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**Ingela Ulfves:** Hello, everybody. It's my pleasure to welcome you today, both here in Espoo at our headquarters and also online to Fortum’s joint web-casted News conference on our first quarter results. Please note that this event is being recorded and a replay will be available afterwards on our website. My name is Ingela Ulfves and with me here is also Måns and Markus from our IR team. Our CEO Pekka and CFO Markus will present Fortum’s Q1 numbers and performance, after which we will open up for questions and answers. You are also able to ask questions on our Webcast chat. I now hand over to Pekka.

**Pekka Lundmark:** Thank you very much, Ingela. Good morning, dear investors both in here in Espoo and over the web. Great to have you join us again this morning. We are for the most part, pleased with the results of the first quarter. There was a lot of the volatility in the market, but despite that volatility, the Nordic power prices, the spot price, system price was up 22% % in the quarter and that's of course very positive development for us. On the other hand, hydrology continued to be fairly dry. It improved during the quarter. But overall, our hydra volumes were low and that obviously then affected the results and took away much of the positive effects of the higher prices. When we look at earnings per share, which were 38 cents per share, it's worth noting that there were items affecting comparability both this year and last year. And if those two are eliminated from the calculation, we're looking at an EPS improvement from 36 cents to 42 cents in the quarter. Cash flow in the quarter was extremely positive. And we agreed to do it so that Marcus will open up this a little bit more in detail in his part of the presentation that what elements this strong improvement consists of. When it comes to Uniper first of all we now
reported our share of the Uniper’s profit. In our numbers, that was 49 million euros. This was Uniper last quarter of the year 2018. So as you remember, we are now reporting you Uniper with one quarter time-lag. We are pleased that we have now restarted discussions with Uniper. As you remember in February Uniper announced that they are now ready for a fresh start in our relationship. These discussions have proceeded well. We are working in multiple different work streams. However, we have agreed with Uniper that we do not comment on the details of the content of the discussion so that’s why we will not open this up more than this in this presentation today. But once again on the overall level, we are pleased with how things have proceeded. When it comes to the upcoming annual General meeting and especially the motions proposed by some other shareholders, I want to clarify that we’re not a party to this notions and we will today stick to the same policy we have had for some time that we will not speculate on what we would do at the GM regarding this or any other proposals that there might be presented at the GM. Once again overall pleased with how things have developed with Uniper. And then the last point on strategy implementation. We noted this initiative in our capital market day in November last year where we said that operational excellence is a key focus in our strategy going forward. We mentioned in today’s report just to give you some scope of what the ambition level is that we’re talking about an improvement potential of a few tens of millions of euros. Technology will play an extremely important role; digitalization investments, IOT, new technologies for efficiency improvements, flexibility improvements, demand-supply balancing, etc. really represent a key element in this. And once again, we will open up this a little bit more in detail when the time goes forward. But we currently believe that we’re looking at a few tens of millions of years of potential. Here are some highlights of the news flow during the quarter. I will not go through all of this. I will highlight couple of things that you see on the slide. First of all, as you will have seen, we’ve launched a 2,5 billion bond in the quarter. Markus will also go a little bit more in details about this, but this was the largest bond ever issued in Finland. And of course, the important thing for us is that this not only takes care of the refinancing needs, but it also lowers our total financing costs. So this was a very positive thing. Then an interesting, perhaps detail from result point of view, but we did launch a pilot together with the group of 23 pioneering companies which is the first of its kind in the world. It’s a marketplace for carbon capture and removal, and capture and storage for a period of time. So, for example, this initiative will over certificates which will create a market for wooden building elements which capture and store CO2 for actually a long period of time. This is a very important initiative when it comes to the need to not only reduce CO2 emissions, but also create market-based solutions for CO2 removals. And the third piece of news that I would like to highlight here is the battery recycling. In our recycling and waste business we have two key focus areas when it comes to recycling of
materials. The first one, we have talked quite a lot about that. That is plastic recycling. We're running a major plastic recycling plastic recycling refinery here in Finland with good potential when the world wants to recycle more and more plastic. Another megatrend obviously will be electric vehicles. And now we launched actually a new technology and the new solution that increases the recyclability rates of electric vehicle batteries from 50% to 80%. Of course, this market is still very small today, but over the coming years indicates it will grow into a market that is estimated to be worth of potentially tens of billions of euros. We are clearly an early mover in this one, but we believe that we are also looking at some quite interesting technology based competitive advantages here that we are developing together with our technology partners. Technology that is able to put back into circulation for example, cobalt, nickel and other metals that there are in the electric vehicle battery. Moving on to hydrology the first quarter started with cold and dry weather, but then towards the end of the quarter, or actually already in February, turned to mild, wet and windy weather for two months, February and March. Hydra reservoirs improved during the quarter so that they are now closer to the reference level than what they were in the beginning of the quarter. In the beginning of the quarter the water reservoirs, Nordic water reservoirs, we're actually 9 terawatt hours below the reference levels. At the end of the first quarter, they were 3 terawatt hours below, and that's also roughly the situation as we are speaking today. At the end of the first quarter, the water levels were 5 terawatt hours above last year's level, and this delta has actually now continued increase a little bit. So currently we are roughly 7 terawatt hours above last year's level, and this is of course, very interesting and important. We do not predict the weather from now on, so we can look at this what the numbers are today. But as you have seen, we have had now quite sometime a situation where our hydra production volumes have been very low. And this, of course, is now slowly improving the situation. Fuel prices in Q1 where on a downward trend. There were several factors behind this. First one is Chinese coal demand which was weak. That effects coal prices obviously globally. But then another thing which did affect these prices during the quarter was the low LNG demand in Asia which created a major flowing of LNG into Europe which pushed down gas prices and that created a situation where actually the coal demand for power generation decreased. That supported coal to gas transition or switching in power generation and this then further actually pushed down the coal price. So it was an interesting quarter from this dynamics point of view and then when you add the carbon pricing development, which is quite strong, we do have an interesting situation in front of us. The carbon price obviously is now supported by the market stability reserve that started in the beginning of 2019 and now in April actually we have seen carbon prices, CO2 prices, that have been above 27 euros, so these prices have held up very well despite the downward spiral in both coal and gas prices. And this
