

Fortum Oyj

Fitch Ratings' revision of the Outlook on Fortum Oyj's Long-Term Issuer Default Rating (IDR) to Stable from Negative mainly reflects the positive impact of the Uniper exit on Fortum's credit profile. Significant deleveraging resulted from the transaction in 2022, especially from the recovery of the EUR4 billion shareholder loan.

Fortum confirmed its focus on maintaining a prudent capital structure with long-term guidance on its financial net debt-to-comparable EBITDA of up to 2.0x-2.5x, which is consistent with our funds from operations (FFO) net leverage negative sensitivity of 3.5x. As a clean electricity generation company, Fortum benefits from a supportive power price environment.

Over the rating horizon we expect Fortum to apply high capex scrutiny, have positive pre-dividend free cash flow (FCF) and remain within our rating sensitivities with substantial leverage headroom.

Key Rating Drivers

Rating Scope: In 2022 Fitch deconsolidated Fortum's Uniper segment and Russian activities for rating purposes. While the Uniper divestment concluded in December 2022, the Russian business has not been sold and, given the uncertainty around its divestment process, we do not include in our rating case any disposal proceeds related to the Russian exit.

In April 2023 Fortum's Russian subsidiary was put under temporary asset management by Russia with a federal agency appointed as interim manager and exercising the powers of the owner, but without the right to dispose the company.

Favourable Price Environment: Following the 2022 Uniper divestment and considering the planned exit from Russia, Fortum's business reflects the profile of a clean generating company (genco) that is focused on hydro and nuclear. Additional activities represent around 15% of the EBITDA in our rating case. The company is now well placed to benefit from the strong fundamentals for clean generation. Fortum's higher hedged prices will support revenue in 2023-2024, while Nordic electricity forward prices remain well above the historical average.

Financial Headroom: Fortum had FFO net leverage of 1.7x at end-2022. The deleveraging was driven by the Uniper exit (in particular by the recovery of the EUR4 billion shareholder loan) as well as by Fortum's strong performance in 2022. In our rating case we expect FFO net leverage to gradually increase to 2.7x by 2025 but remain well below the negative sensitivity of 3.5x for the current rating, also due to strong EBITDA higher than EUR1.5 billion and the gradual cash-in of outstanding margin calls at end-2022. Fitch does not consider any material disposal proceeds in its rating case.

The key factor for the stabilisation of the Outlook was Fortum's commitment to maintaining an adequate capital structure with credit metrics consistent with the 'BBB' rating. Following the Uniper exit (and the related losses), we now expect the company to apply high scrutiny in its capex allocation and to prioritise profitability over growth. We do not expect Fortum to entirely exhaust its financial headroom over the next few years and assume that FFO net leverage will remain comfortably within guidelines.

Prudent Financial Policy: In its March 2023 strategic presentation, Fortum reviewed its financial targets with the aim of adequately balancing financial strength, growth investments and dividend distributions. The company is now guiding to slightly higher net leverage of 2.0x-2.5x versus below 2.0x previously.

Ratings

Foreign Currency

Long-Term IDR	BBB
Short-Term IDR	F3

Outlook

Long-Term Foreign-Currency IDR	Stable
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Debt Ratings

Senior Unsecured Debt - Long-Term Rating	BBB
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2035 Climate Vulnerability Score	27
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[Click here for the full list of ratings](#)

Applicable Criteria

[Parent and Subsidiary Linkage Rating Criteria \(December 2021\)](#)

[Corporate Rating Criteria \(October 2022\)](#)

[Corporates Recovery Ratings and Instrument Ratings Criteria \(April 2021\)](#)

Related Research

[EMEA Investment-Grade Gencos to Boost Renewables Capex \(April 2023\)](#)

[Investment-Grade EMEA Generation Companies - Relative Credit Analysis \(April 2023\)](#)

[Global Corporates Macro and Sector Forecasts \(March 2023\)](#)

[EMEA Utilities Outlook 2023 \(November 2022\)](#)

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The additional leverage flexibility is not meant to accommodate growth in the short term but rather to account for more volatile market conditions given the company's higher exposure to Nordic power prices as a pure genco. Fortum has returned to an explicit dividend policy and is setting a dividend payout ratio of 60%-90% of comparable earnings per share.

Rating Neutral Investment Plan: Fortum has budgeted total cumulated capex of EUR2.4 billion for 2023-2025, of which EUR0.9 billion relates to maintenance capex and up to EUR1.5 billion to growth capex. The growth capex includes EUR0.8 billion of committed projects. In our rating case we assume growth capex to be allocated to renewable projects (EUR0.35 billion; mainly Pjelax wind power plant project); (investments in hydro and nuclear (EUR0.35 billion; including the lifetime extension of Loviisa nuclear power plant); and decarbonisation projects (EUR0.1 billion).

