh above average. The production pressure continues to be extremely high and currently the level is 16 TWh above the average. Then over to commodities. In Q1 coal prices have been affected by COVID-19 less than other energy commodities. But as COVID-19 induced demand destruction became more apparent during lockdowns, coal prices declined in Q2. Recovery only took place in the latter part of Q2 with most gains in the second half of June. Besides increasing LNG supply, coal has been affected by weakening global macroeconomic environment, increasing Chinese domestic coal production and increasing electricity production from nuclear and renewables in Asia. The structural reform of the Chinese coal sector has recently led to increase in coal mining capacity and lower appetite for imported coal. While China is relying on domestic coal, demand in traditional coal markets is muted. In the first half of 2020 year on year imports were down in India 22% and South Korea 10%. In addition, European cost stocks are high and imports are lower. With regards to gas prices, COVID-19 has made an already bad situation worse. Gas prices have been driven by very strong supply growth in LNG and weak demand in East Asia. In 2019 Europe has the market with flexible gas demand and absorbed 95% of the increase in global LNG supply. In 2020 however European storage levels are high and gas demand lower due to COVID-19 impact so Europe's capability to absorb more LNG is saturated. In an oversupplied gas market European storages have been absorbing excess supply. At the end of Q2 gas storage was 40% above the five-year average but as the injection rates decreased in May–June the threat of reaching full capacity this summer has diminished. Ukrainian storage capacity also proved useful this year. Recent years’ weak gas price trend has been driven by the fast increase of global LNG supply coupled with slower growth in Northeast Asia. Similarly to coal big gas demand in Asia is related to growth in power production based on nuclear and renewables, and slowing industrial production. Then I move over to CO2. During 2020 CO2 and gas price movements have been strongly linked by a coal to gas switching level. 2019 was the first year of operation of the market stability reserve, the instrument which continues to keep the market tight at least until end 2023. Considering all other changes in the market in 2019 coal to the gas switching worked and we estimate that approximately 80 megatons of CO2 emissions was avoided due to switching. The 2019 UK CO2 allowances were not auctioned last year due to the Brexit uncertainty, but will be auctioned this year together with the 2020 allowances. This increases the supply temporarily during 2020. The MSR market stability reserve continues to remove a significant amount of allowances also during 2020 and
we will make the market much tighter during the coming years. And finally, discussions on European green new deal are supportive to the EUA price. And then to the Nordic spot and forward prices. It is important to distinguish the spot and front-end development from the longer-term products 2021–2024. The Nordic spot prices have continued to fall in Q2 with the strongest decline in hydro dominated price areas, Norway and Northern Sweden. During Q2 the further out forwards consolidated and so a mild recovery owing to strong development in CO2. COVID-19 has caused power demand to fall in many European countries but the Nordic power consumption has practically been unaffected. The German–Nordic spread for 2021 delivery has increased from 11 euro per megawatt hour during the start of the year to close to 20 euros per megawatt hour in July as the Nordic contract has become more influenced by continuing strong hydrological surplus and weak systems spot price. If we then look at the Fortum’s performance in this environment, with spot prices decreasing from last year Q2 to levels by 84%, Fortum’s achieved power price decreased only 1.4 euros from last year, well cushioned by our hedging. Lower economical activity lowered the Russian spot prices which is also reflected in our achieved price of our Russia segment. Then I go over for a short review of the divisional performance. In Generation, despite the 84% lower spot system price, the Generation result declined only by 18 million. For the first half and last 12 months resolved was flat supported by hydro production and hedges. And I'm very happy that Generation division LTM RONA was over 12%. In Russia power generation volumes declined by 23% and heat production volumes by 7%. Lower oil production and overall economic activity following the implementation of COVID-19 restrictions in April and May had an adverse effect on power demand while the supply from hydrogenerators was high in the second quarter. Heat volumes were negatively effected, especially by the warmer weather in the Chelyabinsk and Tyumen areas. It is good to note that the Uniper’s Russia operations are reported in the Uniper segment. Despite the headwinds we were facing, Russia division LTM RONA stood at exactly 11%. Then for City Solutions. I start with Norway where the district heating pricing is linked to the power price development, which is in this market environment resulted in a clear negative impact on the heat prices in Norway. In the second quarter the recycling and waste business improved results. We are very satisfied with the transaction to divest Joensuu and Järvenpää with multiples of 26 and 34 times EBIT respectively. Just to repeat what I said before within City Solutions we are conducting strategic reviews now for our district heating assets in Poland and Baltics as well as looking at strategic options for our 50% ownership in Stockholm Exergi. In Consumer Solutions financial results continue to improve and reach the 11th consecutive quarter of EBITDA improvement year on year. I’m very happy about the success and focus of Consumer Solutions and all of its employees. The electricity sales volumes increased by 2% mainly due to higher consumption in the Nordic household and Polish enterprise sector. Total
sales revenues however decreased by 32% following the extremely low electricity price in the Nordics compared to the level in the second quarter of 2019. Competition in the Nordics continued to be intense with high customer churn. The COVID-19 pandemic increased market uncertainty, especially in that medium sized and small enterprises sector but so far no major negative implications on the business, such as credit losses, have materialized. And finally to Uniper. Uniper’s energy trading and optimization business accounts for more than 90% of the Uniper group sales, which is the reason for the very high sales number of the Uniper segment. A substantial portion of Uniper sales arises from physical asset and contract portfolio optimization which is accounted for on a gross basis. Let’s shortly look at the bridge from Uniper numbers to Fortum numbers. There are two main points. Technically you need to deduct the share of profits from associated companies as reported in Uniper’s adjusted EBIT as well as Fortum’s 43% share of Oskarshamn from Uniper’s adjusted EBIT to get to the comparable operating result reported in the Uniper segment in Fortum financials. It is very good to note that Uniper’s EPS contribution to Fortum in first half 2020 amounted to 65 cents per share including all items. And this is out of the total of 1 euro 40 cents per share for Fortum first half. For the last 12 months including Q2 the Uniper EPS effect was 85 cents per share including all items. And that's out of a Fortum total of two euros. With this I would know handover the Timo to go through the numbers in more details.

