

Transcript of the News Conference 8 October 2019 - Fortum's acquisition of Uniper Stake

Presentation

Ingela Ulfves

Head of Investor Relations

Good morning everyone. Welcome to Fortum's joint audio casted news conference this morning related to our announcement of Fortum's acquisition of the Uniper stake. My name is Ingela Ulfves and I am the Head of IR at Fortum. With me here today are our CEO Pekka Lundmark, and our CFO Markus Rauramo. Pekka will start by giving an overview on today's news, after which we will open up for questions. Please note that this event is being recorded and a replay will be available on our website after the call. With this brief introduction, I now hand over to Pekka.

Pekka Lundmark

Chief Executive Officer

Thank you very much Ingela and good morning ladies and gentlemen. As you have seen, we have this morning announced the agreement to acquire the Uniper stakes of Elliott and Knight Vinke. This will increase our holding in Uniper to more than 70.5%. This is an important step forward to finally break a gridlock situation at Uniper which has negatively impacted the Company for quite some time now. Before I - happy to take your questions - I would like to outline briefly why we are increasing our holding, how this fits into our strategy and give some detail on the transaction and the path forward. We have always said, and continue to believe, that the two Companies joining forces is beneficial for all stakeholders.

Equally, we are determined to take the two Companies forward jointly, with the Uniper management team and employees, and create a leader in the European energy transition. As you know, talks between the management teams have been ongoing for more than a year now and we have to accept that far too little has come out of them. We are certain that this will change now. We are buying the stakes of Elliott and Knight Vinke to eliminate any uncertainty that may be there about our long-term interest in Uniper and to provide absolute clarity on the ownership structure of Uniper. At the same time, you may wonder why being in such a strong position we are not implementing a DPLTA or squeeze-out for at least two years and fully infiltrating Uniper.

Let me reiterate. We want to do this together with Uniper because we strongly believe that constructive interaction renders the best results. For two years, we can now work together on the strategic and operational alignment of the two Companies. In that sense, it is a great opportunity for both Uniper management, and employees, to play an important role in shaping the future of the two Companies. How does this transaction fit into our strategy? As we have consistently said since we first announced our interest in Uniper, Fortum is committed to the energy transition and we all understand that it will not happen overnight. While we are focused on leading the transition to cleaner energy, we also understand that we have to meet the needs of our customers in terms of security of supply and affordability.

That's where Uniper comes in, because we can't just fast forward to the future. With the planned European coal phase out, coupled with Germany's 2022 nuclear stop date, Uniper's gas assets will have an important role to play in providing security of supply for the increasing share of renewables in the system. While Uniper mainly stands for gas and coal in Germany, it has, in Sweden and Germany, a sizeable hydro portfolio that complements the growing share of solar and wind. They also have CO2 free nuclear in the Nordics, which continues to be an important base load provider and one of our core competencies.

Uniper's extensive commodities trading activities are complementary to the power generation business. The commodities business also includes sizeable gas storage and long-term contract portfolios that play a key role in ensuring security of supply. We expect a good return on our investment and we believe that we can achieve even more benefits by working together with Uniper. At the same time, we want to continue to be a solid and good dividend payer. Our dividend policy remains in tact - pay out ratio of 50% to 80% of earnings per share, with sustainable, stable and - over time - increasing dividends.

As per our announcement, here is a summary overview of the actual transaction. We have signed an agreement with Elliott and Knight Vinke to acquire in excess of 20.5% in Uniper. We will pay approximately €2.3 billion for the 20.5% shareholding, corresponding to €29.93 per share. Upon closing, Fortum's share in Uniper will increase to at least 70.5% and the total investment in Uniper to approximately €6.2 billion, representing an average price of €23.97 per share. The transaction is subject to regulatory clearance in Russia and in the United States. We have had extensive discussions with the Russian authorities and have made a preparatory filing to the Russian Federal Antimonopoly Service.

