



Capital Markets Day

Strong balance sheet supports strategy implementation

Timo Karttinen / CFO / 16 November 2016

Järvenpää CHP plant, Finland



fortum

Agenda

- January-September 2016 results
- Financial targets
- Capital structure
- CAPEX
- Hedging performance and principles
- Debt portfolio maturity profile
- Taxation
- Summary

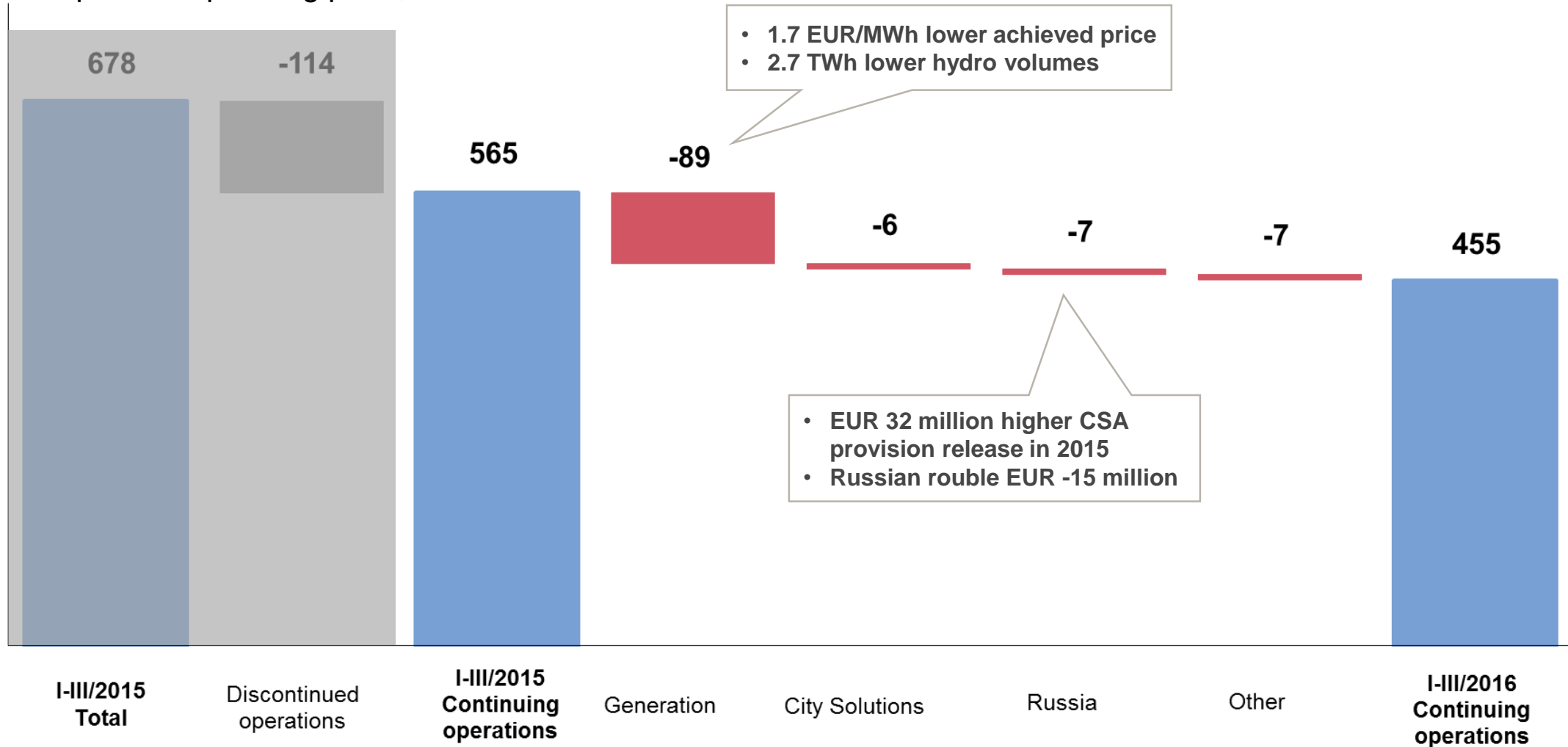


January-September 2016 Results – EBITDA fairly stable, Russia operationally delivering