has clearly had a supporting element to the power prices. With the current gas and coal prices, this famous switching band from coal to gas, is now roughly from 18-37 euros. When we look at the EUA price and with the price of 27, we are somewhere in the middle of the that the band. So that means that we are now, and we have now concrete evidence of this, also that we are seeing much more switching than last year. Nordic power prices in Q1, they were clearly as I already mentioned higher than a year ago. Sport price Q1 was 22 % up from last year; 46,90 versus 38,60. This is explained by the increased thermal production costs due to just mentioned higher emission prices. However, during the quarter, the mild on windy weather and then, as I also explained, decreasing fuel prices lowered the spot price towards the end of the quarter. And of course, the Hydra situation has contributed to this development as well. We started the quarter with very, very dry hydrology and then there was gradual improvement and high inflows during the quarter. Or at least higher than earlier, which then press the price down a little bit during the quarter. But overall 20-22 % higher prices than a year ago. And then the always interesting comparison between German and Nordic prices. This was an interesting quarter because actually the spread was negative ie. the Nordic prices were higher than German prices, six euros higher. And as you can see in this picture there were situations in Germany were actually the power price was negative due to very high wind production. But then going forward, the other graph that you have on this slide, you see the forward price for 2020. That spread has held up pretty well on the 10 euro level. The historical average in forward prices, I believe is somewhere around 6 euros per megawatt hour. That's the seven-year average that we're looking at the moment. Here just briefly the prices in graphical format. Spot price Nordic up 22%. And then, of course, very important and positive things was for us that our achieved price in the quarter was +14 %, 38 euros and 40 cents. On the Russian side, last 12% development in a spot price in ruble terms. But then because of Forex, when we look at the achieved power price, which then also includes the capacity price and translate that into euros, we had slightly 1 % lower achieved price than a year ago. And then a few brief comments on each division. Generation division first. We had as already discussed a quarter which had good prices, but clearly lower hydra volumes. And this difference was actually quite significant; 25 % lower production volumes. This was one of the lowest first quarters in our history in terms of hydra volumes. But then, on the other hand, the low hydra volumes were compensated by good operational performance and what I would especially like to highlight was the load factor in nuclear production, which was actually quite close to 100% in the quarter. Another number that I would like to highlight in the generation business is the last twelve month comparable return on net asset which you can see here, which is now at 11 %. So despite low hydra production, we have a pretty efficient production fleet and portfolio that is able to produce 11 % return on net assets. City solutions does not have the same return on assets
as generation. We have currently a 5.5% return on net assets as we have discussed also in our strategy, this is one of the most important goals that we have is to improve this. One of the key elements or key contributors to the improvement targets is the recycling and waste business, which I already mentioned through the developments in plastic recycling and then a little bit longer term in e-vehicle battery recycling. But overall in the division, we’ve had a reasonably good quarter, 5% improvement in comparable operating profit. The recycling and waste business result did improve. We’re pleased with that improvement. But then, on the other hand, because of weather the heat volumes were 10% lower than a year ago so that ate up quite a lot of the improvement potential that otherwise would have been there. But we did have an EBITDA of 137 million compared 231 million. But once again, we are not satisfied with the 5.5% return on net assets. Consumer Solutions had a good quarter, 53% improvement in comparable operating profit. The gradual improvement coming through the Hafslund integration now starts to be visible in the results. What I do want to highlight though, that around more than half of this improvement which was 9 million euros in the quarter, in comparable operating profit had to do with the market conditions that will not automatically repeat itself. This is of course, typical to this business that you have price developments and then you have structural development of your electricity contract base and I just want to highlight that this was really good quarter from this development point of view and you should not automatically extrapolate this year over year improvement in the first quarter to full year results. That’s why we wanted to highlight that yes, the result is improving, but some of this improvement that we saw in Q1 may not automatically repeat itself in the coming quarters. But overall we are pleased with the development in this business. And then the last of the four divisions, Russia. We had in euro terms 5% lower comparable operating profit than last year. This was mainly because of Forex. Forex impact was 8 million euros, we had 5 million euro lower result than last year. So in comparable currency terms, there would have been a 3 million euro improvement. One thing that did affect the results and this is actually overall a positive thing, is that we did last year transfer our heat distribution business in Chelyabinsk to a 50-50 owned joint venture, xxx. That changes slightly now this year the seasonality of our Russian development because we transferred outside of our balance sheet a business that had a positive result in Q1 and in Q4 and a negative result in a Q2 and Q3 because of the typical seasonality in heat business. And this had a negative comparable effect compared to the last year’s Q1 result. On an annual level, the effect of this change is fairly close to neutral. Other than that we are pleased with the Russian development. We have higher contribution from the renewables generation. Nyagan 2 which was not in the last four year up-step of the CSA payments last year is now there. That is supporting the CSA payments for this quarter and overall other operational matters in Russia
proceeding well as well. So despite the currency rate and the temporary effect from this heat transport network transfer we are pleased with a quarter. And now I would ask Markus to continue.

