



Financial Statements 2016

Fortum Corporation
2 February 2017

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.

Fortum's performance in 2016

- Beginning of 2016 characterized by increased commodity market volatility and high hydro reservoirs creating pressure on electricity prices. End 2016 some positive signs were seen
- Comparable operating profit EUR 644 (808) million continued to decline due to significantly lower hydro production 20.7 (25.1) TWh and lower achieved power price 31 (33) EUR/MWh than in 2015
- Operationally the year met our expectations
- The investment programme in Russia finalised
- Fixed costs have been reduced according to earlier announced plan (EUR 100 million) and progress has been good
- We updated our strategy, financial targets, vision and mission. We also adjusted the operational model to better enable strategy implementation
- The acquisition of Ekokem and DUON are important steps and access to new revenue streams
- Strategy execution in focus – phase one and two
- The Board of Directors' dividend proposal is EUR 1.10 per share



Market conditions in 2016

Nordic countries

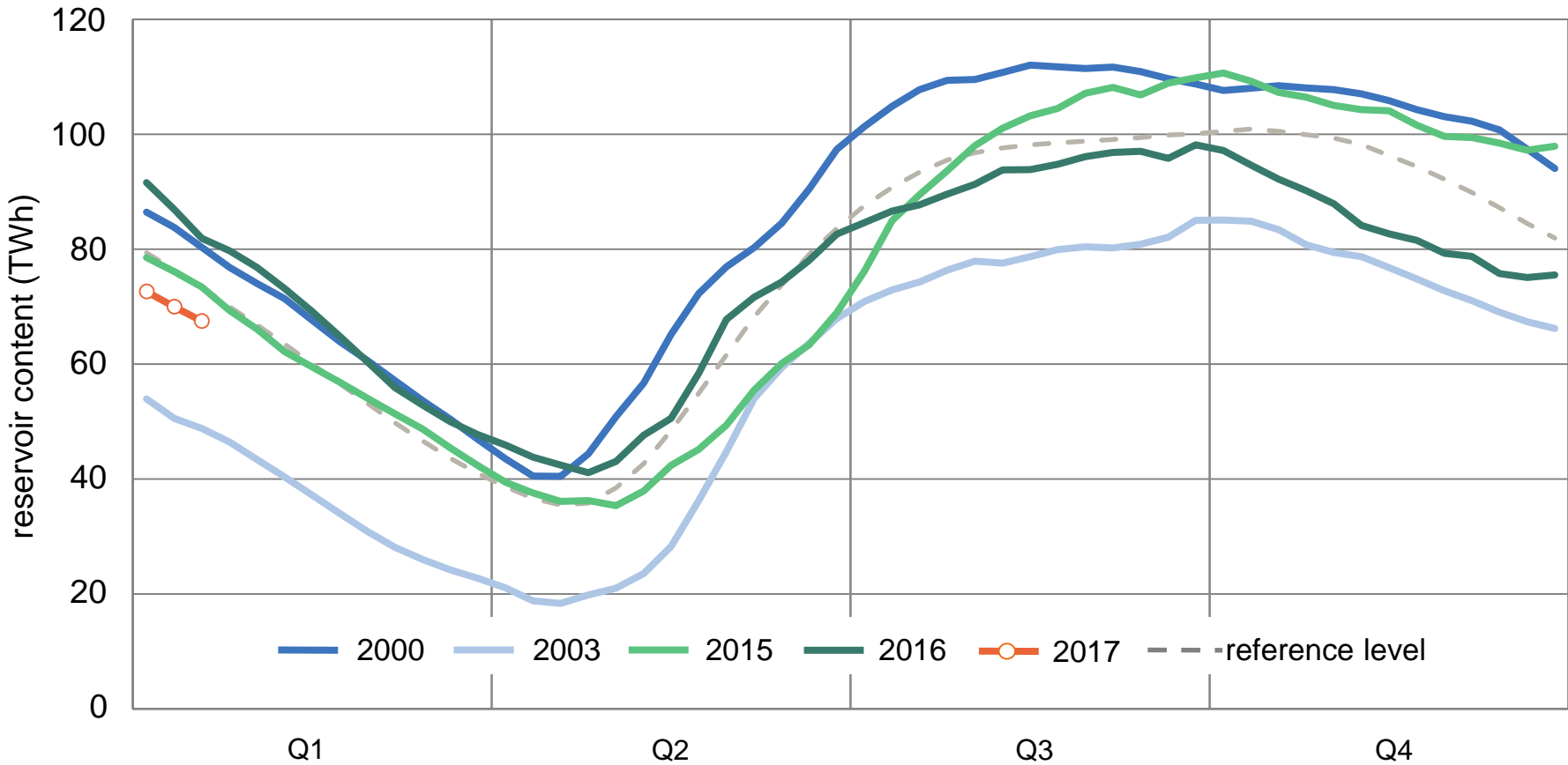
- The electricity consumption totalled 390 (381) TWh
- The system spot price 26,9 (21,0) eur/MWh and Swedish area price 29.2 (22.0) eur/per MWh increased compared to the low levels of 2015, The Finnish area price was only somewhat higher than the year before, 32.4 (29.7) eur/MWh
- The market price of CO₂ emission allowances (EUA) was volatile during the quarter and was at EUR 6.5 (8.3) per tonne at the end of 2016

