Transaction update

Fortum and Uniper – stronger together
- Creating a leader in the European energy transition

October 2019
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Fortum has entered into a transaction agreement with Elliott and Knight Vinke to acquire at least an additional 20.5% in Uniper for approximately EUR 2.3 billion, corresponding to EUR 29.93 per share, taking its ownership to at least 70.5% post closing.

Closing of transaction is subject to regulatory clearance in Russia and the US.

Fortum intends to be represented on Uniper’s Supervisory Board commensurate with its ownership without delay.

Fortum offers comprehensive commitments to Uniper’s employees and rules out a domination and/or profit and loss transfer agreement or squeeze-out for at least two years.

Transaction financed with existing cash and credit facilities underwritten by Barclays Bank PLC, with Fortum committed to maintaining an investment grade rating post transaction.
Creating a leader in the European energy transition

- Transaction delivers on Fortum’s vision and strategy, investing in a diversified European power generation with attractive hydro, nuclear and gas assets and a platform for growth
- Fortum and Uniper have the strategic mix of businesses and expertise required to successfully drive Europe’s transition from conventional to cleaner and more secure energy
- As a responsible and committed parent company, Fortum looks forward to working with Uniper’s management team and employees on the creation and implementation of a joint vision
- Fortum is committed to protecting the core interests of Uniper’s employees and to providing attractive prospects
Transaction highlights

**Agreement**
- Fortum has entered into agreements with Elliott and Knight Vinke to acquire in excess of 20.5% in Uniper for approximately EUR 2.3 billion, corresponding to EUR 29.93 per share, increasing Fortum’s share in Uniper to more than 70.5% and the total investment in Uniper to approximately EUR 6.2 billion (average price paid EUR 23.97 per share).
- Fortum rules out a domination and/or profit and loss transfer agreement (DPLTA) or squeeze-out for a period of at least two years.
- Fortum intends to be represented on Uniper’s Supervisory Board commensurate with its ownership without delay.
- Fortum offers commitments to Uniper’s employees and seeks continued dialogue with employee representatives.

**Regulatory approvals**
- Closing of the transaction, subject to customary regulatory clearances in Russia and the United States, is expected by the end of the first quarter of 2020. Fortum is in discussions with the Russian state authorities and has made a preparatory filing to the Russian Federal Antimonopoly Service.
- No further European Commission clearance is required; in 2018, Fortum already received unconditional merger clearance from the Commission.

**Financials**
- Fortum will fully consolidate Uniper as a subsidiary in its financial statements from closing of the transaction.
- The transaction will be financed with existing cash resources and committed credit facilities underwritten by Barclays Bank PLC.
- Fortum is committed to maintaining an investment grade rating post transaction and to strengthening its financial profile longer term, which will provide appropriate financial stability and support to the enlarged group.
### Illustrative combined key financials


<table>
<thead>
<tr>
<th>EUR million</th>
<th>Fortum LTM Q2 2019</th>
<th>Uniper LTM Q2 2019</th>
<th>Impact from transaction(^{(4)})</th>
<th>Combined LTM Q2 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>5,404</td>
<td>78,928</td>
<td></td>
<td>84,332</td>
</tr>
<tr>
<td>Comparable EBITDA(^{(1)})</td>
<td>1,621</td>
<td>1,260</td>
<td></td>
<td>2,881</td>
</tr>
<tr>
<td>Capex(^{(2)})</td>
<td>715</td>
<td>638</td>
<td></td>
<td>1,353</td>
</tr>
<tr>
<td>Interest-bearing liabilities, 30 June 2019(^{(3)})</td>
<td>6,719</td>
<td>1,570</td>
<td>2,253</td>
<td>10,542</td>
</tr>
<tr>
<td>Liquid funds, 30 June 2019(^{(3)})</td>
<td>1,297</td>
<td>717</td>
<td></td>
<td>2,014</td>
</tr>
<tr>
<td>Net interest-bearing liabilities, 30 June 2019(^{(3)})</td>
<td>5,422</td>
<td>853</td>
<td>2,253</td>
<td>8,528</td>
</tr>
<tr>
<td>Number of employees, 30 June 2019</td>
<td>8,383</td>
<td>11,962</td>
<td></td>
<td>20,345</td>
</tr>
</tbody>
</table>

Combined key financials are presented for illustrative purposes only and they do not include possible impacts from aligning differences in accounting principles, effects from co-owned power companies or eliminations of sales, purchases, receivables and payables between the Groups.

