Fortum Oyj

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Credit Highlights

Overview

Key Strengths | Key Risks
---|---
Strong market position in the Nordic countries and Russia. | Unclear strategy about Uniper integration.
Stable and predictable cash flow generated from district heating activities (about 10% of 2018 EBITDA according to our estimates). | Highly leveraged following Uniper's acquisition, with an as yet unclear path to reduce leverage.
Low Co2 generation fleet thanks to nuclear (30% of 2018 generation), hydro (26%), and renewables (3%). | Time lag in capitalizing the increase in Nordic prices, due to low price hedging for 2019-2020.
Support from the Finnish government, providing Fortum a one-notch uplift from its stand-alone credit profile (SACP). | Exposure to volatile power generation activities (50% of 2018 EBITDA).

Fortum is a large and clean power player in the Nordics and Russia. It is the third-largest power generator in the Nordic countries after Vattenfall and Statkraft and the largest electricity retailer. It is the second-lowest-emitting generator in Europe (after Statkraft) thanks to its zero-to-low CO2 emission fleet. We note that 59% of Fortum's 2018 generation mix was CO2-free, from nuclear (30%), hydro (26%), and renewables (3%). Natural gas represented 38% and coal 3%.

The acquisition of Uniper in 2018 materially weakened the group's credit profile. Following the €3,968 million acquisition of 49.99% of the share capital of Uniper SE, Fortum’s S&P Global Ratings-adjusted debt to EBITDA increased materially, to about 4.3x in 2018 from 1.8x in 2017. Moreover, Fortum does not have a controlling stake over Uniper, and still has an unclear strategy for Uniper's integration.

The path to debt reduction is long and remains uncertain. Fortum aims to reach 2.5x reported net debt to EBITDA by 2020. We expect leverage to decrease progressively to close to 2.5x in 2020-2021. The deleveraging strategy focuses on operational excellence and optimization of the generation portfolio as well as prioritizing capital spending (capex). However, timing on execution is uncertain given the company's exposure to lowly hedged power prices in 2019 and 2020 and current uncertainties as to how Fortum will manage its investment in Uniper. This is reflected in our negative
Fortum is exposed to volatile power generation activities (50% of 2018 EBITDA) but will benefit from improving power prices, materializing in 2020. In 2018 about 50% of Fortum’s EBITDA came from power generation, which is volatile as volumes (hydro in particular) depend on climate conditions. Generation from hydropower dropped to 26.0%, from 54.5% in 2017, due to low inflows and reservoir levels. We expect hydro volumes to be closer to normal in 2019. Fortum should profit from these higher volumes and from the increase in power prices in the Nordics.

Fortum enjoys support from the Finnish government. The government is Fortum’s major shareholder with a 50.8% share. We view Fortum as important for the country because it is the largest power producer and we incorporate one notch into Fortum’s SACP to reflect support from the Finnish government.

Outlook: Negative

The negative outlook on Fortum chiefly reflects our view that, following its acquisition of a 49.99% stake in Uniper (total acquisition cost €3,968 million), possible remedies to strengthen the balance sheet remain unclear and the time to implement them might extend beyond our forecast horizon, resulting in credit metrics we deem incommensurate with the current rating.

All things remaining equal, our forecasts indicate that Fortum’s credit ratios will be below our medium- to longer-term expectations for the 'BBB' rating, including S&P Global Ratings-adjusted funds from operations (FFO) to debt at about 25% in 2019. This also means that Fortum has practically no headroom for any financial underperformance against our forecasts.

The negative outlook also reflects the lack of clarity about how Fortum will manage its investment in Uniper. Notably, this will depend on whether or not the group wants to increase its Uniper stake over the next two years or leave it at the current level in the longer term, with Uniper accounted for as a financial investment in its balance sheet. Finally, the negative outlook reflects our uncertainty about the group’s industrial strategy and financial policy.

Downside scenario

We could lower the ratings if Fortum’s credit metrics weaken below our expectations, notably with FFO to debt declining and remaining below 20% over the next two years, or if we see no signs of a recovery toward about 25% in 2020, a level we view as in line with the current ratings over the medium to longer term. This could stem from Fortum upping its stake in Uniper to above 75%, which would markedly increase its leverage, absent any significant financial remedies.