Timo Karttinen: Thank you Markus and good morning to everybody online on my behalf as well. Let's first briefly go through the comparable operating performance for Q2 and first half of the year. Markus already explained the bridge from a Uniper reported adjusted EBITB numbers to these 27 million euros of comparable operating profit that we now for the first time include in our consolidated income statement. As we don't have any comparison numbers for historical periods, we will also not comment on the detailed performance but rather as Markus already did refer to Uniper’s own commentary and disclosure. Otherwise all in all our comparable operating profit for Q2 declined by 25 million euros to the level of 207. Generation Segment was lower both because of lower prices and lower volumes. The stability of our achieved power price is a good testament to the quality and to the importance of our hedging activities in increasing the stability and predictability of the cash flows and the results. As already discussed the COVID-19 pandemic had an impact in our Russia segment through lower volumes and then through also lower prices and margins. On the positive note in Russia, as also elsewhere at least at the moment, we are not seeing any signs of increase in bad debts because of the pandemic situation. The foreign exchange had a minus 7 million euro translation impact to our second quarter Russian results. And all in all we were 32 million euros below previous year. Consumer Solutions was marginally
up as discussed. City Solutions flat during the quarter. Then let's look at the first half year. Generation roughly flat marginally lower because the first quarter was better than last year. All in all, we had higher volumes but roughly 3 euros per megawatt hour lower achieved price. For Russia, the first quarter this year was on the level of last year. So the decline in first half numbers really is coming from the second quarter results. On top of the items Markus has already discussed, we have some impact in the Russian results also because of the lowering bond yields that have resulted then on lower average CSA payments. For the first half year we had minus 4 million euro translation effect in the Russian segment euro ramp numbers. Also as you remember and as Markus discussed, the City Solutions had a weak first quarter because of mild temperatures, low heating volumes and especially the Norwegian heating operations where both the volumes were low but also prices were low because in Norway heat prices are linked to power prices. Also as we divested the Joensuu district heating operations and that divestment closed in the beginning of the year, that divestment had roughly 10 million euro impact on the first half year results compared to last year. Consumers Solutions continued to deliver steady increase and improvement of the business. And once again here even if these are first half year results, we consolidate only the second quarter of Uniper here. Then moving over to the income statement. Obviously now, and as Markus explained, we have previously consolidated Uniper on the profits from associates line product our ownership. And now we start to consolidate through income statement fully and cashflow. So of course, the quarter on quarter and year on year comparisons will be difficult until we rotate over to after first quarter next year and when we will have four quarters of full consolidation behind us. We already discussed about the high levels of Uniper’s sales activities coming from the contract portfolio and the fact that the large number of these asset and contract portfolio optimization transactions are accounted for on a gross basis. On top of that, certain items in Uniper’s income statement have been regrouped when consolidating to Fortum’s income statement. For example, sales numbers, and materials and services are presented in Fortum income statement based on contract prices instead of spot prices. This regrouping increased the sales of approximately 4.4 billion in Fortum consolidated income statement compared to the separately Uniper reported numbers. In the items affecting compatibility for Q2, we have plus 154 million changes in fair value, so of derivatives hedging for future cashflow. We have 69 million capital gains and we also have plus 71 million net impairment charges and reversals. So all in all, our profit for the period in Q2 was 379 million, and for the first half over the year on a healthy level of 1.3 billion. Then let's go through the development in our financial net debt and the main components of our cashflow. First we have a bridge here explaining the impact of consolidating Juniper’s net financial debt and that consolidation happened at the end of Q1. Then we see that during first half we created cash flow from
operating activities before net margin liabilities of 1020 million euros. Also cashflow from
divesting activities of 790 million euros. This 790 million euros does not yet include the
divestment proceeds of Järvenpää district heating operations which will add to 375 million to the
divestment cashflow as it closes. Then the total will be roughly 1.2 billion. These together cover,
and more than cover, the paid investments during the first half year or 1.77 billion euros.
Consequently, then our financial net debt increased to the level of 7.77 billion euros, and the
increase was due to the dividends paid out from the group. We continue the target to have a
solid investment grade rating of at least BBB flat. We have good access to capital and we have
ample liquid funds at 2.4 billion euros at the first half and undrawn credit facilities of 5.4 billion
euros. As said already our focus on cash flows continues and we have already disclosed 1.2 billion
euro divestments this year. Our total loan position at the end of Q2 was 9.25 billion euros. The
average interest cost for that gross debt portfolio was at 1.7%. And the interest cost has been
coming down due to cheaper new debt that we have taken. The average interest cost for our
Europe loans was at 0.9%. We have only modest amounts of maturities during this year and next
year. For current year roughly 600 million of short-term loans and for next year 500 million of
bonds. And then finally to outlook before questions and answers. For our Generation segment
Nordic hedges. We have 85% hedged at 34 euros per megawatt hour for the rest of 2020 and
65% hedged at 33 euros per megawatt hour for 2021. For comparison one quarter ago we
reported 50% hedged at 34 for 2021. So that means that we have been able to increase next
year's hedges in our Generation segment by 15 percentage points and losing only a one euro in
the average hedge price. Uniper correspondingly has reported their Nordic hedges at 90% for 29
euros megawatt hour for 2020 and 80% at 28 euros for 2021. For Uniper segment we also have
already available for the 2022 hedges currently at 40% and 24 euros per megawatt hour. For the
CapEx we continue to estimate the annual capital expenditure including maintenance but
excluding acquisitions to be at 700 million euro level. And good to remember that this guidance
does not include the Uniper segment CapEx. For the income tax rate we estimate the comparable
effective corporate income tax rate to be in the range of 20 to 25. Now as Uniper is consolidated
and this corresponds to also Uniper’s separate tax guidance. So we continue to focus on the
balance sheet. We continue to focus on the importance of solid investment grade rating and
focusing on our cash flows. Now we open for questions and answers.

