



# Fortum clarifies its strategic focus and targets in response to the changed operating environment

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As the operating environment shows increased uncertainty, reduced visibility and postponement of industrial investments, Fortum has specified its business portfolio, clarified capital allocation and set new strategic targets with measurable key performance indicators (KPIs).

Launched in March 2023, Fortum's renewed strategy with focus on the Nordics remains unchanged, as well as its strategic priorities to '*deliver reliable clean energy*', '*drive decarbonisation in industries*', and '*transform and develop*'. The company's financial and environmental targets are also unaltered.

## Business portfolio

Fortum has clarified its business portfolio which now will consist of

- **Core businesses** of hydro and nuclear power generation and related flexibility and optimisation, customer business and heating and cooling. In these areas the company has a market leadership position and they generate almost the entire of Fortum's EBITDA. Fortum will strengthen and selectively grow these core areas, while capitalising on the market volatility;
- **Demand-driven renewables** of onshore wind and solar with commercially viable business opportunities. Fortum is developing a ready-to-build pipeline linked to long-term power purchase agreements to have the preparedness to meet future customer demand, when demand picks up;
- **Exploring** business opportunities in clean hydrogen and within innovation and venturing. These are potential future-shaping businesses that still need further studying and validating before they can be developed into economically viable business opportunities;
- **Non-core** businesses are not in the core of Fortum's strategy. The Circular Solutions businesses are currently under strategic review.

## New strategic targets and KPIs

As further clarification, Fortum has set new strategic targets to capture long-term opportunities and mitigate business and market risks as well as measure its strategy implementation:

STRATEGIC TARGET	Strengthen Nordic leadership	Ensure value creation from flexibility	Stabilise income streams	Demand-driven renewables
Rationale	Focus on core competence	Capitalising on volatile markets	Lower cost of capital	Serve customer demand
Description	Build on existing leadership	Grow in flexible assets and	Improve predictability of	Develop growth options

	positions of core businesses	related capabilities	cash flows with customer centricity	
<b>KPI</b>	Fleet availability > <b>90% for nuclear</b> > <b>95% for hydro</b>	Optimisation premium <b>6–8 EUR/MWh</b>	Hedged share of rolling 10-year outright generation volume > <b>20% by end of 2026</b>	Ready-to-build pipeline for solar and onshore wind > <b>800 MW by end of 2026</b>

In 2023, the hydro availability was 96% and the nuclear availability of Fortum's total nuclear fleet, excluding TVO's third Olkiluoto power plant unit (OL3), was 87%.

Fortum's achieved power price also includes the results of optimisation of Fortum's hydro and nuclear generation, as well as operations in the physical and financial commodity markets. As disclosed already in November 2023, Fortum expects the optimisation premium to be in the range of EUR 6-8 per MWh, depending on the overall market conditions, level of volatility and electricity prices.

At the end of 2023, the hedged share of rolling 10-year outright generation volume for the years 2024–2033 was 15%. Fortum has a substantial pipeline of solar and onshore wind development projects at various stages, however, not yet ready-to-build projects.

### Capital allocation – balance sheet, capital expenditure and dividend

Fortum's key objective is to maintain a credit rating of at least BBB. The group's balance sheet is currently strong with very low leverage. To ensure the current rating of BBB, Financial net debt-to-Comparable EBITDA can be a maximum of 2.0–2.5 times. Fortum has established a new risk management framework to maintain a sufficient liquidity position to manage margining requirements in various price scenarios.

For the period of 2024–2026, Fortum's capital expenditure is expected to be approximately EUR 1.7 billion (excluding acquisition) of which growth capital expenditure is expected to be EUR 800 million and annual maintenance capital expenditure EUR 300 million. Currently the uncommitted growth capital expenditure amounts to EUR 300 million. To ensure required returns for any potential new investments, Fortum continues to be selective and applies earlier set investment criteria; project based WACC + 150–400 investment hurdles depending on technology or investment project, as well as environmental targets.

Fortum's dividend policy – a payout ratio of 60-90% of comparable EPS – remains unchanged. The payout ratio will be used so that the upper end of the range of the pay-out ratio is applied in situations with a strong balance sheet and low investments, while the lower end of the range would be applied with high leverage and/or significant investments and high capital expenditure.

For the year 2023, Fortum's Board of Directors proposes a dividend of EUR 1.15 per share which corresponds to 90% of the Groups comparable EPS of EUR 1.28.

### Phasing of strategy execution

As announced earlier, Fortum will phase the implementation of its strategy to enable successful strategy execution and manage the market uncertainty and weaker investment sentiment. In the near term, a sharpened focus will be put on the core business to optimise the existing best-in-class operations, especially the generation portfolio, as well as manage business risks, for example to decrease the share of merchant exposure. Fortum continues to be prudent and disciplined in its capital allocation to maximise value creation from flexibility, efficiency, and cash flows. During this phase, Fortum prepares for future growth by developing a ready-to-build renewables pipeline. Furthermore, Fortum is investigating longer-term investments opportunities in new nuclear through its ongoing two-year feasibility study which is expected to be ready by the end of this year.

With these actions, Fortum will be prepared for growth longer term, which will be driven by decarbonisation through electrification of other sectors. With its already decarbonised production portfolio and hardly any fossil assets to replace, Fortum can partner and over time grow with

industrial customers in clean energy while focusing on efficient capital allocation, attractive returns, balanced risk exposure, and sustainability.

Fortum Corporation

Ingela Ulfves

Vice President, Investor relations and Financial Communications

**Further information:**

**Investors and analysts:**

Ingela Ulfves, Vice President, Investor Relations and Financial Communications, tel.

+358 40 515 1531

Rauno Tiihonen, Director, Investor Relations, tel. +358 10 453 6150

**Media:**

Fortum News Desk, tel. +358 40 198 2843

**Distribution:**

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Main media

[www.fortum.com](http://www.fortum.com)

**Fortum**

Fortum is a Nordic energy company. Our purpose is to power a world where people, businesses and nature thrive together. We are one of the cleanest energy producers in Europe and our actions are guided by our ambitious environmental targets. We generate and deliver clean energy reliably and help industries to decarbonise their processes and grow. Our core operations in the Nordics comprise of efficient, CO<sub>2</sub>-free power generation as well as reliable supply of electricity and district heat to private and business customers. For our ~5 000 employees, we commit to be a safe, and inspiring workplace. Fortum's share is listed on Nasdaq Helsinki. [fortum.com](http://fortum.com)