FORTUM – For a cleaner world

Investor / Analyst material

April 2018

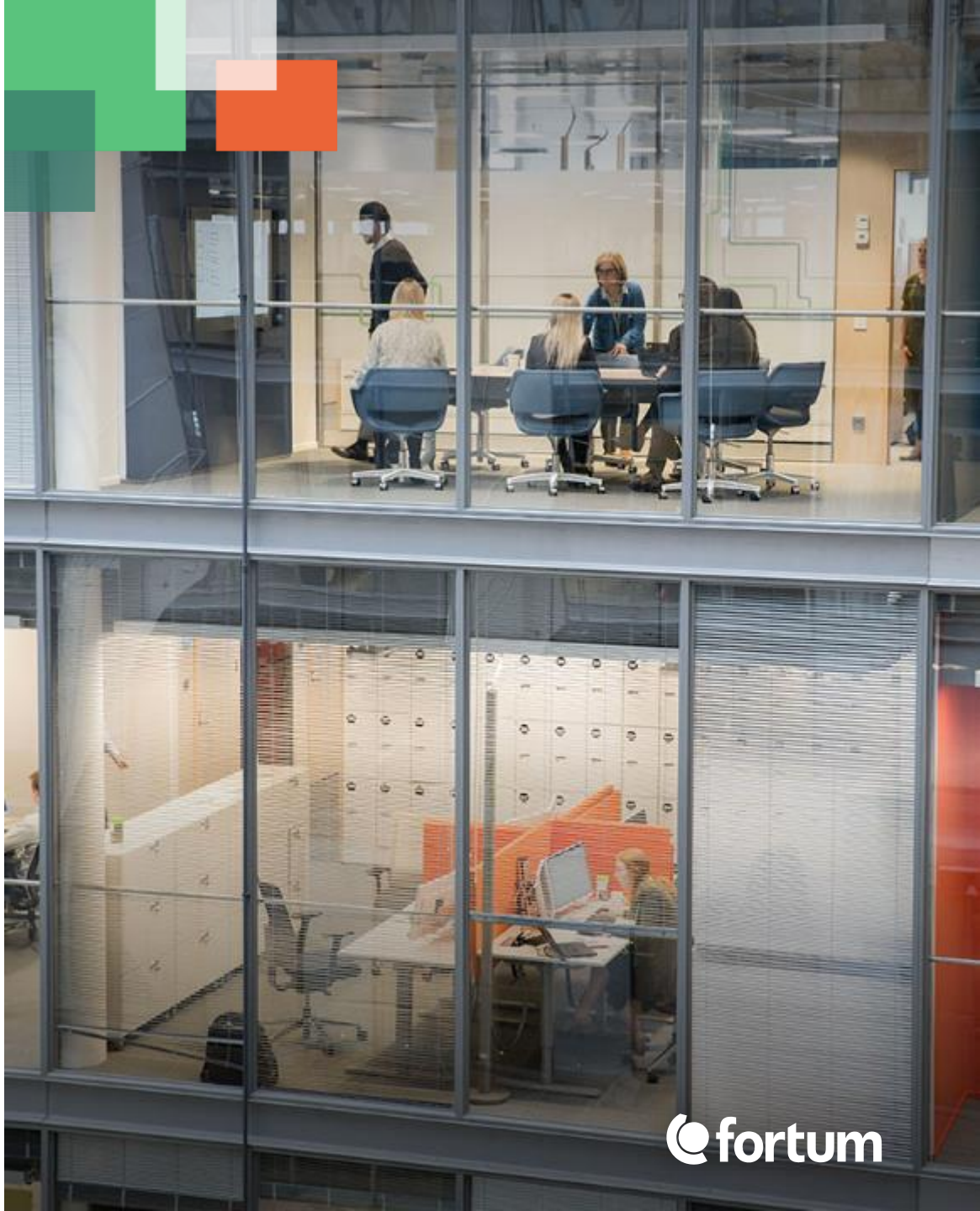
Disclaimer

This presentation does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Fortum shares.

Past performance is no guide to future performance, and persons needing advice should consult an independent financial adviser.

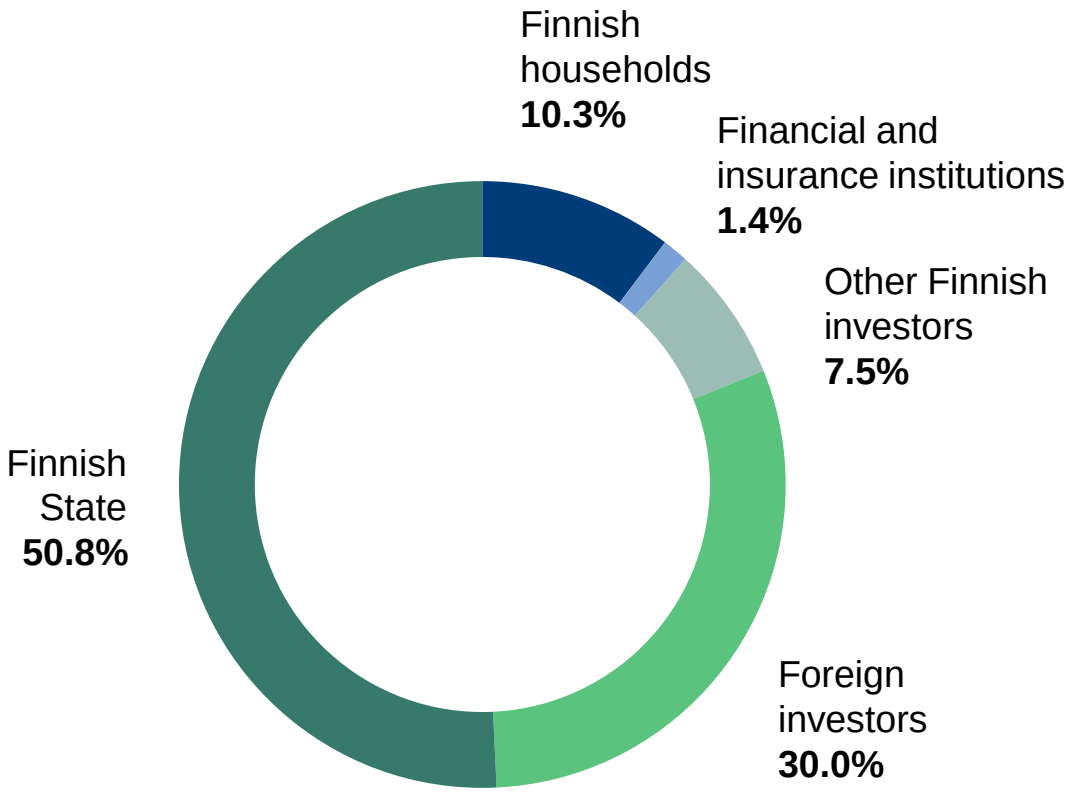
Any references to the future represent the management's current best understanding. However the final outcome may differ from them.

Content



Appr. 130,000 shareholders

- Power and heat company in the Nordic countries, Russia, Poland and the Baltics
- Listed at the Helsinki Stock Exchange since 1998
- Among the most traded shares on the Nasdaq Helsinki stock exchange
- Market cap ~16 billion euros



28 February 2018

Capital returns: 2017 EUR 1.10 per share ~ EUR 1 billion

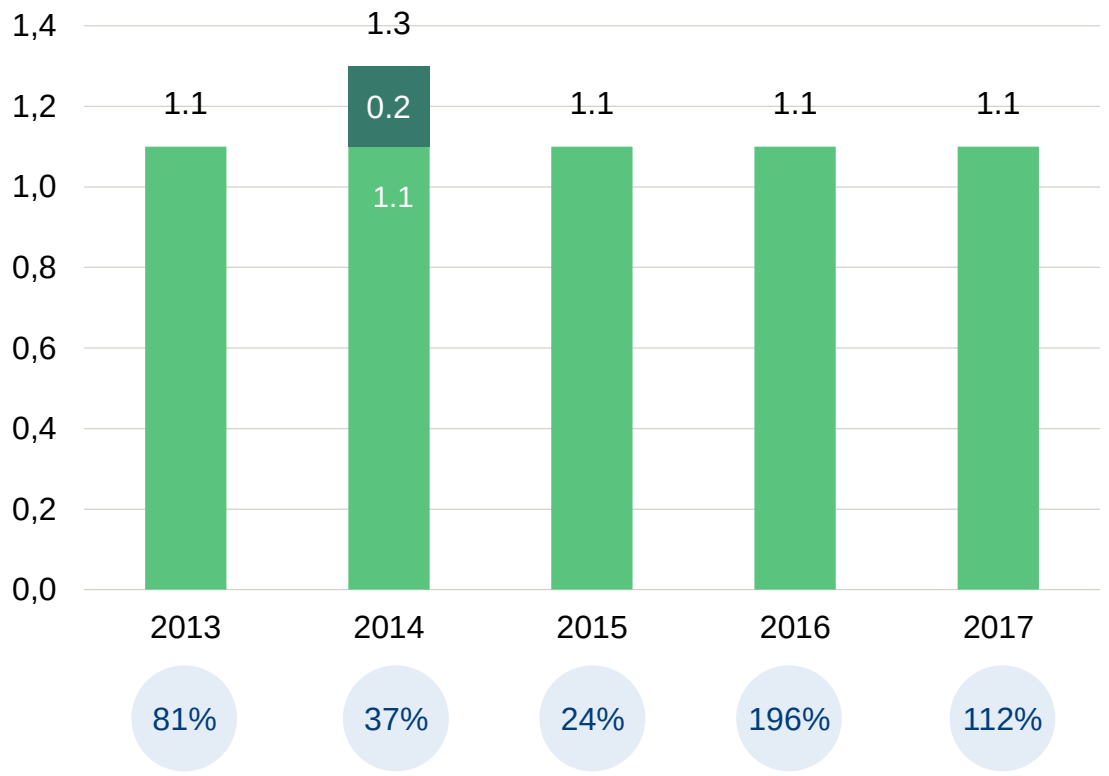
Fortum's dividend policy is based on the following preconditions:

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

Fortum has since 1998 annually paid dividends in total ~14,580 MEUR

5 year dividend per share (EUR) history



Fortum – For a cleaner world

Megatrends

Climate change and resource efficiency
Urbanisation
Active customers
Digitalisation, new technologies

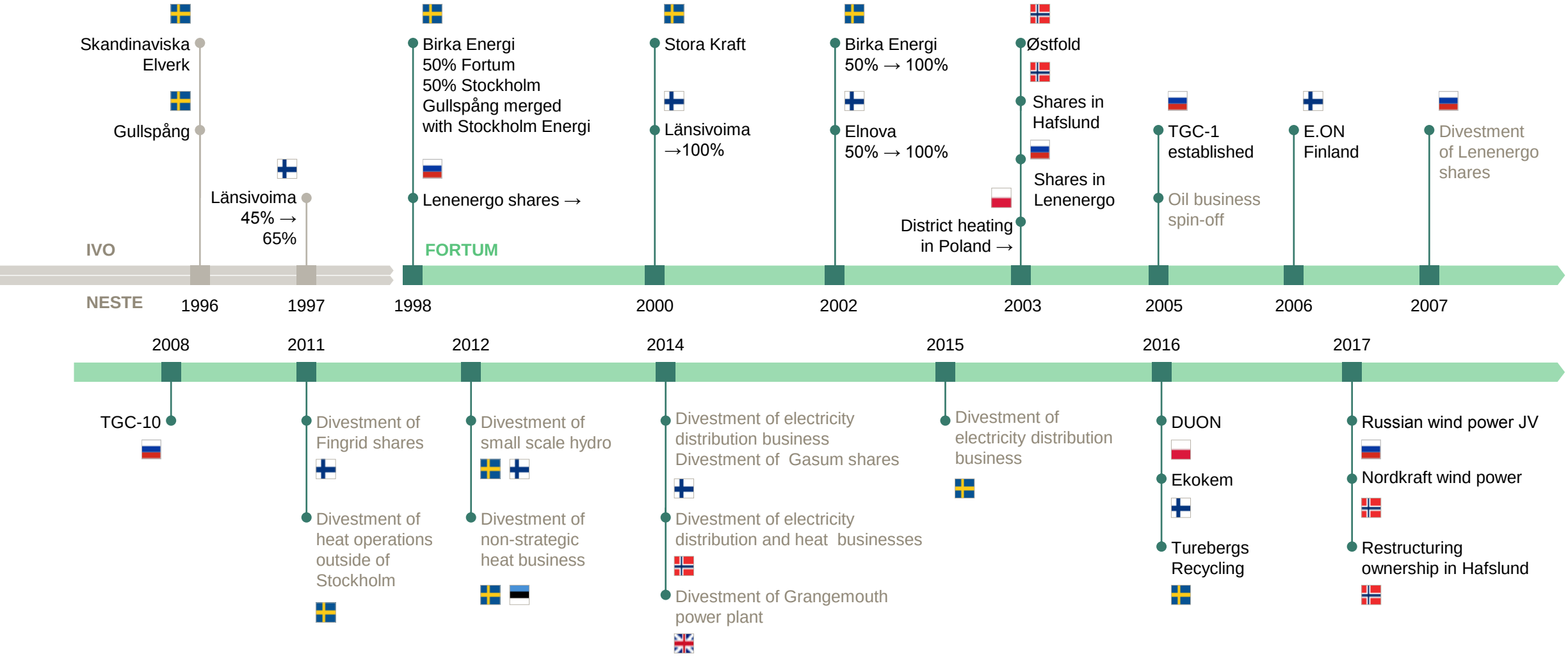
Mission

We engage our customers and society to drive the change towards a cleaner world. Our role is to accelerate this change by reshaping the energy system, improving resource efficiency and providing smart solutions. This way we deliver excellent shareholder value.

Strategy

- Drive productivity and industry transformation
- Grow in solar and wind
- Create solutions for sustainable cities
- Build new energy ventures

Our strategic route



Our current geographical presence

NORDIC COUNTRIES

Power generation
45.4 TWh

Heat sales
5.0 TWh

Electricity customers
2.4 million

RUSSIA

PAO Fortum

Power generation
26.3 TWh

Heat sales
19.8 TWh

KEY FIGURES 2017

Sales	**EUR 4.5 bn**
Comparable operating profit	**EUR 0.8 bn**
Balance sheet	**EUR 22 bn**
Personnel	**8,800**

POLAND

Power generation
0.5 TWh

Heat sales
3.7 TWh

BALTIC COUNTRIES

Power generation
0.7 TWh

Heat sales
1.4 TWh

INDIA

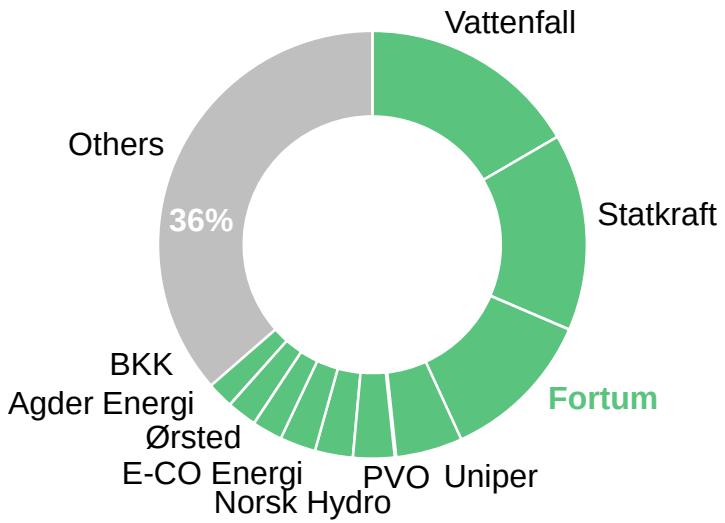
Power generation
0.3 TWh

fortum

Still a highly fragmented Nordic power market
Fortum has largest electricity customer base in the Nordics

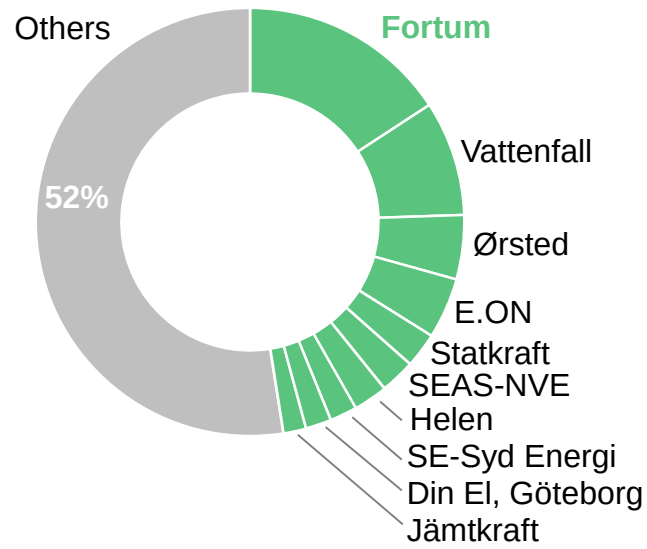
Power generation in 2016

395 TWh
>350 companies



Electricity retail

15 million customers
~350 companies

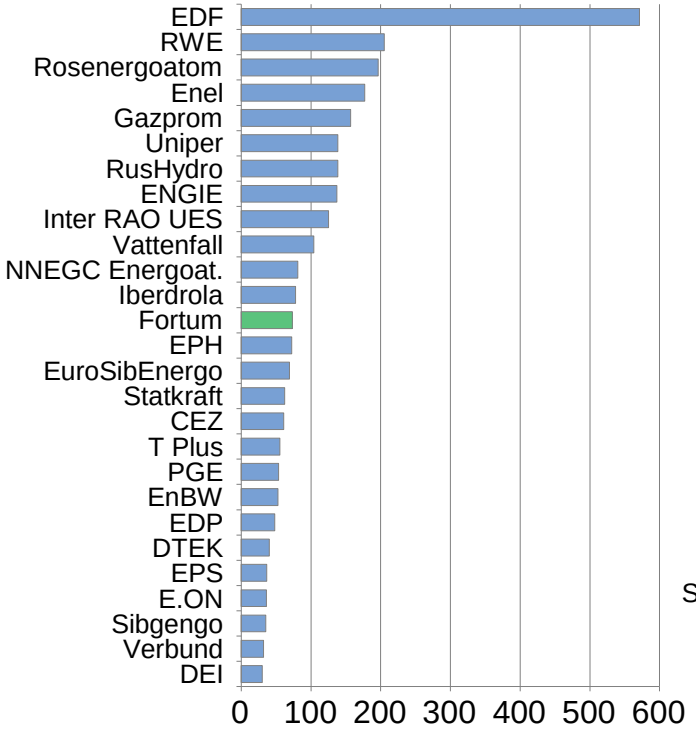


Source: Fortum, company data, shares of the largest actors, pro forma 2016 figures (Fortum incl. Hafslund's 1.1 million customers).

