FORTUM – For a cleaner world

Investor / Analyst material

July 2018

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.

Any references to the future represent the management's current best understanding.
However the final outcome may differ from them.

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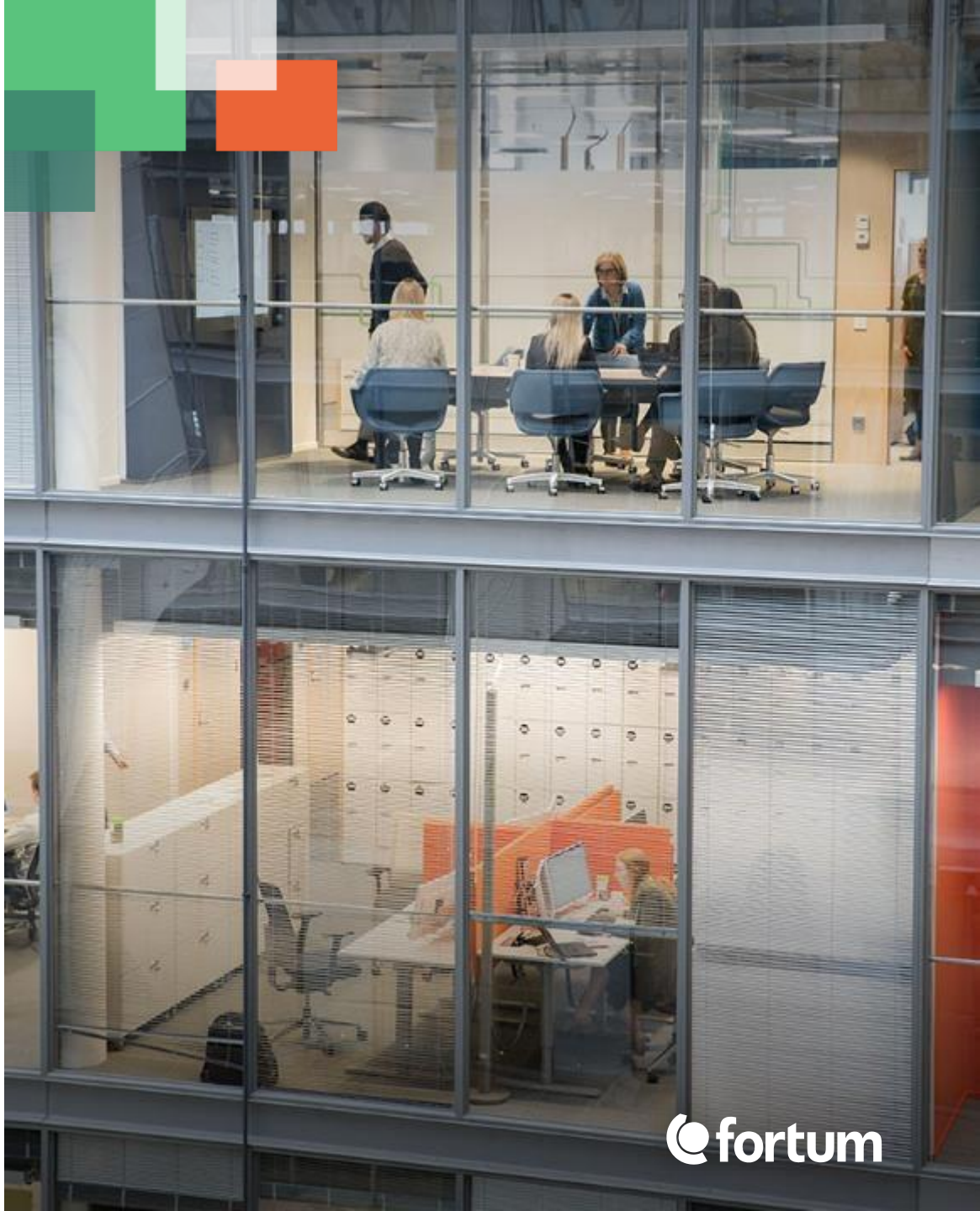
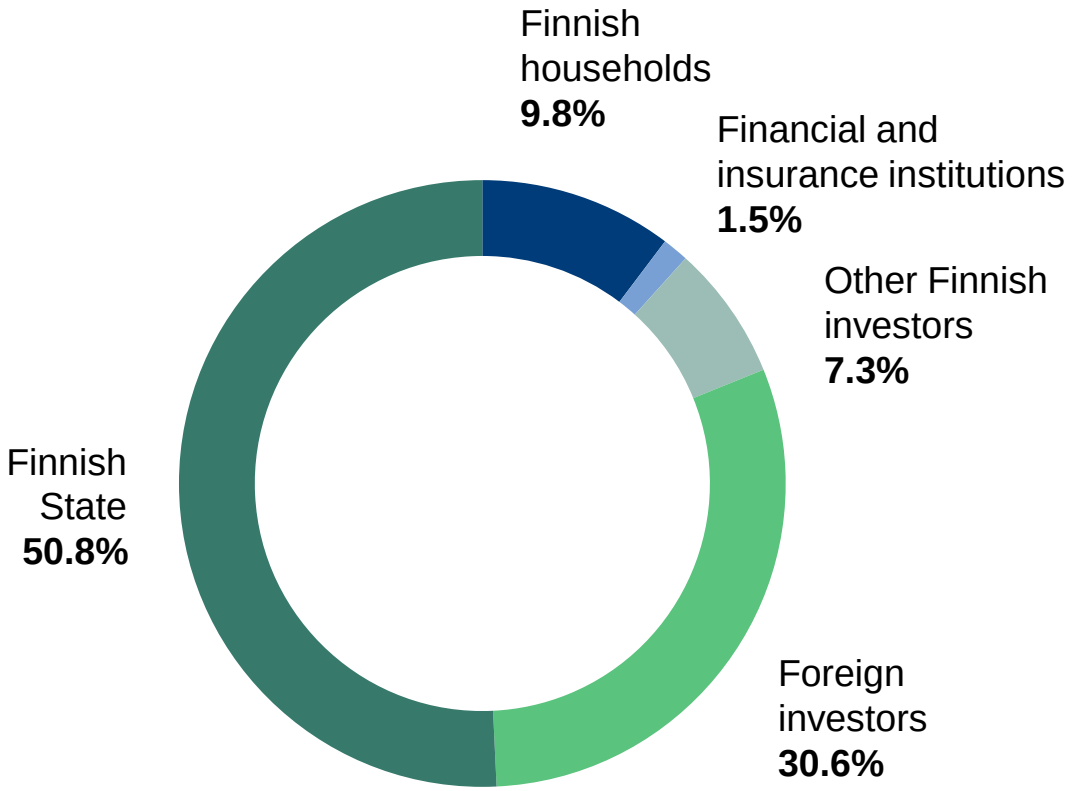


Appr. 125,000 shareholders

- Power and heat company in the Nordic countries, Russia, Poland and the Baltics
- Listed at the Helsinki Stock Exchange since 1998
- Among the most traded shares on the Nasdaq Helsinki stock exchange
- Market cap ~19 billion euros



30 June 2018

Capital returns: 2017 EUR 1.10 per share ~ EUR 1 billion

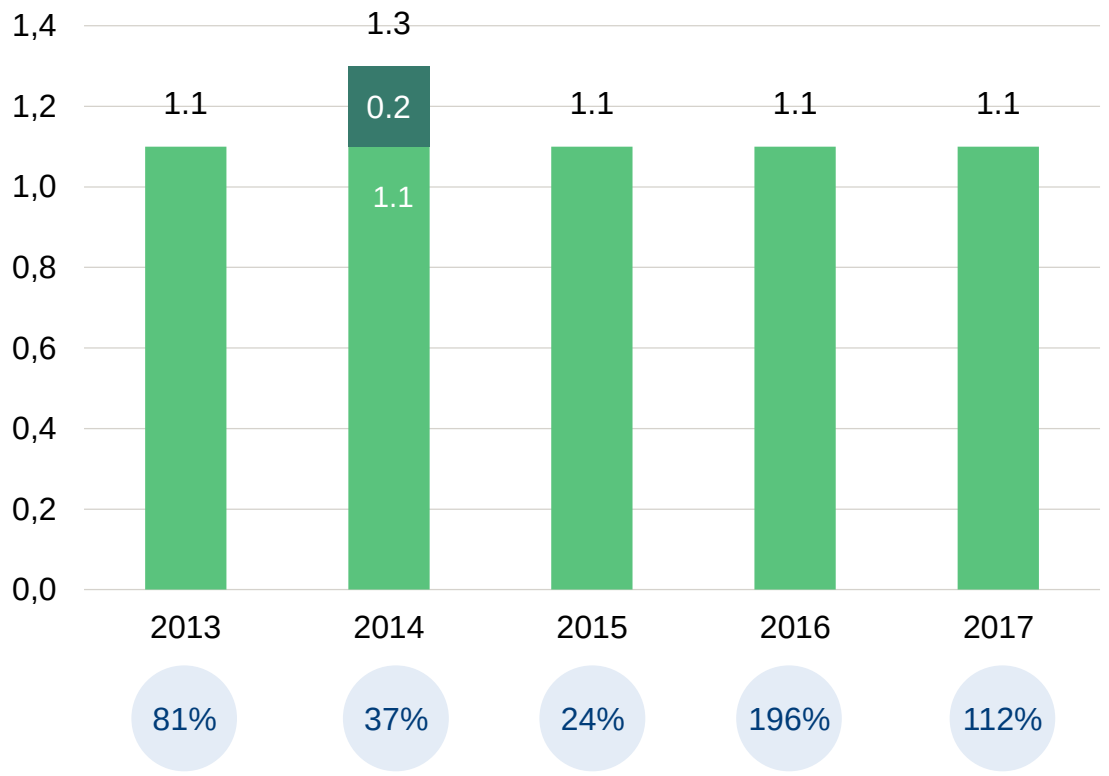
Fortum's dividend policy is based on the following preconditions:

- The dividend policy ensures that shareholders receive a fair remuneration for their entrusted capital, supported by the company's long-term strategy that aims at increasing earnings per share and thereby the dividend.
- When proposing the dividend, the Board of Directors looks at a range of factors, including the macro environment, balance sheet strength as well as future investment plans.

Fortum's target is to pay a stable, sustainable and over time increasing dividend of 50-80% of earnings per share excluding one-off items

Fortum has since 1998 annually paid dividends in total ~14,580 MEUR

5 year dividend per share (EUR) history



Fortum – For a cleaner world

Megatrends

Climate change and resource efficiency
Urbanisation
Active customers
Digitalisation, new technologies

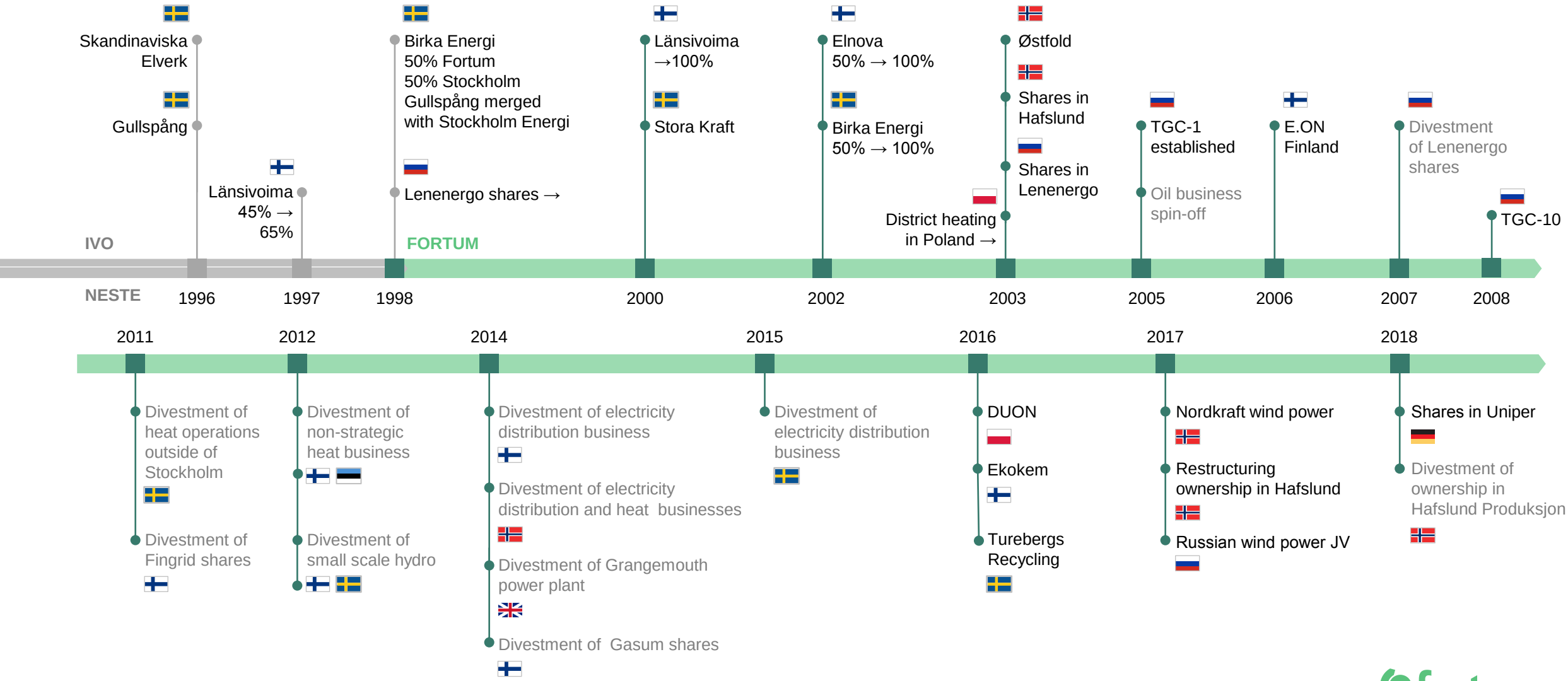
Mission

We engage our customers and society to drive the change towards a cleaner world. Our role is to accelerate this change by reshaping the energy system, improving resource efficiency and providing smart solutions. This way we deliver excellent shareholder value.

Strategy

- Drive productivity and industry transformation
- Grow in solar and wind
- Create solutions for sustainable cities
- Build new energy ventures

Our strategic route



Our current geographical presence

NORDIC COUNTRIES

Power generation
45.4 TWh

Heat sales
5.0 TWh

Electricity customers
2.4 million

RUSSIA

PAO Fortum

Power generation
26.3 TWh

Heat sales
19.8 TWh

KEY FIGURES 2017

Sales	**EUR 4.5 bn**
Comparable operating profit	**EUR 0.8 bn**
Balance sheet	**EUR 22 bn**
Personnel	**8,800**

POLAND

Power generation
0.5 TWh

Heat sales
3.7 TWh

BALTIC COUNTRIES

Power generation
0.7 TWh

Heat sales
1.4 TWh

INDIA

Power generation
0.3 TWh

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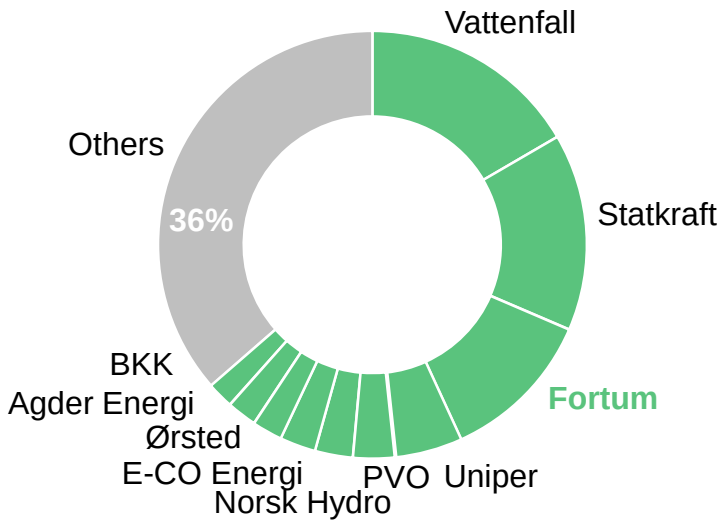
Still a highly fragmented Nordic power market
Fortum has largest electricity customer base in the Nordics

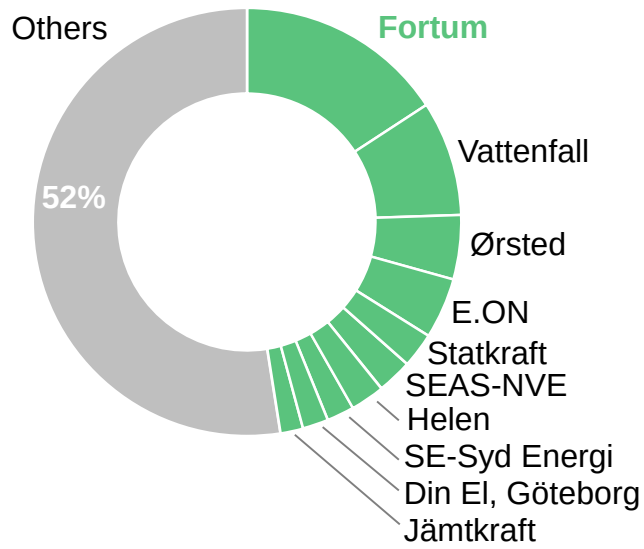
Power generation in 2016

395 TWh
>350 companies



Electricity retail

15 million customers
~350 companies

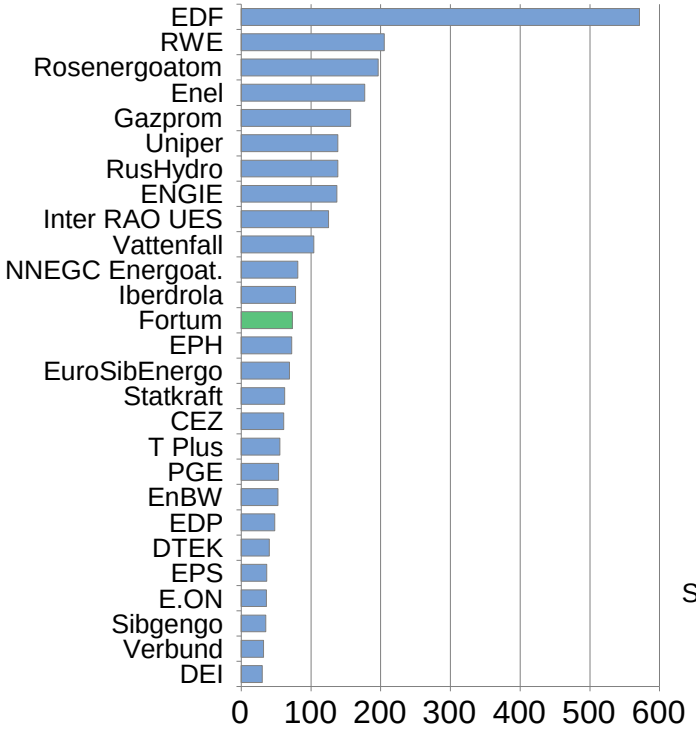


Source: Fortum, company data, shares of the largest actors, pro forma 2016 figures (Fortum incl. Hafslund's 1.1 million customers).