Ingela Ulfves: Thank you Timo and thank you Markus. And with this we will then open the Q&A
session. Operator, we are now ready for the questions from the teleconference, so please go
ahead.
Operator: Thank you. Ladies and gentlemen if you wish to ask a question please press zero one on your telephone keypad.

Lueder Schumacher, Société Generale: Couple of questions from my side. The first one. Markus, what does 75.01% ownership of Uniper get you that you didn't have with 73.43%? Second question is on Stockholm Exergi. Can you just confirm if the city of Stockholm has any pre-emptive rights or are you free to sell your stake to anybody you want? And lastly on the quite significant difference between your own hedge prices in the Nordics and Uniper’s. Yours are substantially higher. Is this just a structural question, ie Uniper’s absence of Finnish output or is some other technicality like your operations are in a much better position to benefit from area differences etc. Is there something maybe that you can do to improve Uniper’s hedge prices in the Nordics?

Markus Rauramo: OK thank you Lueder. I'll give it a shot and Timo can add if I'm missing something. So with regards to the 75%, we have indeed increased slightly our ownership. However, our clear focus now is on creating a joint strategy and that work is proceeding well. So that crossing the 75% threshold doesn't have any other implications. We continue to stand by our earlier commitment not to do a DPLTA or a squeeze-out until the end of 2021. So no changes from this point of view. With regards to Exergi, we are indeed now in discussions of city of Stockholm. We are evaluating our options. We do have a [inaudible] agreement but the details of that we are not disclosing. When it comes to the hedge prices, there are at least two things that are impacting it. One is of course that we are in different areas. So Uniper is not in the Finnish price area and actually in the material there are some points about where the also the realized prices have been and also the forward prices are at different levels in Finland and Sweden. And then the other one is timing. When have we respectively done the hedging decisions. I would still say in the big picture that now for the entirety the purpose of the hedging actually is to create stability and visibility into the cash flows, which is important for us and Q2 very well highlights that with the drop in system spot price of 84% and our achieved power price only dropping by 4. So hedging gives stability and visibility.

Lueder Schumacher: Sorry can I just come back on the first one. I got that you went to 75% but you don’t want to go any higher in the near-term future, but I still don’t get why you did it. What was the motivation to get to 75.01, ie. benefit you have from the additional 1.6%?

Markus Rauramo: We already have the influence we want. We now consolidate both Uniper’s balance sheet and profit and loss. We have done changes in the supervisory board. We have super majority in the company for all factual purposes. The fact that we went across to 75%
doesn't have any other practical meaning. But of course, Uniper has been a good investment for us and continues to be. So now we are focusing on creating the joint strategy focusing on cooperation. And I can say that that has started from my point of view very well and we are on the right track.

