



Financial Statements 2017

Fortum Corporation
2 February 2018



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

Delivering on our growth strategy

Agreement with E.ON
Uniper public takeover offer

170 MW solar
power in India,
35 MW in Russia

Hafslund restructuring

180 MW wind
power in Norway,
35 MW in Russia
and a 1,000 MW
wind JV in Russia

International
growth for Nordic
market leader
Charge & Drive

Chelyabinsk GRES unit 3
started commercial
operation

Good performance in 2017

- Wholesale power prices showing signs of improvement, yet still on low levels
- Comparable EBITDA +26% at EUR 1,275 million
- Comparable operating profit +26% at EUR 811 million
 - Increase mainly related to Generation and Russia segments
- EPS at EUR 0.98 (0.56)
 - Items affecting comparability EUR 0.38 (-0.02)
 - Swedish tax case EUR -0.14 (0.00)
- Hafslund transaction completed
- Uniper offer – E.ON tendered their 46.65% stake in January 2018
- EUR 100 million fixed cost savings achieved
- The Board of Directors proposes that the dividend is unchanged at EUR 1.10 per share



Investment in Uniper delivers on our capital redeployment strategy

- Uniper's businesses are aligned with our core competences, close to our home markets and highly cash generative
- Uniper and Fortum have a mutually complementary, strategic mix of assets and expertise to actively drive Europe's transition towards a low-carbon and secure energy system
- Fortum sees good cooperation opportunities with Uniper to create value for all stakeholders
 - talks initiated with Uniper management
- We are satisfied with 46.93% acceptance rate at the end of initial tender period
 - Total value EUR 22 per share
 - Final outcome of the offer to be published on 7 February
 - Closing of the offer is subject to competition and regulatory approvals
 - Fortum expects to finalise the transaction in mid-2018

Stable market conditions with improving prices in 2017

Nordic countries

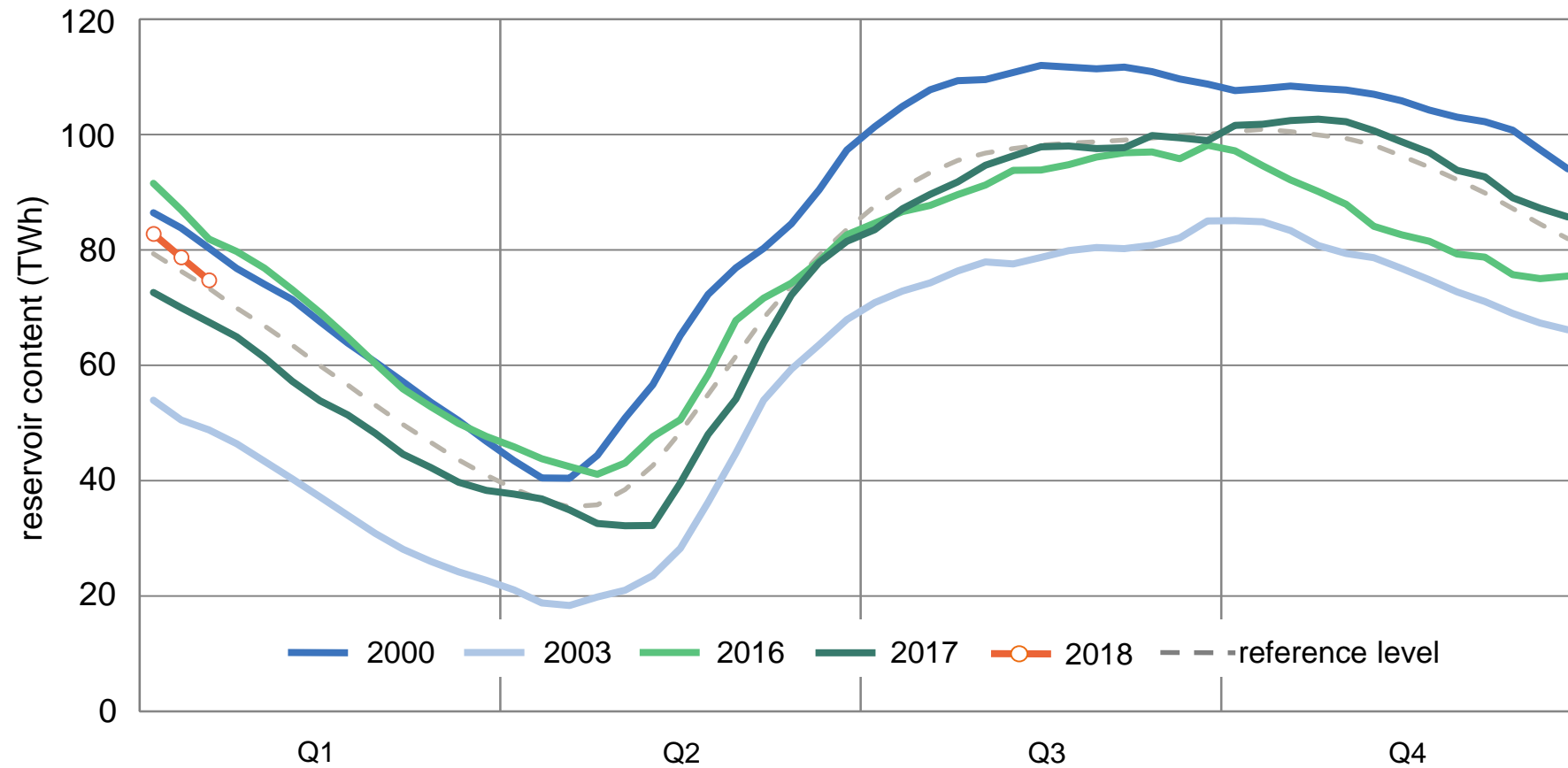
- Electricity consumption at 392 (390) TWh Y/Y
 - The Nordic precipitation in Q4 and FY 2017 clearly above normal level
- System spot price increased to 29.4 (26.9) EUR/MWh
 - Finnish area price was 33.2 (32.4) EUR/MWh and Swedish (SE3) area price 31.2 (29.2) EUR/MWh
- Market price for CO₂ emission allowances (EUA)
 - Increase from EUR 6.5/t at the beginning of 2017 to EUR 8.2/t at the end of 2017

