



Fortum Group strategy: Driving the energy transition

CMD 2020

3 December 2020

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- Past performance is no guide to future performance, and persons needing advice should consult an independent financial adviser.
- No decisions have been taken yet on concrete measures described hereon as these need to be further elaborated and assessed by Fortum and Uniper. Any final decision will be taken separately in the best interest of Fortum and Uniper, respectively, and all their shareholders.
- All business cooperation between Fortum and Uniper is subject to the arms-length principle. The updated strategy announced by Fortum in December 2020 is based on assessments made independently by both Fortum and Uniper. Fortum and Uniper have committed to the group strategy in the best interest of the respective company and all its shareholders.

A close-up photograph of water being poured from a clear glass into a blue liquid. The water is captured in mid-pour, creating a dynamic splash and ripples. The background is a soft, out-of-focus blue and white, suggesting a clean, natural environment. The text 'Energy transition' is overlaid in the center in a bold, white, sans-serif font.

Energy transition

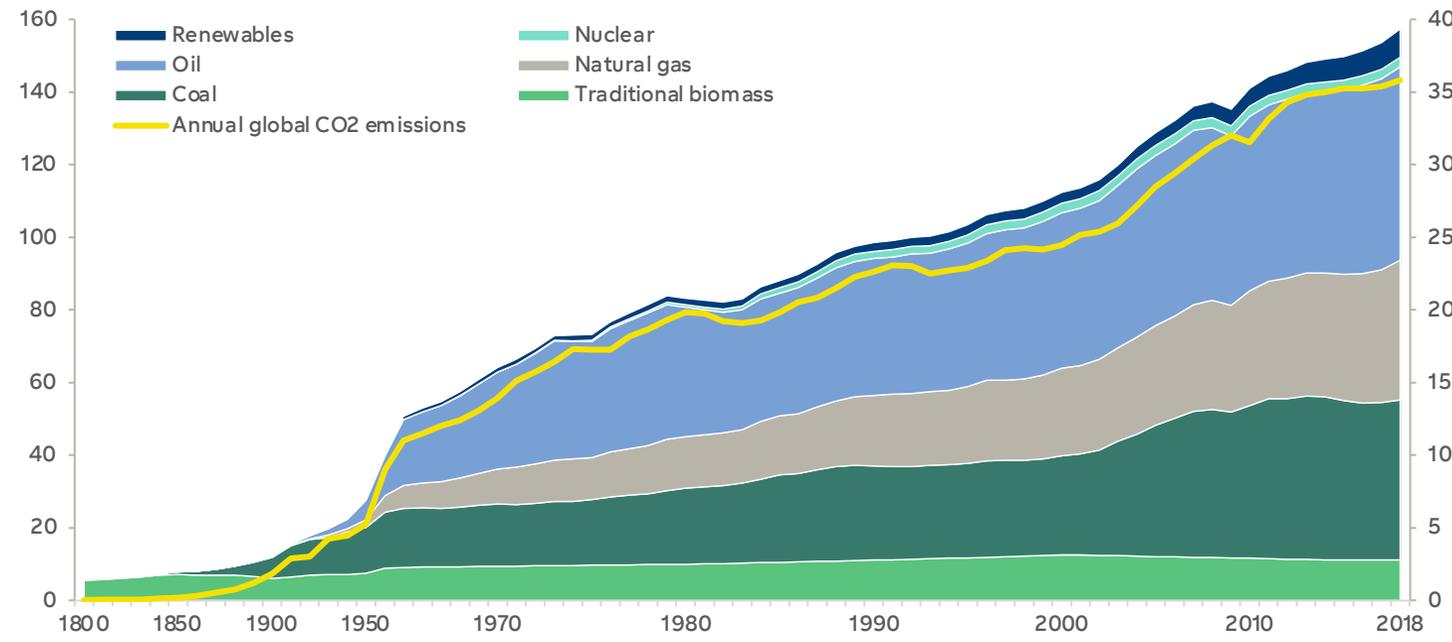
The world needs a fast energy transition to mitigate climate change

