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Fortum

Q2 2026

Speakers

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Prepared Remarks

Ingela Ulfves
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Good morning, everyone. A warm welcome to Fortum's webcast and news conference for the investor community and media on our half year 2026 results. My name is Ingela Ulfves, and I'm Head of Investor Relations at Fortum. As always, this event is being recorded, so a replay will be available for you later today on our website. With me here in the studio are both our CEO, Markus Rauramo, and our CFO, Tiina Tuomela. Markus and Tiina will present the group's financial and operational performance for the Q2 and half year. Let's go to our presentation, after which we can then take your questions in the Q&A session. I now hand over, Markus, to you to start.

Markus Rauramo
CEO | Fortum

Thank you very much, Ingela. A warm welcome to this call also from my side. I will start by going through the highlights of our Q2 and our financial performance, and then talk about the market development. After that, Tiina will provide more details on the financials and how the operational performance turned into our results. Let me now start with the highlights. As you all know, Q2 and Q3 are relatively small quarters result-wise, and we typically generate most of the results during Q1 and Q4. Before we dive deeper into the results, let's look at the highlights of Q2. Our achieved power price in the second quarter amounted to EUR 44.9 per MWh, compared to EUR 48.1 per MWh last year. The realized market price, which is the blended price for Fortum's price areas, was EUR 53.1 per MWh compared with EUR 26.4 per MWh one year ago.

Markus Rauramo
CEO | Fortum

One reason for the lower achieved power price was lower physical value creation, mainly due to lower income from ancillary services. Due to lower than normal generation volumes, the realized hedge ratio was high. There were more planned nuclear outage days compared to Q2 last year, and low spring floods further limited our ability to benefit from the higher spot price. It is also good to note that in the first quarter, we allocated more volumes to hydro generation, which limited our hydro volumes now in Q2. We keep our full-year guidance for the optimization premium intact. It is still expected to be between EUR 8-EUR 10 per MWh. Our outright generation volume was 9.1 TWh, which is 0.6 TWh more than in the second quarter last year. Nuclear generation was almost at last year's level.

Markus Rauramo
CEO | Fortum

Despite uncertainty in the operating environment, we continue to see robust underlying customer demand from various industrial sectors, which we believe reflects the long-term power demand growth. At the end of June, Fortum took a significant strategic step for growth in our Consumer Solutions business as we announced a conditional voluntary cash tender offer to acquire all issued and outstanding shares in the Norwegian company Elmera ASA. I will come back to more details of this transaction on my next slide. Also, at the end of June, we announced our decision to end coal-fired power generation in Finland by closing and dismantling our Meri-Pori coal power plant. This closure is part of our coal exit to end all coal-based energy production by the end of 2027 and reach net zero by 2040. The plant will be permanently closed as of 1st of March 2027.

Markus Rauramo
CEO | Fortum

Fortum and the city of Pori are pursuing strong new growth in the Meri-Pori Tahkoluoto area together with other industrial operators. The area will be developed into a nationally significant clean transition industrial zone. We continue to have a strong balance sheet and good liquidity, so our overall financial position continues to be very robust. The cash dividend of EUR 0.74 per share was paid in the second quarter. A few words about the Elmera public tender offer. We are very excited about this transaction as the combination of Elmera and our Consumer Solutions business will create a stronger Nordic business with greater capabilities to serve customers and create long-term value. We are also very pleased that Elmera's board of directors and the whole management are supporting the deal and recommending the transaction to all of its shareholders.

Markus Rauramo
CEO | Fortum

Both the management and the board are also willing to tender all their shares in the transaction. The cash consideration is NOK 47 to be offered for each Elmera share. This means a total value of the offer of NOK 5.1 billion or approximately EUR 475 million. The completion of the offer is subject to certain customary closing conditions and regulatory approvals, as well as valid shareholders' acceptance of more than 90% of the company's shares. Let me go through the strategic rationale for the offer and how it supports our strategy and long-term value creation for our stakeholders. The rationale is built around four key elements. The ongoing structural change in the Nordic retail electricity market. Consumer Solutions and Elmera are two complementary businesses. This transaction creates value for our shareholders and other stakeholders, and it makes us fit for the future.