Markus Rauramo: Thank you. Good morning also on my behalf. Ok, I will recap the Q1 with the waterfall. So if we start from generation, negative impact from volume, positive from price. Both very large items for generation for the quarter. For city solutions, recycling and waste solutions improved. I’m very happy about that. Heat volumes, because of the temperatures, down but the same price impact positive for city solution. In consumer solution, higher sales margins but also continuing value added service sales. So all in all, we are very pleased with how things are proceeding for consumer solutions. In Russia, I would say, I would characterize it more like that operatively things are all the time going to the right direction. The new units are contributing, renewables are contributing, CSA payments are delivering. The negative items were the 8 million impact by foreign exchange and then the profile change, now when we don’t have the heat distribution business in Chelyabinsk. But that again as Pekka said, will neutralise itself over the year. So this is, happens between the quarters so operatively, actually also Russia was in green. And then finally on other negatively impacted by the higher incentive costs. That was an item. And the other one was then that we continue to invest in R&D and venturing. So these two together made the Delta to previous years. So all in all, 3 million better on comparable operating profit comparing to last year. Then to the key financials. First I give an overview and then I’ll go to the income statement and the cash flow statement in more detail. First of all, sales up but this had, as you can see it from EBITDA and comparable operating profit, little impact. I’ll come back to that in a bit more detail. Then we had the fair value changes of derivatives which then made the difference between the comparable operating profit and operating profit down. But this was a fare valuation issue. Share of profits of associate and joint ventures up driven by Uniper, but also contribution from Forsmark and Oskarshamn associated companies. And with this profit before income tax down but on a comparable basis if we clean out the items affecting comparability instead of EPS going down, it would be actually up from 36 cents to 42 cents. And then we did have, as Pekka already pointed out, very strong net cash flow from operating activities both for Q1 and last 12 months. I will go through that in a bit more detail. So on the income statement side, we had both sales increases in generation and consumer solutions. The external impact is mostly coming from consumer solutions. So we have some organizational changes which are leading to that. There's internal sales from generation to other divisions. So externally the top line increase mostly from consumer solutions and then also we have the corresponding materials and services increases. Then the main item otherwise employee
benefits, depreciation, amortization and other expenses stable in the quarter. Items affecting comparability negative on this is due to the fair value changes of known hedge accounted financial instruments. This is partly relating to nowadays also to what we call now proxy hedging. And then basically repeating what was already on the previous slide, share a profit of associates and joint ventures. Main impact Uniper and also then the nuclear fund valuation from Forsmark and Oskarshamn. Finance cost was negatively impacted by the pre-payment of the 1,75 billion bridge loan that was the 13 million item. And then finally, income tax expense lower following the development of the taxable profit. On the cashflow statement side, we start from EBITDA that was slightly up and then realised gains effects and losses stable in this quarter. Last year, positive item due to the rolling of the internal loans. Payed financial course on taxes actually both came down. Both the financials and taxes meaning that we paid less in this quarter than the year before. And then we had a very strong positive item from the daily settlements of futures. Prices came down in the quarter and that has a positive impact on us. The opposite happened last year so you can say that the swings are massive as we also pointed out in the end of the year. So they can go both up and down. And the delta is very big. Change in working capital was now negative 22 million, last year 109. We actually had a decrease in receivables so positive item. But also a decrease in payable. So net was minus 22. Last year we had a big increase in receivables altogether for the year 186 million which then explains the 2018 number. Capital expenditure, 150 million versus 133 last year and then I would just point out the acquisition of shares and divestments of shares. Actually, the 2018 and LTM. There we have the acquisition of Uniper shares and then divestment of Hafslund produksjon and the successful capital recycling of our Indian solar business which contributed 88 million to the numbers last year. Then we have an interesting item. Change in cash collaterals and restricted cash, positive 310 million and the main item there is that we now made an arrangement where we have a financial institution counterparty who places bonds with Nasdaq as security and that release the cash back to us which shows here. That means that on our balance sheet you can see our are indebtedness towards the financial institution and corresponding receivable from Nasdaq. But here biggest part of the impact of this 310 million came from this arrangement. So these are the main cash flow items. Then I go over to the key financial indicators. So we continue our focus on maintaining our financial flexibility, balance sheet strength and ensuring good access to capital. During Q1 we refinanced altogether 3,1 billion. The biggest part of that was the 2,5 billion bond we issued for 7 and 10 year debt with the average coupon of around 1,4 %, And part of that was swapped into floating rate. So the actual cost for us, is even lower than that. We did an extensive road show, met over 60 investors and finally had way more than 200 investors investing a total order book of 6,5 billion. So our feeling is that the market is there for us. There is high interest in Fortum that
also going forward. Leverage as you can see from the numbers decreased from 3.6 times to 3.3 times. As we have also being indicating, we expect this to go down and good to remember that this is excluding our relative share of Uniper EBITDA and our relative share of Uniper debt. So what we only show is the cost of the acquisition of the shares and then our part of the net profit of the company which was the 49 million. Our liquidity continues to be strong. At the end of the quarter we had 1.7 billion in cash. Of course, part of that was reserved for the 977 million dividend payment that took place on the Fourth of April. In addition to that, we have committed credit lines, major part of that being a revolving credit facility of 1.8 billion. Average interest coming down nicely now at 2.2% and what I'm happy about this is that our next long term debt maturities are only in 2021 and even that being 500 million. So we will continue our focus on operational excellence, on insuring our business performance, prioritising our Capex and we will continue also to optimise our business portfolio as we have done before. Then to the outlook, we continue to forecast that electricity demand in the Nordics will grow at a 0.5% on average. Hedges for the remaining part of the year, we have 75% hedged at 32 euros. Levels are saying as end of year for the full year, but now we have one quarter behind us and then we had a nice increase for 2020, up from 45% to 55% and the hedge price up from 29 to 31. Now we are also including the impact of the proxy hedges into the hedge price, but not into the ratio. This is more for transparency reasons, of course the impact has always been included in the [inaudible] price. This inclusion had a minor impact on prices. And just to put this into perspective typically in the past, the physical optimization has been clearly bigger impact than the financial optimization or proxy hedging. Capex guidance remained the same, 600-650 million. Synergies from Hafslund which are nicely materializing, 15-20 million during 2019-2020. And finally, the tax rate for the group remains at 19 to 21%, most likely in the higher end of that for this year. I think we're now ready with Pekka to take questions. Thank you.