Fortum mid-sized European power generation player; major producer in global heat

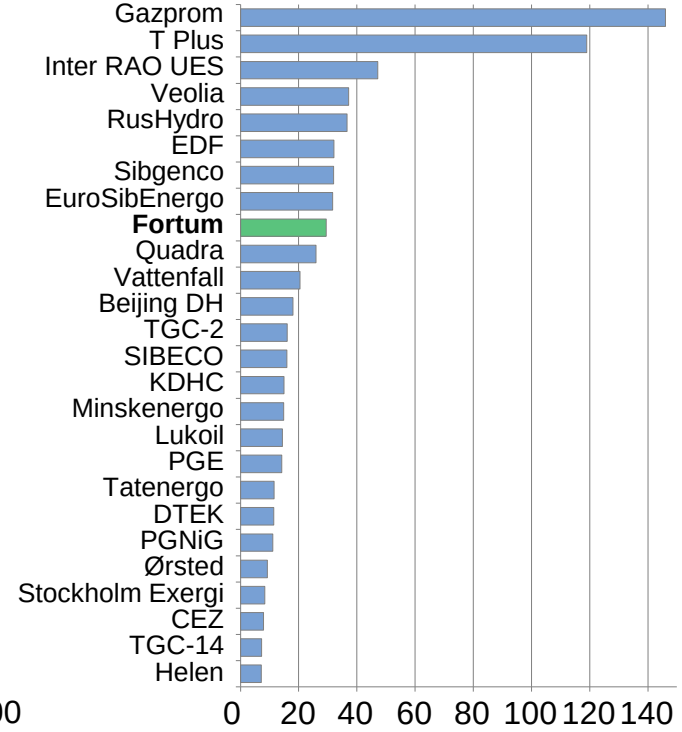
Power generation

Largest producers in Europe and Russia, 2016
TWh



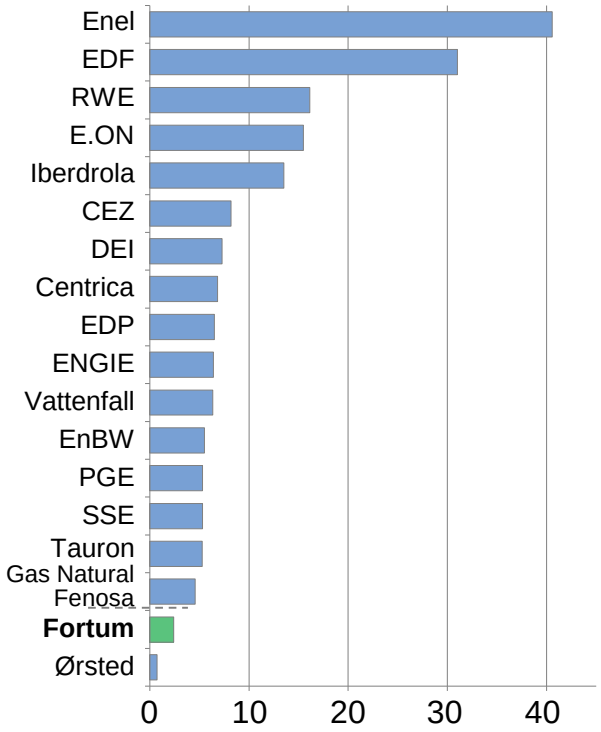
Heat production

Largest global producers, 2016
TWh



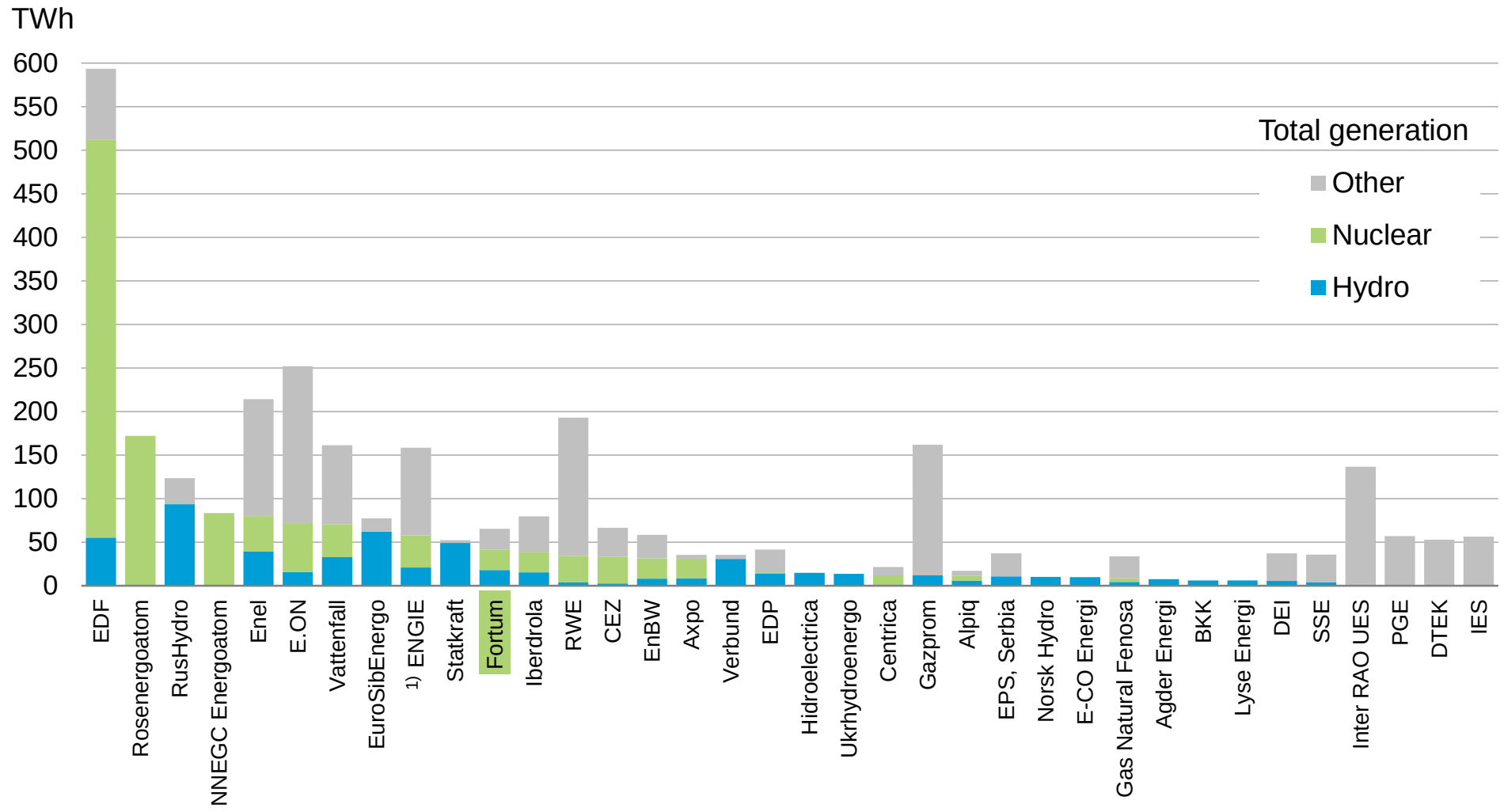
Customers

Electricity customers in EU, 2016
Millions



Source: Company information, Fortum analyses, 2016 figures pro forma

Biggest nuclear and hydro generators in Europe and Russia



1) Formerly GDF SUEZ
Source: Company information, Fortum analyses, 2013 figures pro forma

Fortum in the Nordic electricity value chain

Power generation

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NORD POOL

Nordic wholesale market

Nasdaq

Power exchange and bilateral agreements

Large customers

Retail customers

Private customers, small businesses

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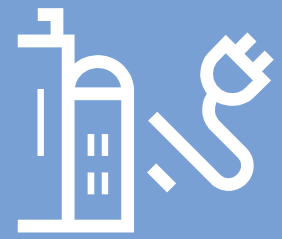

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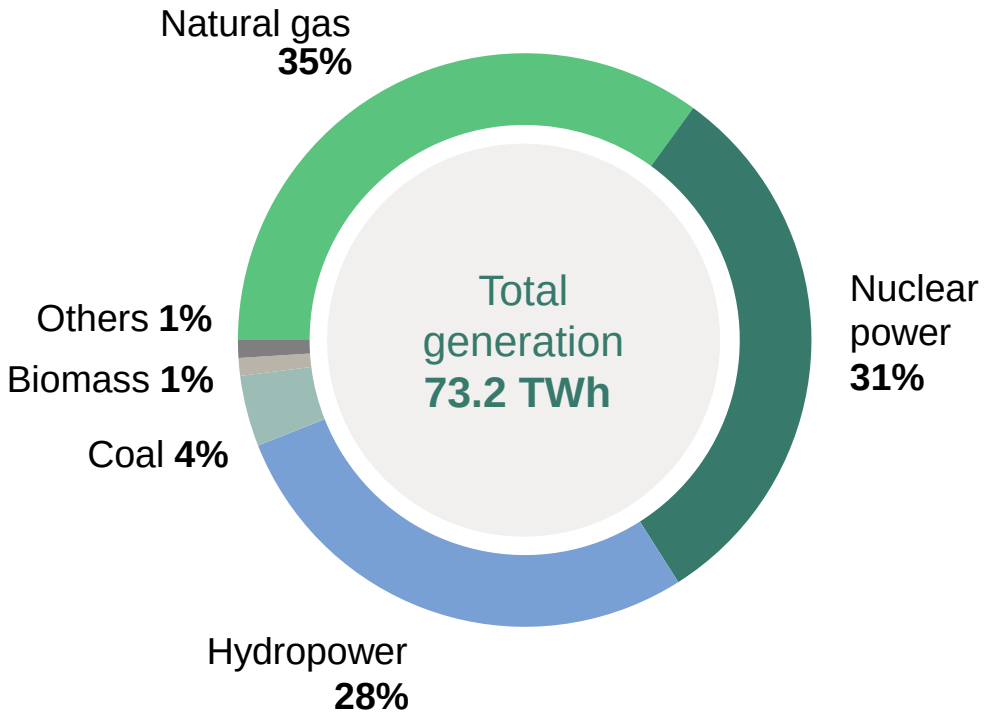
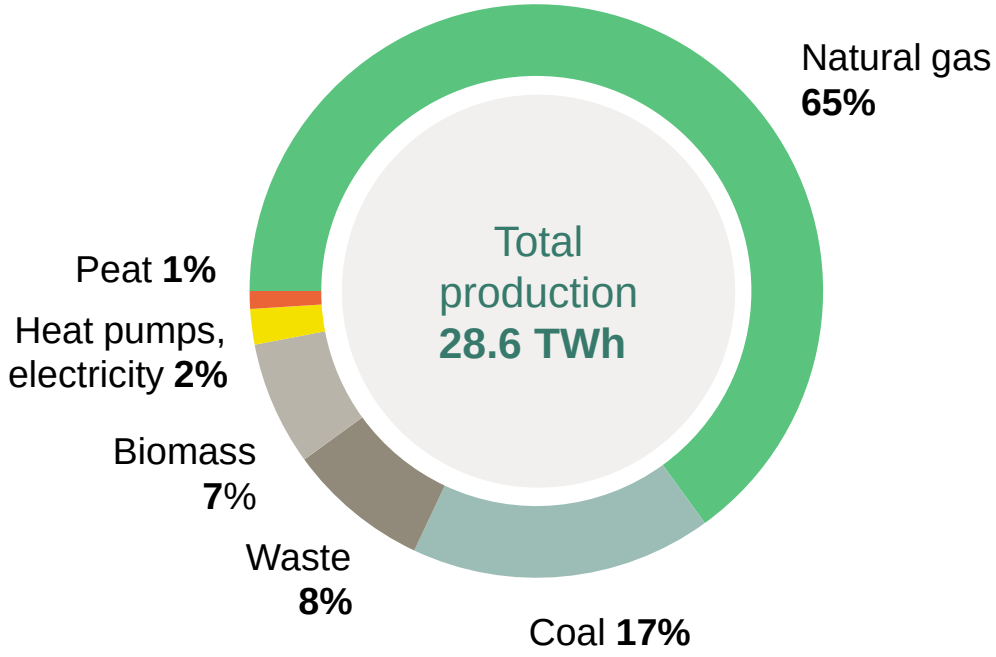
Fortum's power and heat production by source

Fortum's power generation in 2017



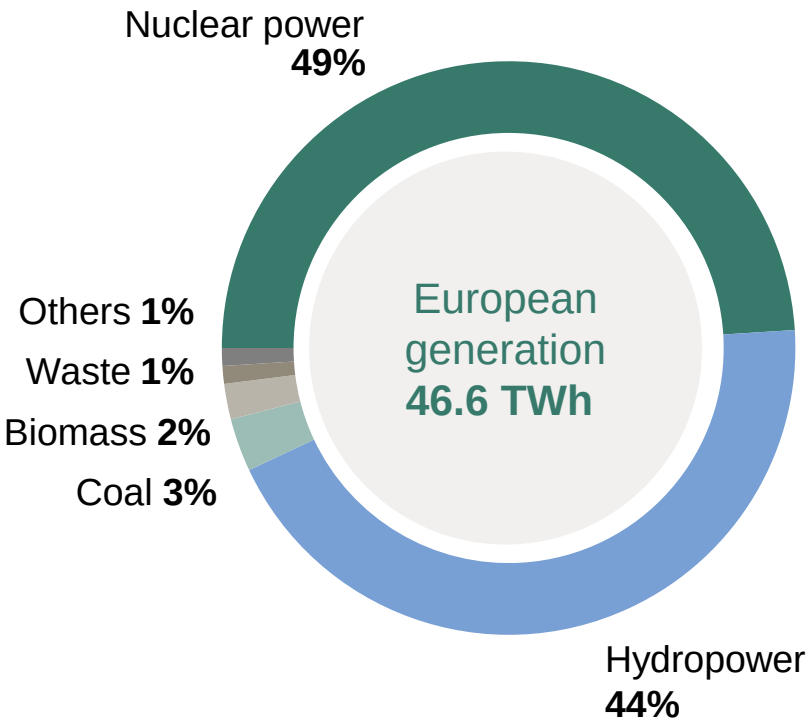
Fortum's heat production in 2017



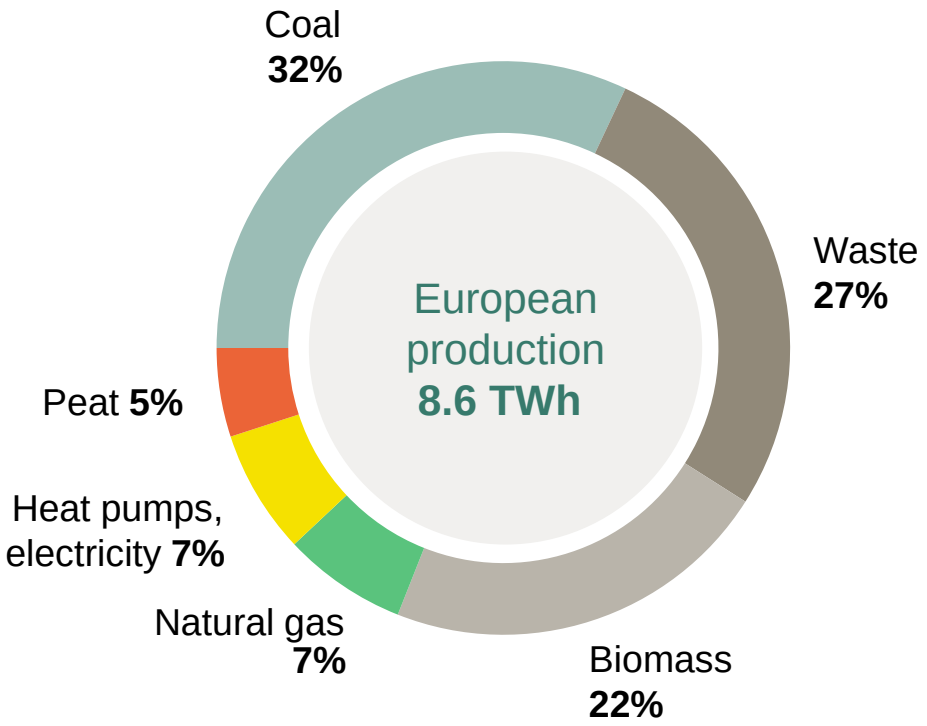
Note: Fortum's power generation capacity 13,722 MW and heat production capacity 14,765 MW