We expect that we will close by the end of the first quarter of 2020. Once clearance is obtained, we would consolidate Uniper in our financial statements as a subsidiary. Financing for the transaction is in place. We will finance this purchase with existing cash and underwritten committed credit facilities available to us. We are committed to maintaining an investment grade rating post transaction and strengthening our financial profile longer term. We also intend to have our ownership position appropriately reflected in the Supervisory Board representation and will now reach out to Uniper to ensure the transition process is managed accordingly.

Recently, there have been a lot of reports on the concerns of the Uniper employees, which I understand very well and take very seriously. Let me spend a little while on this topic. It's very clear that dedicated and motivated employees at Uniper are key to the success of the Company. We are therefore keen to ensure that Uniper employees

accept us as a strong and dependable owner, who provide stability and opportunities alike. In terms of stability, we have already set out a number of important commitments, such as honouring all existing agreements governing employee rights, or indeed, the existing level of co-determination in the Supervisory Board.

We will - we also will not cause Uniper to implement compulsory redundancies as a result of the transaction, nor to relocate its corporate seat away from Düsseldorf. Very important in that respect is that as we will not implement the so-called domination agreement for at least two years. There will now be ample time to sit down with the Uniper management and employee representatives to firm up those agreements in terms of content and duration. In terms of opportunity, I'm absolutely convinced that Uniper and Fortum joining forces means the creation of many interesting prospects for the employees of both Companies. There is a lot of experience and skill at Uniper, which will be needed when we take on the European energy transition together as one of the leaders.

Thank you very much, ladies and gentlemen, and now I am happy to take your questions. Back to you, Ingela.

Ingela Ulfves

Head of Investor Relations

Thank you, Pekka, for giving the overview. We are now ready for the questions and answers and in addition to Pekka and Markus, we also have our head of M&A, Mika Paavilainen, available for answering questions. Operator, we can now open up for questions from the teleconference.

Q&A Session

Sam Arie - (UBS)

Good morning. [Inaudible]. I think the two questions that I wanted to ask is firstly, obviously, you've made some progress around the restrictions in Russia, but could you talk a little bit more about how that works? Do you have any signals that you will be able to go above this 50% threshold? Or are you assuming that you will be able to kind of get around that by saying that you're not implementing a domination agreement so you're a 70% shareholder, but you don't have control? Anyway, that's my first question to understand a bit more of your thinking - how you can get around that Russian regulatory requirement.

Then the second one is, if you can just talk to us a little bit about how you think the ratings agencies will look at this on your side and on the Uniper side? Because I think S and P, in their last note, did say that even an increase in shareholding above 50% might lead to a downgrade, unless you had sort of remedies alongside. Just wondering what you're thinking of there? Thank you.

Pekka Lundmark

Thank you, Sam, for the two excellent questions. I'll take the Russia question, then Markus will take the credit rating question. Over the past few days and weeks and actually months, we have had extensive discussions with Russian authorities on this 50% limitation that they imposed on us. Those discussions have led us to believe that there is a solution available to the issue. Of course, I cannot pre-empt the decision of the authorities. We have to let them do their work and that's why this transaction and the closing of this transaction is subject to the approval from Russia. But we would not have taken this step unless we would be quite confident that an approval could be obtained.

Now, as to the details of what the content of that decision would be, that I am not able to speculate more on.

Markus Rauramo

Then if we go to the rating agencies, they have been following the steps very closely and they have published their reports. Now we will discuss the details of this transaction with the agencies and our key point is that we are committed to an investment grade rating post transaction and in the long-term, we work to strengthen our financial profile. What is important for us - that we continue under our circumstances. Have good access to affordably priced financing. We'll take it from there with the agencies. Now the discussions will continue with them.

Sam Arie - (UBS)

Can I just ask a quick follow-up on that - on the ratings? Just on the specific question of how they might look at Uniper because I suppose there was a thought that if you have - if you are consolidating Uniper from an accounting point of view, they may then take the view that Uniper is anchored to your credit rating, but anchored to your credit rating without the government uplift? Just wondering if you've had any signal from them that maybe at 70%, without domination, they wouldn't treat Uniper as a controlled subsidiary? Or is it too early to get into that?

