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Fortum Corporation January-March Interim Report

Investor/media webcast teleconference 11 May 2023

Hosts:

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Ingela Ulfves: Good morning, everyone. A warm welcome to Fortum's joint webcast and news conference for the investor community and media on our first quarter 2023 results. My name is Ingela Ulfves and I'm head of Investor Relations at Fortum. This event is being recorded and a replay will be provided on our website later today. With me here in the studio are our CEO, Markus Rauramo. For the first time in this role, our new CFO, Tiina Tuomela, who has returned to Fortum after two years at Uniper. Markus and Tiina will present Fortum's first quarter 23 figures and the group's performance.

Before moving into the results, Markus will comment on the Russian situation and walk you through the impacts from the seizure of our Russian subsidiary. After the presentations, we will then open up for questions. We have reserved 1.5 hours for the entire webcast event, including the Q&A, and want to reserve some time in the end for the Finnish media to be able to ask their questions in Finnish. When we're ready with the Q&A here for the international audience, we will then switch to Finnish with the Finnish media. I now hand over to Markus to start.

Markus Rauramo: Thank you very much, Ingela. A warm welcome to our investor call also from my side. As I said, I will start with Russia and provide you some insights on that. I will then talk a bit about our new strategy and how we are proceeding with the execution. Then I will present the underlying first quarter earnings and performance of our continuing operations excluding Russia. Tiina will walk you through the numbers in more details and also elaborate on the impact of the Russian impairments and deconsolidation.

First, I'll shortly comment my remote work. As we already communicated after our AGM, I had some pre-planned medical operation that was already in the plans and had to be done. That operation went really well. I had no sick leave and was more intensive than I probably thought, working remotely.

The only visible impact and only impact that I had was the obvious loss of hair, which you can see here. Now I'm back in the office. It feels really good to be again with our team, with the whole Fortum team, all of our employees, and with full speed and full energy implementing our great strategy that we announced earlier this year. Now let me start the presentation by commenting on the Russian situation. April 25th marked another point of escalation in the war that Russia is waging in Ukraine and against Europe through energy. The new presidential decree provides a guise under which the Russian authorities have caused the change of our subsidiary PAO Fortum CEO and seized control of our assets in Russia. I very purposefully say, guys, because there is absolutely no legitimate reason for Russia's actions. Our power plants in Russia are the most modern and efficient in the market.

They have been maintained to high industry standards and operated normally producing heat and electricity to their customers. We have also consistently sought an exit from Russia. Based on extensive interest by multiple buyer candidates, we have applied for permission to sell the operations to both Russian and international buyers. However, we have not received the approval. You see that the argument that the presidential decree was necessary to protect energy security in Russia simply does not hold. We consider Russia's actions to be a crude violation of international law and a violation of Fortum's rights as a foreign investor and we are preparing to defend our rights. This being said, Russia's actions mark a point of no return for us. We have no control over the assets or their operation anymore. The de facto loss of control of PAO Fortum triggers a full deconsolidation of our Russian assets.

All of our Russian assets, including our shareholding in TGC-1 and our shares in the joint ventures will be classified as discontinued operations in the second quarter of this year in line with the timing of the triggering event. All of our Russian assets will be also fully written down in Q2. Thus, there are two financial effects to be recorded in Q2. First, we record impairments of the full book value of €1.7 billion. Secondly, we have rouble related negative translation effects of €1.9 billion from exchange rate changes over the years. Then I will walk you through the impact on our financials in more detail shortly. However, I want to comment on the equity and debt already now. When it comes to group equity, the impairments do have an impact while the translation effects do not. In our financials, you can see that the group equity at the end of first quarter was at €9.8 billion and the parent company equity stood at 12.2 billion at the end of December. We can conclude that both will remain sufficient also after the impairments.

Further, the impairments and the discontinuation have no impact on Fortum's financial net debt, excluding Russia. As we already earlier have presented the net debt, the internal financing, i.e. the shareholder loan, has no impact on our leverage and financial position. To conclude, our overall financial position remains strong with financial net debt excluding Russia at €900 million and the ratio for financial net debt to comparable EBITDA, excluding Russia at 0.4 times at the end of Q1. Our total investments in Russia amount to approximately €6 billion. Over the years, some €4 billion have been invested in the Russian operations. However, this has to a large part, been financed through cash flow generated in Russia. Since 2008 the Russian segment has generated more than €4 billion of EBITDA. Consequently, the net cash loss comprising the investment to acquire the Russian operations received dividends and net financing totals €2 billion. Our chapter in the East has now ended.

