

# Fortum strategy “Power to renew”

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CEO

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Our purpose is

# TO POWER A WORLD WHERE PEOPLE, BUSINESSES AND NATURE THRIVE TOGETHER.

## STRATEGIC PRIORITIES

**Deliver reliable  
clean energy**

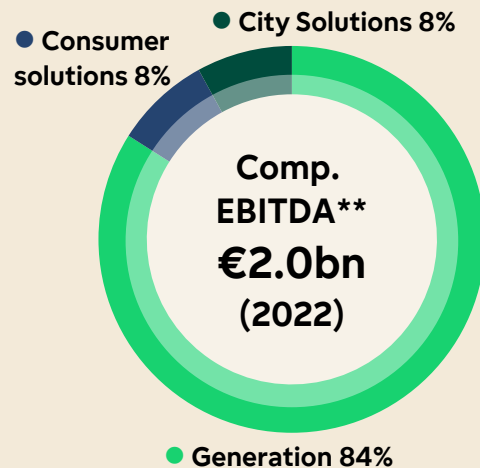
**Drive  
decarbonisation  
in industries**

**Transform  
and develop**

We help societies to reach carbon neutrality and our customers to grow and decarbonise their processes in a reliable and profitable way, in balance with nature.

# Fortum is well positioned as a Nordic clean energy provider

## Earnings dominated by clean generation

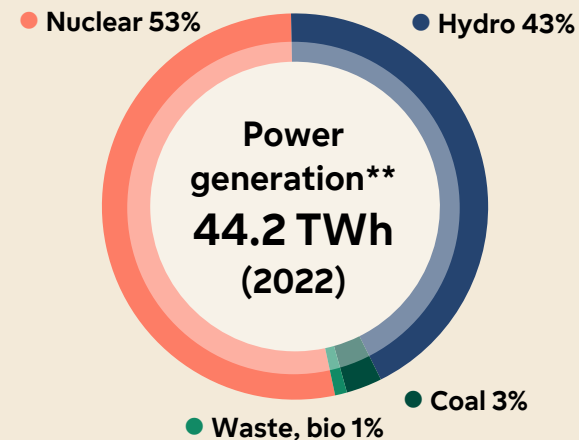