Markus Rauramo

Yes, the concern of course, with regards to rating of the both Companies, that is - we do take that into account and that is one of the issues that now needs to be discussed with the agencies and of course, with Uniper as well.

Sam Arie - (UBS)

Okay, thank you. We'll wait for the next update then, on that one. Thanks again for the presentation this morning. It's very helpful. Congratulations.

Lueder Schumacher - (Société Générale)

Pekka, you mentioned in your speech that you are certain that the attitude of Uniper's management will change now. If I read your press release, there still seems to be a certain amount of frustration that the - I think, in your words, that your discussions have each time ended short of actions. Now, you say you expect to be represented on the Supervisory Board without much delay. But realistically, we - you might have to wait until 2022. Has there been sort of a last-minute change from the Uniper management

so that you can finally expect cooperation? What is making you so optimistic that things will change now from the way they were - well, frankly, over the last two years?

The second question is again on the credit rating. You're committed to an investment grade rating. I take it this would also include BBB-? Would you be happy with that? Or as S and P have mentioned, that it's not the credit metrics that are of concern for them, but the - which actually improve if you fully consolidate Uniper - but it is the risk profile, especially in relationship to thermal generation. Where a very easy remedy would be the closure or disposal of coal-fired capacity. Would this be something you would prefer over keeping it to a B-? Or is it still - well, wait and see as we go along?

Pekka Lundmark

Thank you, Lueder. Again, I'll take the first question. Then Markus will comment the credit rating. Of course, I cannot speak for Uniper's management. They have to - yes, they have to speak for themselves. But as I have said, we have had very constructive discussions with the new management over the past few months. If you sense a - signs of frustration in our comments, that simply comes from the fact that this whole thing has been going on for quite a long time and there's very little progress we've been able to announce to the market.

Now, our hope and belief is that now, when we clarify the ownership structure and become an even stronger owner in Uniper, that will clarify things and that will increase everybody's and all party's motivation now to really sit down and do what - at least we would be open now to do with Uniper's management - is to really discuss that how a joint mission, joint strategy and a joint operational plan would look like. Hopefully, this kind of simplified shareholder structure will help to do that.

Then very importantly, the fact that we are now unilaterally offering this two-year - in a way - period where we are not going to do a domination agreement or a squeeze-out, that that would help to stabilise the situation and give us enough time, really, to sit down with Uniper's management and create, without a massive time presser, a joint plan forward.

Markus Rauramo

With regards to the credit rating, technically of course, BBB- is also investment grade. But I would say that, as we have also previously communicated, what for us is critically important is that we maintain access at all times at that affordably priced capital. Now we will discuss with the agencies what are the financial and business risk implications of the planned steps. What comes to the transaction, of course, we want to make sure that that transaction then can be consummated so we have the cash resources and committed underwritten credit facilities available for this. Then we have a good time now to discuss with the agencies how to go forward.

Lueder Schumacher - (Société Générale)

Okay, thank you.

Vincent Ayrat - (J.P. Morgan)

Good morning. Questions on the Russia approval and credit rating have been looked at already in details. I'll want to ask a question regarding the remaining minority

shareholders in Uniper. You do not plan to do any squeeze-out or domination agreement for the coming two years. But is there any intention to still buy a few shares directly on the market? I think that would be my first question. Are there any restrictions regarding the price, if so? Thank you.

Pekka Lundmark

First of all, we have no obligation to do anything on the market. There is no obligation to buy anymore shares and there is no obligation to do any new public tender offers. Actually, I can confirm that we have currently no plans to do any new public tender offers. But on the other hand, we have no restrictions as to our ability to operate on the market. As usual, we do not comment on our further intentions. Time will tell. Of course, important to keep in mind that before we have a clearance decision in Russia, we are not legally allowed to buy any shares or at least, not close any new share purchases.