Russia is not part of our future, nor does our exit in any way jeopardize the successful execution of our new strategy. In the second quarter, we will close our books on the operations in Russia permanently. Then, a few words to recap our new strategy that we announced in March. Renewed Fortum is built on strong earnings power, clean power generation at scale and very low specific emissions. Our first priority is to deliver reliable clean energy. We create value with our best in class operations. We have a strong track record of optimizing our portfolio successfully, both in low and high price scenarios. These are our core competencies. We also have the expertise and the ability to further develop our portfolio and to ensure sustainable earnings. Our second priority is to drive the decarbonisation of industries. We will extract value from growth opportunities in the energy transition.

This will not only require our expertise but also investment discipline. We continue to have a solid financial position that we will preserve and therefore have to be prudent in our capital allocation and be selective with growth projects. Thus, we want to grow but be selective. We will build a project pipeline for the future and will execute on our ongoing investment projects. This enables us to manage in the current prevailing uncertainty as it is difficult to predict how the market will develop in the next couple of years. Our third priority is to transform and develop. To secure the successful execution of our strategy, we as Fortum, will develop the way we work and improve our efficiency according to our new operating model. We have to carefully manage the current volatile and uncertain operating environment, have to manage and reduce our risks while simultaneously take advantage of prevailing good power market conditions. What are the concrete actions that we have taken so far?

First, in the first quarter, we were granted a new operating license for our lobby as a nuclear power plant until the end of 2050. The lobby's lifetime extension until 2050 offers up to 170 terawatt hours of additional CO2 free power, with CAPEX of approximately €1 billion over some 25 years. This is a concrete example of ensuring productivity in the long run alongside our ongoing rebuild of the dam at Forshuvud hydropower plant in Sweden, as well as the wind projects that we are now constructing in Finland. I'm also very pleased that the TVO's long awaited third Olkiluoto nuclear power plant unit in Finland started regular power generation in April and commercial operation in May, which strongly supports the Nordic security of supply. Second, in the first quarter, we announced partnerships with Finnish steel company Outokumpu and UK based Rolls-Royce SMR related to our two year nuclear feasibility study covering both small modular reactors SMRs and conventional nuclear.

These collaborations are additions to the earlier announced collaboration with Helen in Finland, EDF in France and Kärnfull Next Ab in Sweden. We also launched a pre-feasibility study with Metsa Group to examine the technological and business potential of further processing of wood derived carbon dioxide. Finally, a few words on the ongoing internal changes. Now that we have our new leadership team in place, we are adapting the rest of the organization to the new business structure. This enables us to take a more customer-centric approach. We will create value by increasing our efficiency. Improving our efficiency and risk management starts with the way we work, how we recalibrate our cost base and how we improve our cost-competitiveness. Although Nordic power system is largely based on clean power, it is still affected by the volatility of commodity prices, mainly driven by the continental gas-fired generation. As you recall, during spring and summer last year, we saw gas prices climb to unprecedented levels as Europe pushed to refill gas storages in preparation for winter under extreme uncertainty over supplies.

In the fall, prices started to ease with higher filling levels in Europe, higher LNG supplies and curb demand as a result of already high prices, fuel switching and savings measures. Through Q4 2022 and Q1 23, lower gas prices and consequently lower power prices were supported by the mild winter. At the end of Q1 this year, gas storage levels were approximately 55% full. With gas storages consistently at good levels, the market is now much calmer about Europe's security of supply going forward. This is reflected in lower gas forward prices. The Nordic system price both spot and futures declined steeply in lockstep with the continental European and UK power prices. Products for the rest of the year 23 are currently trading at around €60 per megawatt hour and for 2024 around €70 per megawatt hour. Although we are talking about much lower levels than in the autumn, forward prices are elevated compared to the historical price range.

