



# Fortum Group strategy: Driving the energy transition

CMD 2020

3 December 2020

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- Past performance is no guide to future performance, and persons needing advice should consult an independent financial adviser.
- No decisions have been taken yet on concrete measures described hereon as these need to be further elaborated and assessed by Fortum and Uniper. Any final decision will be taken separately in the best interest of Fortum and Uniper, respectively, and all their shareholders.
- All business cooperation between Fortum and Uniper is subject to the arms-length principle. The updated strategy announced by Fortum in December 2020 is based on assessments made independently by both Fortum and Uniper. Fortum and Uniper have committed to the group strategy in the best interest of the respective company and all its shareholders.





# Energy transition

# The world needs a fast energy transition to mitigate climate change

## Global megatrends drive the transition to a low carbon world



CLIMATE CHANGE



RESOURCE EFFICIENCY



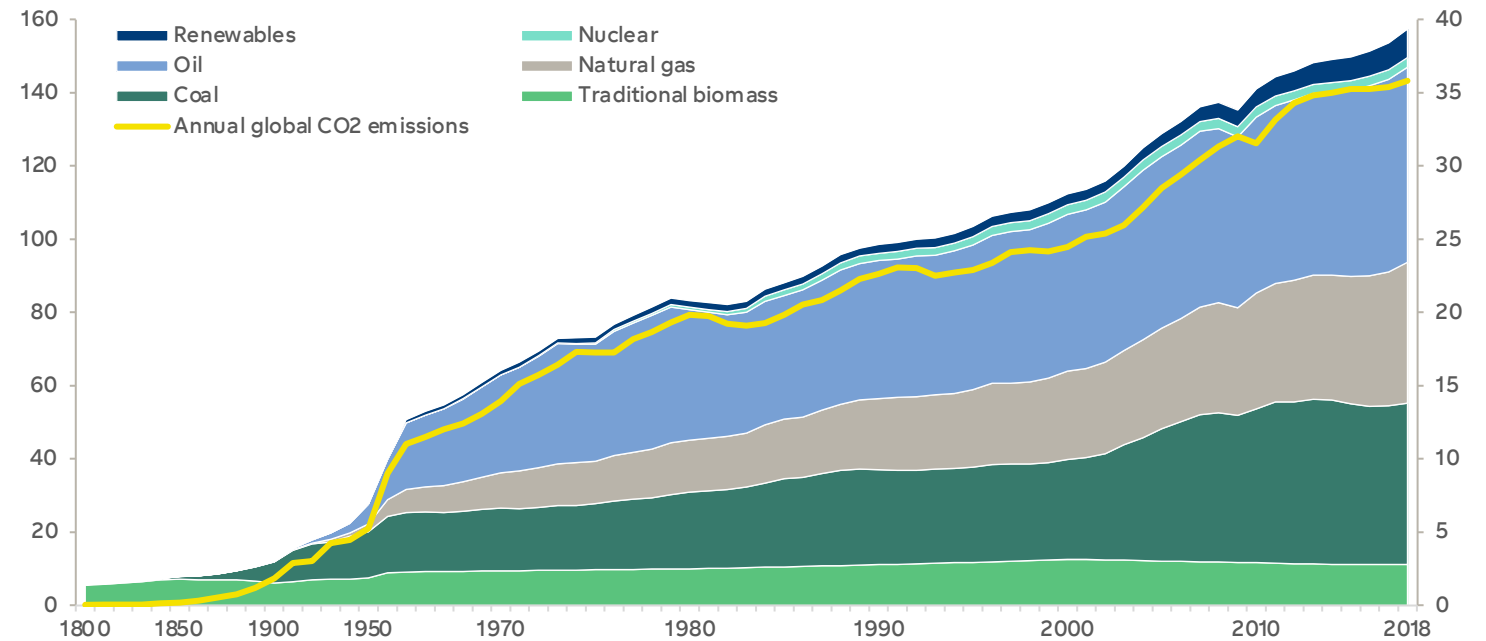
ACTIVE CUSTOMERS



TECHNOLOGY

Global primary  
energy consumption  
(PWh)