Ingela Ulfves: Thank you, Markus. Thank you, Pekka. And as said we're now ready to open up for the Q & A session. We will start again with the audience here in Espoo. And then after that, we will continue with questions from the teleconference participants. For those of you here in Espoo that have a question, please state your name and your company before asking. And also wait for a microphone. We are ready. Please go ahead.

Artem Beletski: Artem Beletski from SEB. Three questions from my side. First starting with city solutions and you Pekka mentioned that you are not satisfied with current returns, what the business is generating. How you are planning to address this matter? Are we talking about some potential organic investments what you’re planning to do there, M&A or what are key steps? Then the second question is relating to Russian CSA, and we have seen growth of 4% year over
year in Q1. What we should keep in mind looking at the profile proceeding this 2019, or basically what should be the developments there? And the last one is just relating to proxy hedging. Could you maybe provide some further colour? Has it had any, let’s say impact on hedge price has been clearly less than one euro on megawatt hour. What is the magnitude we are talking about here?

**Pekka Lundmark:** The city solution question obviously would require quite much longer answer than that what I’m able to do here. We did open it a little bit up at the Capital Market Day, but it’s really multiple elements. One key thing is the development of new solutions with higher margins and with less capital involved and new service-based business models. I already mentioned the e-vehicle battery recycling. The plastic recycling potential is looking really, really good as well. And then, of course, we should not forget the traditional base business. There is through new technology possibility to optimise the value chain better than what we’ve been able to do so far. When it comes to district heating, obviously, in some of the markets we are fairly limited as to how much you can do price changes or price increases, and in some cases there are even higher taxes. So the potential there is limited, but also there it’s important to note that even though the return on capital is not that good, it’s often very cash generative because of the nature of the business, which is fairly stable. But our goal is through new products, new services, less capital-intensive business models, new services also for district heating customers and then the applications of new technology to gradually improve the return on capital.

**Markus Rauramo:** Then I can take the Russian CSA and proxy head question. So first of all, just good to remember what are the factors that are impacting bond deals. The payment profile, the 10-15 year that it’s then played back to 10 years, the spot impact and CPI impact. And these factors, bond yields had a negative impact this time. But the 10-15 years dealt a positive impact, spot positive and CPI positive. For the profile we are now entering the part where we get the highest payments and then gradually we'll get to the part where the CSA starts to fade out. And you can calculate roughly from when we have commissioned and when we have announced that the unit should have been commissioned the shape of the profile. For the proxy hedging, what we mean by that is that through the underlying commodities that are impacting our energy prices CO2, gas, German electricity, coal etc. We tried to simulate the position we use instruments which maybe liquid and but to describe the magnitude we have quite limited mandates. And have always had. Like I said, the biggest part coming from system, the area prices, physical optimization and then the financial optimisation of proxy hedging has historically played the least roll of these items.

**Artem Beletski:** Very clear. Thank you.
**Ingela Ulfves:** There doesn't seem to be any further questions here. Maybe I add to the CSA just for this year that we have Nyagan 2 that into that came into the system from Q3 last year. Which means that there will still be the impact on Q2 but then this year, after that no further impact for these just to clarify the impact on 2019. Yes. Thank you. Operator. We're now ready for the questions from the teleconference. Please go ahead.

**Operator:** Ladies and gentlemen, if you have a question for the speakers, please press the zero one on your telephone keypad. Please hold until we have the first question. We have a question from Sam Aire, UBS. Your line is now open. Please, go ahead.

**Sam Aire:** Thank you. Good morning, everyone. And thank you as always for the presentation. I have two questions. The first one is on the hydro levels. And I just want to ask you, do you think they're low level you've seen this year fundamentally within the range of normal? Or could it be that we're seeing the start of some kind of long-term change in hydrology that is linked to climate change? And when you talk your experts about this do you see any risk of an impact on underlying long-term value of hydro assets. I know that last year this year was not so good. But I'm just wondering so that on the underlying long-term direction, whether you see any risk there? My second question is on Uniper. I understood that you are not commenting on the AGM. That's clear. But can I just ask looking a bit further ahead, if you gain control of the Uniper board in 2022 through the natural rotation of board seats that we're expecting. Does that mean in 2022 that you will be in breach of your agreement with the Russian authorities? I.e. at least in theory, then there will be a chain of control from the Finnish government through to the Unipro or the processing activities. And if so, you know, is there a way to resolve that 2022 issue without a domination of Uniper and Unipro. It would be great if you could talk us through how that works. Thank you.