Global megatrends drive the transition to a low carbon world



Global primary energy consumption (PWh)

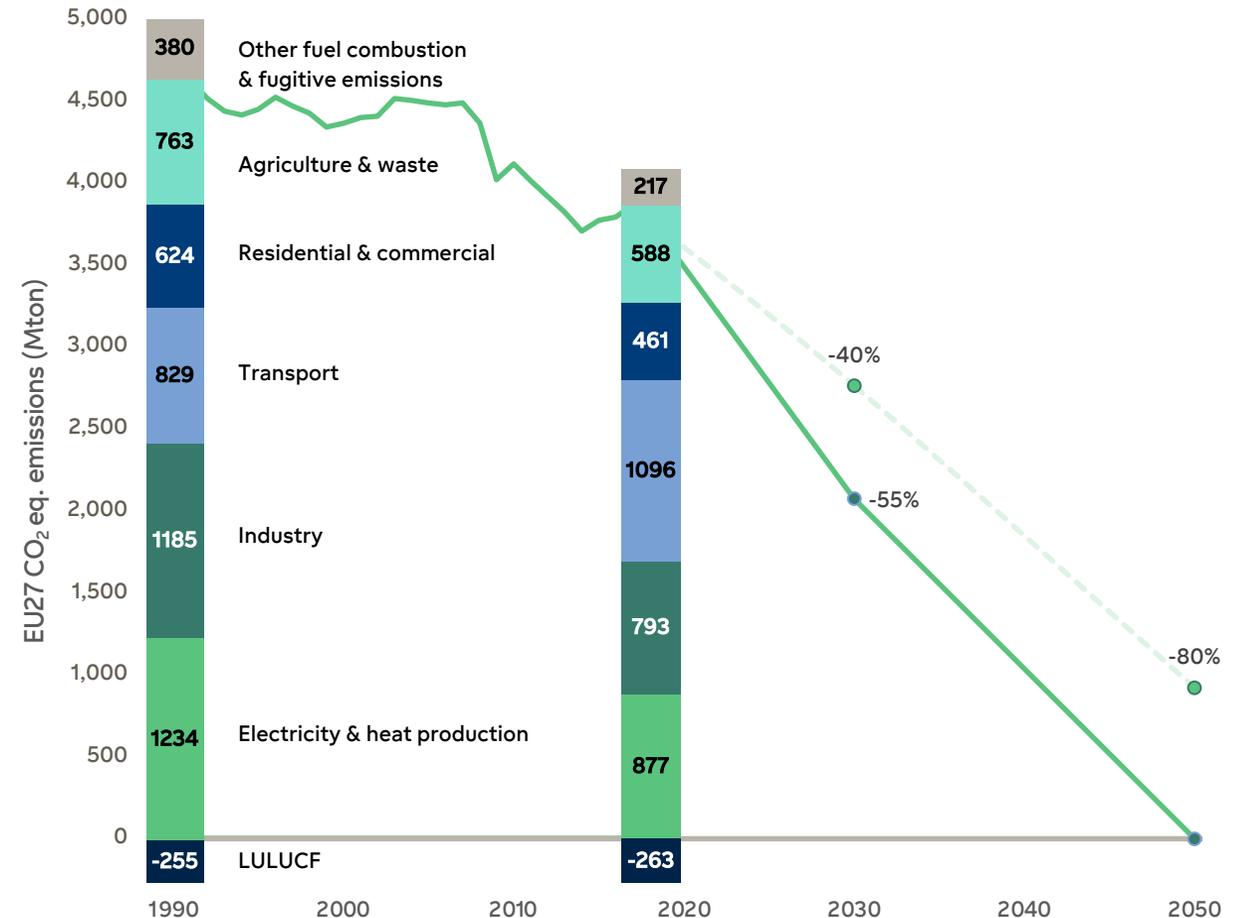
Annual global CO₂ emissions (Gton)