Fortum's European power and heat production by source

Fortum's European power generation in 2017



Fortum's heat European production in 2017

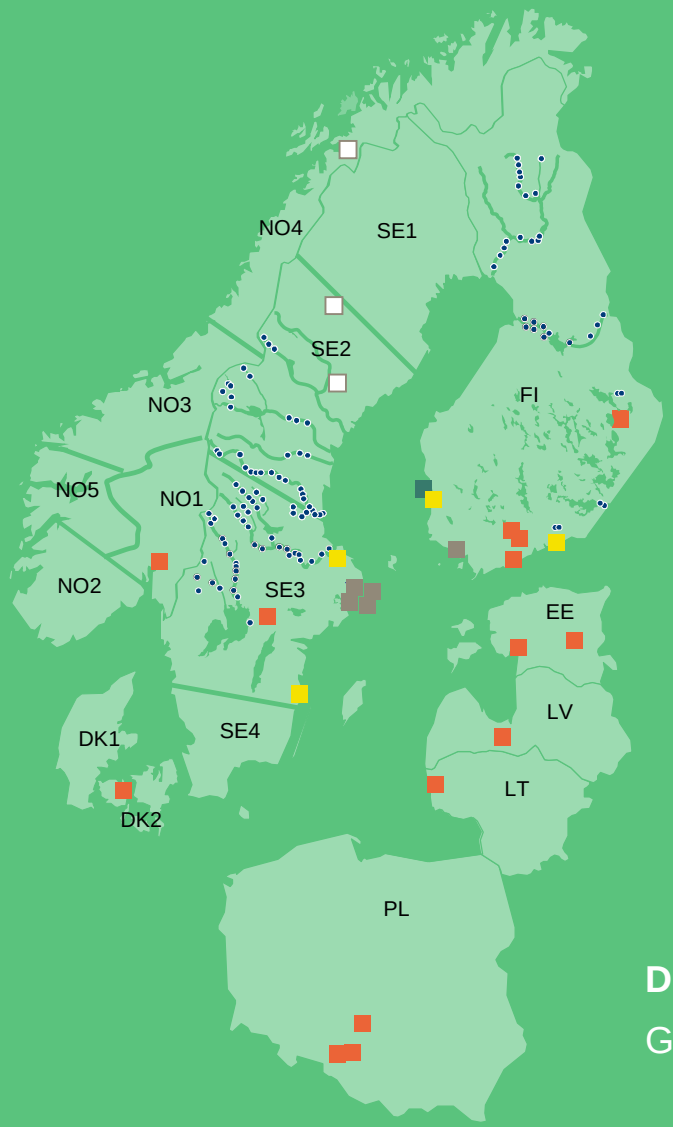


Note: Fortum's European power generation capacity 8,743 MW and heat production capacity 4,671 MW

Fortum’s Nordic, Baltic and Polish generation capacity

GENERATION CAPACITY	MW
Hydro	4 672
Nuclear	2 814
CHP	774
Other thermal	376
Wind	107
Nordic, Baltic and Polish generation capacity	8 743

Figures 31 December 2017



Associated companies’ plants (not included in the MWs) Stockholm Exergi (Former Fortum Värme), Stockholm; TSE, Naantali

NORWAY	MW
Price areas	
NO4, Wind	32
NO1, CHP	19
Generation capacity	51

SWEDEN	MW
Price areas	
SE2, Hydro	1 550
SE2, Wind	75
SE3, Hydro	1 575
SE3, Nuclear	1 334
SE3, CHP	9
Generation capacity	4 543

DENMARK, DK2	MW
Generation capacity, CHP	16

FINLAND	MW
Hydro	1 547
Nuclear	1 480
CHP	451
Other thermal	376
Generation capacity	3 854

BALTICS AND POLAND	MW
Generation capacity, CHP	
in Estonia	49
in Latvia	26
in Lithuania	18
in Poland	186

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Fortum a forerunner in sustainability

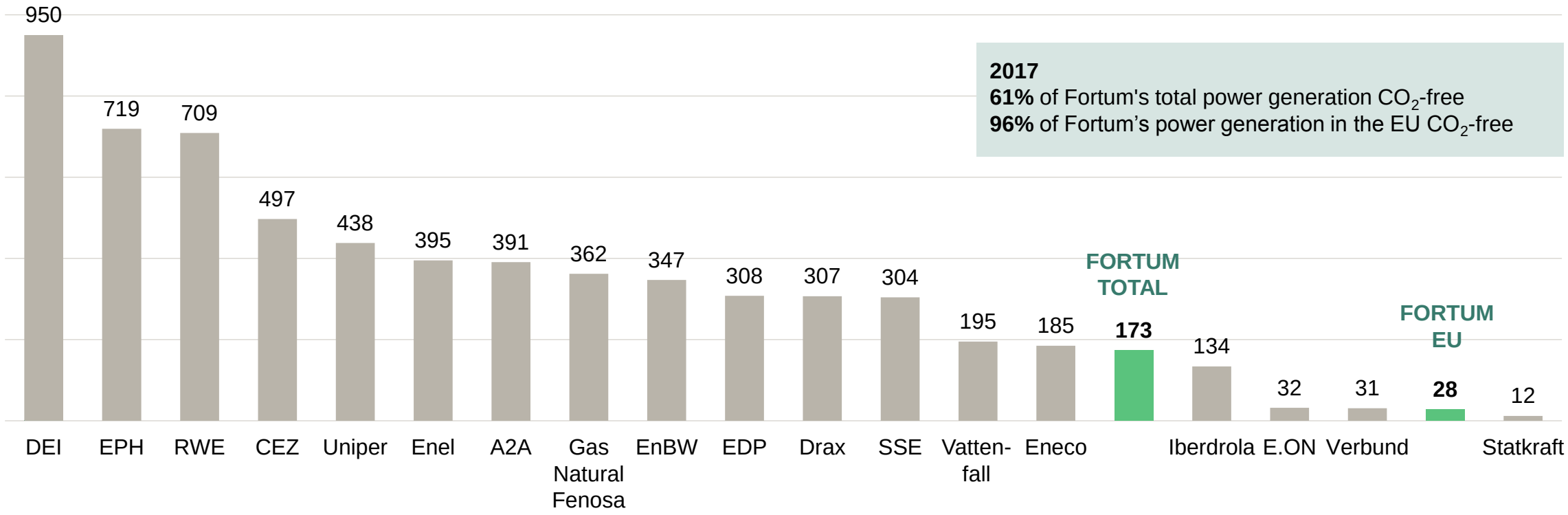
We engage our customers and society to drive the change towards a cleaner world. Our role is to accelerate this change by reshaping the energy system, improving resource efficiency and providing smart solutions. This way we deliver excellent shareholder value.

Fortum is listed in several sustainability indexes:

- CDP Nordic rating
- STOXX® Global ESG Leaders indices
- ECPI® Indices
- ISS-oekom
- OMX GES Sustainability Finland index
- Euronext Vigeo Eurozone 120 index

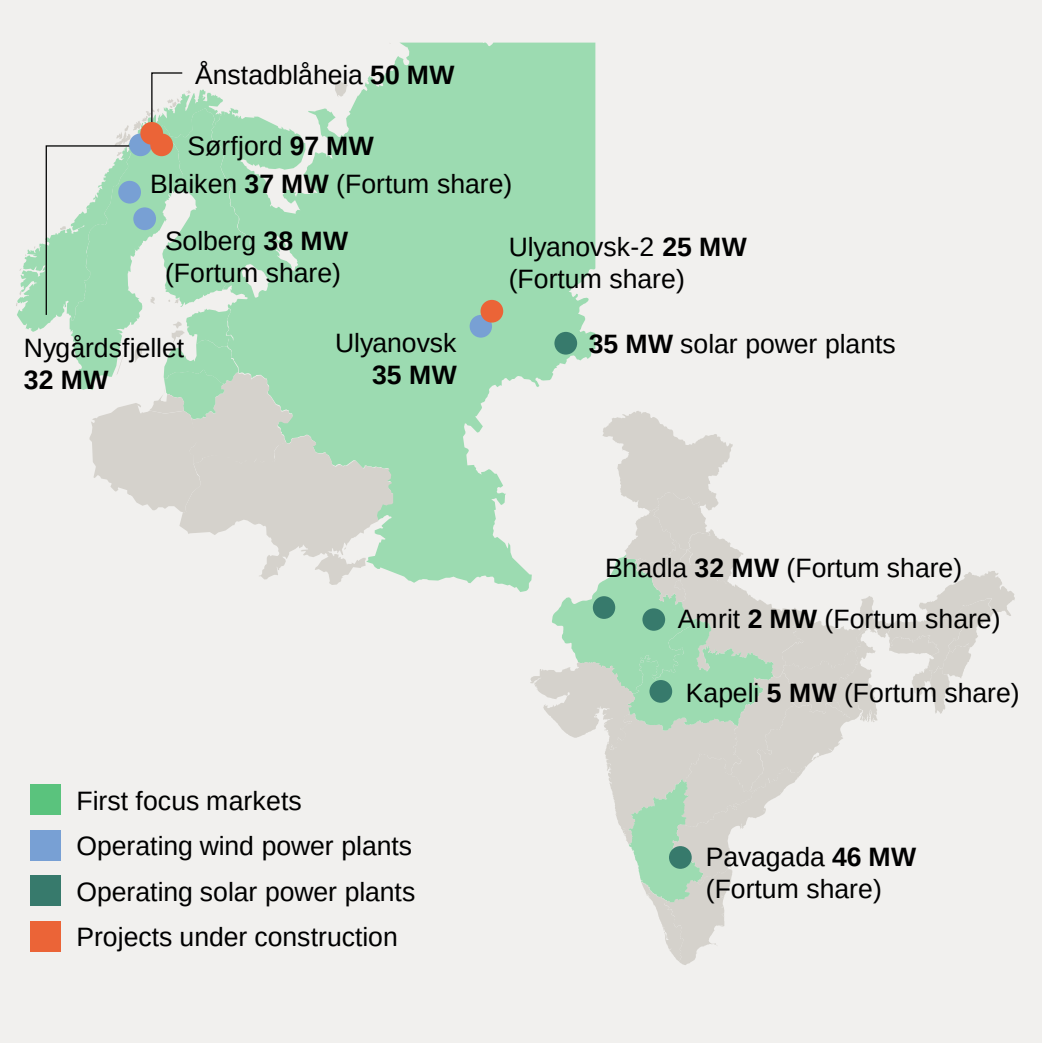
Fortum's carbon exposure among the lowest in Europe

g CO_2/kWh electricity, 2016



Note: All figures, except "Fortum total", include only European power generation.
Fortum's specific emissions of the power generation in 2017 in the EU were 28 g/kWh and in total 174 g/kWh, same as in the previous year.
Source: PwC, December 2017, Climate Change and Electricity (including those companies with data for power generation available only), Fortum

Fortum is growing towards gigawatt scale target in solar and wind power production

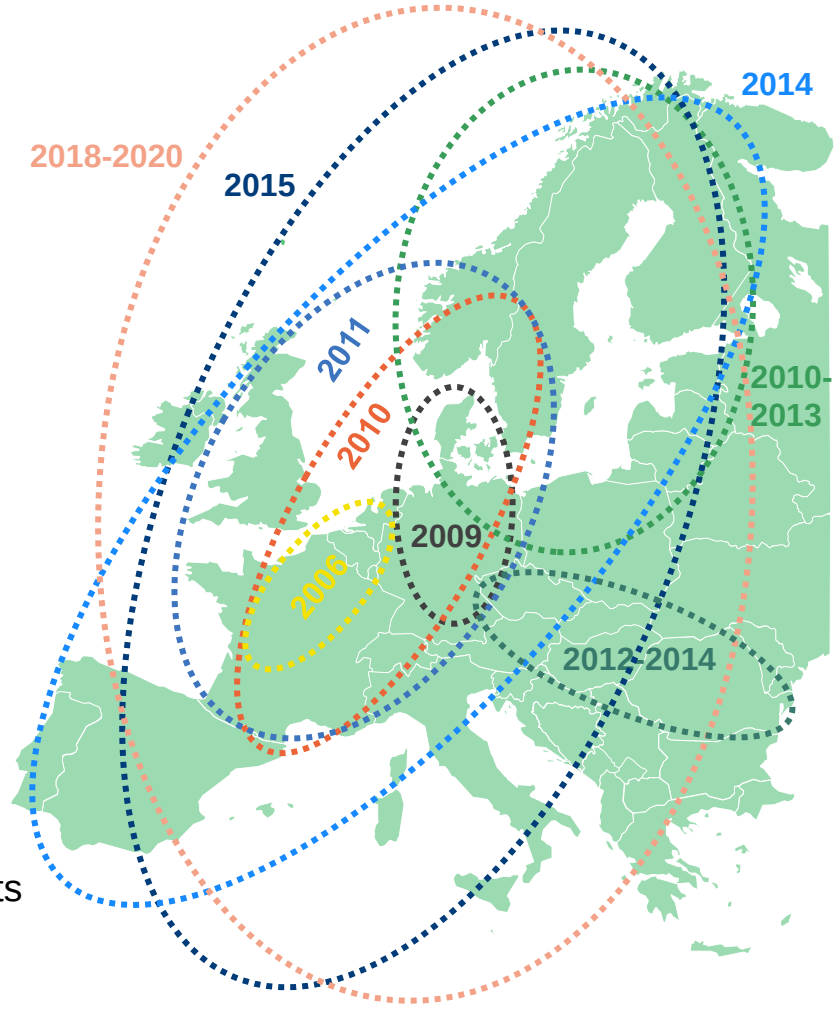


PORTFOLIO	TECHNOLOGY	STATUS	CAPACITY MW	FORTUM SHARE, MW	SUPPLY STARTS/ STARTED
NORWAY			**179**	**179**	
Nygårdsfjellet	Wind	Operational	32	32	2006 and 2011
Ånstadblåheia	Wind	Under construction	50	50	2018
Sørfjord	Wind	Under construction	97	97	2019
SWEDEN			**323**	**75**	
Blaiken	Wind	Operational	248	37 (15%)	2017*
Solberg	Wind	Operational	76	38 (50%)	2018
RUSSIA			**2 003**	**1 092**	
Bugulchansk	Solar	Operational	15	15	2016-2017
Pleshanovsk	Solar	Operational	10	10	2017
Grachevsk	Solar	Operational	10	10	2017
	Solar	Under development	110	110	2021-2022
Ulyanovsk	Wind	Operational	35	35	2018
Ulyanovsk-2	Wind	Under construction	50	25 (50%)	2019
Rusnano JV	Wind	Under development	1 773	887 (50%)	2018-2023
INDIA			**435**	**335**	
Amrit	Solar	Operational	5	2 (46%)	2012
Kapeli	Solar	Operational	10	5 (46%)	2014
Bhadla	Solar	Operational	70	32 (46%)	2017
Pavagada	Solar	Operational	100	46 (46%)	2017
Pavagada	Solar	Under development	250	250	2019
TOTAL PORTFOLIO			**2 941**	**1 681**	
		Under development	2 133	1 247	
		Under construction	197	172	
		Operational	611	262	

*) Blaiken last stage IV inaugurated in 2017. NOTE: All figures in MWac and rounded to nearest megawatt. Additionally, target to invest 200 – 400 million euros in India solar and create partnership for operating assets.