For new-build projects, Fortum seeks to close power purchase agreements (PPAs) with industrial clients since it does not target new merchant renewable projects. The company has also established investment hurdles (project weighted average cost of capital of 150 bps-400bps) that are dependent on specific project characteristics.

Finnish Windfall Tax: The Finnish Parliament approved in February 2023 a law establishing a temporary windfall tax in the electricity sector. The tax applies to Finnish companies generating electricity or participating in wholesale or partly in retail sales. Pursuant to the law, the tax is 30% of companies' net profits generated from Finnish operations exceeding a 10% return on equity in 2023, while the tax becomes payable in 2024.

Manageable Refinancing Exercise: As of December 2022, Fortum had short-term maturities of EUR 4.1 billion which can be comfortably covered with cash on balance and undrawn committed credit facilities. Fortum expects to tap the bond markets in order to extend the average life of its debt and reinforce its financial flexibility. We view the refinancing as manageable based on Fortum's adequate liquidity position, low leverage at end-2022 and solid business profile.

Financial Summary

(EURm)	2020	2021	2022 ^a	2023F	2024F	2025F
EBITDA	2,538	4,501	2,004	1,934	1,688	1,504
Funds flow from operations	2134	3012	1875	1349	1191	1013
Free cash flow after acquisitions and divestitures	-348	-1239	543	790	-263	-491
FFO interest coverage	11.5	18.3	10.0	4.8	5.1	4.4
FFO net leverage	2.7	2.6	1.7	1.6	2.1	2.7

F = Forecast

^a Fitch deconsolidated in 2022 Fortum's Uniper segment and Russian activities for rating purposes.

Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

Fortum's closest peers are RWE AG (BBB+/Stable) and Statkraft AS (A-/Stable). Statkraft's rating includes a single-notch uplift that reflect government links, which we view as stronger compared with that of Fortum and the Finnish government. Fortum's debt capacity at 'BBB' is similar to Statkraft's, given their clean asset bases, which is mostly focused on the Nordics. Statkraft has a higher prominence of low-cost, flexible hydro-asset base (versus hydro and nuclear for Fortum), while Fortum is better integrated with its city solutions and customer solutions businesses, resulting in the same negative sensitivity at 'BBB' (based on Statkraft's Standalone Credit Profile).

RWE has a higher share of quasi-regulated business (50%-60%), but unlike Fortum it remains significantly exposed to thermal generation, and its implied debt capacity at 'BBB' would probably be broadly in line with Fortum's.

ERG S.p.A. (BBB-/Stable) benefits from much higher revenue visibility (generally through auctions or power purchase agreements), but it is smaller and lacks hydro generation and integration into supply. ERG has a slightly higher debt capacity than Fortum (positive sensitivity of 3.6x).

Navigator Peer Comparison

Issuer	Business profile										Financial profile						
IDR/Outlook	Operating Environment		Management and Corporate Governance		Revenues Visibility		Market Position		Asset Base and Operations		Commodity Exposure		Profitability		Financial Structure		Financial Flexibility
Alperia SpA	BBB/Negative	bbb+	bbb	bbb	bbb-	bbb	bbb	bbb+	bbb+	bbb+	bbb+	bb+	bbb-	bbb	bbb	bbb	bbb
ERG S.p.A.	BBB-/Stable	a-	a-	bbb	bbb	bbb	bbb+	bbb	bbb	bbb	bbb	bbb-	bbb	bb+	a-	bbb	bbb
Fortum Oyj	BBB/Stable	aa-	a-	bbb-	bbb	bbb	bbb+	bbb+	bbb	bbb	bbb	bbb	bbb	bbb	bbb	bbb	bbb
Orsted A/S	BBB+/Stable	aa	a-	bbb+	bbb+	bbb+	bbb	a-	bbb	bbb+	bbb	bbb-	bbb	bbb	bbb+	bbb+	bbb+
RWE AG	BBB+/Stable	aa	a-	bbb-	bbb	bbb+	bbb	bbb	bbb	bbb+	bbb	bbb-	bbb	bbb+	bbb	a	bbb
Statkraft AS	A-/Stable	aa	a-	bbb	bbb	bbb	bbb	a-	bbb	bbb-	bbb	bbb-	bbb	bbb+	bbb	a-	bbb

Source: Fitch Ratings.