Fortum mid-sized European power generation player; major producer in global heat

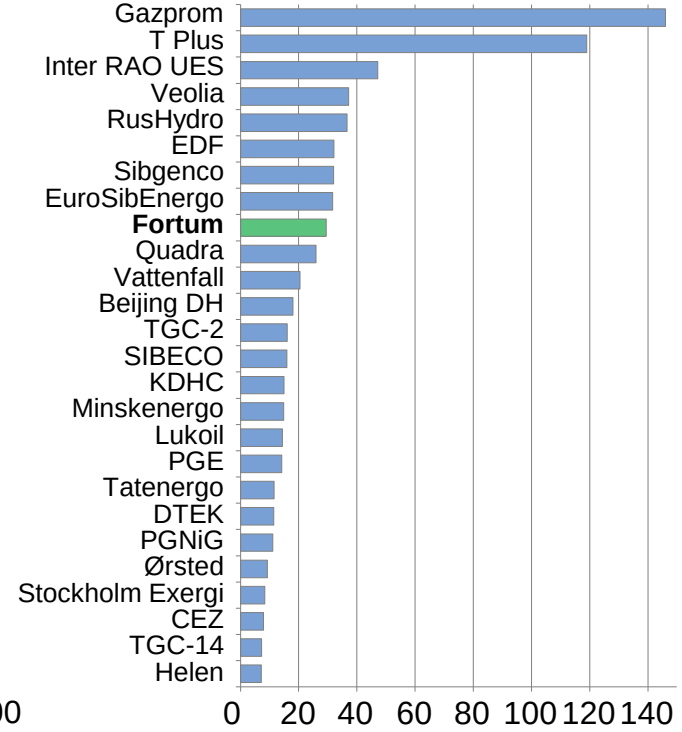
Power generation

Largest producers in Europe and Russia, 2016
TWh



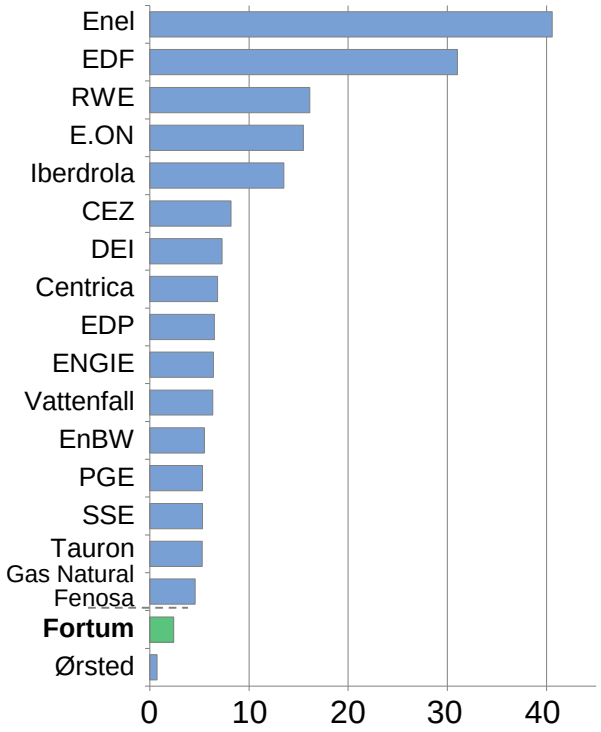
Heat production

Largest global producers, 2016
TWh



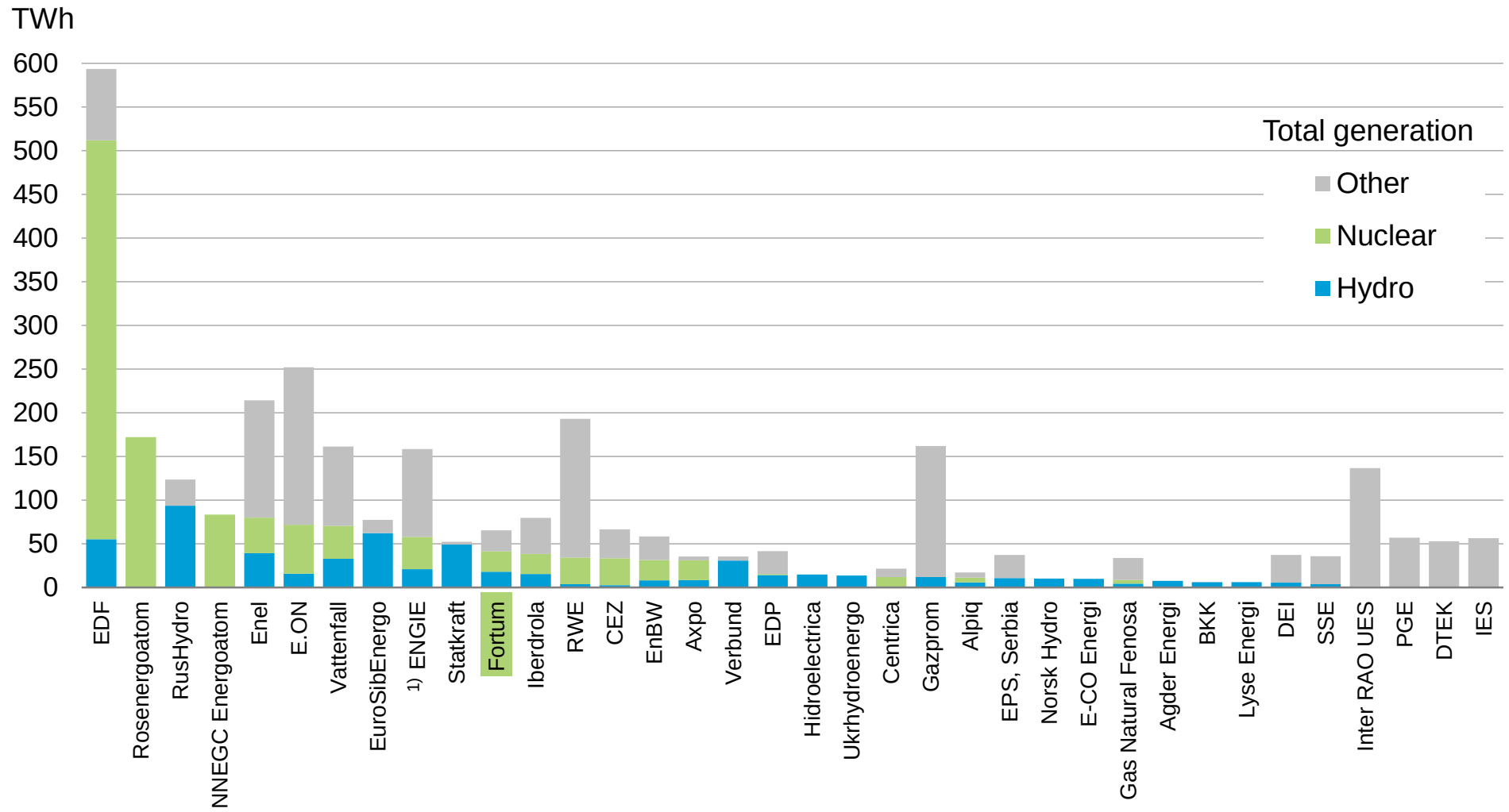
Customers

Electricity customers in EU, 2016
Millions



Source: Company information, Fortum analyses, 2016 figures pro forma

Biggest nuclear and hydro generators in Europe and Russia



1) Formerly GDF SUEZ
Source: Company information, Fortum analyses, 2013 figures pro forma

Fortum in the Nordic electricity value chain

Power generation

fortum

NORD POOL

Nordic wholesale market

Nasdaq

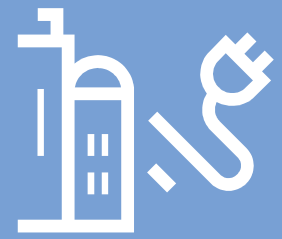
Power exchange and bilateral agreements

Large customers

Retail customers

Private customers, small businesses

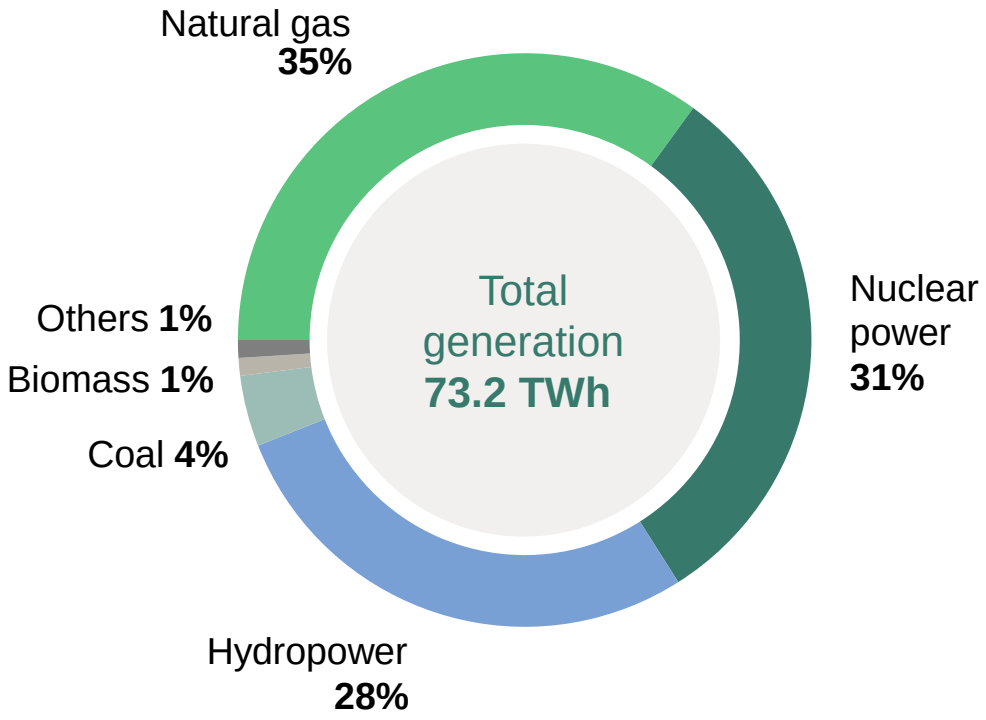
fortum



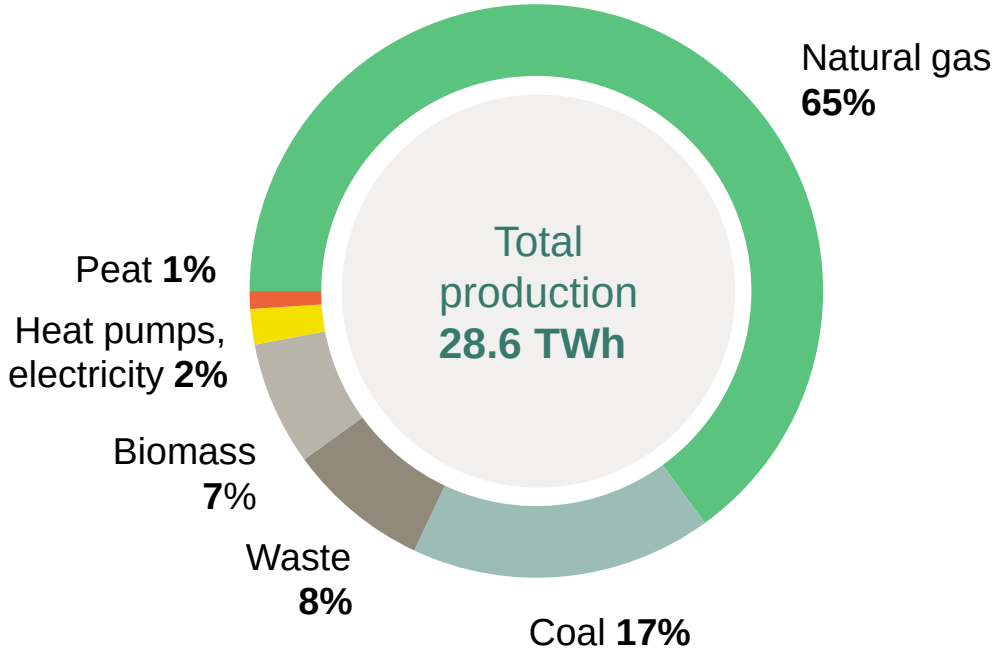
fortum

Fortum's power and heat production by source

Fortum's power generation in 2017



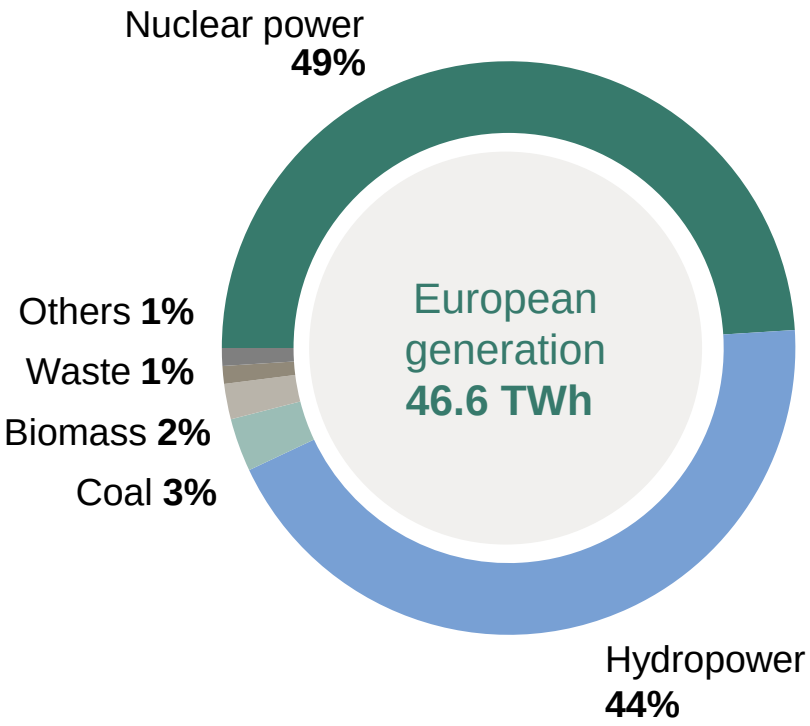
Fortum's heat production in 2017



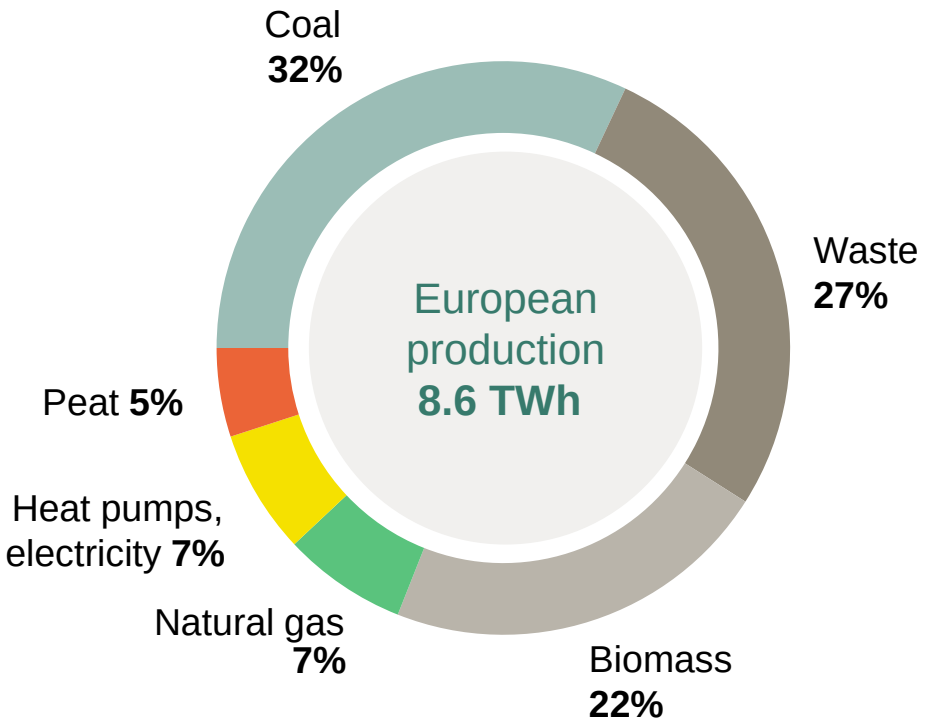
Note: Fortum's power generation capacity 13,722 MW and heat production capacity 14,765 MW