Market coupling milestones – Cross-border power flows optimised by power exchanges

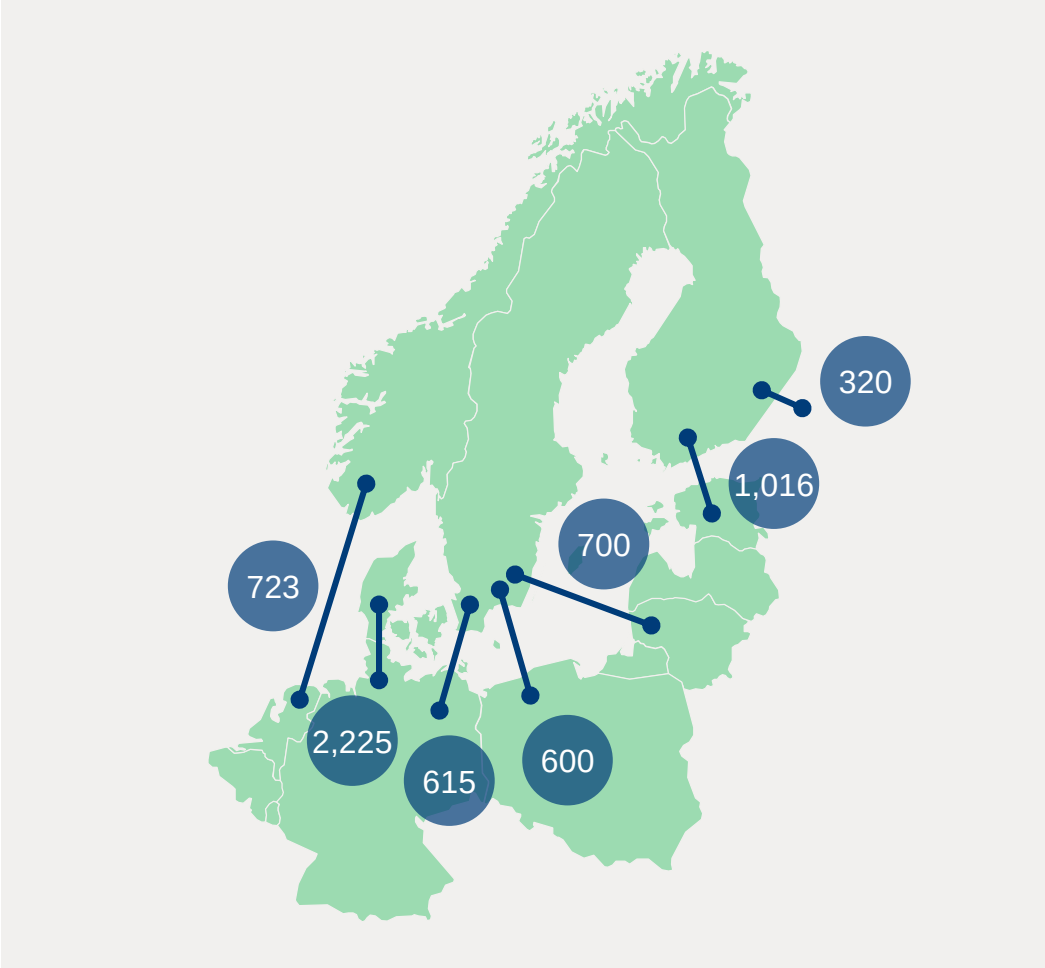
- Day-ahead market coupling between NL, BE and FR since 2006
- Germany – Nord Pool coupling started 11/2009
- Market coupling for Central Western Europe (DE, FR, NL, BE) since 11/2010 with a continued coupling with Nord Pool. NorNed (NO-NL) and BritNed (UK-NL) included in 2011
- Nord Pool price area for Estonia in 2010, Lithuania in 2012 and Latvia in 2013. Poland coupled with Nord Pool since 2010
- Czech, Slovakia and Hungary coupled together since 2012. Romania joined in 2014
- A common market coupling for the whole western Europe was started in 2014. Italy and Slovenia joined in 2015, and Croatia in June 2018. Ireland to join in October 2018
- Flow-based cross-border capacity allocation for further trade optimisation taken into use in May 2015 for the CWE region. Nordic flow-based implementation planned for 2021
- CEE (Central Eastern Europe) market coupling region to join possibly in 2020 with flow-based capacity allocation. Switzerland waiting for agreement with the EU
- In addition to day-ahead coupling, European-wide intraday market coupling has started with Nordic, Baltic and Continental Western European markets in June 2018
- Balancing market integration under development as well, based on both regional projects and the EU Guideline on Electricity Balancing, in force since 18 December 2017



Current transmission capacity from Nordic area is over 6,000 MW

COUNTRIES	TRANSMISSION CAPACITY MW	
	From Nordics	**To Nordics**
Denmark - Germany	2,225	2,100
Sweden - Germany	615	615
Sweden - Poland	600	600
Sweden - Lithuania	700	700
Norway - Netherlands	723	723
Finland - Estonia	1,016	1,016
Finland - Russia	320	1,300
Total	**6,199**	**7,054**

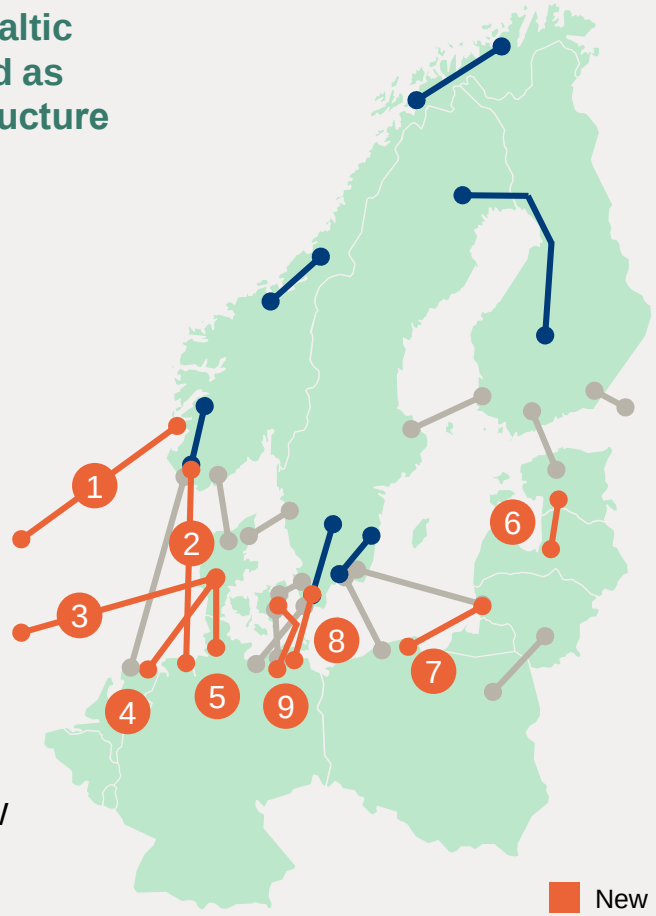
- Theoretical maximum in transmission capacity ~40 TWh per annum, but restrictions especially between DK & DE
- Net export from the Nordic area to Continental Europe and Baltics during year 2017 was 15 TWh
- Net export was 18 TWh in 2015 and 10 TWh in 2016
- Approximately 25 TWh of net export is now reachable



Nordic, Baltic, Continental and UK markets are integrating – Interconnection capacity will double by 2023

The Northern Seas Offshore Grid and the Baltic Energy Market Integration Plan are included as priority electricity corridors in EU's Infrastructure Guidelines, approved in April 2013

1. Two 1,400 MW NO-UK links as EU Projects of Common Interest: NSL to England due to be ready in 2021, NorthConnect to Scotland under debate in Norway and not yet permitted
2. 1,400 MW NordLink as first direct NO-DE link is being built by 2020
3. 1,400 MW DK-UK Viking Link under final permitting in the UK, with commissioning timetable to be determined during 2018
4. 700 MW COBRAcable from DK to NL due to be ready in February 2019
5. Jutland – DE capacity planned to grow by 860 MW in 2020, with further 1,000 MW increase in 2022



New interconnections will double the export capacity to over 12,000 MW by 2023

- New internal Nordic grid investments provide for increased available capacity for export to the Continent and Baltics
6. EU's Connecting Europe Facility co-financing 3rd EE-LV transmission line, due to be ready in 2020
7. Baltic synchronisation roadmap in June 2018 prioritised a DC sea cable as the required additional PL-LT interconnection by 2025
8. Svenska Kraftnät and 50Hertz signed 1/2017 a cooperation agreement on building the 700 MW Hansa PowerBridge DC link between Sweden and Germany by 2025/26
9. New 400 MW Zealand – DE connection via Kriegers Flak offshore wind area by 2/2019

New interconnectors | New Nordic lines | Existing interconnectors

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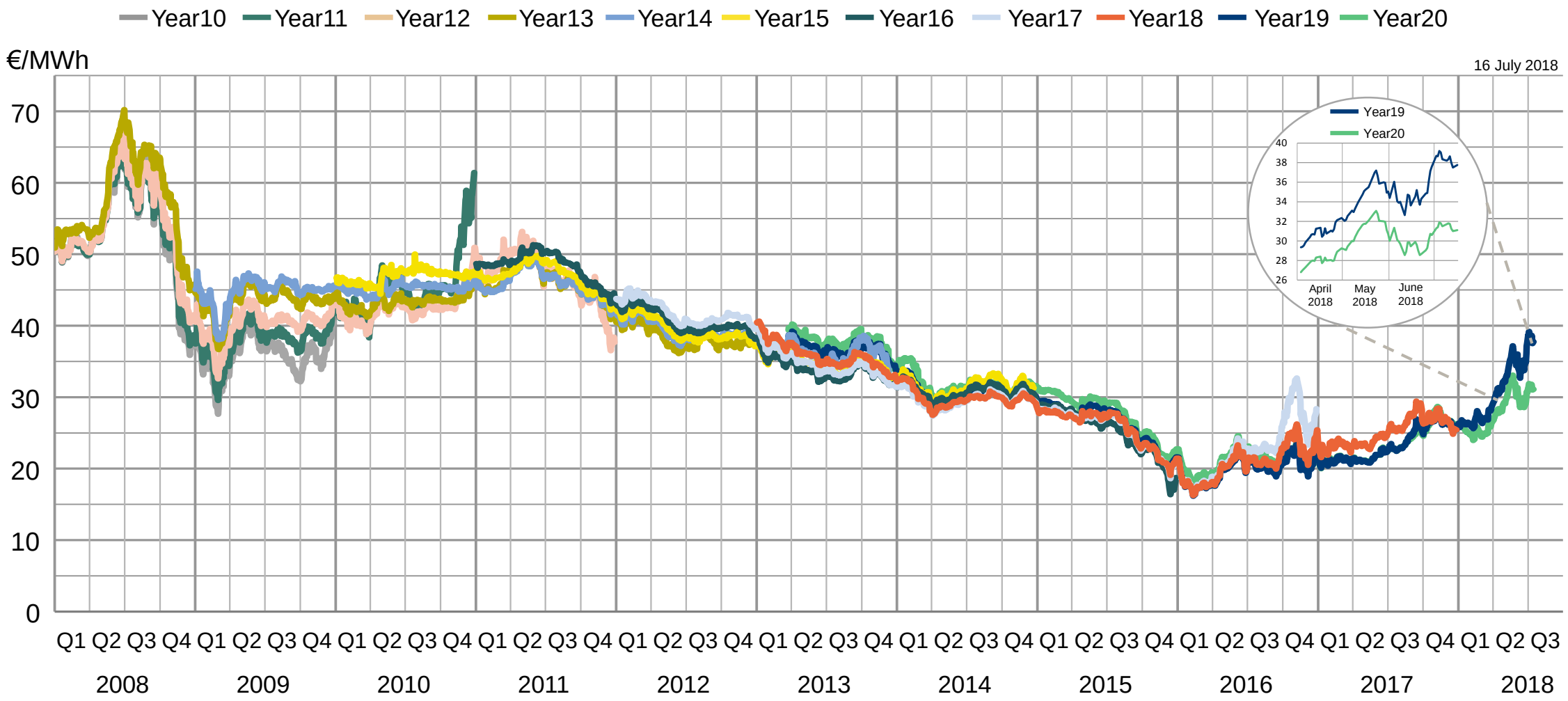
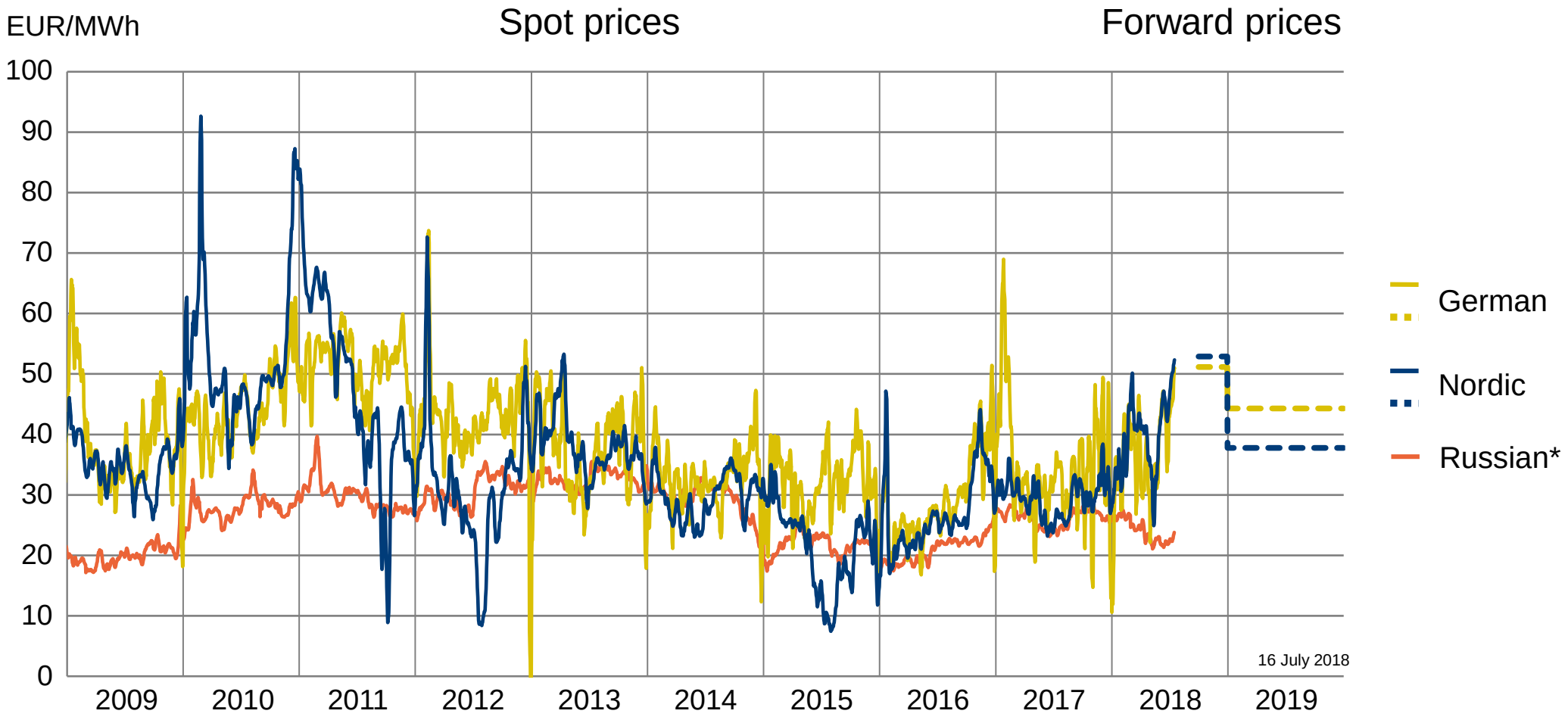
Nordic year forwards