Russia

- Russian electricity consumption increased slightly and was 1,027 (1,007) TWh. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 787 (772) TWh
- The average electricity spot price, excluding capacity price, increased by 4.3%

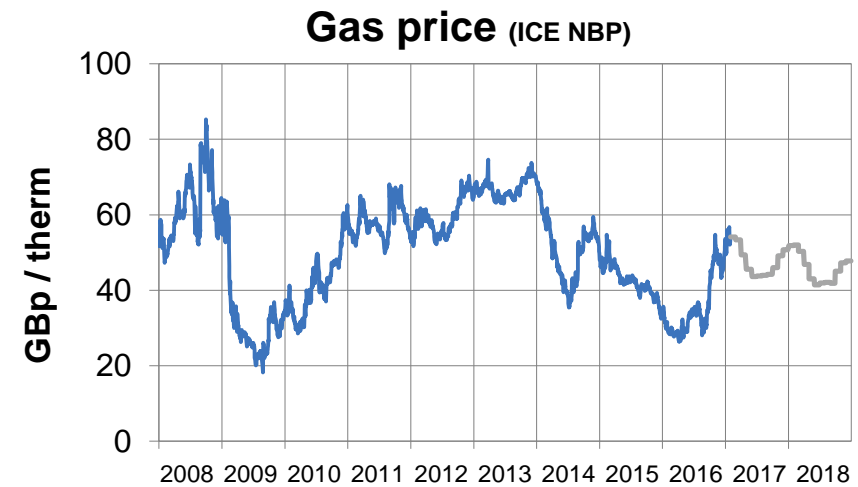
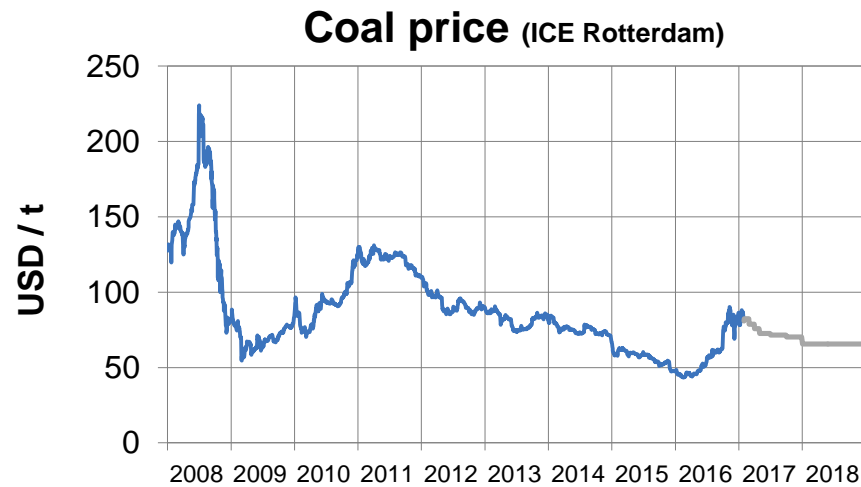
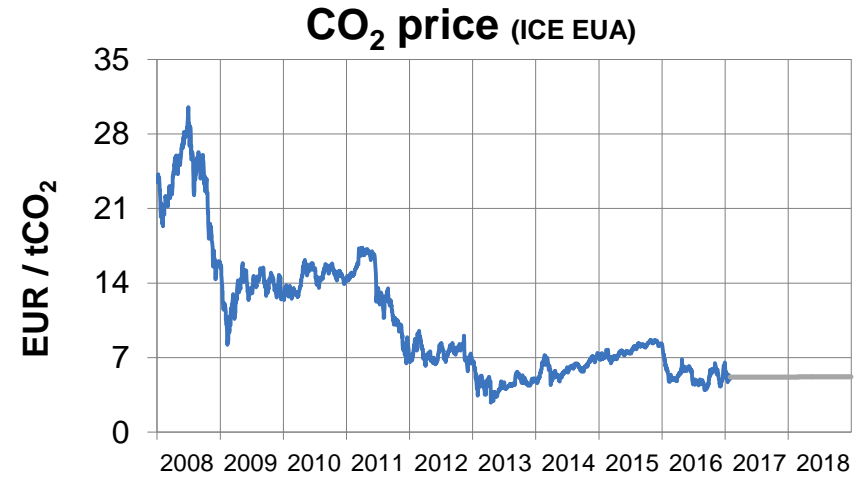
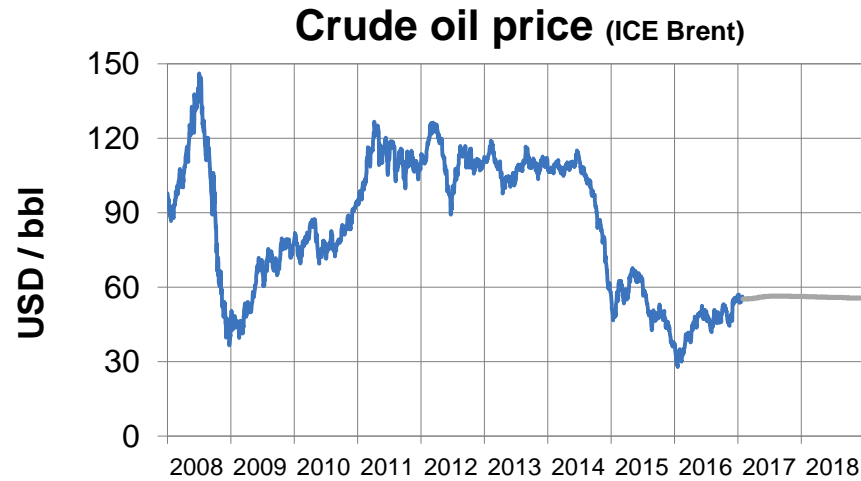


