

# Delivering on long-term financial targets

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# Fortum's long-term financial targets and dividend policy remain unchanged

Return on capital employed  
(ROCE) of at least

**10%**

Comparable  
Net debt/EBITDA ratio  
at around

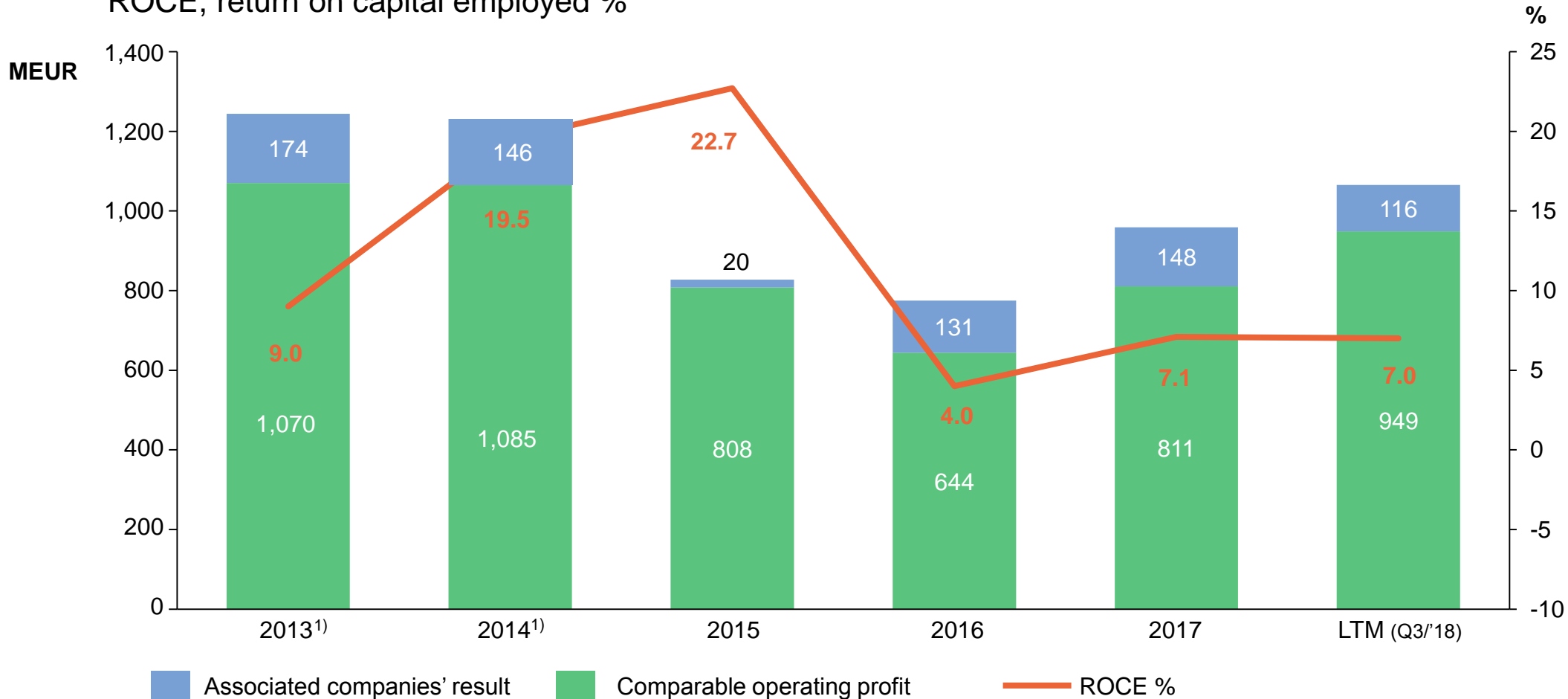
**2.5x**

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



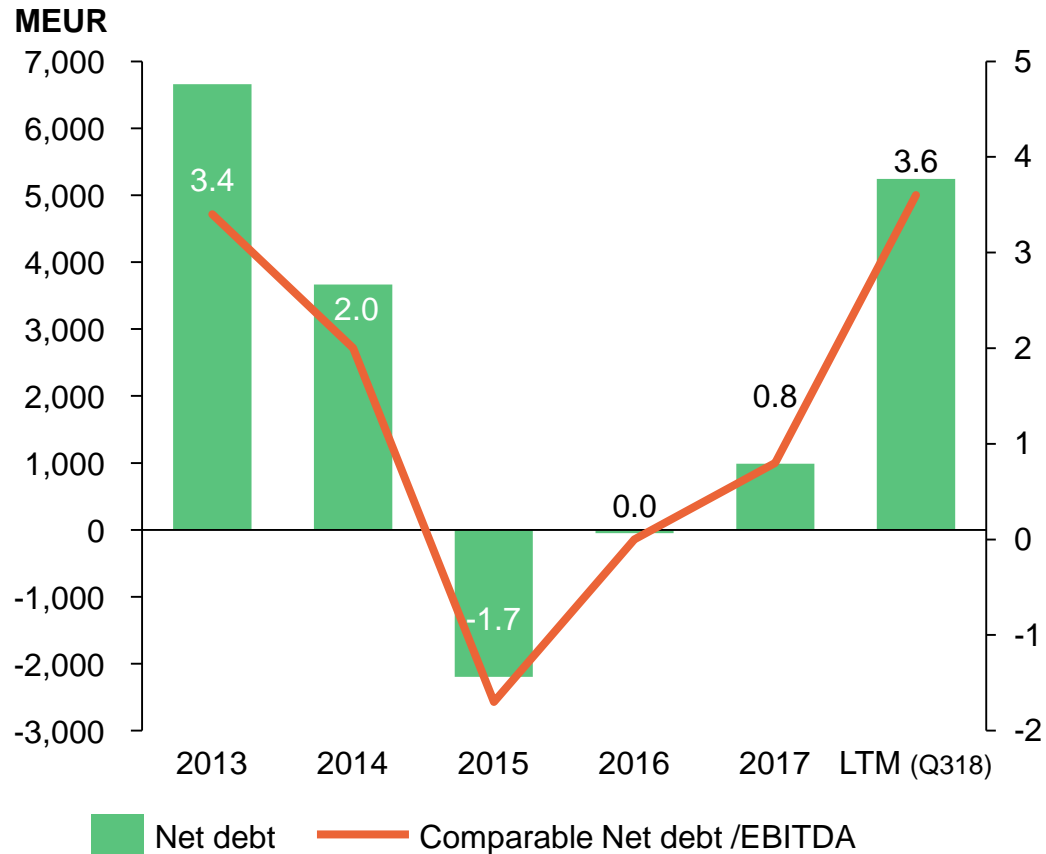
# Financial performance has improved driven by capital redeployment and stronger markets

Comparable operating profit including result from associated companies  
ROCE, return on capital employed %