Source: Nasdaq Commodities, Bloomberg

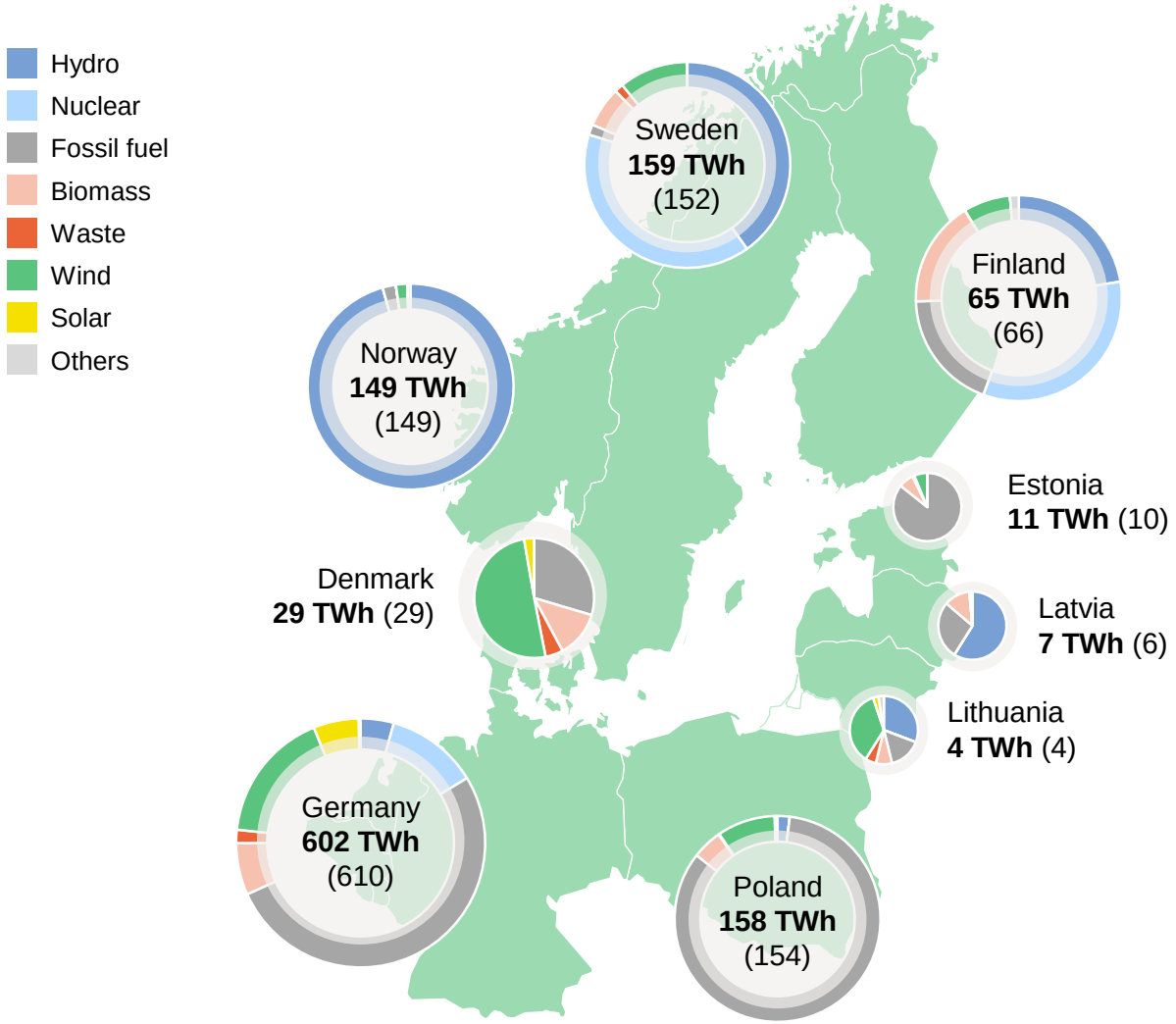
Wholesale power prices



* Including weighted average capacity price

Source: Nord Pool, Nasdaq Commodities, Bloomberg Finance LP, ATS, NP “Market Council”, Fortum

Power Generation in the Baltic Rim in 2017 (2016)



	NORDICS		BALTICS	
2017	TWh	%	TWh	%
Hydro	*221	55	6	25
Nuclear	85	21	-	-
Fossil fuel	26	7	12	55
Biomass	24	6	2	9
Waste	4	1	0	1
Wind	40	10	2	10
Solar	1	0	0	0
Others	1	0	0	0
Total generation	402	100	22	100
	Net export **9 TWh**		Net import **6 TWh**	

*) Normal annual Nordic hydro generation 200 TWh, variation +/- 40 TWh.

Source: ENTSO-E Statistical Factsheet
Graph sizes are illustrative.

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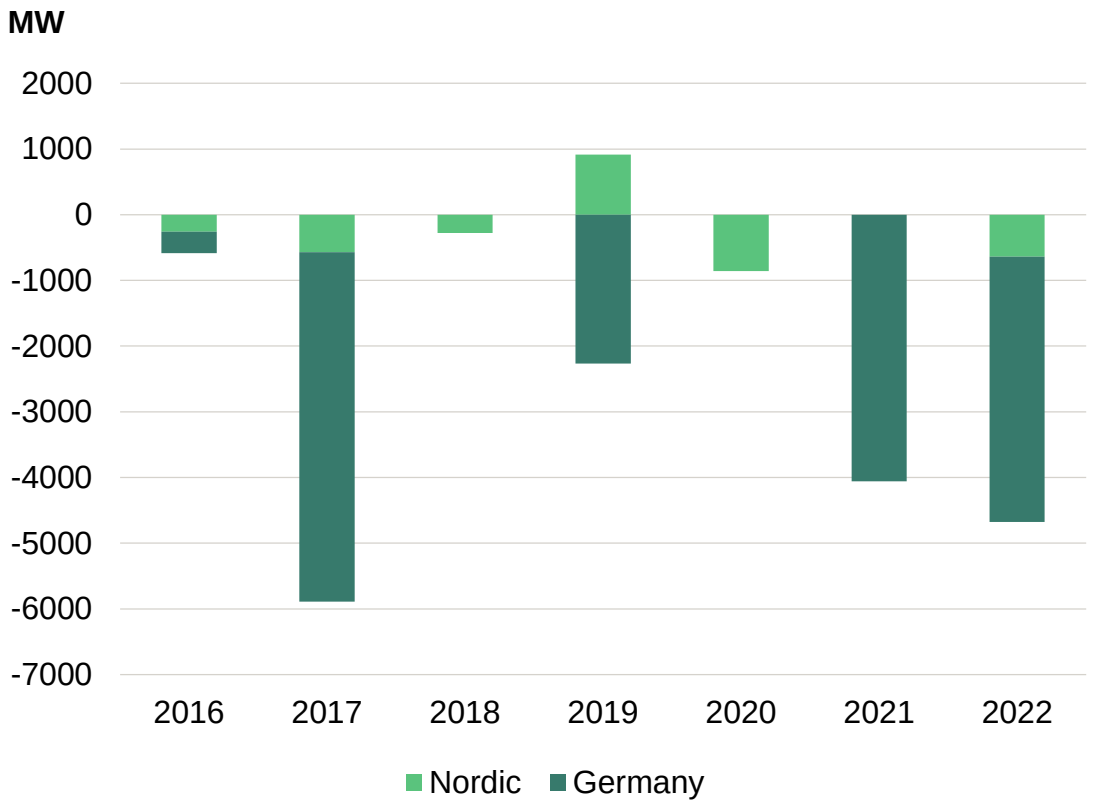
Northern European conventional capacity decreasing

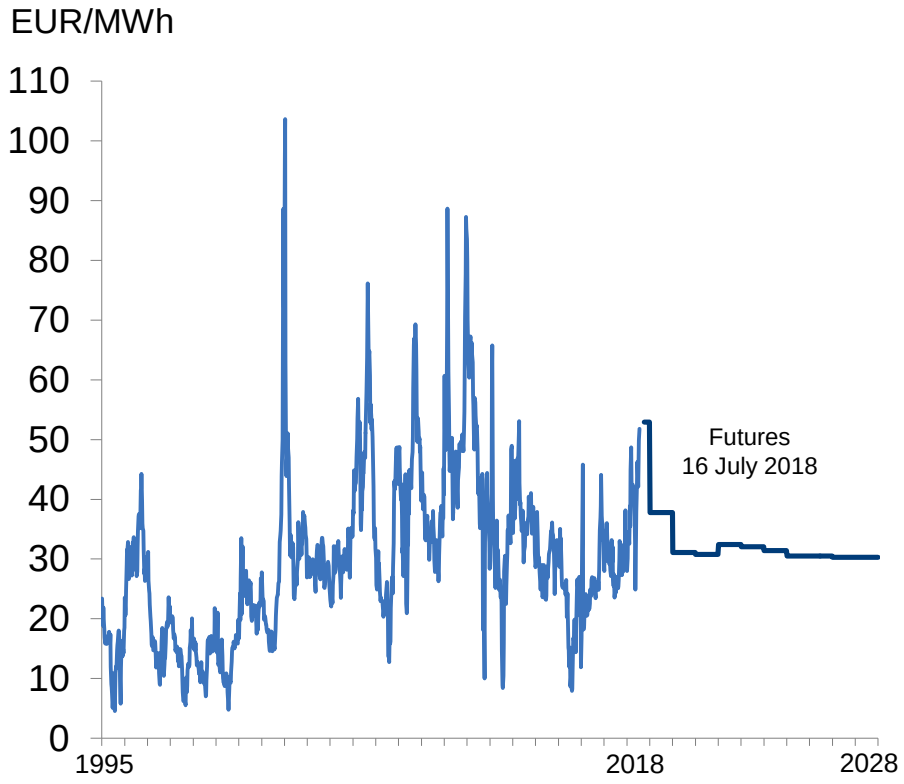
Estimated annual net changes in nuclear and thermal capacity



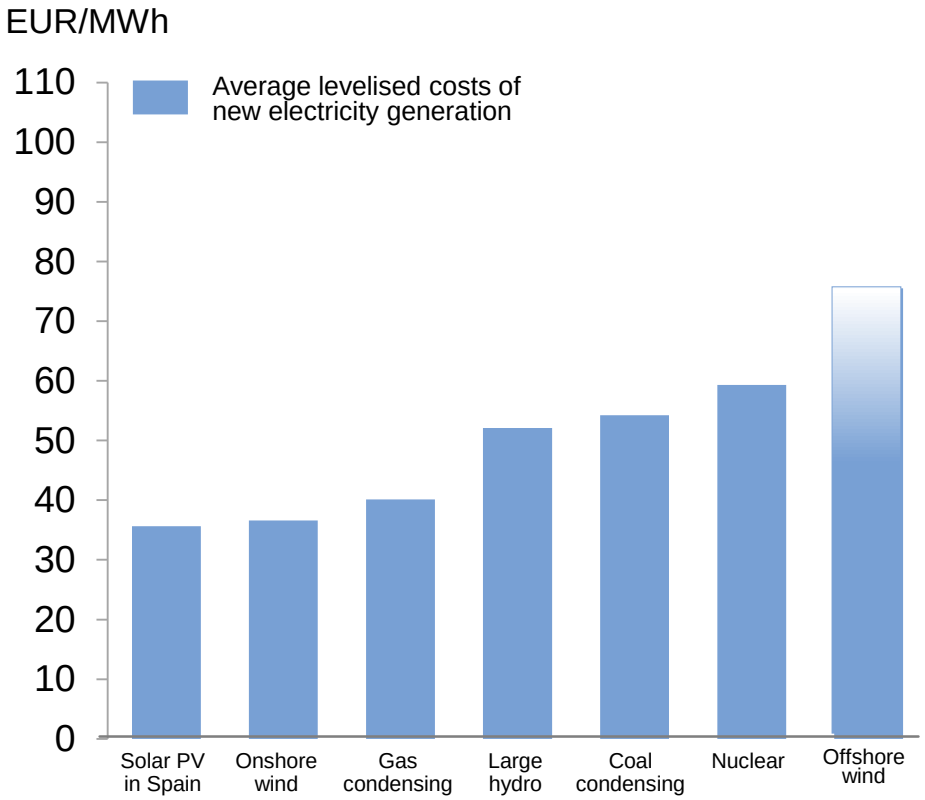
DATE	CAPACITY	AREA	UNIT/ TRANSMISSION	COMMENT
1.10.2017	-562 MW	DE	Frimmersdorf P & Q	Moved to ”Lignite reserve” for 4 years, operational within 10 days notice period. Decommissioning in 1.10.2021.
31.12.2017	-1344 MW	DE	Gundremmingen B	Decommissioning; German nuclear phase-out
1.12.2017	+1200 MW	SE3-SE4	Transmission	Commissioning Sydvästlänken in two steps between, Dec 2017 and Mar 2018. Project is significantly delayed, further delays possible.
1.1.2018	≈ 500 MW	DK1-DE	Transmission	Lowest available capacity will be increased to 700 MW, available capacity during last years has been ca 200 MW
during 2018	+ 1100 MW	DE	Datteln 4	Uniper’s coal condensing unit; targeted commissioning mid-2018.
1.10.2018	- 1100 MW	DE	Lignite reseve	Niederaußem E & F and Jänschwalde F moved to lignite reserve
31.12.2018	-280 MW	NO2	Mongstad CHP	The CHP at Mongstad is phased out following several years of unprofitable operations.
31.12.2018	+0-400 MW	DK2-DE	Kriegers Flak	Offshore connection between DK2 and DE used for both grid connection of offshore wind farms and interconnection.
31.5.2019	+ 1600 MW	FI	Olkiluoto 3	The previously announced commissioning date in the end of 2018 has been delayed to May 2019.
30.3.2019	+700 MW	DK1-NL	Transmission	Cobra cable: trial operation of the interconnector is expected to begin in Q1 2019
30.6.2019	-854 MW	SE3	Ringhals 2	Decommissioning
14.6.2020	-856 MW	SE3	Ringhals 1	Decommissioning

Estimated capacity changes based on publically announced information from various stakeholders

Wholesale electricity price too low to attract investments



Source: Nord Pool, Nasdaq Commodities



Commodity prices are forward prices as of April 2018, extended with inflation

NOTE: The presented figures are calculated based on data from recent public reports and do not represent Fortum's view. Average achieved price (€/MWh) for the production type depends on availability and flexibility. There are large variations in the cost of hydro, wind and solar depending on location and conditions.

Fortum’s nuclear fleet

	LOVIISA	OLKILUOTO	OSKARSHAMN	FORSMARK
Commercial operation started	Unit 1: 1977 Unit 2: 1981	Unit 1: 1978 Unit 2: 1980 Unit 3: (Under construction)	Unit 1: 1972 (out of oper.) Unit 2: 1974 (out of oper.) Unit 3: 1985	Unit 1: 1980 Unit 2: 1981 Unit 3: 1985
Generation Capacity Fortum’s share	Unit 1: 507 MW Unit 2: 502 MW **Total: 1009 MW**	Unit 1: 880 MW Unit 2: 890 MW (Unit 3: 1,600 MW) **Total: 1,770 MW (3,370)** 27% 470 MW	Unit 1: 473 MW Unit 2: 638 MW Unit 3: 1,400 MW **Total: 1,400 MW** 43% 602 MW	Unit 1: 984 MW Unit 2: 1,120 MW Unit 3: 1,167 MW **Total: 3,271 MW** 22% 727 MW
Yearly production Fortum’s share of production	8 TWh 8 TWh	13 TWh 4 TWh	9 TWh 4 TWh	24 TWh 5 TWh
Share of Fortum’s Nordic production	19%	9%	11%	13%
Majority owner Fortum’s share	Fortum	Pohjolan Voima 26.6%	Uniper 43.4%	Vattenfall 22.2%
Operated by	Fortum	Teollisuuden Voima (TVO)	OKG Aktiebolag	Forsmarks Kraftgrupp

RESPONSIBILITIES

Loviisa: Fortum is the owner, licensee and operator with all the responsibilities specified in the Nuclear Energy Act, Nuclear Liability Act, and other relevant nuclear legislation

Other units: Fortum is solely an owner with none of the responsibilities assigned to the licensee in the nuclear legislation. Other responsibilities are specified in the Companies Act and the Articles of Association and are mostly financial.

Fortum's nuclear power in the Nordics

LOAD FACTOR (%)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Oskarshamn 1*	80	51	63	85	68	77	72	1	12	74	60	81	82
Oskarshamn 2	90	78	76	86	75	90	77	81	33	0	0	0	0
Oskarshamn 3	85	95	88	70	17	31	68	69	77	75	79	83	77
Forsmark 1	85	76	81	88	88	93	79	88	87	94	79	95	88
Forsmark 2	94	72	85	79	64	38	94	82	89	89	91	75	82
Forsmark 3	95	92	88	69	86	81	85	93	88	83	58	82	86
Loviisa 1	95	93	94	86	96	93	94	84	92	92	93	88	93
Loviisa 2	95	88	96	93	95	89	94	91	93	89	92	93	93
Olkiluoto 1	98	94	97	94	97	92	95	90	97	94	96	91	93
Olkiluoto 2	94	97	94	97	95	95	91	96	93	97	89	94	81

Source: Fortum
*) O1 was shut down for decommissioning earlier as originally announced, starting 17.6.2017.

Finnish units world class in availability

Overview of production and consumption:
www.fortum.com/investors - energy related links

Variety of technologies and ages

UNIT	MWE (NET)	SHARE (%)	SHARE (MWE)	COMMERCIAL OPERATION	AGE	TYPE/ GENERATION [1)]	SUPPLIER
Loviisa 1	507	100,0	507	1977-05-09	40	PWR / 1	AEE (Atomenergoexport)
Loviisa 2	502	100,0	502	1981-01-05	36	PWR / 1	AEE (Atomenergoexport)
Olkiluoto 1	880	26,6	234	1979-10-10	38	BWR / 3	Asea-Atom / Stal-Laval
Olkiluoto 2	890	26,6	237	1982-07-10	35	BWR / 3	Asea-Atom / Stal-Laval
Olkiluoto 3	(1,600)	25,0	(400)	(May 2019)		PWR / 3	Areva / Siemens
Oskarshamn 1	473	43,4	205	1972-02-06	45	BWR / 1	Asea-Atom / Stal-Laval
Oskarshamn 2	638	43,4	277	1975-01-01	42	BWR / 2	Asea-Atom / Stal-Laval
Oskarshamn 3	1,400	43,4	607	1985-08-15	32	BWR / 4	Asea-Atom / Stal-Laval
Forsmark 1	984	23,4	230	1980-12-10	37	BWR / 3	Asea-Atom / Stal-Laval
Forsmark 2	1,120	23,4	262	1981-07-07	36	BWR / 3	Asea-Atom / Stal-Laval
Forsmark 3	1,167	20,1	236	1985-08-18	32	BWR / 4	Asea-Atom / Stal-Laval

[1)] Generation refers to technical resemblence based on KSU classification and not to reactor design generations. All reactors are of Generation II except Olkiluoto-3 (EPR) which is of Generation III.