Markus Rauramo
CEO | Fortum

Let me now briefly elaborate on each of these four points. First, there is an ongoing structural change in the Nordic retail electricity market. While the Nordic retail electricity market remains fragmented, customer expectations and digital requirements continue to increase in this sector, which is characterized by structurally low margins. As a result, scale, operational efficiency, technological capabilities, and investment capacity are important to deliver competitive pricing and reliable service to our customers. Consolidation is creating stronger and more capable businesses that can deliver greater value to Nordic customers while remaining competitive in a demanding market environment. Greater scale and resources strengthen the ability to invest in digital solutions, regulatory compliance, and operational excellence. Secondly, we have two complementary businesses. Consumer Solutions is well-positioned to capitalize on these market trends.

Markus Rauramo
CEO | Fortum

With deep energy market expertise and a strong position in the Nordic retail market, Consumer Solutions has established a scalable platform for future growth. Expanding the Consumer Solutions business is a strategic priority for us, supported by both organic initiatives and selective acquisitions. Elmera is an established retail electricity provider with a large and diversified customer base across the Nordics. The company has a recognized position in Norway, combined with challenger positions in Sweden and Finland. It has developed a robust retail platform, which is complementary to Fortum's existing business. Elmera has slightly below 1 million customers, mainly in Norway, but also in Finland and Sweden. This can be compared to Consumer Solutions' customer base of approximately 2.3 million. In 2025, Elmera sold 16 TWh of power to its customers, generating an EBITDA of approximately EUR 66 million.

Markus Rauramo
CEO | Fortum

The combination of the two brings together complementary businesses with a shared focus to deliver value to customers. By combining customer volumes, operational infrastructure, and expertise across the value chain, the combined business is expected to achieve meaningful cost efficiencies and operational synergies to the benefit of Nordic customers. These efficiencies will strengthen the competitiveness of the combined business and support our ability to deliver competitive pricing and reliable service over time. The transaction will also enhance the combined businesses' capacity to invest in products, digital solutions, and capabilities that support customers across the Nordics. The third rationale is value for shareholders and other stakeholders. The transaction creates a compelling value proposition for shareholders and other stakeholders of both companies. The combination also benefits employees by creating a larger and more resilient organization with greater resources, broader capabilities, and increased opportunities for long-term development.

Markus Rauramo
CEO | Fortum

Finally, being fit for the future. Our strategy is focused on supporting electrification across the Nordics. The planned transaction is a natural extension of this strategy, strengthening our customer platform and expanding our presence across the region. Looking ahead, the combined business will be better positioned to offer customers competitive pricing and to respond to evolving customer needs and changing market conditions. Increased scale and efficiency are expected to strengthen our ability to invest in systems, technology, competence, and operational excellence, which will support competitive pricing and reliable service for our customers long term. Together, we and Elmera will create a stronger Nordic platform with the scale, capabilities, and financial strength required to remain competitive. We believe this offer provides Elmera shareholders with an attractive opportunity to realize value with certainty today.

Markus Rauramo
CEO | Fortum

For those who wish to remain exposed to the Nordic power market, Fortum continues to offer that opportunity as a listed company with a clear strategic focus on the region. I will move over to our main figures and financial performance. Let's look at our comparable headline KPIs for the group's second quarter and first half year of 2026. In the second quarter, comparable operating profit and EPS developed negatively. In Q2, our comparable operating profit totaled EUR 106 million, a decrease of EUR 9 million. Comparable earnings per share decreased from EUR 0.09 to EUR 0.08 per share. On the other hand, operative cash flow increased clearly to EUR 324 million due to decrease in working capital. The decreased working capital reflects decreased sales prices. For the first half year, all KPIs developed positively.