**Pekka Lundmark:** Ok. Two questions that are both actually quite speculative. The first one, we have not been able to identify any kind of the fundamental change in hydrology that could be related to some of long-term permanent changes. Of course the climate scientists do say that it would be likely that one of the effects of the climate change would be that the precipitation levels in the Nordic creation would increase. But this is, of course, gradual improvement. And there is always going to be a lot of variation on and during the timeline that we've been looking at, I think it would be too much of a conclusion to say that we would have seen that now there are signs of any kind of long-term change. So the answer to that question is no. Then Uniper. You're absolutely right that in 2022, through the natural rotation of the supervisory board seats, we are able to if we so wish, take control of the supervisory board. It is too early to speculate that what
that would mean for the current Russian decision. There is still long time to go until 2022. And as we have said multiple times, we believe that to quite large extent the issues that were identified by the Russian authorities as problems are of fairly technical nature. And from that point of view, they should be solvable. But of course, the decision clearly says that we cannot go over 50%. Then how do you define actual control? There is multiple definitions, and it's not possible to speculate on that one, what would happen in 2022? Unfortunately. So I'm not able to give you shed more light on this than that unfortunately.

Sam Airie: Ok, thank you very much for your answer on both questions. I appreciate it.

Operator: The next question is from Lueder Schumacher from Societe General. Your line is now open. Please go ahead.

Lueder Schumacher: Yes. Good morning. A few questions from my side and the first one is on the cash flow. The operating cash. You said in your results that the increase was mainly due to the change in settlements for futures. But you know if you strip it out, you're still looking at a 26% increase in operating cash flow. So are we just being conservative, or are there just too many moving parts that early in the year to be a bit more optimistic for the full year outlook on the operating cash flow? And the second question is on Nordic power prices. You did point out any presentation, the unusually big discount Nordic prices have to Germany over the last a few months, well essentially since September last year, compared to the historic spread. Now, do you expect this to correct in 2019? Or are there some structural problems that should prevent the normalisation of Nordic Power price versus German prices? And lastly have you seen a normalisation of hydro volumes in April?

Markus Rauramo: I can take the cash flow question, but I need your help. So can you please clarify a little bit what you meant full year outlook on cash flow? How do you mean?

Lueder Schumacher: Oh, just the way your result statement reads like the entire improvement of the operating cash flow is due to the certain to the change in settlements for futures. If you stripped this line out of your cash flow statement on page 17, you still get to an underlying increase of 26% in the operating cash flow, which I would say is still quite strong.

Markus Rauramo: All right, then I'll try to open it up again. So if we look at the page with the with the cash flow statement. So the key items that, of course impact this is the EBITDA, then we have the effects gains and losses, paid net financial cost, income taxes, settlement of futures and change in working capital. So the biggest swing, what we are meaning the biggest swing came
from settlement of futures. This time around, actually the paid taxes and financials, and also the change in working capital were clearly better than last year. So there are many moving elements but of course but what reflects maybe mostly the operative side in the very short term is the EBITDA. But we are working on all of these items. So also the actions we are taking on operational excellence, on the funding, over our working capital management, all of these should contribute then to the operative cash flow.

Pekka Lundmark: Then if I continue from the spread question. I think you mentioned that there would have been a discount actually the Nordic price, but it was the, I might have been unclear about that also in my presentation, but it was the other way around that in Q1 on the Nordic price was higher than the German price, and the difference was 6 euros. And for the reasons that I described the Nordic price for supported, for example, by the EUAs especially in the beginning high coal prices compared to last year. But then very much the hydrology was supporting prices and at the same time in Q1 the German price was then clearly affected by, for example, the high wind production. So these caused the very high spread that actually went to the other direction in Q1 than has been the historical normal. Also last year the full year was different from the long-term average. The Nordic price for the full year was 50 cents higher than in Germany, the spread was 50 cents. Historical average has been 5 euros to the favour of the German price in realisation. Then, of course, we do not give power price forecasts so I'm unable to answer the second part of this question. I can only refer to the forward market that is currently indicating 10 euro spread for 2019 so that the German price would be higher than the Nordic price. Then the hydrology question and especially April. The difference to the reference level has stayed the same during April i.e. 3 terawatt hours below the reference, but in relative terms, comparing to the same time last year, the situation has improved so that in the beginning of the second quarter we were 5 terawatt hours above last year's level, and now we're 7 terawatt hours above last year's levels as we speak today.

Lueder Schumacher: Ok, thank you. And just going back on the second question, I'm probably need to be clearer. I was less interested in spot prices, which of course, can vary a lot. I was more interested in the calendar forwards where the spread has altered quite significantly since last September. I appreciate you don't make any price forecasts, but, I mean, the discount has widened quite significantly. And you also mentioned this in the end in your presentation, compared to the historic spread which seems unusual so unless you think that the default of Einar Åås and all the implications from that, is there still an impact on trading behaviour, trading volumes in the North that would explain such an increased discount compared to usual levels?
Pekka Lundmark: Actually, the discount was during last year, especially when you look at the end of Q3 and beginning of Q4 it was even wider than what it is today. And there we can all speculate how much this Einar Åås incident had to do with that, and of course we have our view. But we do not publish it in detail. The discount has actually shrunk after that. But again without giving out power price forecasts, we do not comment the kind of future expectations on the spread. It is around 10 euros at the moment and there are multiple factors affecting it going forward. Interconnections between the Nordic and the German system, which obviously are being built more interconnections that should everything else equal should lower the spread. Then Nordic wind production, increase in Nordic wind production, should widen the spread. And then in the same way, then the German added tightness to the market. That will come from the shutdown of nuclear. And then the potential implementation of the co-commission's recommendations should also increase the spread. So there are multiple factors and we’re certainly not going to give out our own forecast as to how these relative factors would affect the spread going forward.

