



Interim Report January-September 2018

Fortum Corporation
24 October 2018

Low hydro volumes partly offset by higher prices

- Nordic power price volatile during the quarter, but significantly up from Q3 2017
- Low hydro reservoir levels
- Volatile commodity and CO₂ prices
- Comparable EBITDA at EUR 230 million, +10%
- Comparable operating profit at EUR 96 million, +2%
 - Profit of EUR 26 million from sale of Indian solar stake
- EPS at EUR 0.05 (0.40)
 - Items affecting comparability EUR -0.01 (0.34)
- Balance sheet discipline with focus on cash flow continues



**Markus
Rauramo to
Uniper
Supervisory
Board**

**Arun
Aggarwal
joins Fortum
Executive
Management**

**Kivenlahti
heat-only
boiler
investment
decision**

**Solberg wind
park in
Sweden
inaugurated**

**New solar
and wind to
be built in
Russia and
India**

**Multi-fuel
CHP
inaugurated
in Zabrze,
Poland**

**Fincumet
acquisition
to expand
recycling**



IPCC: Staying below 1.5°C requires “rapid and far-reaching transition”

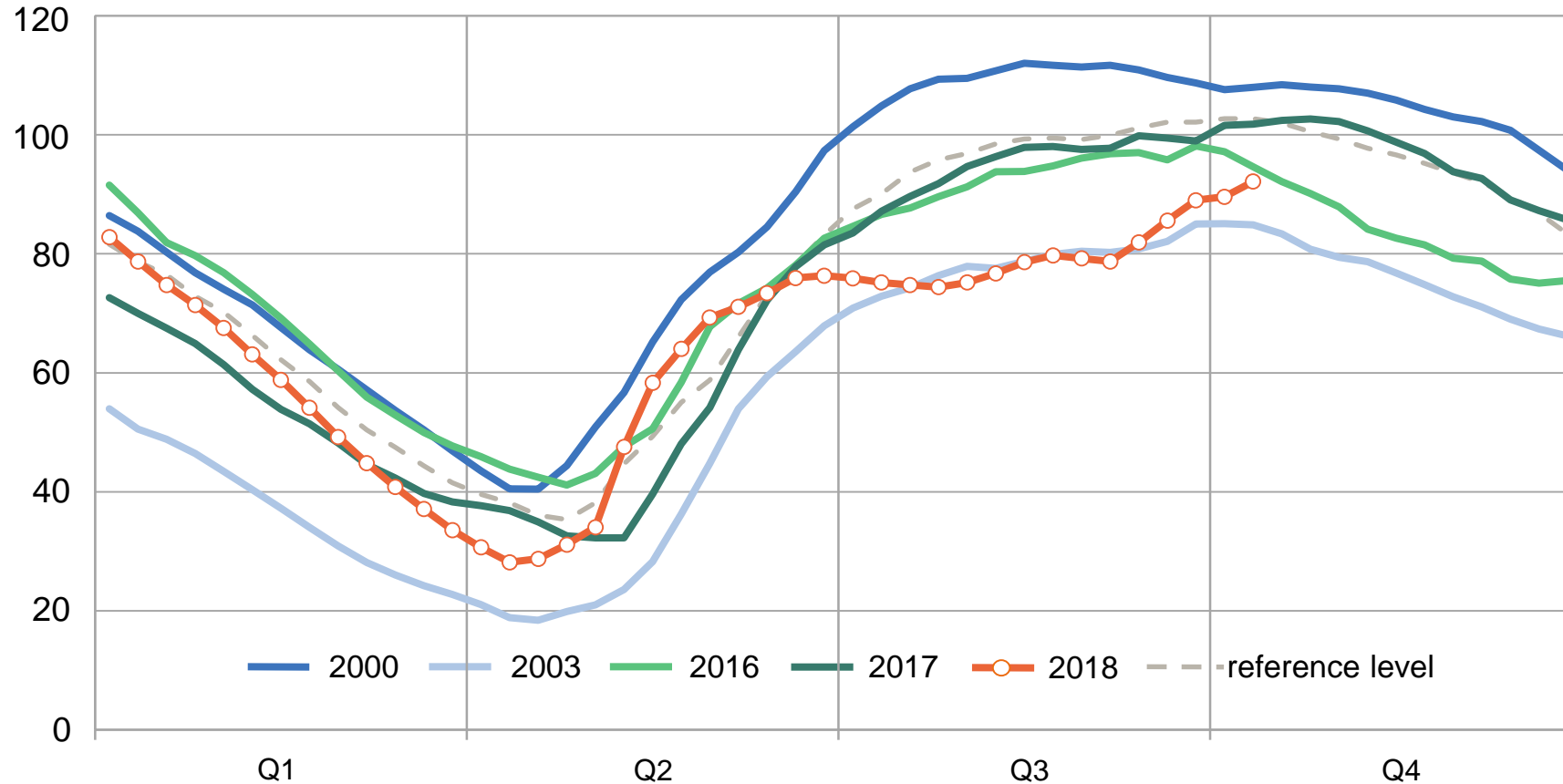
– Fortum calls for an ambitious EU climate strategy

- We need to reach global carbon neutrality by 2050
- The power sector should reduce emissions by 100% well before 2050
- 70-85% of electricity should come from renewables and nuclear will play a bigger role

