

Successful structural changes – EPS growth

Capital Markets Day

5 November 2014

Tapio Kuula, CEO

Agenda

- Gasum
- Towards functioning energy markets in EU
- Climate change
- Fortum's strategy towards growth
 - Key competitive advantages
 - Scrutinized investment discipline
- Strategic priorities
- Vision
- Capital returns
- Summary

Fortum to sell Gasum – Key messages

- 31% shareholding to be sold to the Finnish State
- Sales price EUR 310 million, and capital gain of roughly EUR 190 million corresponding to approximately EUR 0.22 per share
- Part of Fortum's efficiency programme
- Booked during Q4 – Heat and Electricity Sales and Solutions

Towards properly functioning EU energy market

Electricity market that contains the following characteristics...

- market-based
- harmonized rules
- broad geographic scope with well-developed transmission infrastructure
- technology neutral
- close cooperation between TSOs regulators and power exchanges

Electricity value components:

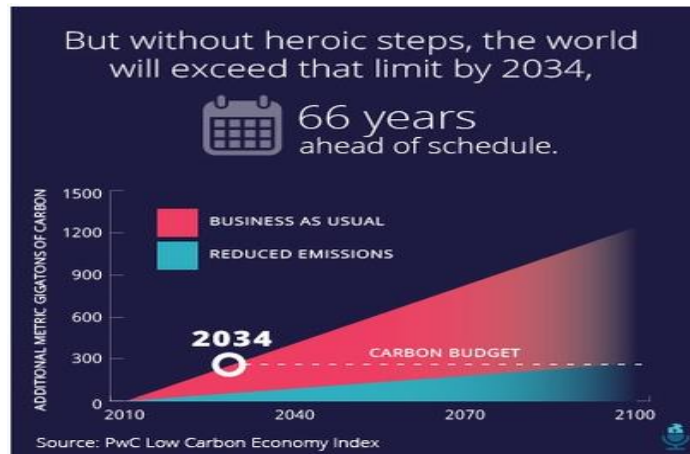
- Energy
- Capacity
- Supply/demand balance
- Environmental consequences

...is best placed to respond simultaneously to all EU energy policy objectives in a balanced manner



...and provides innovative products and services according to customer needs and wishes

Climate Change: Heading for 4°C - Talking for 2°C



BY JASON SAMENOW | March 28, 2013 at 10:34 pm

- Emissions are increasing: > 60% of energy supply investments in 2013, were fossil energy related, hence we are still heading +4C, pledging for +3C and talking about +2C
- Emission gap will be between 8 –12 GtCO₂e per year in 2020
- The global carbon budget for +2C is likely to be exceeded before 2040
- The cost of delay for hitting climate targets is huge and the increase is approximately 40 percent for each decade of delay
- Climate change /CO₂ will be a much more severe issue in 10 years time than what we see today

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 for society and deliver excellent value to our shareholders.