### Key figures\*\* (2022)

Sales	€ bn	7.8
Comp. Op	€ bn	1.6
Total assets	€ bn	~22
Personnel		4,988

\*\* ) Russia excluded

## Clean power generation

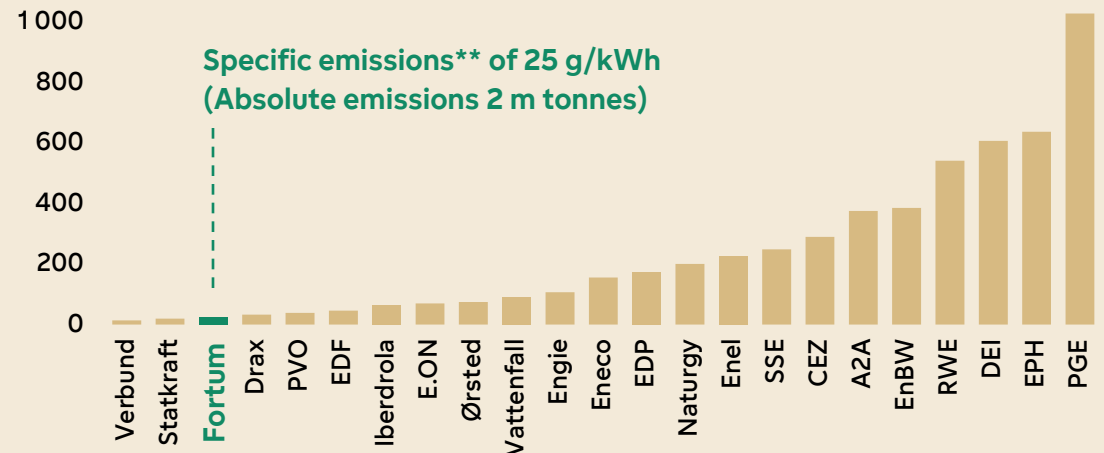


### Generation capacity\*\*, MW

	8,576
Hydro	4,653
Nuclear	2,823
Condensing	565
CHP	535

## Sustainability is part of our DNA

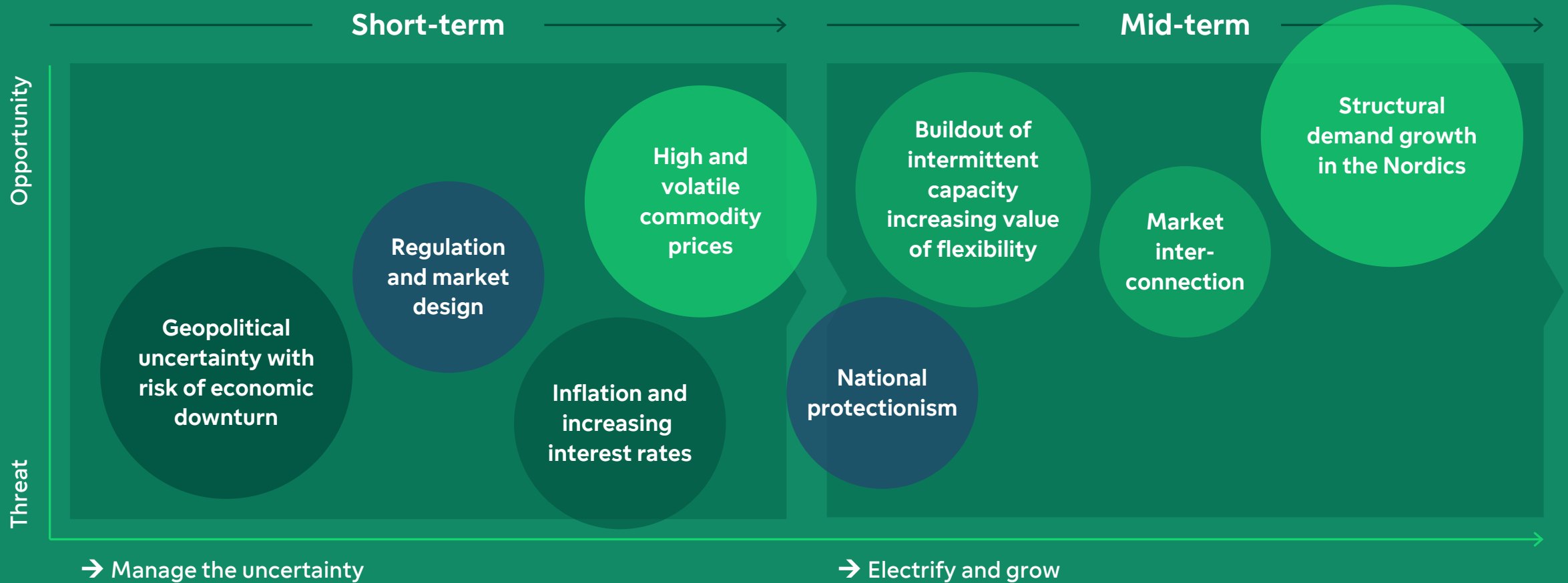
gCO<sub>2</sub>/kWh, electricity\*



\*) Fortum include specific carbon dioxide emissions from power generation in Europe in 2022. All other figures, except Fortum, include European power generation in 2021. For some companies the PwC figures might also include heat production.  
Source: PwC, October 2022, Climate change and Electricity, Fortum