Russia

- Electricity consumption slightly higher at 1,035 (1,027) TWh
 - First price zone (Fortum's operating area price) at 799 (787) TWh
 - Average electricity spot price flat in Urals hub

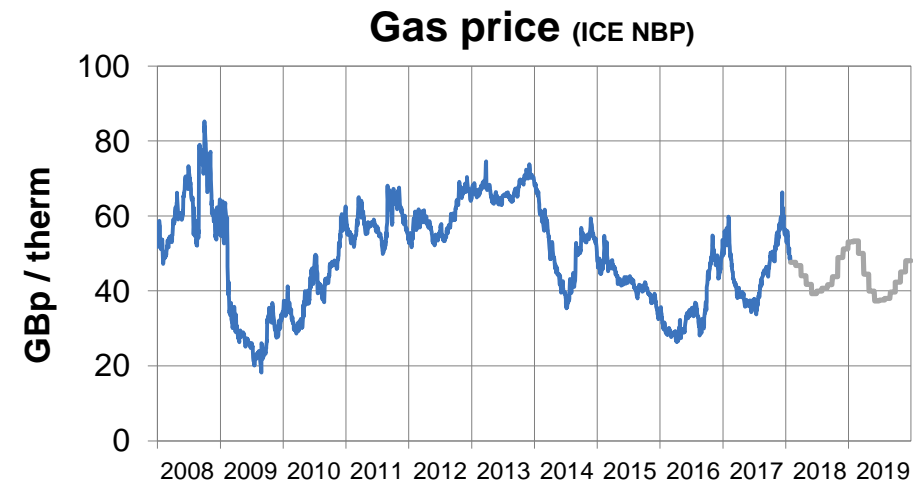
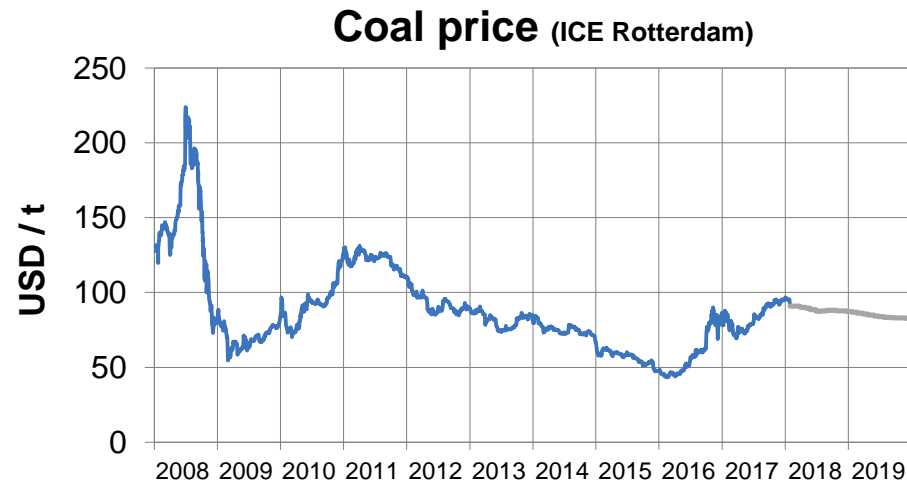
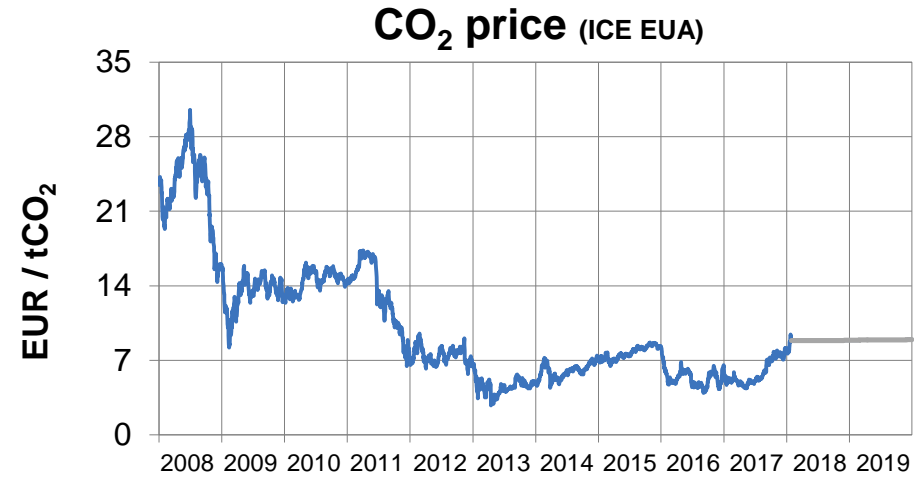
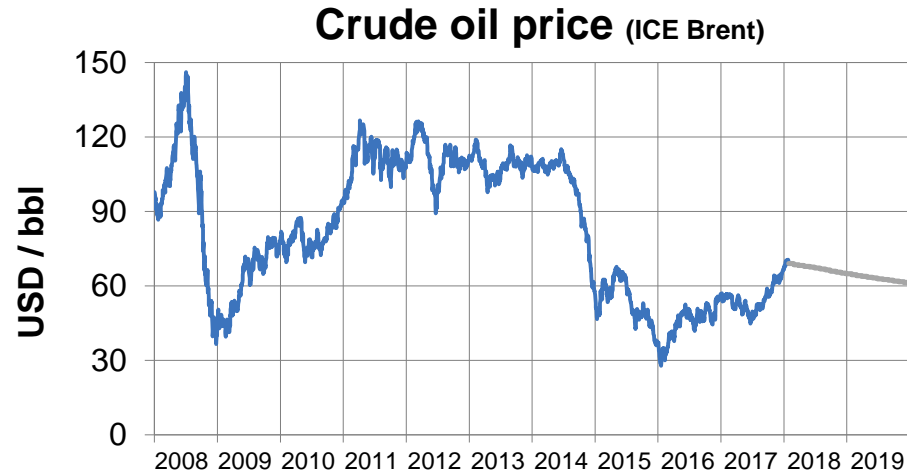