Importance: Higher (Red), Moderate (Blue), Lower (Light Blue)

Issuer	Business profile										Financial profile								
Name	IDR/Outlook	Operating Environment		Management and Corporate Governance		Revenues Visibility		Market Position		Asset Base and Operations		Commodity Exposure		Profitability		Financial Structure		Financial Flexibility	
Alperia SpA	BBB/Negative	1.0	Blue	0.0	Blue	-1.0	Blue	0.0	Blue	1.0	Blue	1.0	Blue	-2.0	Red	-1.0	Blue	0.0	Blue
ERG S.p.A.	BBB-/Stable	3.0	Light Blue	3.0	Blue	1.0	Blue	1.0	Blue	2.0	Light Blue	1.0	Blue	0.0	Blue	-1.0	Blue	3.0	Light Blue
Fortum Oyj	BBB/Stable	5.0	Light Blue	2.0	Light Blue	-1.0	Blue	0.0	Blue	1.0	Blue	0.0	Blue	0.0	Blue	0.0	Blue	-2.0	Red
Orsted A/S	BBB+/Stable	5.0	Light Blue	1.0	Blue	0.0	Blue	0.0	Blue	1.0	Blue	0.0	Blue	-2.0	Red	-1.0	Blue	0.0	Blue
RWE AG	BBB+/Stable	5.0	Light Blue	1.0	Blue	-2.0	Red	0.0	Blue	-1.0	Blue	0.0	Blue	-2.0	Red	0.0	Blue	2.0	Light Blue
Statkraft AS	A-/Stable	4.0	Light Blue	0.0	Blue	-5.0	Red	-2.0	Red	0.0	Blue	-3.0	Red	0.0	Blue	-1.0	Blue	0.0	Blue

Source: Fitch Ratings.

Legend: Red = Worse positioned than IDR, Blue = In line with IDR, Light Blue = Better positioned than IDR

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- FFO net leverage falling below 1.5x on a sustained basis
- Significant improvement in the company's business profile (for instance coming from materially higher quasi-regulated earnings)

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

- FFO net leverage above 3.5x and FFO interest coverage below 5.0x, both on a sustained basis
- Deterioration in the regulatory and operating environment, for instance with windfall taxes, energy price caps or similar measures considerably weakening credit metrics.

Liquidity and Debt Structure

Sufficient Liquidity: Like many other utilities in Europe, Fortum faced significant margin payments in 2022 due to high and rapidly increasing power prices. Fortum received liquidity support from the Finnish state in the form of a one-year bridge loan facility of EUR2.35 billion signed in September 2022 (of which only EUR350million was drawn at year-end). However, the repayment of the EUR4 billion shareholder loan and the EUR0.5 billion proceeds from the disposal of Uniper have significantly reinforced Fortum's liquidity position. The company has indicated that it repaid and cancelled the bridge loan in March 2023.

As of December 2022, Fortum had a cash balance of around EUR3.5 billion and EUR 4.5billion of undrawn committed credit lines due after 2023 to comfortably cover its short-term maturities of EUR 4.1 billion. In addition, the company states that it has the right to extend EUR1.6 billion of current maturities to 2024.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Climate Vulnerability Considerations

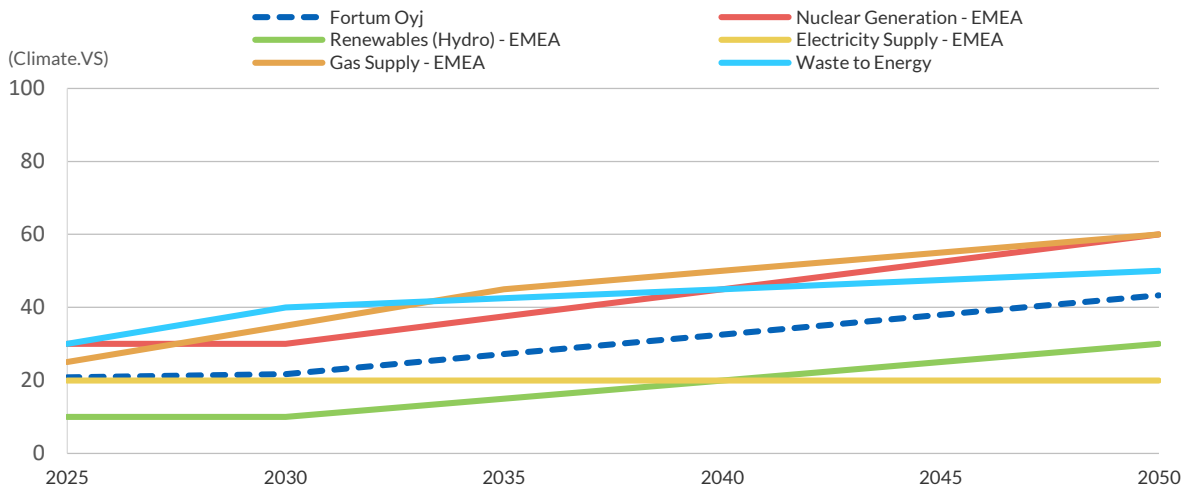
We are currently in consultation with our stakeholders on a proposal to support consistency and transparency in the way Fitch Ratings identifies and addresses potentially credit-relevant climate risks in its credit rating process. This

would include adding the section below to all Rating Reports. To learn more about the approach, and provide feedback, please see [Climate Vulnerability in Corporate Ratings - Discussion Paper](#) or contact climate.vsfeedback@fitchratings.com.

