Half-Year Financial Report
January-June 2018

Fortum Corporation
19 July 2018
Improved results in Q2 2018

- Increased wholesale power prices in the Nordics
  - Cold weather in Q1 2018 and warm weather in Q2 2018
- Rising commodity and CO$_2$ prices
- Comparable EBITDA +29% at EUR 282 million
- Comparable operating profit +40% at EUR 153 million
- EPS at EUR 0.24 (-0.08)
  - Items affecting comparability EUR 0.11 (-0.04)
- Uniper PTO closed, 47.35% of total shares
- Balance sheet discipline with focus on cash flow continues
  - Divestment and capital recycling in Q2
Public Takeover Offer on Uniper closed in June 2018

- Fortum is pleased to have become Uniper’s largest shareholder
- The Russian regulatory decisions limit Fortum’s ownership to up to 50% of shares
- Strategic rational and Fortum’s intentions remain unchanged:
  - Transaction delivers on Fortum’s vision and strategy – Uniper’s businesses are aligned with Fortum’s core competences, close to its home markets and highly cash generative
  - Transaction contributes to stable and sustainable dividends for Fortum’s shareholders – more value to be created for all stakeholders through close collaboration
  - Intention to be a committed, long-term and active partner and shareholder to Uniper
  - Fortum and Uniper have the strategic mix of assets and expertise required to successfully drive Europe’s transition from conventional to cleaner and more secure energy
Capital recycling - divesting share of solar portfolio to enable further investments

Divestment

• In June, Fortum agreed to sell 54% share of its solar power company operating four solar power plants in India

• Total consideration of ~EUR 150 million, result impact of ~EUR 20 million to be recorded in Q3 2018

• This frees up capital for further investments and enables Fortum to continue to utilise its key competencies to develop, construct and operate solar power plants

Constructing new solar

• In June, Fortum won the right to build a 250 MW solar power plant in India

• The capital expenditure is estimated to be approximately EUR 120 million with commissioning expected in 2019
Fortum won the right to build CSA-supported capacity in Russia – 110 MW solar and 823 MW wind

- In June, Fortum won the right to build 110 MW of solar capacity with a guaranteed power price corresponding to ~RUB 14,000/MWh (~EUR 191/MWh) for 15 years, commissioning in 2021-2022

- The Fortum-Rusnano wind investment fund won the right to build 823 MW wind capacity with a guaranteed power price corresponding to ~RUB 7,000-8,000/MWh (~EUR 96-109/MWh) for 15 years, commissioning in 2019-2023

- Fortum’s previously communicated maximum equity commitment is RUB 15 billion and covers the above mentioned capacities and Fortum’s share of the wind capacities within the Fortum-Rusnano wind investment fund.

- Fortum’s ‘capital recycling’ strategy - intends to use partnerships and other forms of cooperation to create a more asset-light structure and thereby enable more investments into building new renewable capacity
Divestment of minority ownership in Hafslund Produksjon

- In June, Fortum sold its 10% ownership in Hafslund Produksjon Holding AS to Svartisen Holding AS
- Sales price of EUR 160 million and capital gain of EUR 77 million recorded in Q2
- Our minority share in Hafslund Produksjon was a financial investment and thus a non-core asset for Fortum

- *Fortum focuses on balance sheet discipline and cash flow generation and will continue to evaluate possibilities to optimise its asset portfolio*
Nordic water reservoirs clearly below normal level - dry Q2 in the Nordics

Reservoir content (TWh)

Source: Nord Pool
Increased commodity and CO₂ prices

Crude oil price (ICE Brent)

Coal price (ICE Rotterdam)

CO₂ price (ICE EUA)

Gas price (ICE NBP)

Source: ICE, Thomson Reuters
Market prices 16 July 2018; 2018-2019 future quotations
Wholesale power price increase in the Nordics continued in Q2 – dry and warm weather, higher marginal cost for coal condense

Source: Nord Pool, Nasdaq Commodities
Higher power prices in the Nordics due to dry and warm weather

Changes refer to year-on-year difference (Q2 2018 versus Q2 2017)
NOTE: Achieved power price (includes capacity payments) in roubles increased by 4%
Key figures