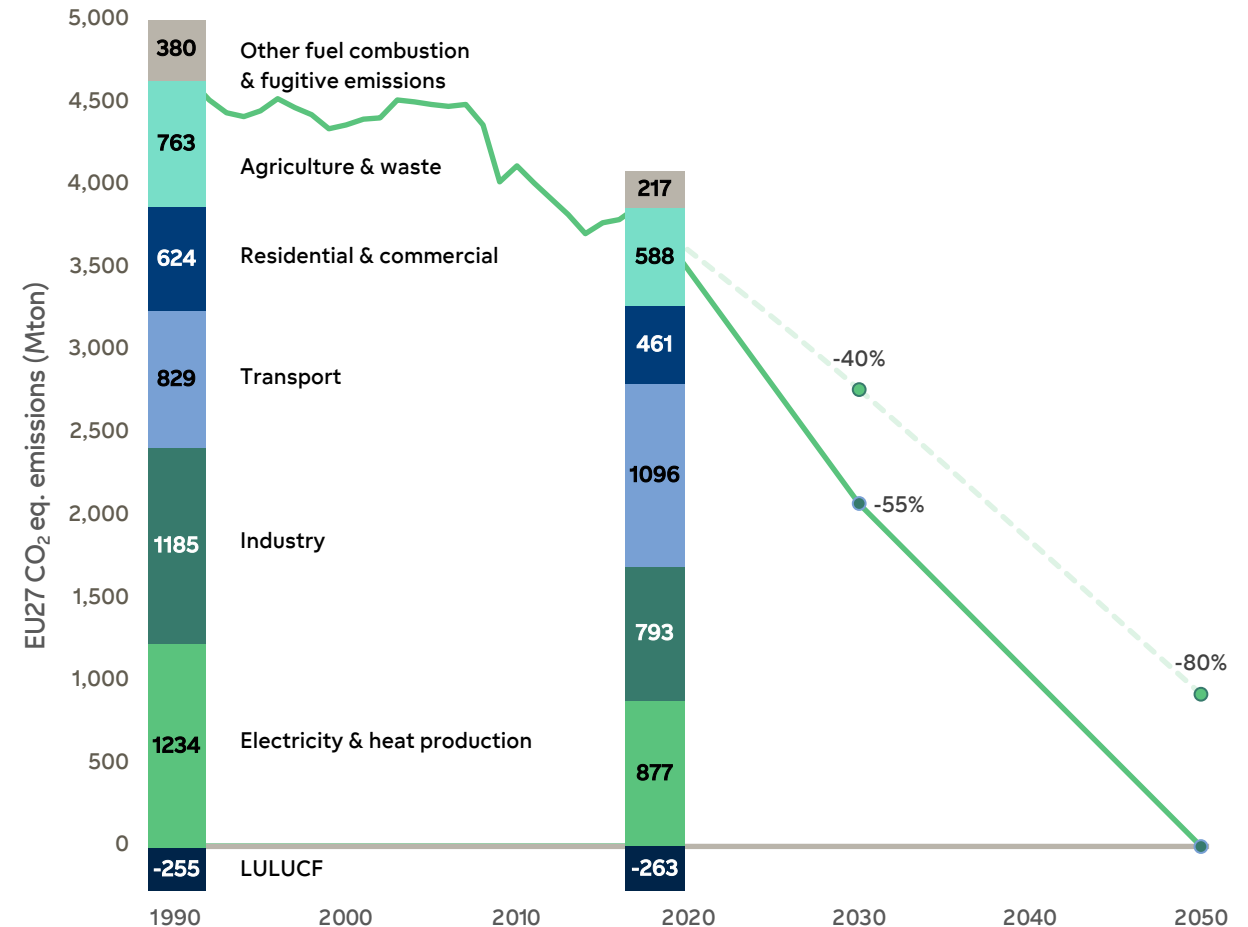
Annual global CO<sub>2</sub>  
emissions (Gton)