Strategy

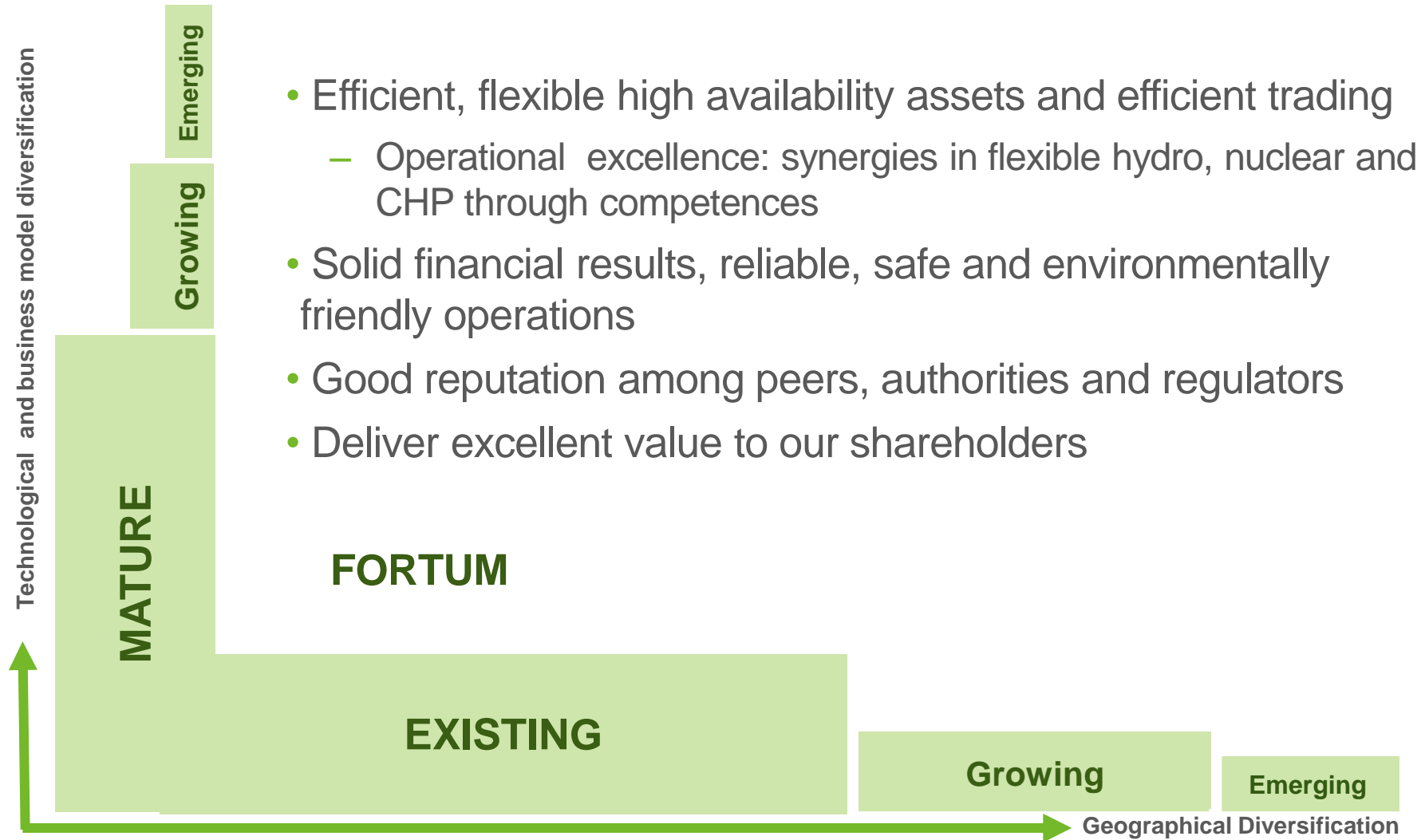
Build on the strong
Nordic core

Create solid earnings
growth in Russia

Build a platform for
future growth

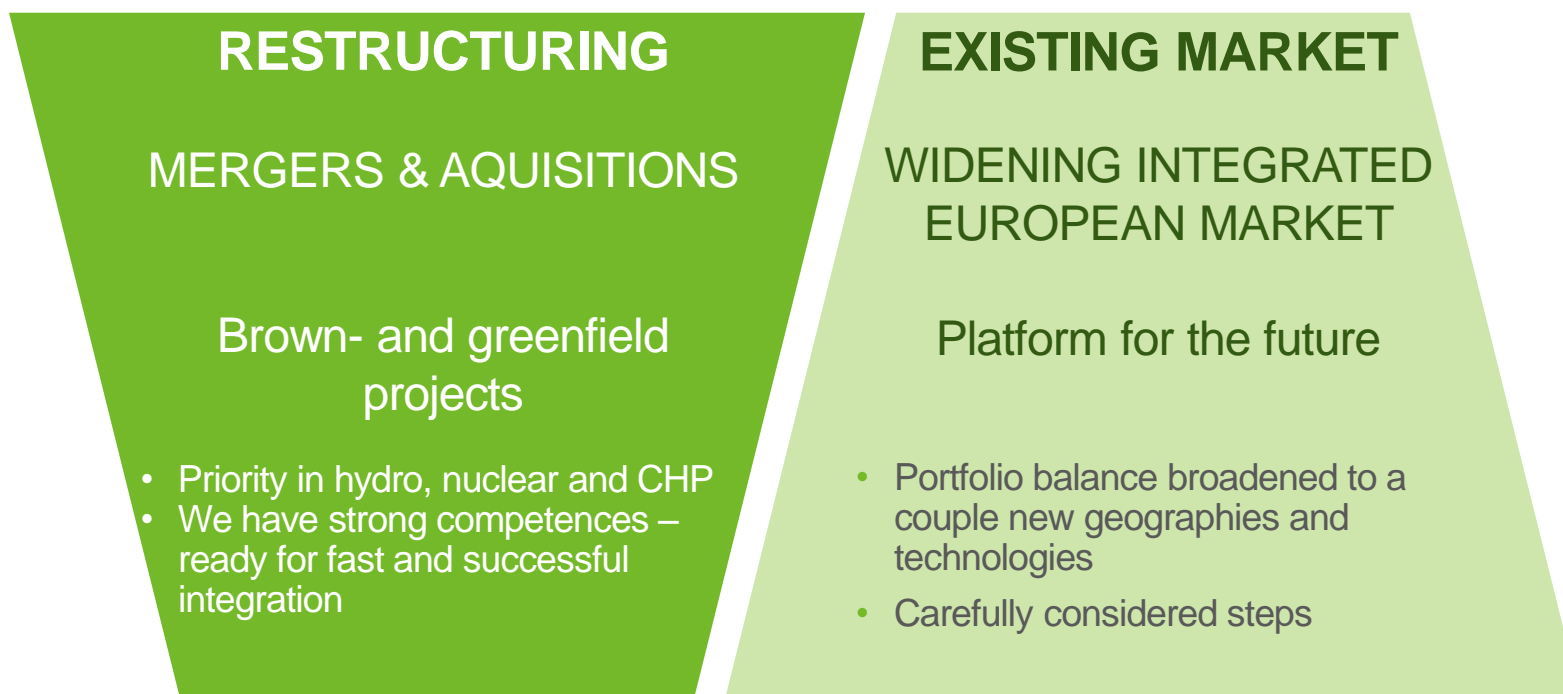
Strong competence in CO₂-free hydro and nuclear, efficient CHP production and energy markets

Fortum creates added value with key competitive advantages in current portfolio



Scrutinized investment discipline opens opportunities for future growth

Strong balance sheet and operational cash flow enables future growth – Fortum is to be one of the leading companies in European electricity generation and heat production



Strategic priorities

Strategic priorities

- **Retain** strong earnings from existing Nordics/Baltics core
- **Complete and secure** returns from investment in Russia
- **Grow** primarily through restructuring and M&A in hydro, nuclear and CHP generation assets in current home market and broadening integrated European continent
- **Create platform** for future growth in a couple new markets
- **Create new business** from solar and customer focused solutions

How, What and Where

- Efficient, high availability assets and scrutinized investments to ensure competitiveness
- CSA capacity provides **good profits in rouble terms**
- Fortum is ready and well positioned to **utilize the opportunities** – in Nordics, Continental Europe and Russia
- Priority in hydro, nuclear and CHP – where Fortum possess **strong competences** and is ready to carry out **fast and successful integration**
- **Flexible hydro is** fundamentally attractive generation form
- **Portfolio balance** broadened to a couple new geographies and technologies – in carefully considered steps

Creating shareholder value

- The dividend policy ensures that shareholders receive a fair remuneration for their entrusted capital, supported by the company's long-term strategy that aims at increasing earnings per share and thereby the dividend
- When proposing the dividend, the Board of Directors looks at a range of factors, including the macro environment, balance sheet strength as well as future investment plans

Fortum Corporation's target is to pay a ***stable, sustainable and over time increasing*** dividend of 50-80% of earnings per share excluding one-off items

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Strong competence in CO₂-free hydro and nuclear, efficient CHP production and energy markets

- **Successful structural changes**
 - **EPS growth**



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