<table>
<thead>
<tr>
<th>MEUR</th>
<th>Q2 2018</th>
<th>Q2 2017</th>
<th>Q1-Q2 2018</th>
<th>Q1-Q2 2017</th>
<th>2017</th>
<th>LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,087</td>
<td>937</td>
<td>2,672</td>
<td>2,169</td>
<td>4,520</td>
<td>5,023</td>
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<tr>
<td>Comparable EBITDA</td>
<td>282</td>
<td>219</td>
<td>820</td>
<td>642</td>
<td>1,275</td>
<td>1,453</td>
</tr>
<tr>
<td>Comparable operating profit</td>
<td>153</td>
<td>109</td>
<td>558</td>
<td>421</td>
<td>811</td>
<td>948</td>
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<tr>
<td>Operating profit</td>
<td>256</td>
<td>66</td>
<td>738</td>
<td>456</td>
<td>1,158</td>
<td>1,440</td>
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<tr>
<td>Share of profits of associates and joint ventures</td>
<td>24</td>
<td>35</td>
<td>70</td>
<td>94</td>
<td>148</td>
<td>124</td>
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<tr>
<td>Profit before income taxes</td>
<td>241</td>
<td>49</td>
<td>734</td>
<td>461</td>
<td>1,111</td>
<td>1,384</td>
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<tr>
<td>Earnings per share, EUR</td>
<td>0.24</td>
<td>-0.08</td>
<td>0.68</td>
<td>0.30</td>
<td>0.98</td>
<td>1.35</td>
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<tr>
<td>Net cash from operating activities</td>
<td>361</td>
<td>232</td>
<td>634</td>
<td>514</td>
<td>993</td>
<td>1,113</td>
</tr>
</tbody>
</table>

- Improved comparable operating profit in Q2, +40%
  - Higher achieved power price in H1 and lower Swedish taxes
  - Partly offset by lower result in City Solutions, due to warm weather, and weaker Russian rouble
Generation

• Higher achieved power price increased sales
• Clearly improved comparable operating profit in Q2, +95%
  – Higher achieved power prices and lower real-estate and capacity taxes in Sweden
  – Partly offset by lower nuclear volumes due to closure of Oskarshamn 1

<table>
<thead>
<tr>
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<th>Q1-Q2 2017</th>
<th>2017</th>
<th>LTM</th>
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<tbody>
<tr>
<td>Sales</td>
<td>425</td>
<td>402</td>
<td>923</td>
<td>876</td>
<td>1,677</td>
<td>1,724</td>
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<td>Comparable EBITDA</td>
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<td>111</td>
<td>435</td>
<td>277</td>
<td>603</td>
<td>761</td>
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<td>Comparable operating profit</td>
<td>152</td>
<td>78</td>
<td>372</td>
<td>214</td>
<td>478</td>
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<tr>
<td>Comparable net assets</td>
<td></td>
<td></td>
<td>5,765</td>
<td>5,724</td>
<td>5,672</td>
<td></td>
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<tr>
<td>Comparable RONA %</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8.4</td>
<td>11.1</td>
</tr>
<tr>
<td>Gross investments</td>
<td>37</td>
<td>42</td>
<td>76</td>
<td>67</td>
<td>264</td>
<td>273</td>
</tr>
</tbody>
</table>
City Solutions

• Higher heat sales due to the consolidation of Fortum Oslo Varme (Hafslund)
• Comparable operating loss in Q2
  – Lower heat and power sales volumes, change to seasonal heat pricing in Finland and weaker recycling and waste business
• Higher comparable operating profit in H1, +16%
  – Good result in Q1 due to Fortum Oslo Varme offset by higher fuel prices in Q1, lower Q2 heat and power volumes and weaker result in the recycling and waste business in Q2

<table>
<thead>
<tr>
<th>MEUR</th>
<th>Q2 2018</th>
<th>Q2 2017</th>
<th>Q1-Q2 2018</th>
<th>Q1-Q2 2017</th>
<th>2017</th>
<th>LTM</th>
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<tbody>
<tr>
<td>Sales</td>
<td>187</td>
<td>205</td>
<td>562</td>
<td>495</td>
<td>1,015</td>
<td>1,082</td>
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<td>Comparable EBITDA</td>
<td>21</td>
<td>37</td>
<td>150</td>
<td>131</td>
<td>262</td>
<td>281</td>
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<tr>
<td>Comparable operating profit</td>
<td>-21</td>
<td>1</td>
<td>66</td>
<td>57</td>
<td>98</td>
<td>107</td>
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<td>Comparable net assets</td>
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<td></td>
<td>3,623</td>
<td>2,889</td>
<td>3,728</td>
<td></td>
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<tr>
<td>Comparable RONA %</td>
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<td></td>
<td></td>
<td></td>
<td>5.5</td>
<td>5.1</td>
</tr>
<tr>
<td>Gross investments</td>
<td>54</td>
<td>43</td>
<td>84</td>
<td>63</td>
<td>556</td>
<td>577</td>
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</tbody>
</table>
Consumer Solutions

- Higher sales in Q2 driven by the Hafslund consolidation
  - High competition and customer churn in the Nordics continued
- Increased comparable operating profit in Q2, +83%
  - Consolidation of Hafslund had a positive impact of EUR 8 million
  - Profit burdened by the amended service agreements for the divested electricity distribution companies and lower sales margins, partly offset by improved cost efficiency