Lueder Schumacher: Ok. Thank you.

Operator: The next question is from Deep Venkateswaran of Bernstein. Your line is now open. Please go ahead.

Deep Venkateswaran: Hi. Thank you for taking my question. I know that you've clarified that you won't speculate on proposals in the AGM from other shareholders, but I was just wondering in terms of the your timing of your discussions with Uniper. I think you said that the results would not be out before summer, so I was just wondering whether the other proposals mean that there's a change to the timing of your discussions with the Uniper, and you need to kind of conclude or something before May 22nd? And secondly, S&P issued a report last week outlining that if you entered into a domination agreement to buy Uniper, they would downgrade you. Would you be able to comment on this and your balance sheet capacity in the context of a potential domination?

Pekka Lundmark: Thank you. We do not comment on speculative questions. Obviously, credit rating is something that is very important for us. And it is very important for Uniper as well. So in anything that we would do, and this is the totally respecting of the Uniper decision, we would always give a high priority to taking care of our credit of rating. GM in Uniper development is of course an important milestone, but it's only one milestone and the discussions that we're having with Uniper in multiple streams, many of them are of quite long-term nature in their effect as
Deep Venkateswaran: Ok, thank you.

Operator: The next question is from Peter Bisztyga Bank of America Merrill Lynch. Your line is now open. Please go ahead.

Peter Bisztyga: Yes. Good morning. So my question also I guess has a speculative nature. But I was wondering if you had any preliminary views on the outcome of the Finnish elections? Is there anything in the policies of the Social Democrats or any other potential coalition members that signals any change in direction in energy policy or indeed, in the government's attitude towards Fortum? Just interested in your thoughts there. And the second question just on the first quarter results of the Russian division. I seem to remember last year in the first quarter, your profitability was down quite sharply year on year, and part of the explanation was higher bad debts. But it doesn't seem to be any evidence that that's reversed this year. So I was just wondering if you could clarify that and also, if you could actually quantify, please the impact on operating profit of the district heating JV, please, in the first quarter.

Pekka Lundmark: If I take the election question first. Obviously, we do not know what kind of government we will have. The negotiations are actually starting right now. What gives us confidence, though, is that there was a fairly wide agreement before the election on the general direction on especially the climate policy and its connection to the European climate policy and instruments like the emissions trading system and the related steering mechanism. So I'm fairly confident that there would not be anything major coming from there. There could be smaller things though of course. There is always going to be a question on taxation on multiple items in the energy of values chain, but something that would have a substantial impact on our future and our results, I think it would be highly unlikely. And then the second part of that question that could that somehow affect government's policy towards Fortum. I would like to repeat that this obviously has been confirmed multiple times by the government also, that we are not a tool for the implementation of the Finnish government policy. We are listed company with multiple shareholders. Of course, the Finnish government being an extremely important one and the largest one. But we are not a tool in the Finnish energy policy.

Markus Rauramo: Ok, then I'll take the Russia questions. So actually, in Q1 both this year and last year, the impact of bad debt was rather minor. There was a bigger impact in Q2 of last year by the default of Chelyabinsk guaranteeing electricity supplier which cost us a bigger loss. Then
if I quantify the joint venture impact, I would put it that way that if we exclude the FX impact on the joint venture profile impact, then the result would have been positive for the division. But I wouldn’t go further than that. There’s a profile similar to the district heating profile that we have in our city solution businesses.

Peter Bisztyga: Ok. Thank you.

Operator: The next question is from Vincent Ayral of J. P. Morgan. Your line is now open. Please go ahead.

Vincent Ayral: Good morning. I’ll follow up of district heating in Russia. You say that the overall impact and it would be fairly neutral on the full year basis. So should we conclude that it’s a negative earnings activity? That’s something I would like to understand. The second thing is when we look at basically consistent expectations and the results posted. We see indeed that Russia was a bit of a miss. It cannot really be from Forex because people know the Forex they can measure it. So it’s more related to the district heating. And then, therefore we should have seen a beat on the net income from [inaudible]. So where is this earnings from the heating? Has it been reported the net income from this heating GI in Q1? And if not, we should expect it to be fully reported as part of the Q2 results. So that’s the question regarding this. The other one is regarding your cash flow. I’ll come back on this I heard and I’m not sure I heard this thing all clearly, that you’ve had an agreement for the [inaudible]Futures with them on the Nasdaq Commodities. I’d like to understand exactly what this means here. Could you explain us a bit more in details? What is happening here? Is it like a sort of [inaudible]? Is this impact in Q1 something we should deem as a recurring? Thank you very much.

Markus Rauramo: Ok, I can take the two questions. So you are correct that over the year should be neutral both for us and both for the joint venture. But what you can expect to see is that the profile has a negative impact on the Russia division and it has a positive impact on the income from joint ventures and associates. So you are correct. It will have the offsetting profile between these two lines. Then for the agreement. The security standing agreement we have, so basically we need to post initial margin collateral when we are doing our hedging and this is the big element. So we have had cash as collateral in Nasdaq. Now we are replacing that with securities that Nasdaq approves to replace that. So the cash came back to us. We have borrowed securities from a bank and now we are paying compensation for that so effectively for us a loan and you can then see on the balance sheet both the debt and the receivable. But standard agreement, nothing special. There can be a small deviation on this item, but basically it’s a large sum of money
that has been there all the time for a longer time. So you will not see it recurring positive impacts going forward. It can go both up and down. But the impact will be limited.