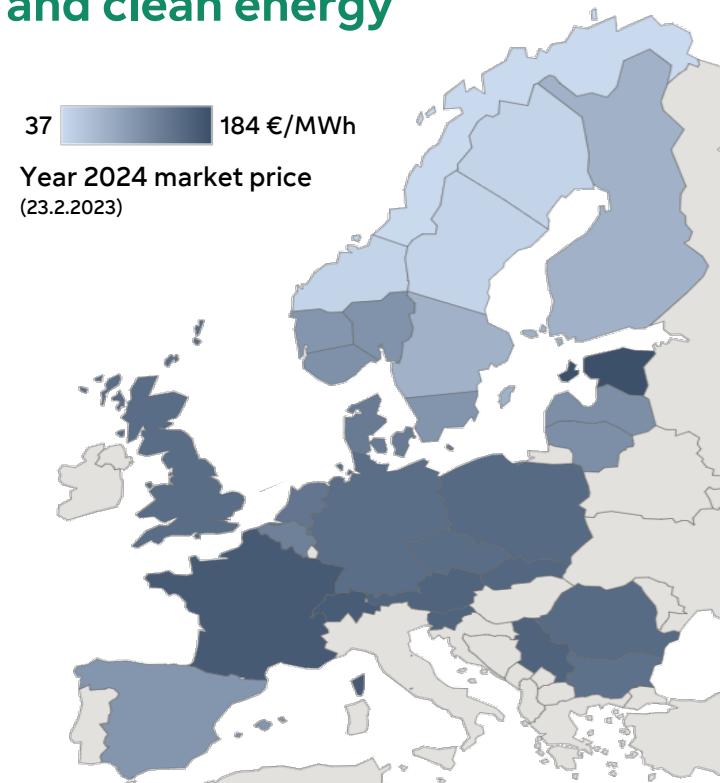
# The ongoing sector disruption has increased uncertainty in the short term but provides opportunities going forward



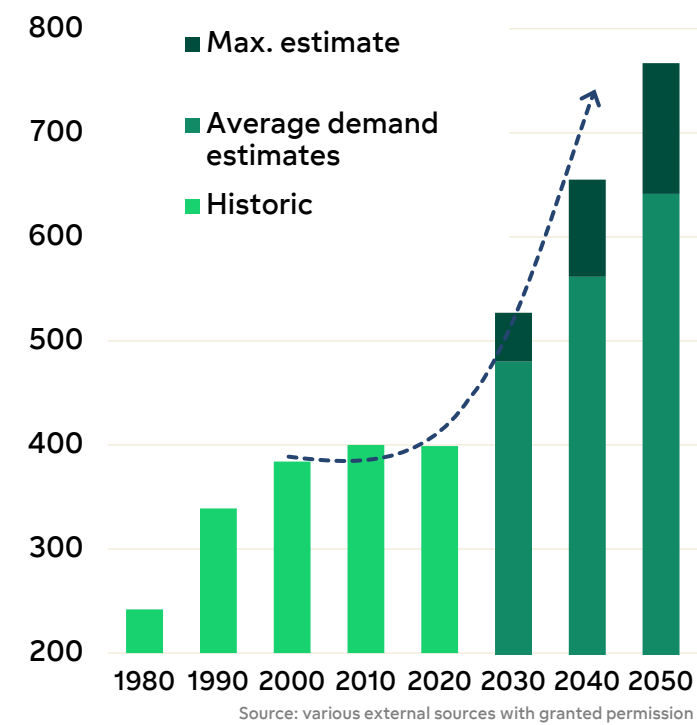


# Nordic power market with clean power and competitive prices to accelerate demand for Nordic clean energy

The Nordic region is a source for extremely competitive and clean energy







Nordic power demand driven by decarbonisation and electrification



Energy-intensive industrials need significant amount of clean power

Examples of publicly disclosed potential projects, not Fortum assigned

	Green steel production using hydrogen
	Battery production
	Data centers: Google, Microsoft and Amazon
	Green fuels: Liquid Wind, Maersk

# How our strategy translates into shareholder value creation

## VALUE CREATION

### STRATEGIC PRIORITIES

Deliver reliable  
clean energy

Drive decarbonisation  
in industries

Transform and  
develop

### CLIMATE AND ENVIRONMENTAL TARGETS

Carbon neutrality

→ Best-in-class operations

→ Selective growth

→ Improved competitiveness

→ Tighter climate targets



Hydro  
Nuclear



Consumer business  
Heating and cooling



Explore H2  
Explore SMR



Renewables



Improve efficiency  
De-risking



Carbon-neutrality  
ESG central to decision making

# Deliver reliable clean energy in the Nordics – the base for success

## Best-in-class operations

Develop our best-in-class operations for efficiency, flexibility and optimisation