Nordic water reservoirs somewhat above normal level at the end of 2017



Source: Nord Pool

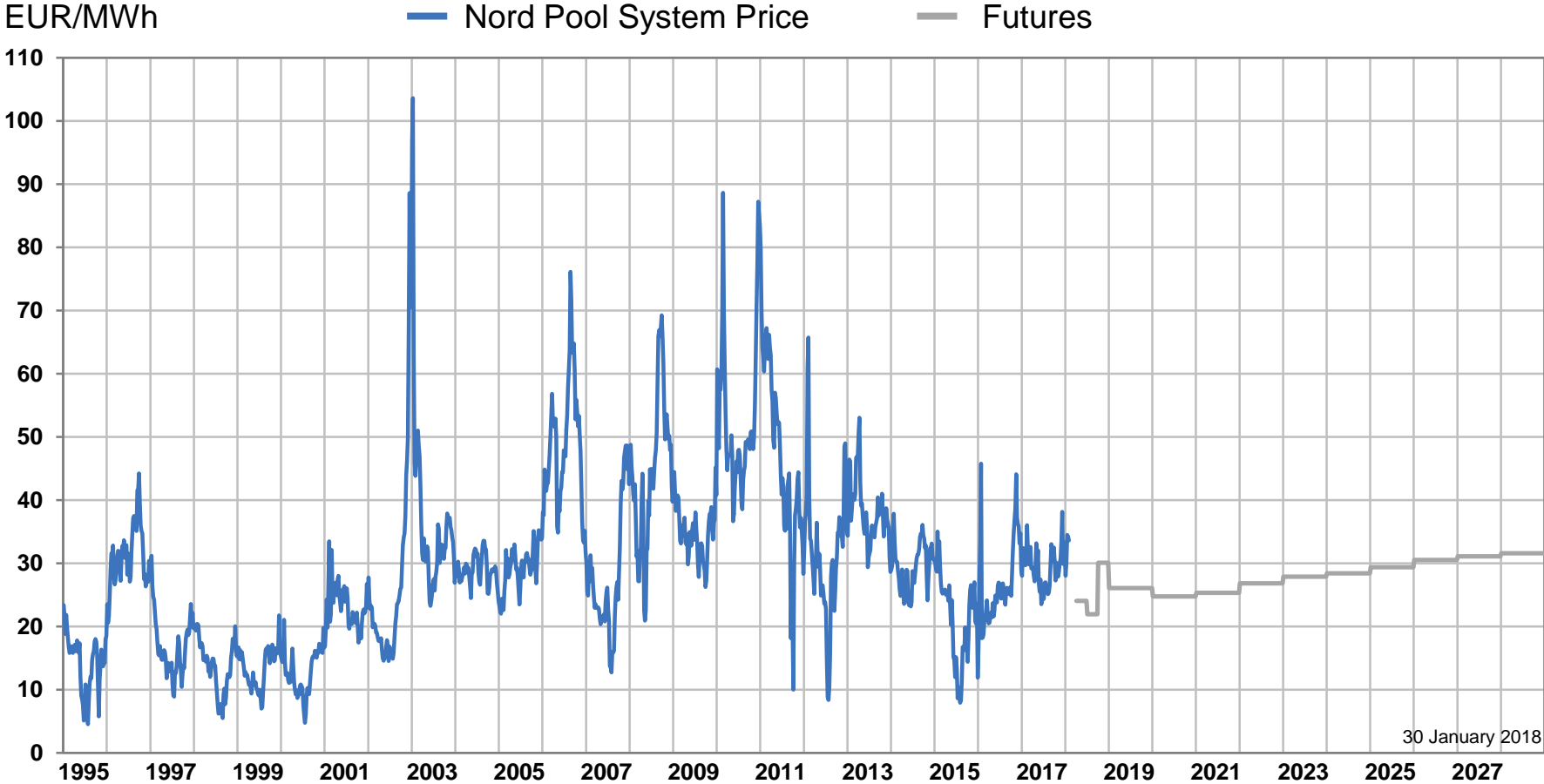
Stronger commodities



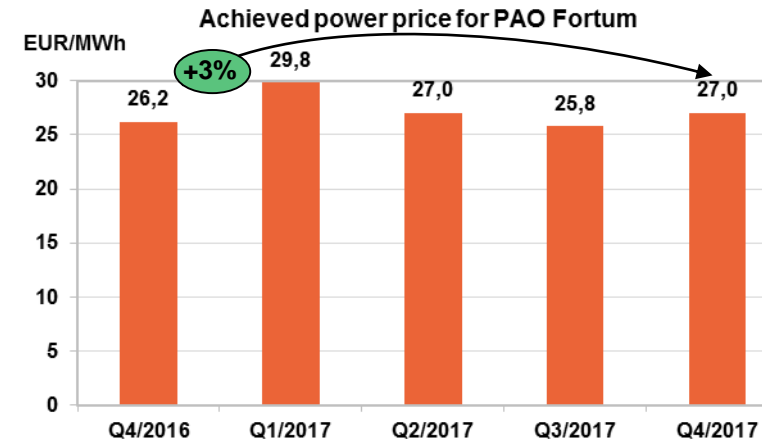
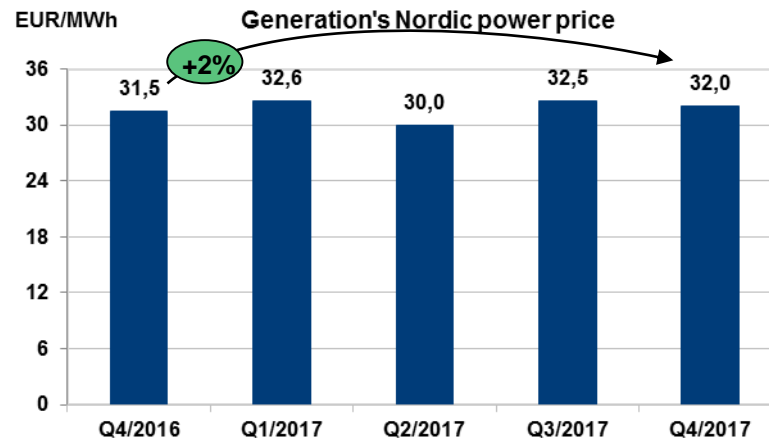
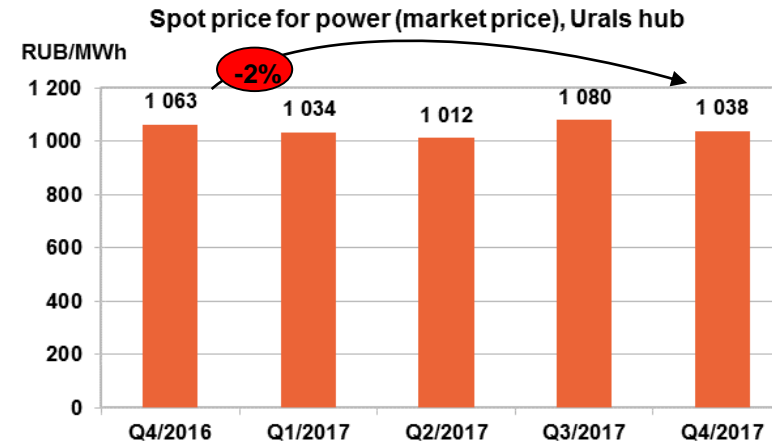
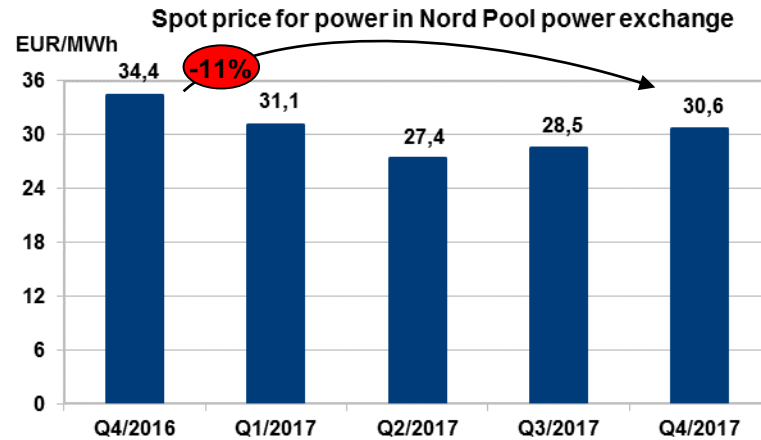
Source: ICE, Thomson Reuters

Market prices 30 January 2018; 2018-2019 future quotations

Wholesale power price recovered from record low level - futures still on a low level



Power price development in the Nordic region and Russia



NOTE: Achieved power price in roubles increased appr. 1%
Includes capacity income