Nordic water reservoirs



Source: Nord Pool

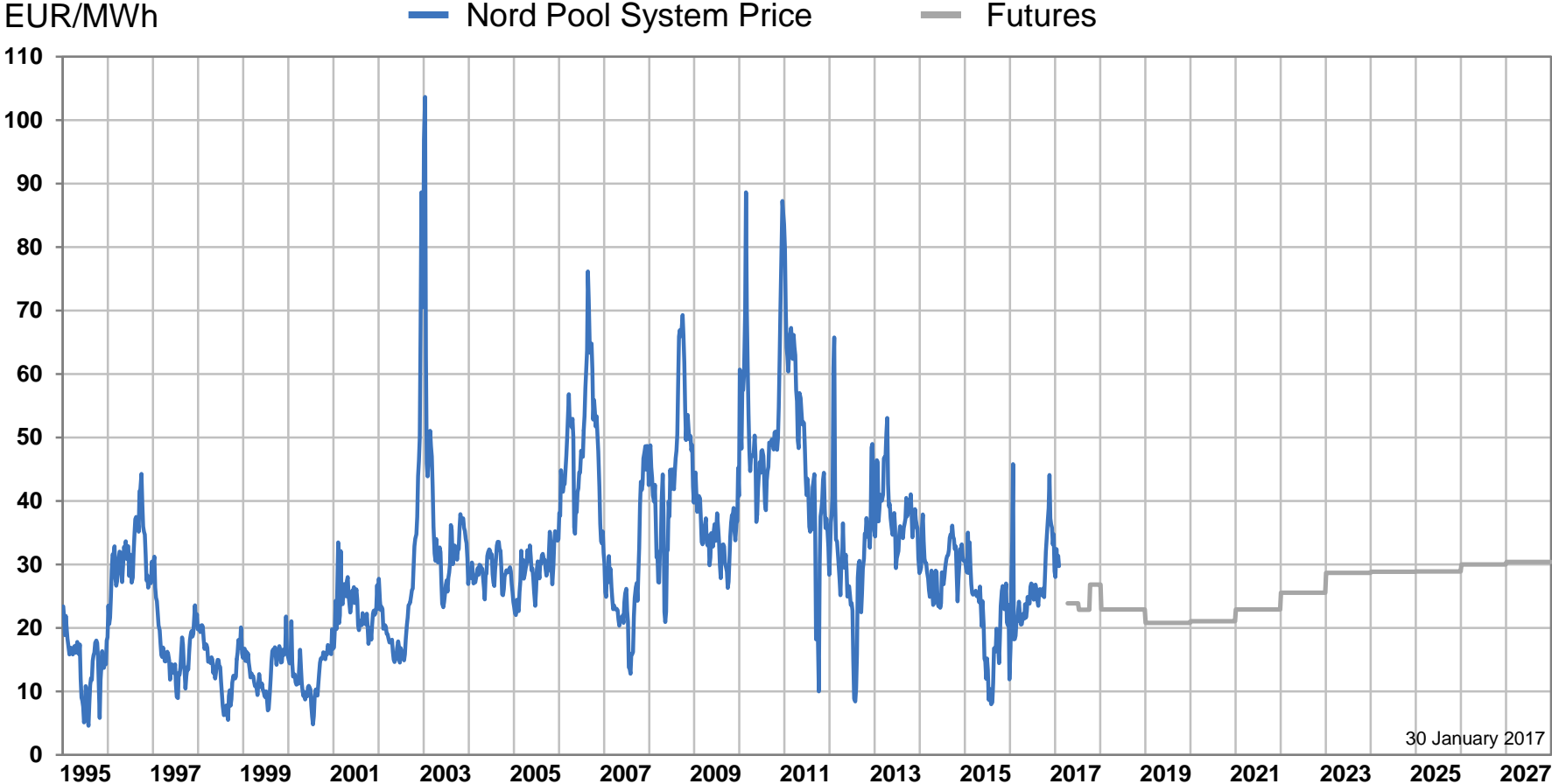
Fuel and CO₂ allowance prices



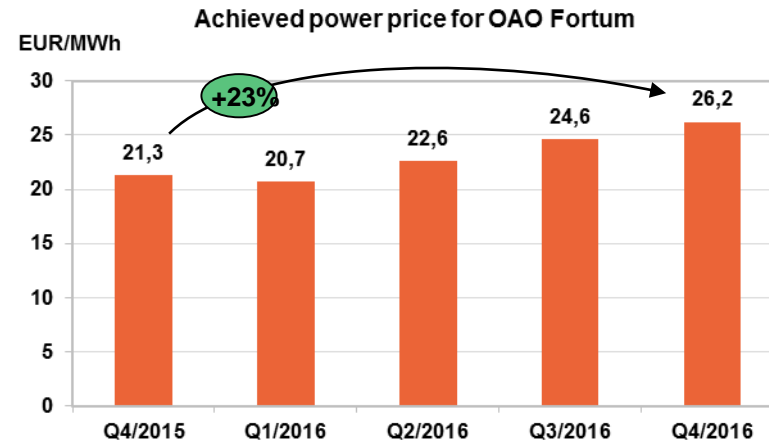
