

17 JUN 2025

Fitch Upgrades Fortum to 'BBB+'; Outlook Stable

Fitch Ratings - Barcelona - 17 Jun 2025: Fitch Ratings has upgraded Fortum Oyj's Long Term Issuer Default Rating (IDR) and senior unsecured rating to 'BBB+' from 'BBB'. The Outlook on the IDR is Stable. We also upgraded Fortum's Short-Term IDR to 'F2' from 'F3'. A full list of rating actions is below.

The upgrade is driven by the sustained de-leveraging achieved since 2023 coupled with our expectation that Fortum's funds from operations (FFO) net leverage will remain low at an average of 1.8x over 2025-2028 despite the low power price environment in the Nordics, benefiting from the CO2-free and flexible generation assets. This is below the negative rating sensitivity of 2.3x at the 'BBB+' level, which we assess as consistent with the current business profile.

The Stable Outlook reflects our view that the company will balance dividend distributions and investments to adhere to its publicly stated financial policy, and keep leverage adequately below the maximum threshold for reported EBITDA net leverage of 2.0x-2.5x.

Key Rating Drivers

Leverage Within 'BBB+' Guidelines: Fitch expects Fortum to maintain prudent financial discipline, with FFO net leverage at 1.5x over 2025-2026, comfortably below the negative threshold of 2.3x for the 'BBB+' IDR, although we expect the ample headroom to gradually diminish by 2028. We expect Fortum to generate positive pre-dividend free cash flow of around EUR0.3 billion annually from 2025 to 2028 even though power prices in the Nordics remain low, supported by its robust clean generation business, integration with consumer solutions, discipline on capex deployment, and targeted fixed-cost reductions.

Headroom Against Financial Policy Key: The Stable Outlook reflects Fitch's expectation that Fortum will maintain healthy headroom against its own maximum leverage guidance over the next years. In our view, a potential increase of the investment plan would need to be balanced with lower dividend distributions to protect the rating, although we expect it to allocate growth capex to investments that enhance revenue visibility and improve its business risk.

Fortum's financial policy includes maximum reported EBITDA net leverage of 2.0x-2.5x and a dividend pay-out ratio of 60%-90% of comparable earnings per share, depending on financial performance and available investment opportunities. Fortum has limited appetite for growth investments in the current low power price environment, and is paying dividends at the upper end of the range.

Low Leverage Despite Special Dividend: The special dividend of EUR0.4 billion announced for 2025 implies re-leveraging of 0.5x, which we see as manageable given the low starting point. Fortum's 2024 EBITDA at EUR1.5 billion was in line with our expectations and below the previous year's level (EUR1.9

billion in 2023), reflecting the decline in Nordic power prices and the company's lower generation volumes in its nuclear and hydro fleet. Fortum's FFO net leverage further decreased to 0.3x in 2024 (0.8x in 2023) despite the earnings decline, primarily due to the EUR 0.8 billion divestment of recycling and waste assets, and EUR 0.3 billion from margin calls collected.

Generation Earnings Depend on Prices: We expect Fortum's EBITDA to further normalise at around EUR1.1 billion in 2025-2028. Fortum is materially exposed to Nordic electricity prices and downward pressure continues due to Finland's strong ambitions in renewables and the abundant hydro resources in the region. A material penetration of renewables could affect Fortum's load factors and prices, but would also create higher price volatility, from which Fortum could capture premium prices based on its flexible hydro fleet. The company reported a premium of EUR8.7 per megawatt hour (MWh) on all its CO2-free production of about 45 terawatt-hours in 2024.

Prudent Capex Approach: Fortum's annual capex guidance remains subdued, with investments for 2025-2027 totalling EUR1.4 billion, of which half relates to maintenance capex. In our view, this reflects a cautious approach due to unfavourable power prices and subdued electricity demand in the short term. The company maintains flexibility to increase investments if the market environment improves and projects meet its investment and profitability criteria. We would expect Fortum to maintain its financial discipline if investment opportunities materialise.

Focus on Improving Predictability: Fortum's management is focused on reducing business risk and improving cash flow visibility through increased long-term hedging. It aims to reach a 20% hedged share of rolling 10-year generation by 2026 (up from 15% at end-2023 and 18% at end-2024). The company is also implementing an efficiency programme aiming for a gradual EUR100 million reduction in fixed costs by end-2025. We have relaxed our debt capacity, and now require Fortum to maintain FFO net leverage below 2.3x at 'BBB+' with the current business profile (previously we also required a material increase of contracted generation).

Long-Term Power Demand Prospects: Fortum sees robust long-term prospects in the Nordic region due to its low energy costs, although power demand has not picked up materially so far and current power prices do not seem sufficient to incentivise significant new generation capacity. We also expect some demand increase driven by the electrification of the industry and demand from data centres, but it is unclear at which relative pace demand and supply will grow. Fortum sees nuclear lifetime extensions as a valid solution in the near term so long as the economic conditions for new capacity remain challenging.

GRE Status Rating Neutral: Fitch applies its *Government-Related Entities Rating Criteria* to reflect the Finnish state's controlling 51.3% stake in Fortum. However, this has no rating impact as we do not assess precedents of support as 'Strong', nor do we expect a Fortum default to have any material financial contagion risk for Finland. We assess decision-making and oversight as 'Strong', due mainly to the state's commitment to retain control (minimum 50.1% stake).