Fortum's European power and heat production

Fortum's European power generation in 2017



Fortum's heat European production in 2017

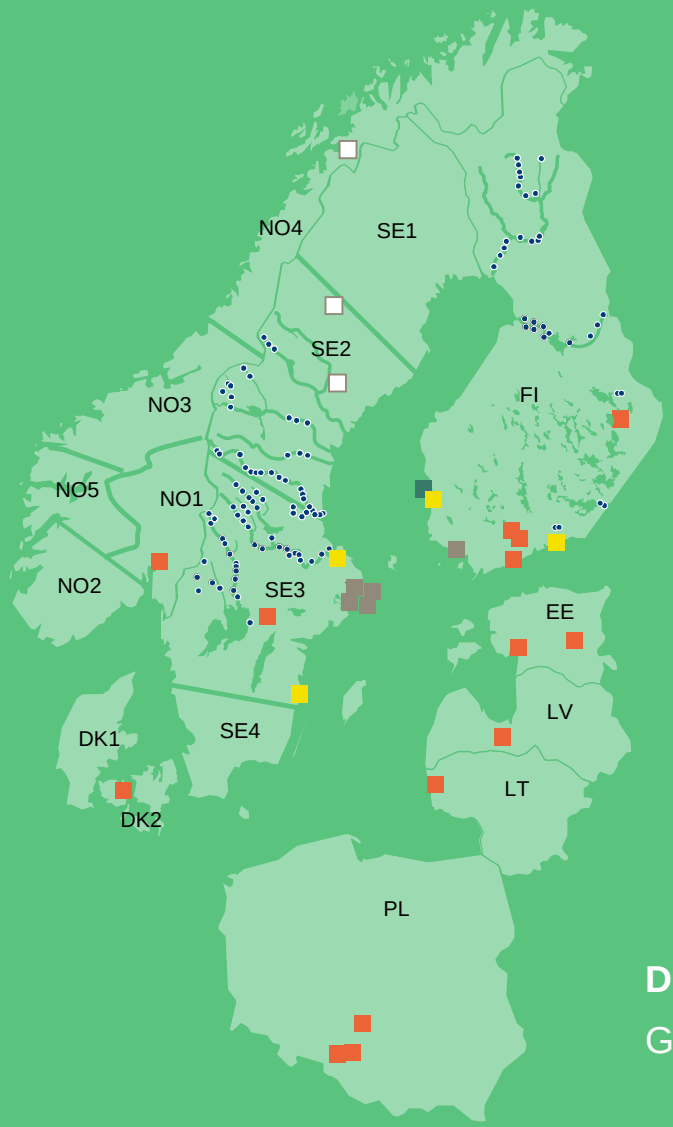


Note: Fortum's European power generation capacity 8,743 MW and heat production capacity 4,671 MW

Fortum’s Nordic, Baltic and Polish generation capacity

GENERATION CAPACITY	MW
Hydro	4 672
Nuclear	2 814
CHP	774
Other thermal	376
Wind	107
Nordic, Baltic and Polish generation capacity	8 743

Figures 31 December 2017



Associated companies’ plants (not included in the MWs) Stockholm Exergi (Former Fortum Värme), Stockholm; TSE, Naantali

NORWAY	MW
Price areas	
NO4, Wind	32
NO1, CHP	19
Generation capacity	51

SWEDEN	MW
Price areas	
SE2, Hydro	1 550
SE2, Wind	75
SE3, Hydro	1 575
SE3, Nuclear	1 334
SE3, CHP	9
Generation capacity	4 543

DENMARK, DK2	MW
Generation capacity, CHP	16

FINLAND	MW
Hydro	1 547
Nuclear	1 480
CHP	451
Other thermal	376
Generation capacity	3 854

BALTICS AND POLAND	MW
Generation capacity, CHP	
in Estonia	49
in Latvia	26
in Lithuania	18
in Poland	186

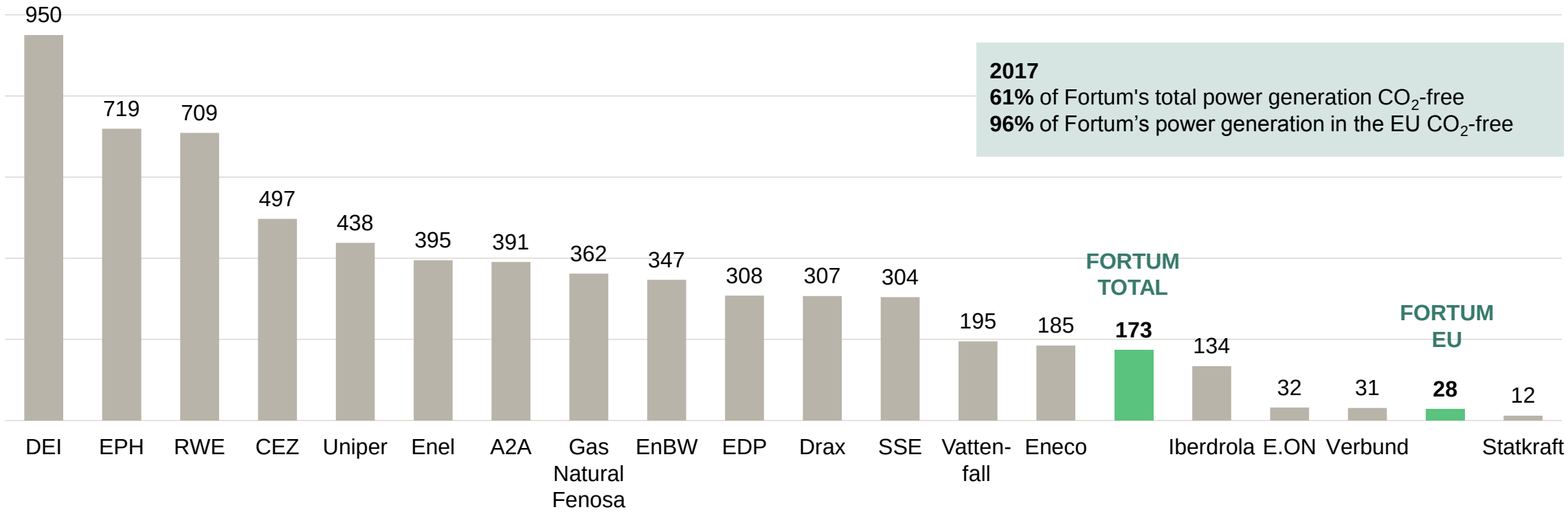
Fortum a forerunner in sustainability

We engage our customers and society to drive the change towards a cleaner world. Our role is to accelerate this change by reshaping the energy system, improving resource efficiency and providing smart solutions. This way we deliver excellent shareholder value.

- Fortum is listed in several sustainability indexes:
- CDP Nordic rating
- STOXX® Global ESG Leaders indices
- ECPI® Indices
- oekom
- OMX GES Sustainability Finland index
- Euronext Vigeo Eurozone 120 index

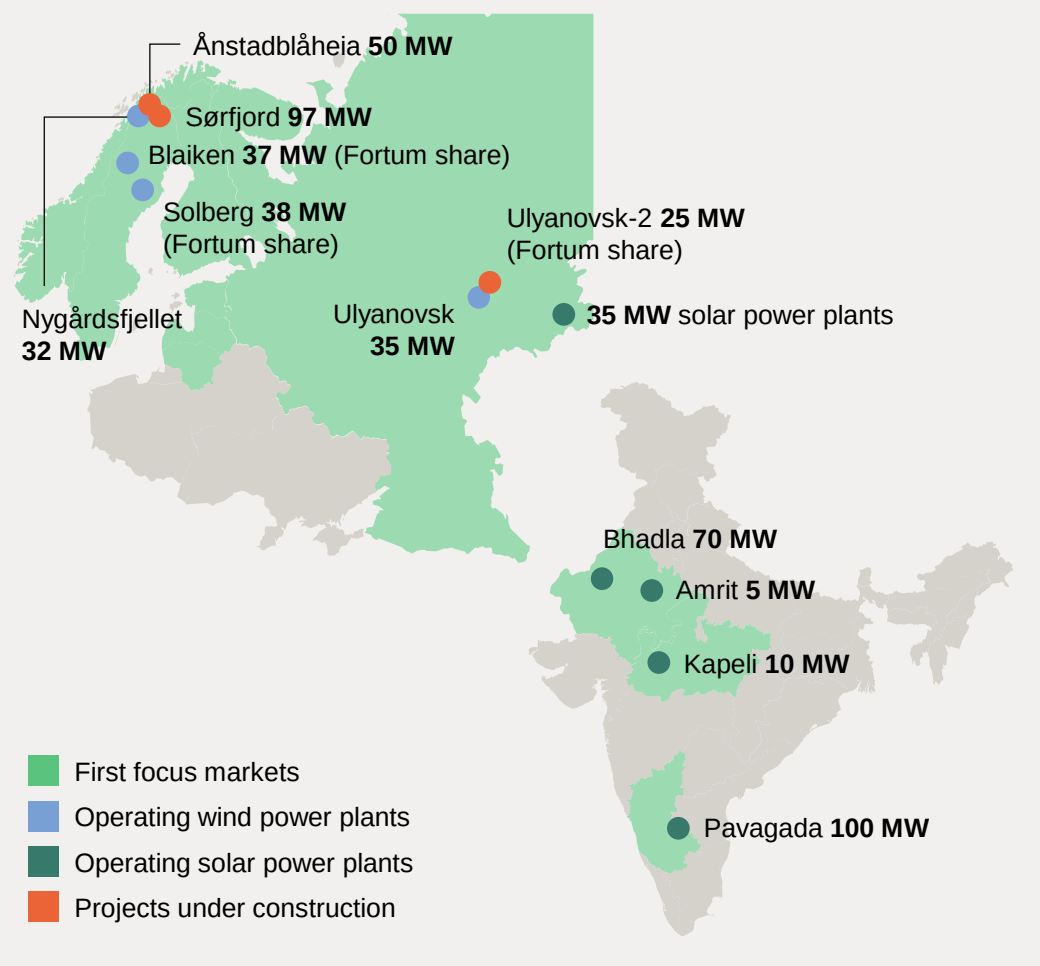
Fortum's carbon exposure among the lowest in Europe

g CO_2/kWh electricity, 2016



Note: All figures, except "Fortum total", include only European power generation.
Fortum's specific emissions of the power generation in 2017 in the EU were 28 g/kWh and in total 174 g/kWh, same as in the previous year.
Source: PwC, December 2017, Climate Change and Electricity (including those companies with data for power generation available only), Fortum

Fortum is growing towards gigawatt scale target in solar and wind power production

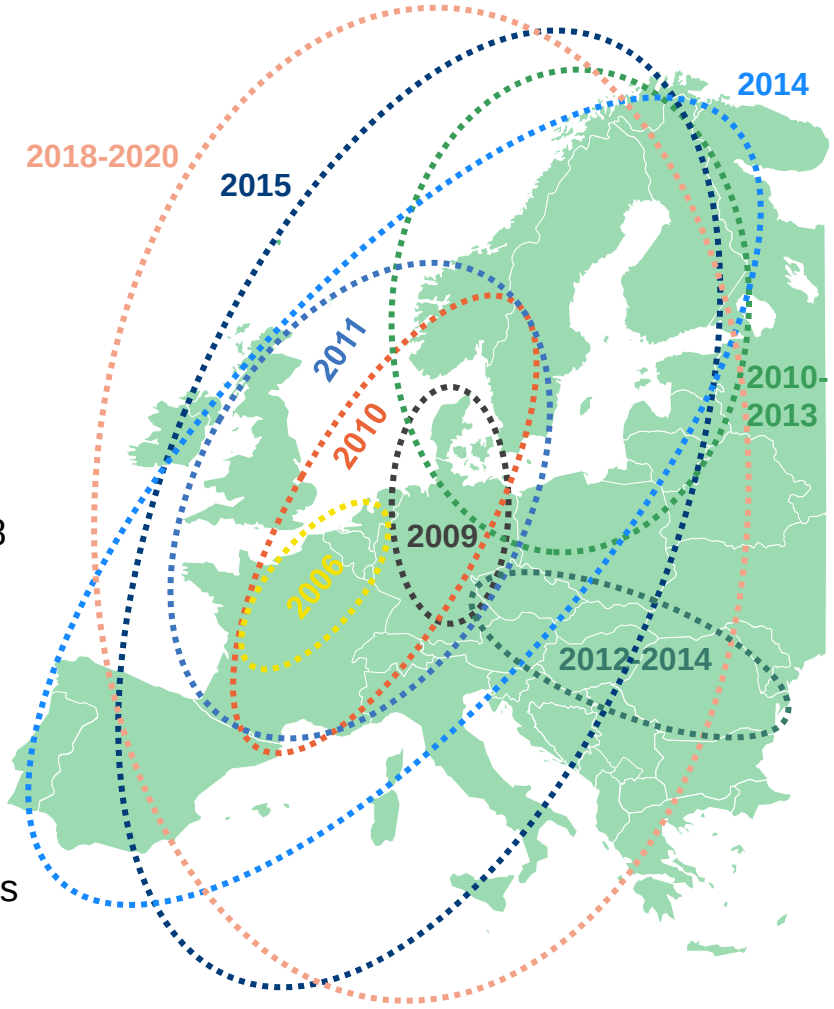


PORTFOLIO	TECHNOLOGY	STATUS	CAPACITY MW	FORTUM SHARE, MW	SUPPLY STARTS/ STARTED
NORWAY			**179**	**179**	
Nygårdsfjellet	Wind	Operational	32	32	2006 and 2011
Ånstadblåheia	Wind	Under construction	50	50	2018
Sørfjord	Wind	Under construction	97	97	2019
SWEDEN			**323**	**75**	
Blaiken	Wind	Operational	248	37 (15%)	2017*
Solberg	Wind	Operational	76	38 (50%)	2018
RUSSIA			**1 070**	**570**	
Bugulchanskaya	Solar	Operational	15	15	2016-2017
Pleshanovskaya	Solar	Operational	10	10	2017
Grachevskaya	Solar	Operational	10	10	2017
Ulyanovsk	Wind	Operational	35	35	2018
Ulyanovsk-2	Wind	Under construction	50	25 (50%)	2019
Rusnano JV	Wind	Under development	950	475 (50%)	2018-2022
INDIA			**185**	**185**	
Amrit	Solar	Operational	5	5	2012
Kapeli	Solar	Operational	10	10	2014
Bhadla	Solar	Operational	70	70	2017
Pavagada	Solar	Operational	100	100	2017
TOTAL PORTFOLIO			**1 758**	**1 009**	
		Under development	950	475	
		Under construction	197	172	
		Operational	611	362	

*) Blaiken last stage IV inaugurated in 2017. NOTE: All figures in MWac and rounded to nearest megawatt. Additionally, target to invest 200 – 400 million euros in India solar and create partnership for operating assets.

