

An aerial photograph of a vast, rugged mountain landscape. The mountains are covered in patches of snow and dark, rocky terrain. A deep, dark blue lake is nestled in the valley, surrounded by steep, forested slopes. The sky is clear and blue.

Interim Report January-September 2017

Fortum Corporation

26 October 2017

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.

Strategy implementation and capital redeployment continued

**Hafslund
transaction closed**



**Agreement with E.ON
on 46.65%
Uniper stake**



**Charge & Drive
expands to India**



**Wind power grows in
Nordics and Russia**

**Home charging
introduced in
Norway and Finland**



**New customers for
Fortum SmartLiving
in Finland**



Fortum's performance in Q3 2017

- Wholesale prices are still on low levels, but show signs of improving
- Comparable EBITDA EUR 210 (151) million, +39%
- Comparable operating profit EUR 94 (58) million, increase mainly due to Generation and Russia
- Earning per share EUR 0.40 (-0.03) impacted by
 - Items affecting comparability EUR 0.34 (-0.06)
- Fortum and City of Oslo concluded Hafslund ownership restructuring
- Fortum signed a transaction agreement with E.ON regarding their 46.65% ownership in Uniper



Market conditions in Q3 2017

Nordic countries

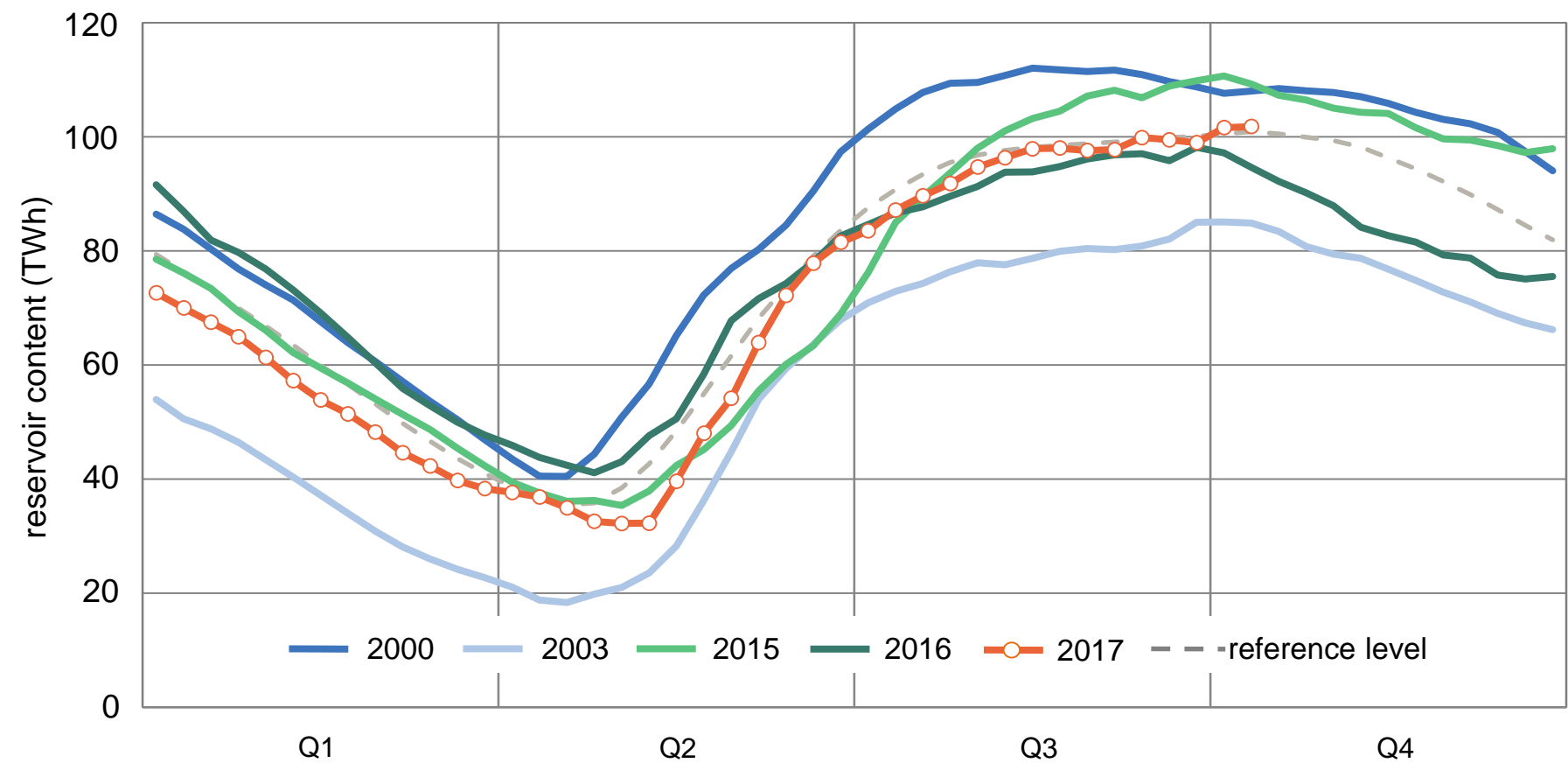
- Electricity consumption totalled 82 (80) TWh in Q3 2017. The Nordic precipitation during the third quarter was close to normal after a wetter-than-average first half of 2017. Jan-Sep consumption totalled 283 (283) TWh
- System spot price was 28.5 (25.2) EUR/MWh, Finnish area price was 35.9 (31.6) EUR/MWh and Swedish (SE3) area price 33.6 (29.6) EUR/MWh
- Market price of CO₂ emission allowances (EUA) was EUR 6.5 per tonne at the beginning of the year and EUR 7.0 per tonne at the end of September 2017