Upside scenario

We could revise the outlook on Fortum to stable if we believe that its leverage is gradually declining in line with management’s stated intentions, and that adjusted FFO to debt shows a clear trajectory toward about 25% by 2020. This could also be supported by Fortum not increasing its stake in Uniper to well above 50% and providing clarity on the strategy and future shape of the relationship with Uniper.
Our Base-Case Scenario

Recent developments

*Good operating performance in first-half 2019 stemmed from higher generation volumes and improved performance in the Russian division.* In the first half of 2019, the generation division's reported comparable EBITDA increased to €484 million from €435 million in the first half of 2018, thanks to higher nuclear output and higher achieved power prices compensating for weak hydrology, as we had anticipated. We note that in second-quarter 2019 Nord Pool prices decreased to 35.6€/MWh from 46.9€/MWh, moving closer to the 33€/MWh hedged price for 2019.

Fortum's reported net debt increased materially by about €4 billion, primarily as a result of the acquisition of a 49.99% stake in Uniper for €3,968 million and unchanged dividends of €977 million. Based on the group's results, adjusted FFO to debt was about 19.0% in 2018 compared to 44.4% in 2017.

### Assumptions

In our base case for Fortum for 2019-2020, we assume:

- Finland's average GDP growth rate of 1.4% annually.
- Finland's consumer price index growth rate of 1.5% on average.
- Consolidation of Uniper in Fortum's accounts under the equity method, as Fortum neither has a majority share of nor control over Uniper.
- Revenue growth of about 13% in 2019 and decrease of about 2% in 2020. In 2019, strong revenue growth mainly due to higher power prices, larger volumes, and a strengthened Russian ruble.
- The generation segment's Nordic generation hedges: approximately 80% hedged at €33/MWh for 2019 and approximately 60% hedged at €31/MWh for 2020, with EBITDA margins in the 30%-35% range.
- Average capex of €600 million-€650 million.
- Dividends received from equity-associated companies to gradually increase to about €300 million in 2021 from about €200 million in 2019, according to our estimates.

### Key Metrics

<table>
<thead>
<tr>
<th></th>
<th>2018A</th>
<th>2019E</th>
<th>2020E</th>
<th>2021E</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>1,566</td>
<td>2,000-2,100</td>
<td>2,050-2,150</td>
<td>2,150-2,250</td>
</tr>
<tr>
<td>Debt</td>
<td>6,803</td>
<td>6,350-6,450</td>
<td>6,000-6,100</td>
<td>5,700-5,800</td>
</tr>
<tr>
<td>Capex</td>
<td>579</td>
<td>600-650</td>
<td>400-500</td>
<td>450-550</td>
</tr>
<tr>
<td>Dividends</td>
<td>977</td>
<td>900-1,000</td>
<td>900-1,000</td>
<td>900-1,000</td>
</tr>
<tr>
<td>FFO/debt (%)</td>
<td>19.0</td>
<td>23.0-25.0</td>
<td>24.0-27.0</td>
<td>27.0-30.0</td>
</tr>
<tr>
<td>Debt/EBITDA (x)</td>
<td>4.3</td>
<td>3.0-3.5</td>
<td>2.5-3.0</td>
<td>2.3-2.8</td>
</tr>
</tbody>
</table>


### Base-case projections

*We expect credit measures to stay close to our threshold for the current rating level with FFO to debt improving toward 25% in 2020.* We assume improved cash flows from operations (including dividends from Uniper and other associated companies) and reduced investments. However, the possible remedies to strengthen the balance sheet remain unclear and the time to implement them might extend beyond our forecast horizon through to 2020, which reflect in the
negative outlook.

*Positive free cash flow generation is expected in 2019-2021.* We assume positive working capital due to an expected material decrease in receivables and a gradually reduced investment plan. This will allow Fortum to generate positive cash flow after capex and dividends averaging €360 million per year over 2019-2021.

*Good operating performance in first-half 2019 expected to benefit 2019 results.* Reported EBITDA (comparable EBITDA in Fortum's definition) rose by 12% year-on-year to €918 million in the first half of 2019. The generation division's EBITDA rose thanks to hydro reservoir levels exceeding the long-term average and higher nuclear volumes as well as higher achieved power prices despite the lower Nordic power prices notably from the front-loading of its highest priced hedges, and higher margins from the Russian segment.

**Company Description**

Fortum Oyj is a Finnish Power generator mainly operating in the Nordics and Russia. The group is majority owned by the Finnish government (50.8%).

**Chart 1**

*Shareholding Structure End Of 2018*

- **Finnish state** (51%)
- **Foreign investors** (31%)
- **Other Finnish investors** (7%)
- **Financial and insurance institutions** (2%)
- **Finnish households** (10%)

Source: S&P Global Ratings. Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

Fortum focuses on power generation (50% of EBITDA) and city solutions (19% of EBITDA). Fortum enjoys being one of the key utility companies with almost zero carbon exposure, right after Statkraft, as 96% of its power generation in
the EU is CO2 free (or 57% of its total power generation including Russia).