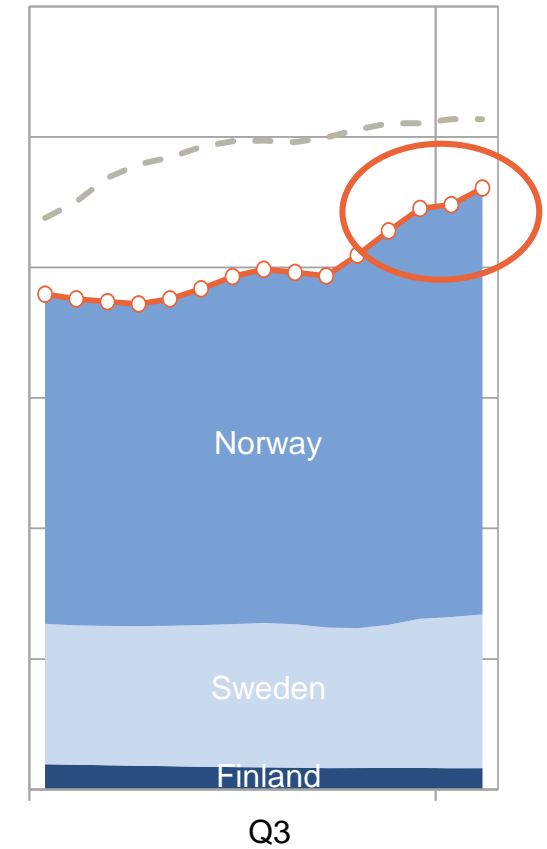
- We believe electrification will be an enabler for decarbonisation
- We ask for a stable, visionary, and long-term political framework
- Carbon pricing should be the key for reaching carbon neutrality and market mechanisms developed to reward CO₂ removal