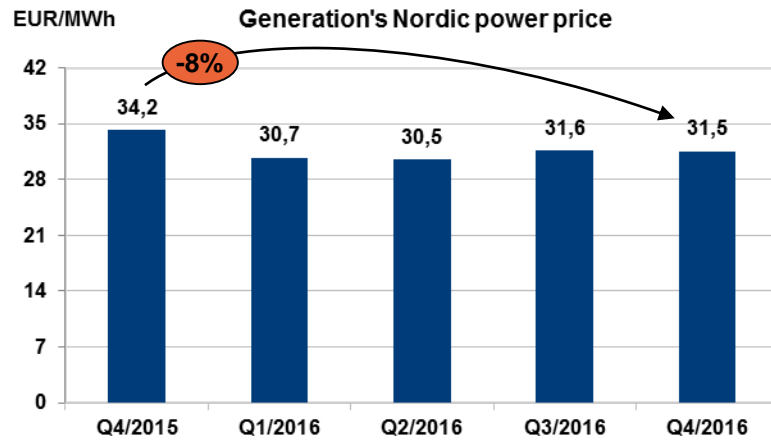
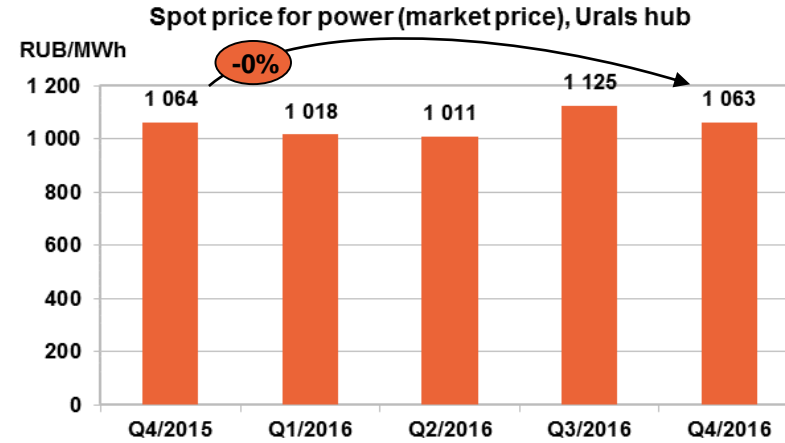
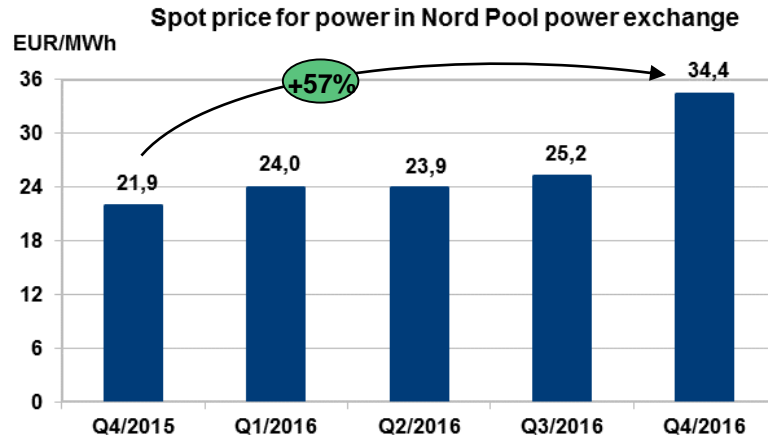
Source: ICE