(1) Comparable EBITDA is based on the Fortum’s Comparable EBITDA and Uniper’s Adjusted EBITDA as defined in Fortum’s and Uniper’s financial statements. No impacts from the assumed transaction has been included.
(2) Capex is based on Fortum’s reported Capex and Uniper’s reported Investments.
(3) Fortum’s interest-bearing liabilities and liquid funds as defined in Fortum’s financial statements. Uniper’s Interest-bearing liabilities includes ‘Financial liabilities and liabilities from leases’ as defined in Uniper’s financial statements (but excludes ‘Margining liabilities’ amounting to EUR 1,002 million). Liquid funds as defined in Uniper’s financial statements. Please see further information regarding Fortum’s Net debt and Uniper’s Net financial position and Economic net debt in their respective financial statements.
(4) ‘Impact from transaction’ is based on the acquisition of approximately 20.5% of Uniper’s outstanding share capital at a price of EUR 29.93 per share.
Fortum is committed to protect the interests of Uniper and its employees

**Priorities**

- A dedicated workforce is the foundation for the current and future success of Uniper and Fortum
- Fortum is committed to protecting the interests of the employees and fully acknowledges the integrity of existing employee rights

**Our commitments**

- General Principle: Partnership Approach – Joint Committee to create and implement vision
- No changes to existing shop and collective bargaining agreements\(^{(2)}\) or similar agreements
- No changes to employers’ collective bargaining jurisdiction or the existing level of co-determination

Fortum has a good track record in continuous employee dialogue, and continuous improvement of safety, well-being and working conditions of its employees

- No DPLTA or squeeze out for a period of 2 years
- Fortum will not cause Uniper to implement\(^{(4)}\) ... compulsive redundancies
- ... change to corporate seat

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1. Detailed content and the duration of these commitments to be discussed and agreed with Uniper and its employee representatives
2. Betriebsvereinbarungen/ Tarifverträge
Fortum’s strategy is based on the long-term vision: ‘For a cleaner world’

1. Pursue operational excellence and increased flexibility
2. Ensure value creation from investments and portfolio optimisation
3. Drive focused growth in the power value chain
4. Build options for significant new businesses

Profitability

Increasing uncertainty

Illustrative

Time

Today 2020s 2030s
Fortum’s core beliefs and key industrial priorities

Key industrial priorities balance the energy trilemma

Security of Supply

Affordability

Sustainability

- Determined reduction of emissions and non-renewable resources with a focus on power and heat
- Security of supply through increasingly clean gas and optimized flexibility
- Value and optionality from globally scalable business models
Fortum and Uniper together create a European energy transition leader

Energy sector is undergoing a transition, markets are growing and competitors are consolidating

1. Diversified portfolio in hydro, nuclear and gas-fired generation, and also in coal
2. Strong asset base along the entire gas value chain
3. Strong trading competences
4. Track record and growth pipeline in wind and solar
5. Nordic leader in district heating, recycling and waste solutions, and electricity retail solutions
6. Strong experience and attractive growth opportunities in industrial customer solutions
7. Respected partner in developing policies and regulation on national and EU level
8. Scale and expertise to drive R&D in important areas for transition, such as hydrogen, batteries, e-mobility, bio-based products

Scale, competences and resources to prosper, grow and lead energy transition to a clean and secure energy future
Scale, competences and resources to prosper, grow and lead European energy transition

Q2 2019 LTM combined Comparable EBITDA

<table>
<thead>
<tr>
<th></th>
<th>EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>c.€2.9bn</td>
</tr>
<tr>
<td>Fortum</td>
<td>1.6bn</td>
</tr>
<tr>
<td>Uniper</td>
<td>1.3bn</td>
</tr>
</tbody>
</table>