# Leverage ratio increased following Uniper investment – aim to reduce over 2-3 years

## Comparable Net debt/EBITDA



Uniper accounted for as an associated company  
Continuing operations, excluding distribution, corrected for Stockholm Exergi

## Fortum's current rating and outlook

Rating agency	Rating and outlook	Valid form
Standard & Poor's	BBB, negative	16 February 2018
Fitch Ratings	BBB, stable	28 June 2018

Having a solid investment grade rating is a key priority for Fortum

# Fortum has a solid track record of delivering stable dividends

## Fortum's dividend policy:

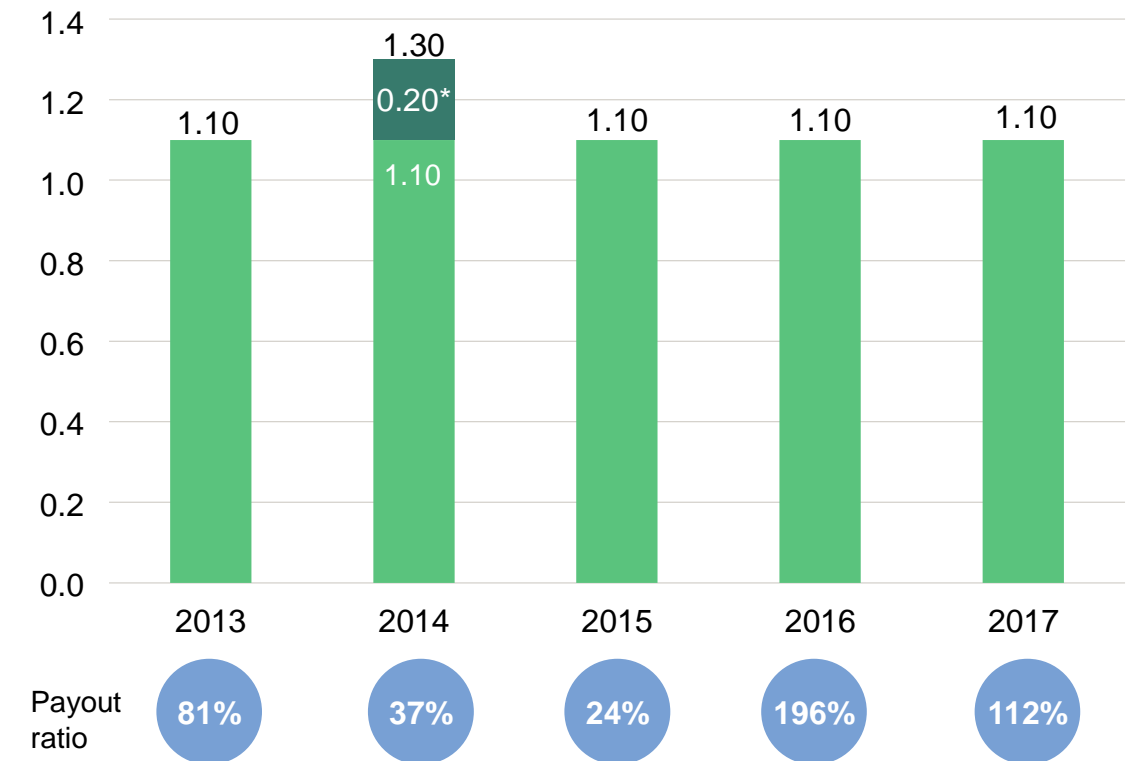
Fortum's target is to pay a stable, sustainable and over time increasing dividend of 50-80% of earnings per share excluding one-time items