Then I'll move over to the first quarter financial KPIs. What you see here are the comparable headline KPIs for Fortum Group's first quarter continuing operations. These exclude Uniper for the year 2022. We also present all relevant KPIs, excluding Russia in the same way as we did in March with our full year result. The year 2022 figures are fully comparative. This morning we published restated figures to reflect the discontinuation of our Russia segment as of the second quarter 2023. The first quarter of this year was again another volatile quarter characterized by extraordinary market fundamentals. Overall, our group performance across the headline KPIs was very strong. Starting from the comparable operating profit for continuing operations, it more than doubled to €784 million and was €698 million, excluding Russia. Comparable EPS for continuing operations was $0.58 per share, and when excluding Russia, it was $0.54 per share, almost double compared to Q1 22 restated figures. Cash flow also improved significantly and amounted to €583 million, this is including Russia.

Finally, the balance sheet and most importantly, our leverage. Defined as financial net debt to comparable EBITDA, it was at 0.3 times for the group's continuing operations and at 0.4 times excluding the Russian operations. The main reason for the improvement is the strong result and good cash flow. The low leverage provides a good starting point to continue to develop Fortum. Going forward, we will calibrate the balance between dividend, growth CAPEX and balance sheet strength, which has the highest priority for us. To sum it up, I'm satisfied with the strong group performance in a volatile commodity market. With this, I conclude my part in this first section and hand over to you, TIina.

Tiina Tuomela: Thank you, Markus. Good morning, everyone. Also on my behalf, it feels good to be back at Fortum again, and I'm happy to have been given the opportunity to take on the role as CFO. I'm looking forward to meet all of you in a due course. I will now go through our financials in more detail and we'll start with the development during the first quarter. At the end of my presentation, I will also provide some more details on the financial effects of the Russian deconsolidation, including impairments in the second quarter. With this, let's move to our key financials for our continuing operations. As you have noted, we have today published restated quarterly figures for 2022 and the first quarter on 2023. Starting from the second quarter, Russia will be deconsolidated, classified as discontinued operations and reported as a one liner.

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What you can see here is the key financial overview, summarizing key comparable indicators of the consolidated Fortum's group continuing operation. This reporting is in line with the full year reporting as we still in the first quarter consolidated Russia and therefore provide the figures here excluding Russia. These are not to be mixed with today's restatement of our Russian segment. Going forward, you should focus on the restated figures published today. Let me now comment on some of the comparable KPIs excluding the impact from the Russian operation. Comparable operating profit, excluding Russia, more than doubled from €326 million and was €698 million for the first quarter. This is almost entirely driven by the generation segment and the high hedge and market prices. Items affecting comparability. We totaled €71 million, of which €62 million was changes in fair values of non-hedge accounted derivatives.

This also shows that the effect of the market volatility has declined. Comparable net profit, excluding Russia, improved from €228 million to €483 million. EPS, excluding Russia for the first quarter, consequently increased and was €0.54 per share. The increase is not as pronounced as the increase in the comparable operating profit as we had higher financing costs. EPS for the last 12 months has increased to €1.49. Then cash flow. In the first quarter 2023, net cash from operating activities including Russia increased by €218 million to €583 million, mainly due to the improved comparable EBITDA. The increase was dampened by the small negative change in working capital and higher paid income taxes compared to the same period in 2022. It is also good to note that there is no impact of the dividend in Q1 at the first installment of €0.46 was paid only in April, i.e. impacting the second quarter.

The second installment of €0.45 will be paid in October in the fourth quarter. The dividend of €0.91 was based on the 2022 EPS of €1.21 for continuing operations excluding Russia. As the final remark of our key financial, we note that our leverage is very low with the financing net debt to comparable EBITDA ratio of 0.4 times excluding Russia. Now over to the segment overview. This clearly shows that the strong result improvement is entirely subject to our generation segment, which reported a comparable operating profit of €723 million. The significantly higher achieved power price supported by high hedged price in Q1 strengthened the result. The Q1 2023 system product market prices have been above €100 per megawatt hour since the beginning of second quarter last year and peaked approximately €550 per megawatt hour at the end of August 2022.