<table>
<thead>
<tr>
<th>MEUR</th>
<th>Q2 2018</th>
<th>Q2 2017</th>
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<th>Q1-Q2 2017</th>
<th>2017</th>
<th>LTM</th>
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<tbody>
<tr>
<td>Sales</td>
<td>326</td>
<td>164</td>
<td>873</td>
<td>406</td>
<td>1,097</td>
<td>1,564</td>
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<tr>
<td>Comparable EBITDA</td>
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<td>8</td>
<td>57</td>
<td>22</td>
<td>57</td>
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<tr>
<td>Comparable operating profit</td>
<td>11</td>
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<td>Comparable net assets</td>
<td>645</td>
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<tr>
<td>Customer base, million</td>
<td>2.48</td>
<td>1.36</td>
<td>2.49</td>
<td></td>
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<tr>
<td>Gross investments</td>
<td>12</td>
<td>1</td>
<td>21</td>
<td>3</td>
<td>493</td>
<td>511</td>
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</tbody>
</table>
Russia

- Sales in euros decreased due to weaker rouble
- Comparable operating profit in Q2 decreased, -30%
  - EUR 6 million negative impact of weaker rouble
  - Negative impact from bad debt provisions, unplanned outage in Tyumen 1 and lower electricity margins
  - Positive impact from higher CSA payments and contribution from new production units

<table>
<thead>
<tr>
<th>MEUR</th>
<th>Q2 2018</th>
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<th>2017</th>
<th>LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>228</td>
<td>238</td>
<td>565</td>
<td>586</td>
<td>1,101</td>
<td>1,080</td>
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<tr>
<td>Comparable EBITDA</td>
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<td>Comparable operating profit</td>
<td>37</td>
<td>53</td>
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<td>185</td>
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<td>252</td>
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<td>Comparable net assets</td>
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<td>2,986</td>
<td>3,156</td>
<td>3,161</td>
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<tr>
<td>Comparable RONA %</td>
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<td></td>
<td>10.1</td>
<td>9.5</td>
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<tr>
<td>Gross investments</td>
<td>22</td>
<td>42</td>
<td>40</td>
<td>73</td>
<td>277</td>
<td>244</td>
</tr>
</tbody>
</table>
Uniper investment to be reported in Fortum’s ’Other Operations’

- Total acquisition cost, incl. direct related costs, amounted to EUR 3.7 billion (EUR 21.31 per share)
  - Financed with existing cash resources of EUR 1.95 billion and bridge loan financing from committed credit facilities of EUR 1.75 billion
  - Reported under ‘Participations in associated companies and joint ventures’
- Uniper consolidated as an associated company as of 30 June 2018
  - EPS contribution through Fortum’s share of Uniper’s profit
  - Uniper dividend to strengthen Fortum’s cash flow
  - Share of profits reported with one quarter time-lag as Uniper publishes interim results after Fortum
  - Consequently, the share of Uniper’s Q3 profits will be reported in Fortum’s Q4 2018 interim report for the first time
Q2 2018: comparable operating profit positively impacted by higher achieved price and lower Swedish taxes

- 3.1 EUR/MWh higher achieved price
- 0.2 TWh higher hydro volumes
- Lower taxes

- Lower volumes due to warm weather
- Seasonal pricing in Finland
- Weaker result in recycling and waste business

- Consolidation of Hafslund
- Lower sales margin
- Amended service agreements for the divested electricity distribution companies

- FX- effect MEUR -6
- Negative impact of bad-debt provisions
- Unplanned outage at Tyumen 1
- Lower electricity margin
- Higher CSA payments

Q2 2017: 109 EUR million
Q2 2018: 153 EUR million
H1 2018: comparable operating profit positively impacted by higher hydro volumes and higher achieved price

- 1.3 TWh higher hydro volumes
- 2.1 EUR/MWh higher achieved price
- Lower taxes

- Consolidation of Fortum Oslo Varme
- Higher fuel prices in Q1
- Lower heat and power sales in Q2
- Weaker result in recycling and waste

- Consolidation of Hafslund
- Lower sales margin
- Amended service agreements for the divested electricity distribution companies

- FX-effect MEUR -18
- Lower electricity margin
- Higher CSA payments
- Negative impact of bad-debt provisions
- Lower electricity margins
- H1 2017 was positively affected by improved bad-debt collections