Russia

- Electricity consumption was 235 (231) TWh in Q3 2017. In Fortum's operating area in the First price zone it totalled 182 (179) TWh in Q3 2017
- Average electricity spot price, excluding capacity price, in Urals hub decreased by 4% compared to the third quarter of 2016

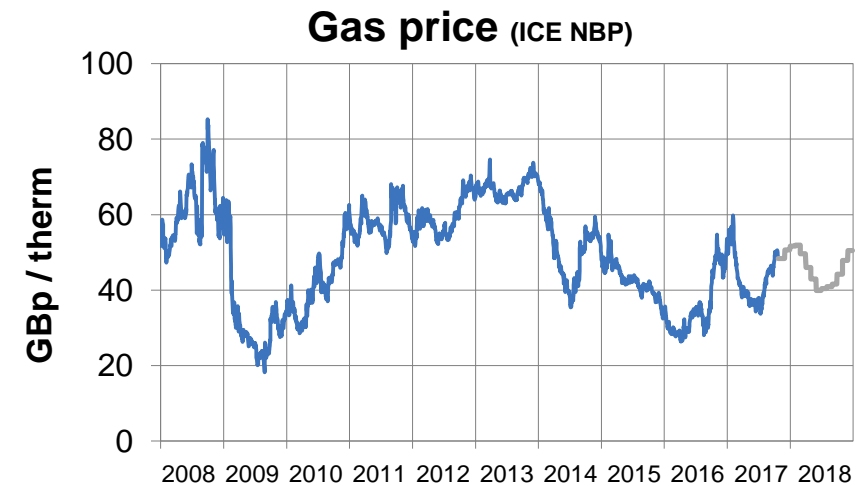
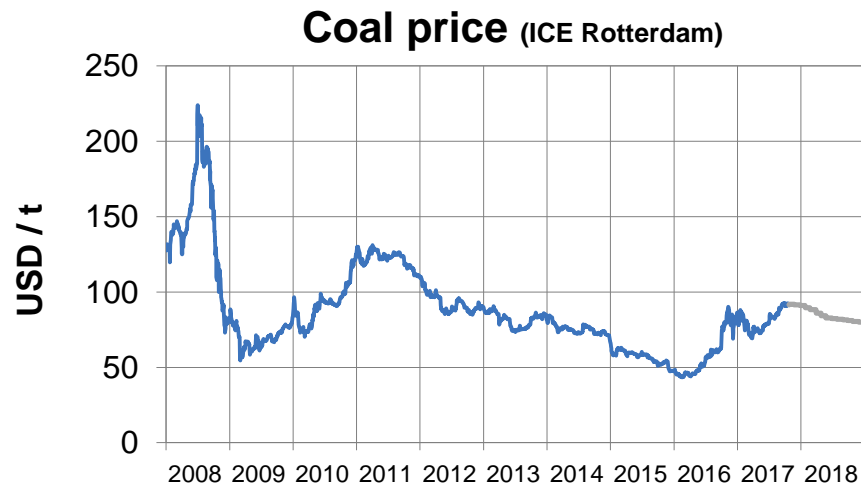
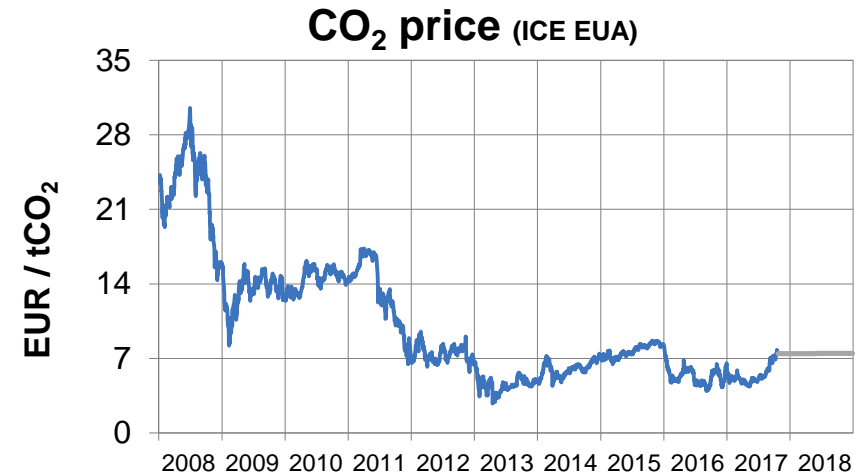
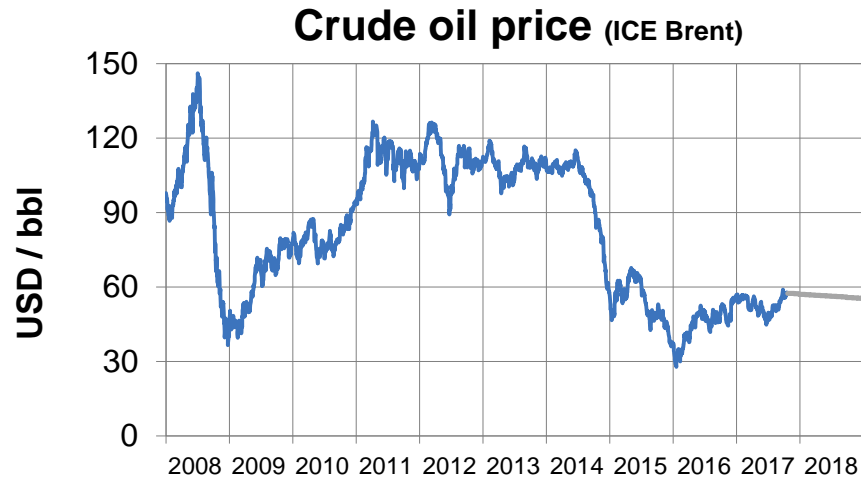