Markus Rauramo
CEO | Fortum

All of this resulted in a leverage of 1.4x, as measured by the net debt to comparable EBITDA ratio. Next, a few words about the market environment. Let's start by looking at the spot price and hydro reservoir situation for the Nordic market. It is good to note that this is not Fortum's reservoirs, but the whole Nordic market. At the beginning of Q2, the reservoir balance had a small surplus of around 2 TWh, which declined during the quarter. During May, it moved into a rather large deficit of 9 TWh. This represented an intra-quarter swing of nearly 10 TWh, after which it partly recovered during June, and Q2 ended with a moderate deficit of around 5 TWh. In Q2, Nordic day-ahead prices increased significantly year-on-year, driven by lower reservoir levels, stronger continental prices, and low spring floods.

Markus Rauramo
CEO | Fortum

Nordic power demand in Q2 developed sideways year-on-year, while wind availability was below seasonal average, both in the Nordics and especially in central Western Europe. Nordic consumption was at 89 TWh. It is good to note that power demand in the Nordics is somewhat above 400 TWh for the last 12 months. This concludes my part. I would now like to hand over to Tiina to talk more about our business performance.

Tiina Tuomela
CFO | Fortum

Thank you, Markus. Good morning, everyone, also on my behalf. I will now go through our financials in more detail. Let's start with the key figures. I will start with some of the comparable KPIs. The comparable operating profit for the second quarter amounted to EUR 106 million, which is a slight decrease from previous year. In the quarter, also comparable net profit and comparable EPS decreased. Our comparable net profit for the quarter declined to EUR 74 million. Consequently, our comparable EPS for the second quarter declined to EUR 0.08 compared to EUR 0.09 last year. Our cash flow during the quarter was EUR 121 million higher than in the comparable quarter last year and totaled EUR 324 million. Slightly lower EBITDA was offset by the positive change in working capital. The main reason for the lower working capital comes from the lower receivables in Consumer Solutions due to the lower power prices.

Tiina Tuomela
CFO | Fortum

Over to the segment result for comparable operating profit. Let's have a look at the second quarter. The group's comparable operating profit declined by EUR 9 million to EUR 106 million, mainly due to the lower achieved power price and higher fixed cost, partly offset by higher hydro generation volumes. Achieved power price was affected by lower income from ancillary services and high hedge ratio. The profits of Consumer Solutions also declined slightly, while the other operation segments result improved. In the generation segment, comparable operating profit declined by EUR 11 million to EUR 110 million, mainly due to the lower achieved power price, lower physical value creation, and higher fixed cost. The lower physical value creation was mainly a result of lower income from ancillary services. I also want to highlight our generation volumes as a result contributor.

Tiina Tuomela
CFO | Fortum

As you remember, we allocated as much as possible of our hydro generation to the spot market in the first quarter when prices were high. However, as hydro generation was exceptionally low in Q2 last year, Q2 volumes this year were still below the historical average. Nuclear volumes were slightly lower, mainly due to the plant outage days compared to Q2 2025. Consumer Solutions comparable operating profit declined by EUR 5 million to EUR 42 million, mainly due to the higher fixed cost. The reporting period includes a marginally positive effect of the acquisition of Orange Energia completed in June 2025. Orange's integration and carve-outs have now been completed. In the other operation segment, comparable operating profit improved by EUR 8 million, mainly due to the lower fixed cost. The Circular Solutions result was slightly higher compared to Q2 last year.

Tiina Tuomela
CFO | Fortum

The group comparable operating profit increased by EUR 50 million to EUR 627 million. The generation segment result increased mainly as a result of higher spot prices and hydro volumes, partly offset by the high hedge ratio. The result of the Consumer Solutions segment decreased slightly, while the result of the other operation segment was almost flat. In the generation segment, the result increased by EUR 57 million to EUR 613 million, impacted mainly by higher spot prices and hydro volumes, partly offset by the high hedge ratio.

Tiina Tuomela
CFO | Fortum

Our hydro generation for the first half 2026 was slightly below the long-term historical average, with part of volumes allocated already during the first quarter. Comparable operating profit in Consumer Solutions decreased by EUR 7 million to EUR 66 million, mainly due to the higher fixed costs. In the other operation segment, comparable operating loss was almost unchanged at EUR 53 million.