EUR million

421

158
9
11
-44
2
558

H1 2017
Generation
City Solutions
Consumer Solutions
Russia
Other
H1 2018
<table>
<thead>
<tr>
<th>MEUR</th>
<th>Q2 2018</th>
<th>Q2 2017</th>
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<td>219</td>
<td>820</td>
<td>642</td>
<td>1,275</td>
<td>1,453</td>
</tr>
<tr>
<td>Realised FX gains/losses</td>
<td>91</td>
<td>-6</td>
<td>133</td>
<td>-63</td>
<td>-83</td>
<td>113</td>
</tr>
<tr>
<td>Paid net financial costs, income taxes and other</td>
<td>-39</td>
<td>-34</td>
<td>-146</td>
<td>-130</td>
<td>-281</td>
<td>-297</td>
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<tr>
<td>Change in working capital</td>
<td>27</td>
<td>54</td>
<td>-174</td>
<td>65</td>
<td>81</td>
<td>-158</td>
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<td>of which change of settlements for futures</td>
<td>-199</td>
<td>75</td>
<td>-290</td>
<td>94</td>
<td>141</td>
<td>-243</td>
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<tr>
<td>Net cash from operating activities</td>
<td>361</td>
<td>232</td>
<td>634</td>
<td>514</td>
<td>993</td>
<td>1,113</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>-118</td>
<td>-128</td>
<td>-252</td>
<td>-308</td>
<td>-657</td>
<td>-601</td>
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<tr>
<td>Acquisitions of shares</td>
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<td>-25</td>
<td>-3,750</td>
<td>-51</td>
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<td>-4,671</td>
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<td>Divestments of shares</td>
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<td>0</td>
<td>170</td>
<td>0</td>
<td>741</td>
<td>911</td>
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<tr>
<td>Change in cash collateral and restricted cash</td>
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<td>-110</td>
<td>-176</td>
<td>72</td>
<td>-3</td>
<td>-251</td>
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<td>65</td>
<td>49</td>
<td>87</td>
<td>85</td>
<td>47</td>
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<td>Cash flow from investing activities</td>
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<td>-3,959</td>
<td>-199</td>
<td>-807</td>
<td>-4,567</td>
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<td>Cash flow before financing activities</td>
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<td>34</td>
<td>-3,326</td>
<td>315</td>
<td>187</td>
<td>-3,454</td>
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<tr>
<td>Paid dividends</td>
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<td>-977</td>
<td>-977</td>
<td>-977</td>
<td>-977</td>
<td>-977</td>
</tr>
</tbody>
</table>

- Increased net cash from operating activities due to improved EBITDA
- Positive impact of EUR 133 million due to realised FX compared to H1 2017
- More cash tied to the daily cash settled futures and cash collaterals for forwards hedging power price
- Acquisition of Uniper shares EUR 3.7 billion financed with existing cash resources of EUR 1.95 billion and bridge loan financing of EUR 1.75 billion
- Payment of dividend EUR 977 million
## Higher debt and lower cash due to payment of the Uniper investment in Q2 2018

<table>
<thead>
<tr>
<th>Metric</th>
<th>LTM</th>
<th>2017</th>
<th>TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparable EBITDA, MEUR</td>
<td>1,453</td>
<td>1,275</td>
<td></td>
</tr>
<tr>
<td>Interest-bearing net debt, MEUR</td>
<td>5,271*</td>
<td>988</td>
<td></td>
</tr>
<tr>
<td>Comparable net debt/EBITDA ratio</td>
<td>3.6x</td>
<td>0.8x</td>
<td>Around 2.5x</td>
</tr>
<tr>
<td>Return on capital employed (ROCE), %</td>
<td>8.8**</td>
<td>7.1**</td>
<td>At least 10%</td>
</tr>
</tbody>
</table>

*) As per 30.6.2018
**) Includes capital gains of Hafslund transactions

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

Liquid funds EUR 0.8 billion

Committed credit lines

EUR 1.8 billion
Divestment of non-core assets and capital recycling improves cash flow to maintain financial flexibility

1. **Investment scrutiny**
   - 250 MW investment in Indian solar, enabled by capital recycling in India
   - Investments in Russian renewables without increasing the RUB 15 billion commitment

2. **Business focus**
   - Divestment of Hafslund Produksjon (EUR 160 million, capital gain EUR 77 million)
   - Divestment of 54% stake of Indian solar (EUR 150 million*, result impact EUR 20 million)

3. **Efficiency improvements**
   - Continued cost consciousness with efficiency improvements and fixed cost scrutiny

*including the effect of deconsolidating debt
Outlook

**Hedging**

For remainder of 2018: 
~75% hedged at EUR 29 per MWh 
(60% at EUR 27)

For 2019: 
~60% hedged at EUR 28 per MWh 
(45% at EUR 26)

**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

**Demand growth**

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

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

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Effective tax rate for 2018 for the Group 19-21%

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Demand growth 
Electricity demand in the Nordics is expected to grow by ~0.5% on average
Q&A