Nordic water reservoirs



Source: Nord Pool

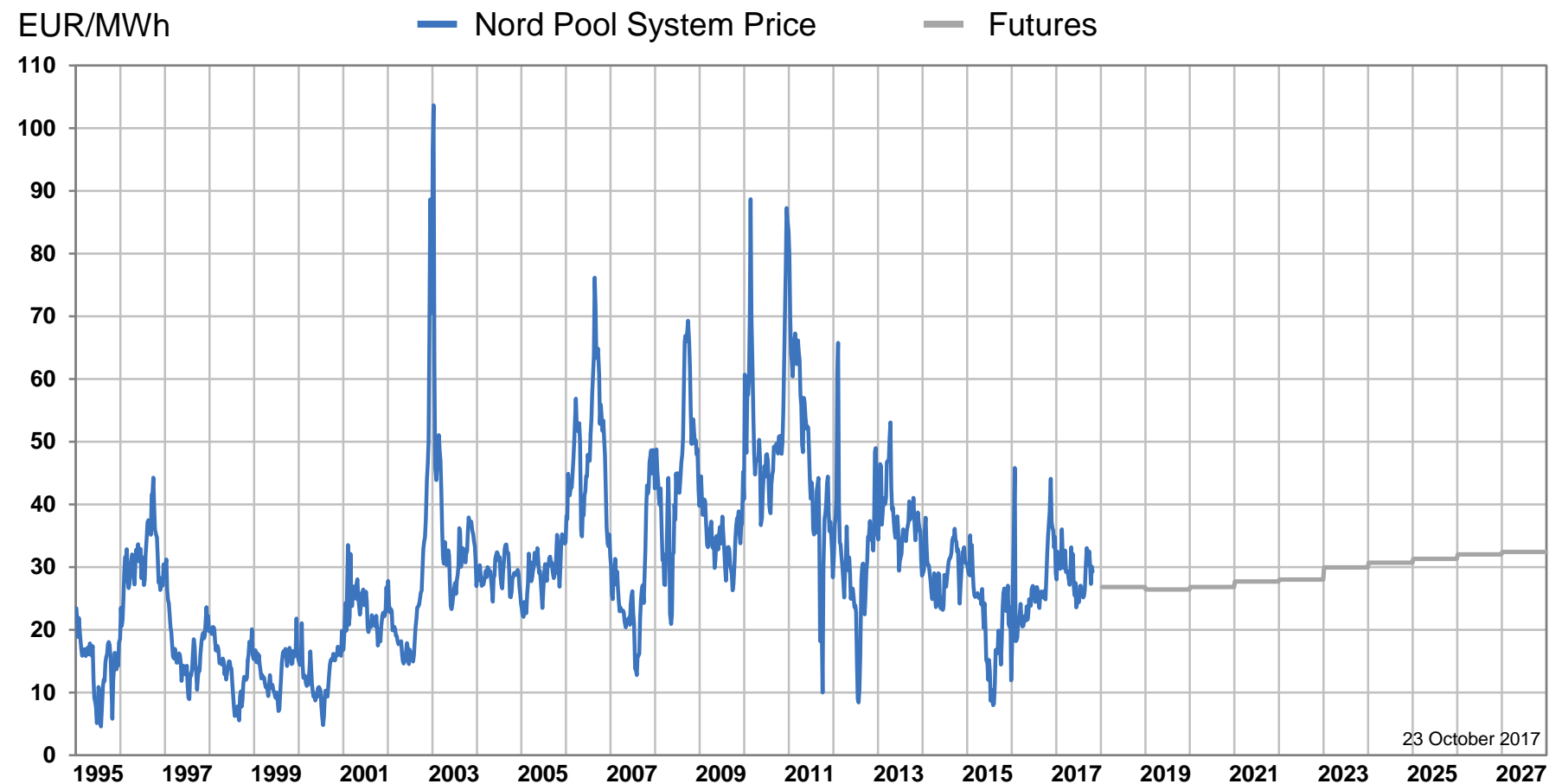
Fuel and CO₂ allowance prices



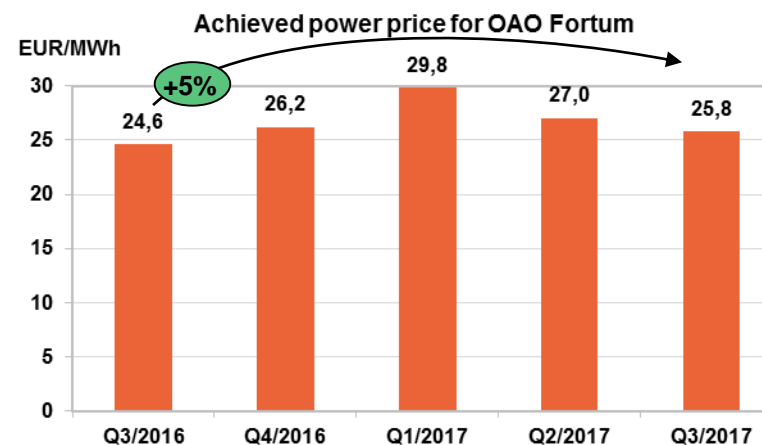