Market coupling milestones – Cross-border power flows optimised by power exchanges

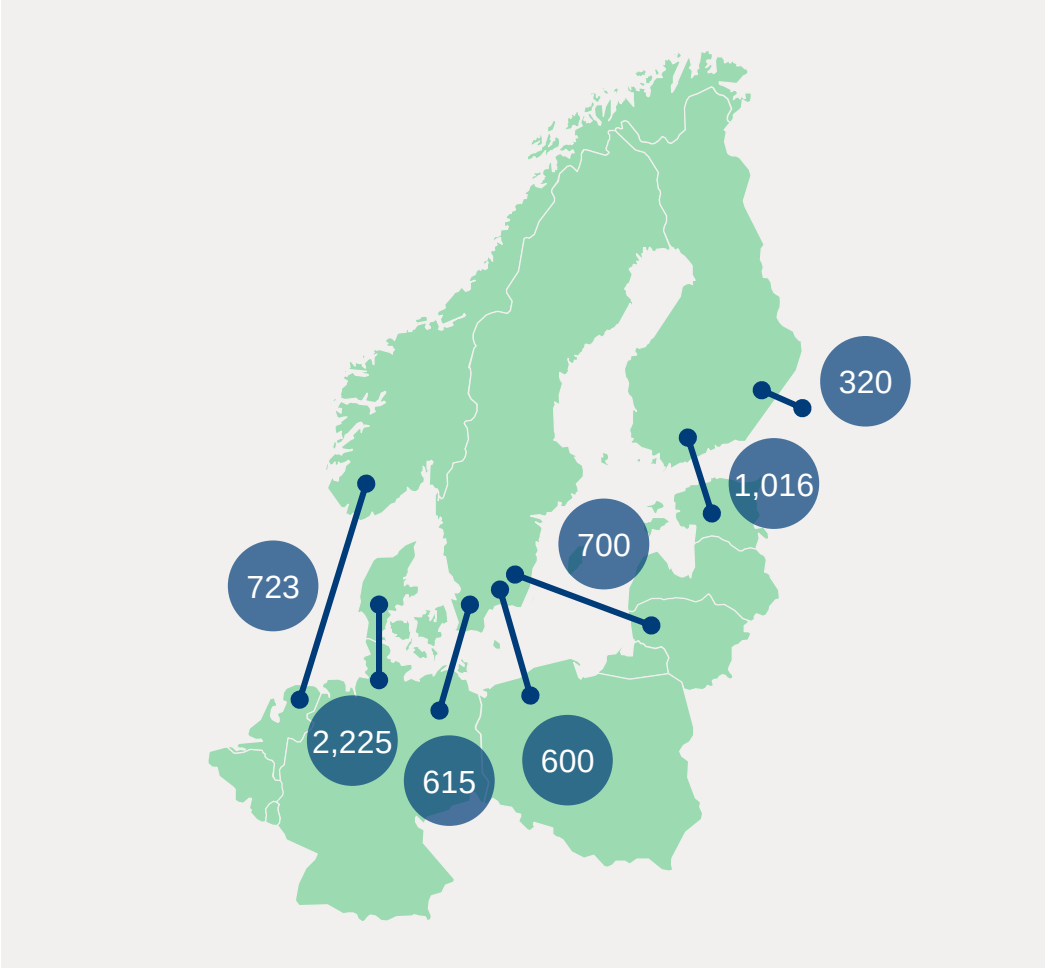
- Market coupling between NL, BE and FR since 2006
- Germany – Nord Pool coupling started 11/2009
- Market coupling for Central Western Europe (DE, FR, NL, BE) since 11/2010 with a continued coupling with Nord Pool. NorNed (NO-NL) and BritNed (UK-NL) included in 2011
- Nord Pool price area for Estonia in 2010, Lithuania in 2012 and Latvia in 2013. Poland coupled with Nord Pool since 2010
- Czech, Slovakia and Hungary coupled together since 2012. Romania joined in 2014
- A common day-ahead market coupling for the whole north-western Europe (incl. Spain & Portugal) was started in 2014. Italy and Slovenia joined in 2015. Ireland to join in 2018
- Flow-based cross-border capacity allocation for further trade optimisation taken into use in May 2015 for the CWE region. Nordic flow-based implementation planned for 2020
- CEE (Central Eastern Europe) market coupling region due to join latest in 2020 with flow-based capacity allocation. Switzerland waiting for agreement with the EU
- In addition to day-ahead coupling, European-wide intraday market coupling is due to start with Nordic, Baltic and Continental Western European markets in June 2018
- Balancing market integration under development as well, based on both regional projects and the EU Guideline on Electricity Balancing, in force since 18 December 2017



Current transmission capacity from Nordic area is over 6,000 MW

COUNTRIES	TRANSMISSION CAPACITY MW	
	From Nordics	**To Nordics**
Denmark - Germany	2,225	2,100
Sweden - Germany	615	615
Sweden - Poland	600	600
Sweden - Lithuania	700	700
Norway - Netherlands	723	723
Finland - Estonia	1,016	1,016
Finland - Russia	320	1,300
Total	**6,199**	**7,054**

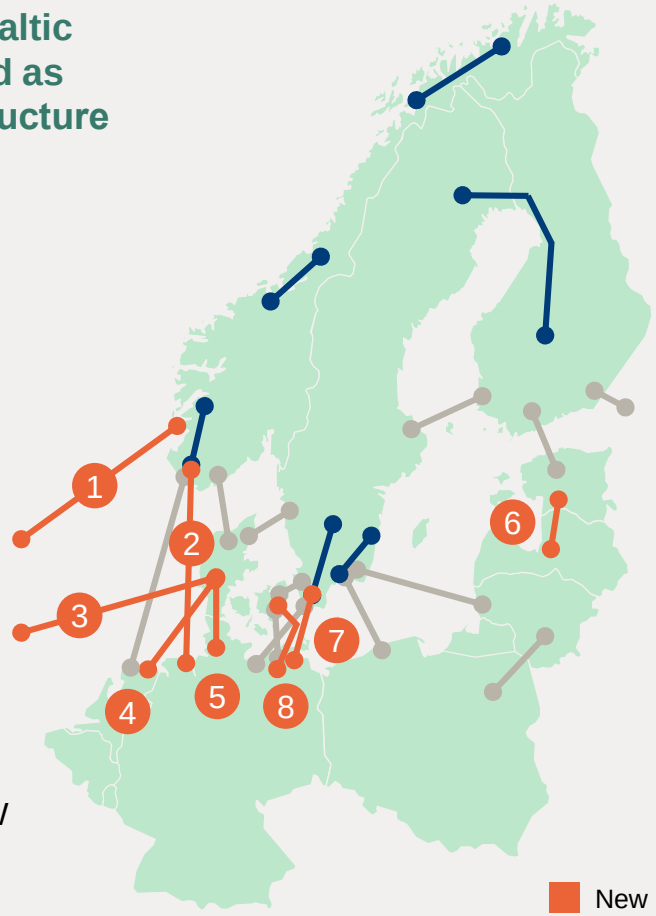
- Theoretical maximum in transmission capacity ~40 TWh per annum, but restrictions especially between DK & DE
- Net export from the Nordic area to Continental Europe and Baltics during year 2017 was 9 TWh
- Net export was 18 TWh in 2015 and 10 TWh in 2016
- Approximately 25 TWh of net export is now reachable



Nordic, Baltic, Continental and UK markets are integrating – Interconnection capacity will double by 2023

The Northern Seas Offshore Grid and the Baltic Energy Market Integration Plan are included as priority electricity corridors in EU's Infrastructure Guidelines, approved in April 2013

1. Two 1,400 MW NO-UK links as EU Projects of Common Interest: NSL to England due to be ready in 2021, NorthConnect to Scotland still requiring Norwegian permission
2. 1,400 MW NordLink as first direct NO-DE link is being built by end-2019
3. 1,400 MW DK-UK Viking Link under final permitting in the UK, with commissioning timetable to be determined in spring 2018
4. 700 MW COBRAcable from DK to NL due to be ready in March 2019
5. Jutland – DE capacity planned to grow by 860 MW in 2020, with further 1,000 MW increase in 2022



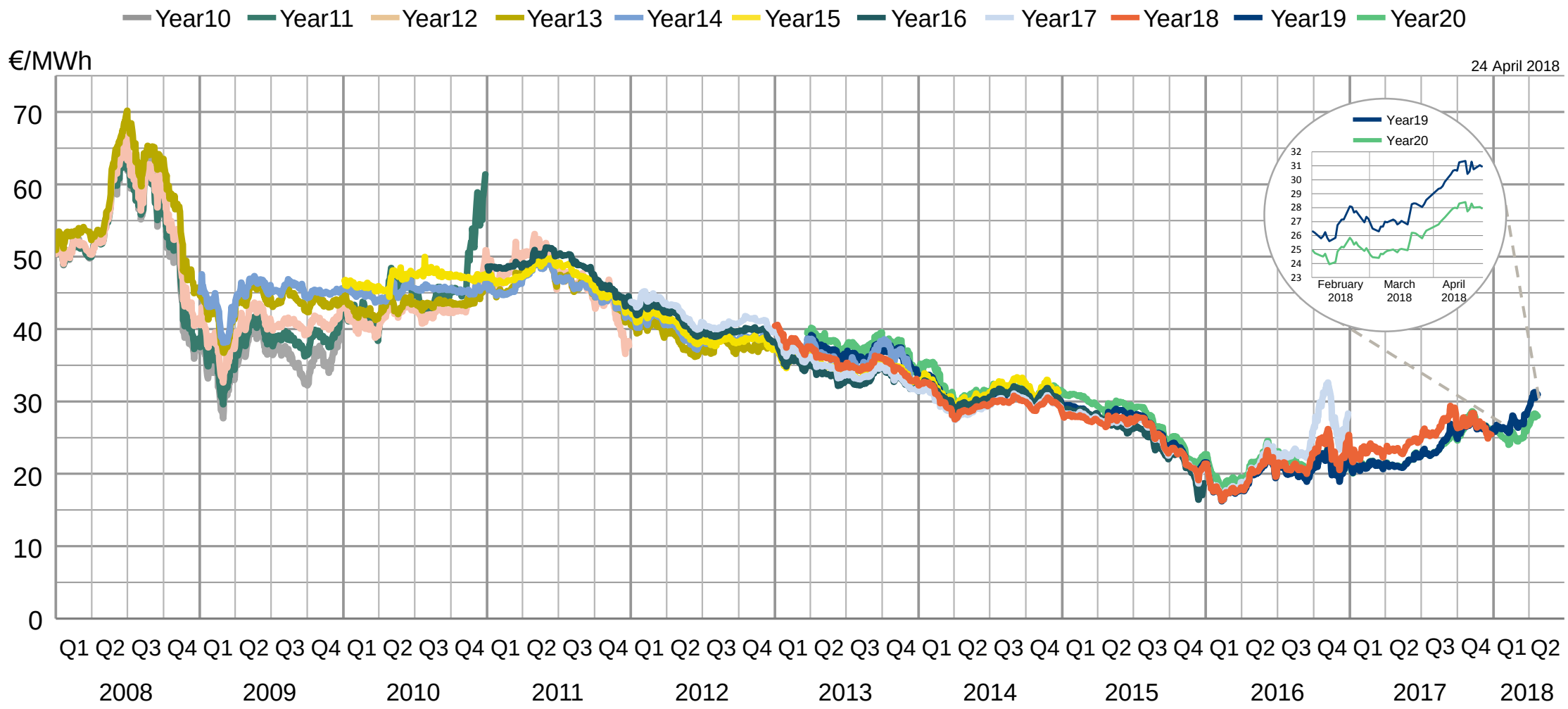
New interconnections will double the export capacity to over 12,000 MW by 2023

- New internal Nordic grid investments provide for increased available capacity for export to the Continent and Baltics
6. EU's Connecting Europe Facility co-financing 3rd EE-LV transmission line, due to be ready in 2020
7. Svenska Kraftnät and 50Hertz signed 1/2017 a cooperation agreement on building the 700 MW Hansa PowerBridge DC link between Sweden and Germany by 2025/26
8. New 400 MW Zealand – DE connection via Kriegers Flak offshore wind area by end-2018

New interconnectors | New Nordic lines | Existing interconnectors

fortum

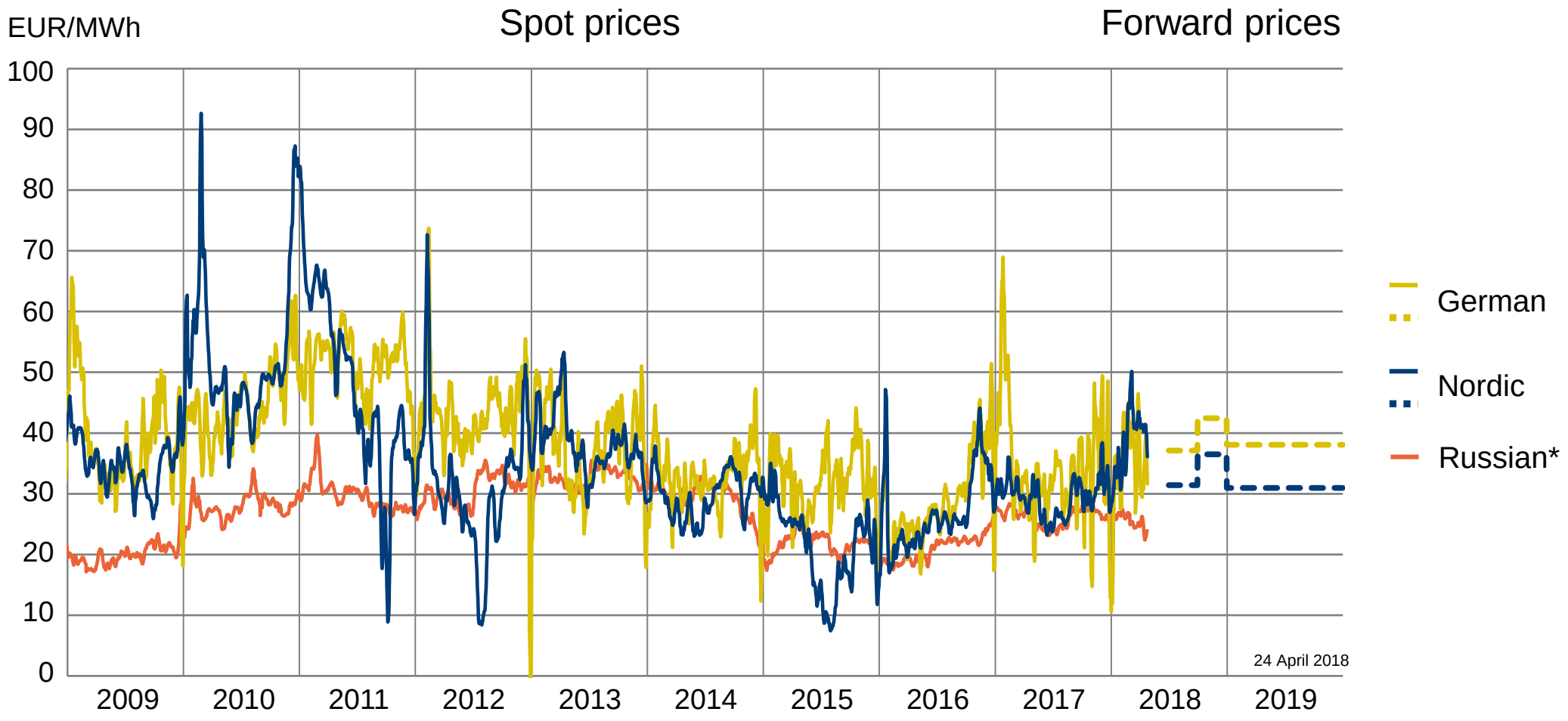
Nordic year forwards



Source: Nasdaq Commodities, Bloomberg

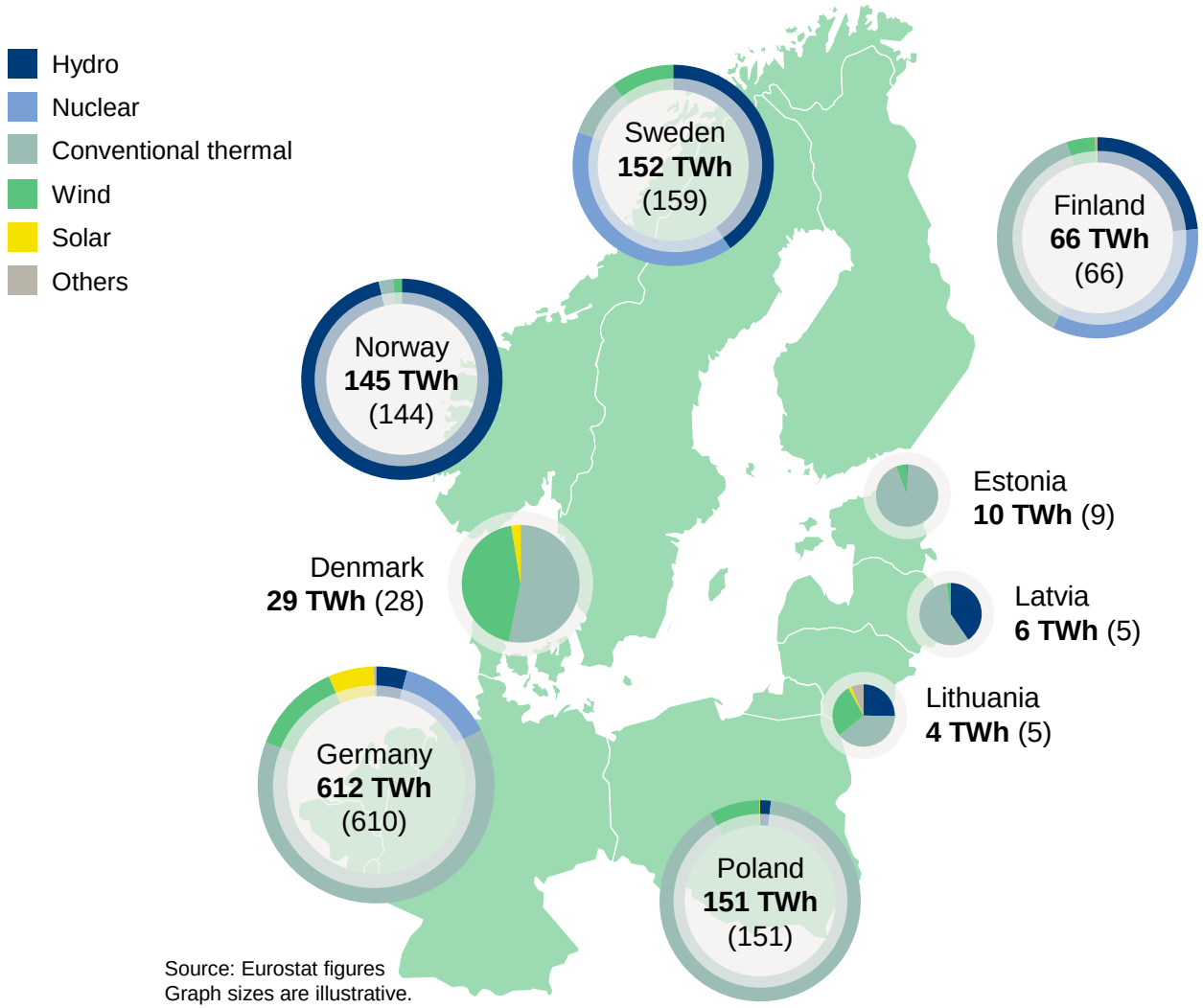
fortum

Wholesale power prices



*) Including weighted average capacity price
Source: Nord Pool, Nasdaq Commodities, Bloomberg Finance LP, ATS, NP “Market Council”, Fortum

Power Generation in the Baltic Rim in 2016 (2015)



Source: Eurostat figures
Graph sizes are illustrative.