Business Risk: Satisfactory

Fortum benefits from its diverse generation portfolio, as well as its exposure to different markets with, at year-end 2018, 59% of the power production in the Nordic countries (43.5 terawatt hours [TWh]), 39% in Russia (29.5TWh), and 2% split between Poland and Baltic countries (1.3TWh). However, these strengths are mitigated by the hedging of sales at low prices in 2019, because Fortum is unable to capitalize on the increase in electricity prices in the Nordics.

Chart 2
2018 EBITDA Split By Segment

Strong Market Position in the Nordics and Russia
Fortum is the third-largest power generator and the largest electricity retailer in the Nordic countries after Vattenfall and Statkraft. In addition to its strong position in generation, Fortum is the second-lowest emitting generator in Europe (after Statkraft), thanks to its zero-to-low CO2 emission fleet.

Exposure to volatile power generation
The generation portfolio is still a key diversification strength for Fortum, both in terms of geographic location, as well as power sources.
Chart 3
2018 Generation--Geographical Split

Source: S&P Global Ratings.
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Unclear strategy on Uniper's investment

The acquisition of a 47.35% stake in Uniper in June 2018, increased to 49.99% in December 2018, has not affected our assessment of Fortum's business risk. This is because we assume that Fortum will, at least in the near term, not control Uniper, and that synergies between the two companies are likely to be limited under the proposed ownership structure. We note, however, that Fortum has control of Uniper's dividends given its 50% majority at a general meeting and it has the right to appoint resigning Supervisory Board members and all of them in 2022 at the latest.

That said, we believe that a potential future combination of the two companies could be negative for Fortum's business risk profile because of Uniper's exposure to carbon-intensive thermal power generation. The negative effect could be mitigated in part by Fortum's increasing scale and diversity, as well as the scope for material synergies between the two companies.

If Fortum did acquire a larger stake in Uniper, our assessment of its business risk profile would likely weaken within the satisfactory category given Uniper's exposure to carbon-intensive thermal power generation.

We understand that Fortum could only secure full control of Uniper if it acquires 75% of the share capital or voting rights in Uniper. If this was the case, we would fully consolidate Uniper in Fortum's accounts.
Inability to capitalize on the Nordic pool's increase in power prices

The electricity prices have increased in the Nordic pool and are expected to keep increasing. Fortum has hedged about 80% of its 2019 volume to a low price of €33/MWh and 60% of 2020 volumes at €31/MWh, which in turn prevents the company from increasing its revenues in correlation with electricity prices.

Chart 5

Nordic Pool Power Price Evolution

Source: S&P Global Ratings.
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Peer comparison

Table 1

<table>
<thead>
<tr>
<th>Fortum Oyj--Peer Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>--Fiscal year ended Dec. 31, 2018--</td>
</tr>
<tr>
<td>Fortum Oyj</td>
</tr>
<tr>
<td>(Mil. €)</td>
</tr>
<tr>
<td>Revenues</td>
</tr>
<tr>
<td>EBITDA</td>
</tr>
<tr>
<td>FFO</td>
</tr>
<tr>
<td>Interest Expense</td>
</tr>
</tbody>
</table>
We see Fortum’s business risk profile as weaker than that of its more regulated peers such as CEZ (about 40% of full year 2018 EBITDA from regulated activities) and Verbund (28%). Statkraft has a better generation mix than Fortum, due to its large, low-cost, and flexible Nordic hydropower assets.

In terms of financial risk profile, we note that, compared to peers, Fortum has almost no headroom at the current rating level. This takes into account the uncertainty on how the company will manage its investment in Uniper.

Fortum’s SACP is ‘bbb-’, which assumes it maintains adjusted FFO to debt of about 20%. This compares with the metrics requested for the following Nordic power generators:

- Orsted (SACP ‘bbb’): adj. FFO to debt of about 25%
- Statkraft (‘bbb’): adj. FFO to debt above 20%
Vattenfall ('bbb'): adj. FFO to debt above 20%

Financial Risk: Significant

Our 2019-2020 base case for Fortum shows credit measures close to our thresholds for the current 'BBB' rating. We believe that the possible remedies to strengthen the balance sheet remain unclear, and the time to implement them might extend beyond our forecast horizon through 2020, which we reflect in the negative outlook.

