Delivering on long-term financial targets

Markus Rauramo, CFO
13 November 2018
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 %

<table>
<thead>
<tr>
<th>Year</th>
<th>Associated companies' result</th>
<th>Comparable operating profit</th>
<th>ROCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013¹</td>
<td>9.0</td>
<td>1,070</td>
<td>9.0</td>
</tr>
<tr>
<td>2014¹</td>
<td>19.5</td>
<td>1,085</td>
<td>19.5</td>
</tr>
<tr>
<td>2015</td>
<td>20</td>
<td>808</td>
<td>22.7</td>
</tr>
<tr>
<td>2016</td>
<td>4.0</td>
<td>644</td>
<td>4.0</td>
</tr>
<tr>
<td>2017</td>
<td>7.1</td>
<td>811</td>
<td>7.1</td>
</tr>
<tr>
<td>LTM (Q3'18)</td>
<td>7.0</td>
<td>949</td>
<td>7.0</td>
</tr>
</tbody>
</table>

¹ Continuing operations, excluding distribution
Leverage ratio increased following Uniper investment – aim to reduce over 2-3 years

Fortum’s current rating and outlook

<table>
<thead>
<tr>
<th>Rating agency</th>
<th>Rating and outlook</th>
<th>Valid form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Poor’s</td>
<td>BBB, negative</td>
<td>16 February 2018</td>
</tr>
<tr>
<td>Fitch Ratings</td>
<td>BBB, stable</td>
<td>28 June 2018</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>EUR/share</th>
<th>Payout ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1.10</td>
<td>81%</td>
</tr>
<tr>
<td>2014</td>
<td>1.30</td>
<td>37%</td>
</tr>
<tr>
<td>2015</td>
<td>1.10</td>
<td>24%</td>
</tr>
<tr>
<td>2016</td>
<td>1.10</td>
<td>196%</td>
</tr>
<tr>
<td>2017</td>
<td>1.10</td>
<td>112%</td>
</tr>
</tbody>
</table>

* additional dividend
Execution of updated strategy will support deleveraging towards the target level of ~2.5x

- Prioritised capital expenditure
- Improving business performance through operational excellence and increased flexibility
- Optimised business portfolio

Illustrative

Capital redeployment

Measures to deleverage over 2-3 years

Net debt / EBITDA

2.5x

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

Gross investments excluding acquisitions

Capital expenditure excluding acquisitions and including maintenance are expected to be:
- 2018: EUR ~600-700 million
- 2019: EUR ~600-650 million
- 2020: to decline from 2019 level

Solar and wind investments for capital recycling

1) Continuing operations, excluding Distribution
Hedging mitigates risks – delivering stable, predictable performance and cash flow
Focus on strengthening cash flow

Comparable EBITDA by Division

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumer Solutions</th>
<th>City Solutions</th>
<th>Other</th>
<th>Russia</th>
<th>Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,427</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>1,457</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td>1,102</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td>1,015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td>1,275</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LTM (Q3’18)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,474</td>
</tr>
</tbody>
</table>

Stated guidance for cash flow components

- **EBITDA**
- **Maintenance capex** (~300 MEUR)
- **Interest expenses** (~2.5%)
- **Corporate taxes** (19-21%)
- **Cash dividends from associated companies**
- **Cash flow before dividends and growth capex**

1) Continuing operations, excluding Distribution
2) Uniper, Exergi, TGC-1
# Fortum’s strategic priorities in a changing energy market

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
</table>
| 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\(_2\)-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

| Focus areas   | Generation                                                                 | City Solutions             | Russia                                                                 | Consumer Solutions |
|---------------|****************************************************************************|----------------------------|-----------------------------------------------------------------------|---------------------|
| **Productivity** | Efficiency improvements                                                   | Operation and maintenance | Fuel efficiency                                                       |                    |
|               |                                                                            | Outage planning            | Fuel efficiency                                                       |                    |
|               |                                                                            | Fuel efficiency            |                                                                       |                    |
| **Flexibility** |                                                                            |                            | Fuel flexibility                                                       | Optimal use of market flexibility |
|               |                                                                            |                            |                                                                       |                    |
|               |                                                                            |                            | Asset flexibility                                                      |                    |
| **Investments** |                                                                            |                            |                                                                       |                    |
|               |                                                                            |                            | Group-level aligned investment process                                 |                    |

Benchmarking - Best practice sharing – Digitalisation – Measurement and follow up

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Fortum’s strategic priorities in a changing energy market

1. **Pursue operational excellence and increased flexibility**
   - Ensure benchmark performance
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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**
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   - Build on industrial logic and synergies with current businesses and competences
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