Key figures (MEUR), continuing operations	III/2016	III/2015	I-III/2016	I-III/2015	2015	LTM
Sales	732	661	2,489	2,495	3,459	3,453
Comparable EBITDA	151	163	717	787	1,102	1,033
Operating profit	-6	-682	430	-188	-150	468
Comparable operating profit	58	79	455	565	808	698
Share of profits of associates and joint ventures	11	-95	116	-15	20	151
Profit before taxes	-40	-818	411	-325	-305	431
Earnings per share, EUR	-0.03	-0.74	0.40	-0.28	-0.26	0.41
Net cash from operating activities	101	151	471	896	1,228	803

I-III/2016: Result was burdened by lower achieved price and low hydro volumes

Comparable operating profit, EUR million



Fortum has a strong financial position, still low leverage

MEUR	LTM (Sep-16)	2015
Comparable EBITDA, continuing operations	1,033	1,102
Comparable EBITDA, total Fortum	1,033	1,265
Interest-bearing net debt, total Fortum	-137	-2,195
Comparable net debt/EBITDA, total Fortum	-0.1	-1.7
ROCE % Return on capital employed, total Fortum	3.2	22.7

Liquid funds totalled EUR 5.3 billion

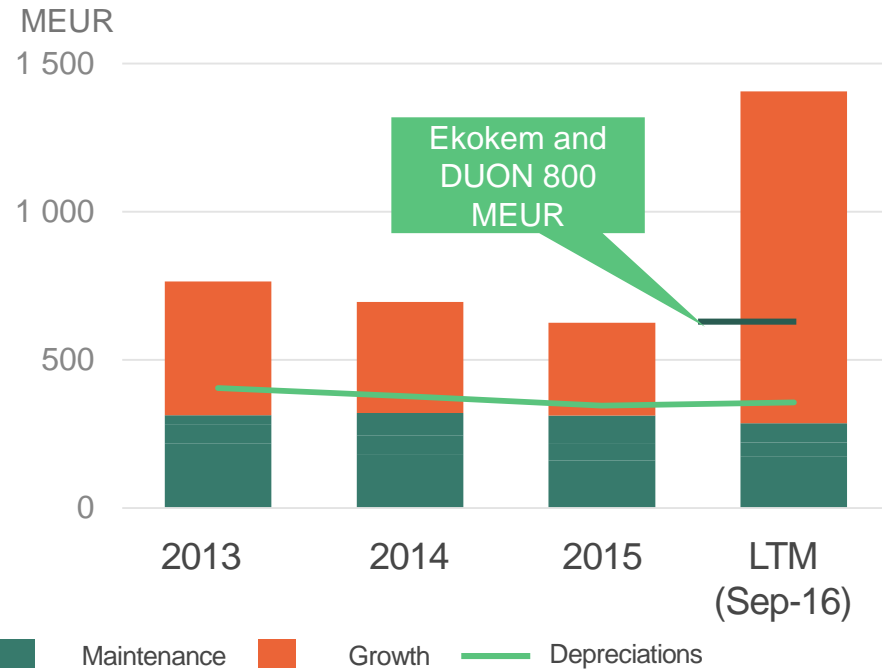
Committed credit lines total EUR 2.0 billion



Our long-term financial over-the-cycle targets are:

- Return on capital employed (ROCE): at least 10%
- Comparable net debt to EBITDA: around 2.5 times
- Dividend policy: target is to pay a *stable, sustainable and over time increasing* dividend of 50-80% of earnings per share excluding one-off items