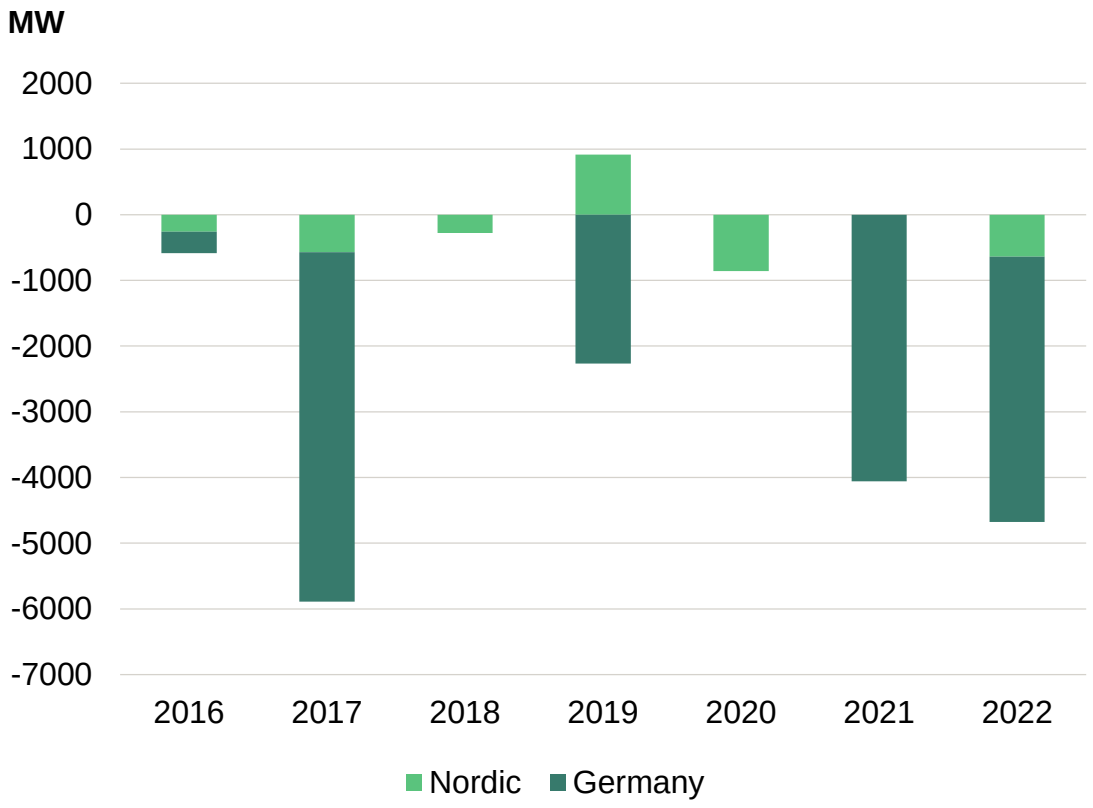
	NORDICS		BALTICS	
2016	TWh	%	TWh	%
Hydro	*217	55	4	18
Nuclear	83	21	-	-
Conv. thermal	58	15	15	72
Wind	33	9	2	9
Solar	0.8	0.2	0.1	0.2
Others	0	0	0.3	1
Total generation	392		21	
	Net export **4 TWh**		Net import **7 TWh**	

*) Normal annual Nordic hydro generation 200 TWh, variation +/- 40 TWh.

fortum

Northern European conventional capacity decreasing

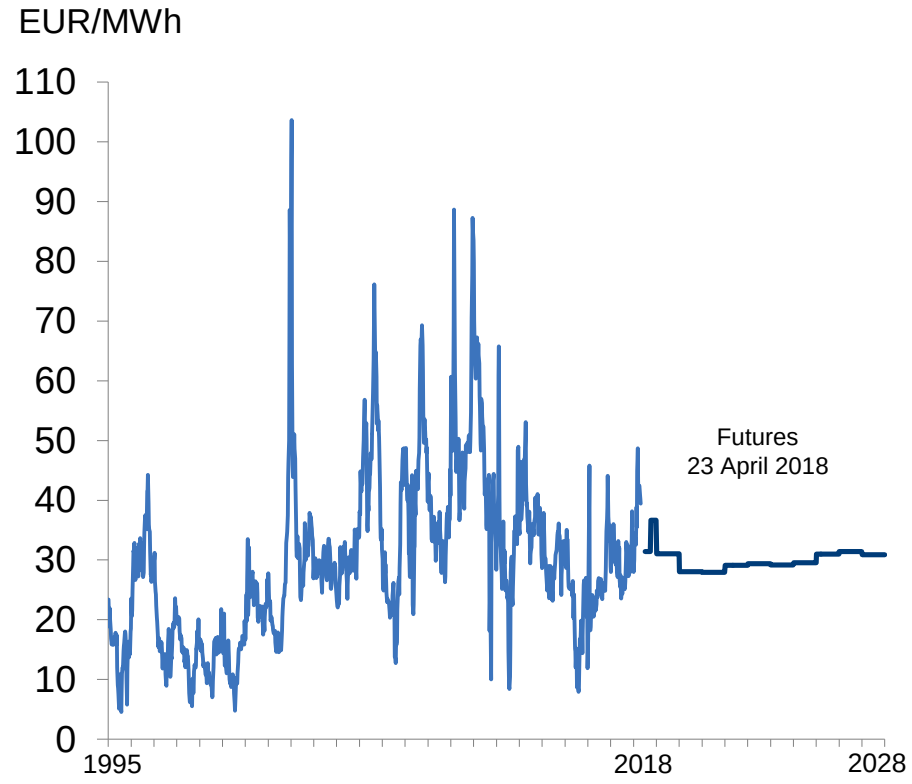
Estimated annual net changes in nuclear and thermal capacity



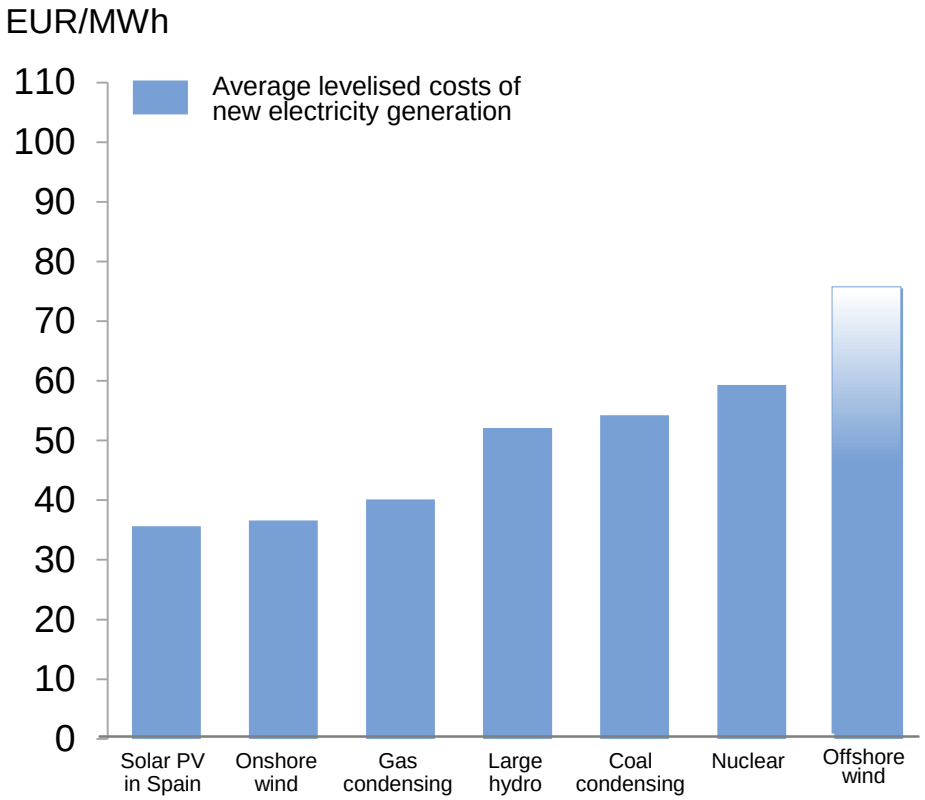
DATE	CAPACITY	AREA	UNIT/ TRANSMISSION	COMMENT
1.10.2017	-562 MW	DE	Frimmersdorf P & Q	Moved to ”Lignite reserve” for 4 years, operational within 10 days notice period. Decommissioning in 1.10.2021.
31.12.2017	-1344 MW	DE	Gundremmingen B	Decommissioning; German nuclear phase-out
1.12.2017	+1200 MW	SE3-SE4	Transmission	Commissioning Sydvästlänken in two steps between, Dec 2017 and Mar 2018. Project is significantly delayed, further delays possible.
1.1.2018	≈ 500 MW	DK1-DE	Transmission	Lowest available capacity will be increased to 700 MW, available capacity during last years has been ca 200 MW
during 2018	+ 1100 MW	DE	Datteln 4	Uniper’s coal condensing unit; targeted commissioning mid-2018.
1.10.2018	- 1100 MW	DE	Lignite reseve	Niederaußem E & F and Jänschwalde F moved to lignite reserve
31.12.2018	-280 MW	NO2	Mongstad CHP	The CHP at Mongstad is phased out following several years of unprofitable operations.
31.12.2018	+0-400 MW	DK2-DE	Kriegers Flak	Offshore connection between DK2 and DE used for both grid connection of offshore wind farms and interconnection.
31.5.2019	+ 1600 MW	FI	Olkiluoto 3	The previously announced commissioning date in the end of 2018 has been delayed to May 2019.
30.3.2019	+700 MW	DK1-NL	Transmission	Cobra cable: trial operation of the interconnector is expected to begin in Q1 2019
30.6.2019	-854 MW	SE3	Ringhals 2	Decommissioning
14.6.2020	-856 MW	SE3	Ringhals 1	Decommissioning

Estimated capacity changes based on publically announced information from various stakeholders

Wholesale electricity price too low to attract investments



Source: Nord Pool, Nasdaq Commodities



Commodity prices are forward prices as of April 2018, extended with inflation

NOTE: The presented figures are calculated based on data from recent public reports and do not represent Fortum's view. Average achieved price (€/MWh) for the production type depends on availability and flexibility. There are large variations in the cost of hydro, wind and solar depending on location and conditions.

Overview of Fortum’s nuclear fleet




	LOVIISA	OLKILUOTO	OSKARSHAMN	FORSMARK
Commercial operation started	Unit 1: 1977 Unit 2: 1981	Unit 1: 1978 Unit 2: 1980 Unit 3: (Under construction)	Unit 1: 1972 (out of oper.) Unit 2: 1974 (out of oper.) Unit 3: 1985	Unit 1: 1980 Unit 2: 1981 Unit 3: 1985
Generation Capacity Fortum’s share	Unit 1: 507 MW Unit 2: 502 MW **Total: 1009 MW**	Unit 1: 880 MW Unit 2: 890 MW (Unit 3: 1,600 MW) **Total: 1,770 MW (3,370)** 27% 470 MW	Unit 1: 473 MW Unit 2: 638 MW Unit 3: 1,400 MW **Total: 1,400 MW** 43% 602 MW	Unit 1: 984 MW Unit 2: 1,120 MW Unit 3: 1,167 MW **Total: 3,271 MW** 22% 727 MW
Yearly production Fortum’s share of production	8 TWh 8 TWh	13 TWh 4 TWh	9 TWh 4 TWh	24 TWh 5 TWh
Share of Fortum’s Nordic production	19%	9%	11%	13%
Majority owner Fortum’s share	Fortum	Pohjolan Voima 26.6%	Uniper 43.4%	Vattenfall 22.2%
Operated by	Fortum	Teollisuuden Voima (TVO)	OKG Aktiebolag	Forsmarks Kraftgrupp

RESPONSIBILITIES

Loviisa: Fortum is the owner, licensee and operator with all the responsibilities specified in the Nuclear Energy Act, Nuclear Liability Act, and other relevant nuclear legislation

Other units: Fortum is solely an owner with none of the responsibilities assigned to the licensee in the nuclear legislation. Other responsibilities are specified in the Companies Act and the Articles of Association and are mostly financial.

Fortum's nuclear power in the Nordics

LOAD FACTOR (%)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Oskarshamn 1*	80	51	63	85	68	77	72	1	12	74	60	81	82
Oskarshamn 2	90	78	76	86	75	90	77	81	33	0	0	0	0
Oskarshamn 3	85	95	88	70	17	31	68	69	77	75	79	83	77
Forsmark 1	85	76	81	88	88	93	79	88	87	94	79	95	88
Forsmark 2	94	72	85	79	64	38	94	82	89	89	91	75	82
Forsmark 3	95	92	88	69	86	81	85	93	88	83	58	82	86
Loviisa 1	95	93	94	86	96	93	94	84	92	92	93	88	93
Loviisa 2	95	88	96	93	95	89	94	91	93	89	92	93	93
Olkiluoto 1	98	94	97	94	97	92	95	90	97	94	96	91	93
Olkiluoto 2	94	97	94	97	95	95	91	96	93	97	89	94	81

Source: Fortum
*) O1 was shut down for decommissioning earlier as originally announced, starting 17.6.2017.

Finnish units world class in availability

Overview of production and consumption:
www.fortum.com/investors - energy related links

Variety of technologies and ages

UNIT	MWE (NET)	SHARE (%)	SHARE (MWE)	COMMERCIAL OPERATION	AGE	TYPE/ GENERATION [1)]	SUPPLIER
Loviisa 1	507	100,0	507	1977-05-09	40	PWR / 1	AEE (Atomenergoexport)
Loviisa 2	502	100,0	502	1981-01-05	36	PWR / 1	AEE (Atomenergoexport)
Olkiluoto 1	880	26,6	234	1979-10-10	38	BWR / 3	Asea-Atom / Stal-Laval
Olkiluoto 2	890	26,6	237	1982-07-10	35	BWR / 3	Asea-Atom / Stal-Laval
Olkiluoto 3	(1,600)	25,0	(400)	(May 2019)		PWR / 3	Areva / Siemens
Oskarshamn 1	473	43,4	205	1972-02-06	45	BWR / 1	Asea-Atom / Stal-Laval
Oskarshamn 2	638	43,4	277	1975-01-01	42	BWR / 2	Asea-Atom / Stal-Laval
Oskarshamn 3	1,400	43,4	607	1985-08-15	32	BWR / 4	Asea-Atom / Stal-Laval
Forsmark 1	984	23,4	230	1980-12-10	37	BWR / 3	Asea-Atom / Stal-Laval
Forsmark 2	1,120	23,4	262	1981-07-07	36	BWR / 3	Asea-Atom / Stal-Laval
Forsmark 3	1,167	20,1	236	1985-08-18	32	BWR / 4	Asea-Atom / Stal-Laval

[1)] Generation refers to technical resemblence based on KSU classification and not to reactor design generations. All reactors are of Generation II except Olkiluoto-3 (EPR) which is of Generation III.

Planned capacity increase:

- Forsmark 1, potential capacity increase of total ~110 MW in 2018-2020.

Closing of the units:

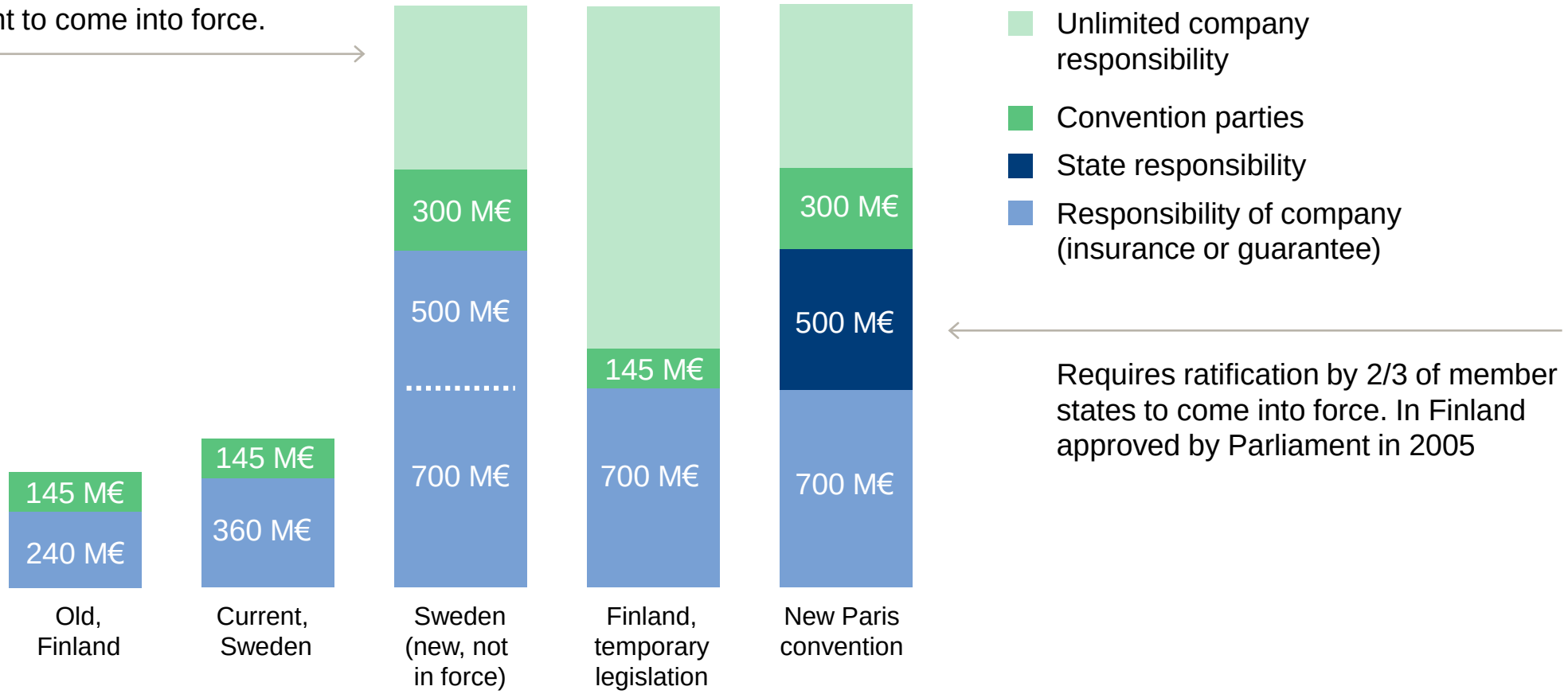
- OKG AB's Extraordinary shareholders' meeting decided on 14 October 2015 on the closure of Oskarshamn nuclear power plant units 1 and 2 in Sweden.
- Unit 1 was taken out of operation on June 17, 2017. Unit 2 has been out of operation since June 2013 due to an extensive safety modernisation, and it will not be put back into operation. The closing process for both units is estimated to take several years.
- PWR = (Pressurized Water Reactor) The most common reactor type in the world (e.g. all French units, most US units). Also the Loviisa units are PWRs, but based on Russian design. High pressure prevents water from boiling in the reactor. The steam rotating the turbine is generated in separate steam generators.
- BWR = (Boiling Water Reactor) Similar to the PWR in many ways, but the steam is generated directly in the reactor. Popular reactor type e.g. in Sweden, the US and Japan.

fortum

Third party nuclear liability in case of severe accident

Law approved by Parliament in 2010, requires separate decision from Government to come into force.