The FY22 revenue-weighted Climate Vulnerability Score (Climate. VS) for Fortum Oyj for 2035 is 27 out of 100, suggesting low exposure to climate-related risks in that year. For further information on how Fitch perceives climate-related risks in the utilities sector see [Utilities - Long Term Climate Vulnerability Scores Update](#) at www.fitchratings.com.

Climate.VS Evolution

As of 31 December 2022



Source: Fitch Ratings

Liquidity and Debt Maturities

Liquidity Analysis

(EURm)	2023F	2024F	2025F
Available liquidity			
Beginning cash balance	4,051	716	-264
Rating case FCF after acquisitions and divestitures	790	-263	-491
Repayment of EUR1 billion Eurobond in February 2023	-1,000		
Total available liquidity (A)	3,841	453	-755
Liquidity uses			
Debt maturities	-4,125	-717	-7
Repayment of EUR1 billion Eurobond in February 2023	1,000		
Total liquidity uses (B)	-3,125	-717	-7
Liquidity calculation			
Ending cash balance (A+B)	716	-264	-762
Revolver availability	4,500	1,500	100
Ending liquidity	5,216	1,236	-662
Liquidity score (x)	2.3	2.7	n.m.

F – Forecast.

Source: Fitch Ratings, Fitch Solutions, Fortum Oyj

Scheduled debt maturities (EURm)	2022
2023	4,125
2024	717
2025	7
2026	730
2027	17
Thereafter	1,866
Total	7,462

Source: Fitch Ratings, Fitch Solutions, Fortum Oyj

Key Assumptions

- EBITDA averaging EUR1.7 billion in 2023-2025, excluding the Russian business.
- Factoring in the Finnish windfall tax payable in 2024. Fitch would expect regulatory intervention to persist if electricity prices remain substantially above historical levels.
- Capex of around EUR0.8 billion per year, excluding the Russian business.
- Cash-in related to the settlement of margining receivables of EUR1 billion on a cumulative basis.
- Dividends at around EUR0.9 billion per year (90% payout ratio assumed for 2024-2025).
- No new M&A and no material disposal proceeds.

Financial Data

Fortum Oyj

(EURm)	Historical			Forecast		
	2020	2021	2022 ^a	2023	2024	2025
Summary income statement						
Gross revenue	49,015	112,400	7,773	6,118	6,885	7,119
Revenue growth (%)	799.9	129.3	-93.1	-21.3	12.5	3.4
EBITDA (before income from associates)	2,538	4,501	2,004	1,934	1,688	1,504
EBITDA margin (%)	5.2	4.0	25.8	31.6	24.5	21.1
EBITDAR	2,670	4,501	2,004	1,934	1,688	1,504
EBITDAR margin (%)	5.4	4.0	25.8	31.6	24.5	21.1
EBIT	1,571	3,359	1,607	1,624	1,354	1,168
EBIT margin (%)	3.2	3.0	20.7	26.6	19.7	16.4
Gross interest expense	-161	-170	-181	-338	-271	-275
Pretax income (including associate income/loss)	2,199	-288	455	1,395	1,229	1,031
Summary balance sheet						
Readily available cash and equivalents	3,871	8,141	4,051	3,272	3,021	2,546
Debt	9,938	16,145	7,462	5,879	5,879	5,879
Lease-adjusted debt	10,994	16,145	7,462	5,879	5,879	5,879
Net debt	6,067	8,004	3,411	2,607	2,858	3,333
Summary cash flow statement						
EBITDA	2,538	4,501	2,004	1,934	1,688	1,504
Cash interest paid	-199	-170	-198	-338	-271	-275
Cash tax	-267	-493	-167	-261	-289	-242
Dividends received less dividends paid to minorities (inflow/(out)flow)	-39	-47	-1	10	10	10
Other items before FFO	55	-854	153	-71	-23	-59
Funds flow from operations	2,134	3,012	1,875	1,349	1,191	1,013
FFO margin (%)	4.4	2.7	24.1	22.1	17.3	14.2
Change in working capital	137	2,297	-218	201	20	18
Cash flow from operations (Fitch defined)	2,271	5,309	1,657	1,550	1,211	1,031
Total non-operating/nonrecurring cash flow	-	-7,964	-750	-	-	-
Capex	-1,101	-1,178	-476	-	-	-
Capital intensity (capex/revenue) (%)	2.2	1.0	6.1	-	-	-
Common dividends	-977	-995	-1,013	-	-	-
Free cash flow	193	-4,828	-582	-	-	-
Net acquisitions and divestitures	-541	3,589	1,125	-	-	-
Other investing and financing cash flow items	-1,392	400	-967	-	-	-
Net debt proceeds	2,392	6,627	-3,619	-1,583	0	0
Net equity proceeds	-	-	-	0	0	0
Total change in cash	652	5,788	-4,043	-779	-252	-475
Leverage ratios (x)						
EBITDA leverage	4.0	3.6	3.7	3.0	3.5	3.9
EBITDA net leverage	2.4	1.8	1.7	1.3	1.7	2.2
EBITDAR leverage	4.2	3.6	3.7	3.0	3.5	3.9
EBITDAR net leverage	2.7	1.8	1.7	1.3	1.7	2.2
EBITDAR net fixed charge coverage	9.2	46.9	17.6	7.4	8.7	7.6
FFO adjusted leverage	4.5	5.2	3.8	3.6	4.2	4.8
FFO adjusted net leverage	2.9	2.6	1.7	1.6	2.1	2.7
FFO leverage	4.3	5.2	3.8	3.6	4.2	4.8
FFO net leverage	2.7	2.6	1.7	1.6	2.1	2.7
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-2,619	-6,548	-1,114	-760	-1,474	-1,522
Free cash flow after acquisitions and divestitures	-348	-1,239	543	790	-263	-491
Free cash flow margin (after net acquisitions) (%)	-0.7	-1.1	7.0	12.9	-3.8	-6.9