Tiina Tuomela
CFO | Fortum

The result of Circular Solutions businesses was slightly higher compared to the first half of 2025. Over to loan maturities, leverage, and liquidity. Our financial position continues to be strong, primarily supporting our objective to maintain a credit rating of at least BBB. It naturally also provides a good financial foundation in this very uncertain and turbulent market environment, but this also caters for growth and shareholder returns. In these uncertain times with various geopolitical conflicts, this is a very good position to be in. At the beginning of the second quarter, according to the new definition, our net debt was EUR 1.5 billion. In the second quarter, the operating cash flow was EUR 324 million and investment amounted to EUR 109 million. The change in interest-bearing receivables and net margining amounted to EUR 24 million, while FX and other effects were EUR 14 million.

Tiina Tuomela
CFO | Fortum

The change in collateral debt was EUR 119 million. Consequently, at the end of the quarter, our net debt was EUR 1.8 billion and the leverage ratio for net debt to comparable EBITDA was at 1.4x. The dividend of EUR 664 million was paid in April, so during the second quarter. Looking at our debt portfolio and the loan maturity profile, I want to highlight a few things. At the end of the quarter, our gross debt excluding leases totaled EUR 3.8 billion. Our maturity profile is very balanced, and there are no large maturities in any single year. In February we repaid a maturing EUR 750 million bond. In 2028, a EUR 500 million bond will mature. Bonds are and continue to be our primary source of funding.

Tiina Tuomela
CFO | Fortum

We continue to have ample liquidity reserves, EUR 6.5 billion, with EUR 2.1 billion of liquid funds and EUR 4.4 billion of undrawn committed credit facilities and overdrafts at the end of June 2026. The cost for our EUR 3.8 billion loan portfolio is 3.1%, while the interest income that we get for our EUR 2.1 billion liquid funds is 2.1%. The overall objective is to have sufficient liquidity while optimizing the balance between debt and cash to minimize funding cost. Over to the final section, the outlook. The outlook section includes guidance regarding our outright portfolio, capital expenditure and taxation. Let's start with the hedges. For the rest of the year, the hedge price is EUR 40 and the hedge ratio is 80%. The hedge price for 2027 increased by EUR 1 to EUR 41, while the hedge ratio increased by 5 percentage points to 65%.

Tiina Tuomela
CFO | Fortum

For the year 2026, optimization premium is estimated to be between EUR 8-EUR 10 per MWh. Predictability comes more uncertain the further out in time you go. Consequently, our longer-term view continues to be EUR 6-EUR 8 per MWh for the year 2027 and onwards. Considering announced outages, nuclear output for 2026 is estimated to be below the normal level of 26 TWh. Based on current market information, we estimate that our nuclear volume will be between 23 TWh and 23.5 TWh in 2026. The guided range has been reduced by 0.5 TWh. Our capital expenditures guidance is unchanged. We have EUR 550 million committed for the year 2026. This includes maintenance, but excludes potential acquisitions. For the period 2026-2030, the committed CapEx is EUR 2 billion, of which EUR 750 million is growth. Annual maintenance is expected to be EUR 250 million.

Tiina Tuomela
CFO | Fortum

The guidance for our corporate tax rate also remains unchanged for 2026. We expect the comparable effective income tax rate to be in the range of 18%-20%. This was all for my presentation, and we are now happy to answer your questions. With this, Ingela, over to you.

Ingela Ulfves
Head of Investor Relations | Fortum

Thank you, Tiina, and thank you, Markus, for the presentation. We are now ready to take your questions, and we can begin the Q&A session. Moderator, please go ahead.

Q&A

Operator

If you wish to ask a question, please dial pound key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial pound key six on your telephone keypad. The next question comes from Harry Wyburd from BNP Paribas. Please go ahead.

Harry Wyburd
Analyst | BNP Paribas

Hello. Morning, everyone, and thanks for taking my question. Two, please. Firstly, I just wanted to focus on Nordic power prices and particularly this winter. I think Nord Pool's gone up to about 85 EUR a MWh for Q4. I wanted to ask, how should we think about your ability to capture that? Obviously, as usual, you've given us your hedge for the rest of the year, your 80% hedge. Maybe you could tell us a little bit about how hedged you are for Q4 and Q1 of 2027. Given the big moves in power actually, unusually it's now actually quite relevant what percentage hedged you are for those specific quarters as opposed to the half year. If that makes sense.