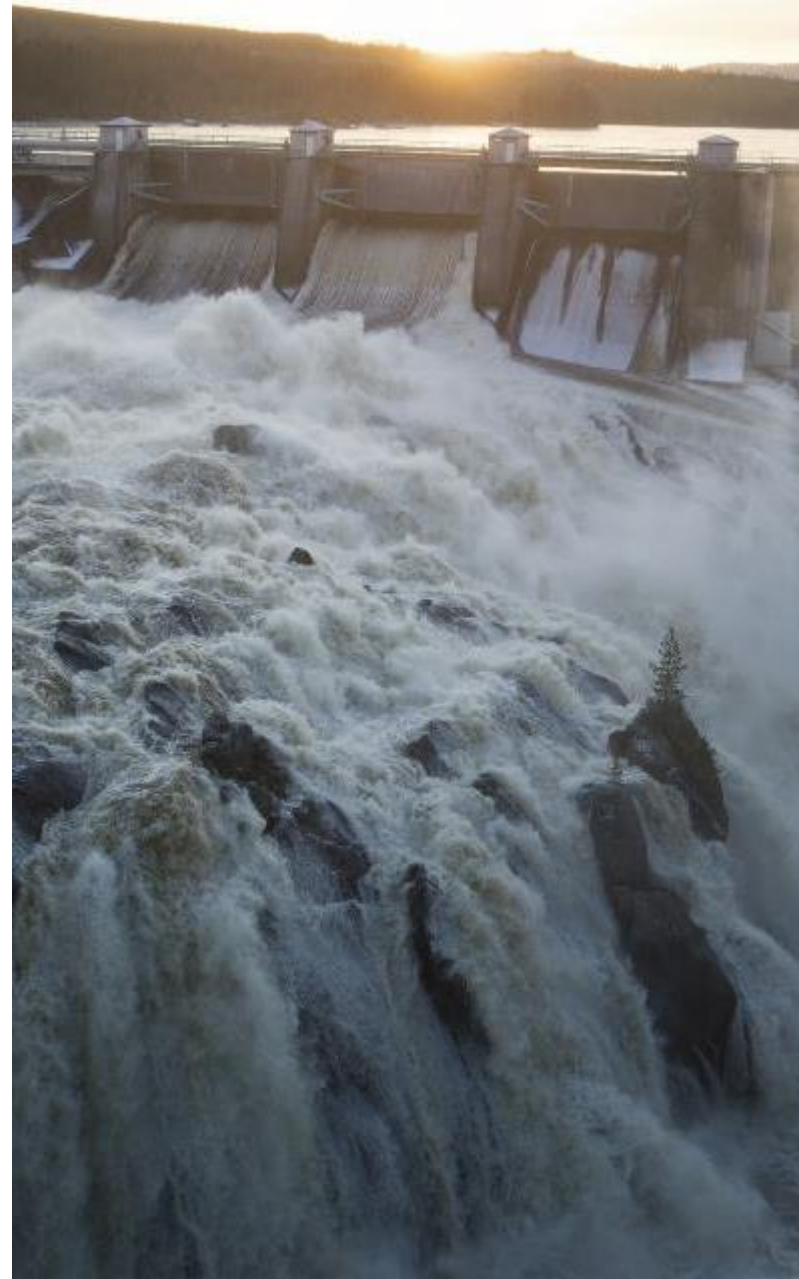
Key figures in Q4 and FY 2017

MEUR	IV/17	IV/16	2017	2016
Sales	1,432	1,143	4,520	3,632
Comparable EBITDA	424	298	1,275	1,015
Comparable operating profit	295	188	811	644
Operating profit	315	202	1,158	633
Share of profits of associates and joint ventures	34	15	148	131
Profit before income taxes	300	184	1,111	595
Earnings per share, EUR	0.28	0.16	0.98	0.56
Net cash from operating activities	295	150	993	621

Generation

- Higher achieved power price improved results in 2017
- Lower real-estate and capacity taxes in Sweden
 - Hydro and nuclear power plants
- Lower nuclear volumes due to closure of Oskarshamn 1 and lower availability
 - Record production year at Loviisa nuclear power plant

MEUR	IV/17	IV/16	2017	2016
Sales	433	435	1,677	1,657
Comparable EBITDA	191	116	603	527
Comparable operating profit	160	87	478	417
Comparable net assets			5,672	5,815
Comparable RONA %			8.4	6.9
Gross investments	55	80	264	203



City Solutions

- Higher sales driven by Fortum Oslo Varme (Hafslund)
- Consolidation of Fortum Oslo Varme had a positive effect of EUR 15 million on the comparable operating profit in 2017
- Consolidation of Ekokem, power prices and fuel mix further improved results
- The share of profits from associated companies and joint ventures totalled EUR 80 (76) million mainly Fortum Värme

MEUR	IV/17	IV/16	2017	2016
Sales	340	316	1,015	782
Comparable EBITDA	110	90	262	186
Comparable operating profit	61	50	98	64
Comparable net assets			3,728	2,873
Comparable RONA %			5.5	5.9
Gross investments	69	55	556	807



Consumer Solutions

- Higher sales driven by the Hafslund transaction
 - Total customer base at the end of the period was 2.49 (1.36) million
- Comparable operating profit EUR 13 million positively impacted by Hafslund transaction in 2017
 - Offset by lower average margin in electricity and gas products, higher costs due to development of new digital services and renegotiated invoicing service agreements for external distribution companies