Source: Our world in data

Europe committed to be a forerunner in reducing GHG emissions across all sectors

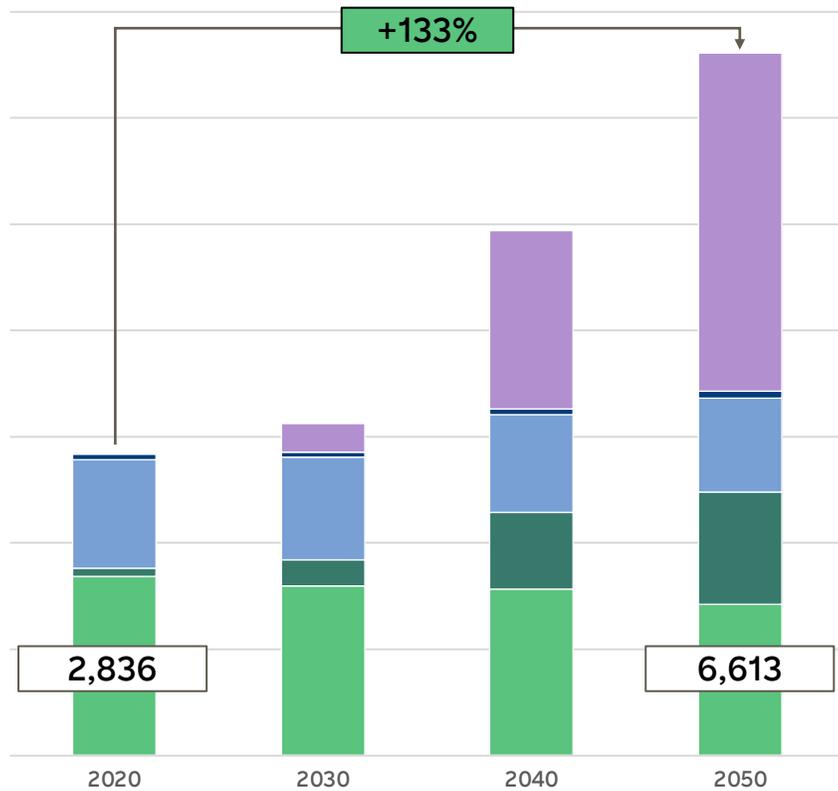
- EU is tightening both its 2030 and 2050 emissions targets
 - Requires emission reductions in all sectors, especially residential & commercial, transport, and industry
- Sector coupling – clean electricity and gas enable other sectors to decarbonise
 - Emissions from some industrial and heavy transport sectors are difficult to abate by electrification
- Successful energy transition must balance
 - Sustainability
 - Affordability
 - Security of supply