Market prices 30 January 2017; 2017-2018 future quotations

Wholesale electricity price



Price development in the Nordic region and Russia



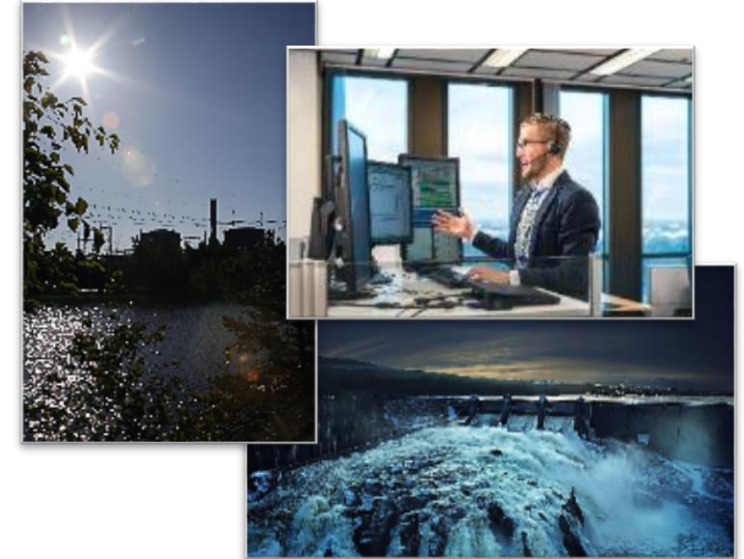
NOTE: Achieved power price in roubles also increased 17%
Includes capacity income

Q4 and FY 2016

Key figures (MEUR), continuing operations	IV/2016	IV/2015	2016	2015
Sales	1,143	964	3,632	3,459
Comparable EBITDA	298	315	1,015	1,102
Operating profit	202	38	633	-150
Comparable operating profit	188	243	644	808
Share of profits of associates and joint ventures	15	35	131	20
Profit before taxes	184	20	595	-305
Earnings per share, EUR	0.16	0.02	0.56	-0.26
Net cash from operating activities	150	332	621	1,228

Generation

- Hydro production volumes lower than normal
- Electricity wholesale prices started to increase at the end of the year
- Positive taxation decision in Sweden – taxation of different energy production forms more equal and the tax burden of nuclear and hydro on the level of other production technologies



MEUR	IV/16	IV/15	2016	2015
Sales	435	440	1,657	1,722
Comparable EBITDA	116	173	527	680
Comparable operating profit	87	142	417	561
Comparable net assets			5,815	5,931
Comparable RONA %			6.9	9.5
Gross investments	80	81	203	203

City Solutions

- EBITDA improving
- Ekokem and DUON were acquired and integrated into City Solutions
- Unfavourable fuel mix and lower achieved power price burdened the result. In addition, 2015 included one-off positive effect in electricity sales



MEUR	IV/16	IV/15	2016	2015
Sales	530	352	1,424	1,187
Comparable EBITDA	105	80	238	209
Comparable operating profit	63	53	112	108
Comparable net assets			3,052	2,182
Comparable RONA %			7.5	7.9
Gross investments	57	61	927	128

Russia

- The investment programme in Russia was completed. The new capacity has been the key driver for earnings growth
- Operationally good year with high utilisation rate
- Comparable EBITDA for 2016 more than EUR 300 million