Gross investments per investment category and largest ongoing growth projects



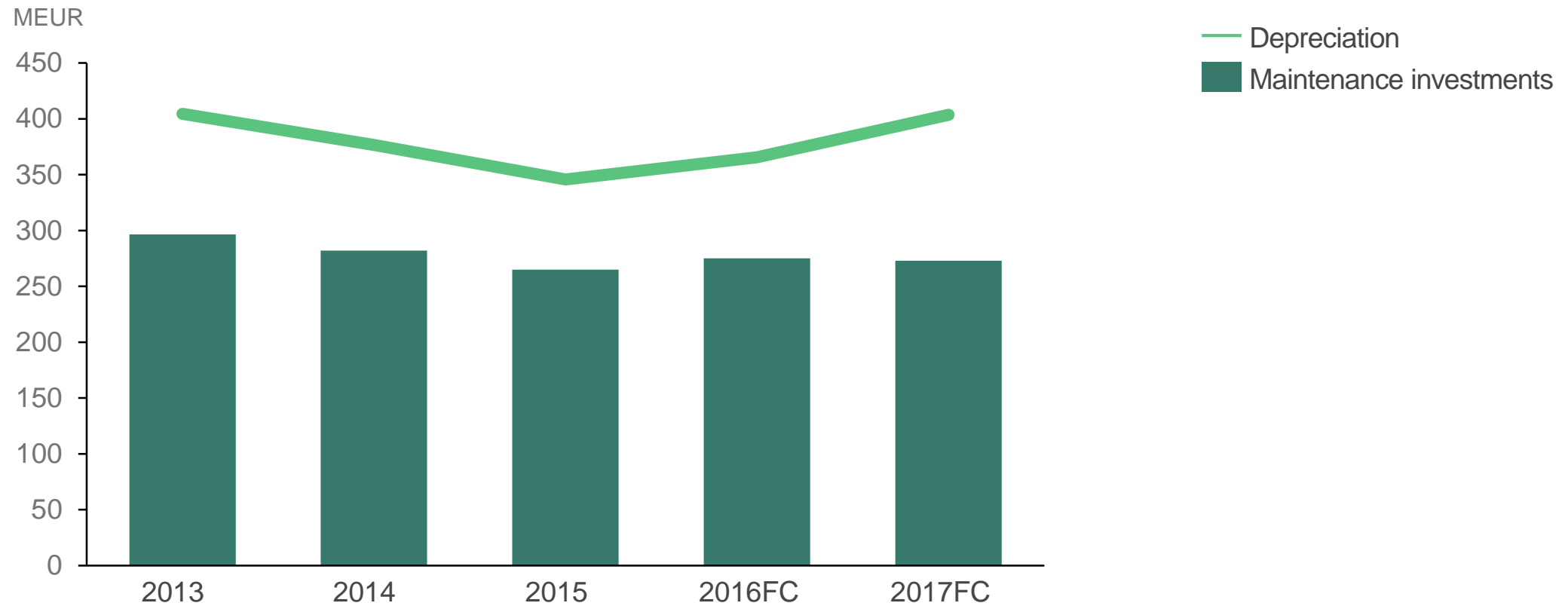
Division	Project	Total investment, MEUR	Estimated operation date
City Solutions			
	Ekokem*	~700	9/2016
	DUON*	~100	3/2016
	Zabrze CHP	~170	11/2018
Other			
	Solberg wind park**	<100	12/2017
	Blaiken wind park IV	~10	12/2016
	Bhandla, India	~50	03/2017
	Kamataka, India	~80	06/2017
	Chempolis	<10	10/2016
Russia			
	Windfarm Uljanovsk	~65	10/2017

*) Acquisition

**) Skellefteå Kraft AB (SKAB) is participating in the project with 50% share

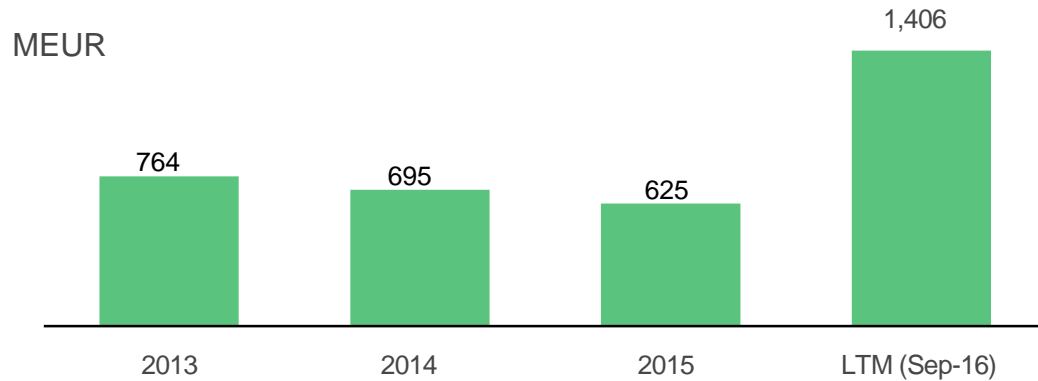
Fortum currently expects its capital expenditure, excluding acquisitions, for its continuing operations in 2016 to be approximately EUR 650 million. The annual maintenance capital expenditure is estimated to be about EUR 300-350 million in 2016, below the level of depreciation.