Vincent Ayrat - (J.P. Morgan)

Thank you. I would like to ask a second question regarding synergies, because you flag potential synergies within the portfolios. It's obviously where you have overlap, like in Sweden, or in Russia. Basically, did you have any type of quantification of what can be done regarding that? I assume a better management or optimisation of the hydro fleets in Sweden, for example. What would you have in mind for the Russian side? Thank you.

Pekka Lundmark

There are several potential sources for synergies and the example that you mentioned is obviously one of them. But there are many, many, many others as well. We are not ready, at this time, to give any monetary estimate on the value of those synergies. This is really going to be part of the strategic and operational planning that we now want to do together with Uniper's management. Once we are through that step, then in due time hopefully, there would be a possibility to also give an estimate on the value of synergies. But we are not there yet.

Vincent Ayrat - (J.P. Morgan)

Thank you very much and I'll finish with a last one. If indeed you need to discuss with Uniper management in order to provide these quantifications, when can we reasonably expect this to happen if everything goes as planned? Thank you.

Pekka Lundmark

I'm sorry, but that's also premature to say because this is such a fresh announcement. Now, once again, we need to sit down with Uniper's management and make a plan, including what you just asked, that what we estimate at how long it will take before something can be informed to the market.

James Sparrow - (BNP Paribas)

Yes, good morning. Sorry to go back to the credit rating issue, but I just wondered if you could be clear. It appears you haven't actually discussed the transaction in detail with the agencies and it's already been flagged on the call that issue - one of the key

variables will be the issue of business risk. I just - could you be very clear that, say, if S and P think the business risk deteriorates significantly, that you would be willing to take active measure to support the investment grade rating, rather than perhaps just focusing on funding cost?

Then secondly, just curious to - if you could sort of elaborate on how you view this transaction? You're obviously - it will increase your consolidated carbon footprint at a time when you're trying to transition to cleaner energy. Just curious to think how you view that? Also, how your majority shareholder views the fact that effectively, you're becoming at - you're increasing your carbon footprint? Thank you.

Pekka Lundmark

If I take the second part of the question and then Markus will continue with the credit rating and its implications. Obviously, the carbon footprint is an important consideration. We continue to be of the opinion Europe, and the world, needs to reduce emissions fast. When you just technically calculate that - what the combined Fortum's and Uniper's generation - of the generation volume, what the share of coal and lignite would be of the total output in 2018 - coal and lignite, of the total generation output of the combined portfolio, would have been 18% - one eighth. Then obviously, subject to then the plans that will be confirmed regarding coal phase-out with the national authorities, we would then expect that share to shrink over time.

Markus Rauramo

With regards to the credit rating question, the agencies have been flagging various scenarios that they've come to with their own assessments of the situation. To the question, would we take measures? Or what measures would we take? Again, our objective is to have a solid investment grade rating and what that gives us is not only cost of capital, it's access to capital at all times and at an affordable cost. Now we will discuss the agencies' views on what has been announced and how they look at depreciation and then we'll continue from there to see what the possible outcomes are. But I wouldn't [inaudible] on that at this point.

James Sparrow - (BNP Paribas)

Okay, thanks. Maybe just one follow-up. Is one of the reasons for the two-year timeframe before you squeeze-out minorities, is that, again, partly to sort of give you - help build up a bit more financial head room when you go, eventually, to 100%?

Pekka Lundmark

No, that is not really the driving reason behind that. The way we see it is two years is really the time to calm down the situation. To allow for ample time for the two management teams and the employee representatives, now really to sit down and create a joint vision strategy and operational plan. Obviously, while we are doing that, the credit rating implications will be an important aspect that we will have to consider. But that is not the main driving thing there for the two-year decision.

James Sparrow - (BNP Paribas)

Okay, understood. Thanks.

Peter Bisztyga - (Bank of America Merrill Lynch)

Good morning. A few questions from me please. Firstly, regarding a Supervisory Board representation at Uniper. Can you clarify, are you legally entitled to more Board representation? Or do you actually need the cooperation of Uniper? How many additional Board seats are you looking for? How quickly do you expect to gain those? I guess that's my first question. Second question is, does the Russian approval that you're - you seem to be very confident in gaining, does that actually require any cooperation from Uniper to achieve that Russian approval? That's my second question.