Peer Analysis

Fortum's closest peers are European generation companies RWE AG (BBB+/Stable) and Statkraft AS (A-

/Negative).

Statkraft is Europe's largest generator of hydro energy and the leading power company in Norway (AAA/Stable). Statkraft is fully owned by the Norwegian government and its rating includes a single-notch uplift that reflects stronger government links than Fortum's.

Statkraft benefits from a large, low-cost, and flexible hydro-asset base and a higher share of long-term contracted revenue. Fortum's earnings are more exposed to Nordic power prices, but it benefits from a strong CO₂-free generation mix (well balanced between baseload nuclear and flexible hydro) and its customer solutions provide some vertical integration. Overall we see Statkraft's debt capacity as slightly better than Fortum's.

RWE is one of the largest utilities in Germany, with operations in several other European markets and worldwide. RWE derives about 70% of earnings from wind and solar under contracted support schemes but its exposure to coal is still a weakness versus peers. RWE remains more exposed to thermal generation than Fortum, but has a materially higher share of quasi-regulated business, which ultimately leads to slightly higher debt capacity for RWE.

ERG S.p.A. (BBB-/Stable) is an independent producer of clean energy and the leading onshore wind power operator in Italy. ERG benefits from higher contracted revenues (generally through auctions or power purchase agreements) than Fortum, which results in slightly higher debt capacity even though it is smaller in size and lacks hydro generation and integration into supply. ERG's lower rating derives entirely from its higher leverage.

Key Assumptions

- Seventy-five per cent of 2025 volumes hedged at EUR40/MWh, and 50% of 2026 volumes at EUR41/MWh in line with management guidance
- Achieved prices on unhedged volumes averaging EUR43/MWh in 2025-2028, and declining over the period
- Annual CO₂-free electricity generation volumes at about 47 TWh on average over 2025-2028
- EBITDA averaging EUR1 billion a year in our rating case for 2025-2028
- Cost of debt close to 4% over 2025-2028
- Capex of around EUR0.5 billion a year in our rating case for 2025-2028
- Dividends at around EUR1.25 billion in 2025 and at EUR0.35 billion a year in 2026-2028 (reflecting a 90% pay-out ratio assumed by Fitch for 2025-2028 and the special dividend announced for 2025)
- No new M&As and no material disposal proceeds

RATING SENSITIVITIES

Developments that May Collectively or Individually Lead to Negative Rating Action/Downgrade

- FFO net leverage above 2.3x on a sustained basis, assuming an unchanged business profile
- Deterioration of the business profile or the operating environment (for example resulting from an increase in its merchant exposure, adverse regulatory developments, lower-than-expected profitability)

Developments that May Collectively or Individually Lead to Positive Rating Action/Upgrade

- We do not expect an upgrade to the 'A' category. Upside is limited by Fortum's business profile as an electricity generation utility with no regulated earnings.

Liquidity and Debt Structure

As of March 2025, Fortum had a strong liquidity position, comprising readily available cash of around EUR4.3 billion, and undrawn committed credit lines of EUR4 billion. This comfortably covers EUR0.5 billion of short-term debt maturities and EUR1.5 billion of cumulative negative free cash flow (after dividends) in our forecasts for 2025-2028.

Issuer Profile

Fortum is an energy company 51% owned by the Finnish state. Its activities include CO₂-free power generation, sale of electricity, and district heating and cooling. It is one of the largest power generators and the largest electricity retailer in the Nordics.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Fitch Ratings Analysts

Maria Linares

Director
Primary Rating Analyst
+34 93 492 9512
Fitch Ratings Ireland Spanish Branch, Sucursal en España Av. Diagonal 601 Planta 4 Barcelona 08028

Nataly Di Salvo

Senior Analyst
Secondary Rating Analyst
+34 93 492 9519

Pilar Auguets

Senior Director
Committee Chairperson
+34 93 467 8747

Media Contacts



Pilar Perez

Barcelona
+34 93 323 8414
 pilar.perez@fitchratings.com

Tahmina Pinnington-Mannan

London
+44 20 3530 1128
 tahmina.pinnington-mannan@thefitchgroup.com

Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Fortum Oyj	LT IDR	BBB+ 	Upgrade	BBB 
	ST IDR	F2	Upgrade	F3
• senior unsecured	LT	BBB+	Upgrade	BBB

RATINGS KEY OUTLOOK WATCH

POSITIVE  

RATINGS KEY OUTLOOK WATCH

NEGATIVE	●	◊
EVOLVING	◊	◆
STABLE	○	

Applicable Criteria

[Corporate Rating Criteria \(pub.06 Dec 2024\) \(including rating assumption sensitivity\)](#)

[Corporates Recovery Ratings and Instrument Ratings Criteria \(pub.02 Aug 2024\) \(including rating assumption sensitivity\)](#)

[Government-Related Entities Rating Criteria \(pub.09 Jul 2024\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub.06 Dec 2024\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 [\(1\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

Fortum Oyj EU Issued, UK Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: <https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions->

document details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from

'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form

NRSRO (the “non-NRSROs”) and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2025 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

Endorsement policy

Fitch’s international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch’s approach to endorsement in the EU and the UK can be found on Fitch’s [Regulatory Affairs](#) page on Fitch’s website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.