- Excel in operational efficiency and ensure high availability and load factors
- Run fleet cost efficiently
- Secure and increase flexibility of our assets
- Invest in productivity and lifetime extensions to develop and maintain scale
- Maintain high level of physical and financial optimisation
- Safety is the license to operate

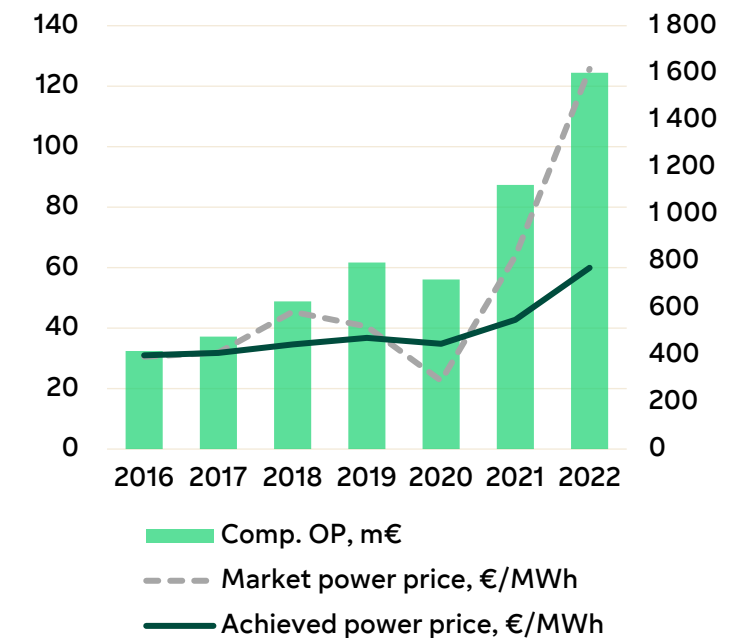
## Continue to decarbonise and modernise operations

- Continue decarbonisation of heating and cooling in Finland and in Poland to reduce emissions and ensure competitiveness

## Strong capability to optimise

# ~45 TWh

outright hydro and nuclear portfolio  
in volatile environment



# Drive decarbonisation in industries

## Disciplined capital allocation with profitable projects

### Selective growth

#### Partner with strategic customers

- Focus on electricity intensive industries
- Offer long-term contracts to enable industrial decarbonisation

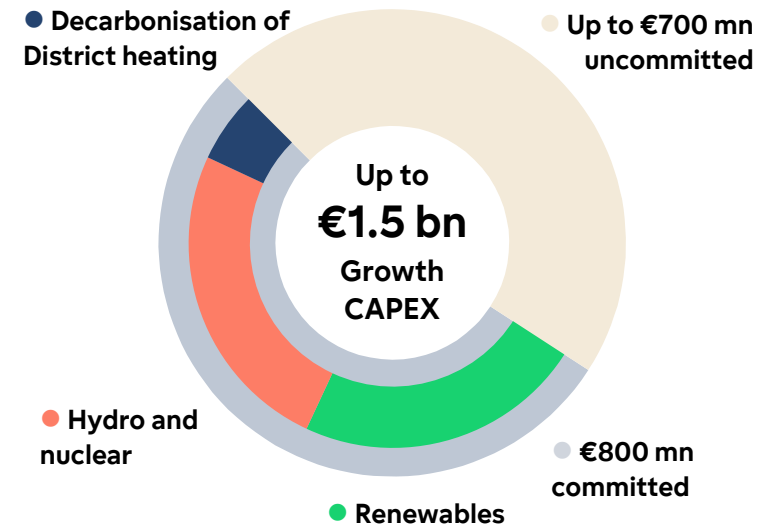
#### Develop and build new clean power in the Nordics

- Develop strong pipeline for selective growth in renewables through PPAs and LTCs with customers
- Assess growth options for CO<sub>2</sub>-free power
- Explore business opportunities in nuclear (SMR) with customers and partner