MEUR	IV/17	IV/16	2017	2016
Sales	453	221	1,097	668
Comparable EBITDA	25	15	57	55
Comparable operating profit	18	13	41	48
Comparable net assets			638	154
Customer base, million			2.49	1.36
Gross investments	3	2	493	120



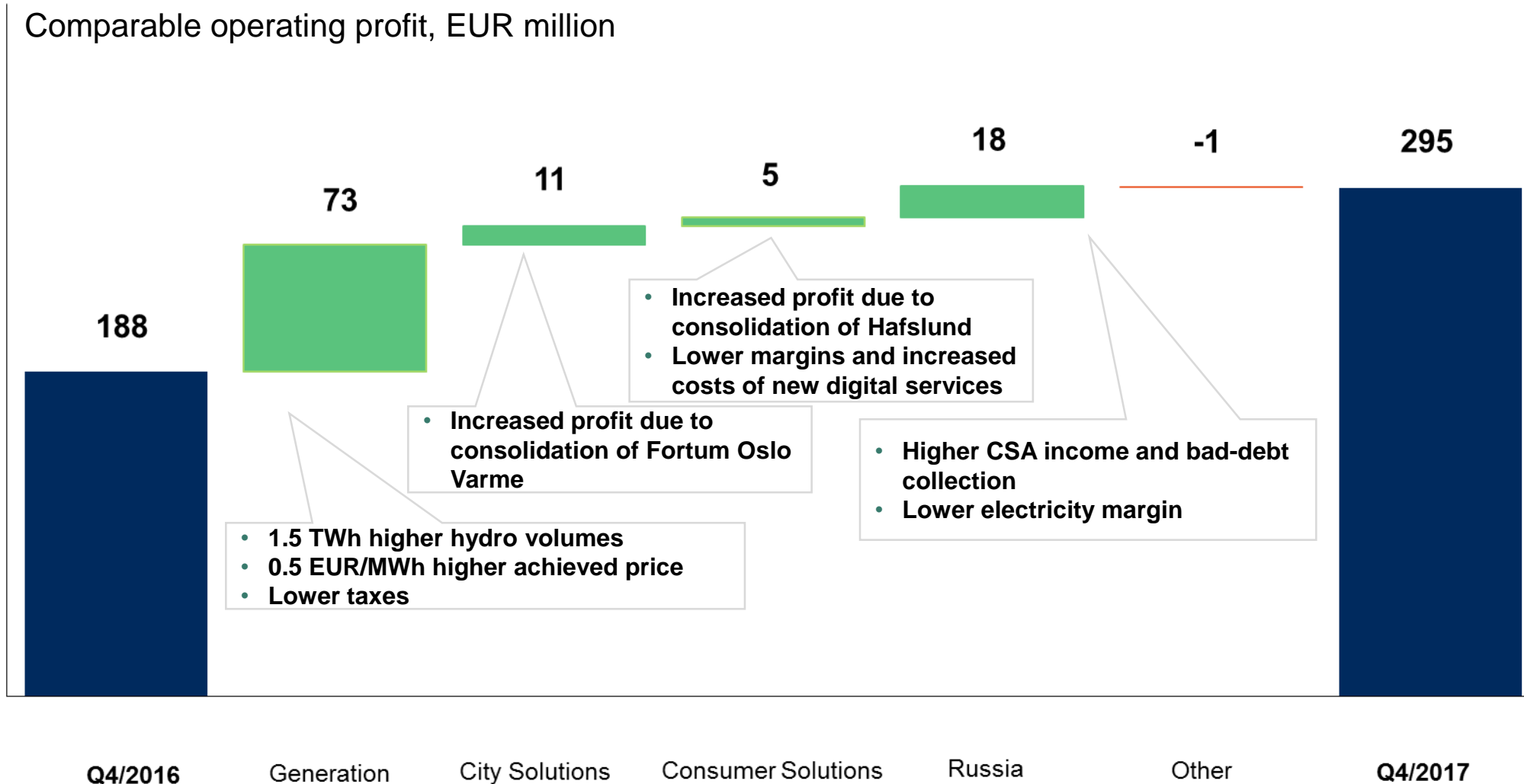
Russia

- Comparable operating profit in 2017 increased due to
 - Commissioning of the new units, higher received CSA payments, higher power volumes, and improved bad-debt collections
 - Positive effect of EUR 31 million from strengthened Russian ruble
- New capacity from Chelyabinsk GRES (248 MW), Ulyanovsk wind (35 MW) and solar (35 MW)