In force since 1 January 2012



Requires ratification by 2/3 of member states to come into force. In Finland approved by Parliament in 2005

Fortum - a major player in Russia

PAO Fortum (former TGC-10)

- Operates in the heart of Russia's oil and gas producing region, fleet mainly gas-fired CHP capacity
- 26 TWh power generation, 20 TWh heat production in 2017 Investment programme to add 85%, almost 2,200 MW to power generation capacity

TGC-1

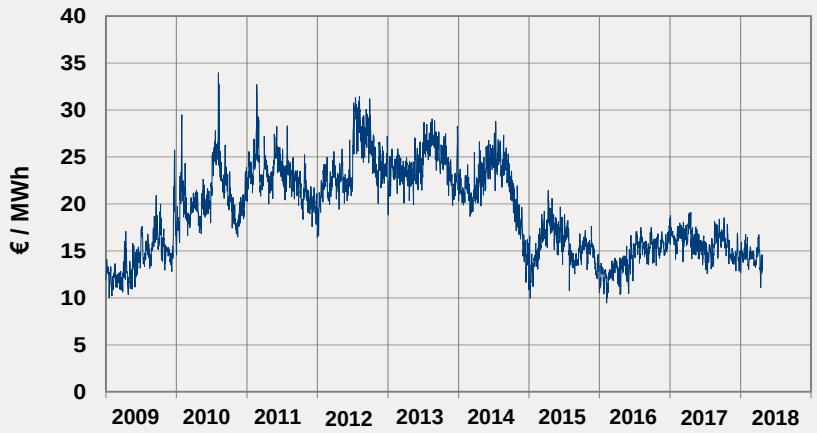
- 29.5% of territorial generating company TGC-1 operating in north-west Russia
- ~7,000 MW electricity production capacity (more than 40% hydro), ~27 TWh electricity, ~29 TWh heat in 2017
- In December 2014, Fortum and Gazprom Energoholding signed a protocol to start a restructuring process of TGC-1. Currently Gazprom Energoholding owns 51.8% of the TGC-1 shares and Fortum 29.5%. As part of the restructuring, Fortum will establish a joint venture together with Rosatom to own the hydro assets of TGC-1, while Gazprom Energoholding continues with the heat and thermal power businesses of TGC-1. By utilising its present stake in TGC-1, Fortum would obtain a 75-plus-percent ownership in the new hydro power company, and Rosatom a 25-minus-percent minority holding.
- In October 2015, Fortum announced that the discussions related to the potential restructuring of TGC-1 will continue, and it is not possible to estimate the time schedule or outcome of the discussions.

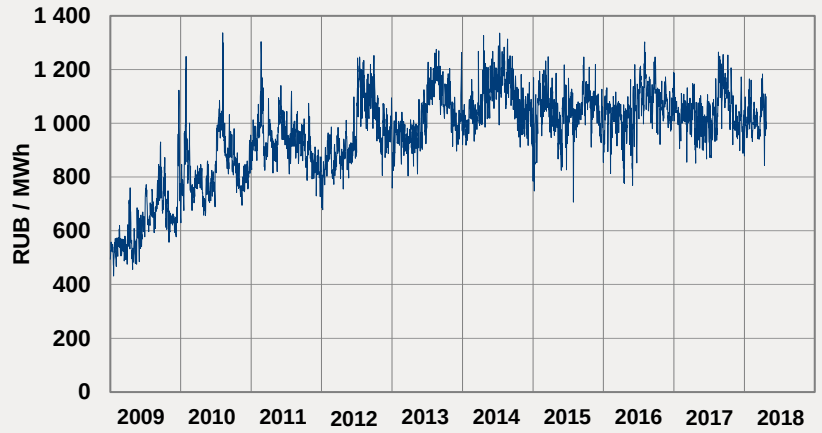
Day ahead wholesale market prices in Russia

Key electricity, capacity and gas prices in the PAO Fortum area

	I/18	I/17	2017	LTM
Electricity spot price (market price), Urals hub, RUB/MWh	1,011	1,034	1,041	1,035
Average regulated gas price, Urals region, RUB 1000 m^3	3,755	3,614	3,685	3,720
Average capacity price for CCS ”old capacity”, tRUB/MW/month	158	157	148	148
Average capacity price for CSA ”new capacity”, tRUB/MW/month	1,147	980	899	943
Average capacity price, tRUB/MW/month	661	585	535	556
Achieved power price for Fortum in Russia, RUB/MWh	1,872	1,868	1,813	1,817
Achieved power price for Fortum in Russia, EUR/MWh	26.8	29.8	27.5	26.7

Day ahead power market prices for Urals





Source: ATS
In addition to the power price generators receive a capacity payment.

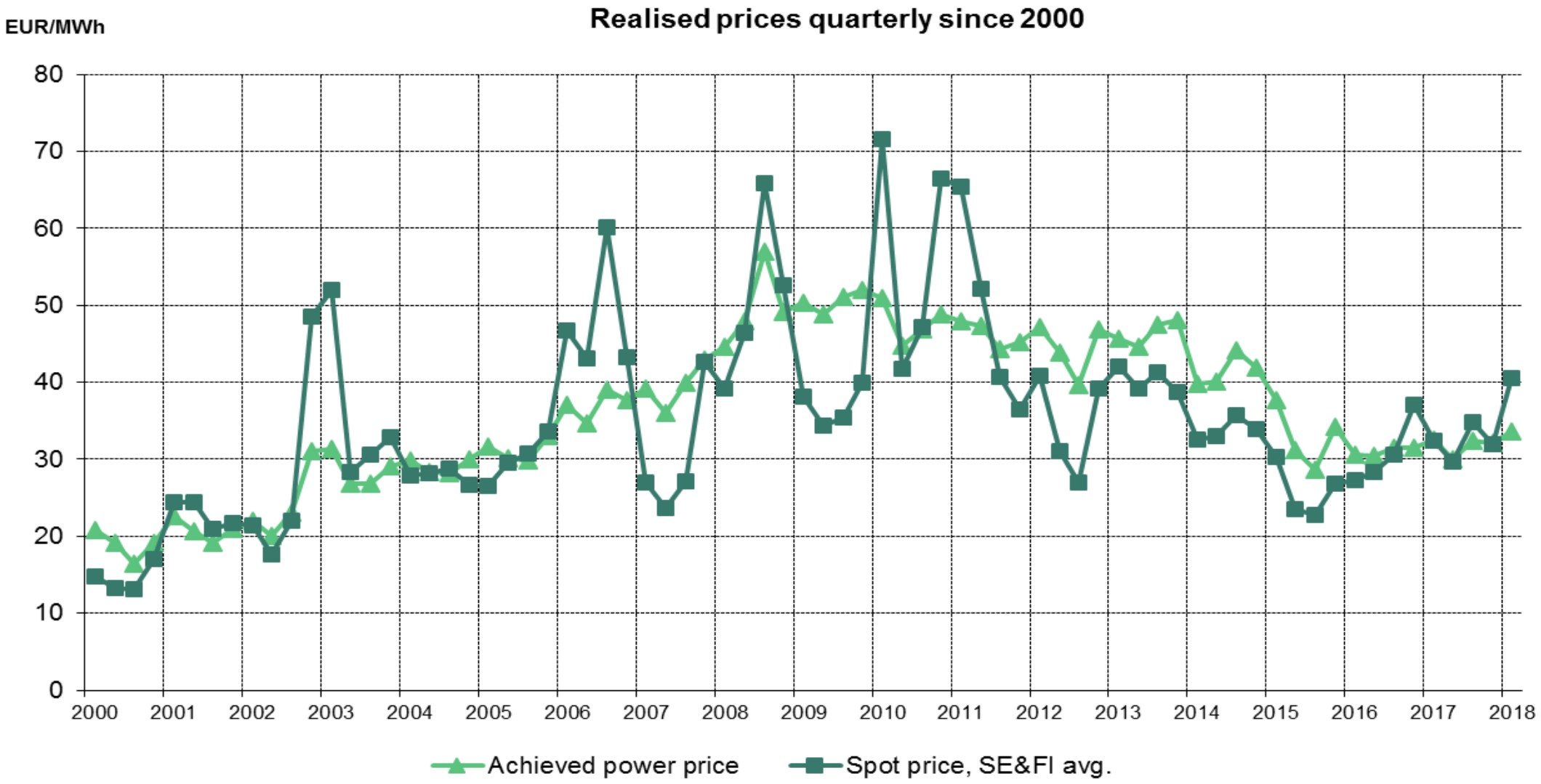
Thermal power generation capacity in Russia at 31.12.2017

YEAR	SUPPLY STARTS	POWER PLANT	FUEL TYPE	CCS CAPACITY	CSA CAPACITY	PRODUCTION TYPE	TOTAL CAPACITY
< 2011		Tyumen CHP-2	Gas	755		CHP/Condensing	755
		Chelyabinsk CHP-2	Gas, coal	320		CHP/Condensing	320
		Argayash CHP	Gas, coal	195		CHP/Condensing	195
		Chelyabinsk CHP-1	Gas, coal	134		CHP/Condensing	134
2011	Feb/2011	Tyumen CHP-1	Gas	450	210	CHP/Condensing	660
	Jun/2011	Chelyabinsk CHP-3	Gas	360	233	CHP/Condensing	593
	Oct/2011	Tobolsk CHP*	Gas	452	213	CHP/Condensing	665*
2013	Apr/2013	Nyagan 1 GRES	Gas		453	Condensing	453
	Dec/2013	Nyagan 2 GRES	Gas		453	Condensing	453
2015	Jan/2015	Nyagan 3 GRES	Gas		455	Condensing	455
	Dec/2015	Chelyabinsk GRES	Gas		247	CHP/Condensing	247
2016	Mar/2016	Chelyabinsk GRES	Gas		248	CHP/Condensing	248
2017	Dec/2017	Chelyabinsk GRES	Gas	248		CHP/CCGT	248
				2,462 MW	**2,298 MW**		**4,760 MW**

*) Tobolsk power plant was sold in Q1/2016

fortum

Hedging improves stability and predictability



2009 onwards thermal and import from Russia excluded

Interim Report January-March 2018

Fortum Corporation

26 April 2018

Strong performance in Q1 2018

- Increased wholesale power prices in the Nordics
  - Cold weather in February and March
  - Lower than normal precipitation
- EU Emission Trading Scheme (ETS) starting to deliver
  - Higher CO_2 emission allowance prices
- Comparable EBITDA +27% at EUR 538 million
- Comparable operating profit +29% at EUR 405 million
- EPS at EUR 0.43 (0.38)
- 47.12% of Uniper shares tendered in the PTO
  - Transaction awaiting regulatory approval in EU and Russia
- Balance sheet discipline going forward

35 MW Ulyanovsk wind park operational in Russia

47.12% of Uniper shares accepted in Fortum's PTO

Fortum, Valmet and Preem in cooperation to develop bio-oil to fuel in transportation

Delivering on our growth strategy

Fortum's Charge & Drive and Plugsurfing join forces

TVO confirms settlement agreement on Olkiluoto 3 project

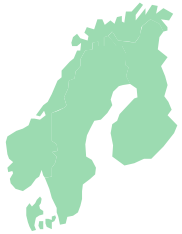
Fortum wins Nordic's largest solar system contract from Finnish retailer S Group

fortum

Investment in Uniper awaiting the regulatory approvals in the EU and Russia

- Strategic rational for the investment in Uniper:
  - Uniper's businesses are aligned with our core competences, close to our home markets and highly cash generative
  - Uniper and Fortum have a mutually complementary, strategic mix of assets and expertise to actively drive Europe's transition towards a low-carbon and secure energy system
  - Fortum sees good cooperation opportunities with Uniper to create value for all stakeholders
- Regulatory approvals
  - EU and Russia
  - Expected mid-2018
- Financing of the investment
  - Cash resources and committed credit facilities
- Financial impact
  - Associated company
  - EPS contribution through Fortum's share of Uniper's profit
  - Uniper dividend to strengthen Fortum's cash flow

Improved Nordic market conditions



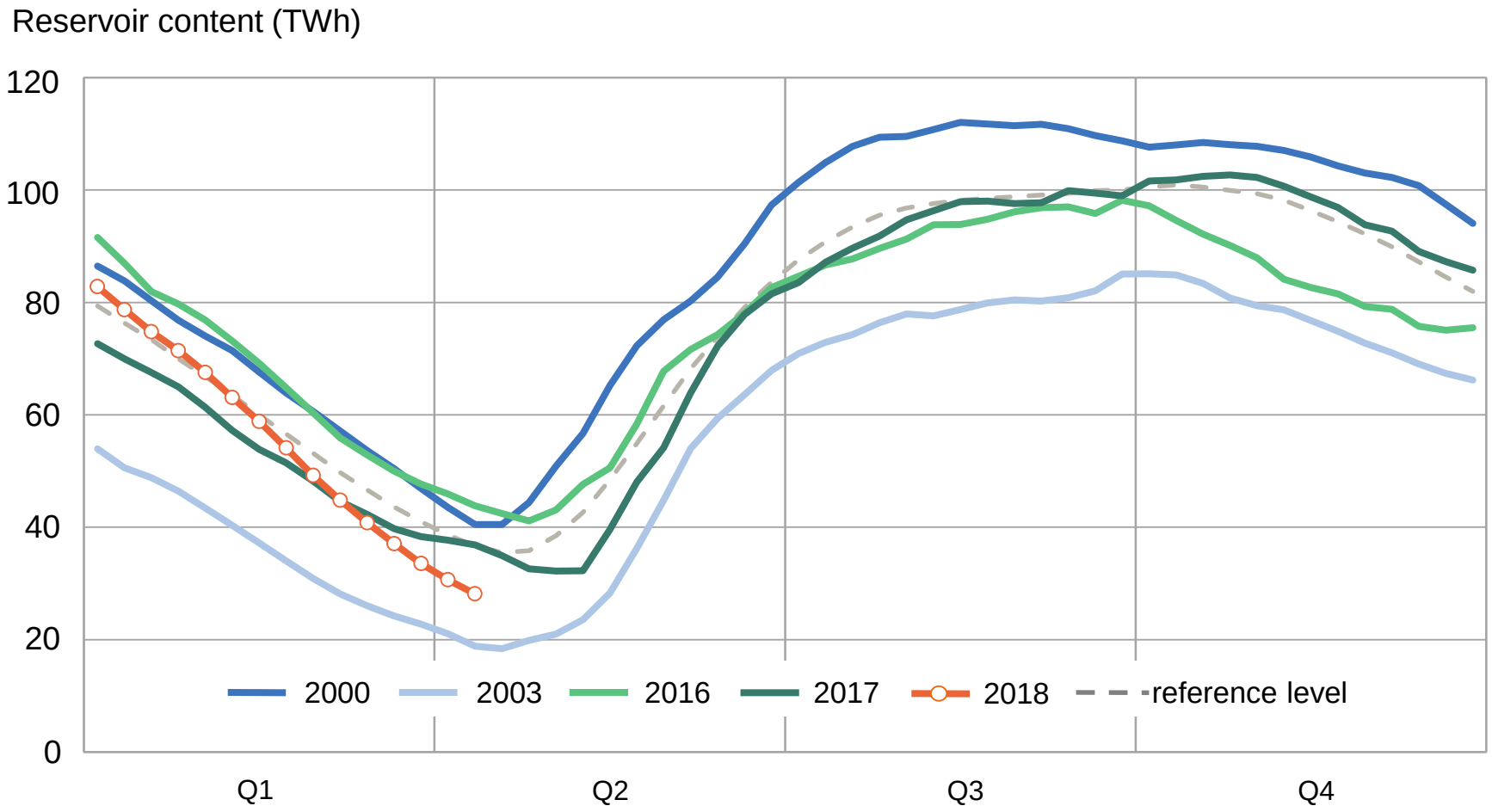
Nordic countries

- Increased electricity consumption due to cold weather in February and March, 121 (113) TWh
- Nordic precipitation clearly below normal in Q1
- System spot price improved to 38.6 (31.1) EUR/MWh
  - Finnish area price at 42.0 (32.9) EUR/MWh and Swedish (SE3) area price 39.0 (31.8) EUR/MWh
- Clearly higher market price for CO_2 emission allowances (EUA)
  - Increase to EUR 13.3/t at the end of Q1 2018 from EUR 8.1/t at the beginning of 2017