#### Drive the development of clean hydrogen in the Nordics

- Explore hydrogen and provide clean power for hydrogen production
- Develop pipeline and explore investment opportunities in clean hydrogen production with customers and partners
- Actively participate to shape the Nordic hydrogen ecosystem

### Disciplined growth capex 2023-2025



#### Committed clean energy solutions in Finland:

- Loviisa nuclear power plant lifetime extension
- Pjelax wind farm
- Waste heat usage from Microsoft data centres



# Transform and develop to ensure value creation

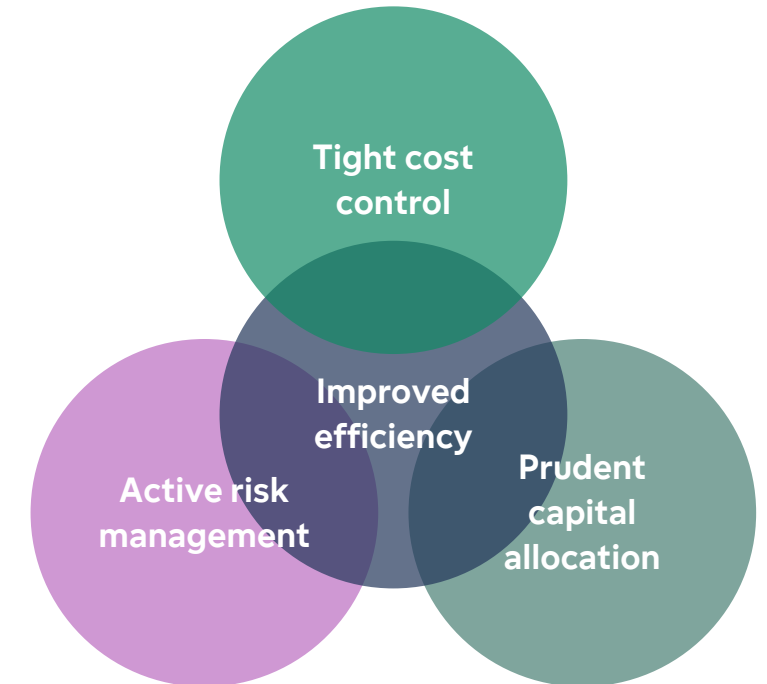
## Improved competitiveness

### Improve efficiency

- Recalibrate cost base - shrink to fit new business structure
- Prudent capital allocation

### Manage and reduce business risk

- Reduce merchant exposure by partnering with customers in strategic projects and long-term contracts for power on both existing and new generation
- Actively balance between market, counterparty and liquidity risks
- Drive development of regulation and market design



# Aiming to become leader in sustainability with tight targets

## Tighter climate targets

Carbon neutrality by 2030  
(Scope 1, 2, 3)

Previous target: for the Group by 2050

Coal exit by end of 2027

Previous target: by the end of 2035/38

Commitment to SBTi 1.5°C  
climate target\*

Previous target: N/A

Specific emission target of below  
10g/kWh by 2028 (power)

Specific emission target of below  
20g/kWh by 2028 (total)