Maintenance capex 2013-2017



Fortum has continuously invested, while keeping capital structure and dividends at a good level

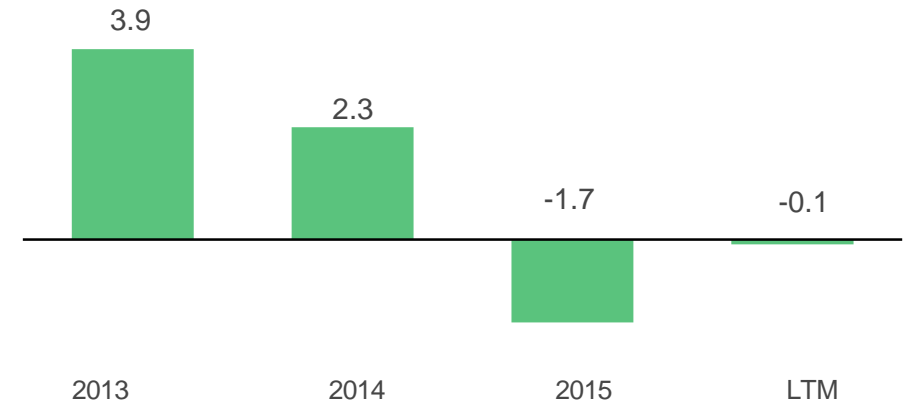
Capital expenditure and gross investments in shares



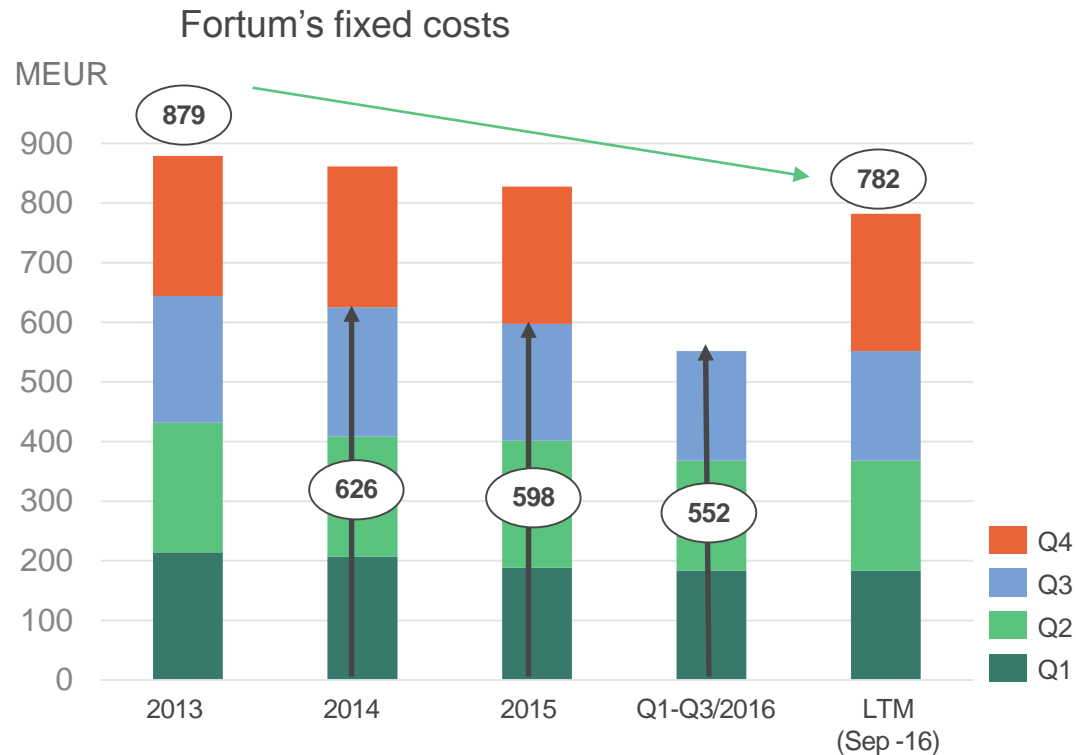
Gross investments per division	2013	2014	2015	LTM (Sep-16)
Generation	170	179	194	201
City Solutions	119	111	123	930
Russia	435	367	285	221
Other	40	39	23	54
Fortum Group	764	695	625	1,406