Then the third one, just back to this domination and the two-year plan. I'm not sure I fully understand why you couldn't just put in a domination agreement now, take control of the Company and then there wouldn't be any issues of whether Uniper cooperate or not. I'm just wondering what the downside of that approach would be?

Pekka Lundmark

Thank you. First, the Supervisory Board question. As we said, also in the release, we now want to sit down with Uniper and see that what is the best way of implementing our representation on the Supervisory Board. If we just look strictly legally, Supervisory Board decisions for those members whose terms are ending are single majority decisions at AGM. Forcing changes for Supervisory Board requires qualified majority at shareholders meeting. We do believe that for all practical purposes, this transaction will take us pretty close, or even achieving that qualified majority. But that's kind of not the main thing we are thinking about right now. We really want to discuss this with the Company and hopefully find a solution that both parties can live with.

Then the Russia decision. I mean, this will really depend on the exact content of the decision of the authorities in Russia and I do not want to speculate on what exactly that would include. I just repeat what I said earlier, that the discussions we have had with the authorities have given us quite high confidence that there is a way to solve the issue. But more details than that, I'm not able to provide at this time. Once again, this no domination for two years, this is really kind of a sign, from our point of view, that we do want to create this plan together with the Company. This two-year time is now really a good period where we can do that together with them.

We do not want to dominate yet and we do not want to speculate what will happen after this period. That is the plan that we want to create together with the Company. That's what's behind the two-year decision.

Peter Bisztyga - (Bank of America Merrill Lynch)

Sorry, is the concern that if you were to launch the domination agreement today, that somehow this would demoralise the Uniper management and employees and would prevent you - despite having full control of the Company, would prevent you from being able to manage it and run it as you would like? Is that the issue?

Pekka Lundmark

It's a very high priority for us to really - to now finally create a good and trustful relationship with all stakeholders. As I said earlier, we have had really good discussions with the new management of Uniper. Progress has been fairly slow. Hopefully this

step will enable faster progress. Then there has been a lot of concerns by Uniper employees and the employee representatives, which they have - many of those concerns, they have also shared in public. It's very, very important that we now create a trustful relationship with the employee representatives as well, because I genuinely believe that this prospect of creating a leader in European energy transition together is something that is a fantastic prospect for the employees of both Companies.

Now, hopefully this sign of goodwill, actually that we are giving through this no domination of two agreement - of the no domination agreement for two years, is something that also the Company and its employee representatives will take and accept that now they will sit down with us and create a good plan together.

Peter Bisztyga - (Bank of America Merrill Lynch)

Okay, thank you.

Daniel Vaun - (JP Morgan)

Hello there. I think most of my questions regarding the credit rating have been asked. I think one point I would make is that almost regardless of what you do to your financial risk policy, so whether that's asset disposals et cetera, I don't think you can get around a business risk profile deterioration. Therefore, I think to commit so solidly to a solid investment grade rating is slightly premature. But I think all of my questions have been answered. Thank you.

[Unidentified Male 1 - (Bloomberg)]

I do. I have two questions. The first one is on if the full net debt - I mean, I know it's early days, but can you give us a feel for what it would look like after you merge the Companies today and finalise these deals with Vinke and Elliott? The second question is on US approvals. Can you - I mean, we've talked a lot about Russian ones, but can you give us a bit of a colour of what it is, what are the steps and what to look out for? Thank you.

Pekka Lundmark

I'll take the US approval question and Markus will take the other one. I mean, we see this US filing as a mere technicality because, I mean, the law there says that when you cross a certain threshold you have to file for permission and 50% is the threshold there. Obviously, Uniper has important activities in the United States. At the same time, Fortum has no activities in the United States so that's why we do not expect any problem. But for technical reasons, you have to file.