Lueder Schumacher: OK. Thank you.

Operator: Thank you. Our next question comes from Sam Arie UBS please. Go ahead.

Sam Arie: Hi, good morning. Thank you. And Markus, congratulations on another very clear presentation. I have one question, but I am going to admit there's a follow-up. So let me start with the main question. You've said I think really clearly that your top priority is now the joint strategy with the Uniper and to set climate goals for the group which you will talk about at the CMD. But if I think about that, you know Uniper has already got a coal phase out strategy, excluding Russia, and you're already kind of in a process of selling off the bits of district heating assets that might have a fossil footprint outside of Russia. And when I look at the numbers, I think it's like two thirds of the group carbon footprint is in Russia. Yet when we asked Uniper about Unipro, their Russian business, in the results last week, they said that was the third leg in a three-legged stool and if they didn't have it they'd sort of wobble over. And anyway, they implied they got no interest to exit Russia. So my question is, you know, what's your thinking on how a climate goal an ambitious climate goal for the Fortum group can sit with this large fossil footprint in Russia? Are you thinking that you can decarbonize the Russian assets somehow or should we think that Russia would at some point join the district heating assets in Eastern Europe on the list of assets under review? And sort of related to all of that, if Uniper doesn't want to dispose Unipro then would that be the main reason you might one day need to go the route of a domination agreement? Thank you.

Markus Rauramo: OK. Well first of all thank you for the nice compliment. Indeed, our key focus is on creating the joint strategy and I completely agree that there's a good foundation both in Fortum and Uniper. And I would say in the big picture, against the decarbonization targets that Europe has and the world has, we are very well positioned for that. It's clear also that we have worked to do with the assets that need to be eventually phased out of the system. But there we have for many parts of the company, we have a clear paths laid out. Uniper has communicated very clearly what they're planning to do. National governments have made decisions. We need to give clarity to our 20,000 very skilled and committed people. So that's one important part. With regards to Russia, it is absolutely correct that Russia is important business for us. It is a big
cash generator, well-managed part of our company. Having said that asset rotation is something we have done in all of our businesses. One example of this is that Fortum divested Tobolsk some years ago. So when typically, when we have completed some investments then we can look constructively at what to do going forward. We do have substantial renewables license portfolio in Russia. So I think this is one of the natural directions where we would be heading, so now next focusing on the renewables part and of course looking at other opportunities that Russia gives. But overall this is a point where we will give clarity, further clarity, on the on the issue in the capital market day. But I think what you can expect from us is that we continue all the time to develop our portfolio. So asset rotation across the board in all of our businesses is something we will all the time think of. So we have to justify of course to everyone why are we owning certain assets, developing certain assets, and exiting certain assets. Then you had a follow-up.

Sam Arie: Yes I did. My follow-up is just a little bit for fun, but I mean if I think about one of your other, so the Nordic region utility peers who very successfully exited their fossil businesses, they then had the problem of needing to think up a new name for the group. They came up with Ørsted, as a sort of tribute to a famous Danish physicist. I wonder if there's a Finnish physicist that you've got in mind that you might want to rename the company to once you, if you, one day are able to lead Fortum completely out of fossil fuels?

Markus Rauramo: I have to say that I think Ørsted has done a great job in their transformation. And I think you can see that both Fortum and Uniper have followed a similar path. So we have continued to invest in the future. We have in a determined way phased out assets that in the long run will not be part of the portfolio. But then to basically package all of this up, we will come back to many of these issues in the capital market day. So now the focus very much is actually there. And like I said, I think the dialogue the cooperation is working well. I'm very eager and keen to continue to work on that path.

Sam Arie: Very good. So that was just for a bit of fun. But so no famous Finnish physicists so that for the time being but maybe in December. Well I'll come back to that in a few months. Thank you, Markus.

Operator: Thank you. Our next question comes from Artem Beletski from SEB.

Artem Beletski: It's Artem Beletski from SEB. A couple of questions from my side. So first of all looking at Generation and hydro volume decline in Q2, that was a bit surprising given the hydrologic situation in Nordics overall. What is the picture looking at the second half of this year in general? So do we expect the PLC volumes going forward? And then secondly, given the fact
that in Q2 spot prices were quite big, so did you hold back some generation due to, let's say, exceptional market condition in the quarter? And then two quick ones on Russia, could you maybe talk about the power generation in the region? 22% decline in Q2 was quite substantial. Do you see this as a lowest point for production and then in terms of COVID impact, how your Rusnano joint venture is progressing? Do you expect any delays in terms of a build out of renewables there?