- By investing we maintain the current assets and create growth for the future
- Balance sheet still inefficient, target around 2.5

Comparable net debt/EBITDA



Efficiency and investments in focus, cost reduction on track



NOTE! Figures excluding DUON and Ekokem

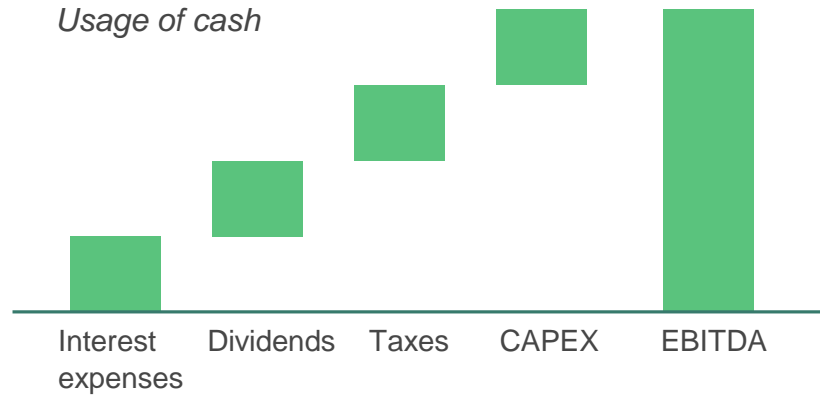
- On track to deliver EUR 100 million savings in fixed costs by end 2017 (started in 2015)
- Continuous efficiency improvements
- Investment scrutiny continues, maintenance clearly below depreciation

Purpose of hedging

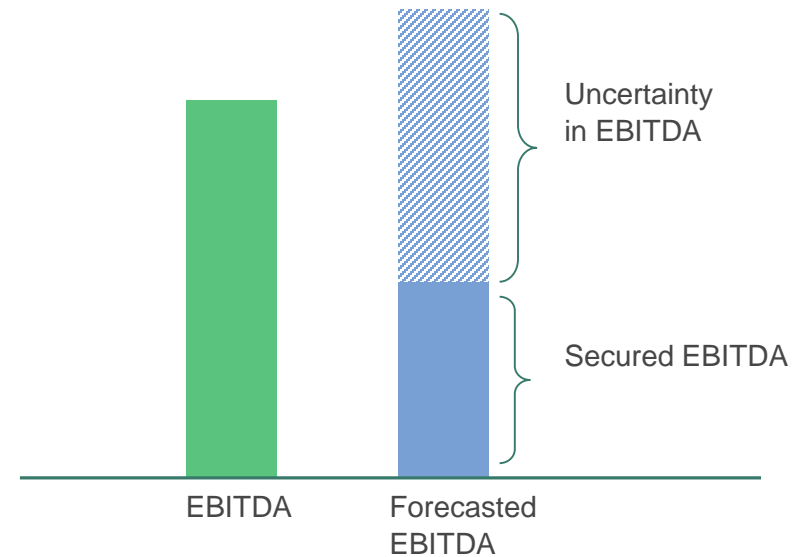
Purpose of hedging

- To decrease volatility of company result due to short term power price variation
- To support cash flow needs of Generation division and Group
- To increase result in the long run in comparison to result without hedging