The slightly lower volumes were caused by lower inflows that led the hydro reservoir levels slightly below average during the quarter. Currently, hydro volumes are somewhat below the average. The operational performance and production volumes for nuclear generation were solid and at a good level. The achieved power price in the generation segment increased by €41.1 per megawatt hour, or 93% to €85.2 per megawatt hour, driven mainly by higher hedge prices. Our hedge price in Q1 2023 was more than our area prices blended spot pric. Physical optimization enabled by the power price volatility continued to be good and contributed the good result. This is a strong performance. Consumer solution result fell by €29 million, close to a zero result, mainly due to the losses resulting from customer outflow from certain hedge contract portfolios in a very volatile and high price market conditions.

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This means that we had some contracts from which customers were able to switch out of and resulted in related overhead position that created losses. Consumer solution comparable operating profit was also negatively impacted by the Polish price cut implemented for end users in 2023 as regulated by the Polish government. Finally, one word about the other operating segment. Comparable operating profit decreased by €50 million and totaled -€31 million, mainly due to the structural changes in the circular solution business in the comparison period and unexpected outage at the Danish facility in Nyborg. Now we move to the balance sheet. I will first go through our balance sheet at the end of Q1 2023, which also includes the Russian assets. Starting from the top, our crop equity strengthened due to the positive hedging effects and was €9.8 billion. Our gross debt came down as we repaid some debt.

At the end of Q1, net margin receivable amounted to €1.1 billion, which already is much closer to the historical levels compared to the levels we saw last year. We also continue to have sufficient liquid funds, €3.7 billion. We can summarize that we have a relatively clear balance sheet. I will come back to the balance sheet on my last slide to present the effects of the Russian impairments and deconsolidation as published today. However, first, a few comments on our net debt and debt portfolio. The credit rating still continues to be a key objective for us. We are satisfied that both rating agencies change our outlook from, to stable with triple B rating. Let's go through the reconciliation of our financial net debt during the quarter, which has further improved and strengthened and shows that our leverage situation is very good.

When looking at our financial net debt in the opening balance sheet at the beginning of the year, we had financial net debt of €1.1 billion. Operating cash flow was very strong of €583 million and supported our efforts to further bring down our gross debt. The positive effect on the strong cash flow was likely offset by investment of €144 million and slightly higher receivables of €71 million from the Nuclear Phased Fund in Sweden. Finally, the FX effect of €81 million is mainly related both Ruble and Swedish Krona. At the end of March, our financial net debt has further declined and was at €0.8 billion, including Russia and at €0.9 million excluding Russia. Looking at our debt portfolio and the maturity profile, I want to highlight a few things. First, we repaid a €1 billion bond in February and also repaid and canceled the Solidium bridge financing loan of €2.35 billion in mid-March.

Second, we continue to have quite some financial flexibility on our debt maturities as we have the option to extend €1 billion of our loans with one year into 2024. Therefore, although at the first glance our contractual maturity profiles looks very much front-loaded, the financial position is rather good. Our liquidity position continues to be strong and we have sufficient liquidity reserves totaling €3.4 billion, excluding Russia. Finally, a few words of our financing costs. As the interest rates have gone up, the interest rate for our debt portfolio is consequently also up somewhat. Going forward, the cost of our €5.9 billion loan portfolio is 3.9%. It is good to remember that we also are getting some interest income for our liquid funds. With this, over to the outlook section. The outlook section comprises in essence for elements guidance of hedging CAPEX for 2023, updated tax rates and Russia impact.

Over the years Fortum successful hedging of the outright generation has created predictability and visibility. The hedge prices for generation segment for this year came down from €58 per megawatt hour to €50 per megawatt hour, and the hedge ratio was 70% at the end of March. The reason for the decreasing hedge price is that we had a very high hedge price in Q1 2023. The hedge price for 2024 increased by €1 per megawatt hour to €43, and the respective hedge ratio remained at 45% at the end of March. Our CAPEX guidance for 2023 for continuing operation is unchanged. We expect to spend a total €700 million and this includes maintenance CAPEX, but excludes potential acquisitions. Maintenance CAPEX will be approximately €300 million which continues to be below our depreciation level. Due to the upcoming deconsolidation effects of the Russian impairments.