CEO Pekka Lundmark on 2 February 2018:

*“Our ambition is to pay a stable, sustainable and over time increasing dividend now and in the future, and given the prevailing market conditions, our goal is to avoid a temporary dividend cut.”*

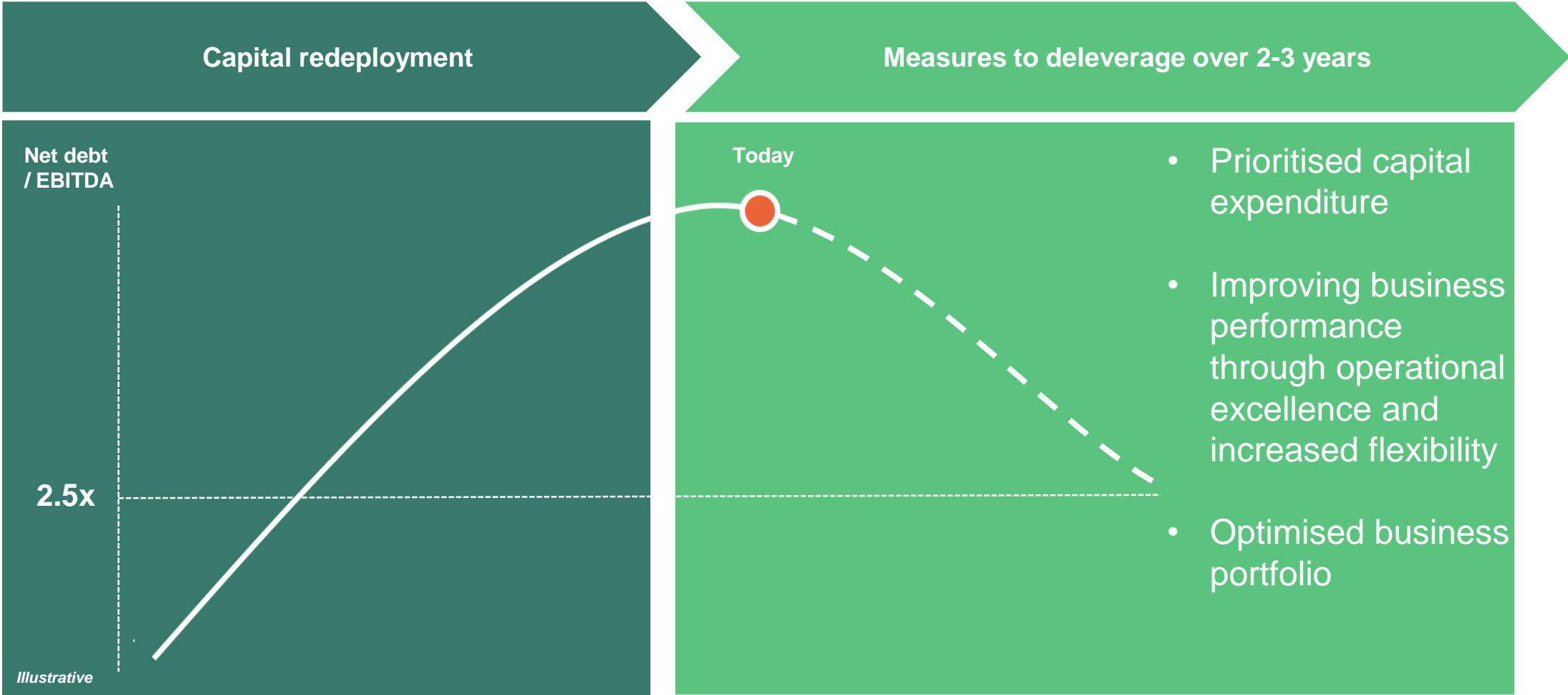
## Five year dividend per share history

EUR/share



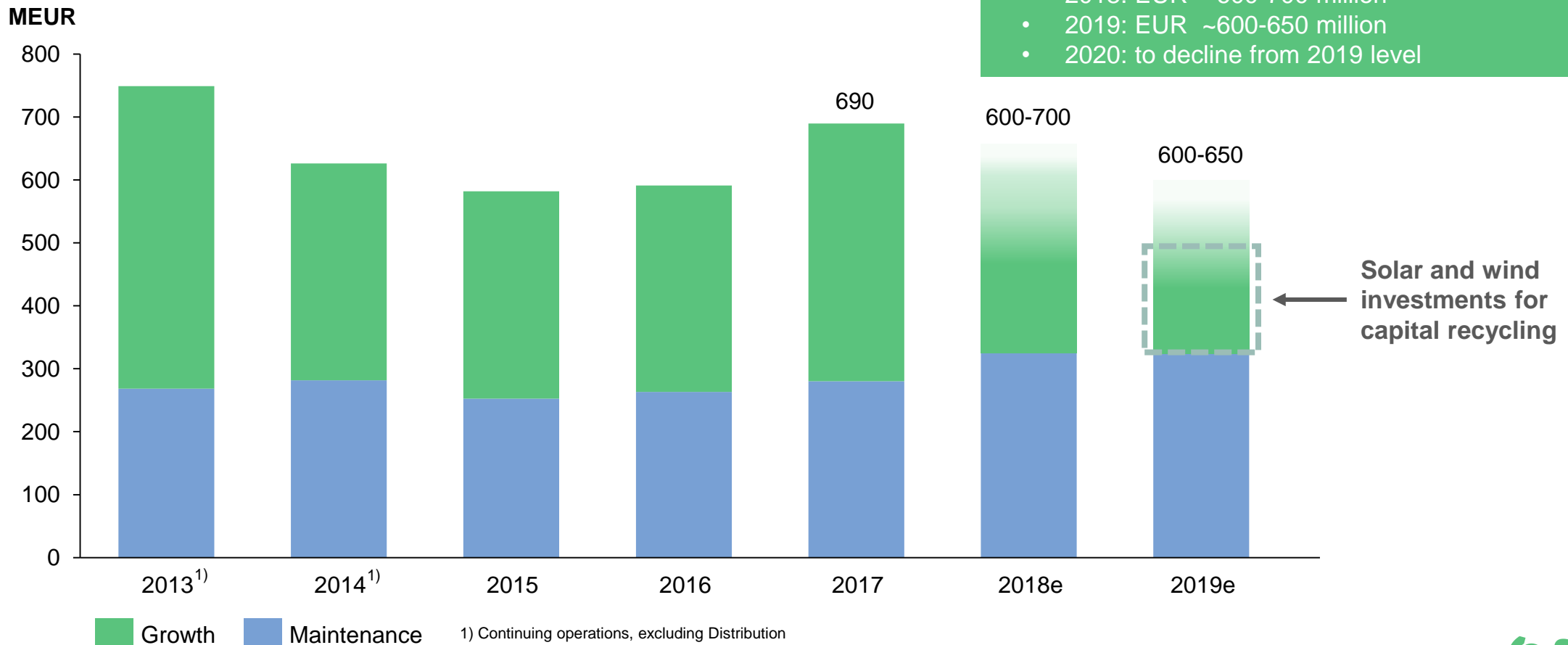
