Interim Report
January-March 2018

Fortum Corporation
26 April 2018
Strong performance in Q1 2018

- Increased wholesale power prices in the Nordics
  - Cold weather in February and March
  - Lower than normal precipitation
- EU Emission Trading Scheme (ETS) starting to deliver
  - Higher CO₂ emission allowance prices
- Comparable EBITDA +27% at EUR 538 million
- Comparable operating profit +29% at EUR 405 million
- EPS at EUR 0.43 (0.38)
- 47.12% of Uniper shares tendered in the PTO
  - Transaction awaiting regulatory approval in EU and Russia
- Balance sheet discipline going forward
35 MW Ulyanovsk wind park operational in Russia

TVO confirms settlement agreement on Olkiluoto 3 project

Fortum, Valmet and Preem in cooperation to develop bio-oil to fuel in transportation

Delivering on our growth strategy

47.12% of Uniper shares accepted in Fortum’s PTO

Fortum’s Charge & Drive and Plugsurfing join forces

Fortum wins Nordic’s largest solar system contract from Finnish retailer S Group

Delivering on our growth strategy
Investment in Uniper awaiting the regulatory approvals in the EU and Russia

- Strategic rational for the investment in Uniper:
  - Uniper’s businesses are aligned with our core competences, close to our home markets and highly cash generative
  - Uniper and Fortum have a mutually complementary, strategic mix of assets and expertise to actively drive Europe’s transition towards a low-carbon and secure energy system
  - Fortum sees good cooperation opportunities with Uniper to create value for all stakeholders
- Regulatory approvals
  - EU and Russia
  - Expected mid-2018
- Financing of the investment
  - Cash resources and committed credit facilities
- Financial impact
  - Associated company
  - EPS contribution through Fortum’s share of Uniper’s profit
  - Uniper dividend to strengthen Fortum’s cash flow
Improved Nordic market conditions

Nordic countries

- Increased electricity consumption due to cold weather in February and March, 121 (113) TWh
- Nordic precipitation clearly below normal in Q1
- System spot price improved to 38.6 (31.1) EUR/MWh
  - Finnish area price at 42.0 (32.9) EUR/MWh and Swedish (SE3) area price 39.0 (31.8) EUR/MWh
- Clearly higher market price for CO₂ emission allowances (EUA)
  - Increase to EUR 13.3/t at the end of Q1 2018 from EUR 8.1/t at the beginning of 2017

Russia

- Electricity consumption slightly higher, 289 (283) TWh
  - First price zone (Fortum’s operating area) at 220 (217) TWh
- Average electricity spot price flat in Urals hub
Nordic water reservoirs clearly below normal level

Reservoir content (TWh)

Source: Nord Pool
CO₂ price reached a 7-year high while coal and gas prices slightly declined

Source: ICE, Thomson Reuters
Market prices 23 April 2018; 2018-2019 future quotations
Wholesale power price recovery from low level continued - still room for improvement

Source: Nord Pool, Nasdaq Commodities
23 April 2018
Higher power prices in the Nordics due to cold and dry weather

Changes refer to year-on-year difference (Q1 2018 versus Q1 2017)

NOTE: Achieved power price in roubles increased 0%. Includes capacity income
Key figures in Q1 2018

<table>
<thead>
<tr>
<th>MEUR</th>
<th>Q1/2018</th>
<th>Q1/2017</th>
<th>2017</th>
<th>LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,585</td>
<td>1,232</td>
<td>4,520</td>
<td>4,873</td>
</tr>
<tr>
<td>Comparable EBITDA</td>
<td>538</td>
<td>423</td>
<td>1,275</td>
<td>1,390</td>
</tr>
<tr>
<td>Comparable operating profit</td>
<td>405</td>
<td>313</td>
<td>811</td>
<td>903</td>
</tr>
<tr>
<td>Operating profit</td>
<td>482</td>
<td>389</td>
<td>1,158</td>
<td>1,251</td>
</tr>
<tr>
<td>Share of profits of associates and joint ventures</td>
<td>47</td>
<td>59</td>
<td>148</td>
<td>136</td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>493</td>
<td>412</td>
<td>1,111</td>
<td>1,192</td>
</tr>
<tr>
<td>Earnings per share, EUR</td>
<td>0.43</td>
<td>0.38</td>
<td>0.98</td>
<td>1.03</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>273</td>
<td>282</td>
<td>993</td>
<td>984</td>
</tr>
</tbody>
</table>

- Improved comparable operating profit, +29%
  - Higher hydro volumes and higher achieved power price, lower Swedish taxes, and positive impact from Hafslund consolidation
Generation