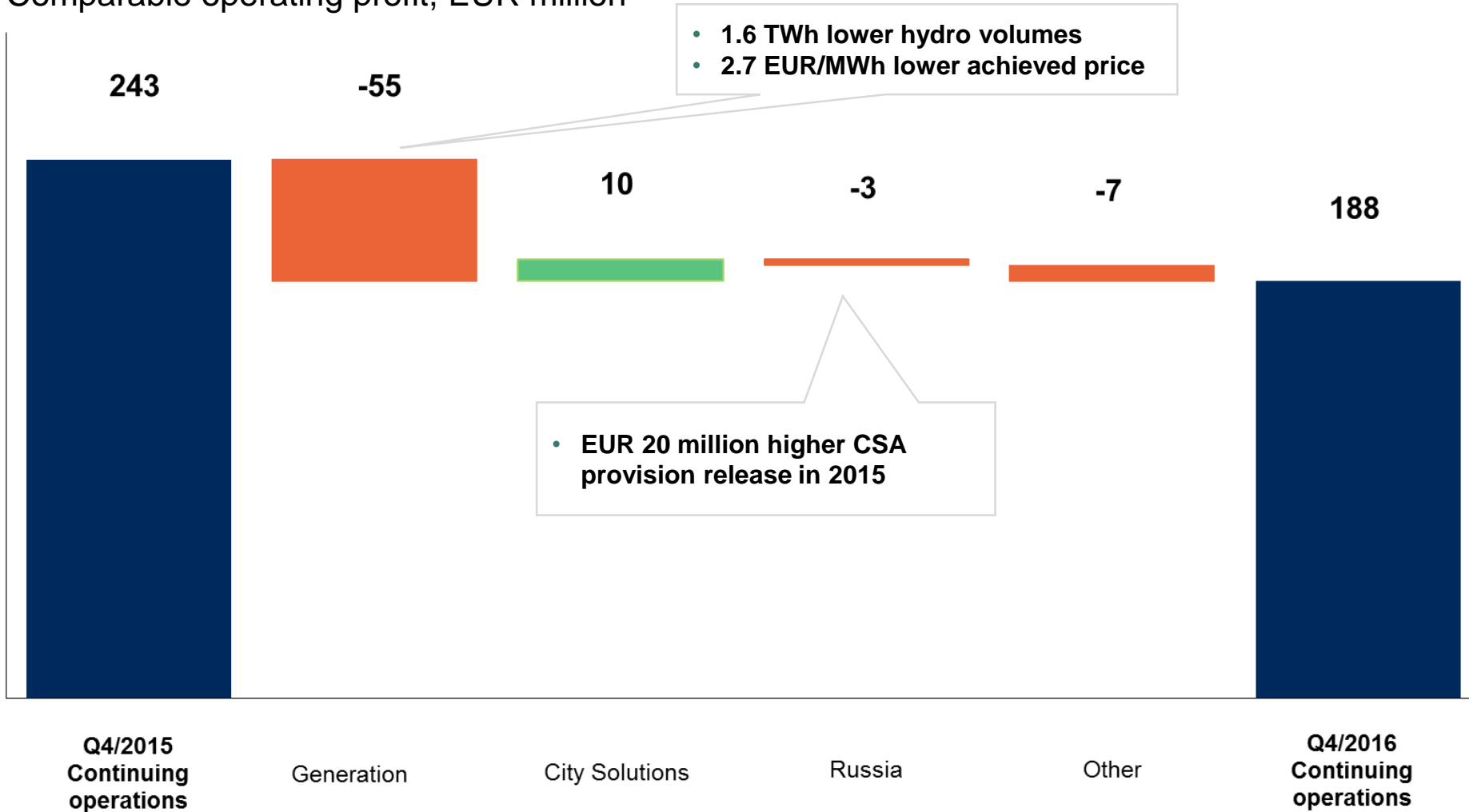


MEUR	IV/16	IV/15	2016	2015
Sales	289	266	896	893
Comparable EBITDA*	100	81	312	267
Comparable operating profit	66	69	191	201
Comparable net assets			3,284	2,561
Comparable RONA %			8.0	8.2
Gross investments	67	87	201	285

* Excluding the net release of CSA provision

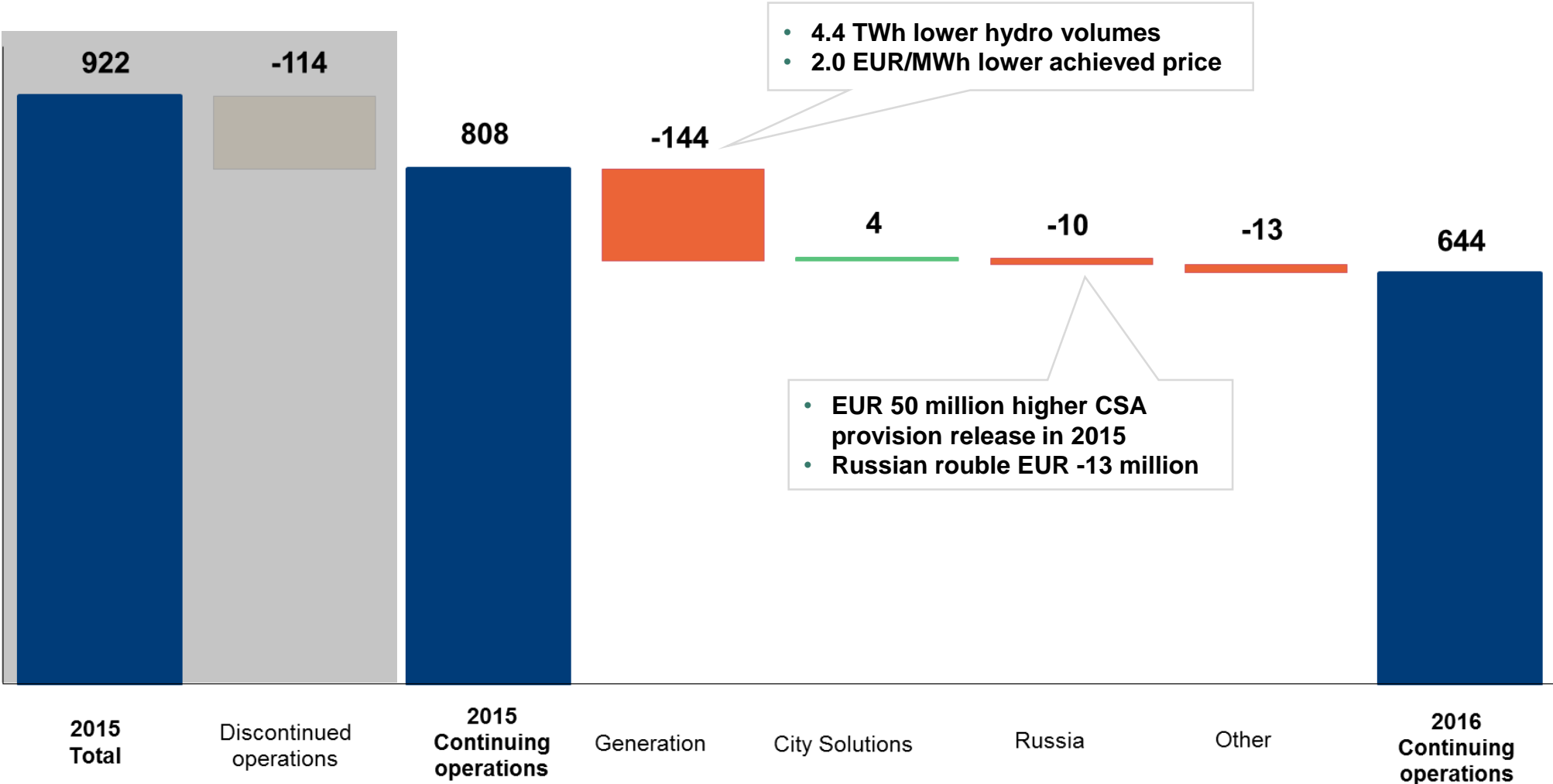
Q4/2016: Lower hydro volumes and achieved price