\* additional dividend

# Execution of updated strategy will support deleveraging towards the target level of ~2.5x

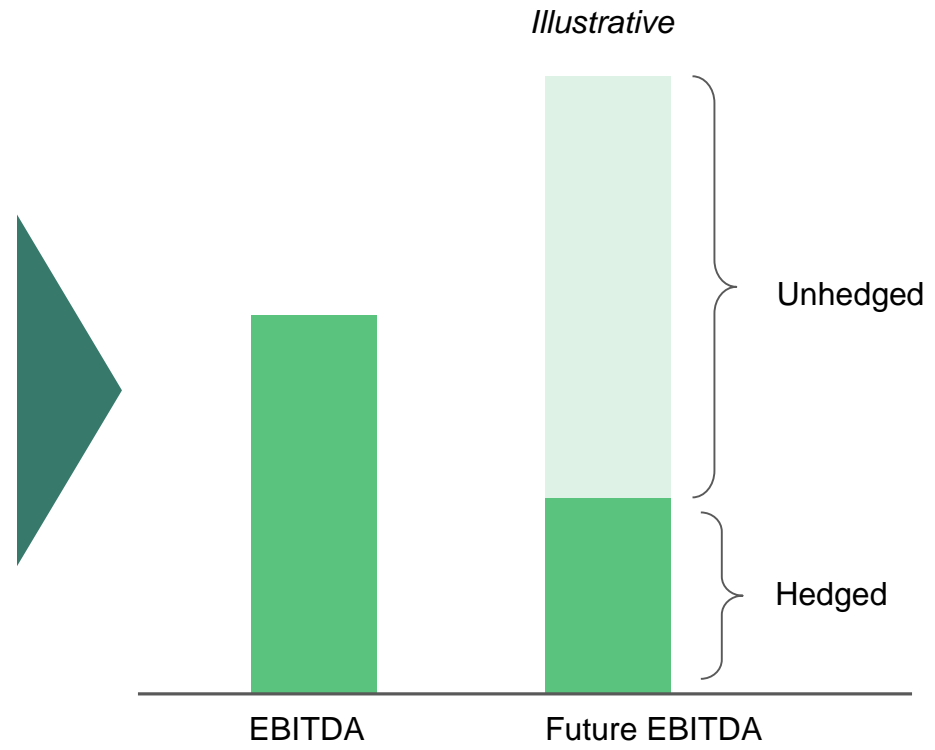
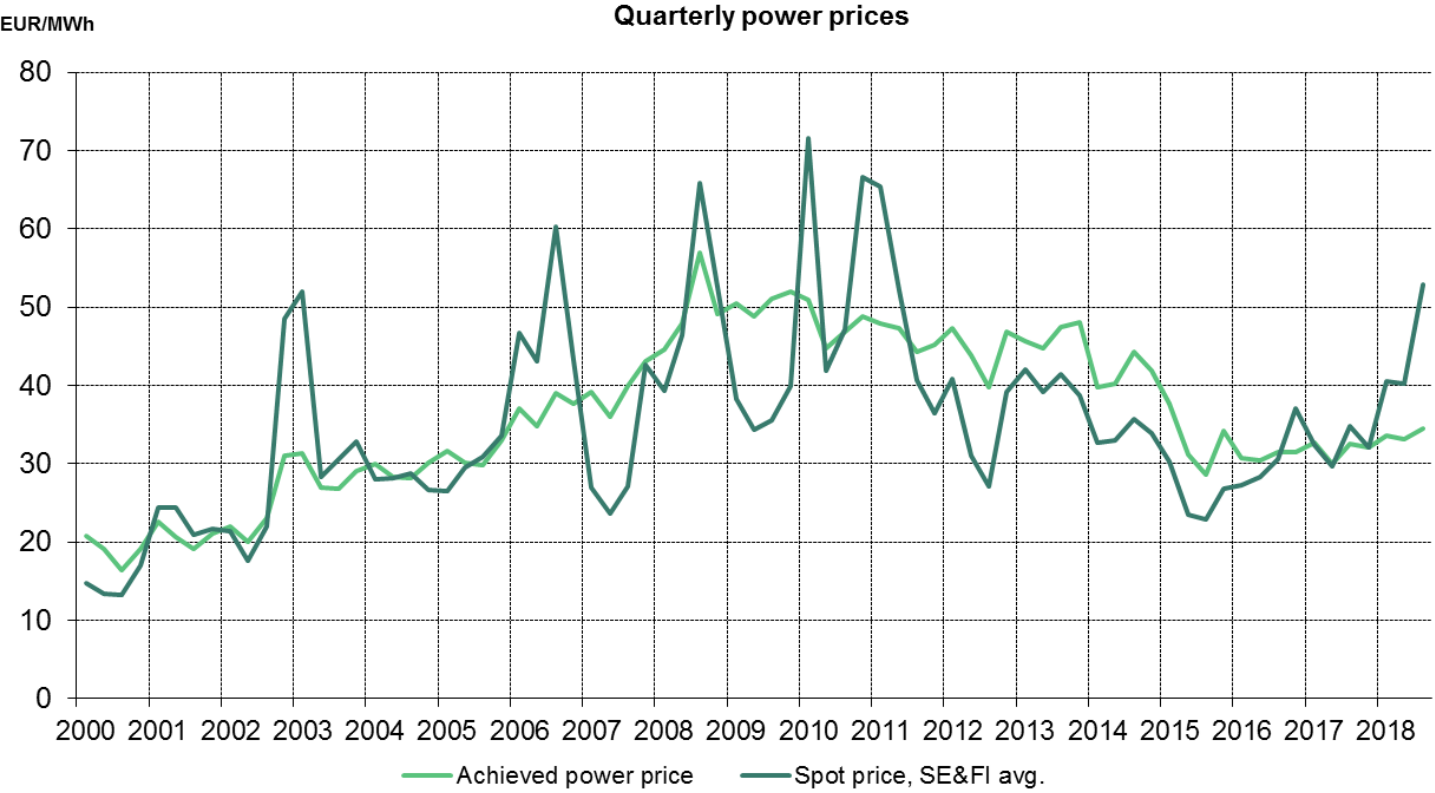