Source: Our world in data

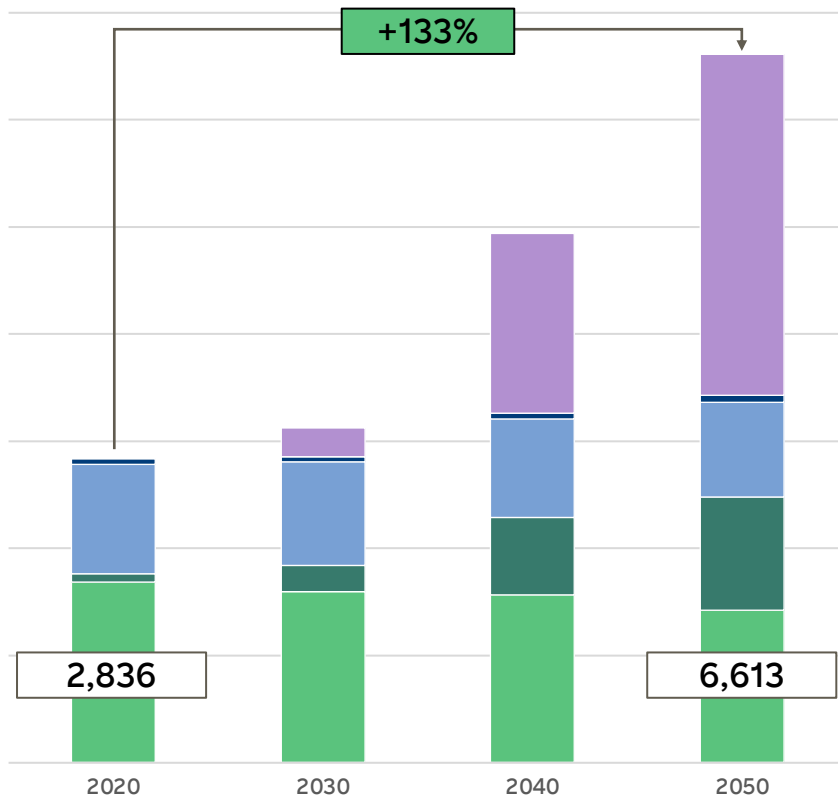
# Europe committed to be a forerunner in reducing GHG emissions across all sectors

- EU is tightening both its 2030 and 2050 emissions targets
  - Requires emission reductions in all sectors, especially residential & commercial, transport, and industry
- Sector coupling – clean electricity and gas enable other sectors to decarbonise
  - Emissions from some industrial and heavy transport sectors are difficult to abate by electrification
- Successful energy transition must balance
  - Sustainability
  - Affordability
  - Security of supply