Markus Rauramo: Alright. I can start with Russia part. So where we will be in second half, that we will see how Corona plays out and what the impact will be. I think generally speaking Corona has touched us all. So I have to say that that first of all I feel strongly for everyone. I mean every person inside Fortum and Uniper, everyone else who's really had to accommodate to this new situation: children, families, everybody, our elderly family members. So we've all had to stretch. Having said that I think Fortum and Uniper have done a remarkable job in Corona. So we have moved, for the office part, we have moved to remote working very fluently. And then people at our power plants with operations and maintenance have done a remarkable job. And I'm happy to say that the annual maintenances have gone very well. So careful planning, protection, special arrangements, we have been able to do what we had planned. Uniper reported that Beresovskaya reconstruction was impacted. I think that's really the kind of, the one part, that I would lift up that has been impacted. Otherwise, we have been able to plan and mitigate the Corona impact. That comes then to the Rusano joint venture. So I know we are proceeding actually materially as planned and of course again, special arrangements have to be made, and across the Fortum Uniper fleet testing arrangements, protection etc. Then for the hydro volumes and H2 picture. So it is indeed quite varying. We have record high Nordic reservoir levels but then it varies a lot country by country. And if you just look now at the area prices for the last couple of days, we have in Finland for example, we have had even hourly prices way above 100 euros at the same time when system prices have been in the single digit or low teens from day to day. So I think difficult really to say what the second half will look like. I would say that the situation can change very quickly. And if you look at historically at previous years, we can have big swings between year halves. So we shall see. The one thing of course I followed, and we have followed, is the Nordic German spread. And that has been really widened by the Norwegian hydrology. And now that there is commodity recovery and CO2 recovery, when the Nordic hydrology normalizes then one could expect that the spread will tighten back to more normal levels.

Artem Beletski: Alright very. Thank you Markus for these clear answers as always.

Operator: Thank you. Our next question comes from Sofia Savvantidou, please go ahead.
Sofia Savvantidou: Yes. Thank you. And Markus, thank you for your first results presentation and apologies for the background noise if you can hear it. Couple of questions from me as well. The first one just following up on your decarbonization strategy and the joint strategy with Uniper. I appreciate you give us more detail at the CMD but just trying to get an idea of your thought process. I think at least from my point of view, when we look at Fortum compared to other utilities maybe the reason that in terms of the decarbonization or green strategy doesn't seem as convincing as some of your peers, it is because there might not be as much investment going into additive sort of climate CAPEX, so new renewables to the same extent as we've seen other utilities. At the same time you are very clearly focused on maintaining a BBB credit rating and you all doing asset rotation and disposals to achieve that. Overnight, we saw RWE raised equity to actually accelerate the renewable investment. And I think that's been taken quite well by the market if I judge from the reaction in the surge. So can you tell us a little bit of how do you see your strategy on that front? Do you have ambitions to actually invest more in renewables? And if the balance is a constraint which it appears to be since you are making disposals, would you actually consider raising equity or reducing the dividend in order to be able to fund that? So that is that is my first question. And my second question is on the German–Nordic power price gap that you that you've mentioned today. And obviously it's been a feature on the Fortum equity story for some time. In Germany we now have the nuclear phase out and the coal phase out confirmed. What it is that you expect that the market is not pricing in? Or is not expecting to close that gap, because even if I look at the forward curve, so after 2022, there's still quite a big gap between the German and the Nordic price. What makes you believe that that gap will close and what is the market missing on that front? Thank you.

Markus Rauramo: Yes. And don't worry, I actually we heard you really well. So absolutely, I think there are two things that I am looking, and we are looking, in our strategy. One is the decarbonization when it comes to actually phasing out carbon intensive assets. But there Fortum has been on a determined path to reduce its coal exposure. We have done coal to different fuels switch in many countries with billions. Stockholm phased out the last coal-fired unit. We are on track to actually take out the coal in Espoo much faster than the Finnish government is expecting. And then Uniper has made huge outcomes or came out with very big and comprehensive plans on what they are thinking of doing. So phasing out the German hard coal assets with the exception of that Datteln in 2022–2025, UK 25 as the national decisions are there, and in Netherlands by the end of 2029. I think there we are actually on a good track, and of course we will comprehensively address this part also in the in the capital market day. But big components are already there. I think we are following what the national governments are deciding and we
have been actually more assertive on the phase out then then national decisions are. The other
interesting part is exactly where to grow. And I would say that that we are well positioned. We
have the right competencies, right presence. We know our customers extremely well both in
Fortum and Uniper. Putting the big picture here, so when Germany is phasing out 40 gigabytes
of coal lignite, 10 gigabytes of nuclear, the need then to replace this with new clean energy is
massive. Well this will come mostly, or big part of it will come, from renewables. But then also to
support, to take care of flexibility, take care of base load, also flexible assets like gas assets will
be needed. That seems to be the logical solution at the moment. Flexibility, storage, renewables
and then I think that can help in tying all this together and coupling the different sectors who
also need to decarbonise. Not only power kind of be hydrogen. And there's a lot of excitement
around the topic at the moment and governments seem to now think that this is the solution.
And technically it can be the solution. However, I would say that that if we think that we’re going
to produce all of the hydrogen from green resources that will mean even bigger renewables
investments. So there are definitely spaces of growth possibilities that we will together explore.
All of all of these that I mentioned and initially did that circular economy and sustainable
materials. So these both legs, clean energy, sustainable materials, are very important for the
society. We'll come back with the details indeed in the capital market day. But what I would say
is that we already have the competencies and now we have an even enlarged presence together
so we are in a good position. When it comes to how to finance this, our number one target now
on the financing side is to make sure that we have a healthy balance sheet. We take care of our
writing because that’s important for our operations and access to capital as such is available at
low cost. So we can see that after the Corona outbreak actually the bond markets have recovered
remarkably and the new issue levels are even tighter than they were where we issued one and a
half years ago. When it comes to raising equity capital, we have no such plans. But RWE did a
good job there with their one. And then for the dividend, we target stable overtime increasing
net profit and thereby dividend as well. That is the target what we are doing. And we understand
that for our investors the stability of the dividend is important, but I leave with that and for the
German spread Timo can answer that.