Usage of cash



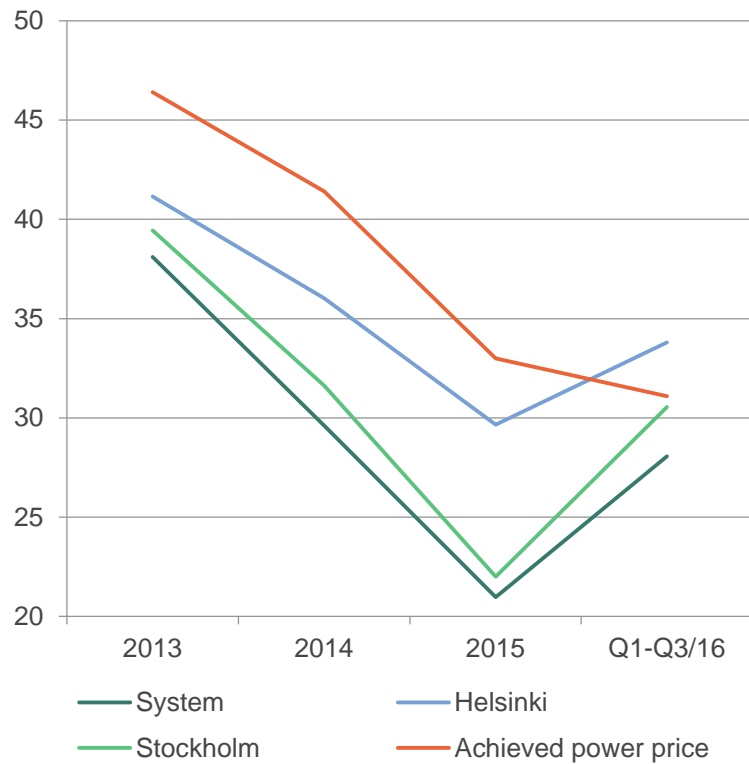
Risk management



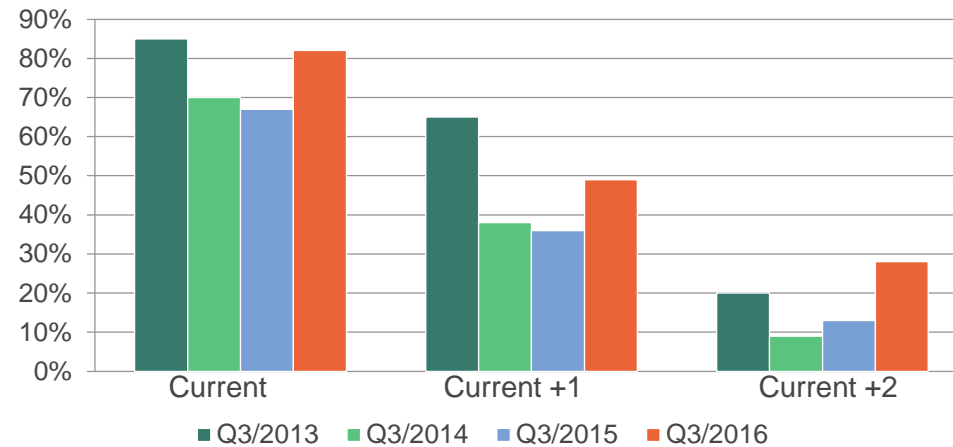
ILLUSTRATIVE

Current hedging in Generation

Annual average electricity price €/MWh



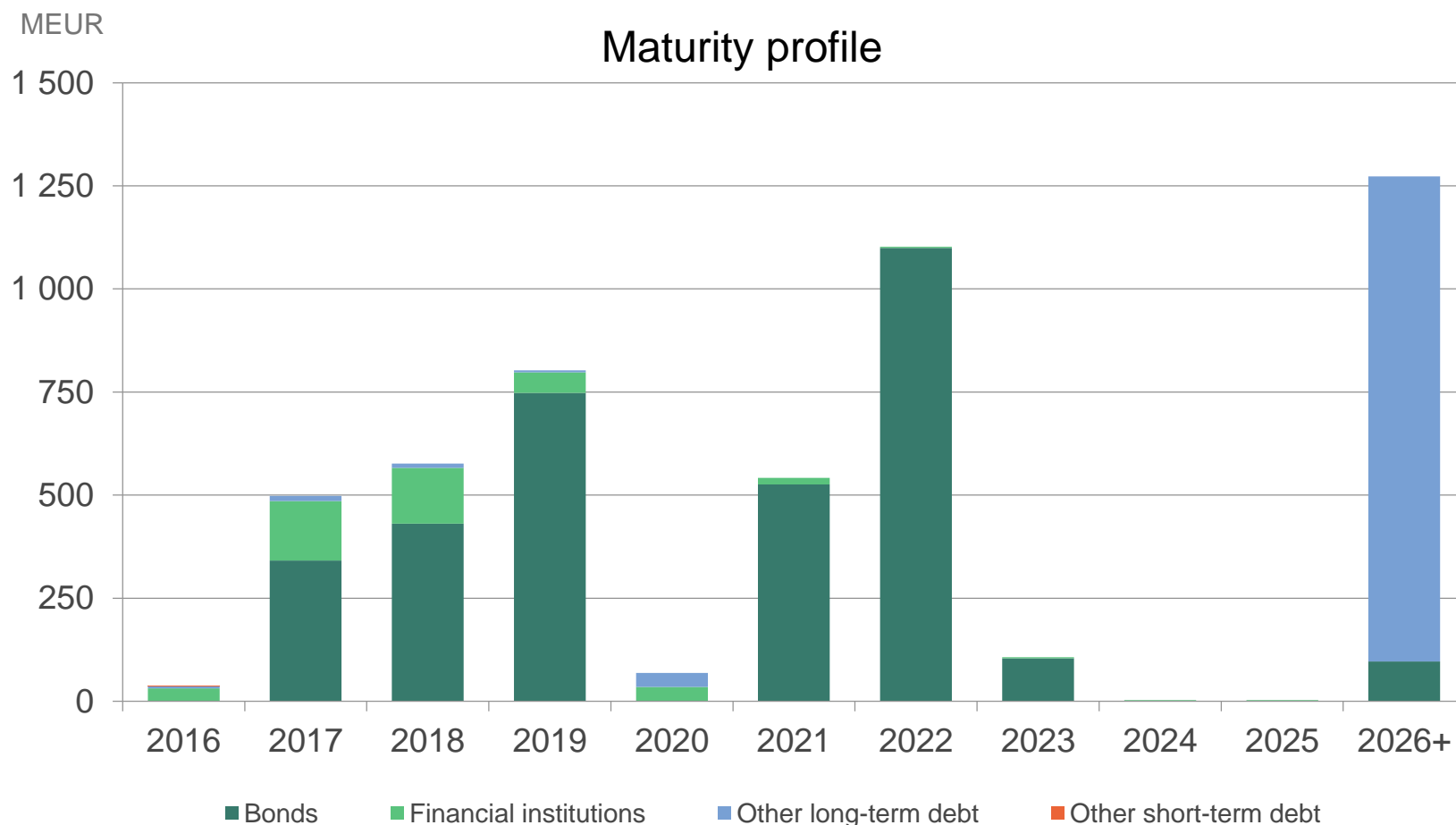
Hedging level in the end of Q3



	Current year			Current year + 1			Current year + 2		
	HR	Price	Year	HR	Price	Year	HR	Price	Year
Q3/2013	85%	44	2013	65%	42	2014	20%	41	2015
Q3/2014	70%	43	2014	40%	40	2015	10%	39	2016
Q3/2015	65%	36	2015	35%	34	2016	15%	33	2017
Q3/2016	80%	29	2016	50%	28	2017	30%	25	2018

Debt portfolio and average interest rate on the balance sheet date

30 September 2016



- Total interest-bearing debt EUR 5,185 million
 - Average interest 3.4% (2015: 3.7%)
 - Portfolio mainly in EUR and SEK with average interest cost 2.0% (2015: 2.6%)
 - EUR 734 million (2015: 641) swapped to RUB, average interest cost including cost for hedging 11.7% (2015: 12.8%)

In addition Fortum has received EUR 172 million based on Credit Support Annex agreements with several counterparties. This amount has been booked as a short-term liability.



Taxation

- The effective tax rate for 2016 for the Group is estimated to be 19-21%, excluding the impact of the share of profits of associated companies and joint ventures, non-taxable capital gains and non-recurring items
- In Sweden, nuclear taxes to be removed by 2018 and hydro assets' real estate tax rate decreases from 2.8% to 0.5% over a four-year period
- In Finland, the tax on heating fuels is increased from 2017 onwards

Summary

- Strong financial position giving capability for strategy execution
- Targeted capital structure at net debt / EBITDA around 2.5 will support strategic ambitions
- Russia has operationally delivered – FX continues to burden EUR results
- Cost reduction in existing operations of EUR 100 million by end 2017 on track
- 2016 CAPEX estimate (excluding acquisitions) approx. EUR 650 million
- Maintenance CAPEX in 2017 below EUR 300 million, and well below depreciation





For more information, please visit
www.fortum.com/investors