We are slightly lowering our tax guidance for this year. Taking into consideration also the temporary windfall tax, the group's comparable effective income tax rate, excluding items affecting comparability, is estimated to be in the range of 20 to 23% for this year. Excluding the windfall tax, the comparable income tax, excluding items affecting comparability is estimated to be in the range of 19 to 21%. For 2024, the comparable effective income tax rate, excluding items affecting comparability, is estimated to be in the range of 19 to 21%. Just as a reminder, the Finnish windfall tax applies to the fiscal year 2023. The actual outcome of it naturally depends on the power price and result development. Finally, on the deconsolidation of Russia, the Russian operation will be reported as discontinued operation in the second quarter, 2023. In the second quarter we will also record impairments of €1.7 billion and translation differences of €1.9 billion.

Let's take a more detailed look at the effects of these on the next slide. Here we try to illustrate the effects of the Russian exit by bridging between the balance sheet as of the end of March and the balance sheet after the deconsolidation and impairments. In addition to overall asset value, the other relevant components affected are liquid funds, equity and interest bearing debt. Liquid funds and interest bearing debt will increase as they are deducted from group financials. After the deconsolidation, the group financial net debt will increase from 0.8 at the end of March to €0.9 billion based on the illustrative balance sheet where Russia is deconsolidated. The intra group loan to Russia does not have any impact on financial net debt. Financial net debt to comparable EBITDA would be at 0.4 times.

The impairment of assets of €1.7 billion will have a negative effect on group equity. However, the FX translation difference, a negative effect approximately €1.9 billion will only move within equity from translation effect to retained earnings through the income statement, but does not have total equity at all. This means that the group's total equity decreases from €9.8 billion to approximately €8 billion in the illustrative balance sheet. At the end of last year, the parent company equity was at €12.2 billion. These recordings do not have any effect on cash flow. To conclude, after this bookings, group equity and parent company equity continue to be at healthy levels and Fortum's financial position remained solid. Distributable funds are sufficient for future dividend payments. At the end of last year, distributable funds amounted to €6.3 billion. Considering the dividends of €0.91 paid for 2022, it was already based on the EPS excluding Russia. With this, I conclude my presentation. And now over to you, Ingela.

Ingela Ulfves: Thank you, Tiina and thank you, Markus. We are now ready to take your questions and please state your name and your company before you ask the question. We also ask you to limit yourself to two questions each. Let's begin the Q&A session. Moderator please start.

Moderator: If you wish to ask a question, please dial star five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial star five again on your telephone keypad. The next question comes from Harry Wyburd from Exane. Please go ahead.

Harry Wyburd: Hi, good morning, everyone. Thanks for taking my questions. I'll stick to the two. Firstly on Russia, can I just understand a little bit more about what the Russian government action means? Can you still sell the assets even if you don't control them at the moment? Is there any long term legal redress if the government management team basically damages the assets in some way that's prejudicial to Fortum. That's the first one. The second one, I just wanted to ask on the hedging for 2024 and I think forward prices are about 70 as of now for 2024 for Nord Pool. Is there any reason why the hedging progress was quite limited in this quarter with a limited change in the achieved price? Just interested why that hasn't moved up. Many thanks.

Markus Rauramo: Thank you for the questions. I can start with Russia and then Tiina can take the hedging question. First of all, we strongly object what the Russian government has done with the takeover. We don't see any grounds for what they have done. We have a well-maintained asset that has been producing energy. The argument that this secures Russian energy security we do not think is valid at all. Can we sell? We are the title holder, so in theory we can sell. However the management has been taken over by the Russian government, that will complicate things there. The bottom line is that we will now pursue our legal rights both in Russia and internationally, for example, under the International Investment Protection Treaty and others. We will pursue our legal rights through these processes. Then for the hedging, Tiina.

Tiina Tuomela: Thank you. The hedging for 2024. The hedge percent is 45 and the hedge price €43 per megawatt hour. If we look at the development from the end of the year, so the hedge present is roughly the same, but the price has increased. Typically what we do in the hedging, we start to hedge roughly three to two years beforehand. Of course the current hedge price in a way is the accumulation of the hedges done earlier. We can see also this in a way, higher price reflected to the current situation. However I would say that this is a quite typical level of what we have at this time of the year. Of course, there's time to end of 2023 when it goes to the delivery so of course it will depend on the prices at the end this year.