Timo Karttinen: Yes thanks. Of course, the market and the spot market is very efficiently pricing
the current situation. It's good to note that the Nordic system price, that's heavily impacted by
these hydro rich areas as Markus already noted in the opening section, of Mid-Northern Norway
and also Northern Sweden. So that's one thing and it's there especially now where we have had
this excess hydro coming from the winter and now the late spring flood. That's one thing. If you
look at the price spreads for instance Finnish area price to Germany or Southern Sweden to
Germany. So clearly even if they are still also big but they are clearly smaller spreads than the Nordic system price. Then of course pricing the future. So that's not naturally, normally the question is that what are the uncertainties you take and what are the views you take? We have some interconnections coming online last year and there is still a plan and ongoing work to increase the interconnections all in all to roughly 13 gigawatt effect by 2023 from today's level of roughly 7 gigawatts. There is an ongoing program of building new interconnections and obviously then what is the net impact of these interconnections? Nobody can say exactly and then it's a question of how much the market is pricing sort of the short-term uncertainty, which is visible through spot prices and the long-term questions of how the system will work. The third point, I think what is visible this summer, is that there is a lot of discussion for instance inside Germany is what is the strength of the grid inside Germany? So similarly we have now seen that we also need grid improvements also inside the Nordic system, so that the power could flow especially from the Northern areas of Nordic system down then to continent when there would be excess power available in the hydro. But the point I'm making here is that these are the factors that we put into our long-term analysis and forecast. Obviously, everyone else does the same way but then it's the uncertainty and how much you weigh the factors. I think that then decides the result of how you see the spread developing in the future.

Sofia Savvantidou: OK. Thank you very much.

Operator: Thank you. Our next question comes from Antti Koistinen YLE. Please, go ahead.


Markus Rauramo: Thank you Antti. I will answer in Finnish and then I will translate into English. So let me just take the questions up. Ensimmäinen kysymys oli kuinka iso tappio Uniperille syntyisi? Tämänhetkinen arvio Uniperilla on se, että hanke on edelleen pätevä, eikä tarpeita tehdä alaskirjauksia ole. Uniper toisinaan on taloudellinen sijoittaja tässä, on antanut lainaa NordStream2-hankkeelle, lainat on kaikki maksettu eli Uniperillä ei ole lisävelvoitteita tämän suhteen. Uniper nosti riskit, kuten heidän velvollisuutensa on tähän hankkeeseen liittyen, esiin heidän osavuosikatsauksissaan. Tämä liittyy siihen, että retoriikka on tiukentunut. Me tietenkin
Kiitos Antti.

Antti Koistinen: Kiitos.