**Vincent Ayral:** Ok, so if I summarize the second point. Yes, this change should limit volatility on this item going forward. And but regarding the 18 [inaudible] you said we will see the offset in net income [inaudible]there. Did we see it in Q1? Was it reported in your net income from [inaudible] associating to Q1? If it have been good, if it has not been well, will we see it being reported into Q2 together with Q2 numbers? Thank you.

**Markus Rauramo:** Like I said, you will see the let's say the mirror impact of the profile in both ends. It is reported quarter by quarter, on both on the divisional comparable operating profit level and then in the income of joint ventures and associates. And actually, just want to specify a bit more. So if you look at the cash flow statement, we will continue to see the settlements for futures continues to be volatile, depending on the prices and this is the initial margins that we have posted that are then lower in the cash flow statements. So there will be this item has not been as volatile either as the item higher up that is impacting the operative cash flow. I hope that clarifies.

**Vincent Ayral:** Thank you.

**Operator:** The next question is from James Brand Deutsche Bank. Your line is now open. Please go ahead.

**James Brand:** Hello, good morning. I guess it’s just turned afternoon for you, so good afternoon. A couple quick questions on points that you brought out in the results statement. Around firstly, new taxes in Sweden and then secondly, on the hydropower legislation. Just looking for a bit more detail on both really. So on the fossil fuel taxes on CHP in Sweden and looks like you’re saying that came in, it would be around 40 million euros. I was wondering whether you could tell us what your share of that would be on. And also whether there’s any scope to pass through any of those tax increases if they came in in your heating contracts. And secondly, on the Water Framework directive and the comment that it could impact on your production levels. Any more details? I guess it’s a little speculative at the moment but any more comments or quantification around that or the costs involved or the impact on production would be really interesting. Thanks.

**Markus Rauramo:** Ok, I can comment maybe on the technology of pricing in Sweden. So first of all, at this point, I would say that is an issue that Stockholm Exergi still has to go through and look
at it and its implications and what we have in Sweden is something called pris dialog and annually the company will discuss with the customers that what is included in the price? Is it fair price? Does it cover the cost etc etc? I would assume that this would be part of those elements there. So that’s an issue that Stockholm Exergi will have to handle then in due course.

**Pekka Lundmark:** Perhaps worth pointing out, that is really the only heating business operations only CHP operation that we have in Sweden. Stockholm Exergi and once again, it’s reported as an associated company. So it’s not in our comparable operating profit and that number, which is in our report, which you refer to that is the potential total Swedish effect on through additional taxes. And then the other question…

**James Brand:** I was just asking whether you can notice the impact on the whole Sweden, but whether you will be able to detail what the impact would be on you on and whether or not to that could be passed through if you have information.

**Pekka Lundmark:** We are unfortunately unable to comment because first of all, this is a matter for Stockholm Exergi. And there are still a lot of unclarity around this situation and as Markus explained, there will be the so called pris dialog that will then clarify the expected result effect on Stockholm Exergi. But you can roughly calculate if you take obviously the total CHP volumes in Sweden, that what it just volume wise would be. Stockholm Exergi I guess 7 to 8 terawatt hours of heat roughly, so from there you can make some kind of a rough estimate. Exactly. That's very important to note that 90 % of that volume is non-fossil so mostly or to a large extent due to the new bio-fired power plant that was inaugurated in Stockholm a couple of years ago. And there is a plan by Stockholm Exergi also to phase out the remaining call in Stockholm within the next couple of years. Then, when it comes to the Hydro or water directive, what is the exact name of it? Hydro? Water framework directive, I think is the exact term to be used. I mean, that discussion is still ongoing in the European Union that how that would be implemented we are of course, together with the other Nordic hydro-operators participating in that dialogue. And Sweden has already made some decisions about which we have also published earlier about the creation of a fund that would take the responsibility of these obligations. And this discussion continues on the European level. So it’s really too early to speculate if there would be any additional effects on this one to our operations.

**James Brand:** Is the risk from the water framework directed that you'd actually have to stop using dams in certain areas? Or is it what, what kind of technical implications of the proposal?
Pekka Lundmark: At least when it comes to all those hydropower plants, which are significant from our result point of view. We do not see any shuts risk. Totally different thing is then that if there are cases where there would be from result point of view and from volume point of view insignificant small dams where it would actually make more sense from the overall system point of to dismantle them. But this is something that would not have any effect on the big picture in terms of our Hydro business.

James Brand: Ok, thank you very much.

Operator: The next question comes from Lars Paulsson from Bloomberg News. The line is now open. Please go ahead.

Lars Paulsson: Good afternoon. I have a question about Swedish nuclear and big debate among the political parties at the moment with the moderates and liberals they want to see more nuclear power rather than the shutdowns that are going on. Where do you see this? The base going? And would you be possibly interested in investing in nuclear in Sweden? Thanks.

Pekka Lundmark: New nuclear in Sweden from investment decision point of view is, I have to say, currently a very remote thought. We are focusing on running the existing power plants together with our partners. And this is fully allowed by the agreement that was launched a few years ago. The discussion in Sweden is centering around the definition of the targeted system whether they talk about renewable, totally renewable system, or a totally fossil-free system. Of course, for us who believes that nuclear needs to be a key element in the future energy system and is a key enabler for emission reductions we very much like to talk about CO2 to free in addition, of course, to renewables being important. But renewables and nuclear is really our focus. But once again, they should not be mixed with any desire to start building new nuclear in Sweden, which currently is from many different perspectives quite the remote thought.