Planned capacity increase:

- Forsmark 1, potential capacity increase of total ~110 MW in 2018-2020.

Closing of the units:

- OKG AB's Extraordinary shareholders' meeting decided on 14 October 2015 on the closure of Oskarshamn nuclear power plant units 1 and 2 in Sweden.
- Unit 1 was taken out of operation on June 17, 2017. Unit 2 has been out of operation since June 2013 due to an extensive safety modernisation, and it will not be put back into operation. The closing process for both units is estimated to take several years.
- PWR = (Pressurized Water Reactor) The most common reactor type in the world (e.g. all French units, most US units). Also the Loviisa units are PWRs, but based on Russian design. High pressure prevents water from boiling in the reactor. The steam rotating the turbine is generated in separate steam generators.
- BWR = (Boiling Water Reactor) Similar to the PWR in many ways, but the steam is generated directly in the reactor. Popular reactor type e.g. in Sweden, the US and Japan.

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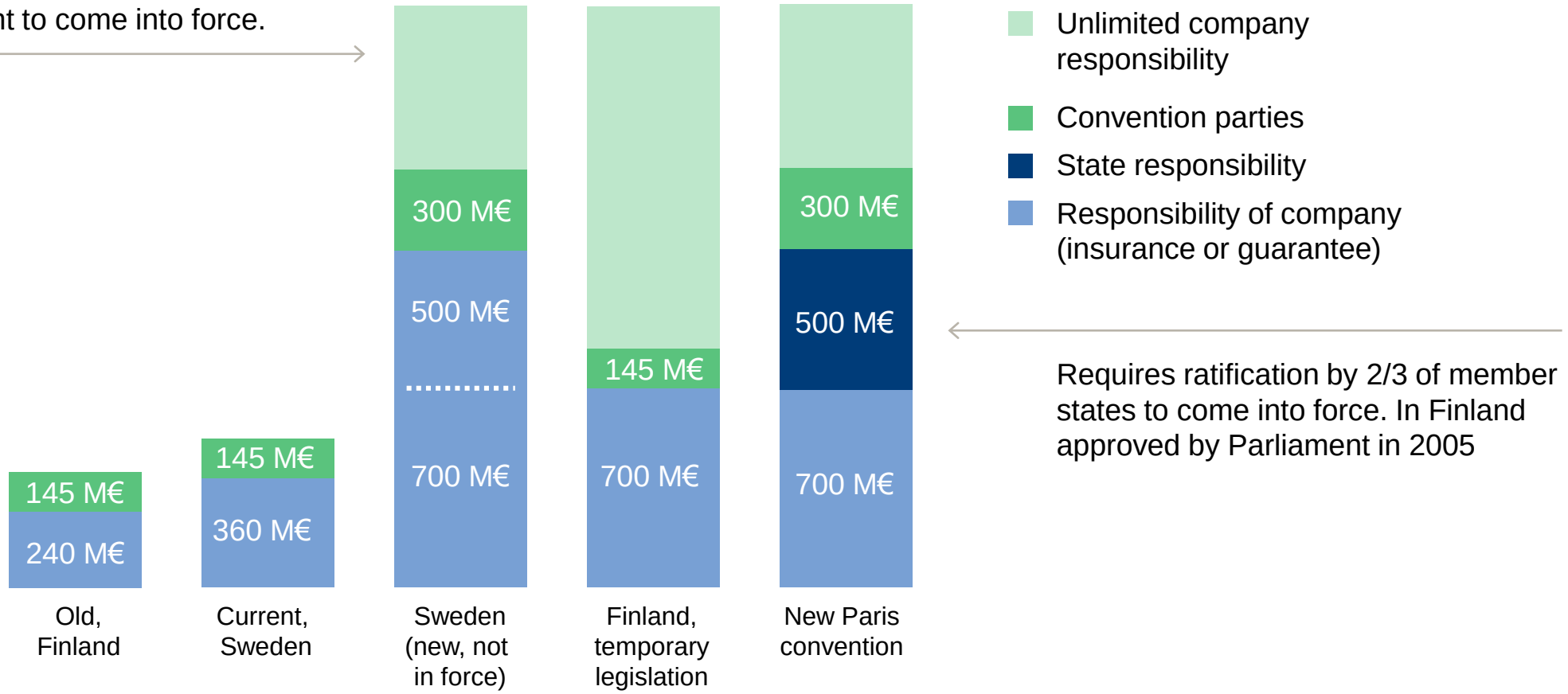
Third party nuclear liability in case of severe accident

Law approved by Parliament in 2010, requires separate decision from Government to come into force.

In force since 1 January 2012



Requires ratification by 2/3 of member states to come into force. In Finland approved by Parliament in 2005

Fortum - a major player in Russia

PAO Fortum (former TGC-10)

- Operates in the heart of Russia's oil and gas producing region, fleet mainly gas-fired CHP capacity
- 26 TWh power generation, 20 TWh heat production in 2017 Investment programme to add 85%, almost 2,200 MW to power generation capacity

TGC-1

- 29.5% of territorial generating company TGC-1 operating in north-west Russia
- ~7,000 MW electricity production capacity (more than 40% hydro), ~27 TWh electricity, ~29 TWh heat in 2017
- In December 2014, Fortum and Gazprom Energoholding signed a protocol to start a restructuring process of TGC-1. Currently Gazprom Energoholding owns 51.8% of the TGC-1 shares and Fortum 29.5%. As part of the restructuring, Fortum will establish a joint venture together with Rosatom to own the hydro assets of TGC-1, while Gazprom Energoholding continues with the heat and thermal power businesses of TGC-1. By utilising its present stake in TGC-1, Fortum would obtain a 75-plus-percent ownership in the new hydro power company, and Rosatom a 25-minus-percent minority holding.
- In October 2015, Fortum announced that the discussions related to the potential restructuring of TGC-1 will continue, and it is not possible to estimate the time schedule or outcome of the discussions.

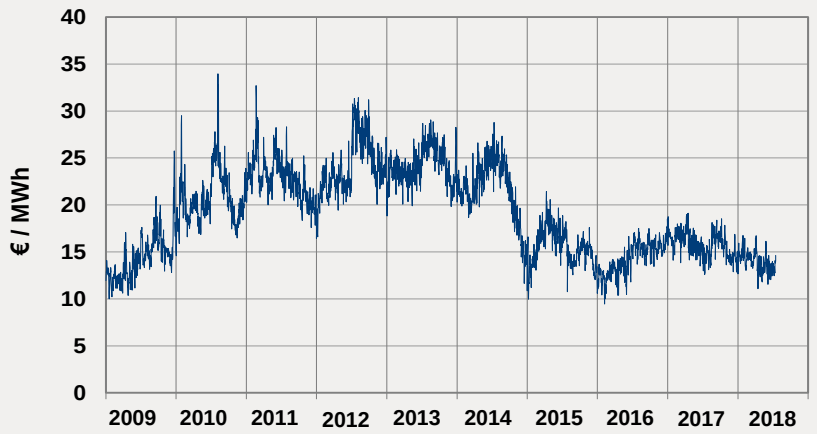
Day ahead wholesale market prices in Russia

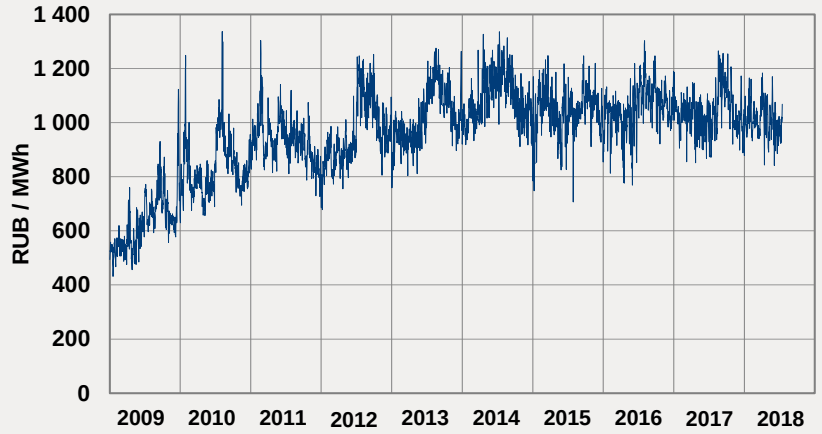
Key electricity, capacity and gas prices in the PAO Fortum area

	I/18	I/17	2017	LTM
Electricity spot price (market price), Urals hub, RUB/MWh	1,011	1,034	1,041	1,035
Average regulated gas price, Urals region, RUB 1000 m^3	3,755	3,614	3,685	3,720
Average capacity price for CCS ”old capacity”, tRUB/MW/month	158	157	148	148
Average capacity price for CSA ”new capacity”, tRUB/MW/month	1,147	980	899	943
Average capacity price, tRUB/MW/month	661	585	535	556
Achieved power price for Fortum in Russia, RUB/MWh	1,872	1,868	1,813	1,817
Achieved power price for Fortum in Russia, EUR/MWh	26.8	29.8	27.5	26.7

Day ahead power market prices for Urals

Source: ATS
In addition to the power price generators receive a capacity payment.





Thermal power generation capacity in Russia at 31.12.2017

YEAR	SUPPLY STARTS	POWER PLANT	FUEL TYPE	CCS CAPACITY	CSA CAPACITY	PRODUCTION TYPE	TOTAL CAPACITY
< 2011		Tyumen CHP-2	Gas	755		CHP/Condensing	755
		Chelyabinsk CHP-2	Gas, coal	320		CHP/Condensing	320
		Argayash CHP	Gas, coal	195		CHP/Condensing	195
		Chelyabinsk CHP-1	Gas, coal	134		CHP/Condensing	134
2011	Feb/2011	Tyumen CHP-1	Gas	450	210	CHP/Condensing	660
	Jun/2011	Chelyabinsk CHP-3	Gas	360	233	CHP/Condensing	593
	Oct/2011	Tobolsk CHP*	Gas	452	213	CHP/Condensing	665*
2013	Apr/2013	Nyagan 1 GRES	Gas		453	Condensing	453
	Dec/2013	Nyagan 2 GRES	Gas		453	Condensing	453
2015	Jan/2015	Nyagan 3 GRES	Gas		455	Condensing	455
	Dec/2015	Chelyabinsk GRES	Gas		247	CHP/Condensing	247
2016	Mar/2016	Chelyabinsk GRES	Gas		248	CHP/Condensing	248
2017	Dec/2017	Chelyabinsk GRES	Gas	248		CHP/CCGT	248
				2,462 MW	**2,298 MW**		**4,760 MW**

*) Tobolsk power plant was sold in Q1/2016

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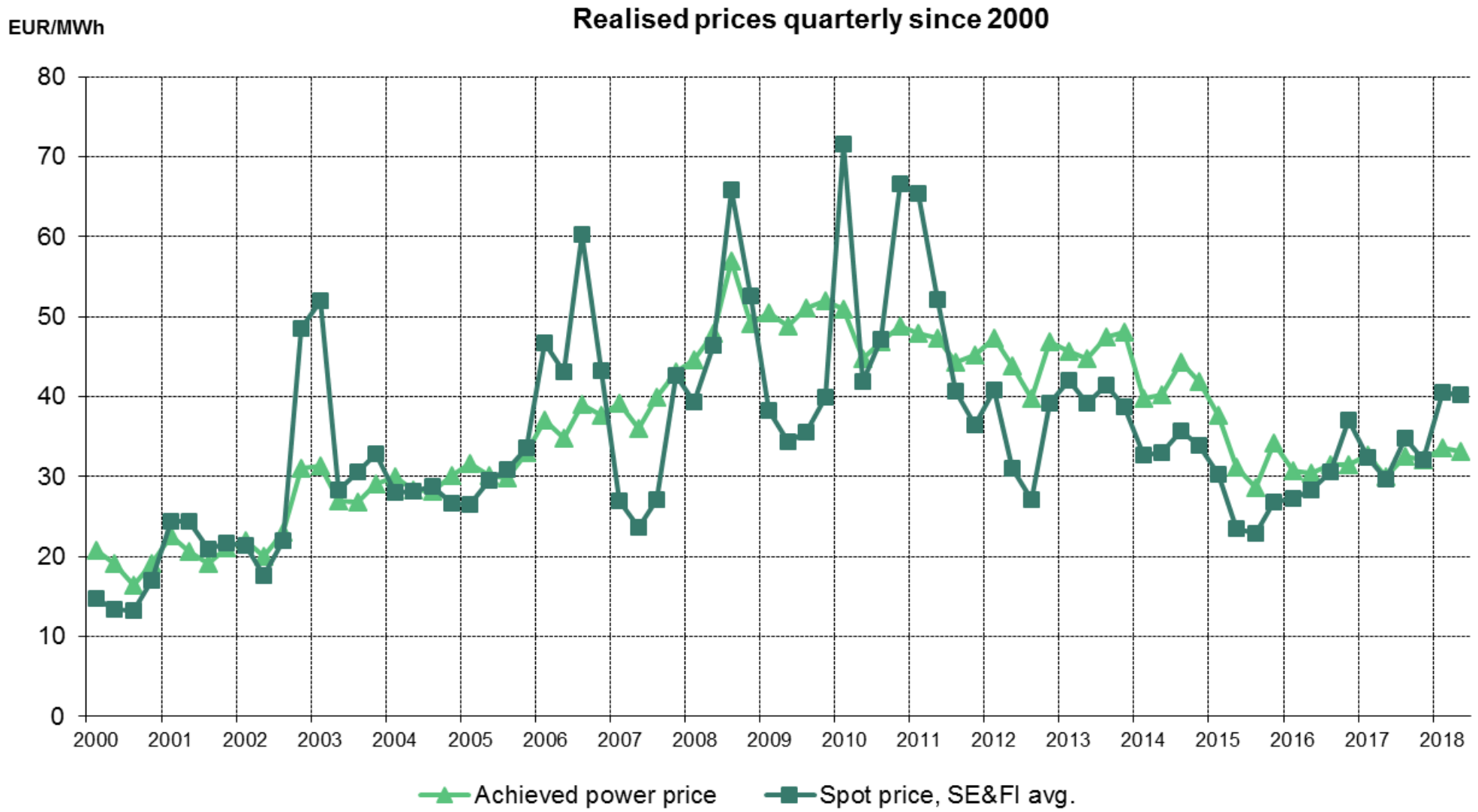
Hedging improves stability and predictability



2009 onwards thermal and import from Russia excluded

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 (185 MW) 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.