Nordic water reservoirs clearly below normal level – dry Q3 in the Nordics, increase only in Norway

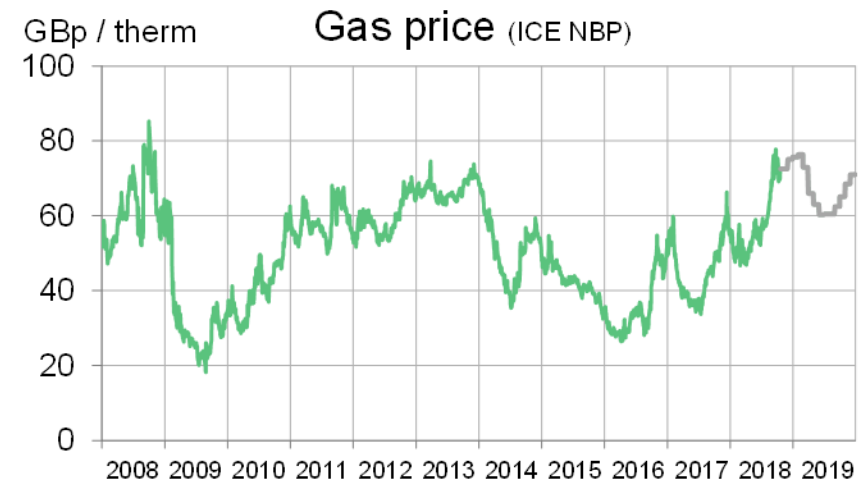
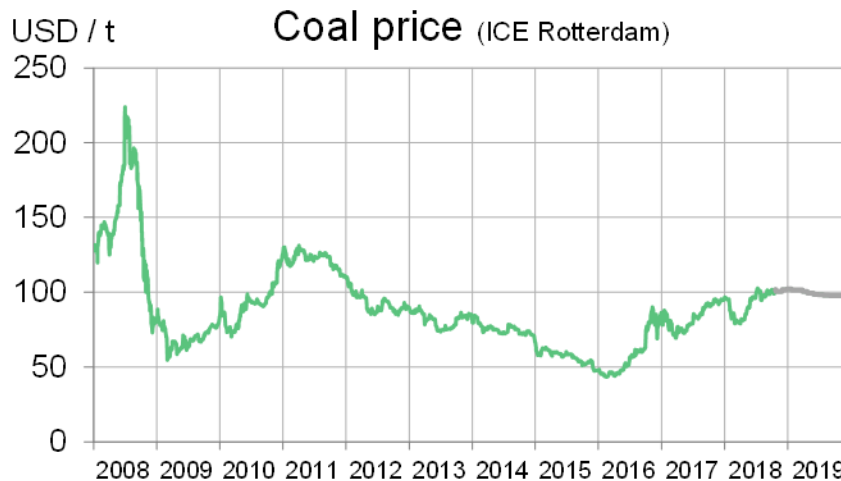
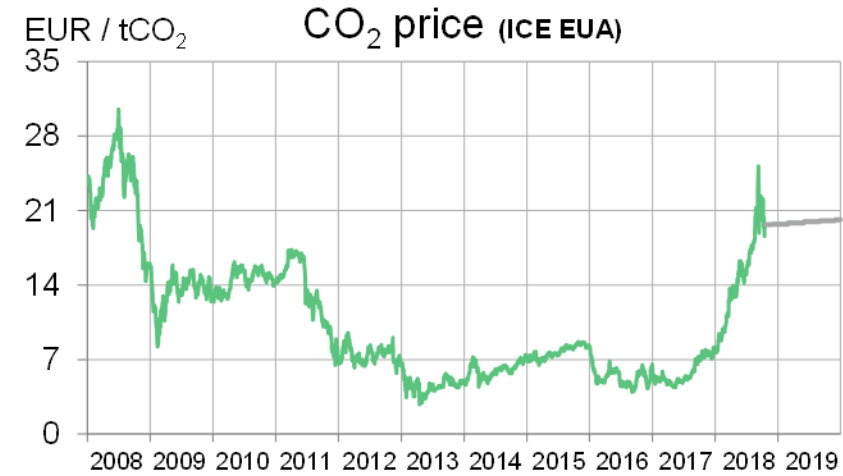
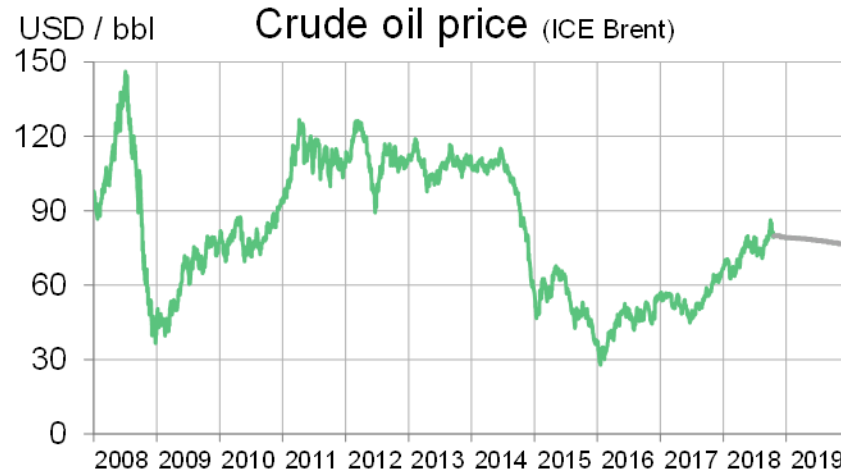
Reservoir content (TWh)