Fortum aims to reduce its reported leverage to 2.5x within the next few years, which is almost in line with the S&P Global Ratings-adjusted FFO to debt of about 25% required to maintain the current rating. Stronger credit metrics should stem from sustained improvement in operating performance coupled with a reduction of Fortum’s investments from our estimate of around €800 million in 2019. Dividends are expected to remain stable at 50%-80% of earnings per share. Fortum’s investments are estimated around €800 million in 2019, after which they are expected to decline. This, if coupled with a sustained improvement in operating performance, should lead to credit metrics in line with the current rating in 2020, notably adjusted FFO to debt of about 25%. However, improvement in profits is subject to a reduction in volatility in the power generation markets, both at price and volume generated level, in the Nordics and Russia, and no substantial devaluation of the ruble.

The debt portfolio consists of euro and Swedish krona denominated bonds (41%) and loans (30%), with an average interest cost of 1.4% as of June 2019 versus 1.7% in 2018.

Financial summary

Table 2

Fortum Oyj--Financial Summary

<table>
<thead>
<tr>
<th>Industry sector: Energy</th>
<th>--Fiscal year ended Dec. 31--</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating history</td>
<td>BBB/Negative/A-2 BBB+/Watch Neg/A-2 BBB+/Stable/A-2 BBB+/Stable/A-2 A-/Negative/A-2</td>
</tr>
<tr>
<td>Revenues (Mil. €)</td>
<td>5,242.0</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,566.5</td>
</tr>
<tr>
<td>FFO</td>
<td>1,292.0</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>207.5</td>
</tr>
<tr>
<td>Cash Interest Paid</td>
<td>180.5</td>
</tr>
<tr>
<td>Cash flow from operations</td>
<td>821.0</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>579.0</td>
</tr>
<tr>
<td>Free operating cash flow</td>
<td>242.0</td>
</tr>
<tr>
<td>Discretionary cash flow</td>
<td>(735.0)</td>
</tr>
<tr>
<td>Cash and short-term investments</td>
<td>586.0</td>
</tr>
<tr>
<td>Gross available cash</td>
<td>586.0</td>
</tr>
<tr>
<td>Debt</td>
<td>6,803.4</td>
</tr>
<tr>
<td>Equity</td>
<td>12,077.0</td>
</tr>
</tbody>
</table>
Table 2

Fortum Oyj--Financial Summary (cont.)

<table>
<thead>
<tr>
<th>Industry sector: Energy</th>
<th>--Fiscal year ended Dec. 31--</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted ratios</td>
<td></td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>29.9</td>
</tr>
<tr>
<td>Return on capital (%)</td>
<td>5.9</td>
</tr>
<tr>
<td>EBITDA interest coverage (x)</td>
<td>7.5</td>
</tr>
<tr>
<td>FFO cash interest coverage (x)</td>
<td>8.2</td>
</tr>
<tr>
<td>Debt/EBITDA (x)</td>
<td>4.3</td>
</tr>
<tr>
<td>FFO/debt (%)</td>
<td>19.0</td>
</tr>
<tr>
<td>Cash flow from operations/debt (%)</td>
<td>12.1</td>
</tr>
<tr>
<td>Free operating cash flow/debt (%)</td>
<td>3.6</td>
</tr>
<tr>
<td>Discretionary cash flow/debt (%)</td>
<td>(10.8)</td>
</tr>
</tbody>
</table>

FFO--Funds from operations. N.M.--Not meaningful.

Liquidity: Strong

As of June 30, 2019, we view Fortum's liquidity as strong. This is based on our estimate that its liquidity resources, including cash, FFO, and facility availability, will cover expected cash outflows by at least 1.5x in the next 12 months and more than 1.0x in the following 12 months. Fortum's liquidity continues to be supported by the group's strong standing in the capital markets and sound banking relationships. Its debt documents do not contain any financial covenants. With regard to the Uniper acquisition, we note Fortum's commitment to the current liquidity level, an example of which is its negotiation of a €12 billion liquidity facility with 10 international banks, which has been cancelled thereafter. We assume that Fortum would make available an amount of at least equivalent to the Uniper acquisition cost under the facility.