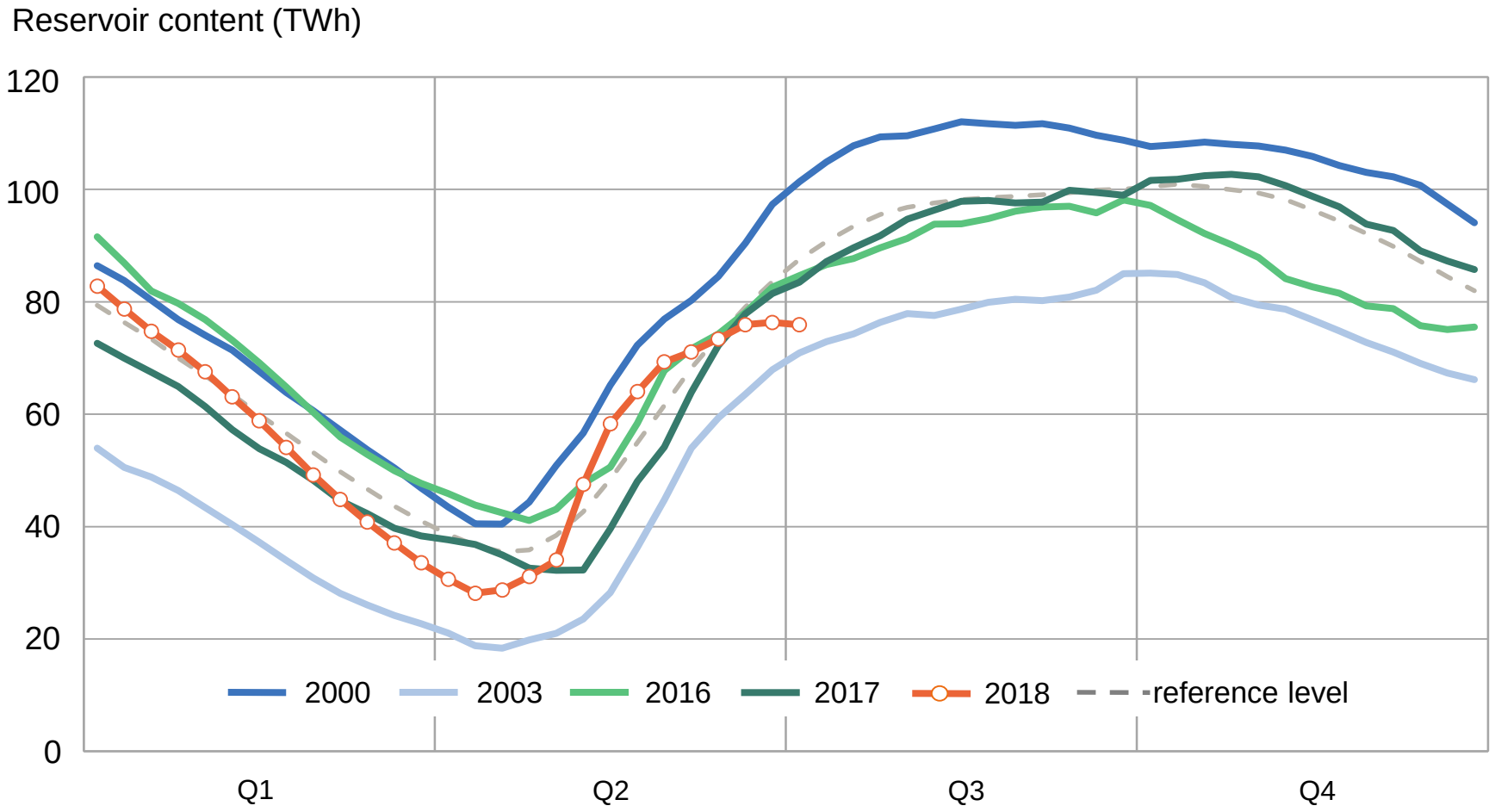
- *Fortum's 'capital recycling' strategy - intends to use partnerships and other forms of cooperation to create a more asset-light structure and thereby enable more investments into building new renewable capacity*

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

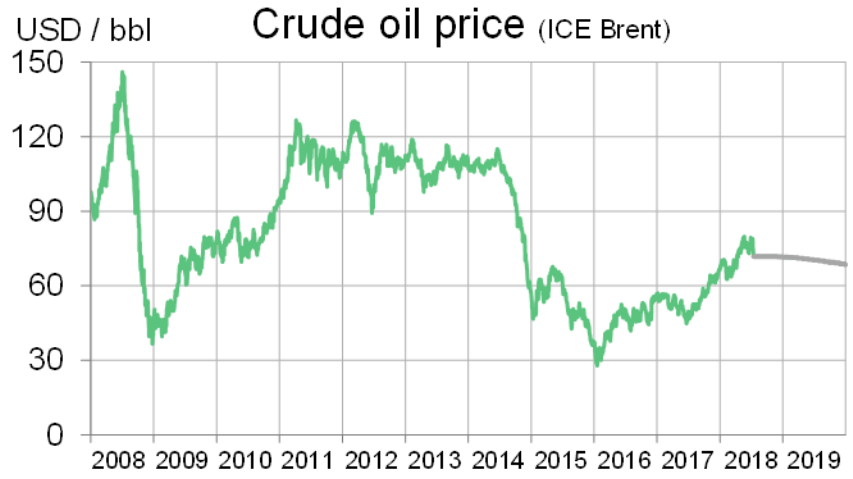
- *Fortum focuses on balance sheet discipline and cash flow generation and will continue to evaluate possibilities to optimise its asset portfolio*

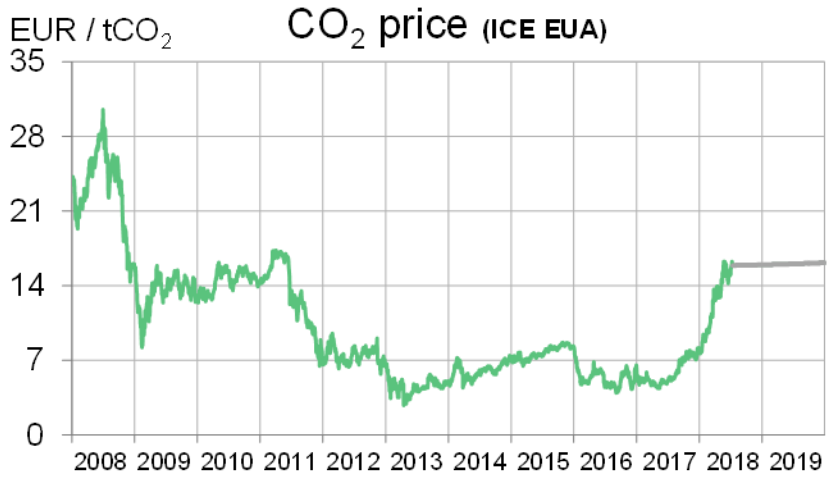
Nordic water reservoirs clearly below normal level - dry Q2 in the Nordics

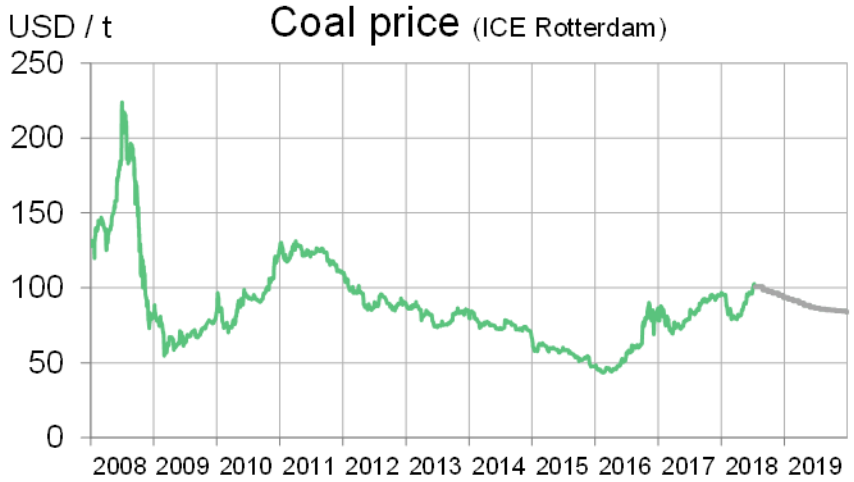


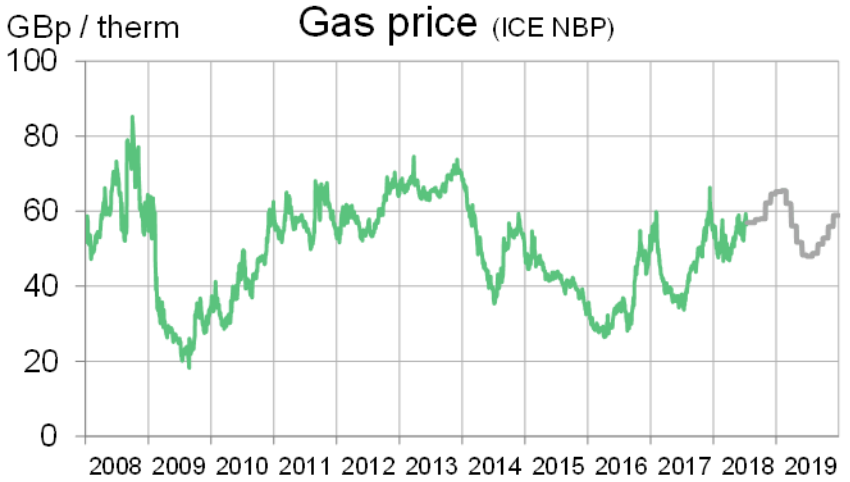
Source: Nord Pool

Increased commodity and CO_2 prices









Source: ICE, Thomson Reuters

Market prices 16 July 2018; 2018-2019 future quotations

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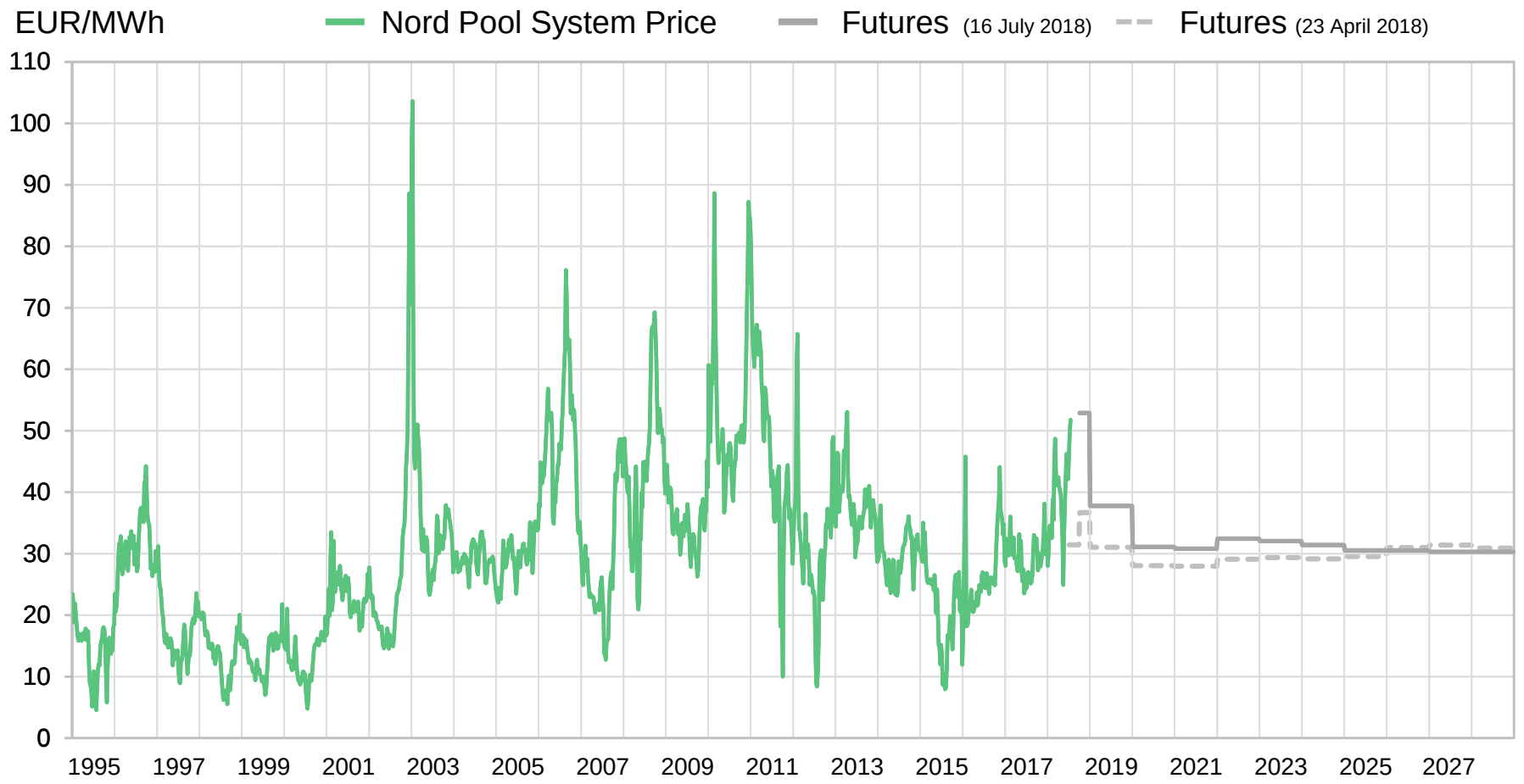
Wholesale power price increase in the Nordics continued in Q2 – dry and warm weather, higher marginal cost for coal condense



Source: Nord Pool, Nasdaq Commodities

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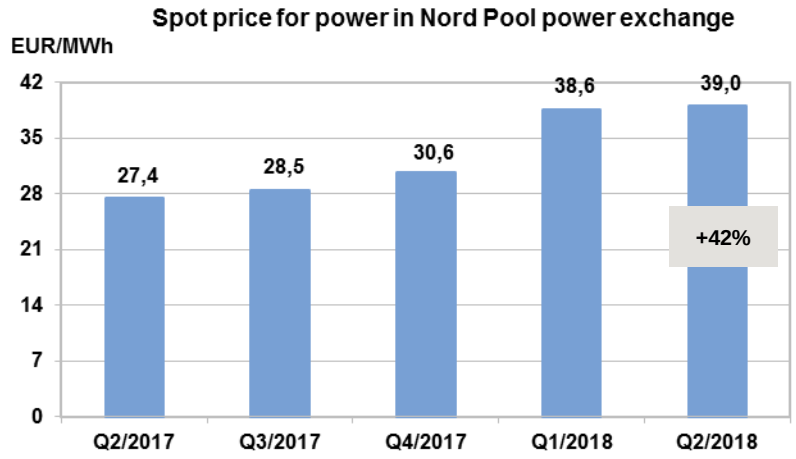
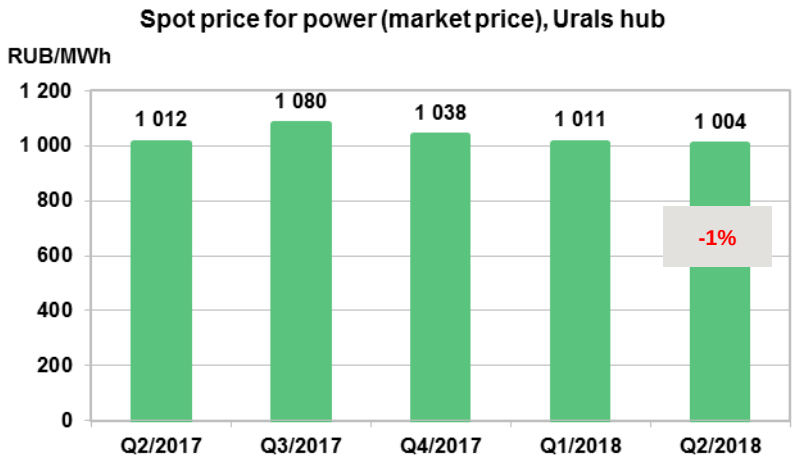
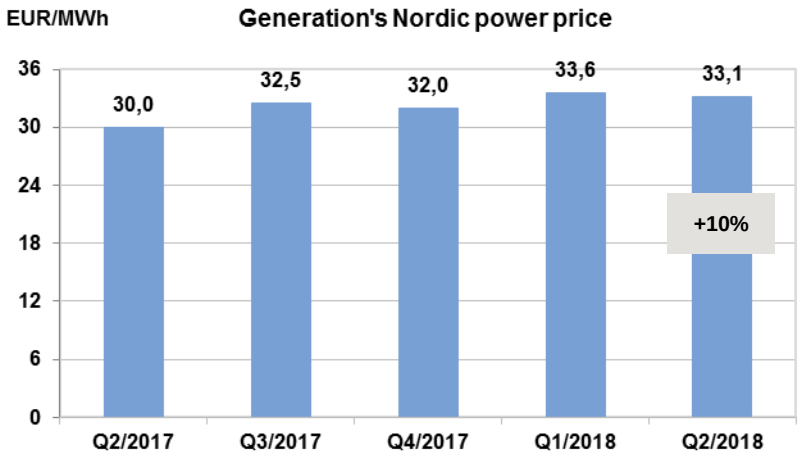
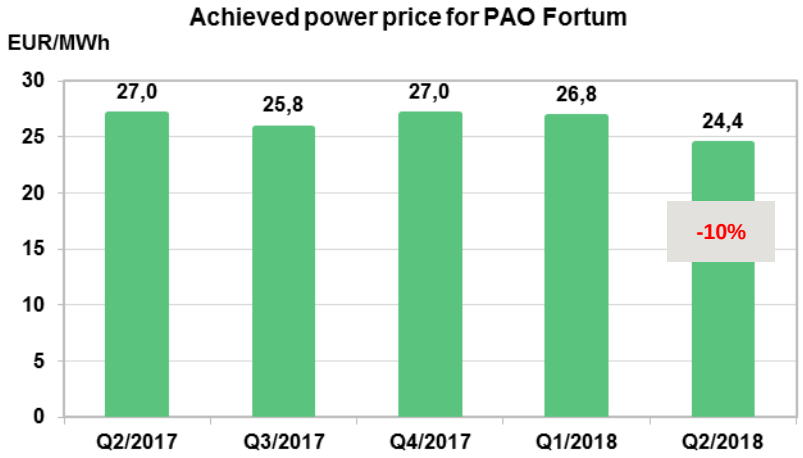
Higher power prices in the Nordics due to dry and warm weather