Q3 2018 by country



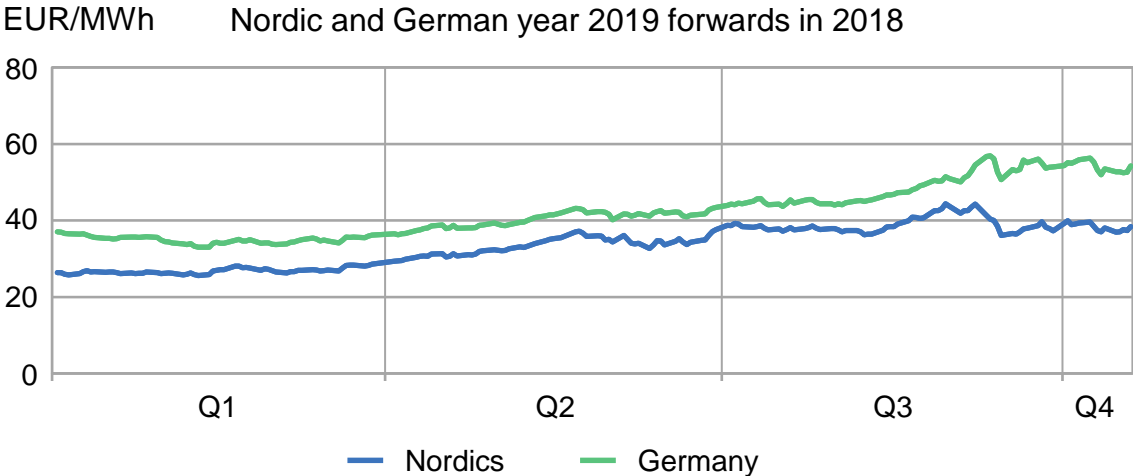
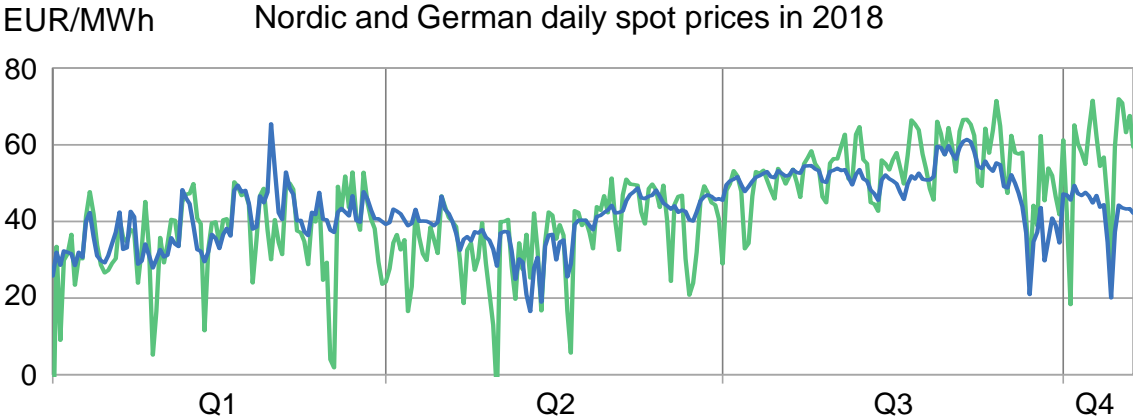
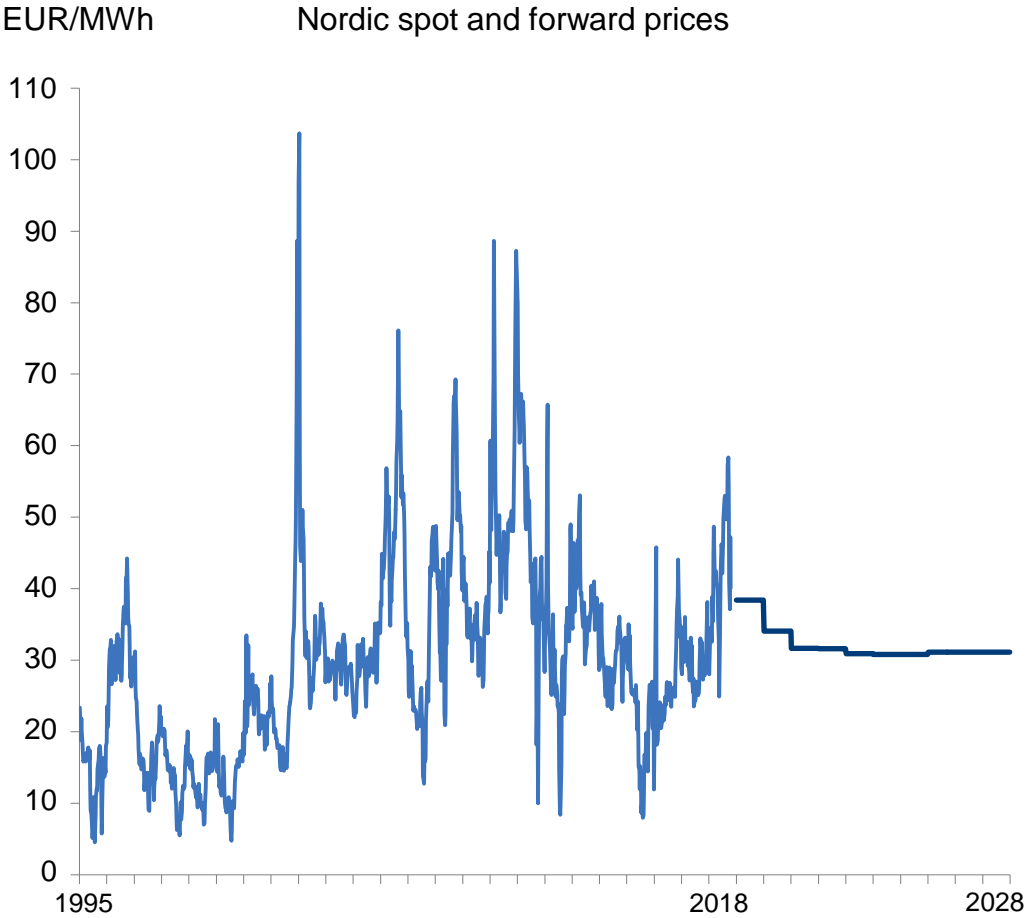
Volatile commodity and CO₂ emissions prices