# Declining capital expenditure for growth investments – capital recycling in solar and wind projects

## Gross investments excluding acquisitions



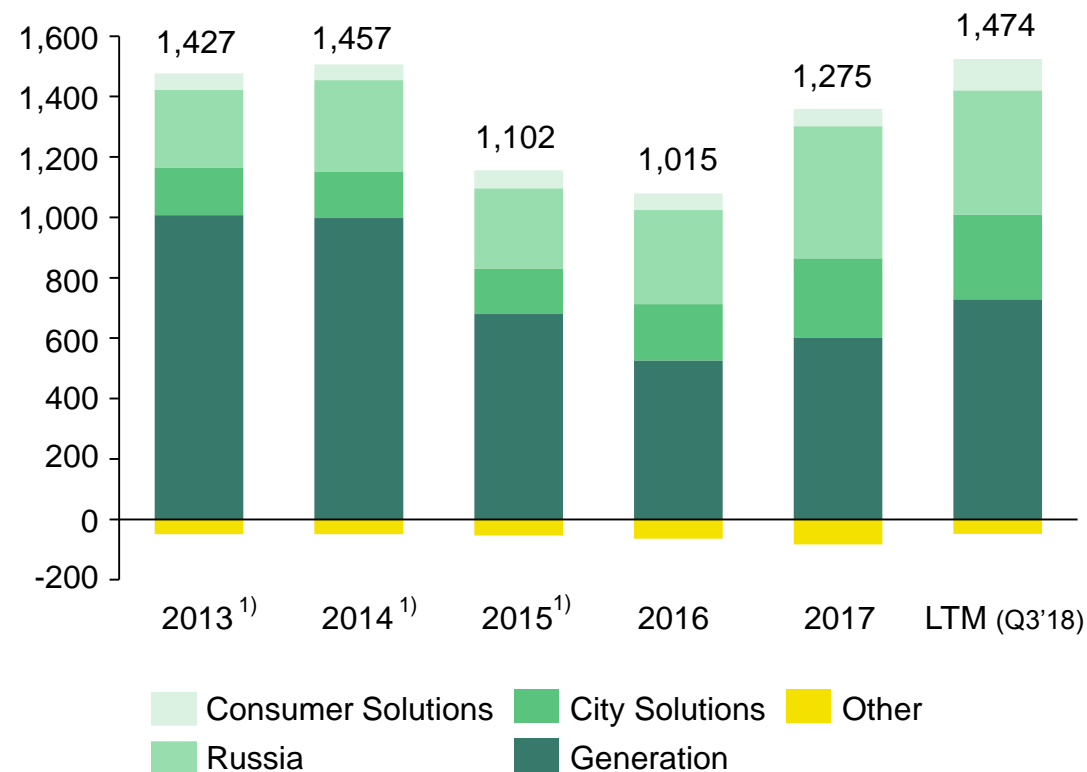
# Hedging mitigates risks – delivering stable, predictable performance and cash flow