<table>
<thead>
<tr>
<th>Principal Liquidity Sources</th>
<th>Principal Liquidity Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Cash and cash equivalents of about €1.3 billion, excluding restricted cash;</td>
<td>• Debt of about €0.5 billion maturing in the next 12 months, and about €0.5 billion in the following 12 months;</td>
</tr>
<tr>
<td>• Access to an undrawn long-term committed facility of €1.8 billion maturing in June 2023, which contains no financial covenants; and</td>
<td>• Annual capex of about €0.6 billion in the next 12 months and €0.5 billion in the subsequent 12 months; and</td>
</tr>
<tr>
<td>• Positive cash FFO, which we estimate will near €1.6 billion in the next 12 months.</td>
<td>• Dividends of about €1 billion in the next 12 months.</td>
</tr>
</tbody>
</table>
Debt maturities as of June 30, 2019:

- €484 million debt maturing in 2019 of which €90 million commercial paper and €394 million of other short-term debt
- €500 million debt maturing in 2021
- €1,030 million debt maturing in 2022
- €1,150 million debt maturing in 2023
- €2,400 million debt maturing after 2026
Environmental, Social, And Governance

Environmental and governance factors are relevant to our credit analysis of Fortum, social less so.

Fortum is the second-lowest-emitting generator in Europe (after Statkraft), thanks to its zero-to-low CO2 emission fleet (mostly hydro and nuclear). Nuclear risks and waste management, however, represent environmental and financial concerns. The Uniper acquisition has also led us to revise our views on the group's governance to fair, as we find difficult to reconcile Uniper's acquisition with Fortum's plan to be one of the leading green generators of the future.

This could be mitigated in part by Fortum's increasing scale and diversity, and scope for material synergies between the two companies.

Government Influence

Our rating on Fortum continues to incorporate a one-notch uplift for our view of a moderate likelihood of extraordinary government support if needed, based on Fortum's:

- Strong link with the government, given Finland's 50.8% ownership of the company. We believe that the government is likely to retain its majority stake in Fortum because the government has categorized the group as a strategically important entity; and
- Limited role for the government. Notwithstanding Fortum's position as the owner and operator of a sizable share of Finland's nuclear power capacity, we consider that the group operates in a liberalized electricity market, and that many of its services could be provided by a private-sector entity or another GRE.

A negative reassessment of the likelihood of extraordinary government support would likely lead to a one-notch downgrade of Fortum. This could occur if the government of Finland reduces its stake below 50.1% (currently being at 50.8%), which we consider unlikely at this stage and would require parliament's approval.

Issue Ratings - Subordination Risk Analysis

Capital structure
Fortum's capital structure consists of senior unsecured debt issued at the parent level.

Analytical conclusions
The issue rating on Fortum's senior unsecured debt is 'BBB', in line with the issuer credit rating, as no significant elements of subordination risk are present in the capital structure.
# Reconciliation

Table 3

Reconciliation Of Fortum Oyj Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €)

--Fiscal year ended Dec. 31, 2018--

<table>
<thead>
<tr>
<th>Fortum Oyj reported amounts</th>
<th>Debt</th>
<th>Shareholders' equity</th>
<th>EBITDA</th>
<th>Operating income</th>
<th>Interest expense</th>
<th>S&amp;P Global Ratings' adjusted EBITDA</th>
<th>Cash flow from operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported</td>
<td>6,093.0</td>
<td>11,841.0</td>
<td>1,674.0</td>
<td>1,138.0</td>
<td>148.0</td>
<td>1,566.5</td>
<td>804.0</td>
</tr>
</tbody>
</table>

**S&P Global Ratings' adjustments**

- Cash taxes paid
- Cash taxes paid - Other
- Cash interest paid
- Operating leases
- Postretirement benefit obligations/deferred compensation
- Accessible cash and liquid investments
- Capitalized interest
- Share-based compensation expense
- Dividends received from equity investments
- Deconsolidation/consolidation
- Asset retirement obligations
- Nonoperating income (expense)
- Noncontrolling interest/(expense)
- EBITDA - Gain/(loss) on disposals of PP&E
- EBITDA - Derivatives

| Total adjustments | 710.4 | 236.0 | (107.5) | (116.5) | 59.5 | (274.5) | 17.0 |

**S&P Global Ratings' adjusted amounts**

<table>
<thead>
<tr>
<th>Adjusted</th>
<th>Debt</th>
<th>Equity</th>
<th>EBITDA</th>
<th>EBIT</th>
<th>Interest expense</th>
<th>Funds from operations</th>
<th>Cash flow from operations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6,803.4</td>
<td>12,077.0</td>
<td>1,566.5</td>
<td>1,021.5</td>
<td>207.5</td>
<td>1,292.0</td>
<td>821.0</td>
</tr>
</tbody>
</table>