Harry Wyburd
Analyst | BNP Paribas

Basically, I'm just trying to understand how much you can capture this big increase in Nord Pool prices over the winter. That's question one. Second one is whether you've got any updated comments on Uniper assets. Have there been any discussions? Is your appetite unchanged from the last conference call? A couple of tidbits on top. Firstly, would you consider acquiring the assets if your right of first refusal lapsed? I think it lapses at the end of this year. If the assets were still for sale in 2027, would you still look at them? Also, would you ever consider raising equity to fund a transaction like that?

Harry Wyburd
Analyst | BNP Paribas

I guess particularly given the Elmera acquisition, if we look at sort of regular multiples for the Uniper assets, it probably would be bigger than you could digest given your balance sheet at the moment. Interested to know what kind of funding options you would look at. Thank you.

Markus Rauramo
CEO | Fortum

Okay, thank you very much for the questions. I'll start with Uniper and comment shortly on the Nordic Power market as well and let Tiina comment in more detail. With regards to Uniper, we all have seen the German government announcement inviting indications of interest for the whole company. Now without going into specifics of who has indicated and what, we continue to be interested in Uniper's Nordic assets, and that would go for other nuclear and hydro in Nordics overall. If there is nuclear and hydropower available, we would look at it. The interest continues to be there. When the ROFO ends, our interest continues. Our interest in clean, dispatchable power is not limited to the ROFO. With regards to the financials and our appetite and capacity, we continue to follow our stated financial targets.

Markus Rauramo
CEO | Fortum

Strong investment grade rating underpinned by the leverage level of 2.5 that we should not go across. We would approach transactions from this framework and we have no plans for any kind of equity raise. For the Nordic Power market, we communicate our hedges for this year and next year. We do not communicate, as you know, we do not communicate quarterly hedging levels. The 80% already gives an indication that there is room to optimize this year and 65% for next year gives more space. What I would say overall is that the purpose of our hedging strategy is to provide visibility into cash flows in the short term eventually also stabilize our income and capture good prices in the long term with our customers.

Markus Rauramo
CEO | Fortum

I think this is really well highlighted if you look at the achieved power price for the first half year. It was exactly at the same level, EUR 55, first half this year, first half last year, when the market prices were at very different levels. With this, Tiina, anything you want to add?

Tiina Tuomela
CFO | Fortum

Well, maybe only building on that, of course, the hedge ratio, not every quarter is the similar one. I think that one contributor, of course, is that how much volume it is during the quarter. Typically, of course, we look at the high quarters, the first quarter and the last quarter. The volume produced in those quarters also impact to the hedge ratio.

Harry Wyburd
Analyst | BNP Paribas

Got it. Thanks, Tiina. Markus, just a follow-up. Got it, you're not planning any imminent equity raise, and also got it that you've got a leverage ceiling of two and a half times. I guess if we just assume for the sake of now that the assets would be too expensive for you to be able to acquire them and stay within your two and a half times net debt to EBITDA ceiling, are there any other financing tools that you would consider using just to help us a little bit if we were to scenario analyze this? I don't know, hybrids or minority sales in assets? Is there some other financing tool that you would consider if you were to acquire those assets and you weren't able to do it on balance sheet and stay within 2.5x net debt to EBITDA?

Markus Rauramo
CEO | Fortum

The guidance I would give is that we'll look at potential acquisitions like now with Elmera also on district heating, renewables, as well as hydropower and nuclear power within the financial limits we have. This is the framework we can give and I wouldn't go into speculating on how to finance any potential transactions at this point in time.

Harry Wyburd
Analyst | BNP Paribas

Okay. Fair enough. All right. Thank you.

Operator

The next question comes from Wanda Serwinowska from UBS. Please go ahead.