Source: ICE, Thomson Reuters

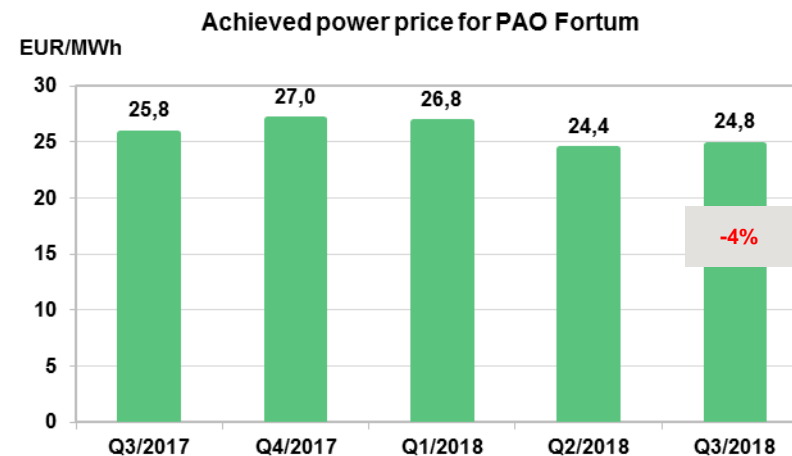
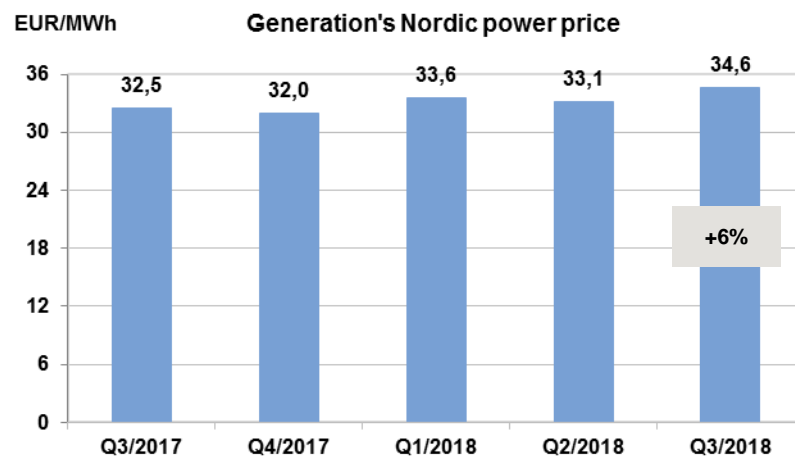
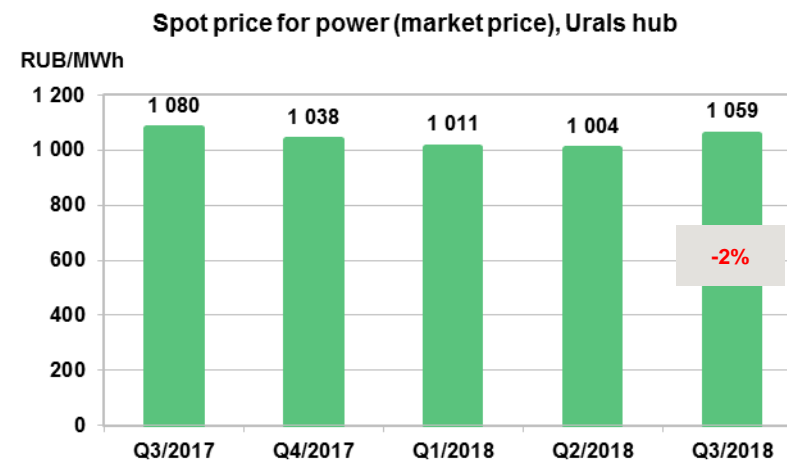
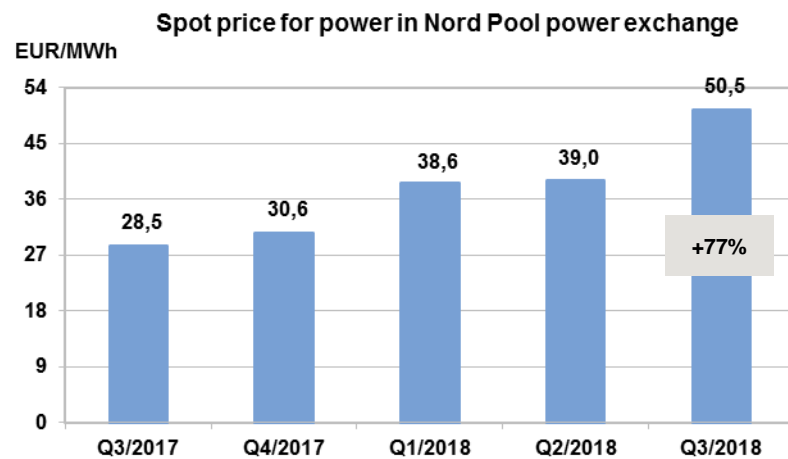
Market prices 19 October 2018; 2018-2019 future quotations

Wholesale power price volatility driven by changing hydrological situation during the quarter



Prices 19 October 2018
Source: Nord Pool, Thomson Reuters, Nasdaq Commodities

Clearly higher power prices in the Nordics



Changes refer to year-on-year difference (Q2 2018 versus Q2 2017)
NOTE: Achieved power price (includes capacity payments) in roubles increased by 5%