Combined capacity split

- Hydro: 16%
- Nuclear: 32%
- Gas: 36%
- Thermal: 7%
- Other: 8%
- Total: 50.3GW

Coal phased out over time

Combinable power generation assets

Combined market positions

1. Comparable EBITDA is based on the Fortum’s Comparable EBITDA and Uniper’s Adjusted EBITDA as defined in Fortum’s and Uniper’s financial statements. No impacts from the assumed transaction has been included.
2. Market positions for Central-Europe/Europe and Nordics are based on total installed capacity; the market position in Russia is based on thermal capacity.
Portfolio well positioned for energy transition - overall combined share of coal based activities is moderate

Coal share from generation and from sales
(calculated from disclosed numbers assumptions below)

<table>
<thead>
<tr>
<th></th>
<th>Fortum 2018</th>
<th>Uniper 2018</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales, MEUR</td>
<td>5,242</td>
<td>78,176</td>
<td>83,418 (1)</td>
</tr>
<tr>
<td>Coal and lignite generation based sales, MEUR</td>
<td>242</td>
<td>1,590</td>
<td>1,832 (1)</td>
</tr>
<tr>
<td><strong>Share of coal based sales, (%)</strong></td>
<td><strong>5</strong></td>
<td><strong>2</strong></td>
<td><strong>2</strong></td>
</tr>
<tr>
<td>Generation (power and heat), TWh</td>
<td>104</td>
<td>114</td>
<td>218</td>
</tr>
<tr>
<td>Coal and lignite based, TWh</td>
<td>7</td>
<td>32</td>
<td>39</td>
</tr>
<tr>
<td><strong>Share of coal based generation, (%)</strong></td>
<td><strong>7</strong></td>
<td><strong>28</strong></td>
<td><strong>18</strong></td>
</tr>
</tbody>
</table>

Note: For Fortum avg. coal based power sales price assumption 35 €/MWh and for heat 35 €/MWh, for Uniper avg. coal based sales price assumption 50 €/MWh. Fortum data includes also heat production, Uniper data only power generation.

1. Combined sales is presented for illustrative purposes only and do not include possible impacts from aligning differences in accounting principles, effects from co-owned power companies or eliminations of sales between the Groups.

Combination supports sustainability, affordability and security of supply

- Determined reduction of emissions and the use of non-renewable resources
  - Hydropower competences
  - Nuclear power competences
  - Gas-fired power/heat competences
  - Services: Industrial customer solutions, nuclear services, thermal services

- Security of supply through increasingly clean gas and optimised flexibility
  - Flexible hydro-power
  - Gas-fired power/heat competences

- Value and optionality from globally scalable business models

Utilising combined competences creates a true international leader in the energy transition
### Strong rationale for combination with attractive Uniper portfolio

#### Uniper operating segments

<table>
<thead>
<tr>
<th>Operating Segment</th>
<th>Key Features</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>European Generation</strong></td>
<td>• A leading European generator with ~24GW of capacity (mainly dispatchable)</td>
</tr>
<tr>
<td></td>
<td>• Diversified across technologies and geographies, including significant hydro (3.6GW) and nuclear (1.9GW) capacities</td>
</tr>
<tr>
<td></td>
<td>• Strong capabilities in construction, operations and maintenance</td>
</tr>
<tr>
<td><strong>Global Commodities</strong></td>
<td>• A leading physical energy trader with a global footprint, including a portfolio of long term gas contracts (400TWh)</td>
</tr>
<tr>
<td></td>
<td>• Significant revenues driven by optimization and trading activities</td>
</tr>
<tr>
<td></td>
<td>• Large gas midstream business, including storage and pipeline interests</td>
</tr>
<tr>
<td></td>
<td>• Participation in Nord Stream 2 gas pipeline</td>
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<tr>
<td><strong>International Power</strong></td>
<td>• Unipro is the number 3 privately-owned Russian generation company</td>
</tr>
<tr>
<td></td>
<td>• 11.1 GW of generation assets / 47 TWh of electricity generated</td>
</tr>
<tr>
<td></td>
<td>• Some of the most efficient heat generating plants in Russia</td>
</tr>
</tbody>
</table>