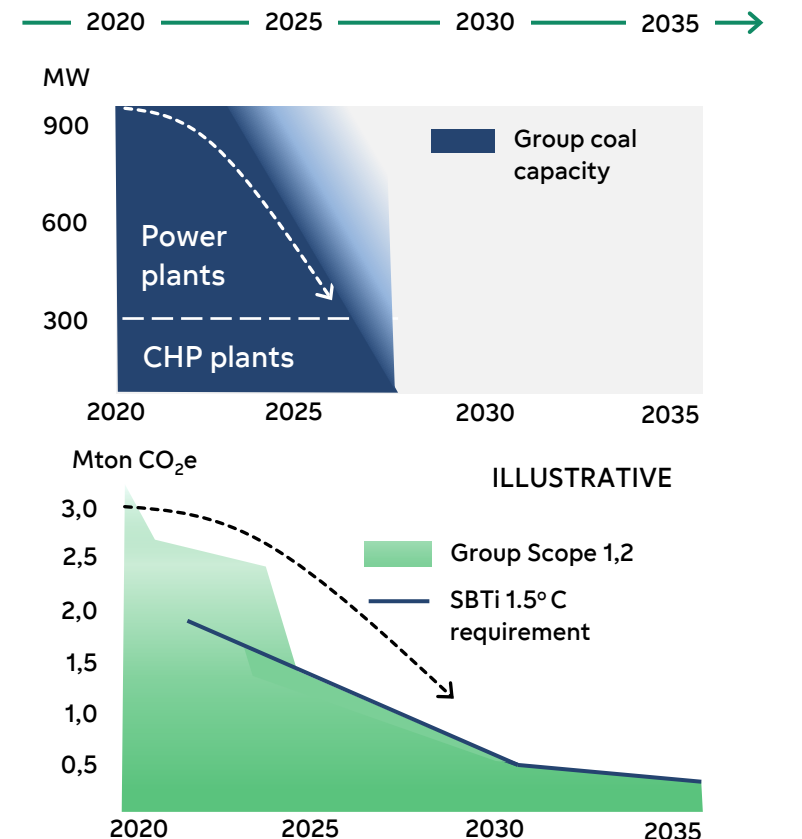
Previous target: N/A

Ambitious biodiversity commitment:

Previous target: N/A

- **No net loss of biodiversity** from direct operations 2030 onwards (excluding all aquatic impacts)
- **50% reduction** in dynamic terrestrial impacts in upstream Scope 3 by 2030 vs. 2021.
- Commitment to continue local initiatives and develop science based methodology to assess the aquatic impacts of hydropower.

## Carbon neutrality



\*Note: SBTi commitment assumes full exit from Russia

# Financial targets to create shareholder value

## Strong financial foundation

### Solid financials

Strong investment grade rating of at least BBB

Financial net debt-to-Comp EBITDA of 2-2.5 times

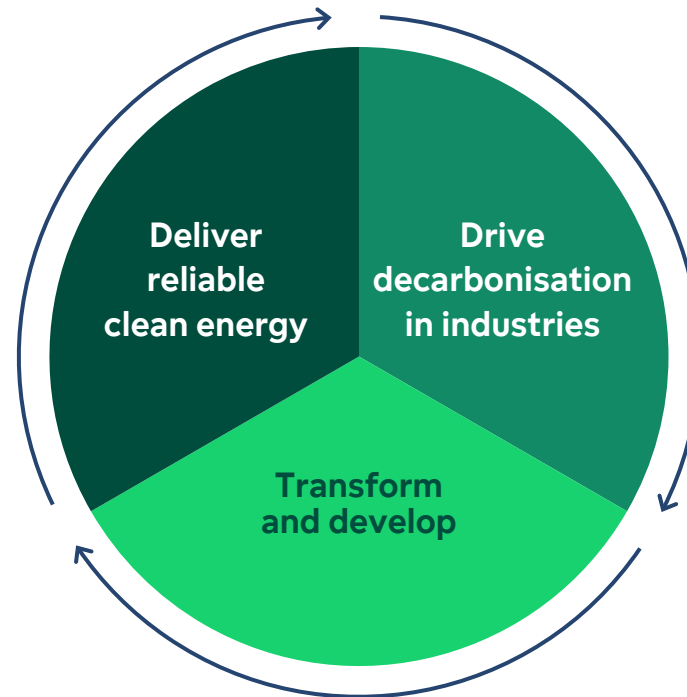
### Dividend policy

Payout ratio of 60-90% of Comparable EPS

Dividend proposal of 0.91 for 2022

Payments in two annual instalments (Q2 and Q4)

## Clear framework for value creation



## Financial discipline

### Selective capital allocation with profitable growth

For the years 2023-2025:

Total CAPEX of €2.4 bn of which

- €0.9 bn maintenance
- Up to €1.5 bn growth

Investment hurdles of project WACC + 150–400 bps

### Sustainability targets

Environmental targets

Social targets

- Safety targets (TRIF < 1)