- Increased sales due to higher than normal hydro volumes and higher achieved power price
- Clearly improved comparable operating profit, +62%
  - Higher than normal hydro power volumes
  - Higher achieved power price due to cold and dry weather
  - Lower real-estate and capacity taxes in Sweden
  - Good nuclear availability, but lower nuclear volumes due to closure of Oskarshamn 1

<table>
<thead>
<tr>
<th>MEUR</th>
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<th>2017</th>
<th>LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>497</td>
<td>474</td>
<td>1,677</td>
<td>1,700</td>
</tr>
<tr>
<td>Comparable EBITDA</td>
<td>252</td>
<td>166</td>
<td>603</td>
<td>689</td>
</tr>
<tr>
<td>Comparable operating profit</td>
<td>220</td>
<td>136</td>
<td>478</td>
<td>562</td>
</tr>
<tr>
<td>Comparable net assets</td>
<td>5,698</td>
<td>5,823</td>
<td>5,672</td>
<td></td>
</tr>
<tr>
<td>Comparable RONA %</td>
<td></td>
<td></td>
<td>8.4</td>
<td>9.8</td>
</tr>
<tr>
<td>Gross investments</td>
<td>38</td>
<td>24</td>
<td>264</td>
<td>278</td>
</tr>
</tbody>
</table>
Higher heat sales driven by cold weather and consolidation of Fortum Oslo Varme (Hafslund)

Clearly improved comparable operating profit, +55%
- Consolidation of Fortum Oslo Varme had a positive effect of EUR 32 million
- Higher heat sales, offset by unfavorable fuel mix and higher fuel prices and lower power plant availability in Finland

<table>
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<tr>
<th>MEUR</th>
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<th>Q1/2017</th>
<th>2017</th>
<th>LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>375</td>
<td>290</td>
<td>1,015</td>
<td>1,100</td>
</tr>
<tr>
<td>Comparable EBITDA</td>
<td>129</td>
<td>94</td>
<td>262</td>
<td>297</td>
</tr>
<tr>
<td>Comparable operating profit</td>
<td>87</td>
<td>56</td>
<td>98</td>
<td>129</td>
</tr>
<tr>
<td>Comparable net assets</td>
<td>3,718</td>
<td>2,894</td>
<td>3,728</td>
<td></td>
</tr>
<tr>
<td>Comparable RONA %</td>
<td></td>
<td></td>
<td>5.5</td>
<td>6.1</td>
</tr>
<tr>
<td>Gross investments</td>
<td>29</td>
<td>21</td>
<td>556</td>
<td>564</td>
</tr>
</tbody>
</table>
Consumer Solutions

- Higher sales driven by the Hafslund consolidation and cold weather
- Comparable operating profit, +42%
  - Consolidation of Hafslund had a positive impact of EUR 13 million
  - Competitive situation in the Nordics continued to be challenging
  - Offset by higher power purchase costs due to cold weather, lower gas sales margins in Poland, and amended service agreements for the divested distribution companies
  - Q1 2017: positive contribution from gas distribution DUON (divested in July 2017)

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</thead>
<tbody>
<tr>
<td>Sales</td>
<td>547</td>
<td>242</td>
<td>1,097</td>
<td>1,402</td>
</tr>
<tr>
<td>Comparable EBITDA</td>
<td>31</td>
<td>14</td>
<td>57</td>
<td>74</td>
</tr>
<tr>
<td>Comparable operating profit</td>
<td>17</td>
<td>12</td>
<td>41</td>
<td>46</td>
</tr>
<tr>
<td>Comparable net assets</td>
<td>792</td>
<td>158</td>
<td>638</td>
<td></td>
</tr>
<tr>
<td>Customer base, million</td>
<td>2.49</td>
<td>1.36</td>
<td>2.49</td>
<td></td>
</tr>
<tr>
<td>Gross investments</td>
<td>10</td>
<td>2</td>
<td>493</td>
<td>501</td>
</tr>
</tbody>
</table>
Russia

• Sales in euros decreased due to weaker rouble
  – Positive impact from new capacity from Chelyabinsk GRES 3, good availability and cold weather

• Comparable operating profit decreased, -21%
  – EUR -12 million impact of weakened rouble against euro
  – Lower electricity margins
  – Positive impact from higher CSA payments and contribution from new units
  – Q1 2017: included a positive one-time impact from bad debt collection

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<th>2017</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>336</td>
<td>349</td>
<td>1,101</td>
<td>1,088</td>
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<tr>
<td>Comparable EBITDA</td>
<td>142</td>
<td>168</td>
<td>438</td>
<td>412</td>
</tr>
<tr>
<td>Comparable operating profit</td>
<td>104</td>
<td>132</td>
<td>296</td>
<td>268</td>
</tr>
<tr>
<td>Comparable net assets</td>
<td>3,091</td>
<td>3,520</td>
<td>3,161</td>
<td></td>
</tr>
<tr>
<td>Comparable RONA %</td>
<td></td>
<td></td>
<td>10.1</td>
<td>9.4</td>
</tr>
<tr>
<td>Gross investments</td>
<td>16</td>
<td>32</td>
<td>277</td>
<td>261</td>
</tr>
</tbody>
</table>
Q1 2018 comparable operating profit positively impacted by higher hydro volumes and achieved price