Wanda Serwinowska
Analyst | UBS

Hi. Thanks a lot for your presentation. Two questions from me. The first one is a very short one on the Elmera acquisition. Markus, you mentioned meaningful synergies, but would you be able to somehow quantify it? Are we talking about double digits, million EUR per year? If so, is it low, mid, or high? Any help would be appreciated. The second question is on your higher fixed cost, which I was surprised by because I remember you are running the cost-cutting program. You expect more benefit from the cost-cutting program by 2030, if I'm not mistaken. Can you talk a bit more about the reasons behind the fixed cost increase? How much was it in Q2, and what do you expect going forward? Thank you.

Markus Rauramo
CEO | Fortum

Thank you. I'll start with Elmera, and I'll let Tiina comment on the fixed cost. Indeed, we have two very complementary businesses, Fortum Consumer Solutions and Elmera. The couple of the drivers are that market is fragmented. There are big-scale advantages in utilizing same platforms as we have done with the acquisition of Hafslund, with Orange, Telia, and so on. We can integrate big amounts of customers with very low marginal cost. With regards to the transaction, we will be filing our offer document with the Norwegian financial regulator, and we will have the competition authority reviews as well, and then we need shareholder approval. Once we get through those, then we'll give more details on what the targets are. At the moment, we can say that they are meaningful, and we can look back at previous transactions what we have achieved there.

Markus Rauramo
CEO | Fortum

For fixed cost, Tiina.

Tiina Tuomela
CFO | Fortum

Yes. Definitely fixed cost are still pretty much on our focus, and we continue the continuous improvement. Last year, we finalized our efficiency program of this EUR 100 million successfully, and we say that we target the overall cost level of EUR 870 million per year. If we look at the cumulatively, what is our fixed cost level at the end of Q2, it was EUR 428. We could say that we are on the right run rate overall if we look at the fixed cost level. Of course, there are variation between the quarters, and as we see also that between some of our segments, they were lower, some higher. Overall we are well on track.

Wanda Serwinowska
Analyst | UBS

If I may, a couple follow-ups. Tiina, would you be able to quantify the total increase in Q2, and what would you expect for the full year before the next cost cutting kicks off? Markus, you mentioned synergies from the previous transactions. Do you mind reminding us how much you achieved on the previous transactions? Thank you.

Markus Rauramo
CEO | Fortum

Tiina, do you want to take the Q2 increase?

Tiina Tuomela
CFO | Fortum

Q2. The cost increase overall, it was EUR 11 million. EUR 11 million increase in Q2. Of course, some as such, quarters, they are not alike. We are not giving any other guidance rather than that roughly EUR 870 million overall level. Of course, if there are scope changes If there are new activities, some new efforts, those would naturally impact the cost level, but also, of course, bring more EBIT and profitability for us.

Markus Rauramo
CEO | Fortum

For the previous transactions. In the large ones, synergies have been double digit, and then we have smaller ones where we necessarily haven't announced all the synergies in every case. Meaningful synergies with regards to each transaction. We are not quantifying yet for the proposed Elmera transaction.

Wanda Serwinowska
Analyst | UBS

Thanks a lot.

Operator

The next question comes from James Brand from Deutsche Bank. Please go ahead.

James Brand
Analyst | Deutsche Bank

Hi. Good morning. Thanks for the results and taking our questions. I had two questions. Firstly, you said in Q2 that your optimization was impacted by low water levels and low volumes overall. Do you see that continuing in Q3, or is Q3 seeing more normal conditions? That's the first question. Secondly, on the demand side, I was just wondering whether you could give an update, given it's obviously massively in focus for the market. What did you actually see in the Nordics for demand growth in Q2 year-on-year? Do you see the outlook changing at all in terms of data centers and industrial demand growth from what you said at the last quarterly results? Thank you very much.

Markus Rauramo
CEO | Fortum

Thank you. I can start with the demand and if you, Tiina, comment the Q2 versus Q3. The demand outlook or demand right now is roughly on a rolling 12-month basis in the Nordics, around 400 TWh, and in the last quarter it was 89 TWh. We are at very similar levels. No material changes either way. The bigger impacts will come once the currently under-construction data centers will hit the market and eventually when also new demand will pick up. With regards to our customer pipeline, we are using the same wording, so we continue to see robust interest in the Nordics. I think the reasons are highlighted now by EU's Electrification Action Plan. EU is highlighting that we need clean, affordable, reliable, homegrown energy versus imported, very expensive fossil energy.