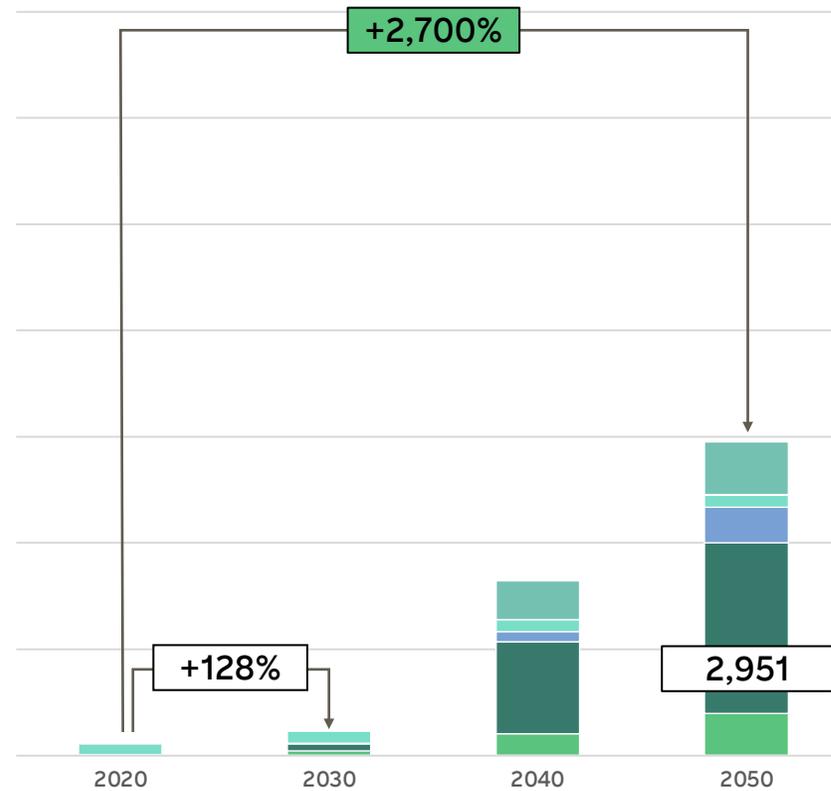
Source: European Environment Agency
LULUCF: Land use, land-use change, and forestry

Energy transition will increase demand for electricity and hydrogen

Electricity consumption in Europe (TWh)



Clean hydrogen consumption in Europe (TWh)



- Electricity
- Hydrogen
- Feedstocks
- Agriculture
- Industry
- Transport
- Residential and commercial

Source:
IHS Markit Net Zero
Carbon Europe
scenario



Our strategy

Fortum is well positioned for the energy transition

Third largest CO₂-free power generator in Europe with growing portfolio of wind and solar

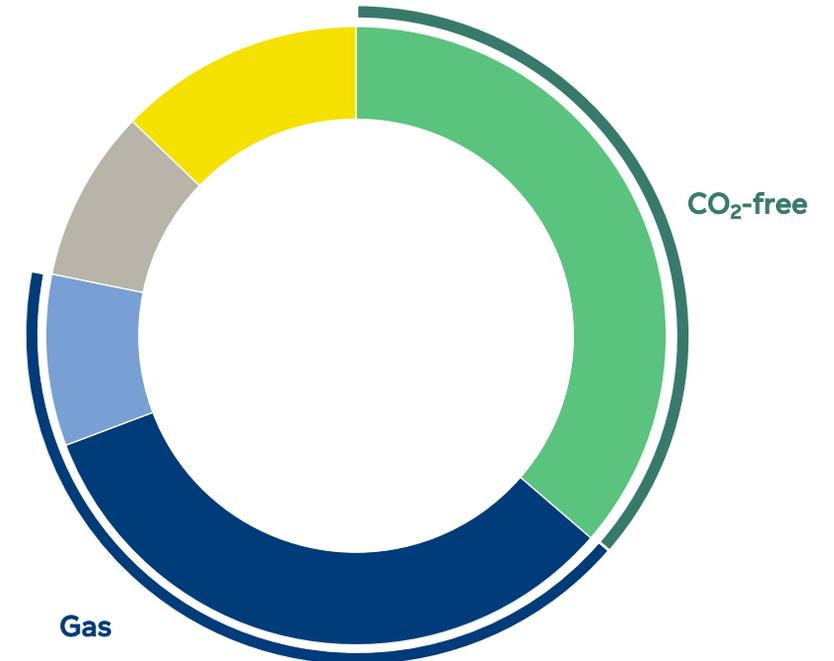
Significant provider of flexible hydro and gas-fired power generation

Major provider and trader of gas for Europe's energy and industrial customers

Versatile portfolio of decarbonisation and environmental solutions

Phase out or exit announced of ~8 GW coal-fired generation by 2030

Indicative EBITDA split



- CO₂-free power
- Gas-fired generation and other power
- Gas midstream
- Coal-fired generation and trading
- Other

Source: Fortum and Uniper financial reporting

Our strategy – Driving the clean energy transition and delivering sustainable financial performance