Harry Wyburd: Okay. Thank you.

Moderator: The next question comes from Iris Theman from Carnegie. Please go ahead.

Iiris Theman: Hi, this is Iiris Theman from Carnegie. Firstly, can you share what kind of discussions you have had with credit rating agencies? Are they going to update your credit rating profile in the short term now that you will deconsolidate Russia?

Markus Rauramo: Okay. Do you want to go ahead, if you had more questions we can take them in one go?

Iiris Theman: Yes, I can go ahead with my second question. On optimization premium, can you comment your Q1 level compared to Q4? Given that power prices volatility has increased, is it fair to assume that your optimization premium will be higher in the coming years than Q2, €3 in the past? Thanks.

Markus Rauramo: On a general level, we have continuous dialogue with the rating agencies. When we have bigger news like Russia impairment we communicate with the rating agencies. We understand that from a credit point of view, the initial comments from the markets are that Russian deconsolidation is a mild positive. We'll see whether this has an impact on the ratings in the long run. However from a country risk point of view, this reduces our overall country risk exposure. Now we are very focused on the Nordics, which enjoy very high ratings across the board. Then on the optimization premium, do you want to comment on that part?

Tiina Tuomela: Yes, very good. The market volatility gives us an opportunity to optimize our production against the market. As the volatility has been higher, maybe even too high in the last year. That has enabled us to get good in a way margins. I think in the future I think that there is coming more in the market, wind in the market and the volatility will prevail and therefore it is good for the optimization. What is the exact level? This is not what we have disclosed, but let's say that possibilities for good earnings are still there.

Iiris Theman: Okay, thank you.

Markus Rauramo: If I add to that it is exactly this that the electricity demand is expected to grow massively and in the short and medium term it is really the intermittent renewables that will then be the biggest addition to the market. Logically there would be more volatility than, what is the range of the volatility depends on the absolute price levels. However our production portfolio is really well suited to support the energy system and of course for us then to be able to optimize our portfolio, which is very flexible against that volatility. We are in a very good position to both get financial returns and support the whole energy system in the future.

Moderator: The next question comes from Pujarini Ghosh from Bernstein. Please go ahead.

Pujarini Ghosh: Hi. Thank you for taking our questions. One question on the OLK plant, which was recently ramped up. In the first few weeks or months of operations, how is the plant progressing? What observations do you have? What do you think this plant means for the future of the Nord pool system in terms of the Epads and the demand supply situation? My second question is on your PPAs. You said in the past that you're seeing interest for PPAs, both for your existing as well as new assets. Can you tell us a little bit about your hydro portfolio? Are you getting interest for

PPAs from your existing hydro assets as well? Any color on that would be very helpful. Thank you.

Markus Rauramo: I can start with the PPA and comment generally and then Tiina of course, is in a great position to give deeper insight on that. For the PPAs, yes, definitely there is now interest as the liquidity in Nasdaq has dried up and then both electricity producers and consumers want to hedge long term five, ten, even more years because of the big investments that have to be done for decarbonization and electrification of the processes. Over the years, how the PPA thinking has seemed to develop is that if you go a few years back, companies were seeking for additional renewable powers, additional wind and solar. Then of course at some point you realize that it is intermittent as it is and you can't get steady 24/7 from renewables unless you then massively over buy and thus get a profile. Still then you'd have to buy a huge portfolio. Ultimately where we stand today is that the customer demands are more like 24/7 CO_2 free. It's not specific that it necessarily has to be wind or solar or hydro or nuclear, as long as it's CO_2 free and reliable and affordable.

Markus Rauramo: This is where we stand today. Under the PPA that we are discussing, then it seems that customers are interested in a combination of renewable and wind and hydro. This is the way we think it is going forward because the electrification and decarbonization needs are so massive. Then I'll comment on Olkiluoto three and its impact on the Epads and the market. I assume that we see the impact already. If you go back just a year and then several years before that, there was difference between Finnish and Swedish area prices. Now these have converged, so the Helsinki iPad has come down significantly compared to where it was before Olkiluoto three started. My assumption is that the markets have taken Olkiluoto three production into account already. Then on the ramp up of the plant and all the test sequences then Tiina is in a good position to comment, although of course it's not our fully own plant.