Markus Rauramo
CEO | Fortum

The Electrification Action Plan actions look very much like what we have in the Nordics already. This is attracting globally customers to the Nordics. We continue to see interest in metals. We continue to see interest in data centers, as well as longer term in hydrogen. At the moment, it's data centers which are the most active ones, and they will be more incremental. I'll just take an example of the Microsoft cluster in the capital region. It's been a long project. Now Microsoft is building modularly their three-site cluster. We have already commissioned our heat pumps and heat storage and electric boilers that are associated with that. Eventually we'll see, for example, that three times 200 MW demand hitting the market. Tiina.

Tiina Tuomela
CFO | Fortum

Yes. To the optimization premium. What we said that our achieved power price in the second quarter was impacted with the lower optimization premium and the high hedge ratio. Optimization premium consists of the three main elements. One is coming from the hydro optimization, which was at the good level. Volatility remained roughly on the same level as the previous quarters. The second one relates to ancillary services, and this is the part where we saw that the prices were lower, mainly impacting that many batteries, electric boilers, customer demand are also entering this market and therefore impacting the premium. The third one is the environmental value, which was pretty much the same as earlier.

Tiina Tuomela
CFO | Fortum

I think that what is important to highlight is that the full year optimization premium, what we have remains the same as the guidance, EUR 8 to EUR 10 per MWh. Of course there are temporary fluctuation based on the volatility and also the players who are in the market.

James Brand
Analyst | Deutsche Bank

Thank you so much for that. Can I just ask on the ancillary services part of the optimization, I don't think I've heard you talk about that too much in the past. Could you quantify at all how much of the overall optimization premium normally comes from ancillary services? I'm not necessarily looking for you to be too precise, but just roughly, is it a kind of significant part of it?

Tiina Tuomela
CFO | Fortum

We haven't split in the number wise in that detail. However, what we have said that the majority comes from the hydro optimization, the part which performed very well also in this second quarter.

James Brand
Analyst | Deutsche Bank

Great. Thank you so much.

Operator

The next question comes from Louis Boujard from ODDO BHF. Please go ahead.

Louis Boujard
Analyst | ODDO BHF

Yes. Hi, good morning, thank you for the presentation. Maybe coming back a little bit on the Elmera acquisition. How should investors think about the next phase on Fortum core strategy after this operation? Does this transaction reduce the likelihood of other sizable M&A in the future? Do you think that as the acquisition change your thinking regarding the capital allocation between M&A and organic investments, and the shareholder distributions, going forward, considering the size of the operation? How should we consider it in your strategic thinking as well? Maybe a second question, regarding the Nordic forward curve and your hedge position. How would you characterize your earnings visibility for 2027 at this point in time relative to previous year? Is the volatility likely to remain higher, than investors have historically been seen in the past?

Louis Boujard
Analyst | ODDO BHF

Do you think that it could eventually enable you to be a bit more positive on your optimization premium going forward? Thank you very much.

Markus Rauramo
CEO | Fortum

Okay. Again, I would ask Tiina to answer the second question on the Nordic outlook and how we think about our hedging. On the first one, this transaction, the proposed transaction with Elmera, it is indeed in the early stages. First we have to get this through the Norwegian FSA and the competition authorities, and then get the shareholder approval. This is a large transaction, this will be taking a lot of our management attention in Consumer Solutions if this goes through. It's a combination of 2.3 million and nearly 1 million customers. Having said that, this is a thing, integrating, getting the synergies is something we have done many times over. I'm very confident that we can then deliver what we are targeting to do in regards to shareholder value and value to our customers.

Markus Rauramo
CEO | Fortum

There will be, then if this goes through, there's a transaction to digest first in Consumer Solutions. With regards to capital allocation, we continue to be interested in growing with our customers through PPAs. We are ready to take counterparty risk, do also longer transactions. We are very open to do business. We are very open also to investing for our customers in new capacity. We have developed the renewable pipeline as well as flexibility. At the right prices, we are happy to also then provide capacity for the customers, if that is needed. We have said with regards to the capital allocation that our dividend policy is 60%-90% of the net profit or EPS, and we will use that range flexibly, depending on our balance sheet capacity and with regards to if we have investment opportunities.

