



# Strategy execution to deliver strong financials

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# 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.
- 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 their shareholders.



# Transformation

# Fortum is transforming to a leading power and gas company

## Fortum is well positioned for the energy transition:

1

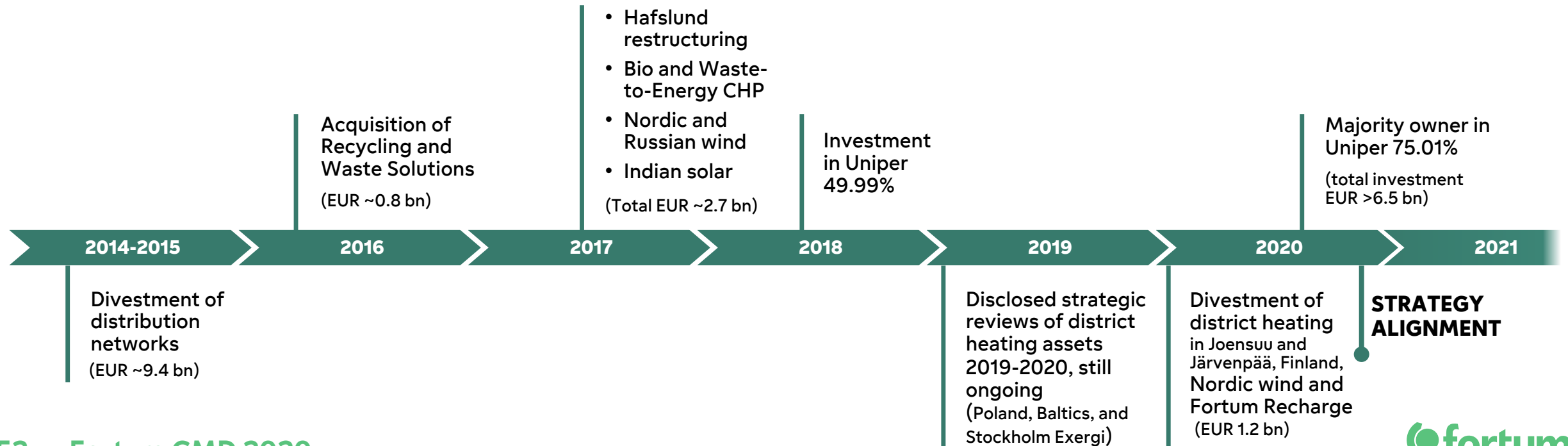
Third largest CO<sub>2</sub>-free power generator in Europe

2

Significant provider of flexible gas-fired power generation

3

Major provider and trader of gas for Europe's energy and industrial customers and early mover in hydrogen