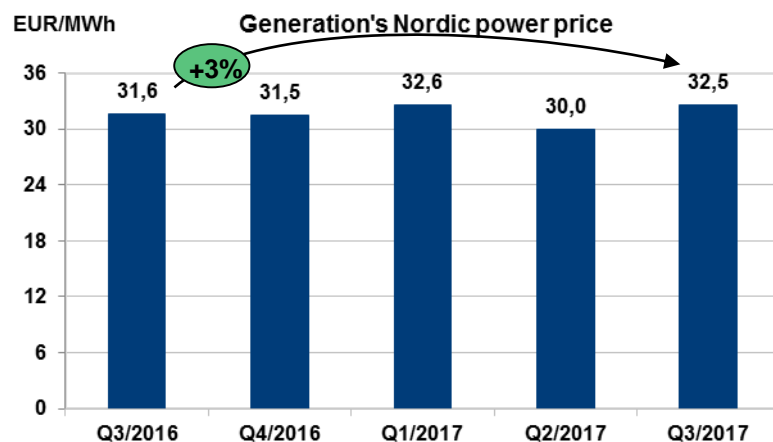
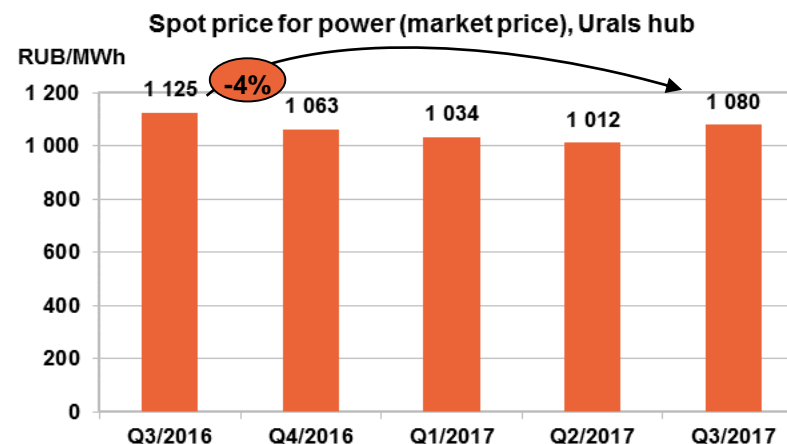
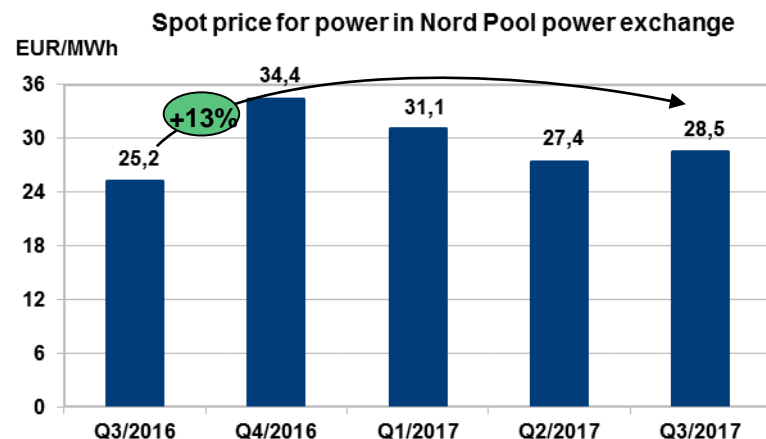
Source: ICE, Thomson Reuters