Markus Rauramo

With regards to any combined KPIs, we are not commenting on those at the moment. In the release, we are presenting combined key financials for illustrative purposes. Of course, we understand that [inaudible] net debt is a very important measure and these are then issues that we will work the Company and the rating agencies and come back to this later.

[Unidentified Male Speaker - (Bloomberg)]

Okay, thank you.

Martin Brough - (Macquarie)

Thank you. I just had a question about Uniper's dividend policy and your attitude towards that over the next couple of years. Obviously, Uniper has a fairly high cash pay-out policy already. With UK capacity payments coming through potentially and then maybe compensation for some of the hard coal units that may be taken off in Germany, there could be the best part of €2 billion that could, in theory, be swept out of Uniper. Would you like to see as much of that cash swept through to you as possible - or - despite the minority leakage? Or would you rather Uniper be more cautious and keep cash on its balance sheet, given a - the slightly higher risk - business risk profile?

Pekka Lundmark

Now I would like to refer to this commitment of not doing a domination agreement for two years, which means that Uniper will continue as an independent listed entity. It means that it is for Uniper to propose the dividend to the AGM, then for the AGM to vote on such proposals. We will not speculate on what management may propose in the future and how we may vote in regards to such dividend proposals. Of course, so far, we have been quite supportive of Uniper's dividend proposals but - and dividend policy. But now, it's really going to be up to management to propose going forward.

Martin Brough - (Macquarie)

Okay. In terms of the metrics that you're focused on in discussing with the rating agencies, do you believe high dividend pay-outs from Uniper will be helpful? Or detrimental?

Markus Rauramo

That would be premature to comment. There are many more [inaudible] that we will be discussing with the agencies in the coming weeks and months.

Martin Brough - (Macquarie)

Okay, thank you.

James Brand - (Deutsche Bank)

Morning. I have three questions please. The first is just on again - sorry - the balance sheet. Appreciate that you don't want to give any kind of clear indication until you've had these discussions with the rating agencies. But you must also have your own views, independent of whatever judgement the rating agencies come out with, as to whether or not your balance sheet is reasonably leveraged post this transaction. I was just wondering whether are comfortable with your overall level of leverage post-deal? Or whether you felt that you had take action to de-lever? The second question is on the carbon footprint of the new Company. You've spoken a bit about the role of coal in the mix and the coal closures.

Also, in the past, you've talked about the benefit that you felt you could bring to Uniper in terms of helping it decarbonise and helping take action to reduce its carbon intensity. You've had quite a lot of time to think about that. I was just wondering whether you had any views you could articulate now as to action that you would take that maybe as an - in Uniper's existing plans, or ideas that you have, of ways you could help it decarbonise? Thirdly, just on the synergies. I just wanted to clarify whether you felt

like there were any synergistic benefits of moving to a majority stake in Uniper? Obviously, you wouldn't be able to crystallise traditional synergies unless you acquired the rest of the shareholdings. But are there any synergies that you felt you might be able to capture over the next two years? Thanks.

Markus Rauramo

I will start with the balance sheet question. First of all, at the moment if you look at our financial targets, we are currently over our long-term targets of leverage. Directionally, what we are saying is that we are committed to the investment grade rating, which we believe is feasible, and that we will strengthen our financial profile in the long-term. Having said that, again, the transaction is fully financed. We - of course, we have the underwritten facilities in place, so we have no issue with the financial ability and we are comfortable with the risk levels in our balance sheet at the moment. We don't have an issue with that.

Pekka Lundmark

When it comes to the carbon footprint, there's a lot we can do together. If I just mention one example from the technology side. Obviously, when the coal phase-outs proceed and when Germany shuts down nuclear, as we all know, the importance of gas will grow tremendously. What we feel is a really exciting prospect is to use that gas position, including the infrastructure and storage, as a platform for decarbonisation through technologies like power-to-x, electrolysis, hydrogen - mixing hydrogen into natural gas, potentially methanisation and so on. All the applications of this in different types of industrial uses, which will be very very important for the European decarbonisation. There is one concrete example, but of course, there is a lot more.