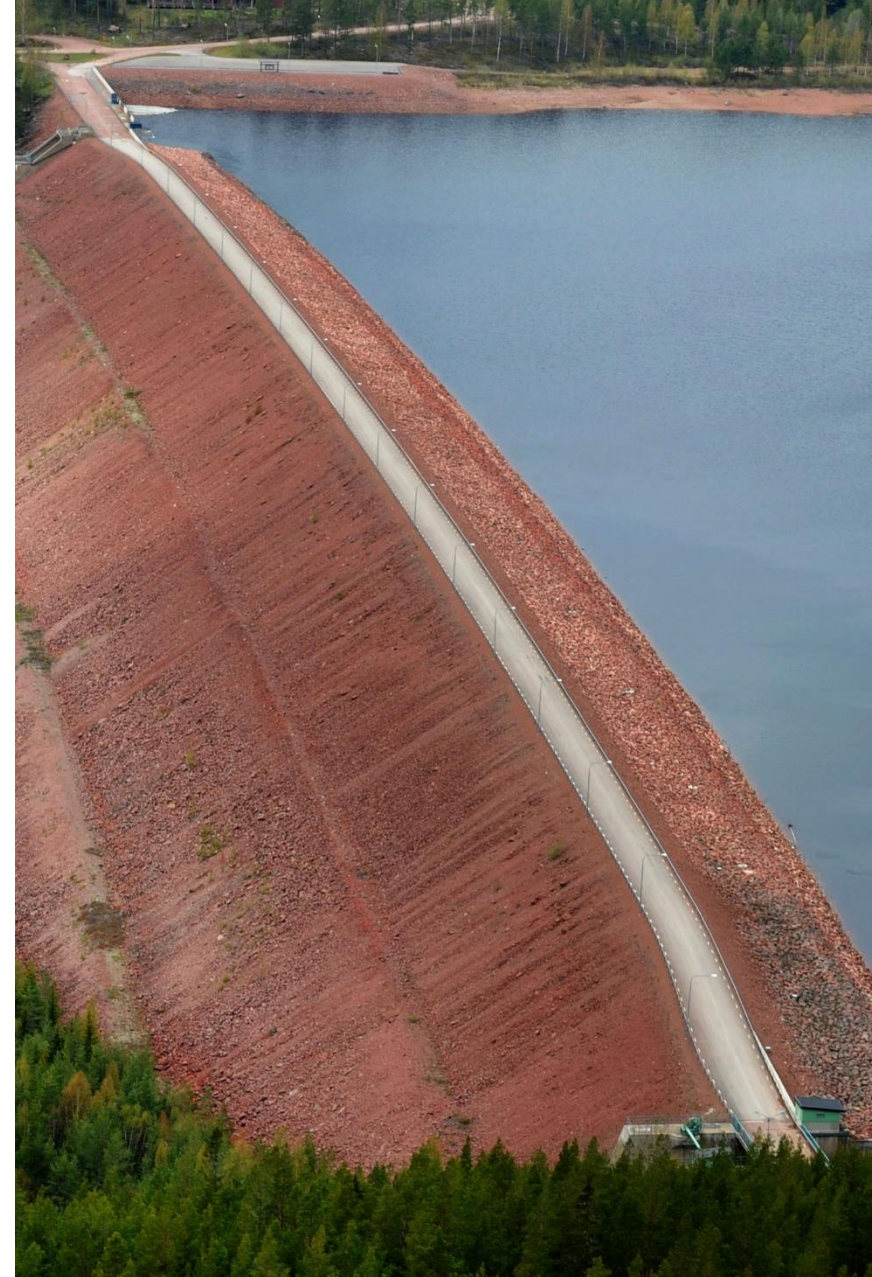
Key figures

MEUR	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	2017	LTM
Sales	971	919	3,643	3,088	4,520	5,075
Comparable EBITDA	230	210	1,051	852	1,275	1,474
Comparable operating profit	96	94	654	516	811	949
Operating profit	91	387	829	843	1,158	1,144
Share of profits of associates and joint ventures	12	21	82	114	148	116
Profit before income taxes	45	351	779	811	1,111	1,079
Earnings per share, EUR	0.05	0.40	0.73	0.70	0.98	1.01
Net cash from operating activities	133	185	767	699	993	1,061

Generation

- Lower comparable operating profit in Q3
 - All-time low hydro production 2.9 (5.0) TWh due to very low inflows and reservoir levels
 - Higher achieved power prices and lower taxes in Sweden
- Nuclear annual planned outages done
- Higher comparable operating profit in Q1-Q3, +39%
 - Higher achieved power prices and lower taxes in Sweden partly offset by lower hydro and nuclear volumes

MEUR	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	2017	LTM
Sales	359	367	1,282	1,243	1,677	1,716
Comparable EBITDA	103	134	538	412	603	729
Comparable operating profit	70	104	442	317	478	603
Comparable net assets			5,912	5,727	5,672	
Comparable RONA %					8.4	10.3
Gross investments	47	141	123	207	264	180



City Solutions

- Warm weather lowered heat volumes, -10%
- Comparable operating loss in Q3
 - Lower heat and power volumes, change in seasonal heat pricing in Finland
 - Consolidation of Fortum Oslo Varme EUR -11 (-6) million
- Improved comparable operating profit in Q1-Q3, +19%
 - Good result in Q1, positive impact of EUR 19 (-6) from Fortum Oslo Varme partly offset by lower heat and power volumes and weaker result in recycling and waste business in Q2

MEUR	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	2017	LTM
Sales	174	179	736	674	1,015	1,077
Comparable EBITDA	21	21	171	152	262	281
Comparable operating profit	-22	-20	44	37	98	105
Comparable net assets			3,688	3,705	3,728	
Comparable RONA %					5.5	5.0
Gross investments	59	422	142	485	556	213



Consumer Solutions

- Higher sales in Q3 and Q1-Q3 driven by the Hafslund consolidation
 - High competition and customer churn in the Nordics continued
- Slightly higher comparable operating profit in Q3
 - Hafslund result impact of EUR 4 million
- Increased comparable operating profit in Q1-Q3, +57%
 - Consolidation of Hafslund had a positive impact of EUR 24 million
 - Profitability burdened by lower sales margins and the amended service agreements for the divested electricity distribution companies

MEUR	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	2017	LTM
Sales	332	238	1,204	644	1,097	1,657
Comparable EBITDA	22	10	79	32	57	104
Comparable operating profit	7	5	36	23	41	54
Comparable net assets			631	661	638	
Customer base, million			2.47	2.48	2.49	
Gross investments	12	488	33	491	493	35