Market prices 23 October 2017; 2017-2018 future quotations

Wholesale power price



Price development in the Nordic region and Russia



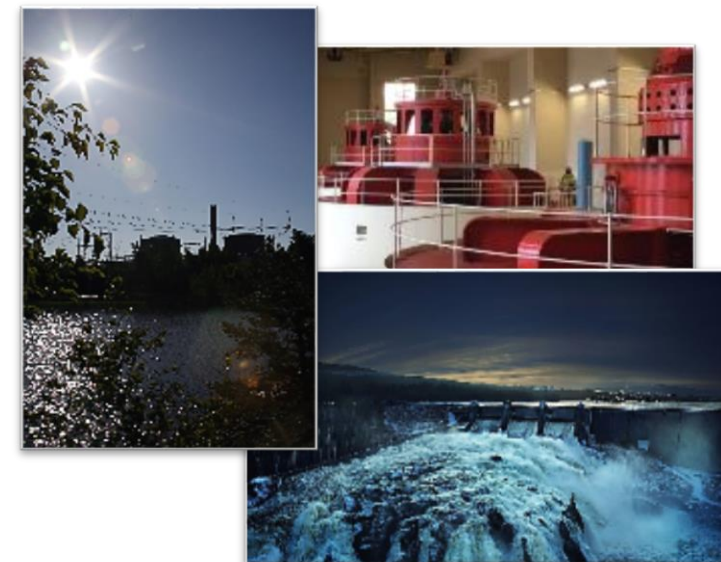
NOTE: Achieved power price in roubles decreased appr.0%
Includes capacity income

Key figures Q3 2017

MEUR	III/17	III/16	I-III/17	I-III/16	2016	LTM
Sales	919	732	3,088	2,489	3,632	4,231
Comparable EBITDA	210	151	852	717	1,015	1,150
Operating profit	387	-6	843	430	633	1,046
Comparable operating profit	94	58	516	455	644	705
Share of profits of associates and joint ventures	21	11	114	116	131	129
Profit before income taxes	351	-40	811	411	595	995
Earnings per share, EUR	0.40	-0.03	0.70	0.40	0.56	0.86
Net cash from operating activities	185	101	699	471	621	849

Generation

- Higher hydro production volumes and achieved power price in Q3
- Lower nuclear volumes due to the timing of the outages
- The process to review the Swedish nuclear waste fees is done in a three-year cycle. New fees for 2018-2020 (50 years and new level of fees)



MEUR	III/17	III/16	I-III/17	I-III/16	2016	LTM
Sales	367	371	1,243	1,222	1,657	1,678
Comparable EBITDA	134	104	412	410	527	529
Comparable operating profit	104	77	317	330	417	404
Comparable net assets			5,727	5,685	5,815	
Comparable RONA %					6.9	6.7
Gross investments	141	46	207	124	203	286

City Solutions

- Colder weather positively impacted the heat sales 6.4 (5.4) TWh
- Strong sales and EBITDA improvement mainly due to Ekokem
- The consolidation of Fortum Oslo Varme had a negative effect on seasonally weak third-quarter results.



MEUR	III/17	III/16	I-III/17	I-III/16	2016	LTM
Sales	179	116	674	466	782	990
Comparable EBITDA	21	5	152	95	186	243
Comparable operating profit	-20	-25	37	14	64	87
Comparable net assets			3,705	2,798	2,873	
Comparable RONA %					5.9	5.4
Gross investments	422	715	485	753	807	539

Consumer Solutions

- Sales increased mainly due to the consolidation of DUON and Hafslund
- The decrease in the average margin in electricity and gas products and the increased focus and spend on the development of new digital services impacted the result negatively
- The consolidation of Hafslund had a positive effect of EUR 5 million on the comparable EBITDA
- The total customer base at the end of the period was 2.48 (1.36) million



MEUR	III/17	III/16	I-III/17	I-III/16	2016	LTM
Sales	238	126	644	447	668	865
Comparable EBITDA	10	11	32	40	55	47
Comparable operating profit	5	9	23	35	48	36
Comparable net assets			661	113	154	
Customer base, million			2.48	1.36	1.36	
Gross investments	488	1	491	118	120	493

Russia

- Sales increased mainly due to the strengthening of the Russian rouble, higher received CSA payments, and the change in the heat supply scheme in Tyumen.
- The commissioning of the new units, higher received CSA payments, higher power and heat volumes, as well as improved bad-debt collections positively affected the result
- The Russian rouble had a positive effect of EUR 30 million on the Q1-Q3 comparable operating profit