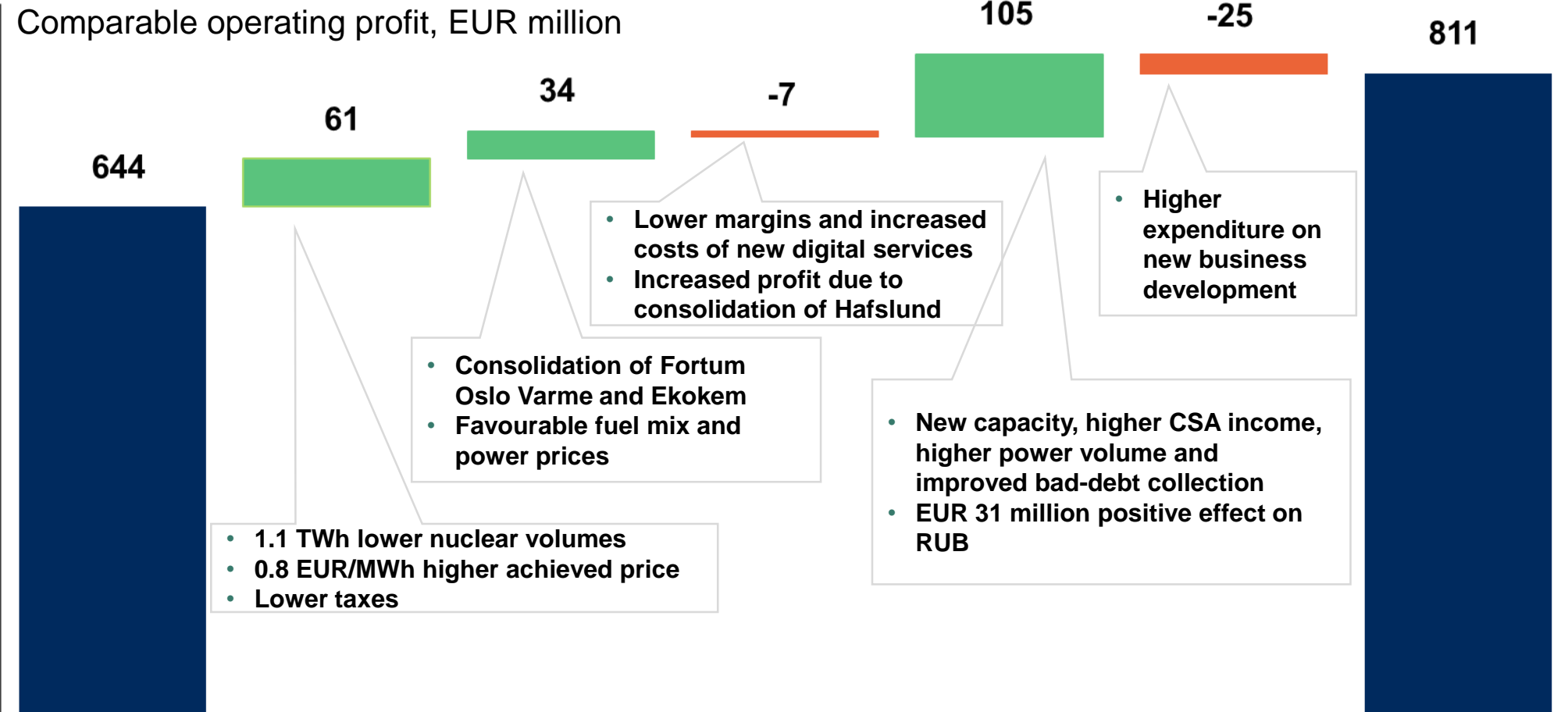
MEUR	IV/17	IV/16	2017	2016
Sales	314	289	1,101	896
Comparable EBITDA	121	100	438	312
Comparable operating profit	84	66	296	191
Comparable net assets			3,161	3,284
Comparable RONA %			10.1	8.0
Gross investments	167	67	277	201



Q4/2017: Higher hydro volumes – improved results in Russia



2017: Improved results in Russia – Higher achieved power price in Generation



Income statement

MEUR	IV/17	IV/16	2017	2016
Sales	1,432	1,143	4,520	3,632
Other income and expenses	-1,136	-955	-3,709	-2,988
Comparable operating profit	295	188	811	644
Items affecting comparability	20	14	347*	-11
Operating profit	315	202	1,158	633
Share of profit of associates and joint ventures	34	15	148	131
Finance costs, net	-49	-34	-195	-169
Profit before income taxes	300	184	1,111	595
Income tax expense	-43	-37	-229	-90
Net profit	257	147	882	504
EPS (EUR)	0.28	0.16	0.98	0.56