James Brand: Good morning. I have two questions please. And thanks for the presentation. The first is on the district heating operations. You obviously sold two smallish networks, there’s the Stockholm Exergi review. You’re also reviewing your Polish and Baltic district heating operations. So wondering whether you could just remind us what's left after that and seeing as that's such a widespread [inaudible] disposal or review for potential disposal program across the district heating operations. Why not just review the whole lot? And then secondly on the Nordic power price, can I just check that you're actually saying that you see the medium-term forwards as too low? i.e. the kind of 2–3–4 year forwards, rather than just the short-term price being too low. Because it's quite interesting, because normally you don't comment on the power price. That's interesting if that is what you're saying. And just on that as well, do you not think the Nordic power prices is as low as it is, and that there's such a big gap with the German prices, just because there isn't really any fossil used for price setting purposes and the Nordics anymore? Because it's so much of the generation is zero marginal cost. Thanks.
Markus Rauramo: I'll take the district heating question first. The philosophy we have followed is that we have done major investments into the various parts of our district heating operations in the recent years. And once we have utilized this investment potential the assets are well invested that turned into waste-to-energy or biomass or multi-fuel fired. Networks are in good shape and the production assets are fully invested. Then there's not so much that that we can do anymore to add value. Then we have come to the conclusion that for these type of assets, where the development has been done then we are ready to look at ownership solutions. Then when it comes to what would be left after the Polish, Baltic and Stockholm review if that would result in transactions what we have then is Espoo district heating business and Oslo. Difference there is that Espoo is still going through the de-carbonization path. So new production is needed, changes in the whole district heating system. There is growth potential going forward, potential synergies between the different operators in the capital area of Helsinki. For Oslo, Oslo is one of the fastest if not the fastest growing capital in Europe. There is substantial demand growth and also Norway is phasing out the oil heating when it comes to heating purposes. There is a significant growth potential also volume-wise just because of that shift happening. Then for the Nordic power prices. Yes, we would say so that it's absolutely right that there's very little fossil condensing power left if any in the Nordics but continental European prices and the underlying commodities continue to form the price anchor. However, then the various area prices are impacted by the hydrological conditions for renewables, congestion in transmission lines. But at the end of the day it is continental Europe that is the price anchor. And that's why we are saying that now with an extremely high reservoir level, once that normalizes, then logically the spread between Nordic system and Germany should come back. That's the essence of the message.

James Brand: Thank you very much. Could I kind of just quickly follow it up on the heating answer; on Oslo and networks? Should we expect those not to be put up for strategic review then? That you've actually decided that you want to keep them because of the opportunities that you highlighted or things could still change over the next six months or so as you think about your balance sheet?

Markus Rauramo: We're happy to continue developing the assets. And we have made no further assessments the likes of Poland, Baltic and Stockholm. At the moment no. We continue to be happy with these assets and we like the development potential.

James Brand: Thanks.
Operator: Our next question comes from Elfvin Mammdov Bloomberg Intelligence. Please go ahead.

Elfvin Mammdov: Thanks for taking my question. I have two. The first one I wanted to come back to what Sofia mentioned earlier in terms of your renewable development deployment. Now you've already settled your wind portfolio in the Nordic. So do you plan to accelerate your wind and solar deployment outside of Russia in the next five years? I know you mentioned hydrogen but that's more of a mid to longer term but like in the more immediate future outside of Russia, do you have any wind and solar deployment plan? They are not strategic for Uniper, so I wonder what Fortum is doing there. The second question is one on COVID impact both in Russia and in the Nordic. I mean we're still seeing the demand down year over year even in July and August. What's your view on the recovery? In terms of Nordic you mentioned, that Uniper has already created some of the 20-22 volume, has Fortum done it also for Generation business or not yet? Cause I didn't see any 20-22 hedges on your presentation. Thank you.

Markus Rauramo: Thank you for the good question. With regards to renewables development, we actually have followed a capital recycling strategy in the Nordics as well as India for the wind and solar assets. We actually, we haven't sold all of the assets we own. We have sold majority of the equity. We've continued to be the operator of the assets and we continue to be a part owner. The idea behind this has been that now that we are taking the first steps in renewables, this way we can actually speed up the development. So we invest capital and then once we have completed plants then we can release capital. We find other interested investors to take a majority of the equity and then we can continue to develop. And I think one thing to look at for example and to understand the logic is that now we have been divesting stakes in units that are where the turbine size is for example are less than half of where we are today and a fraction of where the development will be in a couple of year’s time. So we need to continue to keep up with that pace. So having said all of this yes we are definitely interested in developing our renewables presence actually in our whole operating area. And now also in the enlarged Fortum Uniper group. Then I'll hand over to Timo for the other question.

Timo Karttinen: Yes, thank you. Regarding the COVID and specifically for the Nordic hedges we will come out with 2022 Fortum Generation Segment Nordic hedges in one quarter’s time. So that has been the normal sequence when we give the hedge levels for further out years. I think it's fair to say that yes we do hedge already before we disclose the numbers. So you could assume that there are some hedges done over time for 2022 and even further out already. But as said we will come out with the number in one quarter’s time. Then in more general, obviously we are
following very closely both what we see through our operations but also more generally how the COVID is developing. Naturally it is so that the impacts are still visible in societies. Definitely if we think of Russia, it's an interplay between direct COVID impact and then the oil and gas markets globally and the production volumes. We continue to follow those closely and also then the signals that we get internally. But I think also that as the COVID is impacting all the societies, we taking the external forecasts and evaluate on those basis. So we don't have our own separate top down view on how that might be developing.

Elfvin Mammadov: Thank you.

Operator: Our next question comes from Vijarani Kurch from Bernstein. Please go ahead.