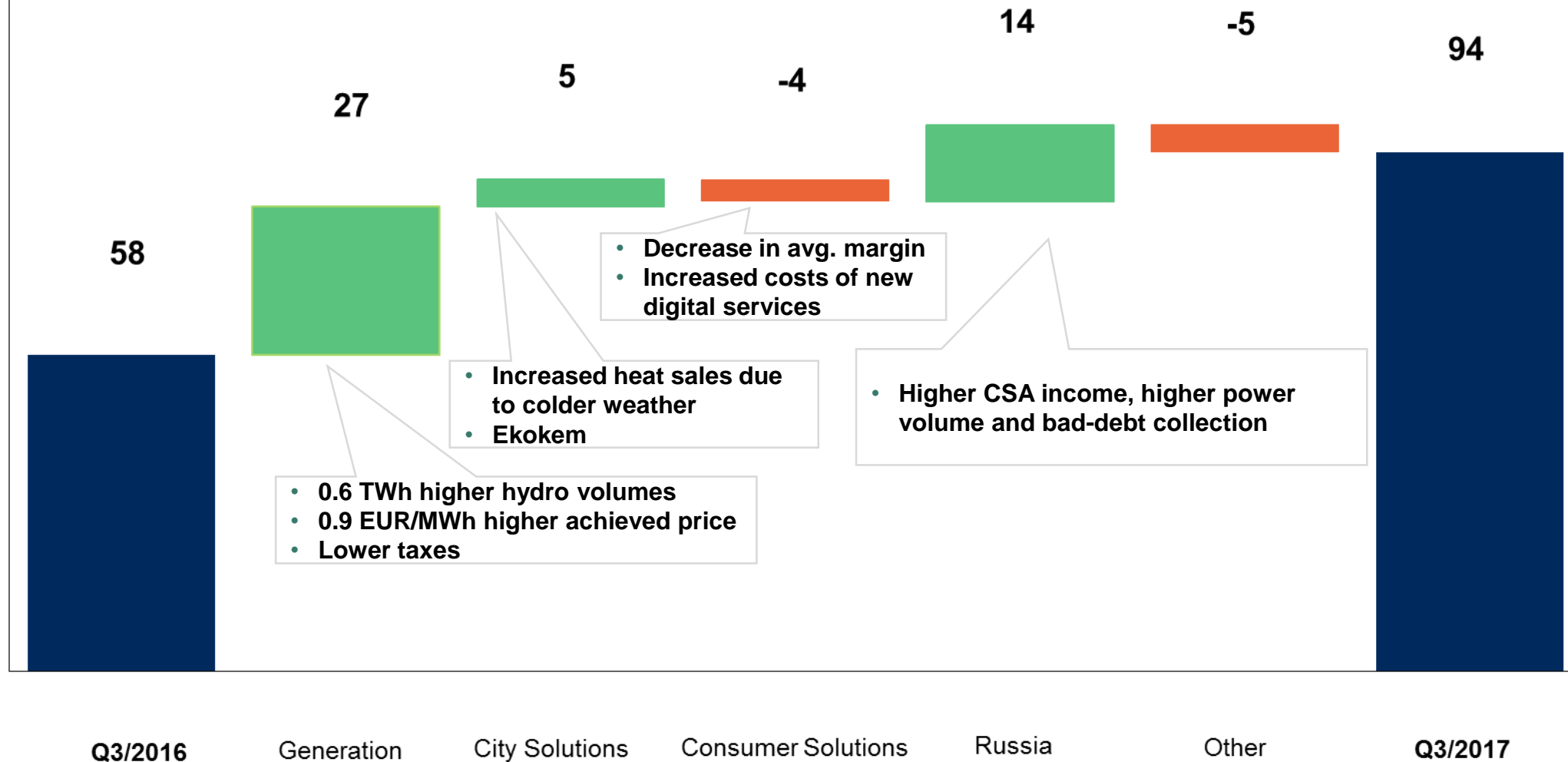


MEUR	III/17	III/16	I-III/17	I-III/16	2016	LTM
Sales	200	175	786	606	896	1,076
Comparable EBITDA*	61	43	317	212	312	417
Comparable operating profit	26	12	211	125	191	277
Comparable net assets			3,117	2,916	3,284	
Comparable RONA %					8.0	9.7
Gross investments	37	41	110	133	201	178