Markus Rauramo
CEO | Fortum

Now when we have not had larger investments, we have been paying 90%. When we assess the situation around the end of the year and beginning of the year, and when the board is making its proposal for the AGM, it will take into account our balance sheet and liquidity and the whole CapEx outlook. I will not go preempting that, but just stating that there is a range that we have said that we will use, depending on the circumstances. For the second question, Nordic curve.

Tiina Tuomela
CFO | Fortum

Nordic curve. Yes. When we look at the Nordic power prices, they have been an uplift mostly driven by the low hydro reservoirs. As we saw also in the second quarter. Hydro reservoirs at the beginning were marginally surplus and then they went to a deficit of -5 TWh and they have continued. If we look at this stage, now it's even -10 TWh compared to the historical average. Of course this can change as we know, very quickly if the rainy seasons comes from. The other thing is the volatility. Volatility seems to in overall level has remained on the higher level and there the main reason is that more renewables is already in the system. When it's windy, it is volatile, it's not windy. Even the current amount of renewables keeps the system moving quite a bit.

Tiina Tuomela
CFO | Fortum

Maybe one point to also note that the prices, if we compare the Nordic and the southern part of the Nordic have been very different. In the Nordic where we have the wind and where we have also the hydro, the prices have been lower, whereas in the southern Nordic close to all the continental Europe, the prices have been fairly high.

Louis Boujard
Analyst | ODDO BHF

Thank you.

Operator

The next question comes from Rob Pulleyn from Morgan Stanley. Please go ahead.

Rob Pulleyn
Analyst | Morgan Stanley

Hi. Yeah, good morning, everyone. Just one question from me, given what's been covered so far, and that's regarding nuclear volumes as we think ahead to 2027 and discussion of hedge ratios. How confident are you in a return to, shall we say, normal nuclear volumes given obviously some of the outages this year and in the past? Thank you.

Markus Rauramo
CEO | Fortum

Yes. We have had unavailability in Oskarshamn. Now, the plant is being ramped up and the problems have been cleared. We are targeting then better availability. There are also now limitations in Olkiluoto 3. This is the area where we have most potential actually when it comes to availability. Our hydro availability has been on a good level. Nuclear, not so good. I have confidence that we can get Oskarshamn 3 as well as Olkiluoto 3 then to the right availability levels. Admittedly, there have been problems.

Rob Pulleyn
Analyst | Morgan Stanley

Okay. Thank you. Sending it over.

Operator

The next question comes from Iiris Theman from DNB Carnegie. Please go ahead.

Iiris Theman
Analyst | DNB Carnegie

Hi. Thanks for your presentation. I have just one question. Regarding your optimization premium, why do you expect lower optimization premium for next year, even though price volatility is likely to increase and basically is it due to lower income from ancillary services? Thank you.

Markus Rauramo
CEO | Fortum

Tiina, do you want to take that one?

Tiina Tuomela
CFO | Fortum

Yes. Happy to take that. I think what we have all also said that because it is very difficult to predict the overall volatility in different times, therefore we have given the longer term optimization premium guidance to be six to eight, and we will further define closer we get that period. Of course, inside the optimization premium, one interesting part is to look at how the ancillary service develops and this is one part why we are a bit more cautious too when giving the longer term guidance.

Iiris Theman
Analyst | DNB Carnegie

Thank you.

Ingela Ulfves
Head of Investor Relations | Fortum

Thank you, everyone. Iiris' question actually was the last one. Thank you for all your questions here today, and thank you, moderator. On behalf of Fortum and the whole team here, we wish you all a very nice rest of the day, and also, let's enjoy the next summer days, and then we'll be back in the autumn. Thank you.

Markus Rauramo
CEO | Fortum

Have a good July. Bye-bye.

Tiina Tuomela
CFO | Fortum

Bye-bye.