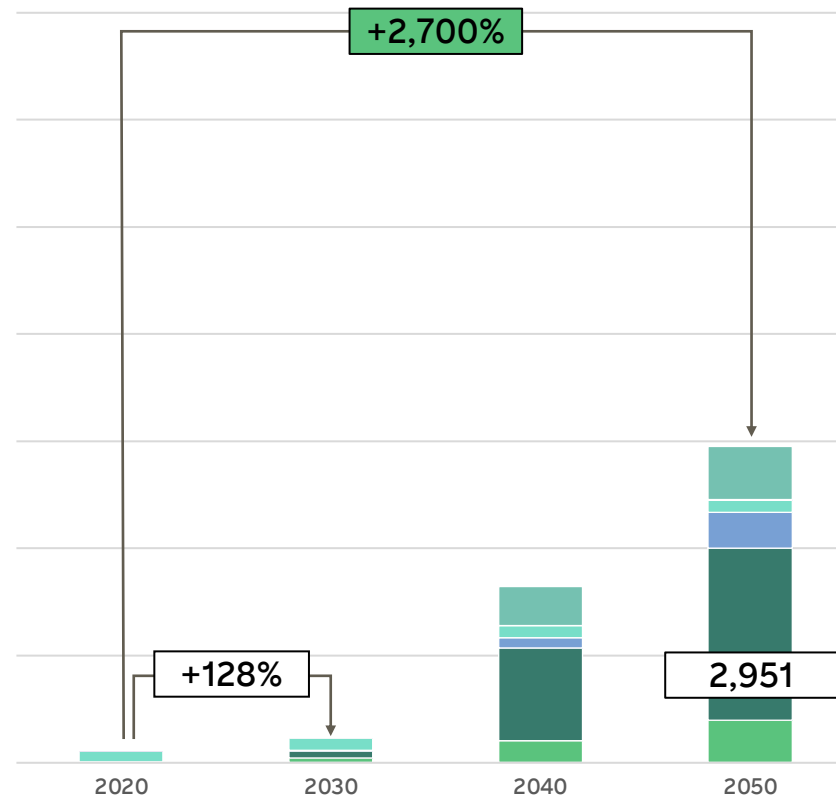


# Energy transition will increase demand for electricity and hydrogen

Electricity consumption  
in Europe (TWh)



Clean hydrogen consumption  
in Europe (TWh)



- Electricity
- Hydrogen
- Feedstocks
- Agriculture
- Industry
- Transport
- Residential and commercial

Source:  
IHS Markit Net Zero  
Carbon Europe  
scenario





# Our strategy

# Fortum is well positioned for the energy transition

Third largest CO<sub>2</sub>-free power generator in Europe with growing portfolio of wind and solar

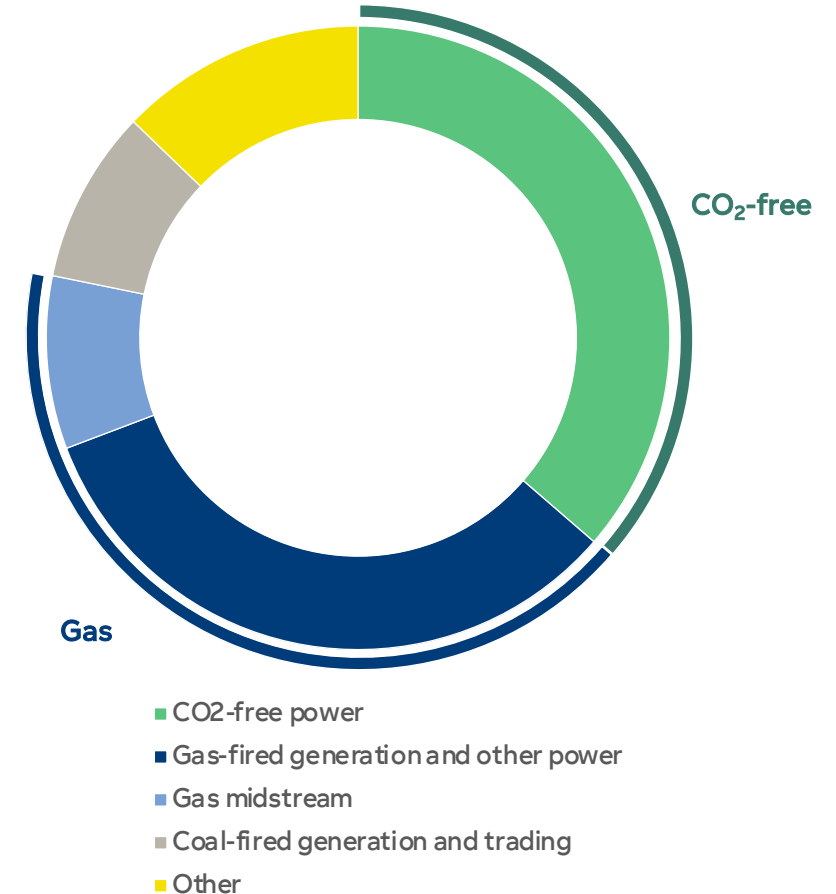
Significant provider of flexible hydro and gas-fired power generation

Major provider and trader of gas for Europe's energy and industrial customers

Versatile portfolio of decarbonisation and environmental solutions

Phase out or exit announced of ~8 GW coal-fired generation by 2030

Indicative EBITDA split



Source: Fortum and Uniper financial reporting



# Our strategy – Driving the clean energy transition and delivering sustainable financial performance

## For a cleaner world

### Transform own operations to carbon neutral

- Phase out and exit coal
- Transform gas-fired generation towards clean gas

### Strengthen and grow in CO<sub>2</sub>-free power generation

- Supply significant flexible and reliable CO<sub>2</sub>-free power generation
- Grow sizeable portfolio of renewables