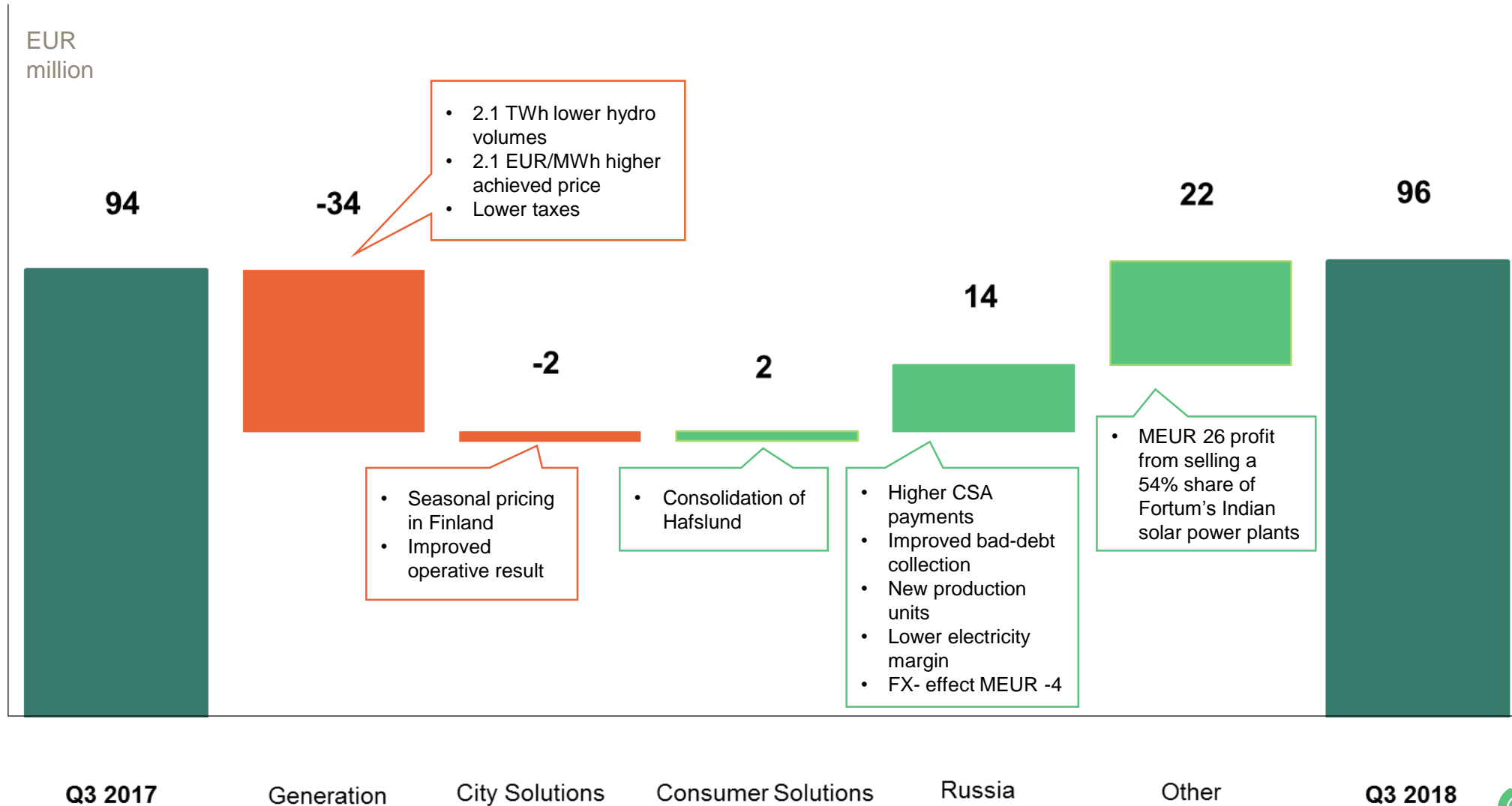
Russia

- Increased comparable operating profit in Q3, +54%
 - Positive impact from higher CSA payments (Nyagan 1 and Nyagan 2), improved bad-debt collection and contribution from new production units
 - Weaker rouble EUR -4 million
- Lower comparable operating profit in Q1-Q3, -14%
 - New units and higher CSA payments offset by negative impact from weakened rouble EUR -22 million, bad debt provisions and lower electricity margins