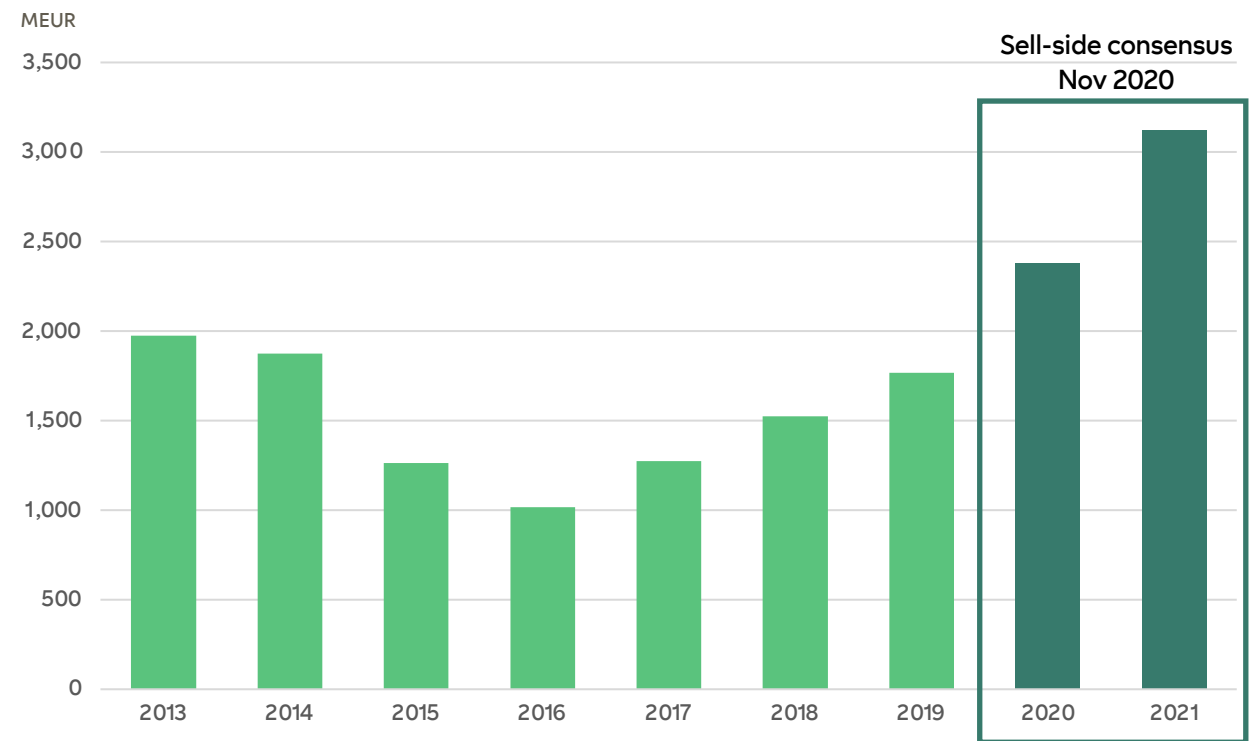


# Growing EBITDA from transformation and consolidation of Uniper

**Growth investments of  
EUR 11 billion  
EV/EBITDA multiple of ~7x**

**Divestments of  
EUR 12 billion  
EV/EBITDA multiple of ~17x**

**Fortum Group EBITDA development**



# Fortum key profitability drivers

## Key market drivers:

### Power market

- EU coal/nuclear capacity closures
- Growing share of renewables
- Importance of gas-fired generation
- Commodity prices
- Increasing interconnections between Nordics, Continental Europe, and the UK
- Weather conditions
- Increased demand from decarbonisation and electrification

### Gas market

- Decreasing gas production in Europe
- More volatile gas demand
- Gas storage value
- Weather conditions

## Fortum profitability drivers:

### European power generation

- CO<sub>2</sub>-free generation: prices and volumes, hedging, PPAs
- Gas-fired generation: capturing the merchant upside
- Coal exit path, value from sites

### Gas midstream business

- Long-term contracts and sales
- Gas storage, spread, and volatility
- Optimisation business, price volatility

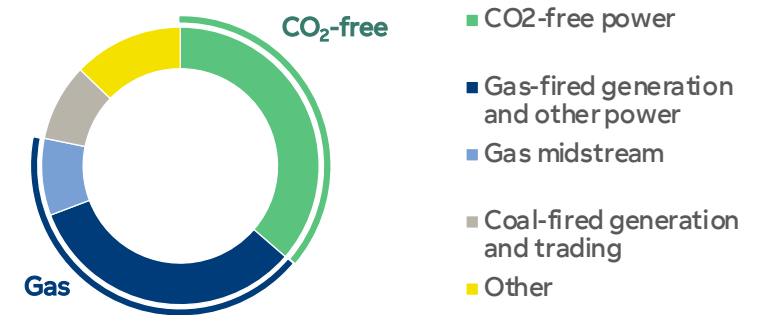
### Russia power generation

- Thermal CSAs gradually shifting to CCS scheme, selective modernisation projects
- Renewables capacity with higher CSAs
- Berezovskaya 3 (CSA)

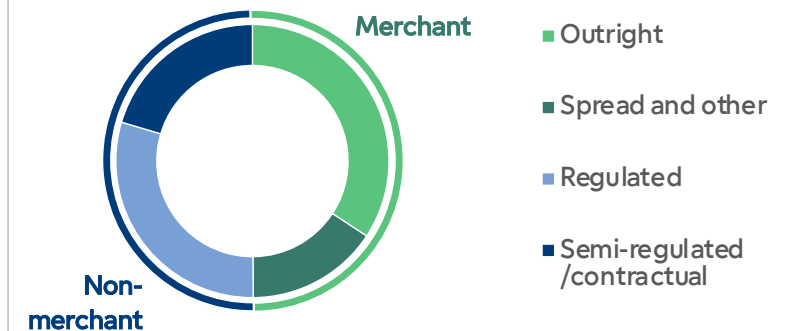
### Growth based on strategy

## Fortum Group's indicative EBITDA by business and market exposure

### Indicative EBITDA split



### Indicative market exposure



Source: Fortum & Uniper financial reporting  
PPA= Power Purchase Agreement  
CSA= Capacity Supply Agreements  
CCS= Competitive Capacity Selection (=KOM)

# Financial targets

# Fortum's updated financial targets

## Leverage target:

Financial net debt/comparable  
EBITDA ratio

**<2x**

## Return targets for new investments:

**WACC+** hurdle rate:  
**+100 bps** for green investments  
**+200 bps** for other investments

The requirement might be higher depending on, e.g.,  
business model and technology and will be evaluated  
case-by-case.