# Commitment to maintain credit rating of at least BBB

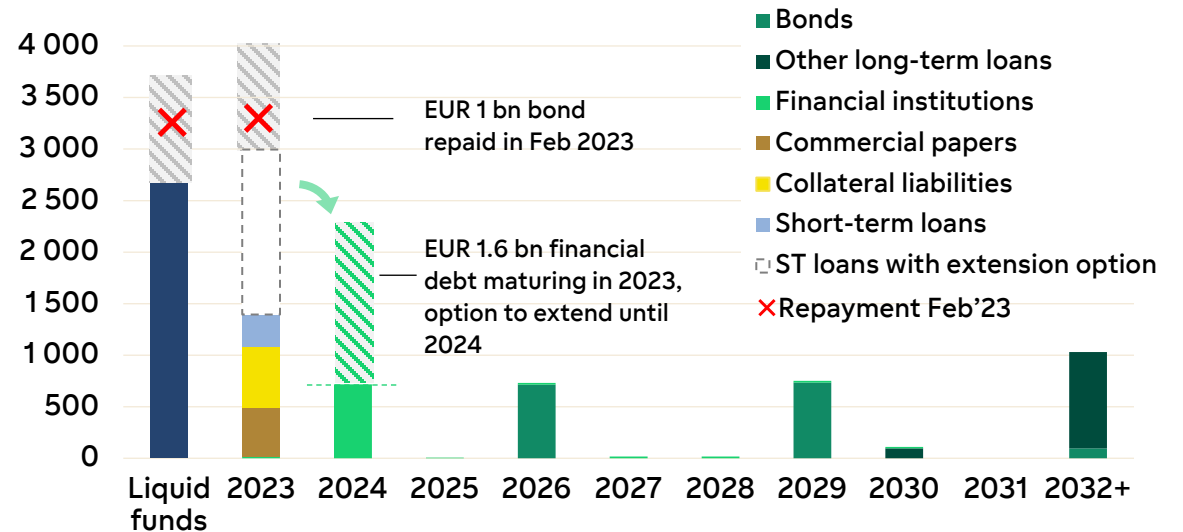
## – ambition to make a strong return to bond markets

Fortum's short term priority is to improve and maintain its financial flexibility to support strategy execution:

- Strong liquidity position of EUR 3.7 bn and committed RCF's of EUR 7.2 bn
- Strengthened balance sheet, financial net debt of EUR 1.1 bn, leverage of 0.6 times
- Clearly lower gross debt with option to extend EUR 1.6 bn of debt portfolio
- Aim to refinance current debt during 2023 and return to the European bond market
- Improved ESG profile supports possibilities for sustainable financing, carbon neutral latest by 2030

Note: all figures are excluding Russia

### Maturity profile, as per 31 December 2022



Long-term leverage:  
Financial net debt-to-Comp EBITDA of 2.0-2.5 times

Rating Agency	Credit Rating	Valid since
Standard & Poor's	BBB, Outlook Negative	3 Aug 2022
Fitch Ratings	BBB, Outlook Negative	23 Jun 2022