(EURm)	Historical			Forecast		
	2020	2021	2022 ^a	2023	2024	2025
Coverage ratios (x)						
FFO interest coverage	11.5	18.3	10.0	4.8	5.1	4.4
FFO fixed charge coverage	7.3	18.3	10.0	4.8	5.1	4.4
EBITDAR fixed charge coverage	7.9	26.2	10.1	5.8	6.3	5.5
EBITDA interest coverage	12.6	26.2	10.1	5.8	6.3	5.5
Additional metrics						
CFO-capex/debt (%)	11.8	25.6	15.8	13.8	5.8	4.0
CFO-capex/net debt (%)	19.3	51.6	34.6	31.2	12.0	7.1
CFO/capex (%)	206.3	450.7	348.1	210.5	139.5	129.9

^a Fitch deconsolidated in 2022 Fortum's Uniper segment and Russian activities for rating purposes.

Source: Fitch Ratings, Fitch Solutions, Fortum Oyj

How to Interpret the Forecast Presented

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator

FitchRatings

Fortum Oyj



Corporates Ratings Navigator
Global Electricity Generation

Factor Levels	Sector Risk Profile	Operating Environment	Business Profile				Financial Profile			Issuer Default Rating
			Management and Corporate Governance	Revenues Visibility	Market Position	Asset Base and Operations	Commodity Exposure	Profitability	Financial Structure	
aaa										AAA
aa+										AA+
aa										AA
aa-										AA-
a+	↑	↑								A+
a			↑							A
a-						↓				A-
bbb+	↑		↓		↓	↓	↓	↓	↓	BBB+
bbb				↓						BBB
bbb-										BBB-
bb+				↓						BB+
bb										BB
bb-									↓	BB-
b+										B+
b										B
b-	↓	↓								B-
ccc+										CCC+
ccc										CCC
ccc-										CCC-
cc										CC
c										C
d or rd										D or RD

Bar Chart Legend:

Vertical Bars = Range of Rating Factor

Bar Arrows = Rating Factor Outlook

Bar Colors = Relative Importance

- Higher Importance
- Average Importance
- Lower Importance

- ↑ Positive
- ↓ Negative
- ↕ Evolving
- Stable

Operating Environment

aa	Economic Environment	a	Strong combination of countries where economic value is created and where assets are located.
aa-	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Revenues Visibility

bbb+	Contracted Position	b	Merchant contractual position with low likelihood of entering into long-term PPAs or getting incentives. More than 50% merchant position or materially over-contracted.
bbb	Contract Renewal Risk	bbb	Likely re-contracting prospects with similar to potentially moderately worse contractual terms.
bbb-	System / Capacity Payments	bbb	Less transparent or shorter duration market pricing structures with some risk of political interference proving medium term price visibility for power generators.
bb+	Degree of Supply Integration	bbb	Balanced supply integration with strong retail position contributing to cash-flow stability and predictability.
bb	Resource Predictability	bbb	Stable and predictable capacity factor.