For a cleaner world

Transform own operations to carbon neutral

- Phase out and exit coal
- Transform gas-fired generation towards clean gas

Strengthen and grow in CO₂-free power generation

- Supply significant flexible and reliable CO₂-free power generation
- Grow sizeable portfolio of renewables

Leverage strong position in gas to enable the energy transition

- Provide security of supply and flexibility in the power system
- Secure supply of gas for heat, power, and industrial processes

Partner with industrial and infrastructure customers

- Provide decarbonisation and environmental solutions
- Build on first-mover position in hydrogen

Value creation targets



Carbon neutral as a Group latest by 2050, in line with the Paris Agreement, and in our European generation latest by 2035



Sustainable financial performance through attractive value from investments, portfolio optimisation, and benchmark operations



Strong financial position and over time increasing dividend

Measuring success for Fortum



Climate and environmental targets:

- Group carbon neutral latest by 2050 (scope 1, 2, 3)
- European generation carbon neutral latest by 2035 (1, 2)
- CO₂ emission reduction of at least 50% by 2030 in European generation (1, 2)
- Scope 3 target for the indirect emissions from fuel sales business (Cat. 11) to be set during 2021
- Biodiversity target: Number of major voluntary measures enhancing biodiversity ≥ 12 in 2021



Financial targets:

- Financial net debt/comparable EBITDA below 2x
- Hurdle rates for new investments
- Rating of at least BBB
- Stable, sustainable, and over time increasing dividend



Shareholder value creation:

- Portfolio optimisation and delivering on investments
- Realising financial benefits from the cooperation with Uniper



Social targets:

- Safety target: Total recordable incident frequency (TRIF) < 1.0 in 2025

Fortum – A leader in clean power and gas

Transform own operations to carbon neutral

Strengthen and grow in CO₂-free power generation

Leverage strong position in gas to enable the energy transition

Provide decarbonisation and environmental solutions for industrial and infrastructure customers

Core

Assets and businesses that have a role in energy transition and generate good cash-flow



Hydro



Nuclear



Increasingly clean gas-fired generation



Gas midstream

Grow

Businesses with potential to grow profitably in the energy transition



Onshore wind



Solar



Hydrogen and clean gas



Industrial and infrastructure solutions

Strategic transformation

Businesses and assets outside strategic scope

Coal

District heating business in Poland and Baltics

50% stake in Stockholm Exergi

Consumer Solutions business

Strategic steps going forward

2014-2020

Major transformation

Active portfolio rotation with focus on assets essential in the energy transition and with good cash flow

Uniper acquisition

Focus on aligned strategy

Flat dividend

2021-2022

Balance sheet focus

Step up in Group EBITDA

Secure strong balance sheet

Rating of at least BBB

Details of strategy implementation and first investments

Target to increase dividend

2023-2025

Growth in clean power and gas

Growth in strategic areas

Sustainable financial performance with benchmark operations

Cooperation financial benefits

Target to increase dividend

A landscape photograph at sunset. The sky is filled with large, dark clouds that are illuminated from below by the setting sun, creating a dramatic orange and yellow glow. In the foreground, there is a field of tall grass and several trees. A wind turbine is visible on the left side of the image, its tower and nacelle silhouetted against the bright sky. The overall mood is serene and hopeful, suggesting a focus on clean energy.