### Leverage strong position in gas to enable the energy transition

- Provide security of supply and flexibility in the power system
- Secure supply of gas for heat, power, and industrial processes

### Partner with industrial and infrastructure customers

- Provide decarbonisation and environmental solutions
- Build on first-mover position in hydrogen

## Value creation targets



Carbon neutral as a Group latest by 2050, in line with the Paris Agreement, and in our European generation latest by 2035



Sustainable financial performance through attractive value from investments, portfolio optimisation, and benchmark operations



Strong financial position and over time increasing dividend

# Measuring success for Fortum



## Climate and environmental targets:

- Group carbon neutral latest by 2050 (scope 1, 2, 3)
- European generation carbon neutral latest by 2035 (1, 2)
- CO<sub>2</sub> emission reduction of at least 50% by 2030 in European generation (1, 2)
- Scope 3 target for the indirect emissions from fuel sales business (Cat. 11) to be set during 2021
- Biodiversity target: Number of major voluntary measures enhancing biodiversity  $\geq 12$  in 2021



## Financial targets:

- Financial net debt/comparable EBITDA below 2x
- Hurdle rates for new investments
- Rating of at least BBB
- Stable, sustainable, and over time increasing dividend



## Social targets:

- Safety target: Total recordable incident frequency (TRIF)  $< 1.0$  in 2025



## Shareholder value creation:

- Portfolio optimisation and delivering on investments
- Realising financial benefits from the cooperation with Uniper

# Fortum – A leader in clean power and gas

Transform own operations  
to carbon neutral

Strengthen and grow in  
CO<sub>2</sub>-free power generation

Leverage strong position  
in gas to enable  
the energy transition

Provide decarbonisation  
and environmental solutions  
for industrial and  
infrastructure customers

## Core

*Assets and businesses that have  
a role in energy transition and  
generate good cash-flow*



Hydro



Nuclear



Increasingly clean  
gas-fired generation



Gas midstream

## Grow

*Businesses with potential  
to grow profitably  
in the energy transition*



Onshore wind



Solar



Hydrogen and  
clean gas



Industrial and  
infrastructure solutions

## Strategic transformation

*Businesses and assets outside  
strategic scope*

Coal

District heating business in  
Poland and Baltics

50% stake in Stockholm Exergi

Consumer Solutions  
business



# Strategic steps going forward

**2014-2020**

**Major transformation**

Active portfolio rotation with focus  
on assets essential in the energy  
transition and with good cash flow

Uniper acquisition

Focus on aligned strategy

Flat dividend

**2021-2022**

**Balance sheet focus**

Step up in Group EBITDA

Secure strong balance sheet

Rating of at least BBB

Details of strategy implementation  
and first investments

Target to increase dividend

**2023-2025**

**Growth in clean power and gas**

Growth in strategic areas

Sustainable financial performance  
with benchmark operations

Cooperation financial benefits

Target to increase dividend

A landscape photograph featuring several wind turbines in a field of trees and grass. The sky is filled with large, dramatic clouds illuminated by a low sun, creating a warm orange and yellow glow. The text "Strategy execution" is overlaid in a large, white, sans-serif font.

# Strategy execution



# Own transformation – coal exit to reach carbon neutrality by 2035 in European generation

Transform own operations to carbon neutral

Strengthen and grow in CO<sub>2</sub>-free power generation

Leverage strong position in gas to enable the energy transition

Partner with industrial and infrastructure customers

## Carbon neutral in our European generation by 2035 at the latest

- Current trajectory to reduce CO<sub>2</sub> emissions in our European generation by at least 50%\*) by 2030
- Exit ~6 GW of coal capacity by end of 2025
- Aim to decarbonise gas-fired power generation and transit to clean gas over time