## Dividend policy:

“Fortum’s  
dividend policy is to pay a  
**stable, sustainable, and  
over time increasing**  
dividend.”

# Strong commitment to maintain rating of at least BBB

**Ambition is to preserve financial flexibility and good access to capital markets.**

Fortum will carefully manage its balance sheet going forward focusing on

- Profitability
- Cash flow optimisation
- Capital expenditure prioritisation
- Portfolio optimisation

**Long term leverage target:**

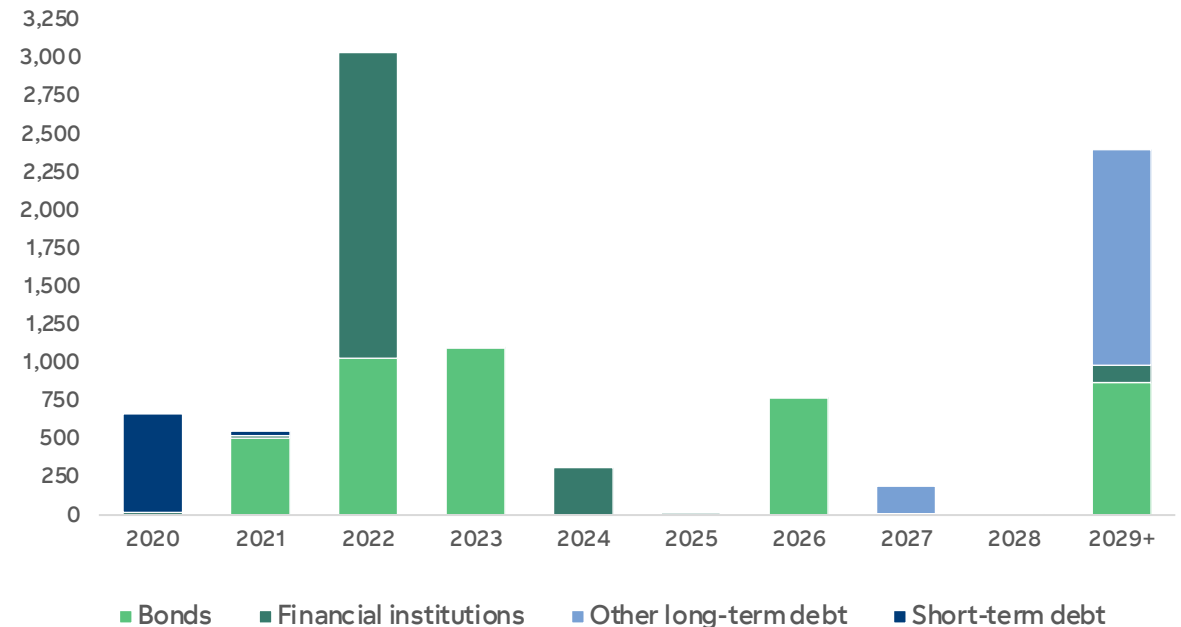
Financial net debt/comparable EBITDA  
**<2x**

RATING AGENCY	CREDIT RATING	VALID SINCE
Standard & Poor's	BBB/Outlook Negative	19 March 2020
Fitch Ratings	BBB/Outlook Negative	7 April 2020

# Focus to maintain good access to capital markets and financial flexibility

- Solid financial position with liquid funds of EUR 2.5 billion
- Available credit facilities of EUR 5.1 billion
- Group loans of EUR 9.2 billion
  - Average interest of 1.7% of total loans
  - Average interest of 0.9% for euro denominated loans
- Financial net debt EUR 7.1 billion
- Target to use green and sustainable bonds
- Funding needs are subject to decisions on ongoing strategic reviews of businesses and assets

**Fortum debt maturity profile**  
30 Sept 2020



# Return targets for new investments

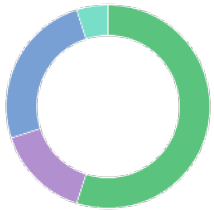
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~EUR 3 bn  
growth capex  
for 2021-2025