* Hafslund sales gain of EUR 324 million

Cash flow statement

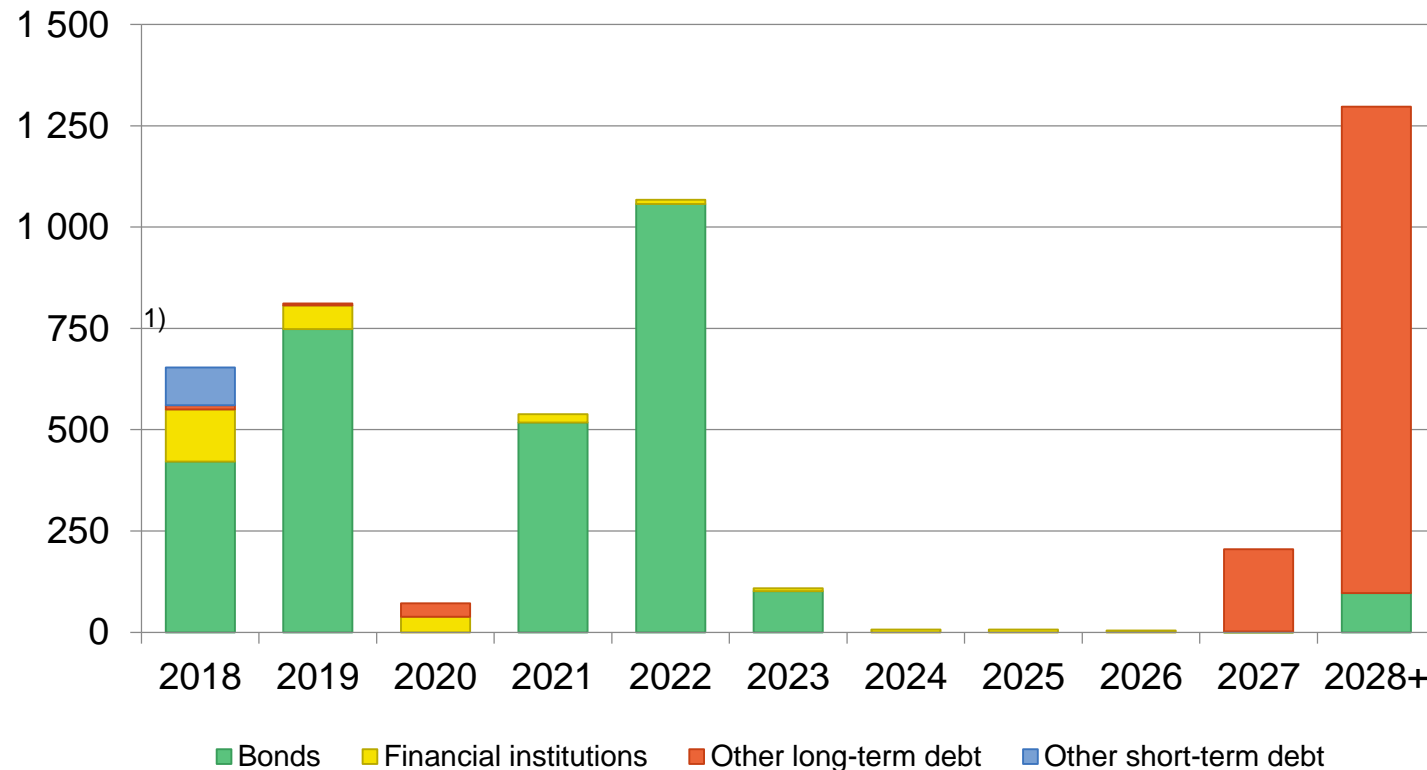
MEUR	IV/17	IV/16	2017	2016
Cash from operating activities:				
Comparable EBITDA	424	298	1,275	1,015
Realised FX gains/losses	-12	-2	-83	110
Paid net financial costs, income taxes and other	-71	-11	-281	-402*
Change in working capital	-45	-136	81	-102
Cash from operating activities	295	150	993	621
Cash used in investing activities:				
Capital expenditures	-187	-232	-657	-599
Acquisitions of shares	-44	-29	-972	-695
Divestments of shares	1	0	741	39
Change in cash collaterals	21	34	-3	-359
Other investing activities	13	-36	85	-87
Cash flow from investing activities	-195	-263	-807	-1,701
Cash flow before financing activities	99	-113	187	-1,080

* Including the payment of income taxes of EUR 127 million regarding the Swedish income tax case

Debt portfolio and average interest rate on the balance sheet date

31 December 2017

Maturity profile



- Total interest-bearing debt of EUR 4,885 million
 - Average interest rate of 3.6% (3.5%)
 - Portfolio mainly in EUR and SEK with average interest cost 2.4% (2.1%)
 - EUR 773 million (805) swapped to RUB, average interest cost including cost for hedging 9.5% (11.4%)

¹⁾ In addition Fortum has received EUR 113 million based on Credit Support Annex agreements with several counterparties. This amount has been booked as a short term liability.

Strong financial position

- financial headroom enables the Uniper investment

MEUR	2017	2016	Target
Comparable EBITDA	1,275	1,015	
Interest-bearing net debt	988	-48	
Comparable net debt/EBITDA	0.8	0.0	Around 2.5
ROCE % Return on capital employed	7.1*	4.0	At least 10%

* Includes sales gain of Hafslund shares

Liquid funds EUR 3.9 billion
Committed credit lines EUR 1.9 billion
In addition, EUR 12.0 billion for Fortum's offer for Uniper shares

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

2018 Estimated annual capital expenditure, excluding acquisitions

- Approximately EUR 600-700 million (maintenance capex appr. EUR 300 million)

Hedging

- 2018 approximately 70% hedged at EUR 28/MWh
- 2019 approximately 40% hedged at EUR 25/MWh

Synergies of Hafslund transaction going forward EUR 15-20 million by the end of 2020

- City Solutions EUR 5-10 million by the end of 2020
- Consumer Solutions appr. EUR 10 million by the end of 2020

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

* Excluding the impact of the share of profits of associated companies and joint ventures, non-taxable capital gains, and a Swedish income tax case.



Annual General Meeting 2018 and dividend distribution proposal

- Fortum's Annual General Meeting 2018 is planned to take place on 28 March 2018 at 11:00 a.m. EET
 - At the Finlandia Hall in Helsinki
- The Board of Directors proposes a dividend of EUR 1.10 per share
- Dividend-related dates planned for 2018:
 - Ex-dividend 29 March 2018
 - Record date for dividend payment 3 April 2018
 - Dividend payment date 10 April 2018





Q&A