## Carbon neutral as a group by 2050 at the latest in line with the Paris Agreement

- Reduction of the Group's coal-fired generation capacity by >50% to ~5 GW by the end of 2025
- Over time transform the Russian business portfolio by reducing the fossil exposure

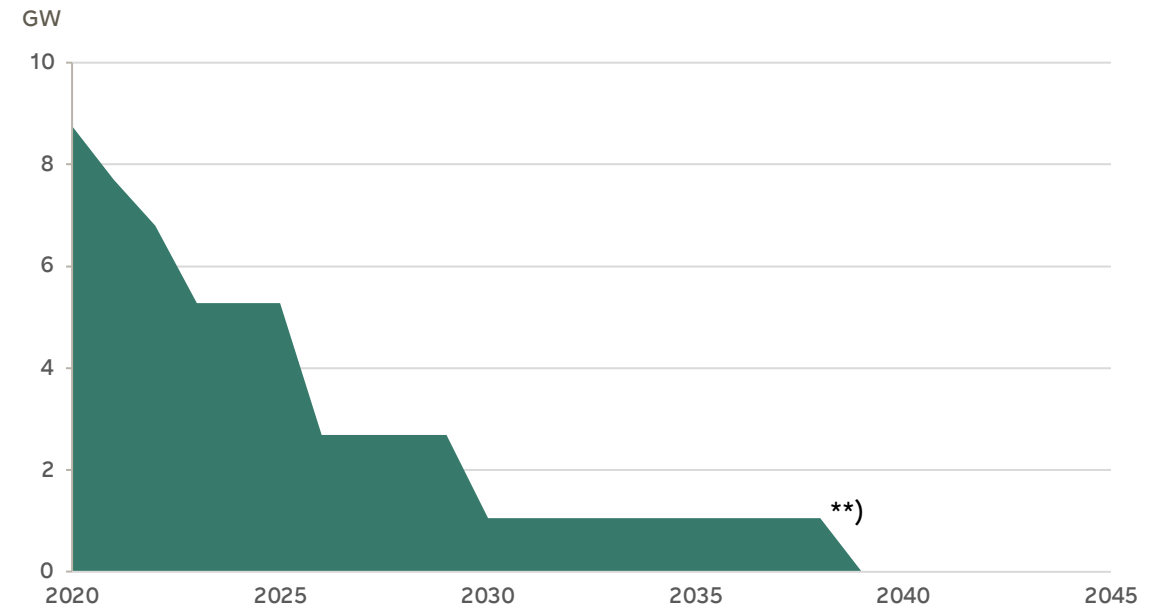
## European generation CO<sub>2</sub> net emissions:

2019  
100%

2030  
-50%

2035  
Carbon neutral

## Coal-fired capacity in Europe, (GW)



\*) Base year 2019

\*\*) Datteln4 decommissioning as defined in the German coal-exit law



# Strategic priority to strengthen and grow in CO<sub>2</sub>-free power generation

Transform own operations to carbon neutral

Strengthen and grow in CO<sub>2</sub>-free power generation

Leverage strong position in gas to enable the energy transition

Partner with industrial and infrastructure customers

## Supply significant flexible and reliable CO<sub>2</sub>-free power generation:

- 3rd largest CO<sub>2</sub>-free power generator in Europe
  - Optimise and maintain benchmark operations in hydro and nuclear power
- Aim to have one team for Nordic hydro and physical trading optimisation

## Grow sizeable portfolio of renewables:

- Onshore wind and solar to grow into a meaningful EBITDA contributor
    - Primarily in Europe
    - Target to build 1.5-2 GW new renewable capacity by 2025
  - Develop Russian portfolio towards wind and solar
  - Investments to balance sheet or with 'build-operate-transfer' business model
- Aim to have one development team for Europe



HYDRO



NUCLEAR



ONSHORE WIND



SOLAR



INDUSTRIAL  
SOLUTIONS

# Strategic priority to leverage strong position in gas to enable the energy transition

Transform own operations to carbon neutral

Strengthen and grow in CO<sub>2</sub>-free power generation

Leverage strong position in gas to enable the energy transition

Partner with industrial and infrastructure customers

## Provide security of supply and flexibility in the power system:

- Optimise and maintain benchmark operations in flexible gas-fired generation
- Decarbonise gas-fired power generation over time
  - e.g. hydrogen conversion and carbon capture, utilisation, and storage