We really appreciate Uniper's position in gas and also in these new power-to-gas technologies. We have a lot of initiatives going on, also in new technologies. That is, I believe, will be a very exciting corporation area under the umbrella of decarbonisation. The majority position - of course, hopefully, as I have explained, speeds up things. We have had good discussions with management. We had already started the evaluation of several different cooperation streams several months ago, but progress has been very slow. Hopefully this simplified and streamlined ownership structure will now help us as a means and a catalyst to speeding up the cooperation projects and that way, joint value creation and achieving synergies.

It's not an automatic step - it - in self - itself, but we hope that it will help to speed up and clarify things so that we can proceed faster.

James Brand - (Deutsche Bank)

Okay, thanks a lot.

Jakob Magnussen - (Danske Bank)

Thank you. Two questions from us. I - just wondering, in the long-term, are you still hanging onto your net debt to EBITDA ratio of around 2.5%, as you said in your latest presentation before this announcement? This - coming back to reducing leverage in the longer term, what exactly is a longer term? Are we talking years? Yes, that's my first question. The second question is just a technical one. Is it correctly understood that you could get 70% of the votes in the Supervisory Board, in spite of this two-year non-

domination agreement? How would that work if you have 70% of the votes but are not able to dominate? Just explain that. Thank you.

Pekka Lundmark

I'll take the Supervisory Board and then Markus will comment the leverage question. The Supervisory Board has 12 members and 6 out of them are employee representatives. Those seats - or this transaction has nothing to do with those seats. What we are talking about is the 6 shareholder representatives and that's where we are saying that we will - we now expect to be adequately represented so that representation would correspond to our shareholding. What this in detail - detailed term means, is something that we want to discuss with the Company and then inform in due course. There is no automatic connection from this to the absence of a domination agreement for two years. These are actually two separate issues.

Markus Rauramo

Then with regards to the net debt to EBTIDA target, for the time being, that is an absolutely valid target. Now, of course, we will evaluate that and come back then at closing. We will discuss with the rating agencies. Again, look at what are the right KPIs, what are the right levels for the targets. Again, the target for us that we continue under our circumstances, have good access to affordably priced capital at all times. That is what is driving our thinking. Then, what is the long term? Then we look over the cycles. Of course, we look at what are the risks and technicality in our businesses. We know that there's a lot of volatility in our respective markets so we have to take that into account when we evaluate short-term or long-term.

Jakob Magnussen - (Danske Bank)

All right. Thank you very much.

Adrien Fourcade - (Deutsche Bank)

Yes, thank you. I just had a follow-up question on leverage. More precisely, I wanted to know if you intended to issue hybrid bonds to refinance part of the acquisition that [inaudible]?

Markus Rauramo

We don't have plans to do that. No.

Adrien Fourcade - (Deutsche Bank)

Okay, thank you.

[Unidentified Female]

Yes, good morning. Thank you for taking my questions. A couple for me as well. First of all, coming back to the approval from the Russian authorities, could that be subject to you or Uniper selling assets in Russia? What would be your view on that? Would you be willing to accept to sell assets in Russia in order to be able to increase your stake to Juniper to 70%? The second thing is, when you were doing your consolidation of coal in the mix, obviously, that excludes Datteln and [inaudible] - two big coal plants that are going to come online next year. Are your - is your position that these two plants

should come online? Especially speaking on Datteln which is a point of discussion right now between Uniper and the German authorities?

One small numbers question. Might be a bit early. But just on your fair value adjustment that you have disclosed on the Uniper 50% stake, you had said - it says, 30 million [write up] for 20 years. That's what he had said. I think it shows [inaudible] results. Just wondering whether you have any update on how that will be impacted from this transaction? From my numbers, does it come down to sort of like 10 million? But any guidance you have on that would be helpful.