Comparable operating profit, EUR million



2016: Lower hydro volumes and achieved price

Comparable operating profit, EUR million





Financials

Comparable and reported operating profit

MEUR	Comparable operating profit		Reported operating profit		Comparable operating profit		Reported operating profit	
	IV/2016	IV/2015	IV/2016	IV/2015	2016	2015	2016	2015
Generation	87	142	77	-65	417	561	338	-396
City Solutions	63	53	85	54	112	108	145	105
Russia	66	69	67	69	191	201	226	203
Other	-28	-21	-27	-21	-76	-63	-76	-62
Total, continuing operations	188	243	202	38	644	808	633	-150
Discontinued operations	-	-	-	-	-	114	-	4,395
Total, Fortum	188	243	202	38	644	922	633	4,245

Fortum's operating profit for the fourth quarter was impacted by items affecting comparability, including sales gains, updated provisions, and an IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production, as well as nuclear fund adjustments for continuing operations, amounting to EUR 14 (-205) million.

Fortum's operating profit for 2016 was impacted by items affecting comparability, including sales gains, Ekokem transaction costs, updated provisions and an IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production, as well as nuclear fund adjustments for continuing operations, amounting to EUR -11 (-958) million.

Income statement

MEUR	IV/2016	IV/2015	2016	2015
Sales	1,143	964	3,632	3,459
Other income and expenses	-955	-721	-2,989	-2,651
Comparable operating profit	188	243	644	808
Items affecting comparability	14	-205	-11	-958
Operating profit	202	38	633	-150
Share of profit of associates and joint ventures	15	35	131	20
Financial expenses, net	-34	-52	-169	-175
Profit before taxes	184	20	595	-305
Income tax expense	-37	-2	-90	78
Net profit, continuing operations	147	19	504	-228
Net profit, discontinued operations	-	-	-	4,369
Net profit, Fortum total	147	19	504	4,142
EPS (EUR), continuing operations	0.16	0.02	0.56	-0.26
EPS (EUR), discontinued operations	-	-	-	4.92
EPS (EUR), Fortum Total	0.16	0.02	0.56	4.66