Russia

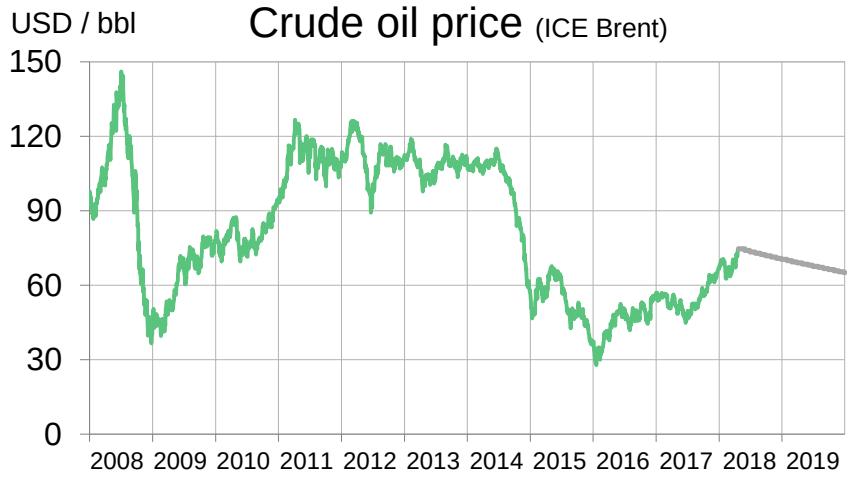
- Electricity consumption slightly higher, 289 (283) TWh
  - First price zone (Fortum's operating area) at 220 (217) TWh
- Average electricity spot price flat in Urals hub

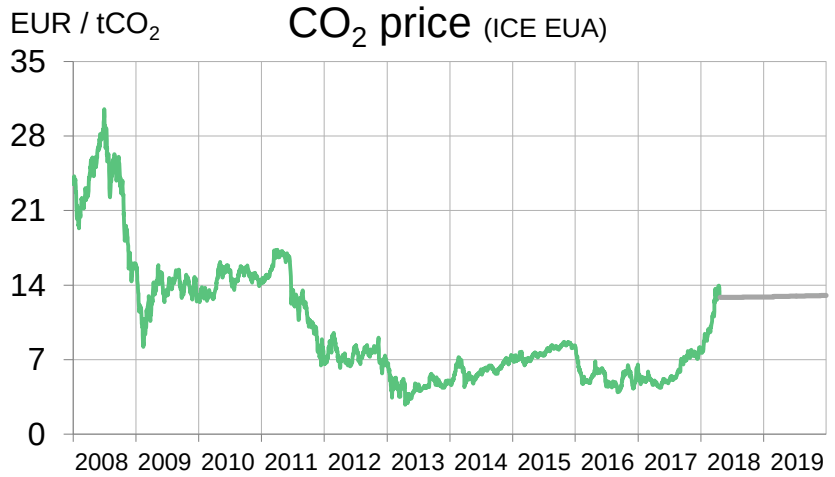
Nordic water reservoirs clearly below normal level

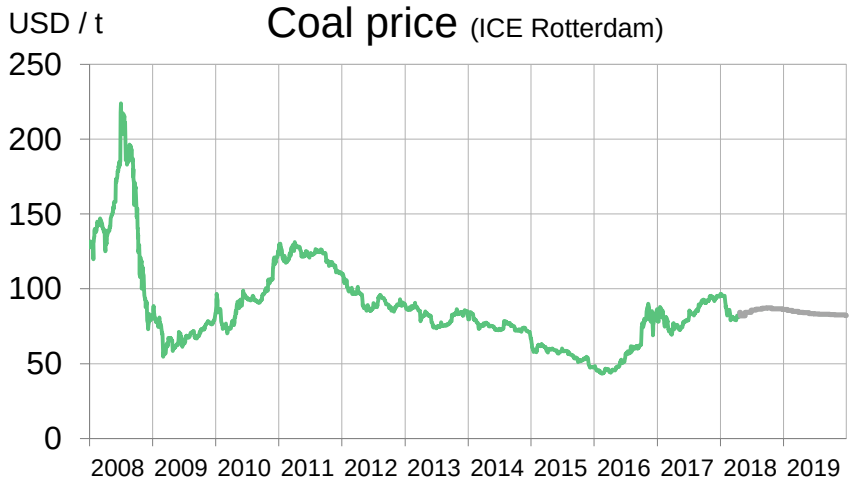


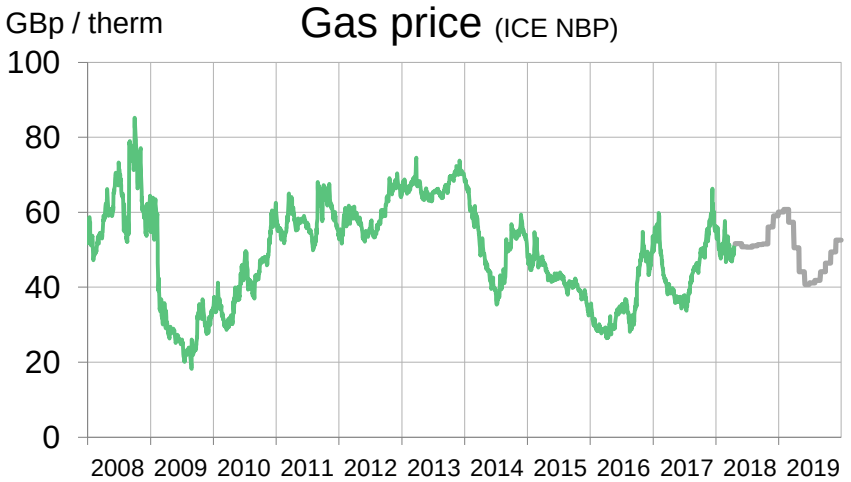
Source: Nord Pool

CO_2 price reached a 7-year high while coal and gas prices slightly declined



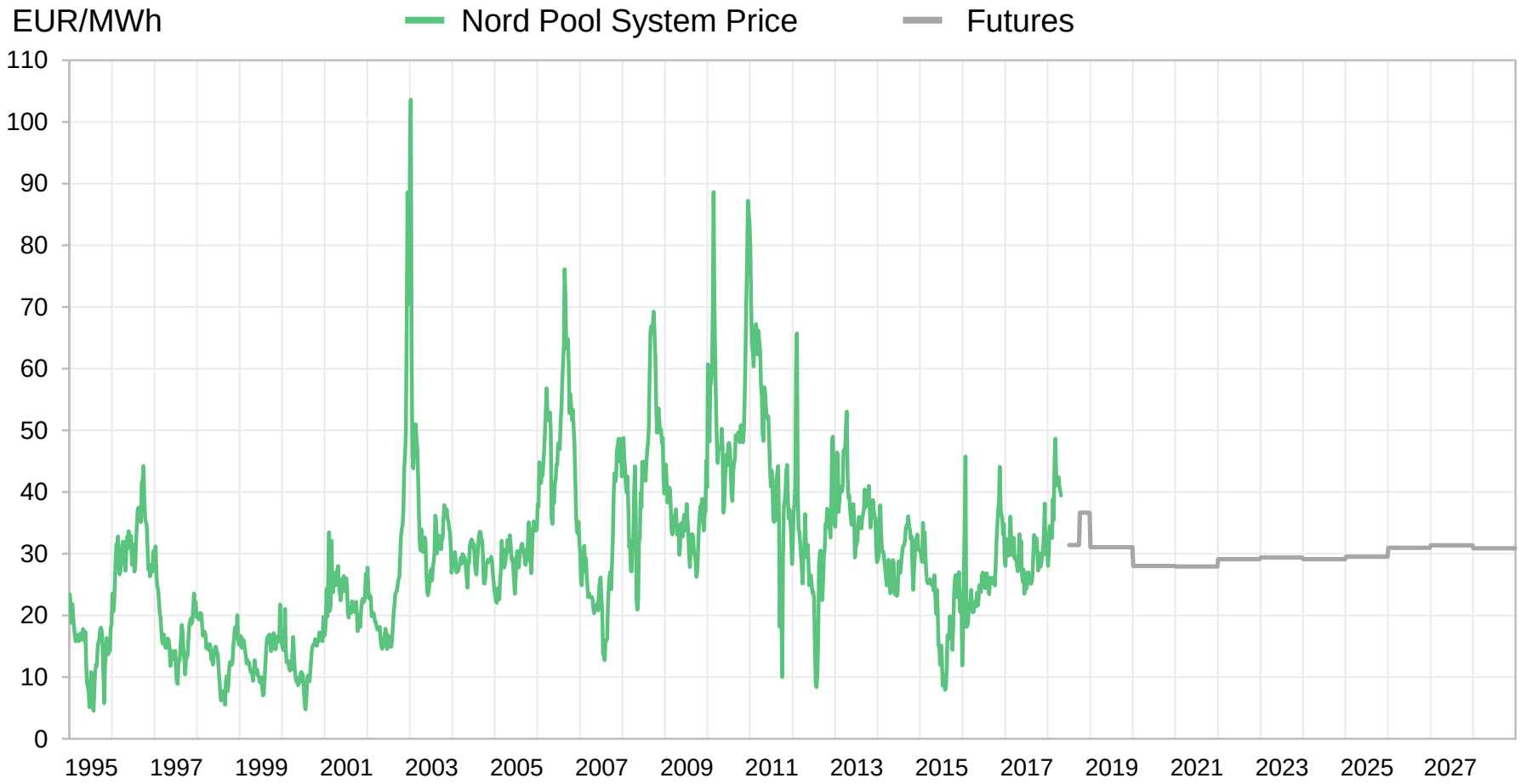






Source: ICE, Thomson Reuters
Market prices 23 April 2018; 2018-2019 future quotations

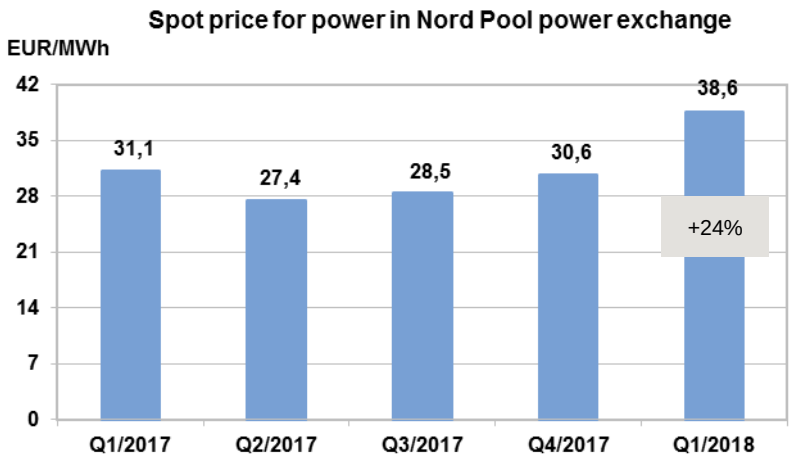
Wholesale power price recovery from low level continued - still room for improvement

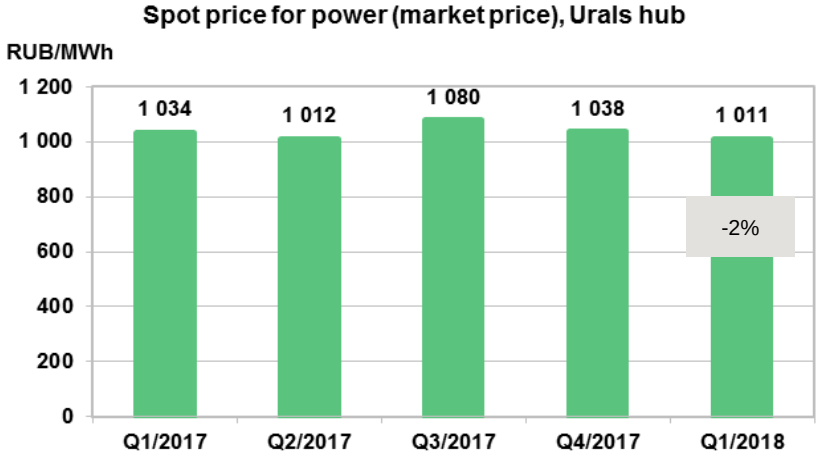


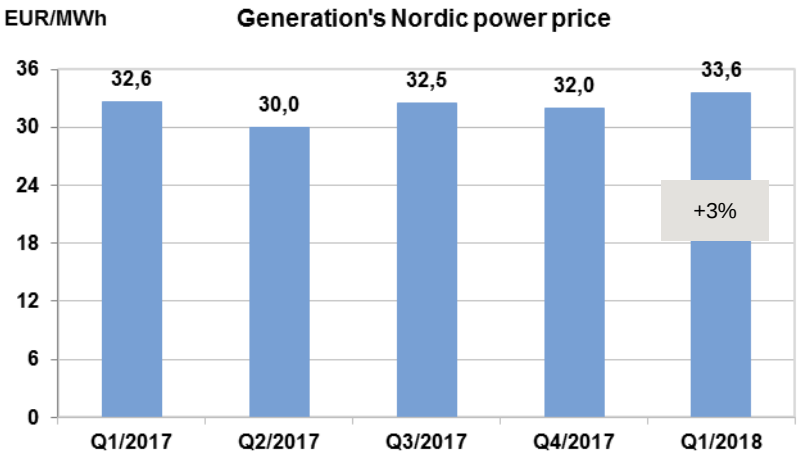
Source: Nord Pool, Nasdaq Commodities
23 April 2018

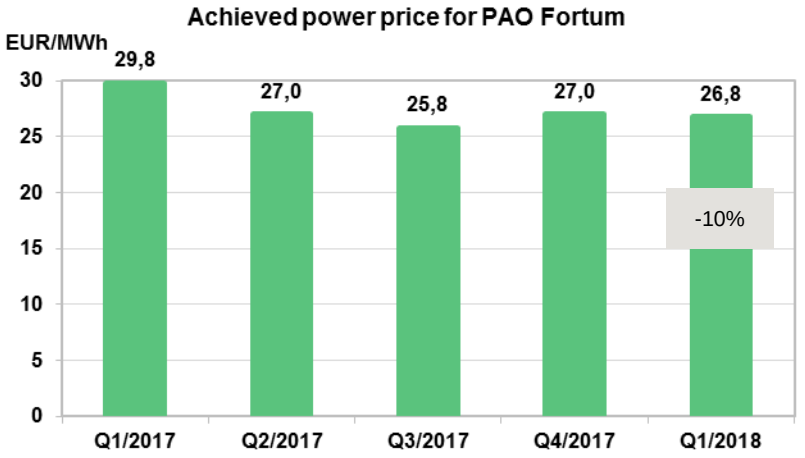
fortum

Higher power prices in the Nordics due to cold and dry weather









Changes refer to year-on-year difference (Q1 2018 versus Q1 2017)
NOTE: Achieved power price in roubles increased 0%, Includes capacity income

Key figures in Q1 2018

MEUR	Q1/2018	Q1/2017	2017	LTM
Sales	1,585	1,232	4,520	4,873
Comparable EBITDA	538	423	1,275	1,390
Comparable operating profit	405	313	811	903
Operating profit	482	389	1,158	1,251
Share of profits of associates and joint ventures	47	59	148	136
Profit before income taxes	493	412	1,111	1,192
Earnings per share, EUR	0.43	0.38	0.98	1.03
Net cash from operating activities	273	282	993	984

- Improved comparable operating profit, +29%
  - Higher hydro volumes and higher achieved power price, lower Swedish taxes, and positive impact from Hafslund consolidation

Generation

- Increased sales due to higher than normal hydro volumes and higher achieved power price
- Clearly improved comparable operating profit, +62%
  - Higher than normal hydro power volumes
  - Higher achieved power price due to cold and dry weather
  - Lower real-estate and capacity taxes in Sweden
  - Good nuclear availability, but lower nuclear volumes due to closure of Oskarshamn 1

MEUR	Q1/2018	Q1/2017	2017	LTM
Sales	497	474	1,677	1,700
Comparable EBITDA	252	166	603	689
Comparable operating profit	220	136	478	562
Comparable net assets	5,698	5,823	5,672	
Comparable RONA %			8.4	9.8
Gross investments	38	24	264	278

City Solutions

- Higher heat sales driven by cold weather and consolidation of Fortum Oslo Varme (Hafslund)
- Clearly improved comparable operating profit, +55%
  - Consolidation of Fortum Oslo Varme had a positive effect of EUR 32 million
  - Higher heat sales, offset by unfavorable fuel mix and higher fuel prices and lower power plant availability in Finland

MEUR	Q1/2018	Q1/2017	2017	LTM
Sales	375	290	1,015	1,100
Comparable EBITDA	129	94	262	297
Comparable operating profit	87	56	98	129
Comparable net assets	3,718	2,894	3,728	
Comparable RONA %			5.5	6.1
Gross investments	29	21	556	564

