

RATING ACTION COMMENTARY

Fitch Affirms Fortum at 'BBB+'; Outlook Stable

Mon 15 Jun, 2026 - 09:25 ET

Fitch Ratings - Barcelona - 15 Jun 2026: Fitch Ratings has affirmed Fortum Oyj's Long-Term Issuer Default Rating (IDR) and senior unsecured rating at 'BBB+'. The Outlook is Stable. A full list of rating actions is below.

The affirmation reflects Fortum's large CO₂-free generation portfolio in the Nordics, supported by a balanced mix of nuclear baseload and flexible hydro capacity, and its solid financial profile. Fitch forecasts funds from operations (FFO) net leverage to average 2.0x in 2026-2029, below the 2.3x negative rating sensitivity.

However, rating headroom has reduced since the previous review and it could reduce further towards the end of the forecasting horizon. This reflects negative free cash flow (FCF) driven by higher capex and dividend distributions at the upper end of the company's payout guidance.

The Stable Outlook reflects our expectation that Fortum will balance investments and dividends to remain consistent with its publicly stated financial policy and maintain leverage adequately below its maximum reported EBITDA net leverage threshold of 2.5x.

KEY RATING DRIVERS

Prices Mitigate Lower Nuclear Output: We expect Fortum's 2026 performance to remain supported by favourable Nordic power prices and market volatility, despite lower nuclear generation due to an extended outage at Oskarshamn 3. In 1Q26, Fortum achieved a solid power price of about EUR62/MWh, supported by colder weather, low wind availability and a strong optimisation premium. For 2026, we incorporate lower nuclear generation in line with Fortum's updated guidance of 23.5TWh-24TWh but expect this to be partly offset by supportive achieved prices on unhedged production.

We forecast nuclear generation to recover gradually to an average of about 25TWh in 2027-2029, with achieved power prices declining to about EUR45/MWh on average. Overall, we forecast EBITDA of about EUR1.1 billion a year over 2026-2029.

Leverage to Increase Gradually: We expect Fortum's leverage to increase gradually over 2026-2029, as annual EBITDA is almost fully absorbed by average capex of about EUR525 million and dividend distributions of about EUR570 million on average, assuming a 90% payout ratio. This would result in negative FCF over the forecast period and a gradual erosion of rating headroom. Fitch forecasts FFO net leverage to increase to 2.2x by 2029 from 1.6x in 2025, near the 2.3x negative sensitivity.

Higher Investment Ambitions: Fortum has increased its investments since the previous review, announcing EUR2 billion of committed capex for 2026-2030, plus up to EUR2.5 billion uncommitted investments. Our rating case includes EUR1.6 billion capex over 2026-2028, close to management's committed capex and above our previous assumption of EUR1.3 billion. This increase relates mainly to growth investments. The plan is mainly focused on the Loviisa nuclear plant life extension, heating and cooling investments, as well as data center-related projects. Fortum is also expanding its portfolio of ready-to-build onshore wind and solar projects.

Flexible Investment Framework: We view execution risk as mitigated by the flexibility of Fortum's investment plan. Additional uncommitted investments remain contingent on stronger demand, a secured route to market through power purchase agreements (PPAs), and supportive power prices, and are subject to strict investment hurdles of weighted average cost of capital (WACC) plus 150bp-400bp. In our view, this should help limit pressure on Fortum's credit profile if Nordic power price environment weakens. In addition, we would expect dividend distributions to be lower than our current 90% payout assumption if capex were to increase materially.

Headroom Against Financial Policy Key: The Stable Outlook reflects Fitch's expectation that Fortum will maintain adequate headroom against its own maximum 2.5x reported leverage threshold over the next four years. We expect any material increase in investment to be balanced by lower dividend distributions to preserve rating headroom. We also expect Fortum to continue focusing growth capex on investments that improve revenue visibility and support its business profile. We understand that the company has limited appetite for large-scale growth investments in the present low power price environment, while dividends distributions remain at the upper end of the guided range.

Improving Hedging Ratio: Fortum's management is focused on reducing business risk and improving cash flow visibility through increased long-term hedging. It has increased the target of rolling 10-year hedged generation to 25% by end-2028, from the previous

20%. At end-2025, the hedged share of rolling 10-year outright generation was about 19%. Hedging is mainly achieved through financial contracts, primarily electricity derivatives traded on power futures exchanges or bilaterally with counterparties. Additional channels include direct business-to-business arrangements and retail customer contracts.