Asset Base and Operations

a	Asset Quality and Diversity	bbb	Good single asset quality or partial diversification by geography and/or generation source.
a-	Exposure to Environmental Regulations	a	No exposure to environmental regulations. Energy generation mostly from clean sources and low carbon exposure.
bbb+	Capital and Technological Intensity of Capex	bbb	Moderate reinvestments requirements in established technologies.
bbb			
bbb-			

Profitability

a-	Free Cash Flow	bbb	Structurally neutral to slightly negative FCF across the investment cycle.
bbb+	Cash Flow Predictability	bb	Lower stability and predictability of cash flow relative to peers.
bbb			
bbb-			
bb+			

Financial Flexibility

bbb	Financial Discipline	bb	Financial policies in place but flexibility in applying them could lead to temporarily exceeding downgrade guidelines.
bbb-	Liquidity	bbb	One-year liquidity ratio above 1.25x. Well-spread maturity schedule of debt but funding may be less diversified.
bb+	FFO Interest Coverage	a	5.5x
bb	DSCR		n.a.
bb-	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging in place.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Management and Corporate Governance

a+	Management Strategy	bbb	Strategy may include opportunistic elements but soundly implemented.
a	Governance Structure	a	Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
bbb+	Financial Transparency	a	High quality and timely financial reporting.
bbb			

Market Position

a-	Supply/Demand Dynamics	bb	Lower certainty outlook for prices. Potential price volatility from bulky capacity/demand expansion in system.
bbb+	Competitive Position	bbb	Efficient generation with recurrent merit dispatch.
bbb	Relative Size and Scale	a	Large scale operations with diverse generation asset base or company supplies more than 10% of electricity to the systems where it operates or strong competitive position in a localized market.
bbb-			
bb+			

Commodity Exposure

a-	Counterparty Risk	bbb	Diversified, medium counterparty risk or weighted average credit quality of actual and potential off-takers is in line with 'BBB' rating. Single 'BBB' rated off-taker under well-structured PPA.
bbb+	Costs Pass-Through and Supply Mix	bbb	Limited exposure to changes in commodity costs with ability to pass cost changes to end users. Low variable costs and moderate flexibility/certain of supply.
bbb	Hedging Strategy	bbb	Portfolio/cash flow smoothing effects from extensive contractual hedge.
bbb-			
bb+			

Financial Structure

a-	EBITDA Leverage	bbb	3.3x
bbb+	FFO Leverage	bbb	3.5x
bbb	FFO Net Leverage	bbb	3.0x
bbb-			
bb+			

Credit-Relevant ESG Derivation

				Overall ESG			
Fortum Oyj has 13 ESG potential rating drivers				key driver	0	issues	5
➡	Emissions from operations			driver	0	issues	4
➡	Fuel use to generate energy and serve load			potential driver	13	issues	3
➡	Water used by hydro plants or by other generation plants, also effluent management						
➡	Impact of waste from operations			not a rating driver	1	issues	2
➡	Plants' and networks' exposure to extreme weather						
➡	Product affordability and access			not a rating driver	0	issues	1
Showing top 6 issues							

For further details on Credit-Relevant ESG scoring, see page 3.

Credit-Relevant ESG Derivation

Fortum Oyj has 13 ESG potential rating drivers

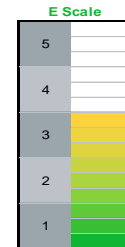
- ▶ Fortum Oyj has exposure to emissions regulatory risk but this has very low impact on the rating.
- ▶ Fortum Oyj has exposure to energy productivity risk but this has very low impact on the rating.
- ▶ Fortum Oyj has exposure to water management risk but this has very low impact on the rating.
- ▶ Fortum Oyj has exposure to waste & impact management risk but this has very low impact on the rating.
- ▶ Fortum Oyj has exposure to extreme weather events but this has very low impact on the rating.
- ▶ Fortum Oyj has exposure to access/affordability risk but this has very low impact on the rating.

Showing top 6 issues

				Overall ESG Scale	
key driver	0	issues	5		
driver	0	issues	4		
potential driver	13	issues	3		
not a rating driver	1	issues	2		
	0	issues	1		

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	Emissions from operations	Asset Base and Operations
Energy Management	3	Fuel use to generate energy and serve load	Asset Base and Operations; Counterparty and Commodity Exposure; Profitability
Water & Wastewater Management	3	Water used by hydro plants or by other generation plants, also effluent management	Asset Base and Operations; Profitability
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Profitability
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Profitability



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

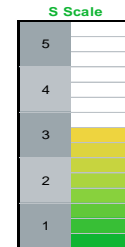
The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