Strategy execution

Own transformation – coal exit to reach carbon neutrality by 2035 in European generation

Transform own operations to carbon neutral

Strengthen and grow in CO₂-free power generation

Leverage strong position in gas to enable the energy transition

Partner with industrial and infrastructure customers

Carbon neutral in our European generation by 2035 at the latest

- Current trajectory to reduce CO₂ emissions in our European generation by at least 50%*) by 2030
- Exit ~6 GW of coal capacity by end of 2025
- Aim to decarbonise gas-fired power generation and transit to clean gas over time

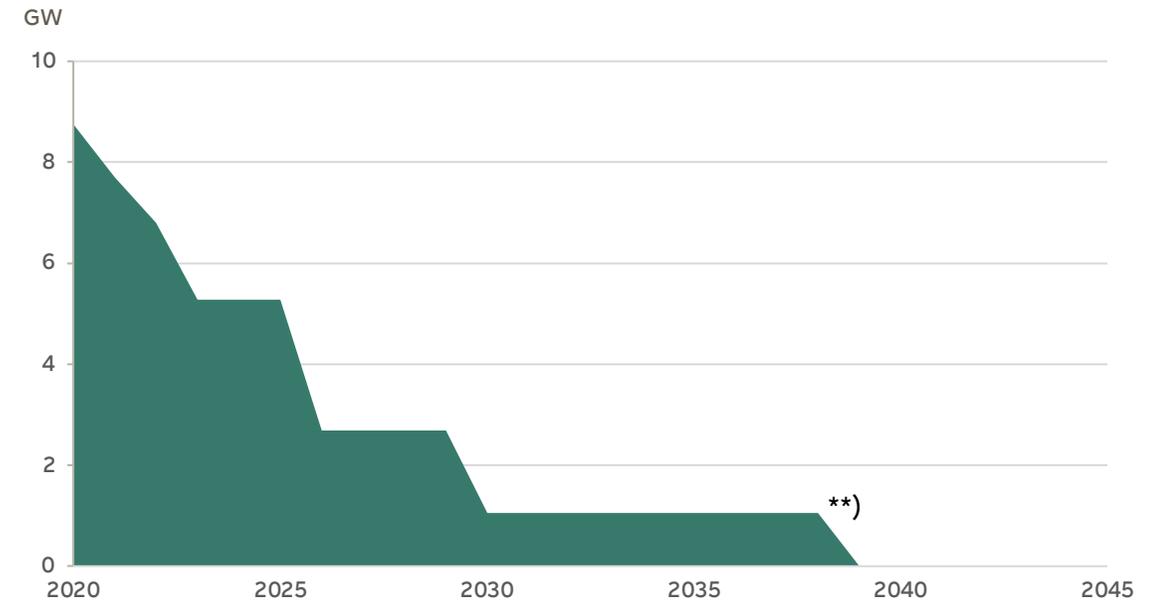
Carbon neutral as a group by 2050 at the latest in line with the Paris Agreement

- Reduction of the Group's coal-fired generation capacity by >50% to ~5 GW by the end of 2025
- Over time transform the Russian business portfolio by reducing the fossil exposure

European generation CO₂ net emissions:



Coal-fired capacity in Europe, (GW)



*) Base year 2019

**) Datteln4 decommissioning as defined in the German coal-exit law

Strategic priority to strengthen and grow in CO₂-free power generation

Transform own operations to carbon neutral

Strengthen and grow in CO₂-free power generation

Leverage strong position in gas to enable the energy transition

Partner with industrial and infrastructure customers

Supply significant flexible and reliable CO₂-free power generation:

- 3rd largest CO₂-free power generator in Europe
 - Optimise and maintain benchmark operations in hydro and nuclear power
- Aim to have one team for Nordic hydro and physical trading optimisation

Grow sizeable portfolio of renewables:

- Onshore wind and solar to grow into a meaningful EBITDA contributor
 - Primarily in Europe
 - Target to build 1.5-2 GW new renewable capacity by 2025
 - Develop Russian portfolio towards wind and solar
 - Investments to balance sheet or with 'build-operate-transfer' business model
- Aim to have one development team for Europe



HYDRO



NUCLEAR



ONSHORE WIND



SOLAR



INDUSTRIAL
SOLUTIONS

Strategic priority to leverage strong position in gas to enable the energy transition

Transform own operations to carbon neutral

Strengthen and grow in CO₂-free power generation

Leverage strong position in gas to enable the energy transition

Partner with industrial and infrastructure customers

Provide security of supply and flexibility in the power system:

