

FORTUM
Capital
Markets
Day/10

2010/09/16

TAPIO
Kuula

FORTUM going
forward

2010/09/16

Global megatrends drive the industry trends relevant to Fortum's strategy

Globalization

Population growth

New economic powers

Increasing environmental problems

Resource scarcity and energy shortage

Growing relative role of electricity

Shifts in regulation

New consumer aspirations

Technology advances

Relevant
to Fortum

Power and heat demand and supply

Degree of market liberalization and integration

Climate change response

Energy system structure

Business models and competition

Core industry beliefs and the strategic implications

New capacity globally needed for increasing demand and retiring capacity replacements, but main demand growth moving to emerging markets

Globally, power market liberalization will advance driven by increasing need for private capital

Climate issue will continue to drive policy making, but no global solution or price for CO2

RES, competition and security of supply interests will drive the EU power market integration forward

Gradual move from a “Carnot world” towards a “solar economy” to meet the global needs for efficiency and reduced emissions

In power and heat value chain, earnings and growth prospects are most attractive in upstream

Implications to Fortum strategy

- Less potential for greenfield generation investments in the Nordic core area
- Growth based on power and heat generation rather than distribution and sales
- Geographic diversification
- Value creation from fleet flexibility and competitive energy markets competence
- Competitiveness of nuclear, hydro and CHP
- Potential to leverage industrial competences and R&D for new growth

Fortum's proven competences to provide a strong basis for value creating growth

Fortum's competences

Price insight – excellence in competitive energy markets

- » Consistent good track record on achieved power price vs. Nord Pool price

M&A integration and transformation

Benchmark in power generation and CHP

- » Plant availability and output
- » O&M
- » Fuel flexibility

Value creation impact for investment



- Largest driver for value
- Solid market insight required
- Trading and hedging skills needed to capture value



- Opportunity to differentiate in a repeatable manner
- Few geographic restrictions



- Competence a must
- Few geographic restrictions
- Value upside in markets where no world-class players

Fortum will pursue a strategy which is based on our core industry beliefs and builds on our industrial competences

Fortum has two strong platforms creating the basis for long term sustainable growth

- Core Nordic power wholesale and heat market
- Russian power and heat market

Competitiveness is the key for robust value creation

- Sustainable business model cannot rely on a continuous high level of subsidies

In the integrating European energy market, Fortum will gradually move from a "Nordic power price risk" to "power price risk"

- Building on competences in nuclear, hydro and CHP
- Leveraging competences in power market operations in restructuring opportunities

Power and heat generation more attractive for growth than distribution and retail customer sales

Strong focus on delivering value and stable returns to shareholders

Leverage the strong Nordic core

Drivers for strategy

- The biggest value driver today
- Good position in distribution and sales
- Market with less room for green field investments
- Emerging opportunities in the integrating European market
- Value creation potential from fleet flexibility & trading and hedging competence



Short term actions focus on

- Existing new production capacity investment programme
- Value creation in the electricity retail and distribution businesses
- Nordic and EU-wide market integration and harmonization
- Opportunities from Baltic Sea area market integration

Longer term actions focus on

- Competitive position in the Nordic market
- Selective growth for broader geographic presence in the integrating European power market



Retail customer focus will be in the Nordics

Drivers for strategy

- Part of Nordic core with stable regulated infrastructure
- Interface to retail customers and smart technology development
- Regulation sets limits to distribution profitability
- Sales is service margin business with tough competition
- Consolidation and development towards smart grid and bundling of electricity and services will continue



Short and longer term actions focus on

- Increasing value and organic growth
- Nordic growth areas
- Technical and solutions development through innovations and partnerships



Create solid earnings growth in Russia

Drivers for strategy

- Growth market
- Opportunities for further industry restructuring
- Fortum well positioned today



Short term actions focus on

- Profitability and growth
- Efficiency programme
- OAO Fortum investment programme
- TGC-1

Longer term actions focus on

- Additional restructuring opportunities in power and heat production
- Integrating Russian and EU power markets
- Larger relative role of Russia

Build platform for future growth

Drivers for strategy

- Increasing need for sustainable CO₂ free and energy efficient solutions
- Emerging opportunities in high growth markets with improving outlook for liberalization
- Potential to utilize Fortum's competences



Short and long term actions focus on

- Bio-based renewables in the current market area, utilizing our CHP competence
- Biomass-related technical innovations together with strategic partners
- Sustainable energy solutions in the emerging Asian markets



Key strategic actions

Focus on performance

- Organizational efficiency
- Nuclear availability
- Value creation from Russian investments

Prepare for growth

- Prioritized value enhancing acquisitions while maintaining strong balance sheet
- Investigating high growth Asian markets

Create strategic partnerships for new innovative solutions, market entries and R&D

- Partnerships in nuclear and bio energy
- Electricity Sales and Distribution: services, solutions and partnerships

Continuous development of competences and behaviours

Fortum's mission and strategy

Mission

Fortum's purpose is to create energy that improves life for present and future generations. We provide sustainable solutions that fulfill the needs for low emissions, resource efficiency and energy supply security, and deliver excellent value to our shareholders.

Strategy

Leverage the strong
Nordic core

Create solid earnings
growth in Russia

Build platform for
future growth

Competence in CO₂ free nuclear, hydro and energy efficient CHP production,
and operating in competitive energy markets

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