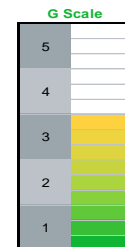
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Asset Base and Operations; Revenues Predictability; Profitability
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Asset Base and Operations
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Asset Base and Operations; Profitability
Employee Wellbeing	2	Worker safety and accident prevention	Asset Base and Operations
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Revenues Predictability; Profitability; Financial Structure



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance; Financial Structure
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance; Counterparty and Commodity Exposure
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

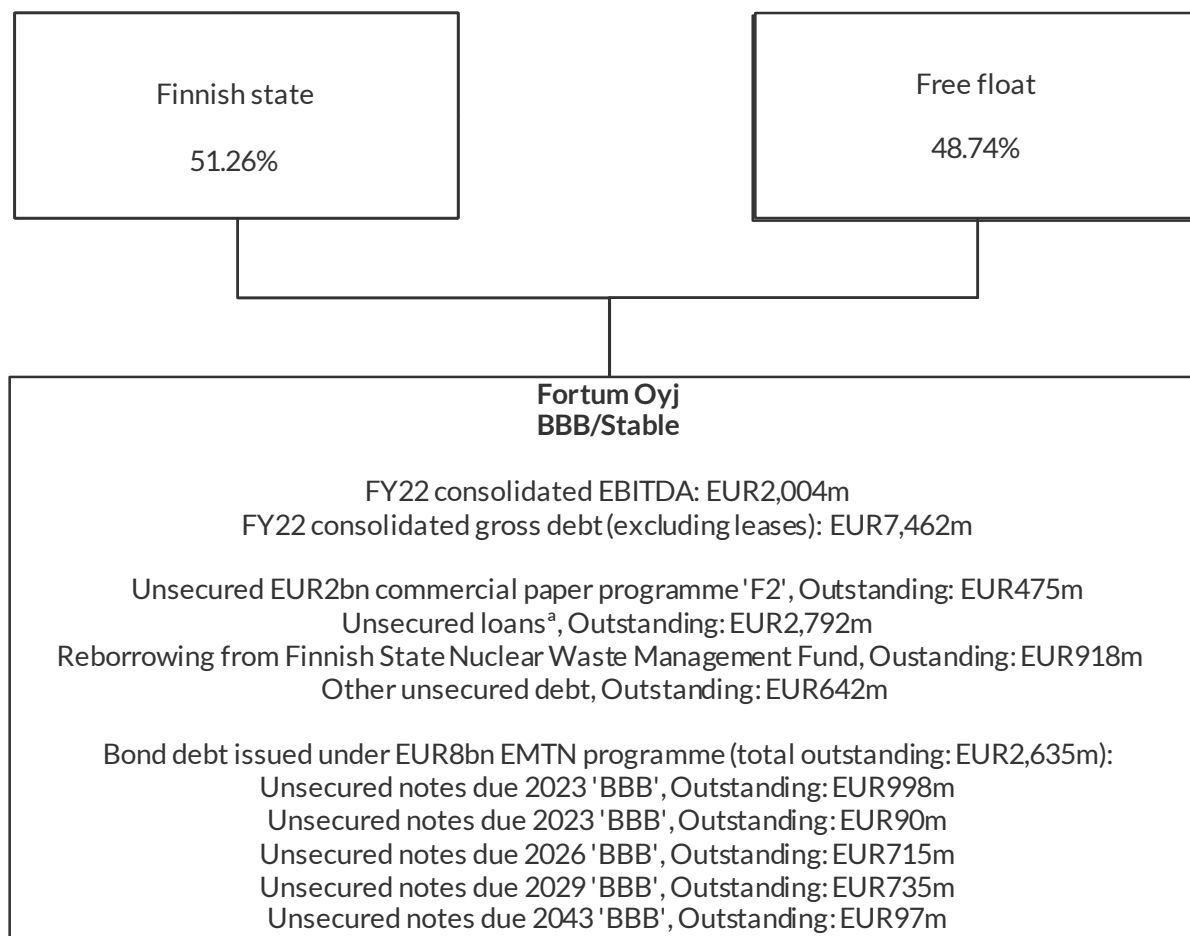


CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



^a Excludes EUR204m of debt in Russia. Fitch deconsolidated in 2022 Fortum's Uniper segment and Russian activities for rating purposes.
 Source: Fitch Ratings, Fitch Solutions, Fortum Oyj, as of December 2022