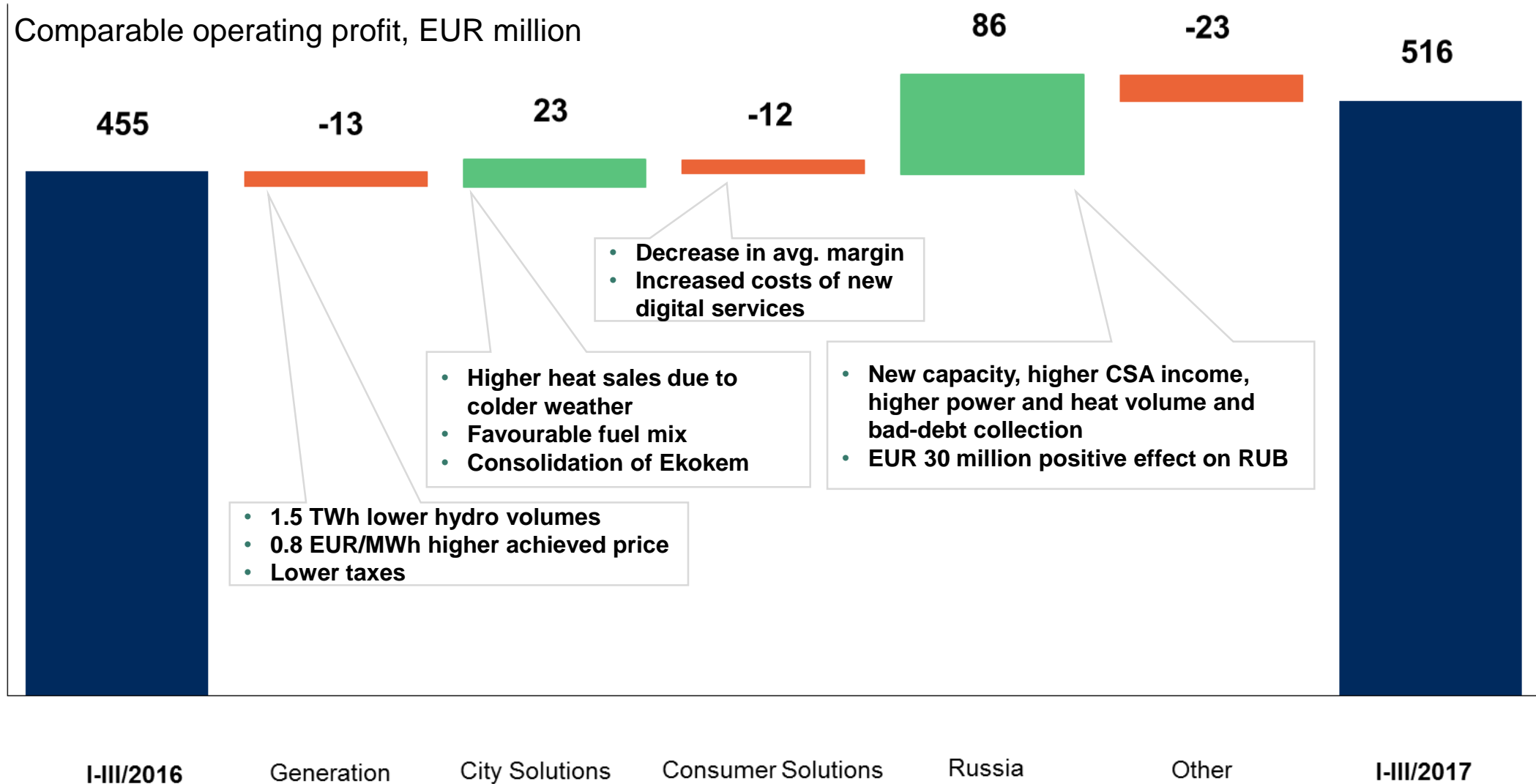
* Excluding the net release of CSA provision

Q3/2017: Higher hydro volumes – Russia results improved

Comparable operating profit, EUR million



I-III/2017: Lower hydro volumes – Russia results improved



Income statement

MEUR	III/17	III/16	I-III/17	I-III/16	2016	LTM
Sales	919	732	3,088	2,489	3,632	4,231
Other income and expenses	-825	-674	-2,572	-2,034	-2,988	-3,526
Comparable operating profit	94	58	516	455	644	705
Items affecting comparability	293	-65	327	-25	-11	341
Operating profit	387	-6	843	430	633	1,046
Share of profit of associates and joint ventures	21	11	114	116	131	129
Finance costs, net	-58	-44	-146	-135	-169	-180
Profit before income taxes	351	-40	811	411	595	995
Income tax expense	4	9	-186	-54	-90	-222
Net profit	355	-31	625	357	504	772
EPS (EUR)	0.40	-0.03	0.70	0.40	0.56	0.86