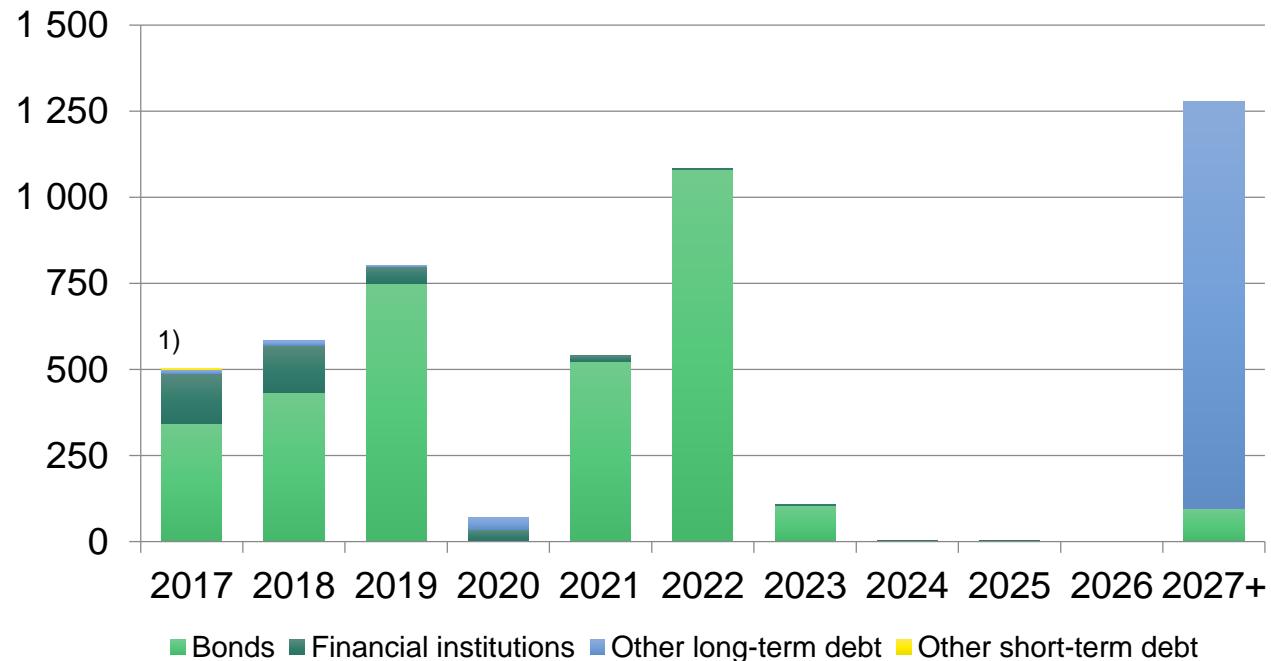
Cash flow statement

MEUR	IV/2016	IV/2015	2016	2015
Cash from operating activities:				
Realised FX gains/losses	-2	43	110	292
Other funds from operations	288	320	613	907
Change in working capital	-136	-31	-102	29
Cash from operating activities, cont. operations	150	332	621	1,228
Cash from operating activities, discontinued operations	-	0	-	154
Cash from operating activities, total Fortum	150	331	621	1,381
Cash used in investing activities:				
Paid capital expenditures	-232	-180	-599	-527
Acquisitions of shares	-29	-37	-695	-43
Proceeds from divestments	3	2	49	55
Other investment activities	-5	180	-457	480
Total investing activities, continuing operations	-263	-35	-1,701	-35
Total investing activities, discontinued operations	-	-	-	6,303
Cash used in investing activities, total Fortum	-263	-35	-1,701	6,268
Cash flow before financing activities, total Fortum	-113	296	-1,080	7,650

Debt portfolio and average interest rate on the balance sheet date

31 December 2016

Maturity profile



- Total interest-bearing debt EUR 5,107 million
 - Average interest 3.5% (2015: 3.7%)
 - Portfolio mainly in EUR and SEK with average interest cost 2.1% (2015: 2.6%)
 - EUR 805 million (2015: 641) swapped to RUB, average interest cost including cost for hedging 11.4% (2015: 12.8%)

¹⁾ In addition Fortum has received EUR 135 million based on Credit Support Annex agreements with several counterparties. This amount has been booked as a short term liability.

Fortum has a strong financial position

MEUR	2016	2015	Target
Comparable EBITDA, continuing operations	1,015	1,102	
Comparable EBITDA, total Fortum	1,015	1,265	
Interest-bearing net debt, total Fortum	-48	-2,195	
Comparable net debt/EBITDA, total Fortum	0.0	-1.7	Around 2.5
ROCE % Return on capital employed, total Fortum	4.0	22.7	At least 10%

Liquid funds totalled EUR 5.2 billion
Committed credit lines total EUR 2.0 billion

Outlook

Nordic markets

- Fortum continues to expect that the annual electricity demand growth will be approximately 0.5% on average
- Electricity is expected to continue to gain share of total energy consumption

Russia

- The targeted operating profit level (EBIT) for the Russia segment, RUB 18.2 billion, is expected to be reached during 2017-2018

2017 Annual capex estimate, excluding acquisitions

- Approximately EUR 800 million (maintenance capex below EUR 300 million)

Hedging

- 2017 approximately 60% hedge ratio at EUR 30/MWh
- 2018 approximately 35% hedge ratio at EUR 26/MWh

Taxation

- Effective tax rate for 2017 for the Group 19-21%
- In Sweden, reduced from 1 July 2017 nuclear taxes; abolished by 2018. Hydro assets' real estate tax rate decreased from 2.8% to 0.5% over a four-year period



Annual General Meeting 2017 and dividend distribution proposal

- Fortum's Annual general meeting is planned to take place at 14:00 on Tuesday, 4 April 2017, at the Finlandia Hall, Mannerheimintie 13, in Helsinki, Finland
- The Board of Directors' dividend proposal is EUR 1.10 per share
- Dividend-related dates planned for 2017
 - Ex-dividend date 5 April 2017
 - Record date for dividend payment 6 April 2017
 - Dividend payment date 13 April 2017