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

**Group 2021 capital expenditure, including maintenance and excluding acquisitions, is estimated to be EUR 1.4 billion**

- Maintenance of EUR 700 million
  - Growth of EUR 700 million

# Fortum and Uniper cooperation estimated to deliver significant financial benefits

## Cooperation benefits focus on monetary, safety, and environmental actions

- Positive cash impact on a consolidated group basis is estimated to be ~EUR 100 million annually
- > EUR 50 million of these annual benefits gradually materialising by the end of 2023 and reaching full annual impact in 2025
- Approx. 450 people have been involved in various work streams



# Revised dividend policy aiming at increasing dividend

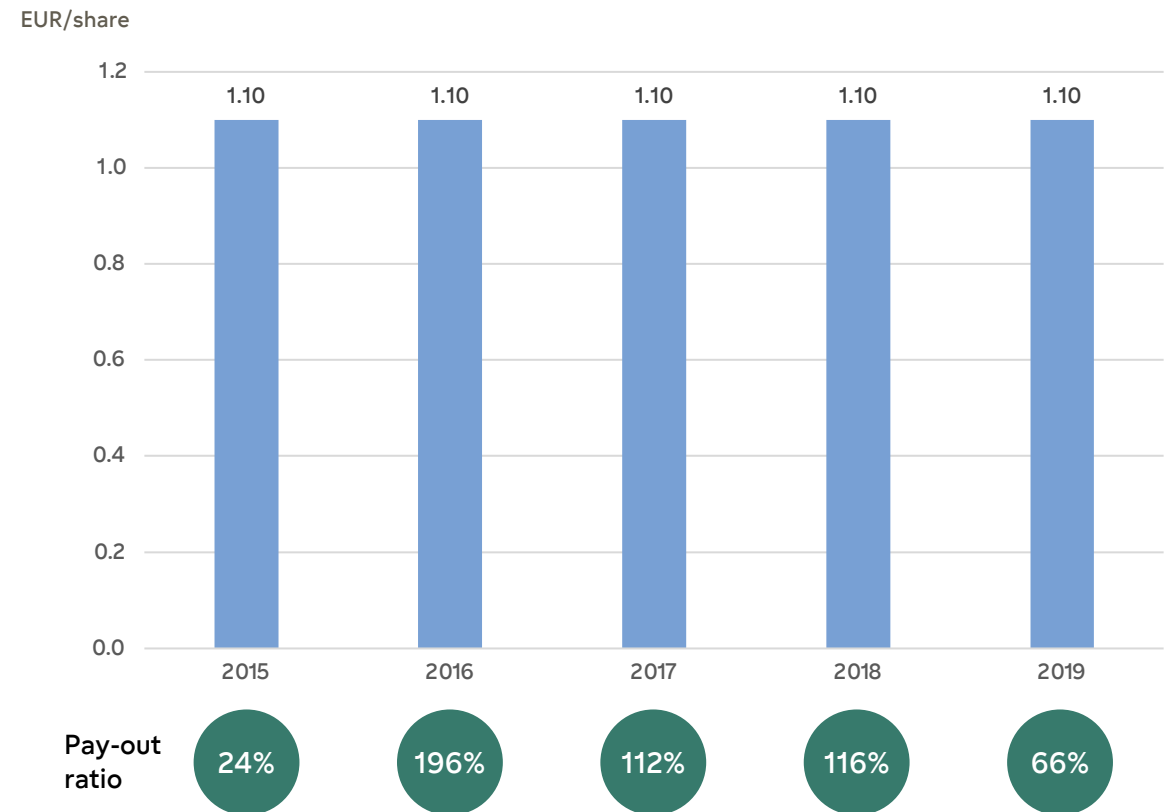
## Dividend policy:

“Fortum’s dividend policy is to pay a stable, sustainable, and over time increasing dividend.”

Fortum’s Board of Directors aims to propose a dividend for the year 2020 of EUR 1.12/share with the aim to increase the dividend going forward.

The formal dividend proposal will be made in the spring by the Board of Directors.

## Fortum dividends



A photograph of a dense forest with tall, thin trees. Sunlight is streaming through the canopy, creating a bright, hazy effect in the center. The forest floor is covered in green moss and fallen branches.

# Conclusions

# Conclusions

- Increasing EBITDA from transformation and cooperation benefits
- Reducing risk profile through decarbonisation and clean investments
- Updated financial targets
- Strong commitment to maintain rating, focus on cash flow
- Target to increase dividend over time

A man and a woman are seen from the back, standing on a bridge or balcony and 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, with her hair in a ponytail. A dark blue metal railing is in the foreground. The background shows a city skyline across a body of water, with the sun setting behind the buildings, creating a warm, golden glow in the sky and reflecting on the water.

# Thank you