Cash flow statement

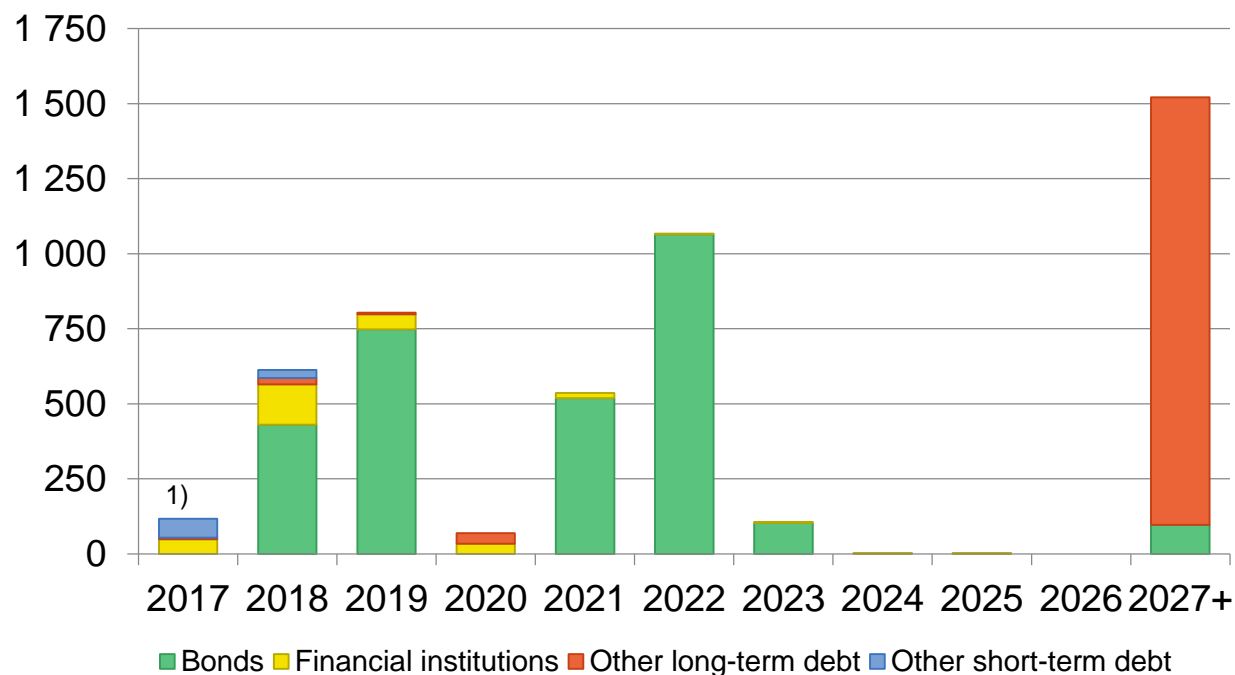
MEUR	III/17	III/16	I-III/17	I-III/16	2016	LTM
Cash from operating activities:						
Comparable EBITDA	210	151	852	717	1,015	1,150
Realised FX gains/losses	-8	-16	-72	112	110	-74
Paid net financial costs, income taxes and other	-78	-60	-207	-392*	-402*	-217
Change in working capital	61	26	126	34	-102	-10
Cash from operating activities	185	101	699	471	621	849
Cash used in investing activities:						
Capital expenditures	-162	-124	-470	-367	-599	-702
Acquisitions of shares	-878	-553	-929	-666	-695	-958
Divestments of shares	740	0	740	39	39	740
Change in cash collaterals	-97	-122	-24	-391	-359	8
Other investing activities	-15	1	72	-54	-87	39
Cash flow from investing activities	-412	-798	-611	-1,439	-1,701	-873
Cash flow before financing activities	-227	-697	88	-968	-1,080	-24

* Includes the payment of income taxes EUR 127 million regarding Swedish income tax case

Debt portfolio and average interest rate on the balance sheet date

30 September 2017

Maturity profile



- Total interest-bearing debt EUR 4,951 million
 - Average interest 3.5% (2016: 3.5%)
 - Portfolio mainly in EUR and SEK with average interest cost 2.3% (2016: 2.1%)
 - EUR 742 million (2016: 805) swapped to RUB, average interest cost including cost for hedging 10,2% (2016: 11.4%)

¹⁾ In addition Fortum has received EUR 113 million based on Credit Support Annex agreements with several counterparties. This amount has been booked as a short term liability.

Fortum's financial headroom enables the Uniper investment

MEUR	LTM	2016	Target
Comparable EBITDA	1,150	1,015	
Interest-bearing net debt	1,075	-48	
Comparable net debt/EBITDA	0.9	0.0	Around 2.5
ROCE % Return on capital employed	6.3	4.0	At least 10%

Liquid funds totalled EUR 3.9 billion
Committed credit lines total EUR 1.9 billion

Outlook

Nordic markets

- Fortum continues to expect that the annual electricity demand growth will be approximately 0.5% on average
- Electricity is expected to continue to gain share of total energy consumption

2017 Annual capex estimate, excluding acquisitions

- Approximately EUR 800 million (maintenance capex below EUR 300 million)

Hedging

- Rest of 2017 approximately 65% hedged at EUR 30/MWh
- 2018 approximately 50% hedged at EUR 28/MWh
- 2019 approximately 30% hedged at EUR 24/MWh

Taxation

- Effective tax rate for 2017 for the Group 19-21% *
- In Sweden
 - Nuclear taxes reduced from 1 July 2017 and abolished by 2018
 - Hydro assets' real estate tax rate decreased from 2.8% to 0.5% over a four-year period
- Swedish Administrative Court ruled (on 30 June 2017) in Fortum Sverige AB's favour regarding hydro real-estate tax for 2009-2014 (EUR 53 million). The tax authority has appealed

* Excluding the impact of the share of profits of associated companies and joint ventures, non-taxable capital gains, and a Swedish income tax case.