- Optimise and maintain benchmark operations in flexible gas-fired generation
- Decarbonise gas-fired power generation over time
 - e.g. hydrogen conversion and carbon capture, utilisation, and storage

Secure supply of gas for heat, power, and industrial processes:

- Ensure reliable supply of gas for customers
- Optimise gas supply, storage, and sales to wholesale and industrial customers
- Transition to clean gas over time



CLEAN GAS-FIRED GENERATION



GAS MIDSTREAM



INDUSTRIAL SOLUTIONS

Strategic priority to partner with industrial and infrastructure customers

Transform own operations to carbon neutral

Strengthen and grow in CO₂-free power generation

Leverage strong position in gas to enable the energy transition

Partner with industrial and infrastructure customers

Provide decarbonisation and environmental solutions:

- Help customers to reduce their carbon and environmental footprint
- Grid stability, waste-to-energy, and low-carbon industrial solutions

Build on first-mover position in hydrogen:

- Integrate strong competences in CO₂-free power, gas business, engineering, and long-term customer relationships
- Business & asset development, hydrogen production & sales
 - Hydrogen production prospects of >500 MW in Europe

→ Aim to have one team in hydrogen



INDUSTRIAL SOLUTIONS



CLEAN AND FLEXIBLE POWER & HEAT

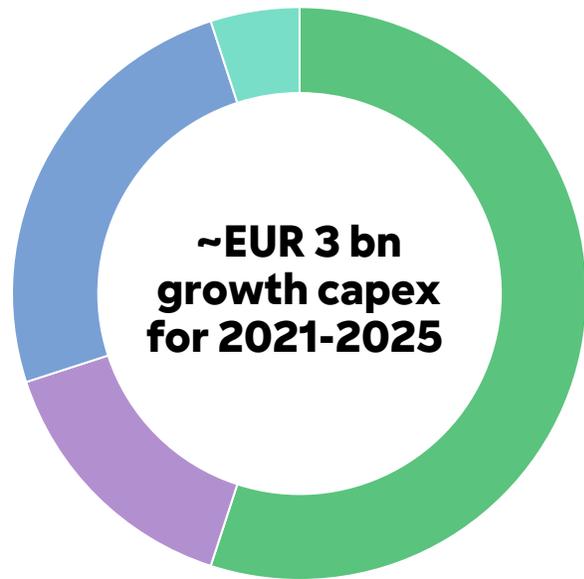


GAS MIDSTREAM



HYDROGEN AND CLEAN GAS

Indicative capital expenditure for growth investments in 2021-2025 – renewables and clean gas



- 1 Renewables**
On-shore wind and solar
- 2 Hydrogen and clean gas**
Industrial decarbonisation solutions
- 3 Environmental and security of supply solutions**
Waste-to-Energy, recycling, industrial and TSO services
- 4 Other**
Venturing, innovation, digitalisation

Capital expenditure will depend on market conditions, asset rotation, and balance sheet strength



Enablers

Enablers for successful strategy implementation



Open and
transparent
leadership

Focused
business
development
and innovations

Operational
excellence and
ambitious
digitalisation

Proactive
engagement in
topical
regulatory issues

Conclusions

Conclusions

- Decarbonisation to drive electricity and hydrogen demand
- Strong position in CO₂-free power and increasingly clean gas
- Fortum's strategy is aligned with Paris Agreement – carbon neutral 2050
- Attractive growth prospects ahead
- Fortum, together with Uniper, well positioned for the energy transition

A man and a woman are standing on a bridge, looking out over a city at sunset. The man is on the left, wearing a dark blue long-sleeved shirt. The woman is on the right, wearing a light blue long-sleeved shirt. They are both looking towards the right side of the frame. The background shows a city skyline with buildings and trees, reflected in a body of water. The sky is filled with soft, golden light from the setting sun.

For a cleaner world