Consumer Solutions

- Higher sales driven by the Hafslund consolidation and cold weather
- Comparable operating profit, +42%
  - Consolidation of Hafslund had a positive impact of EUR 13 million
  - Competitive situation in the Nordics continued to be challenging
  - Offset by higher power purchase costs due to cold weather, lower gas sales margins in Poland, and amended service agreements for the divested distribution companies
  - Q1 2017: positive contribution from gas distribution DUON (divested in July 2017)

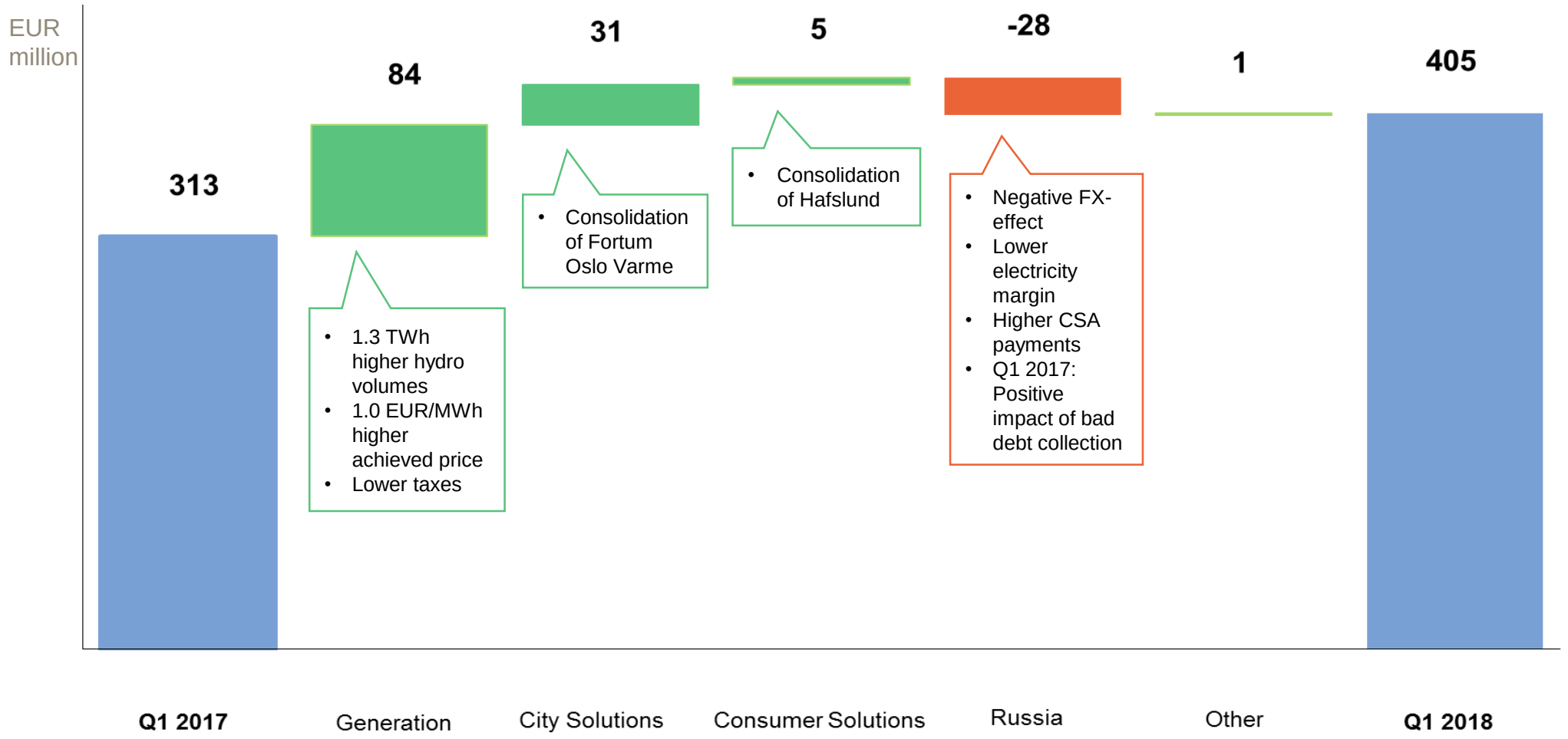
MEUR	Q1/2018	Q1/2017	2017	LTM
Sales	547	242	1,097	1,402
Comparable EBITDA	31	14	57	74
Comparable operating profit	17	12	41	46
Comparable net assets	792	158	638	
Customer base, million	2.49	1.36	2.49	
Gross investments	10	2	493	501

Russia

- Sales in euros decreased due to weaker rouble
  - Positive impact from new capacity from Chelyabinsk GRES 3, good availability and cold weather
- Comparable operating profit decreased, -21%
  - EUR -12 million impact of weakened rouble against euro
  - Lower electricity margins
  - Positive impact from higher CSA payments and contribution from new units
  - Q1 2017: included a positive one-time impact from bad debt collection

MEUR	Q1/2018	Q1/2017	2017	LTM
Sales	336	349	1,101	1,088
Comparable EBITDA	142	168	438	412
Comparable operating profit	104	132	296	268
Comparable net assets	3,091	3,520	3,161	
Comparable RONA %			10.1	9.4
Gross investments	16	32	277	261

Q1 2018 comparable operating profit positively impacted by higher hydro volumes and achieved price



Income statement

MEUR	Q1/2018	Q1/2017	2017	LTM
Sales	1,585	1,232	4,520	4,873
Other income and expenses	-1,180	-919	-3,709	-3,970
Comparable operating profit	**405**	313	**811**	**903**
Items affecting comparability	77	76	347*)	348*)
Operating profit	**482**	389	**1,158**	**1,251**
Share of profit of associates and joint ventures	47	59	148	136
Finance costs, net	-36	-36	-195	-195
Profit before income taxes	**493**	412	**1,111**	**1,192**
Income tax expense	-94	-72	-229	-251
Net profit	**400**	340	**882**	**942**
EPS (EUR)	0.43	0.38	0.98	1.03

*) Hafslund sales gain of EUR 324 million

Cash flow statement

MEUR	Q1/2018	Q1/2017	2017	LTM
Comparable EBITDA	**538**	**423**	**1,275**	**1,390**
Realised FX gains/losses	42	-58	-83	17
Paid net financial costs, income taxes and other	-107	-95	-281	-292
Change in working capital	-200	12	81	-131
of which change of settlements for futures	*-91*	*19*	*141*	*31*
Net cash from operating activities	**273**	**282**	**993**	**984**
Cash used in investing activities:				
Capital expenditures	-133	-180	-657	-610
Acquisitions of shares	-18	-26	-972	-964
Divestments of shares	0	0	741	741
Change in cash collaterals	-63	182	-3	-248
Other investing activities	1	23	85	62
Cash flow from investing activities	**-213**	**-1**	**-807**	**-1,019**
Cash flow before financing activities	**60**	**280**	**187**	**-33**

- Stronger EBITDA and lower capital expenditures increased the generated cash-flow by EUR 162 million
- Positive impact of EUR 100 million on hedging internal loans to Russian and Swedish subsidiaries due to realised FX compared to Q1 2017
- Due to higher power prices, settlements and collaterals related to commodity exchanges for Generation negatively impacted cash-flow by EUR 355 million compared to Q1 2017

Strong financial position
- financial headroom enables the Uniper investment

	LTM	2017	TARGET
Comparable EBITDA, MEUR	1,390	1,275	
Interest-bearing net debt, MEUR	899	988	
Comparable net debt/EBITDA ratio	0.6x	0.8x	Around 2.5x
Return on capital employed (ROCE), %	7.7*	7.1*	At least 10%

*) Includes sales gain of Hafslund shares

Liquid funds
EUR 3.5 billion

Committed credit lines
EUR 1.8 billion

Committed credit facility for the Uniper acquisition EUR 3.8 billion

Focus on balance sheet and cash flow discipline to maintain financial flexibility

1. Investment scrutiny

- Capital expenditure to be scrutinised with strategic prioritisation for both maintenance and growth initiatives

2. Business focus

- Assessment of the future of non-core assets to streamline operations

3. Efficiency improvements

- Continued cost consciousness with efficiency improvements and fixed cost scrutiny

Outlook

Hedging

~65% hedged at EUR 27 per MWh, for remainder of 2018

~45% at EUR 26 per MWh, for 2019

2018 Estimated annual capital expenditure, including maintenance and excluding acquisitions

EUR 600-700 million

Targeted cost synergies of Hafslund transaction EUR 15-20 million gradually materialising 2019-2020

City Solutions: EUR 5-10 million

Consumer Solutions: ~EUR 10 million

Taxation

Effective tax rate for 2018 for the Group 19-21%

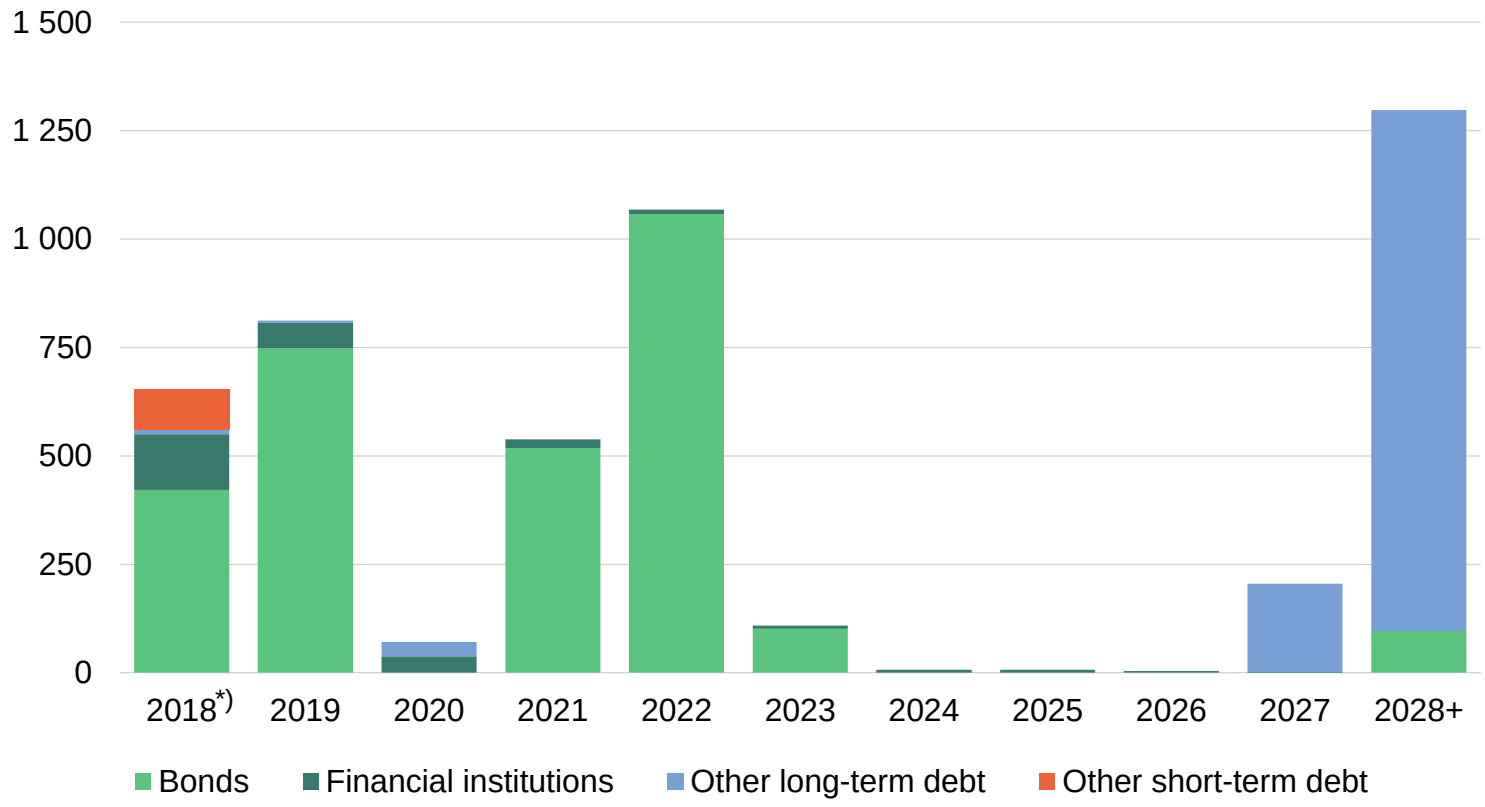
In Sweden nuclear capacity tax abolished from 2018 and hydro assets' real estate tax rate to decrease over a four-year period

Demand growth

Electricity demand in the Nordics is expected to grow by ~0.5% on average

Balanced debt portfolio and average interest rate

Maturity profile as of 31 March 2018



*) In addition Fortum has received EUR 98 million based on Credit Support Annex agreements with several counterparties. This amount has been booked as a short term liability.

Total interest-bearing debt of EUR 4,403 million

- Average interest rate of 3.4% (2017: 3.6%)
- Portfolio mainly in EUR and SEK with average interest cost 2.3% (2017: 2.4%)
- EUR 775 million (2017: 773) swapped to RUB, average interest cost including cost for hedging 8.6% (2017: 9.5%)

Transaction highlights

Agreement with E.ON

Fortum and E.ON have signed a transaction agreement regarding E.ON's 46.65% shareholding in Uniper

E.ON has the right to tender into the offer in early 2018 at the same total value as all other shareholders

If E.ON does not tender its shares:

- Fortum will have the right to sell to E.ON any Uniper shares acquired in connection with the offer
- Fortum will receive a compensation payment from E.ON of 20% to 40% of the total equity value of E.ON's stake in Uniper

Key offer terms

Fortum has launched an all cash offer for all outstanding Uniper shares

- Total value of EUR 22 per share, which includes an expected dividend of Uniper of EUR 0.69 per share for 2017
  - 36% premium to the price at the end of May, prior to speculation on a potential transaction
  - 120% premium to the initial trading price post spin-off
- No minimum acceptance threshold
- Offer will be subject to competition and regulatory approvals
- Offer provides immediate and certain value to Uniper shareholders

Total value corresponds to a total equity value of approximately EUR 3.76 billion for E.ON's 46.65% shareholding in Uniper and approximately EUR 8.05 billion for 100% of Uniper shares

Financials

Offer financed by existing cash resources and committed credit facilities

Barclays originally underwrote 100% of credit facilities, including ongoing liquidity requirements; syndicated in Oct 2017

Fortum will account for Uniper as an associated company unless control according to IFRS is attained

EBITDA, cash flow and EPS effect on Fortum's results will depend on the final outcome of the offer

Uniper and Fortum – two highly complementary businesses

	uniper	fortum
Hydro	3.6 GW of which 1.6 GW in Sweden and 2.0 GW in Germany	4.6 GW Nordic hydro portfolio
Nordic nuclear	1.9 GW Swedish nuclear portfolio	3.0 GW Nordic nuclear portfolio, world class track record in availability
Russia	10.7 GW power production portfolio, among most efficient operators	4.5 GW power and 9.9 GW heat portfolio and strong renewables pipeline, most modern fleet
European generation	~22 GW power production portfolio in Central Europe and UK	Growing power and heat player in Poland
Renewables, waste and consumer business	Wind and solar in France, limited biomass	Growing in wind and solar, among EU's largest bioenergy companies, strong growth in waste, consumer business and e-mobility
Trading and mid-stream gas business	Large power and fuel trading, significant mid-stream assets	Strong competence in asset optimization and trading

Note: Uniper capacities presented represent accounting view.

An attractive investment for Fortum shareholders

Delivers on Fortum's, disciplined capital redeployment strategy and investment criteria

UNIPER HAS A:

Strong EBITDA

Strong operating profit

Strong net profit

Strong dividends

BROKER CONSENSUS MEDIAN FOR 2018 [1]	
Adj. EBITDA	1,585
Adj. EBIT	960
Net profit	646
Dividend [2]	311

1) Source: www.uniper.energy, March 27, 2018
2) Dividend for 2018 to be paid in 2019

- Contributes towards a stable and sustainable dividend for Fortum's shareholders
- EBITDA and cash flow contribution, EPS effect on Fortum's results, will depend on the final outcome of the offer

Next steps

26 SEP
Announcement of intention to launch public takeover offer

24 OCT
The offer documents to the German Federal Financial Supervision Authority (BaFin)

7 NOV
Publication of offer documents
10-week acceptance period commences

16 JAN-18
Acceptance period ends

20 JAN to 2 FEB-18
Expected additional acceptance period

MID 2018
Regulatory approvals expected
Transaction closing expected

www.powerful-combination.com

fortum

Next events:

Q2/2018 results on 19 July 2018
Q3/2018 results on 24 October 2018
CMD on 13 November 2018

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

Fortum Investor Relations and Financial Communications

Ingela Ulfves
Vice President,
Investor Relations and
Financial Communication
+358 (0)40 515 1531
ingela.ulfves@fortum.com

Rauno Tiihonen
Manager
+358 (0)10 453 6150
rauno.tiihonen@fortum.com

Måns Holmberg
Manager
+358 (0)44 518 1518
mans.holmberg@fortum.com

Pirjo Lifländer
IR Specialist
+358 (0)40 643 3317
pirjo.liflander@fortum.com

Meeting requests:
Pia Lilja
Executive Assistant
+358 (0)50 553 5529
pia.lilja@fortum.com

Follow us on:

www.twitter.com/Fortum
www.linkedin.com/company/fortum
www.youtube.com/user/fortum
Fortum ForEnergy blog at
fortumforenergyblog.wordpress.com

Join the change

fortum