Tiina Tuomela: Exactly. Olkiluoto three finally is in commercial operation from 1st of May. The production plants could be seen in TVO sites, but basically nuclear usually runs the baseload stabilize in a way. The market outages coming as planned and also inform the market. I concur with what Markus says though that the market most probably have already reflected that in the prices. The one thing maybe to add on is the interconnection. If the interconnections in a way are strengthened then of course the differences between the different area prices would stabilize in the future as well. Overall, very good message, and that also allows the renewables come to the market when we have the good baseload on the market.

Pujarini Ghosh: Thank you.

Moderator: The next question comes from Wanda Serwinowska from Credit Suisse. Please go ahead.

Wanda Serwinowska: Hi. Good morning. Wanda Serwinowska, Credit Suisse. Two questions from me. The first one is Tiina to you on the hedging on 2024, you said it's in line with the usual levels, but when I check the hedging two years in advance, basically over the last five years, you had around 55% hedging. You are ten percentage points below the five year average. My question is, why are you still at 45? Is it the liquidity or you believe that 70 megawatt hour is not attractive enough? And the second question is on the consumer solutions . I know that you guys don't provide any financial guidance unfortunately, but anything on the development of Consumer Solutions this year because Q1 was clearly weak, it was a single digit euro million amount EBIT performance. Anything for this year or should we expect a reversal of the losses that you incurred in Poland? Thank you very much.

Markus Rauramo: Hi, Wanda. Thank you very much for the question. If I start with the development of consumer solutions and comment shortly, the hedging Tiina can add on that. This first quarter was extraordinary in the sense that it was partly Poland, but bigger part was actually that our customers on the retail and SMEs side had possibilities to change their contracts and unfortunately we were not completely able and we are not completely able to match with the hedging such abrupt moves that were caused by this volatility and high prices in the markets. I would regard this as an extraordinary quarter and 2022, in my view, is more reflective of what is the Consumer Solution's normal performance, so then there can be volatility between years.

Markus Rauramo: However, that represents a more normal year. Then before that, a year and a half ago, we had the difficult December with high prices and consumers not being so alert to their consumption. We had the peaks, especially in Finland on Independence Day and Christmas, which also caused us then problems with the hedging. These are regarded as situational and extraordinary. On the hedging, it is indeed that we have some flexibility in our hedging ratios and that is then reflective of the organization's views on the market and liquidity. No changes in our hedging policy or approach or principles as such. I don't know, Tiina, if there's anything you want to--

Markus Rauramo: Exactly, definitely if you look at the number it is lower than at the same time previous year. On the other hand, the price is now much higher and it's good to remember that last year's hedging ratio was developed also during the COVID years and the uncertainty that we had in the market. I think it is the combination of our views and the liquidity and the overall market situation. I would say that this is around the normal band, the hedging ratio, what we what we currently have.

Wanda Serwinowska: Thank you very much. Markus, if I can just follow up. On the consumer solutions , is it fair to assume that Q1 was a one off or should we expect the full year to be weaker to some extent?

Markus Rauramo: Yes, let's say that the coming quarters, unless there's something similar happening which I don't foresee at the moment, then I would more look at last year in the remaining quarters that we would catch up what we lost in Q1 that I don't see happening. However we are obviously not guiding the result. Last year was more representative of what consumer solution in normal conditions would do.

Wanda Serwinowska: Thank you very much.

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Moderator: As a reminder, if you wish to ask a question, please dial star five on your telephone keypad. There are no more questions at this time. I hand the conference back to the speakers for any closing comments.

Ingela Ulfves: Thank you, moderator, and thank you for your questions. It seems that the quarter was rather straightforward as there were not too many questions on the result as such. It also seems that despite this Russian situation, that also seems to be pretty clear. If there's any further questions, then the IR team is more than happy to help on answering those. This means now that for those of you now participating here in English, we thank you and then we still have some opportunities to take questions in Finnish. For the international audience, thank you so much and have a nice rest of the day.