Pekka Lundmark

Thank you [Sofia]. First on Russia, we do not want to pre-empt what the content of the decision of the Russian authorities will be. But what I can say though is, that that's - we have said before also - we believe that the reason, originally, for this 50% limitation was of a fairly technical nature, totally irrelevant in terms of size and significant compared to the overall size of the business. We have always believed that there are fairly straightforward solutions to that question, much more straightforward than any major asset disposals or anything like that. Having said all this, we cannot pre-empt the content of the authority decision. Then when it comes to [inaudible] and Datteln 4, these are operational questions that must be handled by Uniper management.

On a general level though, I have to say that I have a lot of sympathy for Uniper's management's argumentation regarding Datteln 4, that when it now seems to be the case that Germany is setting down a coal phase-down schedule where they create a plan, for each year, as to how much coal capacity would be online. Isn't it in everybody's interest that, at any given time, when the total capacity is set, then that - within that capacity, we would let the most environmentally friendly and efficient plants run and shutdown the older and much more polluting plants? This is on - a comment on a general level, but then what this means in practice for the various plants, that is something that Uniper management will have to comment.

Then if Markus takes this last question.

Markus Rauramo

With regards to the accounting treatment, until - up until closing, we'll continue to consolidate our investment as an associated Company. Then after closing, as a subsidiary. Thereafter, we'll have 12 months to do the purchase price allocation for the next step. We will come back to this issue at closing and then comment more on if there are any changes to the previous treatment of the PPA from this first step. But we'll come back at that point.

[Unidentified Female 1]

Okay, thank you [inaudible].

Vincent Ayrat - (J.P. Morgan)

Hi, thank you for taking another question here. It's - just to get the rationale for the two years of no domination or squeeze-out, are there legal implications if you were to do the domination agreement? Could Elliott or [Fran] - Vinke basically come back after

you ask [for a price]? Can you explain that a bit - the legal situation there and then the rationale for you that you agreed to take a two-year break on this specific issue?

Pekka Lundmark

When it comes to the rationale, I think I already explained in a fairly detailed manner for that. For us, the rationale is really now to create a window that is at least two years, within which time we will be able to then create a joint vision, set the general operational plan with Uniper and with the in-play representatives. Then when it comes to any additional legal aspects, well, there's nothing more that we can comment. We have published all the information about this that we are going to publish.

Kati Pohjanpalo - (Bloomberg News)

Hi, this is Kati Pohjanpalo from Bloomberg News. I'm a reporter. I just had a brief question. Could you explain how you came to agree to buy about 20% stake from Elliott and Knight Vinke? Because according to public filings they, with their units, recently held more than 30% of shares in Uniper. Thank you.

Pekka Lundmark

Kati, that - well, the 30% number I do not recognise. What you may refer to is the fact that Elliott had disclosed that they would hold shares and instruments at 17.84% and Knight Vinke's holding announcement is 5.6%. We are buying everything that Knight Vinke has. We are buying at least 15% from Elliott. Then why is there then the statement that we buy at least 15%? That has to do with the fact that some of these are not in shares, they are in various types of instruments that Elliott is holding and it will not be 100% clear before closing of the transaction, that - how much of those, actually, they will be able to deliver. This explains this - that - why we are saying that are buying at least 20.5%. But the 30% that you mentioned, that number I do not recognise.

Kati Pohjanpalo - (Bloomberg News)

If I may follow up, it was the Cornwall GmbH that held about 7.8% as of - I think, 31 May is the latest filing that I can see. Cornwall is controlled by Elliott. I'm sort of wondering whether you would like to buy more from Elliott? Or how you came to agree to buy the specific amount that you're buying?

Pekka Lundmark

Our understanding is that we are buying everything that is controlled by Elliott. Actually, as part of this agreement, Elliott - both Elliott and Knight Vinke have confirmed to us that after closing, they will not hold any shares or instruments in Uniper.

Kati Pohjanpalo - (Bloomberg News)

Thanks so much.

Ingela Ulfves

Thank you so much. Thank you everyone for your active participation here today and on behalf of Fortum, we wish you all a very nice rest of the day. Thank you.

Pekka Lundmark

Thank you.

Markus Rauramo

Thank you.

[End]