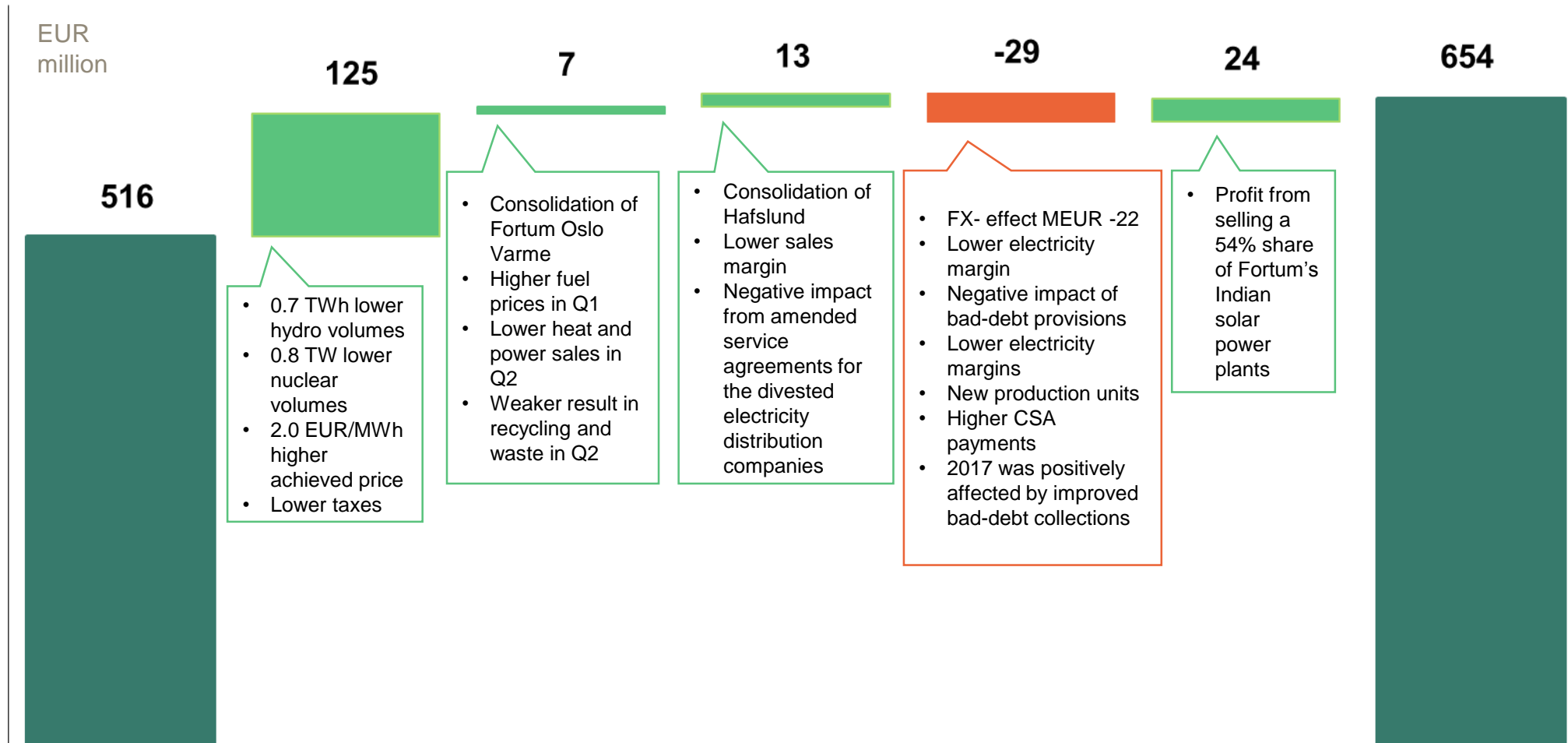
MEUR	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	2017	LTM
Sales	200	200	764	786	1,101	1,079
Comparable EBITDA	76	61	291	317	438	412
Comparable operating profit	40	26	182	211	296	267
Comparable net assets			2,853	3,117	3,161	
Comparable RONA %					10.1	10.1
Gross investments	11	37	51	110	277	218



Q3 2018 – All-time low hydro volumes, profit from sale of solar stake and improved operative result in Russia



Q1-Q3 2018 – Comparable operating profit positively impacted by higher hydro volumes and higher achieved price



Cash flow statement

MEUR	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017	2017	LTM
Comparable EBITDA	230	210	1,051	852	1,275	1,474
Realised FX gains/losses	72	-8	205	-72	-83	194
Paid net financial costs, income taxes and other	-80	-78	-226	-207	-281	-299
Change in working capital	-89	61	-263	126	81	-308
<i>of which change of settlements for futures</i>	-8	30	-298	124	141	-281
Net cash from operating activities	133	185	767	699	993	1,061
Capital expenditures	-142	-162	-394	-470	-657	-581
Acquisitions of shares	-163	-878	-3,913	-929	-972	-3,956
Divestments of shares	88	740	258	740	741	259
Change in cash collaterals and restricted cash	89	-97	-87	-24	-3	-66
Other investing activities	-19	-15	29	72	85	41
Cash flow from investing activities	-147	-412	-4,107	-611	-807	-4,303
Cash flow before financing activities	-14	-227	-3,340	88	187	-3,241
Paid dividends			-977	-977	-977	-977

- Increased net cash from operating activities due to improved EBITDA
- Positive impact of EUR 277 million due to realised FX compared to Q1-Q3 2017
- More cash tied to the daily cash settled futures and cash collaterals for forwards hedging power price
- Uniper PTO was financed with existing cash resources of EUR 1.95 billion and bridge loan financing of EUR 1.75 billion
- Nasdaq Clearing default fund loss of EUR 20 million as financial cost
- Payment of dividend EUR 977 million

Ongoing actions to deleverage with aim to optimise cash flow and maintain financial flexibility

	LTM	2017	TARGET
Comparable EBITDA, MEUR	1,474	1,275	
Interest-bearing net debt, MEUR	5,244*	988	
Comparable net debt/EBITDA ratio	3,6x	0.8x	Around 2.5x
Return on capital employed (ROCE), %	7.0	7.1**	At least 10%

*) As per 30.9.2018

**) Includes capital gains of Hafslund transactions

Higher debt and lower cash due to payment of the Uniper investment in Q2 2018

Liquid funds EUR 0.7 billion

Committed credit lines of EUR 1.8 billion

Disciplined agenda to continue:

1. Capex prioritisation
2. Business focus and cash flow optimisation
3. Overall efficiency improvements

Outlook



Hedging

For remainder of 2018:
~80% hedged at EUR
30 per MWh
(75% at EUR 29)

For 2019:
~65% hedged at EUR
30 per MWh
(60% at EUR 28)

For 2020:
~35% hedged at EUR
28 per MWh
(not disclosed earlier)



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
(2017-2020)



Demand growth

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

Q&A



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