Long-Term Power Demand Prospects: Fortum benefits from supportive long-term demand in the Nordics, underpinned by structurally low power costs. However, demand growth has yet to accelerate materially, and current power prices are insufficient to support large new-build generation capacity. Data centers drive demand, while broader industrial electrification is progressing more gradually. In this uncertain business environment, Fortum is pursuing selective, customer-backed growth supported by long-term power contracts, while nuclear lifetime extensions remain an important option as long as economics for new capacity stay challenging.

GRE Status Rating Neutral: Fitch applies its Government-Related Entities (GRE) Rating Criteria to reflect the Finnish state's controlling 51.3% stake in Fortum. However, this has no rating impact as we assess precedents of support as 'Not Strong Enough', 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 (BBB+/Stable; Standalone Credit Profile (SCP): bbb).

Statkraft is Europe's largest hydro generator 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 large CO2-free generation mix (balanced between baseload nuclear and flexible hydro) and its customer solutions provide some vertical integration. Overall, we view Statkraft's debt capacity as 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 50-60% of earnings from contracted generation (mostly wind and solar) but its exposure to coal is still a weakness versus peers. RWE remains more exposed to thermal generation than Fortum but has a much

higher share of quasi-regulated business, which ultimately leads to a 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 materially higher contracted revenue (generally through auctions or PPAs) than Fortum, which results in a higher debt capacity even though it is smaller in size and lacks hydro generation and integration into supply. ERG's lower rating solely reflects its higher leverage.

FITCH'S KEY RATING-CASE ASSUMPTIONS

- 75% of 2026 volumes hedged at EUR39/MWh and 60% of 2027 volumes at EUR40/MWh, in line with management guidance
- Achieved prices including hedging at EUR50/MWh in 2026 and average of EUR45/MWh over 2027-2029
- Annual CO2-free electricity generation volumes at about 47 TWh on average over 2026-2029
- EBITDA averaging EUR1.1 billion a year in our rating case for 2026-2029
- Cost of debt close to 4% over 2026-2029
- Capex at about EURO.5 billion a year in our rating case for 2026-2029
- Dividends at about EURO.6 billion a year for 2026-2029 (reflecting a 90% pay-out)
- No new M&As and no material disposal proceeds

CORPORATE RATING TOOL INPUTS AND SCORES

Fitch scored the issuer as follows, using its Corporate Rating Tool (CRT) to produce the SCP:

Business and financial profile factors (assessment, relative importance): management ('bbb', Lower), sector characteristics ('bbb-', Moderate), market and competitive positioning ('bbb+', Moderate), diversification and asset quality ('bbb+', Higher), company operational characteristics ('bbb-', Moderate), profitability ('bbb', Moderate), financial structure ('bbb+', Higher), and financial flexibility ('a-', Moderate).

The quantitative financial subfactors are based on standard CRT financial period parameters: 20% weight for the historical year 2025 and 40% for the forecast year 2026

and 2027.

The governance assessment of 'good' has no impact.

The operating environment assessment of 'aa' has no impact.

The SCP is 'bbb+'.

To derive the Long-Term IDR:

Application of Fitch's GRE Rating Criteria results in a(n) standalone approach.

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)
- Higher than expected capex, if not adequately mitigated by managerial actions

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 2026, Fortum had a strong liquidity position, consisting of readily available cash of about EUR2.5 billion and undrawn committed credit lines of EUR4.3 billion, of which EUR1.6 billion is related to two bilateral revolving credit facilities maturing in January and June 2028. This comfortably covers EUR0.3 billion short-term debt maturities in 2026-2027 and cumulative negative FCF of EUR0.5 billion over the same period.

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 Sector Forecasts Monitor 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.

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for Fortum.

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>.

RATING ACTIONS

ENTITY / DEBT ↕	RATING TYPE ↕	RATING ↕	RATING ACTION ↕	PRIOR ↕
Fortum Oyj	LT IDR	BBB+ Rating Outlook Stable	Affirmed	BBB+ Rating Outlook Stable
	ST IDR	F2	Affirmed	F2

senior unsecured

LT

BBB+

Affirmed

BBB+

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

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

[Government-Related Entities Rating Criteria \(pub. 18 Jul 2025\)](#)

[Corporate Rating Criteria \(pub. 09 Jan 2026\)](#) (including rating assumption sensitivity)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 09 Jan 2026\)](#)

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

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Fortum Oyj

EU Issued, UK Endorsed

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