~39% of Adj. EBIT 2018
~32% of Adj. EBIT 2018
~28% of Adj. EBIT 2018
# Extensive value creation opportunities through combined efforts

Significantly larger combination providing scale, competences and resources to prosper, grow and lead energy transition to a clean and secure energy future

## Operational excellence and cost savings
- Fuel sourcing
- Procurement and real estate
- Best practice sharing and benchmarking in operations and maintenance

## Growth and new business creation
- Scale and cash flow generation enables significant growth investments
- Stronger presence in wider range of markets
- Industrial customer solutions and B2B services
- Storage and flexibility solutions
- Stronger voice on national and European level
- Waste to energy and recycling solutions
- Wind and solar growth
- Hydrogen, clean gas development
- eMobility
"Stronger Together"
Fortum at a glance

Description of Fortum

- A leading clean-energy company across the Nordic region, the Baltic countries, Poland, and Russia
- A circular economy champion, providing solutions for sustainable cities, including waste, recycling, and biomass
- Rated BBB (CreditWatch Negative) by S&P and BBB (Rating Watch Negative) by Fitch

Key shareholders

- Listed on the Helsinki Stock Exchange since 1998
- Market capitalisation of ~EUR 19 bn
- Finnish State is a majority owner

Operations by business segment

- Generation 48%
- City Solutions 18%
- Consumer Solutions 7%
- Russia 27%

Production by source

Power

- Natural gas 38%
- Solar 0.5%
- Waste 0.5%
- Wind 1%
- Biomass 1%
- Coal 3%
- Hydropower 26%

- Nuclear power 30%

- 74.6 TWh

Heat

- Natural gas 64%
- Biomass 8%
- Coal 16%
- Waste 7%
- Heat pumps, electricity 3%
- Peat 1%
- Others 1%

- 29.8 TWh

Note: All data as of FYE 2018 unless otherwise stated.
(1) Comparable EBITDA defined as operating profit plus depreciation and amortisation less items affecting comparability.
(2) In addition, Forum owns 50% of Stockholm Exergi AB with annual power generation 1.7 TWh/a and heat production of 8 TWh/a. Fortum also owns ~30% in TGC 1 with annual power generation 29.3 TWh/a and heat production of 29.8 TWh/a.
Fortum’s geographical footprint

Nordic countries

- Power generation: 43.5 TWh (#3)
- Heat sales: 5.9 TWh (#4)
- Electricity customers: 2.4 million (#1)

Russia

- Power generation: 29.5 TWh (#10)
- Heat sales: 20.7 TWh (#8)

Key figures 2018

- Sales: €5.2 bn
- Comparable EBITDA: €1.5 bn
- Total assets: €22 bn
- Personnel: 8,300

Poland

- Power generation: 0.6 TWh
- Heat sales: 3.5 TWh

Baltic countries

- Power generation: 0.7 TWh
- Heat sales: 1.4 TWh

Sales by market area 2018

- Nordics: 69%
- Russia: 20%
- Other: 4%
- Poland: 6%

Note: Ranking based on year 2017 pro-forma figures. Sources: Fortum, company data, shares of the largest actors.
Coal to be phased out in Germany by 2038 at the latest

- Government legislative proposal on coal phase out rules expected in autumn 2019
- Roadmap for capacity closures agreed by capping maximum allowed coal capacity on the market:
  - In 2017 there was appr. 42.5 GW coal capacity in Germany
  - After 2022 there can be max 30 GW, and after 2030 17 GW
  - Latest 2038 all coal capacity must be closed
- Affected companies and regions will be compensated:
  - Coal regions will receive specific compensation to mitigate the effects of structural change
  - Compensation for hard coal operators expected to based on auctions
  - Lignite operators negotiate compensations directly with the government

"We welcome the Coal Commission’s proposal and hope that the government will swiftly address the details necessary for the implementation.

The proposal highlights the importance of gas during the transition towards a fully decarbonised energy system and underlines the need for every utility to have a solid decarbonisation strategy."

- Fortum