Vijarani Kurch: Hello. Firstly on your Olkiluoto nuclear plant, it appears that the off-take price for your share of the output from the plant is about 40 euros which is clearly out of the price in terms of the current forward prices. Can you firstly confirm your off-take price and you mentioned that your exposure to Finland has contributed to higher achieved prices compared to Uniper. How do you see Olkiluoto impacting the high area prices in Finland? And secondly again on Stockholm Exergi. Can you commend whether the sale is purely driven by balance sheet trending measure or whether you are now less committed to district heating strategically? Thank you.

Markus Rauramo: I'll start with the with the Olkiluoto3 nuclear. We don't exactly communicate what the cost level is but it's clear that compared to Olkiluoto 1 and 2 or Loviisa or old Swedish units this comes at clearly higher cost. So you can deduct a number that is close by from the information that TVO is disclosing. Of course one has to then think of a nuclear plant as that it has a lifetime of several decades, so we will then eventually see the profitability and viability of such a project in the long run. Having a 1.6 gigawatt unit coming to the Finnish market of course does impact the balance, but on the Nordic level at the same time when Olkiluoto3 eventually is coming on stream Sweden is closing down nuclear as well. Still on top of this, I would just remind that if you look at the power flows in a continuous basis and domestic production in Finland, Finland is typically an importer of 1–3 gigawatts of power at any given time. So also today we are a big importer so this balances out a little bit. Then with regards to the Exergi, I already touched upon the rationale. For any of our assets, if we see that that we have fully exhausted the development potential and we see that markets may give values that otherwise for us are difficult to deliver to our stakeholders, then we can look constructively at these type of situations. So value creation actually is what is driving our thinking here, but then to make an assumption that
that we would have a sale of our taking stock on Exergi is premature. So now we are evaluating the options.

Vijarani Kurch: Thank you. can I just have a follow up on Olkiluoto? So when you say that as Olkiluoto comes online, I mean even when that happens, Sweden is also shutting down its nuclear plant. So does that mean Finland goes from a net importer to net exporter maybe or you know the import ratio decreases?

Markus Rauramo: Coming back to what I said, if you look at statistics history, Finland is an importer of let's say low or multiple gigawatts. So then whether Finland is an is an exporter that remains to be seen and how other units would then be running. So that would be premature for me to evaluate.

Vijarani Kurch: Thank you.

Operator: Our last question comes from Dia Lukatch, Morgan Stanley. Please go ahead.

Dia Lukatch: Good morning. Thanks for taking my question. Could you please give an estimate of how much of your power generation in Russia is used by the oil and gas industry, including or excluding Uniper? That's all for me. Thank you.

Markus Rauramo: Yes I can comment generally. I can't give an exact number but both of our operations are actually in the oil and gas producing regions so it is a substantial part. However, it's good to remember that in the case of Fortum if we think about our businesses in Tyumen, Chelyabinsk and Nyagan, then Nyagan is the one that is condensing power and basically serving industry. Then when it comes to Chelyabinsk and Tyumen these are combined heat and power systems where we get the CSA payments for the electricity part, but these are combined operations albeit in a in oil and gas producing regions. And then for Uniper’s units some of them are in the regions but there is more variance with Smolensk, Berezovskaya and Surgutskaya.

Dia Lukatch: Great. Thank you very much.

Ingela Ulfves: Thank you for the questions. We seem to have some questions on the chat. So Måns, if you would like to ask those.

Måns Holmberg: Yes. So we have a question from or actually two questions. So first relating to NordStream2 and since this seems to be an important investment by Uniper but how does Fortum as a parent company assess the situation, and should Uniper pull out of the project? And
the second question is then with relation to Fortum’s increase in ownership in Uniper and what are the plans to further increase its stake in Uniper for after 2021?

**Markus Rauramo:** So I’m again in NordStream2 Uniper is the financial investor and the loans are already fully paid in. Actually, the gas that would come through NordStream2 will be needed in Europe. One way or the other Europe needs from a security or supply point of view alternative sources of gas and it needs the gas. So we think from an energy security point of view A this is a commercial project and it is needed. Uniper is committed and believes that that NordStream2 will be finished and we also support that. So we stand by Uniper’s commitment. With regards to the 75% ownership. We’ve continued to increase our ownership and now we went slightly over 75%. Again, our focus is on creating a joint strategy. So that is our main focus but the ownership percentage now, is exactly, has less relevance because with the super majority for example in an AGM being achieved already earlier, then the relevance of the ownership is less. So now our focus is on the joint strategy creation, cooperation, finding benefits for both companies. And I can say that this is going well and I want to for that I want to thank both companies and their management and personnel.

**Måns Holmberg:** Thank you. Then on the chat the other questions here have already been asked and answered. So no further questions.

**Ingela Ulfves:** Thank you Måns. Now that there doesn’t seem to be any further questions, I want to thank everyone for your participation here today and on behalf of Fortum wish you a very nice rest of the day. Thank you.