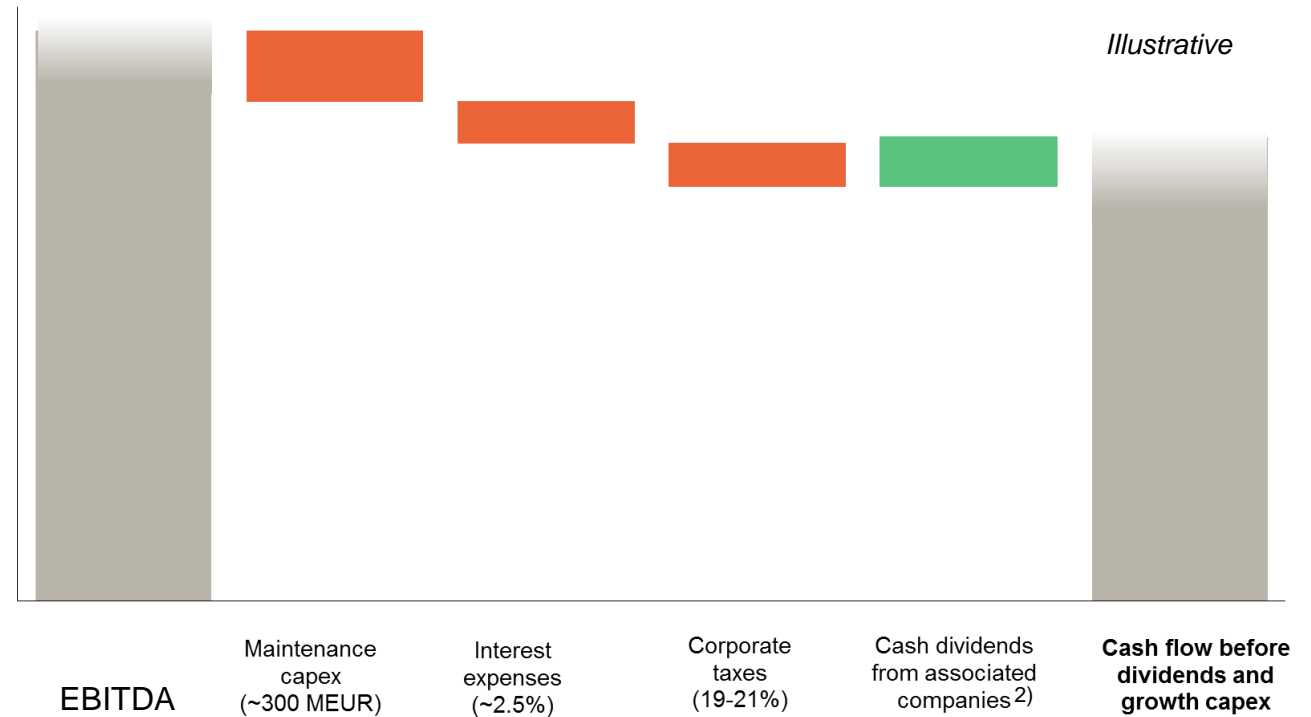


# Focus on strengthening cash flow

## Comparable EBITDA by Division



## Stated guidance for cash flow components



<sup>1)</sup> Continuing operations, excluding Distribution  
<sup>2)</sup> Uniper, Exergi, TGC-1

# Fortum's strategic priorities in a changing energy market

## 1. Pursue operational excellence and increased flexibility

- Ensure benchmark performance
- Focus on cash flow and efficient use of balance sheet

## 2. Ensure value creation from investments and portfolio optimisation

- Increase shareholder value from Uniper
- Optimise portfolio to fit the changing business environment