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

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Key figures

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

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

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Generation

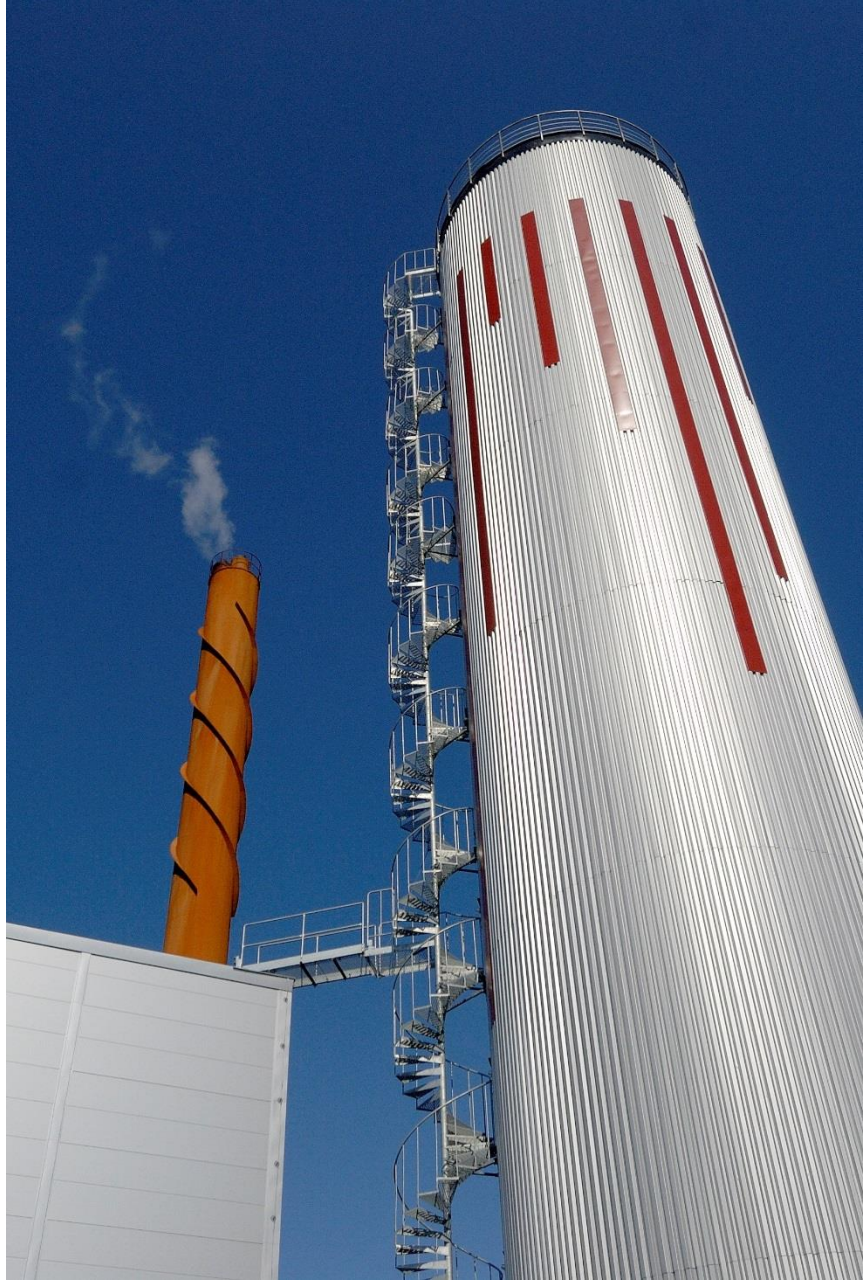
- Higher achieved power price increased sales
- Clearly improved comparable operating profit in Q2, +95%
  - Higher achieved power prices and lower real-estate and capacity taxes in Sweden
  - Partly offset by lower nuclear volumes due to closure of Oskarshamn 1

MEUR	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	LTM
Sales	425	402	923	876	1,677	1,724
Comparable EBITDA	183	111	435	277	603	761
Comparable operating profit	152	78	372	214	478	636
Comparable net assets			5,765	5,724	5,672	
Comparable RONA %					8.4	11.1
Gross investments	37	42	76	67	264	273

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

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



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

MEUR	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	LTM
Sales	326	164	873	406	1,097	1,564
Comparable EBITDA	26	8	57	22	57	92
Comparable operating profit	11	6	29	18	41	52
Comparable net assets			645	129	638	
Customer base, million			2.48	1.36	2.49	
Gross investments	12	1	21	3	493	511

Russia

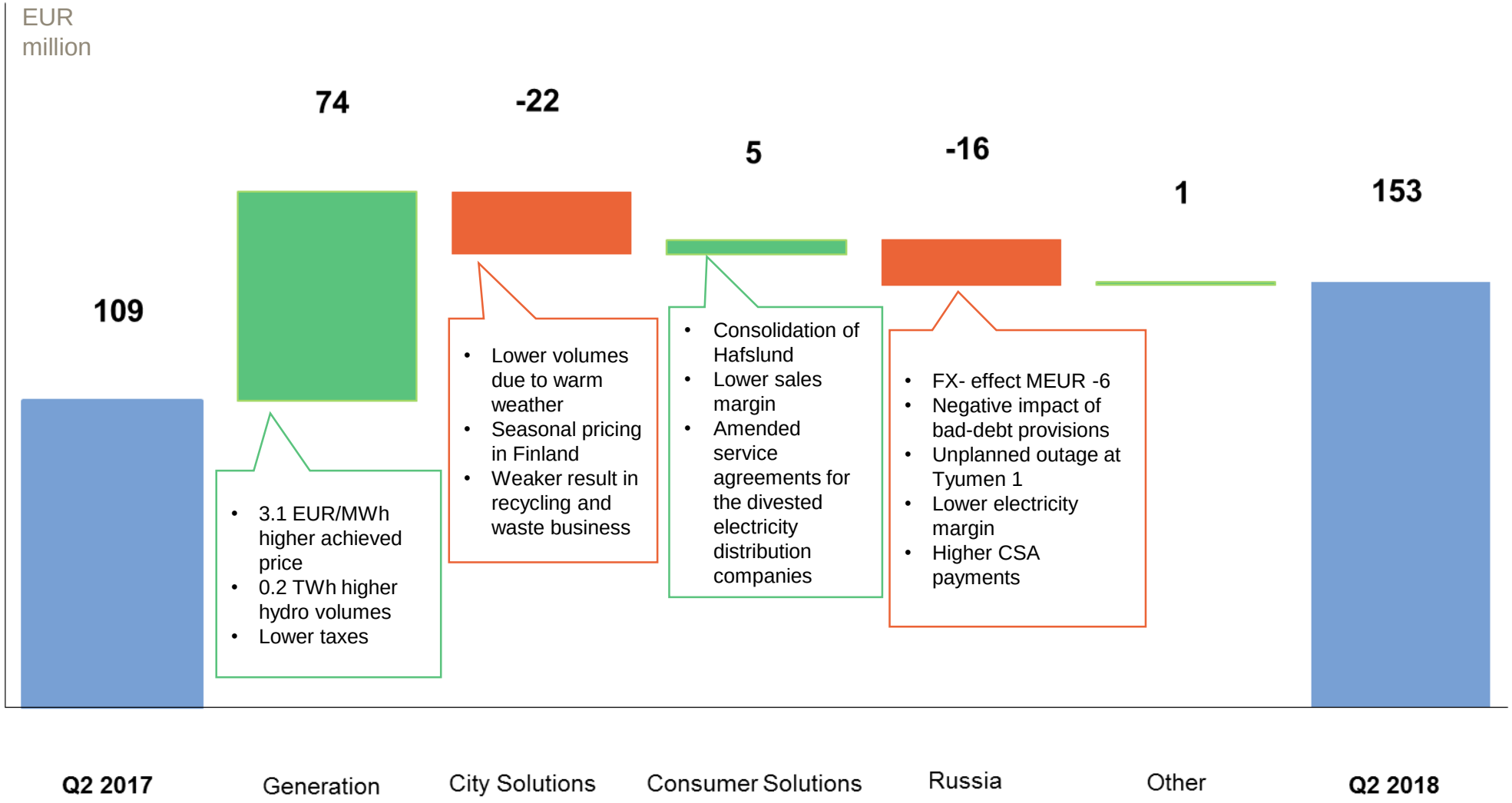
- Sales in euros decreased due to weaker rouble
- Comparable operating profit in Q2 decreased, -30%
  - EUR 6 million negative impact of weaker rouble
  - Negative impact from bad debt provisions, unplanned outage in Tyumen 1 and lower electricity margins
  - Positive impact from higher CSA payments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

MEUR	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	LTM
Sales	228	238	565	586	1,101	1,080
Comparable EBITDA	73	88	215	256	438	397
Comparable operating profit	37	53	141	185	296	252
Comparable net assets			2,986	3,156	3,161	
Comparable RONA %					10.1	9.5
Gross investments	22	42	40	73	277	244

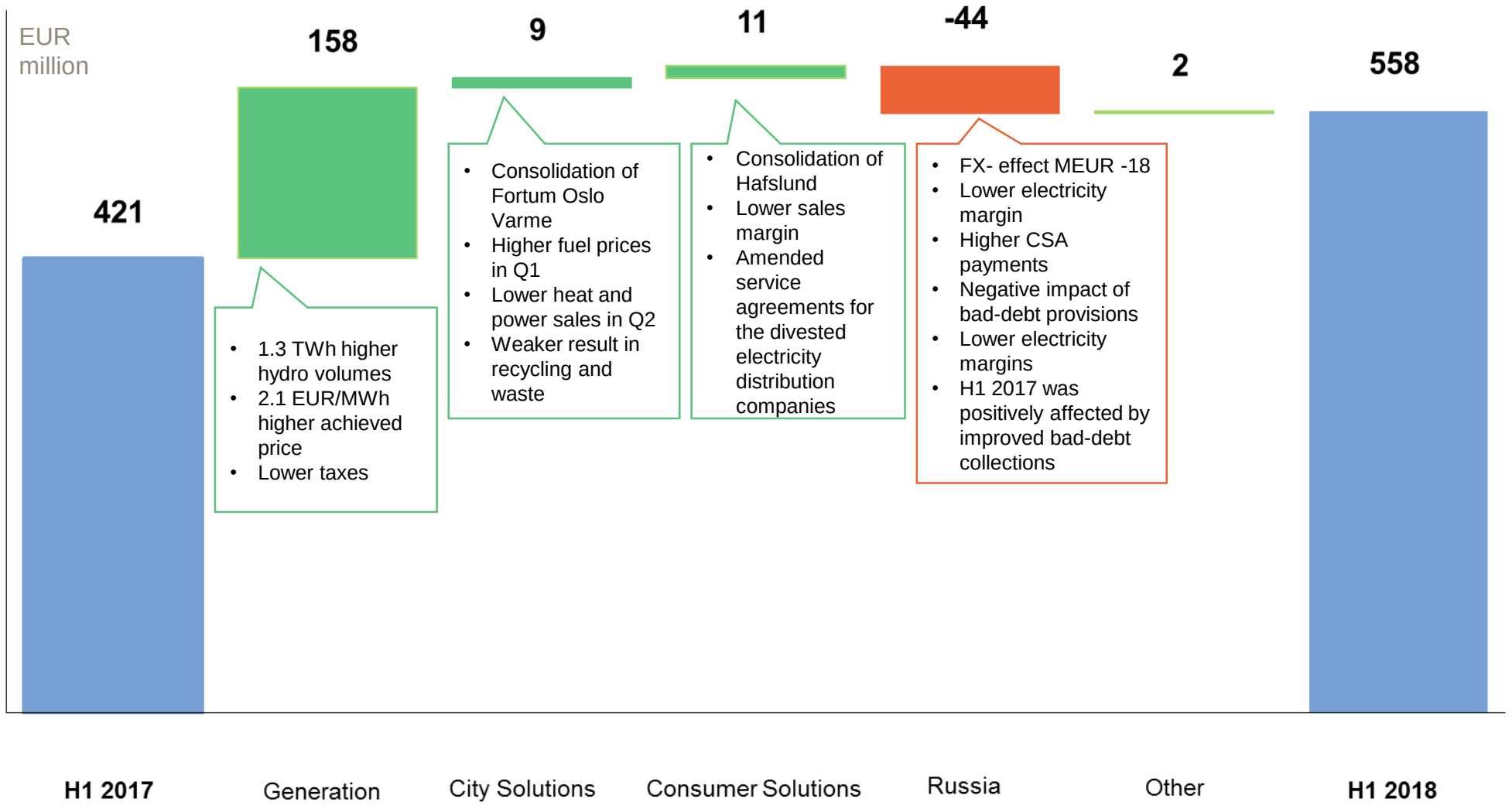
Uniper investment to be reported in Fortum's 'Other Operations'

- 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



H1 2018: comparable operating profit positively impacted by higher hydro volumes and higher achieved price



Cash flow statement

MEUR	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	LTM
Comparable EBITDA	**282**	**219**	**820**	**642**	**1,275**	**1,453**
Realised FX gains/losses	91	-6	133	-63	-83	113
Paid net financial costs, income taxes and other	-39	-34	-146	-130	-281	-297
Change in working capital	27	54	-174	65	81	-158
of which change of settlements for futures	*-199*	*75*	*-290*	*94*	*141*	*-243*
Net cash from operating activities	**361**	**232**	**634**	**514**	**993**	**1,113**
Capital expenditures	-118	-128	-252	-308	-657	-601
Acquisitions of shares	-3,732	-25	-3,750	-51	-972	-4,671
Divestments of shares	170	0	170	0	741	911
Change in cash collaterals and restricted cash	-113	-110	-176	72	-3	-251
Other investing activities	47	65	49	87	85	47
Cash flow from investing activities	**-3,747**	**-198**	**-3,959**	**-199**	**-807**	**-4,567**
Cash flow before financing activities	**-3,386**	**34**	**-3,326**	**315**	**187**	**-3,454**
Paid dividends	-977	-977	-977	-977	-977	-977

- 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

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

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

*) 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

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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)

*including the effect of deconsolidated debt

3. Efficiency improvements

- Continued cost consciousness with efficiency improvements and fixed cost scrutiny

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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

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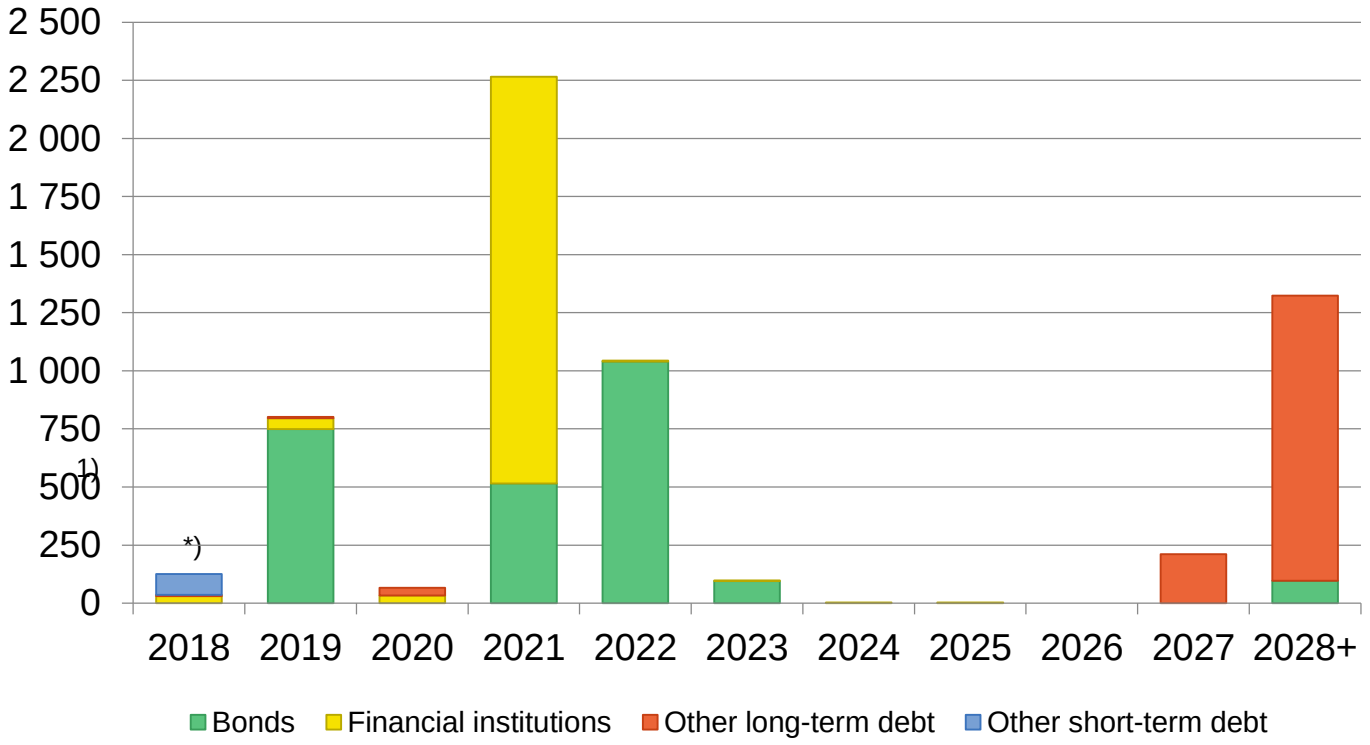
Balanced debt portfolio and average interest rate

Maturity profile as of 30 June 2018



*) In addition Fortum has received EUR 98 million based on Credit Support Annex agreements with several counterparties. This amount has been booked as a short term liability.

Total interest-bearing debt of EUR 6,041 million

- Average interest 2.5% (2017: 3.6%)
- Portfolio mainly in EUR and SEK with average interest cost 1.8% (2017: 2.4%)
- EUR 746 million (2017: 773) swapped to RUB, average interest cost including cost for hedging 8.0% (2017: 9.5%)

Next events:

Q3/2018 results on 24 October 2018
CMD on 13 November 2018

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