# Phased strategy execution to manage the uncertainty

## Short-term

### ‘Manage the uncertainty’

**Optimise** the operation of the generation portfolio and manage the business risk

**Focus on earnings and cash flow**

**Refinance** debt portfolio and **return to bond markets**

**Disciplined** capital allocation

**Dividend** according to policy

## Mid-term

### ‘Electrify and grow’

**Grow** in clean energy and partner with industrial customers

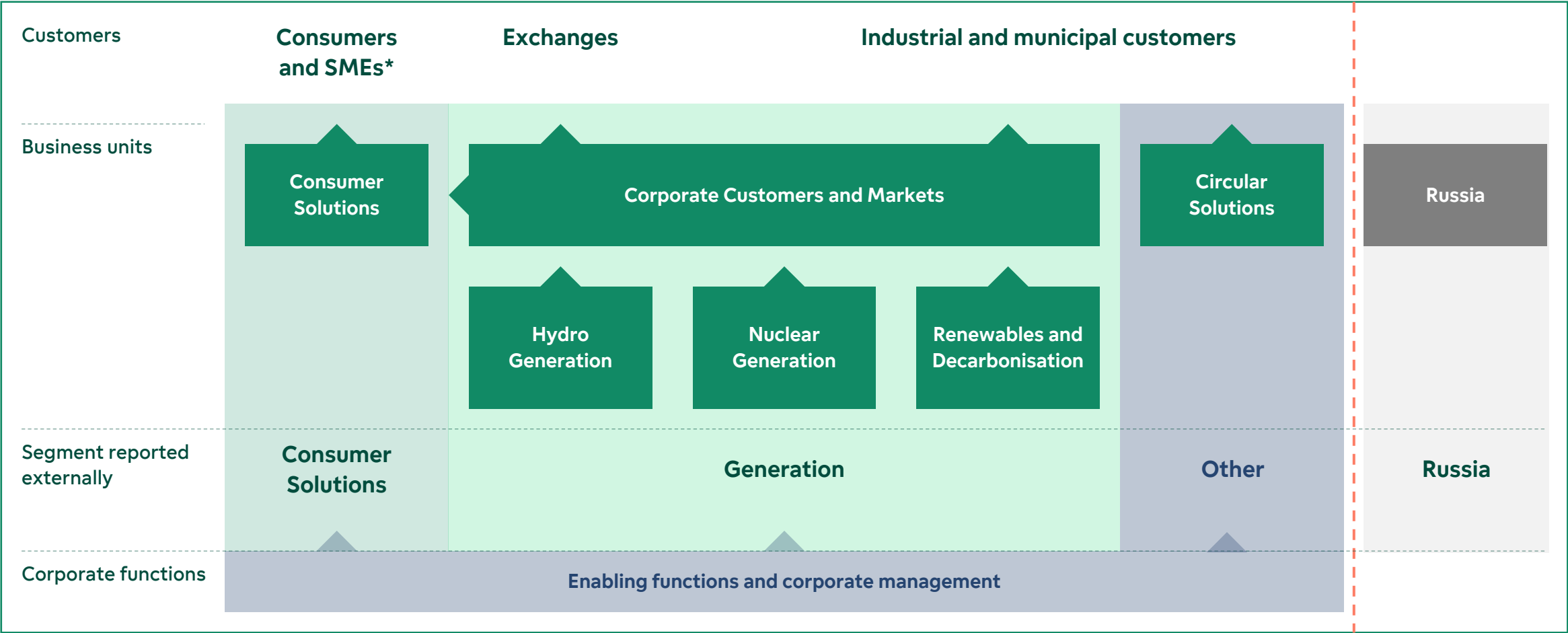
**Capital allocation with attractive returns**

**De-risked** generation portfolio

**Decarbonised** operations

**Dividend** according to policy

# Fortum's new business structure and operating model



\* SMEs=small- and medium-size enterprises



# New Fortum Leadership Team



**President and CEO**  
Markus Rauramo



**Consumer Solutions**  
Mikael Rönnblad



**Corporate Customers  
and Markets**  
Simon-Erik Ollus



**Renewables and  
Decarbonisation**  
Peter Strannegård



**Hydro Generation**  
Mikael Lemström



**Nuclear Generation**  
Petra Lundström



**CFO**  
Tiina Tuomela



**Sustainability and  
Corporate Relations**  
Nebahat Albayrak



**People and  
Procurement**  
Eveliina Dahl



**Legal**  
Nora  
Steiner-Forsberg



**Transformation and IT**  
Bernhard Günther

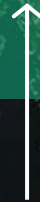
# Fortum has what it takes to drive the transition

**Best-in-class operations  
with sustainable earnings**



**We have a competitive  
Nordic generation portfolio**

**A leader in ESG to enable  
decarbonisation**



**We have a CO<sub>2</sub> free  
generation fleet**

**Prudent capital allocation  
with selective growth**



**We have regained our  
financial position**

# Q&A