- 1.3 TWh higher hydro volumes
- 1.0 EUR/MWh higher achieved price
- Lower taxes
- Consolidation of Fortum Oslo Varme
- Consolidation of Hafslund
- Negative FX-effect
- Lower electricity margin
- Higher CSA payments
- Q1 2017: Positive impact of bad debt collection

Q1 2017: EUR 313 million
Q1 2018: EUR 405 million

- Generation
- City Solutions
- Consumer Solutions
- Russia
- Other
Cash flow statement

<table>
<thead>
<tr>
<th>MEUR</th>
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<th>Q1/2017</th>
<th>2017</th>
<th>LTM</th>
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</thead>
<tbody>
<tr>
<td>Comparable EBITDA</td>
<td>538</td>
<td>423</td>
<td>1,275</td>
<td>1,390</td>
</tr>
<tr>
<td>Realised FX gains/losses</td>
<td>42</td>
<td>-58</td>
<td>-83</td>
<td>17</td>
</tr>
<tr>
<td>Paid net financial costs, income taxes and other</td>
<td>-107</td>
<td>-95</td>
<td>-281</td>
<td>-292</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>-200</td>
<td>12</td>
<td>81</td>
<td>-131</td>
</tr>
<tr>
<td>of which change of settlements for futures</td>
<td>-91</td>
<td>19</td>
<td>141</td>
<td>31</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>273</td>
<td>282</td>
<td>993</td>
<td>984</td>
</tr>
<tr>
<td>Cash used in investing activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>-133</td>
<td>-180</td>
<td>-657</td>
<td>-610</td>
</tr>
<tr>
<td>Acquisitions of shares</td>
<td>-18</td>
<td>-26</td>
<td>-972</td>
<td>-964</td>
</tr>
<tr>
<td>Divestments of shares</td>
<td>0</td>
<td>0</td>
<td>741</td>
<td>741</td>
</tr>
<tr>
<td>Change in cash collaterals</td>
<td>-63</td>
<td>182</td>
<td>-3</td>
<td>-248</td>
</tr>
<tr>
<td>Other investing activities</td>
<td>1</td>
<td>23</td>
<td>85</td>
<td>62</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>-213</td>
<td>-1</td>
<td>-807</td>
<td>-1,019</td>
</tr>
<tr>
<td>Cash flow before financing activities</td>
<td>60</td>
<td>280</td>
<td>187</td>
<td>-33</td>
</tr>
</tbody>
</table>

- Stronger EBITDA and lower capital expenditures increased the generated cash-flow by EUR 162 million.
- Positive impact of EUR 100 million on hedging internal loans to Russian and Swedish subsidiaries due to realised FX compared to Q1 2017.
- Due to higher power prices, settlements and collaterals related to commodity exchanges for Generation negatively impacted cash-flow by EUR 355 million compared to Q1 2017.
## Strong financial position - financial headroom enables the Uniper investment

<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>1,390</td>
<td>1,275</td>
<td></td>
</tr>
<tr>
<td>Interest-bearing net debt, MEUR</td>
<td>899</td>
<td>988</td>
<td></td>
</tr>
<tr>
<td>Comparable net debt/EBITDA ratio</td>
<td>0.6x</td>
<td>0.8x</td>
<td>Around 2.5x</td>
</tr>
<tr>
<td>Return on capital employed (ROCE), %</td>
<td>7.7*</td>
<td>7.1*</td>
<td>At least 10%</td>
</tr>
</tbody>
</table>

*) Includes sales gain of Hafslund shares

**Liquid funds**
- EUR 3.5 billion

**Committed credit lines**
- EUR 1.8 billion

**Committed credit facility for the Uniper acquisition**
- EUR 3.8 billion
Focus on balance sheet and cash flow discipline to maintain financial flexibility

1. Investment scrutiny

- Capital expenditure to be scrutinised with strategic prioritisation for both maintenance and growth initiatives

2. Business focus

- Assessment of the future of non-core assets to streamline operations

3. Efficiency improvements

- Continued cost consciousness with efficiency improvements and fixed cost scrutiny
Outlook

**Hedging**
- ~65% hedged at EUR 27 per MWh, for remainder of 2018
- ~45% at EUR 26 per MWh, for 2019

**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
Q&A
For more information, please visit [www.fortum.com/investors](http://www.fortum.com/investors)

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