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	EBITDA (EURm)	Funds from operations (EURm)	Free cash flow (EURm)	FFO net leverage	FFO interest coverage (x)
Fortum Oyj	BBB						
	BBB	2022	2,004	1,875	-582	1.7	10.0
	BBB	2021	4,501	3,012	-4,828	2.6	18.3
	BBB	2020	2,538	2,134	193	2.7	11.5
Alperia SpA	BBB						
	BBB	2021	228	168	-375	4.0	15.1
	BBB	2020	202	214	6	1.6	18.8
	BBB	2019	208	170	-33	2.1	15.1
ERG S.p.A.	BBB-						
	BBB-	2021	581	495	-242	4.1	16.3
	BBB-	2020	481	392	162	3.1	8.5
	BBB-	2019	504	398	168	3.1	7.4
Orsted A/S	BBB+						
	BBB+	2021	2,079	1,240	-3,781	3.0	4.6
	BBB+	2020	2,011	1,627	-2,200	1.3	5.7
	BBB+	2019	2,450	1,286	-2,034	2.0	4.7
RWE AG	BBB+						
	BBB+	2021	3,444	4,249	2,691	-0.6	14.4
	BBB	2020	3,105	3,102	1,273	-1.9	11.8
	BBB	2019	2,440	1,679	-3,850	-1.0	7.4
Statkraft AS	A-						
	A-	2022	5,285	3,942	2,056	-0.5	42.6
	BBB+	2021	2,773	2,476	1,448	0.1	49.2
	BBB+	2020	1,141	862	-290	2.5	13.7

Source: Fitch Ratings, Fitch Solutions, Fortum Oyj

Fitch Adjusted Financials

(EURm)	Notes and formulas	Reported values	Sum of adjustments	Lease treatment	-deconsolidation / non-recourse	Other adjustments	Adjusted values
31 December 2022							
Income statement summary							
Revenue		8,804	-1,031		-1,031		7,773
EBITDAR		1,843	161	-21	-411	593	2,004
EBITDAR after associates and minorities	(a)	1,842	161	-21	-411	593	2,003
Lease expense	(b)	0					0
EBITDA	(c)	1,843	161	-21	-411	593	2,004
EBITDA after associates and minorities	(d) = (a-b)	1,842	161	-21	-411	593	2,003
EBIT	(e)	1,277	330	-3	-260	593	1,607
Debt and cash summary							
Other off-balance-sheet debt	(f)	0					0
Debt^b	(g)	7,657	-195		-204	9	7,462
Lease-equivalent debt	(h)	0					0
Lease-adjusted debt	(i) = (g+h)	7,657	-195		-204	9	7,462
Readily available cash and equivalents	(j)	3,771	280		-247	527	4,051
Not readily available cash and equivalents		0					0
Cash flow summary							
EBITDA after associates and minorities	(d) = (a-b)	1,842	161	-21	-411	593	2,003
Preferred dividends (paid)	(k)	0					0
Interest received	(l)	84					84
Interest (paid)	(m)	-201	3	3			-198
Cash tax (paid)		-167					-167
Other items before FFO		746	-593			-593	153
Funds from operations (FFO)	(n)	2,304	-429	-18	-411		1,875
Change in working capital (Fitch-defined)		-1,379	1,161			1,161	-218
Cash flow from operations (CFO)	(o)	925	732	-18	-411	1,161	1,657
Non-operating/nonrecurring cash flow		0	-750		411	-1,161	-750
Capex	(p)	-534	58		58		-476
Common dividends (paid)		-1,013					-1,013
Free cash flow (FCF)		-622	40	-18	58		-582
Gross leverage (x)							
EBITDAR leverage^a	(i/a)	4.2					3.7
FFO adjusted leverage	(i)/(n-m-l-k+b)	3.2					3.8
FFO leverage	(i-h)/(n-m-l-k)	3.2					3.8
EBITDA leverage^a	(i-h)/d	4.2					3.7
(CFO-capex)/debt (%)	(o+p)/(i-h)	5.1%					15.8%
Net leverage (x)							
EBITDAR net leverage^a	(i-j)/a	2.1					1.7
FFO adjusted net leverage	(i-j)/(n-m-l-k+b)	1.6					1.7
FFO net leverage	(i-h-j)/(n-m-l-k)	1.6					1.7
EBITDA net leverage^a	(i-h-j)/d	2.1					1.7
(CFO-capex)/net debt (%)	(o+p)/(i-h-j)	10.1%					34.6%
Coverage (x)							
EBITDAR fixed charge coverage^a	a/(-m+b)	9.2					10.1
EBITDA interest coverage^a	d/(-m)	9.2					10.1
FFO fixed-charge coverage	(n-l-m-k+b)/(-m-k+b)	12.0					10.0
FFO interest coverage	(n-l-m-k)/(-m-k)	12.0					10.0

^aEBITDA/R after dividends to associates and minorities.

^bIncludes other off balance sheet debt.

Source: Fitch Ratings, Fitch Solutions, Fortum Oyj

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