## Secure supply of gas for heat, power, and industrial processes:

- Ensure reliable supply of gas for customers
- Optimise gas supply, storage, and sales to wholesale and industrial customers
- Transition to clean gas over time



CLEAN GAS-FIRED  
GENERATION



GAS MIDSTREAM



INDUSTRIAL  
SOLUTIONS

# Strategic priority to partner with industrial and infrastructure customers

Transform own operations to carbon neutral

Strengthen and grow in CO<sub>2</sub>-free power generation

Leverage strong position in gas to enable the energy transition

Partner with industrial and infrastructure customers

## Provide decarbonisation and environmental solutions:

- Help customers to reduce their carbon and environmental footprint
- Grid stability, waste-to-energy, and low-carbon industrial solutions

## Build on first-mover position in hydrogen:

- Integrate strong competences in CO<sub>2</sub>-free power, gas business, engineering, and long-term customer relationships
- Business & asset development, hydrogen production & sales
  - Hydrogen production prospects of >500 MW in Europe

→ Aim to have one team in hydrogen



INDUSTRIAL  
SOLUTIONS



CLEAN AND FLEXIBLE  
POWER & HEAT



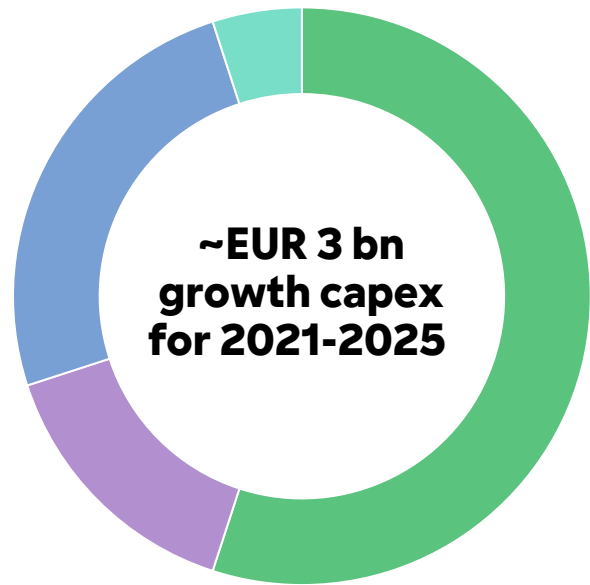
GAS MIDSTREAM



HYDROGEN AND  
CLEAN GAS



# Indicative capital expenditure for growth investments in 2021-2025 – renewables and clean gas



- 1 Renewables**  
On-shore wind and solar
- 2 Hydrogen and clean gas**  
Industrial decarbonisation solutions
- 3 Environmental and security of supply solutions**  
Waste-to-Energy, recycling, industrial and TSO services
- 4 Other**  
Venturing, innovation, digitalisation

Capital expenditure will depend on market conditions, asset rotation, and balance sheet strength





# Enablers



# Enablers for successful strategy implementation



Open and  
transparent  
leadership

Focused  
business  
development  
and innovations

Operational  
excellence and  
ambitious  
digitalisation

Proactive  
engagement in  
topical  
regulatory issues



# Conclusions

# Conclusions

- Decarbonisation to drive electricity and hydrogen demand
- Strong position in CO<sub>2</sub>-free power and increasingly clean gas
- Fortum's strategy is aligned with Paris Agreement – carbon neutral 2050
- Attractive growth prospects ahead
- Fortum, together with Uniper, well positioned for the energy transition



A man and a woman are seen from the back, looking out over a city at sunset. The man is on the left, wearing a dark blue long-sleeved shirt. The woman is on the right, wearing a light blue long-sleeved shirt. They are standing behind a dark metal railing. The background shows a city skyline across a body of water, with the sun setting behind the buildings, creating a warm, golden glow. The sky is filled with soft, white clouds.

# For a cleaner world