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## Ratings Score Snapshot

### Issuer Credit Rating

**BBB/Negative/A-2**

**Business risk:** Satisfactory
• **Country risk:** Intermediate  
• **Industry risk:** Moderately high  
• **Competitive position:** Strong

**Financial risk:** Significant
- **Cash flow/Leverage:** Significant

**Anchor:** bbb-

**Modifiers**
- **Diversification/Portfolio effect:** Neutral (no impact)  
- **Capital structure:** Neutral (no impact)  
- **Financial policy:** Neutral  
- **Liquidity:** Strong (no impact)  
- **Management and governance:** Fair (no impact)  
- **Comparable rating analysis:** Neutral (no impact)

**Stand-alone credit profile:** bbb-
- **Related government rating:** AA+  
- **Likelihood of government support:** Moderate (+1 notch from SACP)

**Related Criteria**

- **General Criteria:** Group Rating Methodology, July 1, 2019
- **Criteria | Corporates | General:** Corporate Methodology: Ratios And Adjustments, April 1, 2019
- **Criteria | Corporates | General:** Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- **General Criteria:** Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- **General Criteria:** Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- **Criteria | Corporates | General:** Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- **Criteria | Corporates | Industrials:** Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- **General Criteria:** Methodology: Industry Risk, Nov. 19, 2013
- **General Criteria:** Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- **Criteria | Corporates | General:** Corporate Methodology, Nov. 19, 2013
- **General Criteria:** Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- **General Criteria:** Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- **General Criteria:** Use Of CreditWatch And Outlooks, Sept. 14, 2009
Related Research

- A Trio Of "Special Situations" M&A In European Utilities And Their Rating Implications, April 18, 2019
- German Power And Gas Co Uniper Upgraded To 'BBB' On Reduced Event Risk And Strengthening Business Risk; Outlook Stable; April 27, 2018
- The Fortum-Uniper-E.ON Deal And Its Credit Consequences; Feb. 23, 2018
- Fortum Affirmed At 'BBB' Following Final Outcome Of Takeover Offer For Uniper; Outlook Remains Negative, Feb. 16, 2018
- Fortum Downgraded To 'BBB' On Weakening Credit Metrics After Its Acquisition Of About 47% Of Uniper; Outlook Negative, Jan. 18, 2018

Business And Financial Risk Matrix

<table>
<thead>
<tr>
<th>Business Risk Profile</th>
<th>Minimal</th>
<th>Modest</th>
<th>Intermediate</th>
<th>Significant</th>
<th>Aggressive</th>
<th>Highly leveraged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>aaa/aa+</td>
<td>aa</td>
<td>a+/a</td>
<td>a-</td>
<td>bbb</td>
<td>bbb-/bb+</td>
</tr>
<tr>
<td>Strong</td>
<td>aa/aa-</td>
<td>a+/a</td>
<td>a-/bbb+</td>
<td>bbb</td>
<td>bb+</td>
<td>bb</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>a/a-</td>
<td>bbb+</td>
<td>bbb/zzz-</td>
<td>bb-</td>
<td>b-</td>
<td>b+</td>
</tr>
<tr>
<td>Fair</td>
<td>bbb/zzz</td>
<td>bbb-</td>
<td>bb+</td>
<td>bb</td>
<td>bb-</td>
<td>b</td>
</tr>
<tr>
<td>Weak</td>
<td>bb+</td>
<td>bb+</td>
<td>bb</td>
<td>bb-</td>
<td>b+</td>
<td>b/b-</td>
</tr>
<tr>
<td>Vulnerable</td>
<td>bb-</td>
<td>bb-</td>
<td>bb-/b+</td>
<td>b+</td>
<td>b</td>
<td>b-</td>
</tr>
</tbody>
</table>

Ratings Detail (As Of August 14, 2019)*

**Fortum Oyj**
Issuer Credit Rating  
BBB/Negative/A-2

Ratings History

- **Fortum Oyj**
  - Issuer Credit Rating
    - BBB/Negative/A-2
  - Nordic Regional Scale
    - --/--/NR
  - Senior Unsecured
    - BBB

**Issuer Credit Ratings History**

- 18-Jan-2018
  - BBB/Negative/A-2
- 22-Sep-2017
  - BBB+/Watch Neg/A-2
- 05-Jun-2015
  - BBB+/Stable/A-2
- 18-Mar-2015
  - A-/Watch Neg/A-2
- 05-Jun-2015
  - Nordic Regional Scale
    - --/--/NR
- 13-Jan-2003
  - --/--/K-1

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.