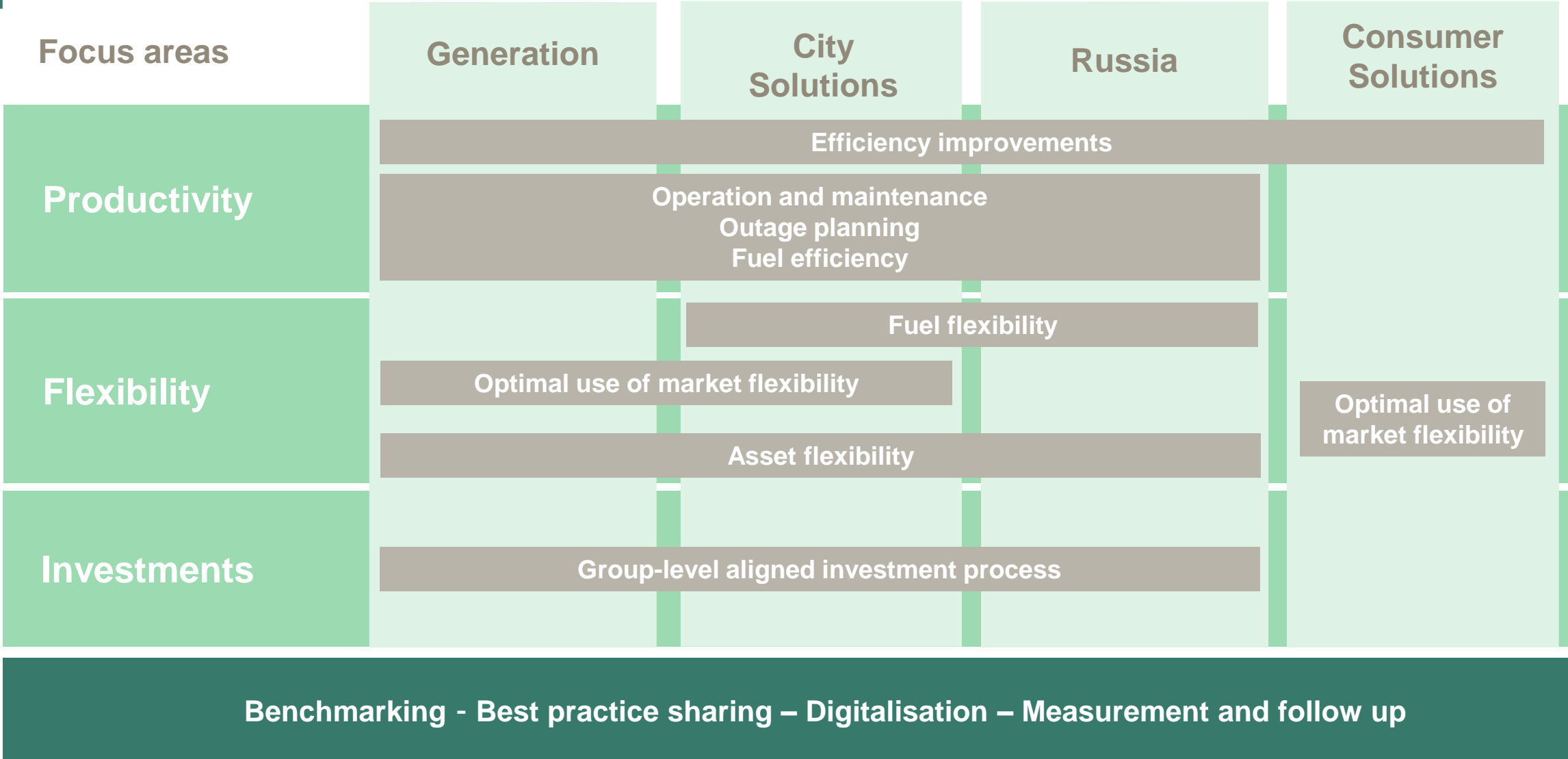
## 3. Drive focused growth in the power value chain

- Grow in CO<sub>2</sub>-free power generation
- Develop value-adding offerings and solutions for customers

## 4. Build options for significant new businesses

- Create new sizeable profit contributor independent of power prices
- Build on industrial logic and synergies with current businesses and competences

# Operational excellence to secure sustainable benchmark performance



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# Investments and portfolio optimisation creates value and strengthens Fortum's competitive position



## Deliver on synergies from acquisitions

- Ensure continuous profitability improvement
  - Hafslund synergies of EUR 15-20 million to gradually materialise by end of 2020
  - Acquisitions of Duon, Ekokem, Tureberg and Fincumet



## Uniper contributing to Fortum's EPS and cash flow

- Based on analyst estimates\*, Fortum's share of Uniper results contributes to Fortum annual EPS by appr. EUR 0.33-0.44
- Based on analysts estimates\*\*, dividends of appr. EUR 150-250 million



## Optimise asset portfolio

- Optimal asset base for future markets
  - Flexible and low-cost with low/no emissions
- Focus on core businesses
  - Hafslund Produksjon divestment of EUR 160 million
- Capital recycling business model
  - Indian solar divestment EUR 147 million

\* = Consensus estimates as of 5 November 2018 for Uniper's annual underlying net income 2018-2020

\*\* = Consensus estimates as of 5 November 2018 for Uniper's annual dividend 2018-2020

# Delivering on financial targets through operational excellence and portfolio optimisation

## Strategic priorities...

### Operational excellence

- Continue productivity improvement
- Prioritise capital expenditure

### Increased flexibility

- Maximise flexibility in current businesses and assets
- Develop new sources of flexibility

### Optimised portfolio

- Ensure competitive asset fit for changing business environment
- Focus on core businesses
- Selective investments

## ... creating value

- Benchmark performance
- Optimise cash flow
- Strengthen balance sheet
- Create financial flexibility
- Solid investment grade rating