Lars Paulsson: Ok. Thank you.

Operator: The next question is from Jonathan Giovski of Citibank. Your line is now open. Please go ahead.

Jonathan Giovski: Hi. It’s from Jonathan Giovski from City. I have a three small questions. Firstly, from top of my head, I think this collateral on hedging the effect was around 600 million. And you manage to receive 300 hundred back in the first quarter. Correct me if I’m wrong with these numbers. And if there is there still more of collateral that will come back to you in form of cash
going forward? Secondly, I wanted to ask you about this synergies in Hafslund. How much have you ready materialised? How much more there is to go in terms of euro number? And then on this new bonds. How much this new free bonds improve your financing costs in also in how much better conditions what you were before?

**Pekka Lundmark:** Thank you. If I take the Hafslund in question, the Markus takes the two other ones. As you will have seen our estimate this 15-20 million gradually during 2019 and 2020 so that by the end of 2020 we would have achieved full run rate. More detail than that we're not opening up. But just as a reference probably a safe way to assume would be that there would be a fairly linear rise implementation or realization of this synergies during this two years which would indicate that that yes, there was something already in Q1. But not yet that much.

**Markus Rauramo:** With regards to the cash with the collaterals and the cash settlement. So, these are two different line items. And on page 17 of the presentation you can see the change of settlements for futures. That item will remain volatile. Now it was close to 300 million positive, last year 500 million negative. Then we have below the net cash from operating activities, we have the changing cash settlements and restricted cash. This was the level where we released the cash that had been posting in initial margin collateral for the hedging. So this has been a more stable amount. The volatility here will be clearly less than it has been on the settlements for the futures so you we will not see a repeated impact. The scope will not enlarge of this arrangement, the scope is basically here. There can be small volatility. Then for the financing costs. So what we replaced with this 2,5 billion bond was a 750 million bond that matured that had a 6 % coupon so massive saving for that 750 million part. Then for the part of the bridge facility that we refinanced. Their the cost actually was very competitive. So not a big difference for that part for the 1,75 billion. So then you can see that the average cost of our debt came down from 2,4 % to 2,2 %.

**Jonathan Giovski:** Ok. Thank you very much.

**Operator:** There are no further questions at this time. Please go ahead speakers.

**Ingela Ulfves:** Thank you, operator. And thank you for all the questions. We seem to have some questions now on the chat. So I’ll hand over to Måns now to ask those.

**Mans Holmberg:** OK, so first we have a question from Michael Charleton from Banco Santander relating to IFRS16. And if that had a material impact on the net dept.

**Markus Rauramo:** The answer is that the impact was quite limited.
Mans Holmberg: And then we have a question, saying that environmental groups have argued that selling dirty plans is not the solution to fight climate change, even the need to reduce greenhouse gases. In that respect, I understand they have written to Fortum the recently urging the board to shut any dirty assets it may get control over in the future as a result of controlling Uniper. Would you care to comment on this approach?

Pekka Lundmark: Well, we had an extensive discussion with NGOs at the AGM and obviously we support strongly ambitious climate goals. We support a carbon neutrality goal for Europe for 2050. We believe that when it comes to power production emissions trading should be the key instrument and the right way to do this whole thing would be market based so that we would strengthen the linear reduction factor in ETS system so that it would deliver the results on a market based way. The beauty of the carbon trading system is that it does deliver exactly the desired result, and then we would not need to make a kind of plant by plant politically micromanaged decisions on shutdowns. Having said that Fortum’s own carbon footprint in European Union is very limited and we’re actually as we speak, we are dismantling one of the largest coal power fired plants that we have. And we are of course going to continue on this path. But then, when it comes to Uniper assets, as I have said multiple times, Uniper is a listed company. They are now of course in discussions with authorities, especially in Germany, about the implementation of the Coal Commission's recommendations that will lead to an emissions reduction schedule and coal capacity reductions schedule for Germany. In addition to that in all countries where Uniper operates, there is already a target year for the final year, when coal can be used in in energy production. So these reductions are happening with or without our involvement.

Mans Holmberg: And then we have a final question from Reuters News. Finland voted to ban coal in energy use by May 2029. Does that change your plans in any way for the remaining coal using assets and which assets would need to close earlier than expected? And what will you replace that generation with? Will you invest in new biofuel plants?

Pekka Lundmark: Well, we are investing in bio fuel here in our home town, Espoo district heating system. We have a go already before this law came into force. We had a goal with our partner, the city of Espoo, to make the city carbon neutral in energy production by 2030. So this 2029 changes very little from that point of view. In district heating coal can be replaced by multiple different the sources. Of course, biomass is one. But what we give a very high priorities is recycled excess heat from especially data centre's, hospital system etc. And there's a lot of additional potential there. Electricity through large scale heat pumps can also be used and we should not
forget that the districting heating system itself is a very good energy storage system as well. So
this is the main source or the main user of coal in our system. In addition to that, we have one
coal condensing part in Finland, which we own. It is mostly already today in a capacity reserve
and with very limited production volumes. So also from that point of view of the 2029 decision,
has very little impact on Fortum.

Ingela Ulfves: Thank you so much everyone for your questions and your active participation here
today. This now concludes our webcast on the first quarter results. On behalf of Fortum I want
to wish you all a very nice rest of the day and upcoming weekend. Thank you.

Markus Rauramo: Thank you.

Pekka Lundmark: Thank you.